



SANTA FE IRRIGATION DISTRICT

A special district of the State of California





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

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

## **Board of Directors**

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Michael T. Hogan – President, representative for District 4

Frank J. Creede – Vice-President, representative for District 1

Dana Frieauf –representative for District 2

Sandra D. Johnson –representative for District 3

Andrew Menshek –representative for District 5

## **Executive Management Team**

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Albert C. Lau, P.E. –General Manager

Rania Amen, P.E. – Engineering Services Manager

Tim Bailey – Water Treatment Plant Manager

Chris Bozir – Distribution System Manager

Seth Gates – Administrative Services Manager





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# FISCAL YEAR 2022 BUDGET



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

We are pleased to present the Fiscal Year 2022 Operating and Capital Budgets for the period July 1, 2021, through June 30, 2022 (FY22), for the Santa Fe Irrigation District (District or SFID). As a comprehensive management and financial plan, the budget document describes the services and resources provided by the District to its customers, communicates District policies and guidelines for achieving short and long term objectives, and advances the District's core mission of providing its customers with safe and reliable water. This budget document includes a description of operating and capital programs and identifies major revenue sources and expenditure categories. This is a planning level document and represents management's forecasts based on known circumstances at the time of development. Any comparative change in projected revenues (sources) / expenditures (uses) in this budget document refer specifically to the FY22 Budget as compared to the FY21 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 Solana Beach, Rancho Santa Fe, and Fairbanks Ranch. Joint Facilities expenditures are for the operation and maintenance of the R.E. Badger Filtration Plant, raw water transportation facilities from Lake Hodges, 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.

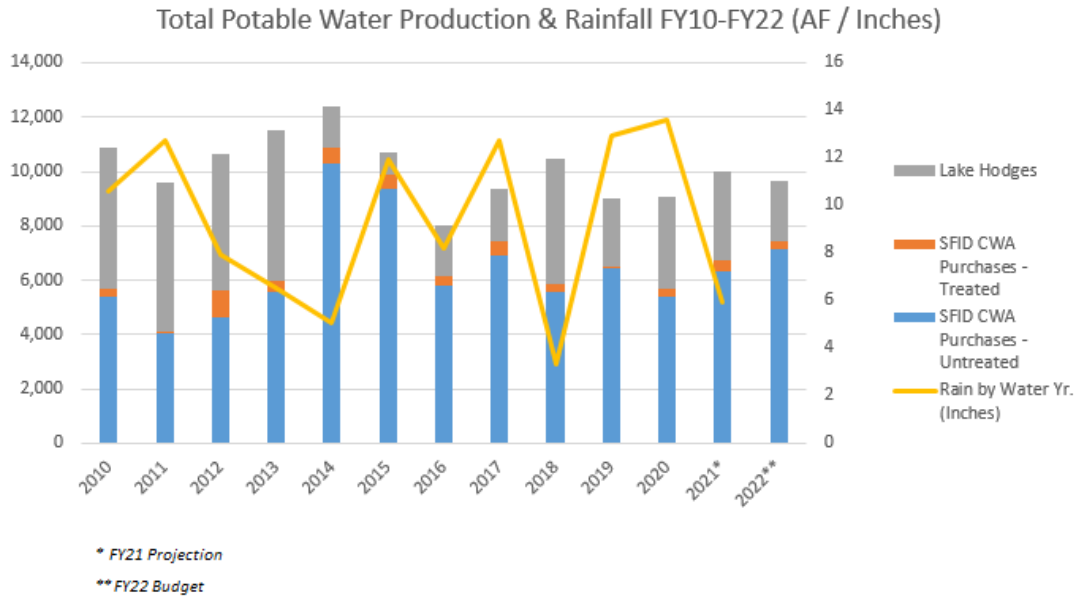
### **FY22 BUDGET SIGNIFICANT ITEMS**

The FY22 Budget development process considered both internal and external factors that drive budget assumptions, projections, and requested appropriations. The following is a summary of FY22 budget drivers that were taken into consideration for recommended appropriation / expenditure levels in addition to driving revenue projections (though it is not all inclusive). Overall, the District is in a very positive financial condition that will allow the Board and Staff to take positive steps in FY22 for customer benefit, a number of which are outlined in this section. However, as during any fiscal year's budget development, a number of unknown impacts are currently developing that Staff will work to update and engage the Board about throughout the year & also keep customers informed about.

### **WATER SALES / PURCHASES**

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





The FY22 outlook for the southwestern United States from the National Oceanic and Atmospheric Administration (NOAA) / National Weather Service's climate prediction center is of long-term severe / exceptional drought remaining entrenched for the foreseeable future. FY18 saw a substantial rise in potable water demand due to low rainfall, which then reversed in FY19-20 as the San Diego region saw water years that were over 100% of average rainfall, thereby reducing demand. As of publication, the FY21 projection for water production is approximately 10,000 AF to meet increased demands as dry weather persists. With NOAA's long-term projection of dry weather, the FY22 projection of approximately 9,700 AF of production to meet customer demand reflects an increase in required production; however, the FY22 Budget also assumes that due to state-wide conservation messaging from the persistent drought will reduce total demand as compared to FY21 projections (as seen in the prior illustration). District Staff will continue to monitor weather, dry conditions, demand levels, and state actions, among others to determine impacts on FY22 demand.

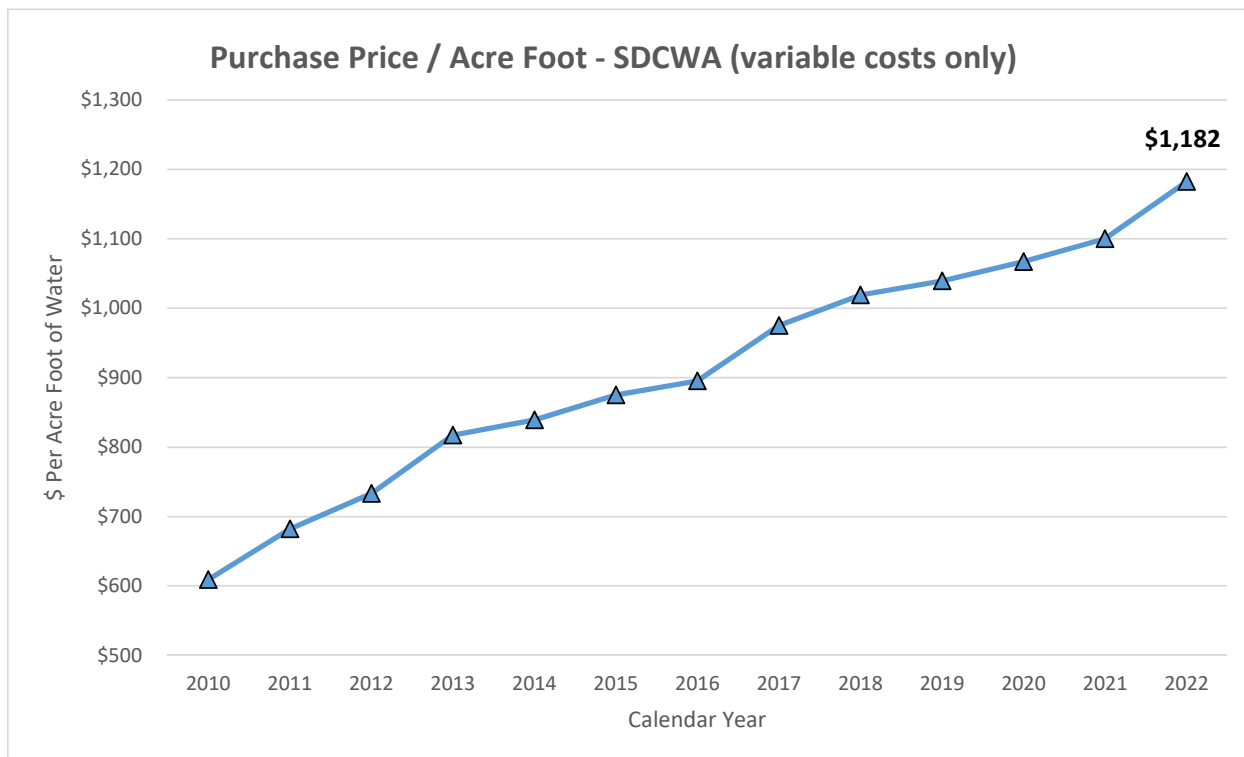
The District has two primary water sources: 1.) imported water from the San Diego County Water Authority (SDCWA), with their respective primary sources of imported water coming from the California State Water Project (SWP) and the Colorado River, and 2.) local water yield from Lake Hodges. The following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

### SDCWA WATER PRICES

Since the drought of the early 1990's, SDCWA has invested billions of dollars to reduce the San Diego region's reliance on imported water and to ensure emergency supplies in the event of a major aqueduct failure to the north or to the east of the County. Periodic droughts, in particular the most recent and severe drought in 2016, have solidified the public's support of such extensive and expensive investments. However, debt service payments on those projects persist over decades, and the completion of two largest project – the Carlsbad Desalination Plant and the San Vicente Dam Raise – have added a substantial cost to imported water from SDCWA and the Metropolitan Water District of Southern California (MWD). Additionally, SDCWA has faced cost pressures due to member agency conservation, a reduction in sales, take-or-pay commitments, and MWD rate increases, among numerous others. Wholesale water costs have more than doubled over the past ten years, as new water development has come to fruition and infrastructure has been constructed. Alternative local sources of water including recycled and indirect/direct



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



As can be seen by the SDCWA price graphic, an AF of imported / untreated water in CY21 is \$1,182 (excluding fixed costs of ~\$445/AF), which have also increased substantially), which is an increase of over 94% since 2010 – averaging 5.7% per year. Based on this & as outlined in the new District’s strategic plan, managing the long-term costs of water is critical to the District. The District has emphasized maximizing local water and working with partners in Lake Hodges to ensure this focus (including continued funding in the FY22 Budget of approximately \$25,000 to engage outside consultants to assist Staff). Additionally, this long-term approach includes the potential for growth in recycled / reclaimed water & the potential for a potable reuse program that the District would participate in. The FY22 Budget includes \$75,000 in funding for consultant work to study the potential for increased recycled water and / or potable reuse with San Elijo Joint Powers Authority & Encina Wastewater.

## SDCWA WATER SOURCES

SDCWA’s anticipated water portfolio for 2021 / 2022 is approximately 70% from direct agreements made to take Colorado River water, 15% from the Metropolitan Water District of Southern California (MWD) – which takes a varying share from SWP & the Colorado River, and 15% from the Carlsbad desalination plant. In total, over 75% of the water delivered from SDCWA is from the Colorado River, which has continued increasing demands placed on it.

### Colorado River Conditions

The water supply forecast for the Colorado River based on runoff is looking increasingly distressed. As of May 2021, NOAA stated the following water supply forecasts should be account for:

*Below to much below normal spring runoff is expected across the region due to very poor (dry) antecedent soil moisture conditions and below to much below normal seasonal (October-May) precipitation. Mid-May water supply guidance generally ranges between 5-85% of normal across the Upper Colorado River Basin and 5-50% of normal across the Great Basin. April-July water supply volume guidance falls in the bottom (driest) five on record at many locations.*

Additionally, storage in the Colorado River system is becoming increasingly taxed. As can be seen below, total system storage for the Colorado River is at its lowest point in years, with approximately 5.9 million AF less in storage than one year ago.

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

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

Sierra Nevada Snowpack Survey



Lake Mead

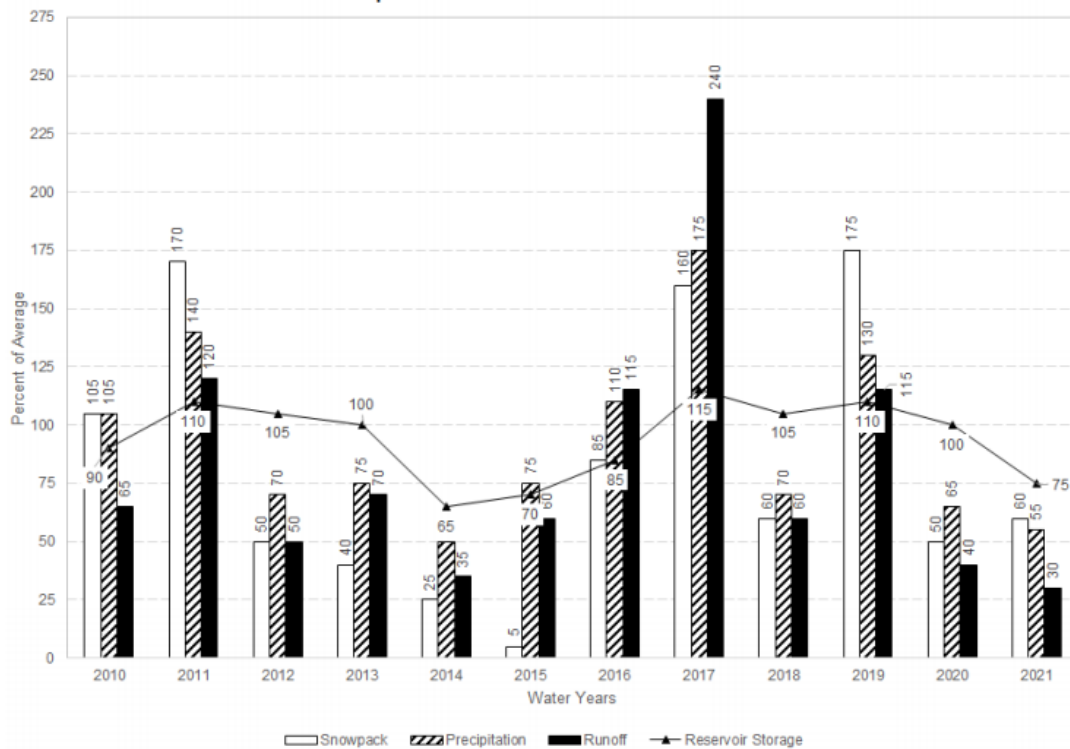


State Water Project

California's water year 2020 (September 2019 – October 2020) was a below-average year; however, total system-wide reservoir storage was at 100% of average levels, thereby providing sufficient resources for all SWP customers.

On April 21, 2021, the Governor of California issued a proclamation of a state of emergency for counties in the Russian River Watershed due to drought conditions. This proclamation ordered the Department of Water Resources (among others) to prioritize drought response and preparedness resources, including working with agencies to ensure drought contingency plans are updated and in place in addition to reviewing requirements for additional reservoir releases. This state of emergency was expanded by the Governor on May 10, 2021 to include 41 of the state's 58 counties due to further warming temperatures that depleted anticipated runoff from the Sierra-Cascade snowpack. As of April 1, statewide conditions for reservoir storage, precipitation, runoff, and snowpack were all trending below normal conditions (100% of average) for water year 2021.

### April 1 Statewide Conditions



Based on these conditions in the SWP and Colorado River, it is anticipated that agencies throughout the southwest dependent on these sources of water will be required to begin reviewing and possibly implementing drought contingency plans. However, based on agreements made by SDCWA, the region has priority access to Colorado River water and has stated:

*Three decades of investments in supply reliability, along with a continued emphasis on water-use efficiency, mean the San Diego region has sufficient water supplies for multiple dry years. Those investments include high-priority conserved water from the Imperial Valley, seawater desalination, and access to the Semitropic Original Water Bank in Kern County, where the Water Authority has stored about 16,000 acre-feet of water.*

This supply reliability also includes local water storage available from SDCWA investments, in addition to local water storage available to individual agencies beyond these SDCWA amounts, including Lake Hodges. The region has a significant volume of water stored in the region to be able to supplement imported water supplies as shown in the following table.

## SAN DIEGO LOCAL STORAGE – MARCH 2021 *(source: SDCWA)*

Agency	Capacity (AF)	Storage (AF)	% of Capacity
Carlsbad Municipal Water District	600	37	6%
Escondido, City of	5,389	4,462	97%
Fallbrook Public Utility District	1,335	409	31%
Helix Water District	8,195	778	9%
Poway, City of	3,432	3,097	90%
Rainbow Municipal Water District	465	-	
Ramona Municipal Water District	12,000	1,406	12%
San Diego County Water Authority	24,774	19,164	77%
San Diego, City of *	549,007	304,012	59%
Santa Fe Irrigation District **	883	351	40%
Sweetwater Authority	53,479	21,364	30%
Valley Center Municipal Water District	1,612	1,475	92%
Vista Irrigation District	51,774	6,380	12%
<b>TOTAL</b>	<b>712,945</b>	<b>362,935</b>	<b>51%</b>

\* Includes Lake Hodges

\*\* San Dieguito Reservoir

Based on all these factors, the FY22 Budget does not forecast imposed restrictions on water use, though Staff is continuing to evaluate ongoing impacts from the sustained dry period.

### LAKE HODGES

Lake Hodges serves as the local source of water for the District, providing on average approximately 30% of total needed annual supply. Because it relies on precipitation and runoff for its yield, Lake Hodges supplies can vary from year to year. The Hodges Dam was built in 1918 and its condition was rated as “poor” by the California Division of Safety of Dams (DSOD) in 2019. Based on this condition assessment, on August 1, 2019 the DSOD restricted the water levels in Lake Hodges to 13,000 acre feet (AF), or 17,000 AF below the maximum water capacity of Lake Hodges. Total storage for the District and SDWD is 5,000 AF with no restriction. Based on the DSOD restriction, this pool has been reduced to 2,170 AF. However, the District has worked with the City of San Diego (who also has 5,000 AF storage with no DSOD restriction) & SDCWA to ensure that they have the ability to utilize SDCWA facilities to move their local water out of Lake Hodges to another reservoir, allowing the District the possibility of increased storage above the 2,170 AF restricted level.

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



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

Currently, the District has approximately 750 AF of local water stored in Lake Hodges (as of May 2021). Projections for FY22 included in this budget reflect an anticipated 2,250 AF of local water yield from Lake Hodges for financial projections. This is below the long-run average of approximately 3,000 AF of local water available from Lake Hodges. Impacts of this reduced yield are further outlined in the budget overview section of this document.

#### COVID-19 IMPACTS IN FY22

The District has continued to work under an emergency order in response to the pandemic that began in March 2020. During the development of the FY21 Budget, operating and financial impacts associated with the pandemic were unknown. Over the last year, the District has had to stagger staffing schedules and / or modify operations to accommodate social distancing and comply San Diego County, State of California, and Occupational Safety and Health Administration requirements, among others. Staff was able to ensure continuity of operations through symptom monitoring, offering the ability to work remotely where applicable, and providing paid leave to those impacted by COVID. However, there were no significant variations in expenditure levels due to the pandemic & the District did not experience any outbreak.

The District has experienced an increase in accounts receivable due to all service disconnections for non-payment being suspended due to the Governor's Executive Order N-42-20 on April 2, 2020 (with no end date). Staff has continued to work with customers on payment plans and other accommodations that can be offered. The FY22 Budget does not include any significant changes due to the pandemic as it is anticipated to wane in coming months & the State of California to be fully opened with "common sense precautions" by June 15, 2021.

#### STRATEGIC PLAN

The District's strategic plan is the guiding document for the Board of Director's and District Staff to take specific actions to move the District forward under unifying and guiding principles. The strategic plan is also an important communication tool for District ratepayers to understand why the Board and Staff are undertaking certain actions. The strategic plan directly impacts the annual budget through sufficient & focused funding to ensure that annual goals are met in addition to incrementally working towards longer-range accomplishments.



The District's Board and Staff have been working towards adopting a new strategic plan through multiple public meetings. The development timeline for the new strategic plan was the same as the development timeline for the FY22 Budget. Goals and strategies in the strategic plan were finalized in conjunction with adoption of the annual budget. Since these goals were still to be finalized while the initial drafts of the FY22 Budget were being prepared, the funding included in the FY22 Budget provides for generally the same service levels as in FY21, with a few additional planned expenditures. Based on the Board adopted strategic plan goals, if the Board should decide to refocus any portion of these budgeted appropriations in FY22 to better accomplish these goals in the strategic plan, there are a number of times during the fiscal year that this could be accomplished. The District annually reviews the current year budget versus updated projections at the start of the new calendar year & takes any necessary actions to update appropriations. Additionally, the District's Budget Policy allows for further flexibility through approved funding to be transferred from other programs / services without increasing appropriations for the fiscal year.

## RESERVES & OTHER SOURCES OF FUNDING FOR CONSIDERATION IN FY22

### RESERVES

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

The Local Water Fund was used to offset the 4.6% SDCWA imported water cost increase on January 1, 2021 based on contributions made due to positive levels of local water in FY20 above the amounts utilized in the rate setting process. With approximately 700 AF of additional local water available in FY21 above the amount included in the rate setting process (3,200 AF vs 2,500 AF), the Local Water Fund is projected to be funded to approximately \$950,000 at the end of FY21. This funding is used in the FY22 Budget to continue to offset the SDCWA rate increase from January 1, 2021 in addition to offsetting the 3.2% proposed increase to SFID rates to be implemented on January 1, 2022.

### UNDESIGNATED FUNDING AVAILABILITY

Additionally, in conjunction with the acceptance of the District's annual audit, the Board set the reserve level for each of the funds outlined in the Policy in November 2020, leaving approximately \$5 million in unrestricted / undesignated funding. This undesignated funding is a resource that Staff has been engaging the Board on what possible highest / best uses may be for ratepayer benefit in FY22. This amount has not been appropriated in the FY22 Budget, but based on these discussions with the Board, any utilization of these funds will be appropriated in a separate action(s) in the manner that the Board determines to be the most beneficial use(s). Potential uses discussed on a preliminary basis include addressing the District's unfunded pension liability & alternative energy projects, among others.

### SDCWA REFUND

In August 2020, SDCWA was awarded \$44,373,872.29 in total for two cases against MWD for stewardship rates paid CY11 to CY14. These amounts were returned to SDCWA member agencies proportionate to their imported water purchases during this time period. In March 2021, the District received \$748,699.93 as its proportionate share. This amount was placed in the District's Rate Stabilization Fund pending a discussion on utilization of these funds. This amount will be available to be utilized in FY22 (beyond the Local Water Fund and undesignated funding availability) in a manner consistent with the way these

revenues were generated (purchase of imported) in CY11 to CY14. Staff is also currently engaging the Board on these option(s).

## DISTRICT COST-OF-SERVICE

The District's Board approved the most recent cost-of-service in January 2020, with a 3%% increased revenue requirement. Additionally, the Board approved a maximum incremental rate adjustment of 3% per calendar year for 2021 and 2022. As outlined in the previous section, the District has available resources above currently adopted reserve levels, held as unrestricted / undesignated funding availability. Based on the District's positive financial condition, the maximum 3% increase approved during the latest cost-of-service effective January 1, 2021 was not implemented. The FY22 Budget revenue includes the 3%% increase in the District's revenue requirement / rates effective January 1, 2022. However, the Board annually reviews the District's current financial requirements in conjunction with acceptance of the annual audit in November / December. Though included in the FY22 Budget, the Board will take action at this time in regards to this maximum increase, electing to implement potentially all, some, or none of this increase. This action is also in conjunction with the Board's determination of the pass-through of the SDCWA calendar year potable water rate increase (also outlined in the previous section) to District customers, or utilization of the Local Water Fund to offset this increase.

With the current cost-of-service expiring at the end of CY22, the District will issue a request-for-proposal for qualified firms to begin a new cost-of-service process. It is anticipated that this process will begin in fall / winter & result in a number of workshops engaging the Board and public for input in the rate design process and requirements for a new cost-of-service to be presented to the Board for adoption in late CY22.

## LEGISLATION

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

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

## LONG RANGE FINANCIAL PLAN

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



potable water costs, which are projected to be able to be maintained utilizing District reserves combined with minimal increases in potable water costs. The long-term District priorities are:

- Addressing the unfunded liabilities for the District's pension and Other Post Employment Benefit plans through various funding strategies & codified in a funding policy(ies);
- Providing necessary funding for capital replacement and improvements for District and Joint Facilities;
- Having a plan in place to try and smooth potable water rates for customers;
- Explore potential cost-effective ways of mitigating long-term water rate increase including Lake Hodges and potable reuse options;

## FY22 BUDGET SUMMARY

The programs and expenditures outlined in the FY22 Budget reflect management's best efforts to advance the mission of the District, maintain day-to-day operations, and ensure a safe and productive workplace for employees. Major initiatives for FY22 focus on infrastructure investment, completion of a Lake Hodges management agreement with all involved parties, and development of the District's strategic plan, among others.

## EXPENDITURES / USES OF FUNDS

Total use of funds (for operating and capital) by expenditure category for FY22 as depicted in the associated pie chart is \$45,378,057, an increase of \$1.4 million, or 3.3% more than the FY21 Budget. Expenses can be categorized into five areas: costs associated with capital improvements (infrastructure replacement and refurbishment) at 29.0%, water purchases at 28.1%, personnel expenditures of 19.4% (salaries, retirement, healthcare, and other), departmental / non-personnel expenditures of 15.5% (joint facilities, operations & maintenance, engineering, administration), and depreciation / amortization of 8.1%.

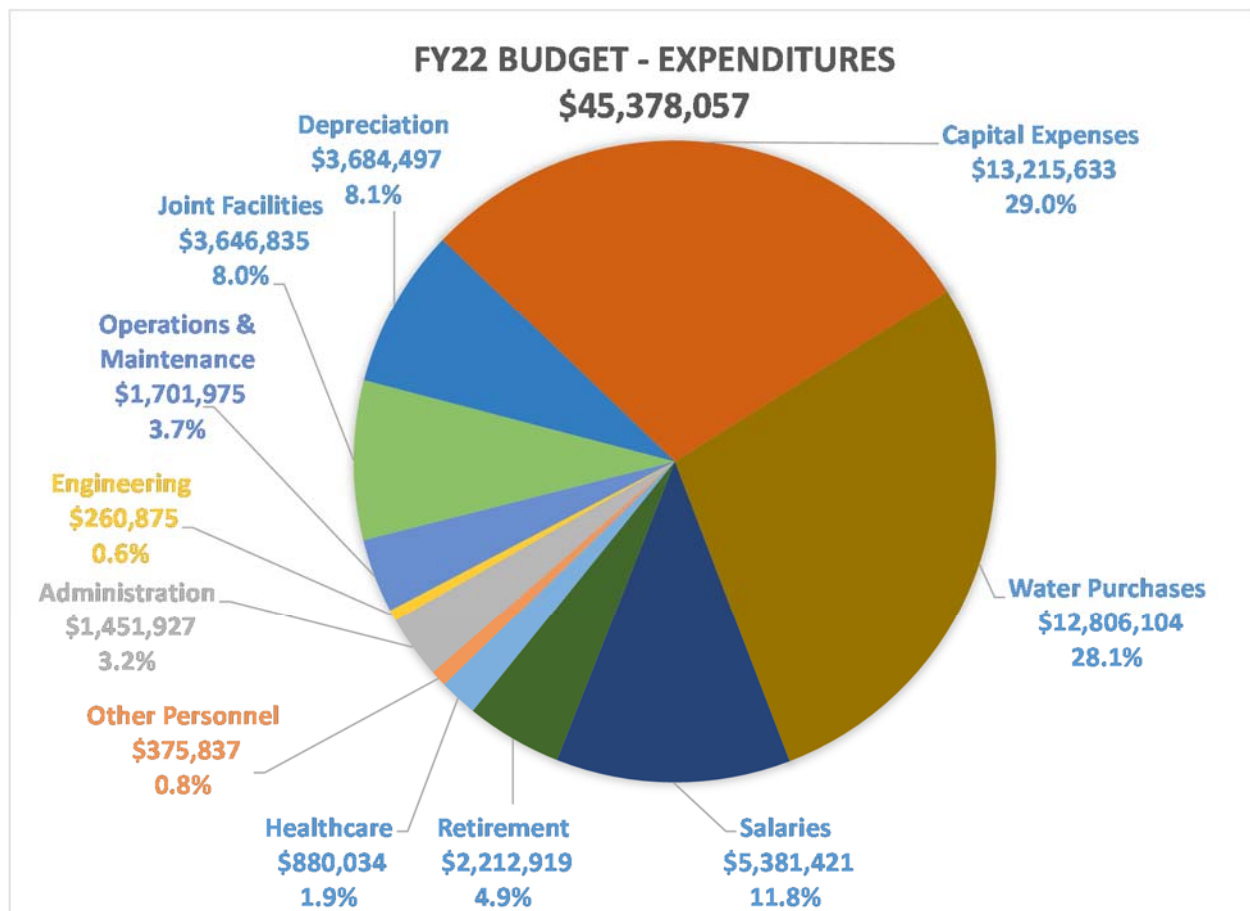


Figure 1

The \$1.4 million increase in the FY22 Budget is due to an approximate:

- \$1.4 million increase in water purchase expenditures;
- \$430,000 increase in personnel expenditures;
- \$180,000 increase in depreciation expenditure;
- \$100,000 reduction in in departmental operating expenses;
- \$550,000 reduction in planned capital improvement projects.

#### CAPITAL IMPROVEMENT PROGRAM

The FY22 capital budget of \$13.2 million consists of \$1.3 million in smaller acquisition purchases (CAP) and \$11.9 million in larger multi-year capital improvement projects (CIP).

The \$1.3 million in CAP is mainly for the replacement of operating assets that have been fully depreciated and are in need of replacement - \$485,000 of which is for the District alone and \$792,000 for Joint Facilities. The District continues to fund the repair, maintenance, and replacement of the nearly \$500 million in infrastructure that consistently delivers safe and reliable water to its customers with the \$11.9 million in CIP. After two fiscal years of lower than anticipated CIP expenditures, FY21 has seen large capital improvement projects begin construction in a planned progression the 2012 Asset Management Master Plan (AMMP) and the Joint Facilities Master Plan (JFMP). Funding for the update of the AMMP and JFMP was included in the FY21 Budget, with work underway & anticipated to be completed in the fall. Funding for the

completion of these updates to help guide long-range capital investments for both the District and Joint Facilities is included in the FY22 budget.

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

Total CIP expenditures for FY22 are anticipated to be \$11.9 million, with District only CIP expenditures totaling \$1.8 million and Joint Facilities expenditures of \$10.1 million. The District CIP projects consist primarily of the \$1.8 million for construction to begin on the replacement / relocation of the Government Road Pipeline portion of the distribution system. The \$10.1 million in joint facility expenditures in FY22 consist of \$8.6 million in REB improvements, \$1.1 million in additional joint facility improvements, and \$330,000 in San Dieguito reservoir improvements.

The FY22 Budget requests \$1.9 million in appropriation approvals to allow staff to engage in contracts to accomplish these projects - \$1,740,000 for District projects and \$146,313 for Joint Facilities. It should be noted that the District does not have any outstanding indebtedness, though Staff will continue to engage the Board in any potential benefits to debt financing the District's capital program through long-range financial planning.

## WATER PURCHASES

### SFID WATER PRODUCTION / SOURCES: FY21 – FY22

Sources (in AF)	FY21 Budget	FY21 Projection	FY22 Budget
SDCWA - Untreated	6,144	6,307	7,155
SDCWA - Treated	261	454	261
Lake Hodges	3,000	3,243	2,250
<b>Total Potable Water</b>	<b>9,405</b>	<b>10,005</b>	<b>9,666</b>
Recycled Water	575	606	575
<b>Total Water Sources</b>	<b>9,980</b>	<b>10,610</b>	<b>10,241</b>

### Potable Water

As previously outlined, the largest driver of water is projected weather (temperature and rainfall). As can be seen from the water sources projected for FY21 Budget as compared to the FY22 Budget, total water purchases increased by 1,011 AF due to a projected decline of 1,750 AF of water yield from Lake Hodges. Based on this increase in water purchases / reduced local water yield (in addition to the 3.3% SDCWA increase on January 1, 2022), there is a \$1.4 million or 13.6% from the FY21 Budget for potable water. There is an anticipated decline in FY22 water production / customer demand from the FY21 projection.

This decline is due to the persistent dryer weather that is forecasted for the future & the assumption that an aggressive, state-wide conservation messaging will reduce District-wide consumption (as has been seen in prior years). Any increase in customer demand or reduced yield from Lake Hodges will require the District to purchase additional imported water from SDCWA, which will have a significant budgetary impact. With this potential, Staff will continue to closely monitor consumption levels for the potential need for additional appropriations to purchase imported water supplies.

The 3.3% increase in SDCWA rates is comprised of fixed charges assessed to the District (incurred regardless of the amount of imported water taken) and the other variable charges that make up the price of an acre foot of water purchased. These charges are assessed SDCWA, though some charges are a pass-through of costs imposed by MWD. The charges in the following graphic are the preliminary charges brought forward by SDCWA in their May proposal for CY22. These charges are reviewed in conjunction with their annual budget and are brought forward to their Board of Directors for approval in June. If these proposed figures are different than the ones adopted by the SDCWA Board, District Staff will include the variation in FY22 projections and any appropriation request changes to the Board during the mid-year budget review in February. (\$ per AF cost includes MWD charges not shown in the table)

### DRAFT CY 2022 Rate Recommendation

Variable (\$/AF)	CY 2021	CY 2022 Recommendation	%Δ
Supply Rate	\$940	\$1,009	7.3%
Treatment Rate	\$295	\$310	5.1%
Transportation	\$150	\$173	15.3%
Untreated SAWR	\$777	\$799	2.8%
Treated SAWR	\$1,072	\$1,109	3.5%
<b>Fixed (\$M)</b>			
Customer Service	\$25.60	\$25.60	0.0%
Storage	\$60.00	\$60.00	0.0%
Supply Reliability	\$38.84	\$39.3	1.3%
IAC (\$/ME)	\$4.24	\$4.24	0.0%
All-In Untreated	\$1,474	\$1,523	3.3%
All-In Treated	\$1,769	\$1,833	3.6%

5% below Prior Years Guidance (May '20)  
(\$1,604/AF)

The average price increase for SCDWA member agencies on January 1, 2022 is 3.3%, however, as seen below, the District's monthly fixed charges are declining 3.8%, while the price per AF of untreated water is increasing 8.4%. Overall, these net out to a 3.2% increase in SDCWA rates for the District based on the water purchase volume projections included in the FY22 Budget.

	CY21 \$/AF	CY22 \$/AF	% Change
Supply Rate	\$ 940	\$ 1,009	7.3%
Transportation	150	173	15.3%
Treatment	295	310	5.1%
\$ AF Untreated	\$ 1,090	\$ 1,182	8.4%
\$ AF Treated	1,385	1,492	7.7%
SFID Monthly Fixed Fees	\$ 259,340	\$ 249,417	-3.8%

In comparison to imported water prices, the price for local water to get to the R.E. Badger Filtration Plant per AF is approximately \$200 - \$250, which provides a significant financial incentive to the District to maximize local water.

#### Recycled / Reclaimed Water

Recycled water demand levels in the FY22 Budget and equal to those included in the FY21 Budget. The San Elijo Joint Powers Authority (SEJPA) is the source of recycled / reclaimed water in the District & SEJPA currently charges the District \$1,640 per AF for reclaimed water, which the District passes on to customers. SEJPA is recently completed their cost-of-service process, with annual rate adjustments of 3.9% for FY22 through FY26, as follows:

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

Based on this new rate of \$1,704 per AF, the District anticipates spending approximately \$35,000 more for recycled water in the FY22 Budget as compared to the FY21 Budget.

#### PERSONNEL EXPENDITURES

Total personnel expenditures have increased by approximately \$435,000 from the FY21 Budget to the FY22 Budget. Of this increase, approximately \$200,000 is due to a 2.0% cost-of-living adjustment for all employees (except the General Manager) based on the Board 2018 approved Memorandum of Understanding (MOU). The MOU currently in place included a pay adjustment equal to the San Diego / Carlsbad CPI-U for CY21 effective for July 1, 2021, with a minimum of 2.0% and a maximum of 4.0%. With the CPI-U coming in at 1.7%, the floor of 2.0% will be utilized. Approximately \$150,000 of the increase from the FY21 Budget is due to required unfunded liability payments to CalPERS for the District's pension system, increasing from \$930,000 to \$1.1 million, offset by a \$20,000 reduction in CalPERS PAYGO amounts based on pension reforms previously instituted by the District. Finally, the last largest contributor to the increase in personnel expenses from FY21 Budget levels is due to a projected 10% increase in

healthcare costs effective January 1, 2022 – though this increase will be determined in the fall when the District is notified of the new premiums & employee plan election.

#### DEPARTMENTAL / NON-PERSONNEL EXPENDITURES

Total non-personnel expenditures for the FY22 Budget (excluding depreciation) total approximately \$7.1 million, a \$100,000 decrease from the FY21 Budget. There are a number of increases & decreases in each of the District's departments which are outlined in their respective sections in this budget document.

#### DEPRECIATION / AMORTIZATION

The District utilizes expensed depreciation / amortization on an annual basis as one of the main funding mechanisms for the Capital Reserve Fund. Annual depreciation expense is a function based on assets currently in service, their depreciable life, and remaining depreciable balance. Depreciation expense in FY22 is anticipated to increase approximately \$180,000 due to assets placed in service in FY22, including phase 6 of the District's automated metering infrastructure, among other.

## REVENUES / SOURCES OF FUNDS

Total sources of funds (for operating and capital) by revenue source for FY22 as depicted in the associated pie chart is \$45,378,057, an increase of \$1.4 million, or 3.3% more than the FY21 Budget. Expenses can be categorized into four major areas: potable water sales at 45.9%, SDWD reimbursements for operating and capital expenditures at 15.7%, fixed meter charges at 12.6%, and reserve utilization of 12.0%, – with all other revenues totaling 13.8%.

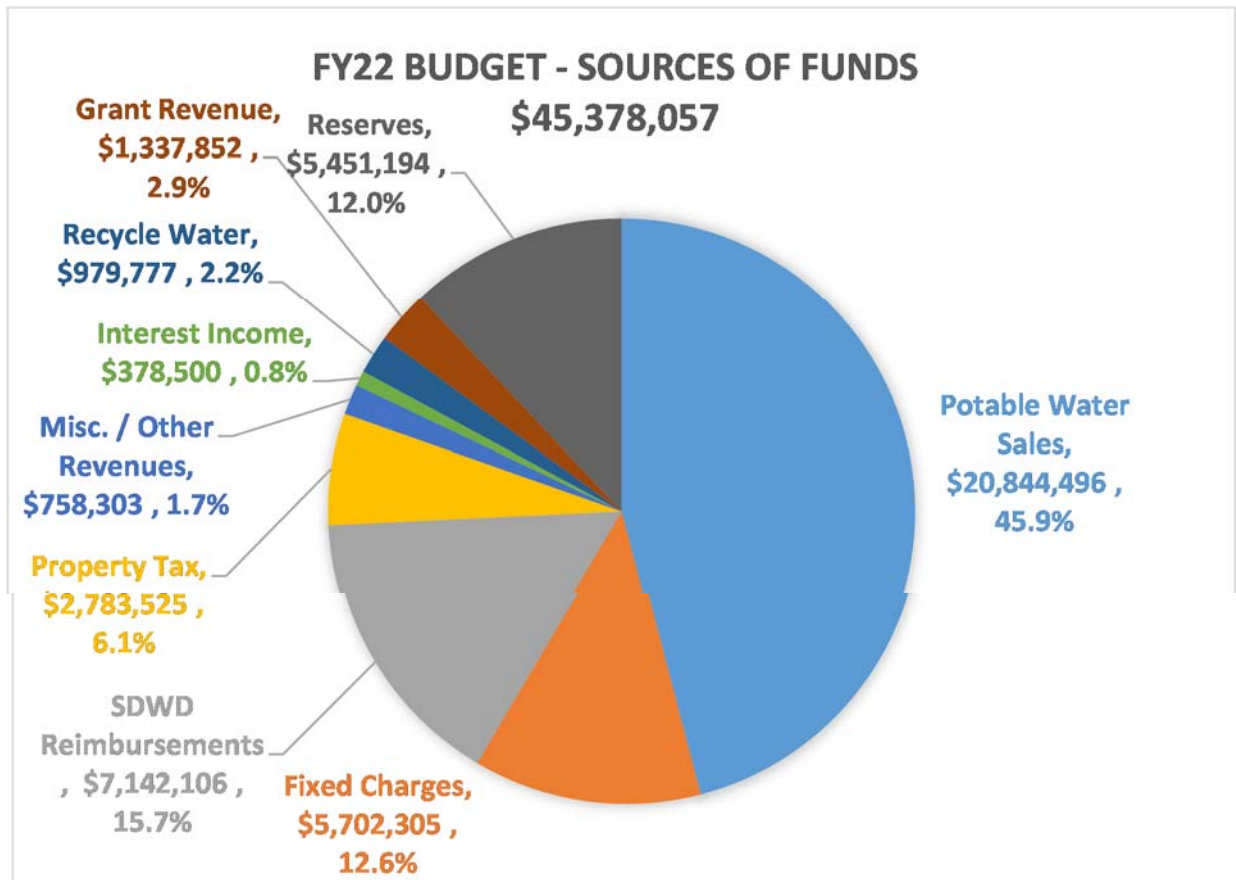


Figure 2

## POTABLE WATER SALES

Water sales (commodity) revenues for FY22 are projected at \$20.8 million, an increase in revenues of approximately \$200,000 or 2.8% from the FY21 Budget. Volumetrically, the FY22 Budget assumes 9,250 AF of potable water sales, an increase of 250 AF from the FY21 Budget. The decrease in water sales revenue is a function of the FY21 Budget including the District's cost-of-service approved 3% revenue requirement increase in addition to the pass-through of SDCWA's January 1, 2021 4.6% wholesale pass-through. As previously outlined, the Board did not increase rates for the District's revenue requirements or for the SDCWA increase effective January 1, 2021, thereby reducing water sales revenue projections for FY22 as these rates would have carried into the upcoming year(s). This action required the District to utilize reserve funds to offset this lost revenue in FY21 and in the FY22 Budget due to resource availability above established Reserve Policy levels.

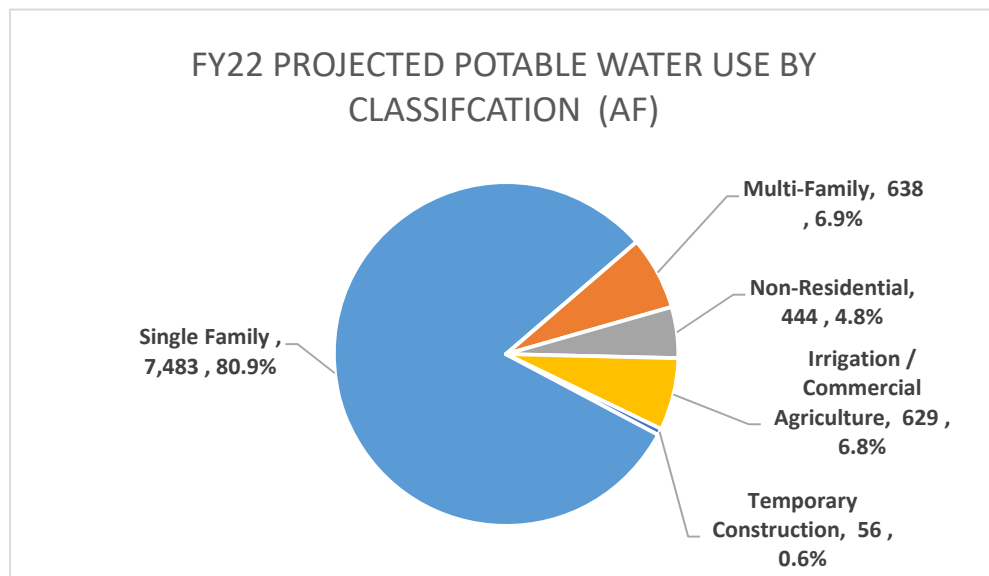


# SFID PROJECTED WATER SALES: FY21 – FY22

Sources (in AF)	FY21 Budget	FY21 Projection	FY22 Budget
SDCWA - Untreated	6,144	6,307	7,155
SDCWA - Treated	261	454	261
Lake Hodges	3,000	3,243	2,250
<b>Total Potable Water - Production</b>	<b>9,405</b>	<b>10,005</b>	<b>9,666</b>
<i>Estimated Non-Revenue Water</i>	<i>4.3%</i>	<i>4.3%</i>	<i>4.3%</i>
<b>Total Potable Water - Sales</b>	<b>9,001</b>	<b>9,574</b>	<b>9,250</b>

The FY22 water sales projection included in the accompanying table shows the progression of projected water sales due to the continued dry weather. The FY21 projection for water sales is approximately 600 AF higher than FY21 Budget levels, and the FY22 Budget is approximately 250 AF higher than the FY21 Budget. The reduction in anticipated water sales from the FY21 Projection to FY22 Budget of approximately 320 AF is due to the anticipation that with persistent dryer weather that statewide conservation messaging will continue to increase & have an impact on total customer consumption, as has been seen in District customers in prior years. Staff will continue to monitor water demand, local water yield, and the resulting total purchases the District has to make from SDCWA to meet District-wide consumption levels.

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



## SDWD REIMBURSEMENTS

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SDWD reimbursements for their proportionate share of Joint Facilities operating expenditures totals approximately \$3.0 million in the FY22 Budget, a decrease of approximately \$100,000 due to reduced local water expenditures. The FY21 Budget assumed large operation and maintenance expenditures for Lake Hodges Dam temporary repairs. However, the City of San Diego, the dam's owner, delayed these expenditures into FY22 and beyond.

SDWD reimbursements for their proportionate share of Joint Facilities capital expenditures totals approximately \$4.2 million, a decrease of approximately \$600,000 due to the seismic retrofit and de-watering capital project expenditures pushing more into FY22 than FY21 than anticipated. These capital reimbursements are net of SDWD's proportionate share of the \$2.6 million CalOES grant received by the District for the Joint Facilities seismic retrofit project.

## FIXED METER CHARGES

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Fixed charges are the District's fixed fee, which is charged to customers on a bi-monthly and monthly basis for potable water and recycled water, respectively. These fixed charges are projected to total \$5.7 million in FY22, which is a \$150,000 increase or 2.7% from FY21 based on current meter inventories, the 3% SFID rate increase effective January 1, 2022, and a small revenue increase due to an increase in recycle water meter fees effective July 1, 2021 per the District's November 2019 Proposition 218 notice.

## PROPERTY TAXES

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The District receives a portion of the 1% general assessment for real property in its service territory. Total projected property tax receipts in the FY22 Budget total approximately \$2.8 million, an increase of 11.3% from the FY21 Budget. When formulating the FY21 Budget, the District was unsure of the impacts of the pandemic on property prices and property tax collection rates & anticipated that some of the impacts experienced in 2008-2011 after the Great Recession would be seen. However, due to low interest rates and a high level of job retention in higher-paying jobs, the District's property tax receipts and collection rate continued to grow (which is incorporated into the District's revised FY21 projections). The FY22 Budget is based on a 2.0% growth from the revised FY22 projection, which is the Proposition 13 maximum growth rate.

## OTHER REVENUES

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Other revenues include miscellaneous operating revenues (derived primarily from District fees for development activity on a reimbursement basis), capacity charges (payments for new potable meter connections utilized for capital improvement projects, interest income, grant revenues (the anticipated full payment of the District's CalOES grant for the Joint Facilities seismic retrofit project), and miscellaneous non-operating revenues (rent for the two residential properties on District property, insurance premium refunds from District carrier(s), cell site leases, etc.). These revenues total \$2.4 million in the FY22 Budget, which is an approximate \$600,000 increase due primarily to a \$550,000 increase in the CalOES grant proceeds, which is anticipated to complete all reimbursements from this grant.

In 2018, the District and SDWD were awarded a FEMA grant (administered by CalOES) totaling \$2,683,452 for the seismic retrofit projects at the R.E. Badger Treatment Plant (Plant). With a total of \$1.3 million to be reimbursed through FY21, this leaves \$1,337,852 to be reimbursed by CalOES / FEMA in FY22 to be shared among the Districts. It should be noted that the District is applying for additional funding through CalOES / FEMA due to cost increases in the seismic retrofit projects (as approved by the Board) after the original application was processed, though no agreement is currently in place and is therefore not projected.

It should be noted that the District's projected \$378,500 in interest income for FY22 is dependent on maintaining the District's current reserve levels, both designated & undesignated. Based on Staff engaging the Board on potential utilization of undesignated reserves, any use of these undesignated sources of funds will decrease projected interest income in FY22. Additionally, the District is currently undergoing a user fee study in compliance with Proposition 26 that will update the District's user fees for full cost recovery, which is anticipated to be completed in fall 2021. This fee update is expected to increase user fees based on inflationary pressures since the last fee update in 2018. Any increase in these fees is anticipated to increase these miscellaneous operating revenues above projected levels.

## RESERVE UTILIZATION

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The FY22 Budget utilizes \$5.5 million in reserves to balance revenues / resources & expenditures / uses. The largest portion of this amount is \$4.3 million in funding from the Capital Reserve Fund, which is the difference between contributions from non-operating revenues (\$8.9 million) & total District capital expenditures (\$13.2 million). However, the Capital Reserve Fund is replenished through expensed depreciation and amortization of the District in the current fiscal year. Though there is anticipated utilization of \$4.3 million from the Capital Reserve Fund, \$3.7 million will be returned to the Fund through depreciation in FY22; yielding a net utilization of approximately \$500,000 of the Capital Reserve Fund in FY22.

The FY22 Budget utilizes approximately \$400,000 of Local Water Fund resources to offset imported water prices increases from SDCWA. The Local Water Fund was established by the Board in their November 2020 adoption of the revised District Reserve Policy. The Local Water Fund, as established in the Reserve Policy, is as follows:

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

Projected local water in FY21 exceeds the amount included in the District's most recent rate setting process, allowing for an additional contribution for a FY22 starting balance of approximately \$950,000. The utilization of \$400,000 in FY22 to continue to offset the SDCWA 4.6% increase on January 1, 2021 and the 3.2% SDCWA increase effective January 1, 2022 will still allow this Fund to retain approximately \$550,000 in funding to continue to offset SDCWA increases in FY23 or for other Board determined purpose(s).

Finally, the FY22 Budget projects the utilization of approximately \$760,000 in resources from the Rate Stabilization Fund. The two contributing factors to this utilization are: 1.) the reduction in local water availability, and 2.) the Board's November 2020 decision to not implement the District's 3% cost-of-service approved rate adjustment / revenue requirement. Total local water yield in FY22 is anticipate to be 2.250 AF, which is 250 AF below the level utilized in the rate setting process. At the average SDCWA rate for imported untreated water of \$1,141 per AF, this reduction in local yield requires the District to spend an

additional approximate \$285,000 for its replacement. Per the District's Reserve Policy, the Rate Stabilization Fund is as follows:

*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.*

The second factor of not implementing the District's 3% rate increase / revenue requirement was anticipated to necessitate the utilization of approximately \$770,000 of resources from the Rate Stabilization Fund in the Board's November 2020 action to forgo this increase based on the District's positive financial condition. This figure has been reduced to \$475,000 in the FY22 Budget based on reductions in District operating costs from anticipated levels. Comprehensive FY21 & FY22 reserve tables are included in the Reserves section of this document.

## CONCLUSION

The Santa Fe Irrigation District FY22 Operating and Capital Budget presents a financial plan for the fiscal year July 1, 2021, through June 30, 2022. 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.

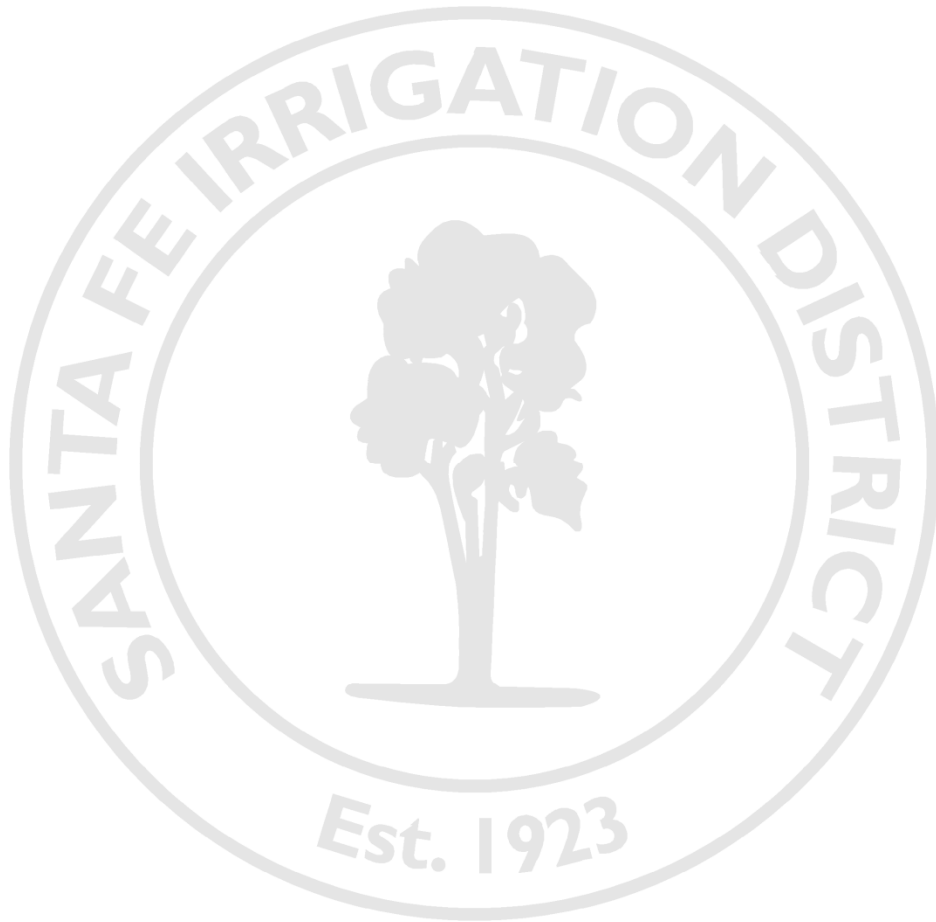
Respectfully submitted,

A handwritten signature in blue ink, appearing to read 'Albert C. Lau'.

Albert C. Lau, P.E.  
General Manager

A handwritten signature in blue ink, appearing to read 'Seth M. Gates'.

Seth M. Gates  
Administrative Services Manager



# INTRODUCTION

## HISTORY

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

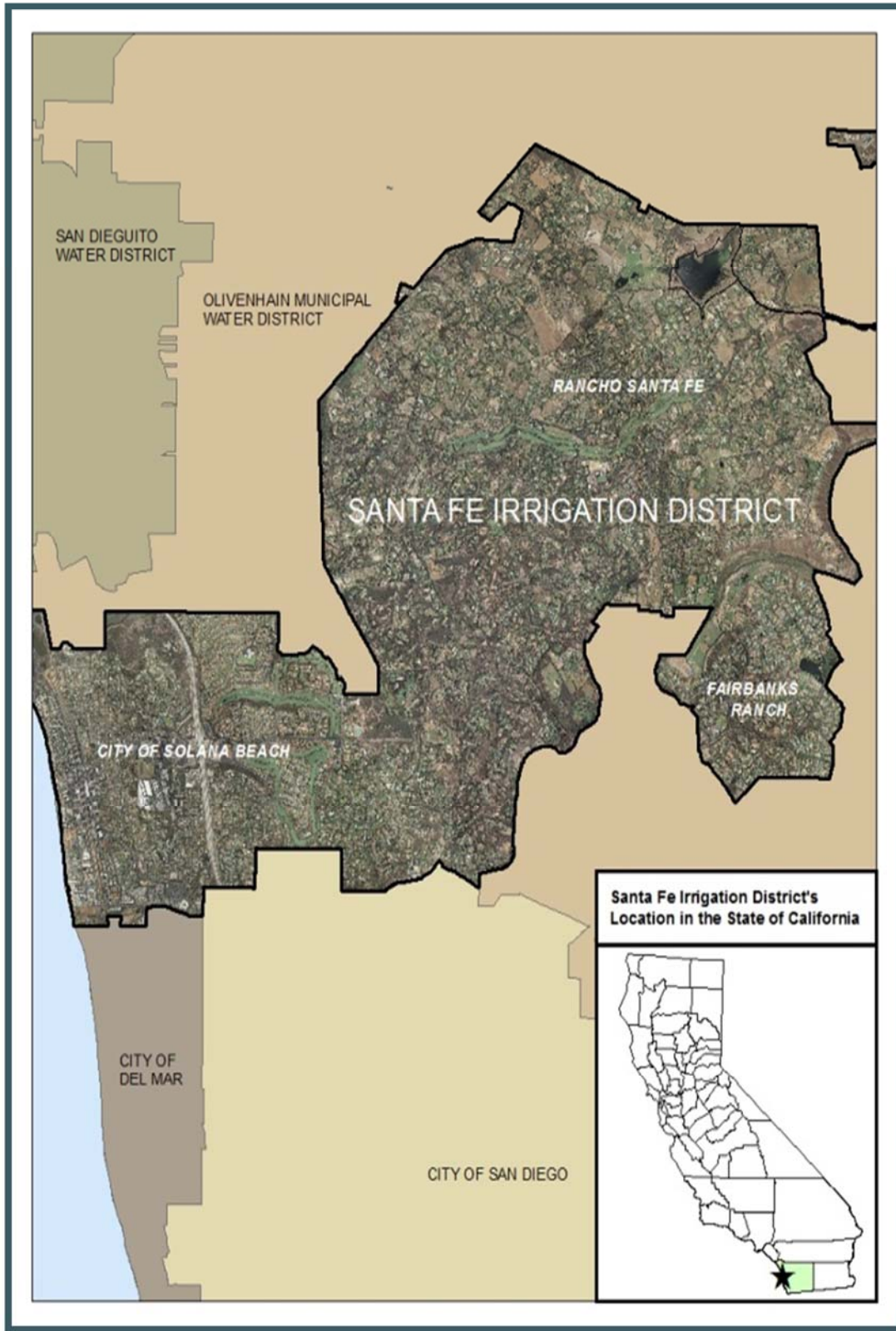
## SERVICE AREA

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

Approximately 81% of the District's total water demand is residential, with the remainder of usage distributed between commercial, outdoor irrigation/agriculture, and institutional/governmental customers. The District serves an approximate population of 20,000, with roughly two-thirds of in the Solana Beach area. The City of Solana Beach is a coastal community in northern San Diego County, known for its design district on Cedros Avenue and access to local beaches. Rancho Santa Fe is recognized as having one of the highest per capita incomes in the United States and provides its residents with a secluded, rural environment with horse trails throughout the community. Fairbanks Ranch is an upscale gated community established in the 1980s.

## LOCAL ECONOMY

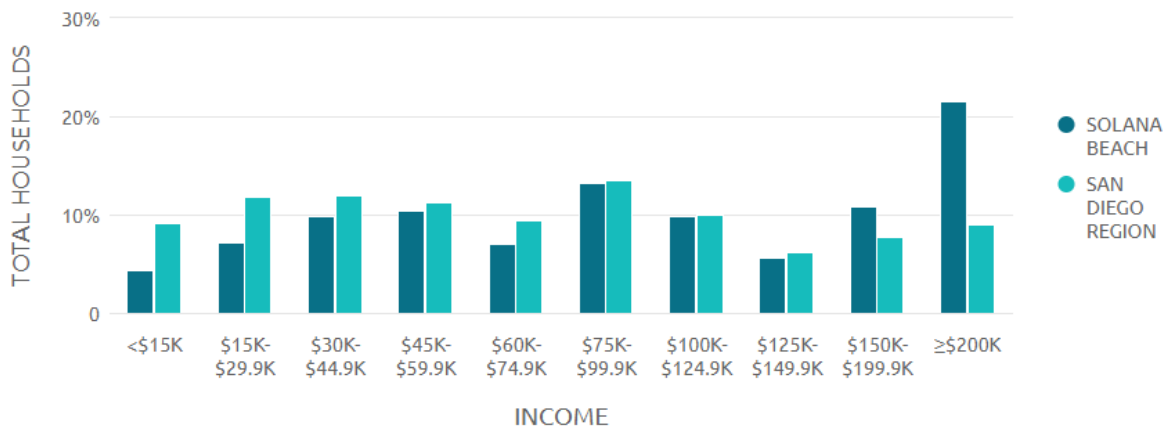
San Diego County is the second most populated county in California. While the District's service area has seen little population growth over the last decade, the region surrounding it has generally experienced much greater growth. The San Diego Association of Governments (SANDAG) estimates that the population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



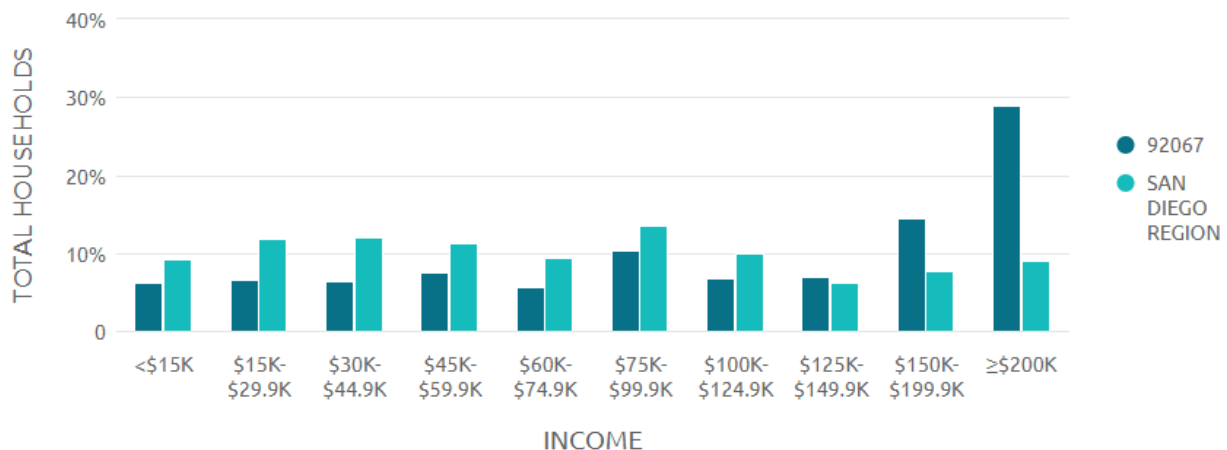


The District's service area is comprised of distinctly differing communities. The coastal region contains medium-density, single-family dwellings with some multiple-family residences. The inland section is primarily low-density residential with large single-family estate lots. Both of these areas are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

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

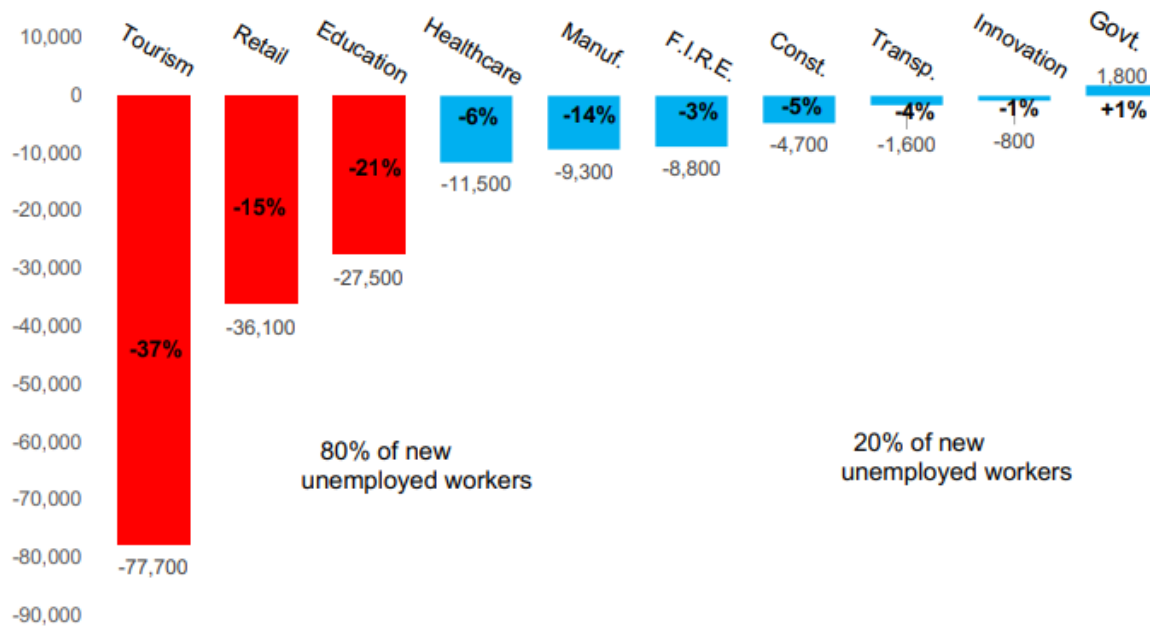


Unincorporated Area Household Income Distribution – Zip 92067 (source: SANDAG)



San Diego County benefits from a strong defense, tourism, and bio-sciences based economy. Over the past year, the County's tourism sector suffered greatly due to the ongoing impacts from the pandemic, in addition to retail & education jobs, as shown in the following graphic. Per the California Employment Development Department (EDD), as of April 2021, the San Diego region (San Diego – Carlsbad – San Marcos) had an unemployment rate of 6.7% compared with 8.1% for California and 5.7% for the United States. This is a marked decline though from one year prior, when the unemployment rate for the region was 15.9% due to the pandemic.

ESTIMATED JOB LOSS BY EMPLOYMENT SECTOR – SAN DIEGO COUNTY AUG. '19-AUG. '20  
(source: SANDAG)



However, as shown in the SANDAG data / demographics, the District's service area has a higher than average median income due to the resident's different employment sectors. SANDAG, as shown in the following graphic, estimate that higher income jobs (>\$60,000 per year) weathered the pandemic significantly better than the overall San Diego regional economy. They estimate that employment level change between the onset of the pandemic in March 2020 until August 2020 was nearly the same. Based on this, among other factors, the District has not experienced any significant change in its financial outlook due to pandemic impacts.

PERCENT CHANGE IN EMPLOYMENT BY INCOME – SAN DIEGO COUNTY AUG. '19-AUG. '20  
(source: SANDAG)



## 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. Elections are held every two years, with two divisions voting and then three divisions voting two years after. The District had three new Board members seated since the beginning of 2020.



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



Frank J. Creede – Vice President  
Division 1, Term Expires 12/2024



Dana Frieauf  
Division 2, Term Expires 12/2024

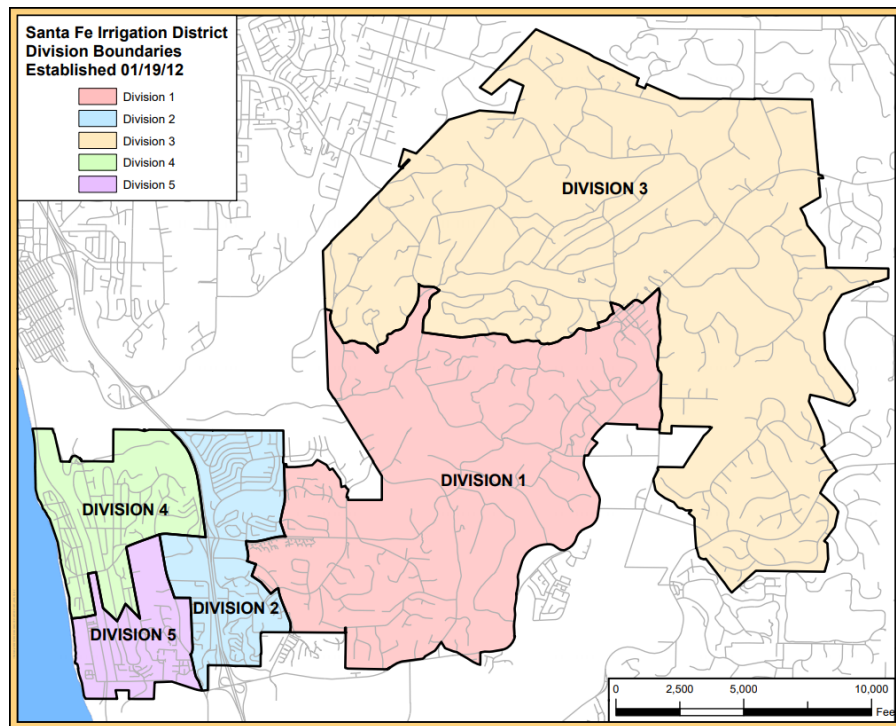


Sandra D. Johnson  
Division 3, Term Expires 12/2022



Andrew Menshek  
Division 5, Term Expires 12/2022

A map of the District's divisions is as follows. These boundaries were put into effect in January 2012 after the completion of the nationwide 2010 census. Currently, the 2020 census is completed & the District is anticipating the requirement to evaluate these borders in FY22 to ensure substantially equal populations in conformance with



The Board contracts directly with the General Manager, which leads the day-to-day operations of the District, with 48 full-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 30 pressure-reducing stations. The District shares ownership with the San Dieguito Water District (SDWD) of approximately eight miles of pipelines and transmission mains, two pumping stations, a 13 million gallon treated water reservoir, and a 40 million-gallon-per day (MGD) water treatment and filtration plant, the R.E. Badger Filtration Plant (REB) constructed in 1967. Additionally, the two agencies jointly own the San Dieguito Reservoir with a capacity of 800 acre feet. The infrastructure and various capital assets are referred to as the Joint Facilities. The District operates and maintains the Joint Facilities on behalf of both agencies.

## WATER PORTFOLIO

This District is a relatively small agency in terms of service area & volume of water distributed (though treated water from REB also serves SDWD and its customers), primarily from imported water sources. However, the District is truly distinguished by its access to local water from Lake Hodges. The District joined the San Diego County Water Authority (SDCWA) in 1948 to augment its

local water supply from Lake Hodges by acquiring the right to purchase and distribute imported water throughout its service area. The District currently purchases untreated and treated water from SDCWA.

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

# ABOUT THE DISTRICT

## QUICK DISTRICT FACTS

<b>Service Territory</b>	Solana Beach (2,850 Acres) Rancho Santa Fe (7,410 Acres - Combined) Fairbanks Ranch
<b>Population</b>	20,000 (est.) water distribution 58,000 (est.) water treated/supply (District/SDWD)
<b>Solana Beach</b>	
Average Age	42.4
Median Income	\$ 114,604
<b>Rancho Santa Fe/Fairbanks Ranch (92067)</b>	
Average Age	41
Median Income	\$ 150,617
<b>San Diego County Unemployment Rate</b>	6.70% April 2020
<b>Infrastructure:</b>	
Miles of water mains	157
Reservoirs	2
Treatment capacity	40 million gallons / day
<b>Water Supplied in FY22 (Budget)</b>	
Treated Water - imported	261 Acre Feet
Untreated Water - imported	7,155 Acre Feet
Lake Hodges Water	2,250 Acre Feet
Recycled Water	575 Acre Feet
<b>Total</b>	<b>10,241</b>

### Meter Size Inventory

Classification	FY22 Est. Water Use (AF)	# Meters	3/4"	1"	1.5"	2"	3"	4" +
Single Family	7,483	5,517	3,241	1,585	625	63	2	1
Multi-Family	638	464	154	82	137	89	2	-
Non-Residential	444	383	165	90	75	49	2	2
Irrigation / Commercial Agriculture	629	163	34	42	47	35	1	4
Fire Line	-	1,090	99	806	121	64	-	-
Temporary Construction	56	-						
Recycled Water	575	57	-	16	3	31	4	3
<b>TOTAL</b>	<b>9,825</b>	<b>7,674</b>	<b>3,693</b>	<b>2,621</b>	<b>1,008</b>	<b>331</b>	<b>11</b>	<b>10</b>

# STRATEGIC PLAN

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

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

Due to two Board of Director members resigning in CY21 and being replaced by two appointed members, an election that seated a third new director, and timing impacts from the pandemic, the District did not finalize this strategic planning process until the end of FY21. The updated mission statement defines who the District is and our approach to meeting the objectives the Board and Staff have developed as part of the business plan that will create outcomes. The vision statement describes the future position of the District and areas for continual improvement and focus. Additionally, all District Staff adopted employee values that defines how everyone should focus their actions & comport themselves as a valued member of the District and in service our customers.

The District has adopted five goals that are what the Staff work towards on a daily basis with clear objectives that are utilized to measure progress and success.

## MISSION STATEMENT

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

## VISION STATEMENT

Santa Fe Irrigation District will proactively ensure:

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



## DISTRICT EMPLOYEE VALUES

In our actions and decisions, we prioritize:

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

## GOALS & OBJECTIVES

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

### GOAL 1

#### Sustainable, Cost-Effective Water Resources

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

### GOAL 2

#### Effective Engagement with Customers and Stakeholders

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

### GOAL 3

#### Cost-Effective, Resilient Infrastructure and Operations

- Guide all capital infrastructure upgrades and replacements by utilizing long-range plans. (Long Range Facility Master Plan)
- Utilize a long-range, comprehensive, asset management plan for reliability and long-range cost savings. (Comprehensive Asset Management Plan)

- Plan and prepare to mitigate significant incidents and threats (fires, droughts, earthquakes, cyberattacks, pandemics, etc.).
- Utilize technology to enhance efficiency and effectiveness.
- Ensure excellent water quality and regulatory compliance.

#### GOAL 4

Motivated, High Performing, Well Supported Staff

- Attract and retain excellent staff.

#### GOAL 5

Sustainable and Effectively Managed Finances

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

# BUDGET DEVELOPMENT

## BASIS

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

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

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

### SANTA FE IRRIGATION DISTRICT - ENTERPRISE FUND

#### DEPARTMENTS - OPERATING BUDGET

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

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

## PROCESS

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

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

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

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

The budget preparation calendar for FY22 is shown below. FY22 Budget development was different than in prior fiscal years due to no quorum available for the May Water Resources (WRC) & Joint Facilities Advisory Committees (JFAC). In FY22 Budget development, the Board requested Staff revisit assumptions and budgetary requests when presenting the preliminary budget in April, and corresponding revisions / reductions were presented to the Board in May. Based on this, the final budget document will be first reviewed by the Board in June.

It should be noted that the budgetary changes included in the May revision to the proposed FY22 Budget were reviewed by the Board in May. Additionally, District Staff worked with SDWD Staff to ensure they were apprised and knowledgeable of any proposed changes in the May time-frame.

For the development of the FY23 Budget, the budget development process will be modified with the development & Board review of a five-year outlook that will be presented in February in combination with the current fiscal year budget monitoring. This will begin the budget development cycle for Board and public input, in addition to the long-range review of District financial performance.

The FY22 Budget development cycle was as follows:

Step	Jan	Feb	Mar	Apr	May	Jun
1 Administration prepares & Board reviews mid-year projections	✓	✓				
2 Administration meets with Managers to discuss upcoming budget		✓				
3 Managers submit requests			✓			
4 Administration assembles preliminary budget & updates FY21 projections			✓			
5 SDWD Staff reviews budget & provides input for Joint Facilities			✓			
6 Water Resources Committee Reviews proposed CAP & CIP Budgets				✓		
7 Administrative & Finance Committee reviews FY22 Proposed Budget				✓		
8 Board holds budget workshop to review FY22 Proposed Budget & provide input				✓		
9 Water Resources Committee review of proposed modification to CAP & CIP Budgets					⊗	
10 Administrative & Finance Committee member presented with budget modifications					✓	
11 Joint Facility Advisory Committee budget review					⊗	
12 Board reviews proposed modification to FY22 Budget in whole					✓	
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. In FY21, due to the resignation of the District 1 Board Member in April, this committee had one sitting member who was briefed in regards to the FY21 Budget on standing Committee dates in April, May, and June.
- ✱ The WATER RESOURCES COMMITTEE evaluates and discusses the capital budget for both capital acquisitions and projects & water supply outlook at least once prior to the June budget adoption.
- ✱ The EXECUTIVE COMMITTEE reviews the personnel budget, looking carefully at organizational structure changes, staffing proposals, benefits costs, and staffing requirements.

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

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

## ADJUSTMENTS

During the year, if funding for new projects or operating expenditures should be required or existing budget should be insufficient, department managers make requests to the General Manager who will then determine if the request is justified. The request will then be placed on the next appropriate Committee's meeting agenda (unless it is an emergency, in which case it will go to the Board for ratification at the next

regular meeting), and the Committee, and subsequently, the Board will consider the allocation of additional appropriations to cover the costs, whose source of funding may need to come from Operating and / or Capital Reserve Fund(s).

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

## ASSUMPTIONS & FINANCIAL PLANNING

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

## EXPENSES IN FINANCIAL PLAN

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

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

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

## REVENUES IN FINANCIAL PLAN

Water rates, as the single largest source of revenue for the District, are evaluated regularly to ensure they meet operating expenses and Board objectives. Based on the District's approved cost-of-service from January 2020, water rates have been updated in the financial plan based on approved rates and structure. Each year, prior to the January 1 increase in water rates due to SFID and SDCWA cost increases, District Staff returns to the Board to discuss the financial standing of the District and need for increases on an annual basis. Property taxes, a relatively large source of non-operating revenue, are allocated to pay for infrastructure replacement and improvement based on current Board direction. Therefore, fluctuations in



this fund do not directly influence the operating budget. However, long-term reductions or eventual loss of property tax revenue (though not anticipated) could result in rate increases to make up the gap in funding the capital improvement program or necessitate bond funding in lieu of pay-as-you-go (PAYGO) funding for CIP. The District is currently funding priority capital projects on PAYGO from the Capital Reserve Fund, which means that funds are collected from various sources (property taxes, depreciation expense, interest income, and a contribution from rates) and accumulated to pay for infrastructure and large equipment purchases. The issuance of debt is another capital financing vehicle available to the District, but has not been utilized since 1999. Long term property tax growth is estimated to be approximately 2% due to Proposition 13 and the District being built-out.

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 long-range forecast will be revised based on the recent adoption of the new District strategic plan. This five-year outlook will be presented to the Board in February 2021 in combination with the current fiscal year budget monitoring. This five-year outlook will incorporate the goals and objectives of this newly adopted strategic plan.

## COMPLIANCE WITH FINANCIAL POLICIES

The FY22 Budget, as presented, complies with all District & Board approved financial policies. This includes the District's Budgetary Policy (presenting a balanced budget that defines all sources & use of funds), Reserve Policy (providing adequate funds to be maintain all Board adopted levels), Debt Management Policy (no debt is currently outstanding and is not anticipated to be issued in FY22), and 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 FY22).



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished  
Budget Presentation  
Award*

PRESENTED TO

**Santa Fe Irrigation District  
California**

For the Fiscal Year Beginning

**July 01, 2020**

*Christopher P. Morill*

**Executive Director**

# CHANGES FROM PROPOSAL

## APRIL PROPOSAL TO JUNE ADOPTION CHANGES

The following is a description of changes to the FY22 Budget between the original proposal in April to adoption in June. These descriptions should be reviewed in conjunction with the tables that summarize these changes after the write-up.

### Expenditures / Utilization of Funds

#### *Imported Potable Water Costs*

SDCWA projects their long-range price changes for imported potable water based on a high / low range. In development of their CY21 rate increase, SDCWA stated that they utilized a number of one-time resources to reduce the rate increase and would not be available as offsets for their proposed CY22 increase. Based on this, SDCWA issued guidance in April 2021 that the CY22 rate increase would be potentially 8.3% on average for all agencies (some higher, some lower). Based on this guidance, the District projected a 9.0% increase in variable and fixed costs for the SDCWA increase for CY22. However, in May 2021, SDCWA proposed an average 3.3% increase in rates effective CY22 utilizing expenditures savings & further one-time resources. Based on this reduction from 9.0% to 3.3% between the proposed and adopted budgets, the changes in expenditures for imported water (fixed and variable costs) is as follows:

FY22 Water Portfolio		Price			
Charge Type	AF	Current	Revised	\$ Change	% Change
Untreated	7,155	\$ 8,153,692	\$ 8,105,039	\$ (48,653)	-0.6%
Treated*	261	363,746	363,746	-	0.0%
Fixed Charges	-	3,252,124	3,052,542	(199,582)	-6.1%
<b>TOTAL</b>	<b>7,416</b>	<b>\$ 11,769,562</b>	<b>\$ 11,521,327</b>	<b>\$ (248,235)</b>	<b>-2.1%</b>

\* All projected to occur prior to price change

#### *Miscellaneous Operating Revenue*

The District adopted a Credit Card Policy that passes through incurred credit card processing fees of ~2.53% per transaction back to customers. The annual cost was estimated to be \$70,000 in FY22 for processing fees (which are still incurred) which are received as revenues.

#### *Recycle Water Purchases*

San Elijo Joint Powers Authority (SEJPA) published their proposed cost-of-service on April 15, 2021 with a 3.9% rate increase for reclaimed water sales for FY22. The District originally assumed a 4.0% rate increase, where the \$943 reduction from the proposed FY22 Budget in expenditures is based on changing the projection to SEJPA's actual proposed increase & keeping the District's volumetric purchases the same.

### *Personnel Expenses*

As approved by the Board of Directors at their April 15, 2021 meeting, the District created a new information technology position title, IT Administrator, to reflect the increasing complexity, scope, and responsibilities of the District's information technology requirements. This change increased the salary range & associated benefits for this position as compared to the District's previous position, IT Analyst. In total, personnel expenses increased by \$32,280 from this change as compared to the proposed FY22 Budget.

### *Non-Personnel Expenses*

With the expiration of the current District cost-of-service, Staff was anticipating beginning the process (after advertisement for and then selection of a consultant) in CY22. However, District Staff is anticipating starting the cost-of-service process earlier, with a request-for-proposal to be issued in the fall of 2021, and work beginning shortly thereafter. Additionally, the scope of the work to be performed by the consultant selected is anticipated to expand to include additional rate structure option(s), thereby increasing costs. The proposed FY22 Budget included \$50,000 for consultant work on rates, fees, and other cost-of-service items; however, based on these changes, Staff is proposing to increase this amount to \$150,000 for FY22 to ensure sufficient budget.

### *Capital Expenditures*

The Cielo Pump Station is utilized to transfer local water from Lake Hodges to the R.E. Badger Filtration Plant. The District initiated a capital improvement project (CIP) in FY20 to replace / relocate valves as well as other improvements. The proposed FY22 Budget included a projected expenditure of \$640,000 for this CIP during the fiscal year. However, after project review by the District's design engineer, the required expenditure to complete this improvement work increase by \$245,000 to a total of \$885,000. This project is a Joint Facilities CIP, where the increased cost of \$245,000 is shared between the District (\$141,292) and SDWD (\$103,709).

### Revenues / Sources of Funds

#### *Recycle Water Sales*

The decrease of \$943 is a direct pass-through of the reduced SEJPA proposed increase for FY22 of 3.9% as compared to the previous District assumed 4.0% increase.

#### *Grant Revenue*

The District projected approximately \$1.8 million in grant revenue from the agreement in place with CalOES / FEMA for seismic retrofits at the R.E. Badger Filtration Plant. However, the District received higher than anticipated grant reimbursements in FY21 that have reduced the remaining grant amount available for reimbursement in FY22. The remaining grant is approximately \$1.3 million, which reduced the actual grant reimbursements in FY22 by \$440,000 (though this did not decrease the overall grant amount and total reimbursements to the District, just timing).

#### *SDWD Treatment & Capital Reimbursements*

As discussed in the expense section of this report, the Cielo Pump Station CIP price increase of \$245,000 is partially paid for by SDWD. Based on this cost increase, the SDWD reimbursement for projected FY22 Cielo Pump Station expenditures increased by \$103,709. Additionally, with the District information technology position change from IT Analyst to IT Administration & associated pay increase of \$32,280, a

portion of this position's expense is charged to Joint Facilities and paid for by SDWD. As part of these charges, SDWD is anticipated to reimburse the District for \$3,533 of this increase in costs.

As part of the reduction in grant revenues reimbursed in FY22 due to the CalOES / FEMA grant timing, SDWD will be required to contribute an additional \$171,820 in capital funding in FY22 for their portion of Joint Facilities capital projects.

#### *Local Water Reserve*

The Local Water Reserve is utilized to offset potable water rate increases from SDCWA. The projected contributions in FY22 from this Fund were reduced by \$257,508 due to the imported water price reduction for CY22 from 9.0% to 3.3%.

#### *Capital Reserve Fund*

To offset the \$245,000 increase in the Cielo Pump Station CIP, less the \$103,709 SDWD reimbursement offset, the District will be required to utilize \$141,292 more funding from the Capital Reserve Fund. Additionally, due to aforementioned grant timing, the District is required to contribute an additional \$268,180 from this Fund to balance the PAYGO for the capital program.

#### *Operating Fund / Rate Stabilization*

The increase of \$100,000 in consultant expenditures and \$28,747 in personnel expenses for the IT position change (\$32,280 less the \$3,533 SDWD reimbursement), the District will be required to utilize an additional \$128,747 in Rate Stabilization or Operating Fund resources. Additionally, the SDCWA rate change / timing assumptions for water purchases marginally increased the need for reserve utilization by \$9,274.

These increases were offset by the implementation of the District Credit Card Policy that increases revenue by \$70,000 as a direct pass-through of District incurred charges.

## FY 2022 SFID PROPOSED TO ADOPTED BUDGET CHANGE SUMMARY - SOURCES OF FUNDS

OPERATING REVENUES	Proposed Budget	Adjustment	Explanation	Adopted Budget
Potable Water Sales	\$ 20,844,496	\$ -	No change - still absorbing SDCWA pass-through & 3% SFID increase January 1, 2022	\$ 20,844,496
Recycled Water Sales	980,720	(943)	Reduction from assumed SEJPA 4.0% increase to 3.9% proposed	979,777
Fixed Charges	5,702,305	-	No change	5,702,305
SDWD Local Water Reimbursement	130,235	-	No change	130,235
SDWD Treatment Reimbursement	2,850,267	3,533	SEJPA for increased inter-department billings due to IT position reclassification	2,853,800
Misc Operating Revenue	390,000	70,000	Increase of \$70,000 from implementation of District Credit Card Policy to offset District incurred transaction fees	460,000
<b>Total Operating Revenue</b>	<b>\$ 30,898,022</b>	<b>\$ 72,590</b>		<b>\$ 30,970,612</b>
<b>NON-OPERATING REVENUES</b>				
Capacity Charges	\$ 90,000	\$ -	No change	\$ 90,000
Interest Income	378,500	-	No change	378,500
Property Tax	2,783,525	-	No change	2,783,525
SDWD Capital Reimbursement	3,882,543	275,529	Increase of \$103,709 due to increase in Cielo Pump Station CIP costs & \$171,820 from higher CalOES grants in FY21	4,158,072
Grant Revenue - CalOES / FEMA	1,777,852	(440,000)	Higher FY21 reimbursements from CalOES than anticipated which reduced FY22 reimbursement projection	1,337,852
Misc Non-Operating Revenue	208,303	-	No change	208,303
<b>Total Non-Operating Revenue</b>	<b>\$ 9,120,723</b>	<b>\$ (164,472)</b>		<b>\$ 8,956,251</b>
<b>TOTAL REVENUE</b>	<b>\$ 40,018,745</b>	<b>\$ (91,881)</b>		<b>\$ 39,926,864</b>
<b>OTHER SOURCES OF FUNDS</b>				
Transfer from Local Water Reserve	\$ 690,618	\$ (257,508)	Anticipated 9.0% increase in SDCWA costs for CY22, actual 3.3% which reduced Local Water Reserve utilization	\$ 433,110
Transfer from Capital Reserve Fund	3,849,910	409,472	Increase due to Cielo Pump Station CIP costs (\$245,000) less SDWD reimbursement (\$103,709), plus \$268,180 increase from reduction in CalOES grant timing	4,259,382
Transfer from Operating Fund / Rate Stabilization	690,681	68,021	Increase in: personnel cost (\$32,280), consulting expenses (\$100,000), and imported water assumptions (\$9,274). Decrease offset by SDWD share of IT costs(\$3,533), and change in District Credit Card Policy (\$70,000)	758,702
<b>Total Other Sources of Funds</b>	<b>\$ 5,231,210</b>	<b>\$ 219,984</b>		<b>\$ 5,451,194</b>
<b>TOTAL FUNDS AVAILABLE</b>	<b>\$ 45,249,955</b>	<b>\$ 128,103</b>		<b>\$ 45,378,057</b>



# FY 2022 SFID PROPOSED TO ADOPTED BUDGET CHANGE SUMMARY - UTILIZATION OF FUNDS

OPERATING EXPENSES	Proposed Budget	Adjustment	Explanation	Adopted Budget
Imported Water Purchases	\$ 11,769,562	\$ (248,235)	Reduction due to assumed 9.0% increase to 3.3% actual SDCWA imported water cost increase	\$ 11,521,327
Local Water Costs	305,000	-	No change	305,000
Recycled Water Purchases	980,720	(943)	Reduction from assumed SEJPA 4.0% increase to 3.9% proposed	979,777
<u>Personnel Expenses</u>				
Salaries	5,353,289	28,132	Change from IT Analyst to IT Administrator	5,381,421
Retirement - CalPERS	1,673,728	3,443	Change from IT Analyst to IT Administrator	1,677,171
Healthcare (Medical / Dental)	880,034	-	No change	880,034
Retiree Healthcare	535,748	-	No change	535,748
Other Personnel Expenses	255,132	705	Change from IT Analyst to IT Administrator	255,837
(less: capitalized labor)	(120,000)	-		(120,000)
<u>Non-Personnel Expenses</u>				
			Increase for consultant contracts to conduct cost-of-service study that is anticipated to begin in fall 2021	
Administration Expense	1,351,927	100,000		1,451,927
Engineering Expense	260,875	-	No change	260,875
Operations & Maintenance	1,701,975	-	No change	1,701,975
Joint Facilities	3,646,835	-	No change	3,646,835
Capital Contribution (Equal to Depreciation)	3,684,497	-	No change	3,684,497
<b>Total Operating Expenses</b>	<b>\$ 32,279,322</b>	<b>\$ (116,898)</b>		<b>\$ 32,162,424</b>
<b>CAPITAL EXPENSES</b>				
Capital Acquisitions	\$ 1,277,000	\$ -	No change	\$ 1,277,000
Capital Improvements	11,693,633	245,000	Increase in Cielo Pump Station costs due to revised design engineer estimates after updated project review	11,938,633
<b>Total Capital Expenses</b>	<b>\$ 12,970,633</b>	<b>\$ 245,000</b>		<b>\$ 13,215,633</b>
<b>TOTAL EXPENSES</b>	<b>\$ 45,249,955</b>	<b>\$ 128,102</b>		<b>\$ 45,378,057</b>
<b>RESERVE CONTRIBUTION</b>				
Transfer to Local Water Reserve	\$ -	\$ -	No change	\$ -
Transfer to Capital Reserve Fund	-	-	No change	-
Transfer to Operating Fund / Rate Stabilization	-	-	No change	-
<b>Total Reserve Contribution</b>	<b>\$ -</b>	<b>\$ -</b>		<b>\$ -</b>
<b>TOTAL USES OF FUNDS</b>	<b>\$ 45,249,955</b>	<b>\$ 128,102</b>		<b>\$ 45,378,057</b>

# Santa Fe Irrigation District Fiscal Year 2022 Budget Summary

## Sources of Funds

OPERATING REVENUES	FY 2020	FY 2021		FY 2022	% Change	% Change
	Actual	Budget	Projected	Budget	Bgt to Bgt	Proj to Bgt
Potable Water Sales	\$ 18,017,436	\$ 20,273,277	\$ 20,651,297	\$ 20,844,496	2.8%	0.9%
Recycled Water Sales	848,372	944,272	993,348	979,777	3.8%	-1.4%
Fixed Charges	5,507,658	5,550,470	5,465,470	5,702,305	2.7%	4.3%
SDWD Local Water Reimbursement	57,072	271,956	62,849	130,235	-52.1%	107.2%
SDWD Treatment Reimbursement	2,513,456	2,824,389	2,747,808	2,853,800	1.0%	3.9%
Misc Operating Revenue	473,260	420,000	333,464	390,000	-7.1%	17.0%
<b>Total Operating Revenue</b>	<b>\$ 27,417,254</b>	<b>\$ 30,284,364</b>	<b>\$ 30,254,236</b>	<b>\$ 30,900,612</b>	<b>2.0%</b>	<b>2.1%</b>
<b>NON-OPERATING REVENUES</b>						
Capacity Charges	\$ 101,128	\$ 90,000	\$ 198,704	\$ 90,000	0.0%	-54.7%
Interest Income	734,124	378,500	368,819	378,500	0.0%	2.6%
Property Tax	2,645,623	2,500,000	2,728,946	2,783,525	11.3%	2.0%
SDWD Capital Reimbursement	279,634	4,791,055	3,636,964	4,158,072	-13.2%	14.3%
Grant Revenue - CalOES / FEMA	145,600	785,212	1,200,000	1,337,852	70.4%	11.5%
Misc Non-Operating Revenue	376,350	157,556	1,102,046	208,303	32.2%	-81.1%
<b>Total Non-Operating Revenue</b>	<b>\$ 4,282,459</b>	<b>\$ 8,702,323</b>	<b>\$ 9,235,479</b>	<b>\$ 8,956,251</b>	<b>2.9%</b>	<b>-3.0%</b>
<b>TOTAL REVENUE</b>	<b>\$ 31,699,713</b>	<b>\$ 38,986,688</b>	<b>\$ 39,489,715</b>	<b>\$ 39,856,864</b>	<b>2.2%</b>	<b>0.9%</b>
<b>OTHER SOURCES OF FUNDS</b>						
Transfer from Bond Reserve	\$ 1,346,875	\$ -	\$ -	\$ -	-	-
Transfer from Local Water Reserve	-	-	88,424	433,110	-	-
Transfer from Capital Reserve Fund	-	5,065,143	2,630,956	4,259,382	-15.9%	61.9%
Transfer from Operating Fund / Rate Stabilization	47,983	-	-	828,702	-	-
<b>Total Other Sources of Funds</b>	<b>\$ 1,394,858</b>	<b>\$ 5,065,143</b>	<b>\$ 2,719,380</b>	<b>\$ 5,521,194</b>	<b>9.0%</b>	<b>103.0%</b>
<b>TOTAL FUNDS AVAILABLE</b>	<b>\$ 33,094,571</b>	<b>\$ 44,051,831</b>	<b>\$ 42,209,096</b>	<b>\$ 45,378,057</b>	<b>3.0%</b>	<b>7.5%</b>

Note: Totals may not foot due to rounding.

**Santa Fe Irrigation District**  
**Fiscal Year 2022 Budget Summary**  
**Uses of Funds**

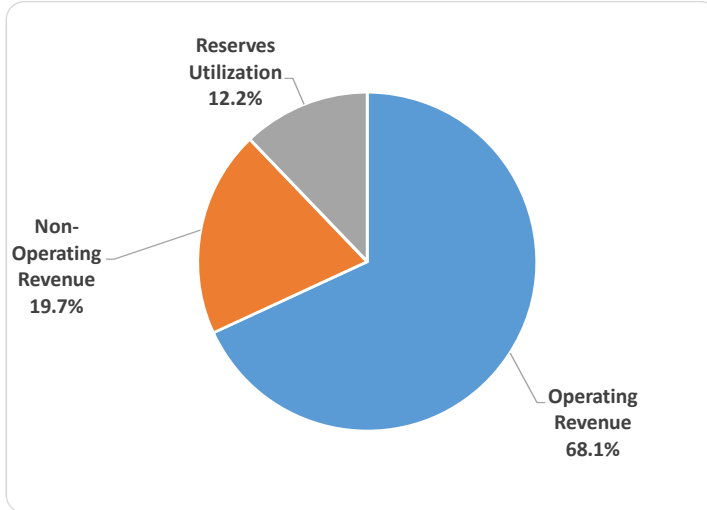
OPERATING EXPENSES	FY 2020 Actual	FY 2021 Budget	Projected	FY 2022 Budget	% Change Bgt to Bgt	% Change Proj to Bgt
<u>Water Expenses:</u>						
Imported Water Purchases	\$ 9,006,545	\$ 10,138,624	\$ 10,560,821	\$ 11,521,327	13.6%	9.1%
Local Water Costs	76,680	636,900	147,292	305,000	-52.1%	107.1%
Recycled Water Purchases	791,852	943,000	993,348	979,777	3.9%	-1.4%
<u>Personnel Expenses</u>						
Salaries	4,971,469	5,167,573	5,078,167	5,381,421	4.1%	6.0%
Retirement - CalPERS	1,320,603	1,526,507	1,518,300	1,677,171	9.9%	10.5%
Healthcare (Medical / Dental)	773,236	828,892	844,413	880,034	6.2%	4.2%
Retiree Healthcare	582,553	531,716	531,716	535,748	0.8%	0.8%
Other Personnel Expenses	226,648	241,058	241,263	255,837	6.1%	6.0%
(less: capitalized labor)	(69,628)	(507,651)	(125,000)	(120,000)	-76.4%	-4.0%
<u>Non-Personnel Expenses</u>						
Administration Expense	1,104,802	1,276,421	986,309	1,451,927	13.7%	47.2%
Engineering Expense	121,023	370,875	276,516	260,875	-29.7%	-5.7%
Operations & Maintenance	1,342,990	1,728,450	1,504,977	1,701,975	-1.5%	13.1%
Joint Facilities	3,588,677	3,791,231	3,620,317	3,646,835	-3.8%	0.7%
Capital Contribution (Equal to Depreciation)	3,242,425	3,504,497	3,504,497	3,684,497	5.1%	5.1%
<b>Total Operating Expenses</b>	<b>\$ 27,079,875</b>	<b>\$ 30,178,093</b>	<b>\$ 29,682,935</b>	<b>\$ 32,162,424</b>	<b>6.6%</b>	<b>8.4%</b>
<b>CAPITAL EXPENSES</b>						
Capital Acquisitions	\$ 1,049,918	\$ 1,210,000	\$ 1,038,736	\$ 1,277,000	5.5%	22.9%
Capital Improvements	2,864,894	12,557,467	10,079,000	11,938,633	-4.9%	18.5%
<b>Total Capital Expenses</b>	<b>\$ 3,914,812</b>	<b>\$ 13,767,467</b>	<b>\$ 11,117,736</b>	<b>\$ 13,215,633</b>	<b>-4.0%</b>	<b>18.9%</b>
<b>LONG TERM DEBT EXPENSES</b>						
Bond Debt Service	\$ 1,346,875	\$ -	\$ -	\$ -	-	-
<b>Total Long-Term Debt Expenses</b>	<b>\$ 1,346,875</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>	<b>-</b>
<b>TOTAL EXPENSES</b>	<b>\$ 32,341,562</b>	<b>\$ 43,945,559</b>	<b>\$ 40,800,671</b>	<b>\$ 45,378,057</b>	<b>3.3%</b>	<b>11.2%</b>
<b>RESERVE CONTRIBUTION</b>						
Transfer to Local Water Reserve	\$ 385,362	\$ -	\$ 651,946	\$ -	-	-100.0%
Transfer to Capital Reserve Fund	367,647	-	-	-	-	-
Transfer to Operating Fund / Rate Stabilization	-	106,274	756,479	-	-100.0%	-100.0%
<b>Total Reserve Contribution</b>	<b>\$ 753,009</b>	<b>\$ 106,274</b>	<b>\$ 1,408,425</b>	<b>\$ -</b>	<b>-100.0%</b>	<b>-100.0%</b>
<b>TOTAL USES OF FUNDS</b>	<b>\$ 33,094,571</b>	<b>\$ 44,051,833</b>	<b>\$ 42,209,096</b>	<b>\$ 45,378,057</b>	<b>3.0%</b>	<b>7.5%</b>

Note: Totals may not foot due to rounding.

## Santa Fe Irrigation District Fiscal Year 2022 Budget Summary

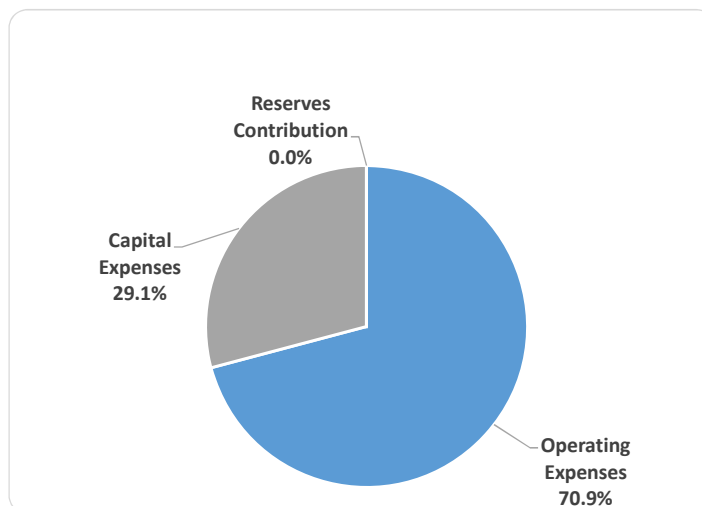
### SOURCES OF FUNDS

<b>Operating Revenue</b>	<b>\$ 30,900,612</b>
<b>Non-Operating Revenue</b>	<b>8,956,251</b>
<b>Reserves Utilization</b>	<b>5,521,194</b>
<b>Total Funds Available</b>	<b>\$ 45,378,057</b>



### USES OF FUNDS

<b>Operating Expenses</b>	<b>\$ 32,162,424</b>
<b>Capital Expenses</b>	<b>13,215,633</b>
<b>Reserves Contribution</b>	<b>-</b>
<b>Total Expenses</b>	<b>\$ 45,378,057</b>

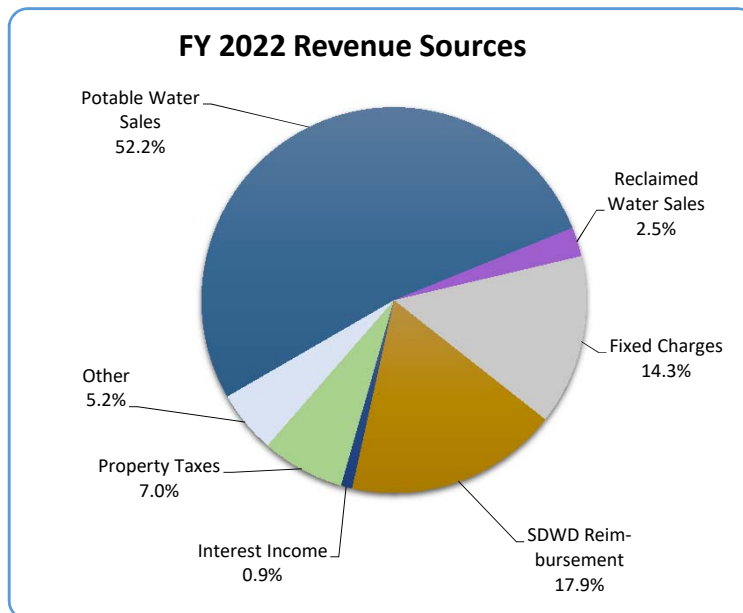


*Note: Totals may not foot due to rounding*

## Revenue Summary Fiscal Year 2022 Budget

Description	FY 2020	FY 2021		FY 2022	% Change	% Change
		Budget		Budget	Bgt to Bgt	Proj to Bgt
Potable Water Sales	\$ 18,017,436	\$ 20,273,277	\$ 20,651,297	\$ 20,844,496	2.8%	0.9%
Recycled Water Sales	848,372	944,272	993,348	979,777	3.8%	-1.4%
Fixed Charges	5,507,658	5,550,470	5,465,470	5,702,305	2.7%	4.3%
SDWD Local Water Reimbursement	57,072	271,956	62,849	130,235	-52.1%	107.2%
SDWD Treatment Reimbursement	2,513,456	2,824,389	2,747,808	2,853,800	1.0%	3.9%
Misc Operating Revenue	473,260	420,000	333,464	460,000	9.5%	37.9%
Capacity Charges	101,128	90,000	198,704	90,000	0.0%	-54.7%
Interest Income	734,124	378,500	368,819	378,500	0.0%	2.6%
Property Tax	2,645,623	2,500,000	2,728,946	2,783,525	11.3%	2.0%
SDWD Capital Reimbursement	279,634	4,791,055	3,636,964	4,158,072	-13.2%	14.3%
Grant Revenue - CalOES / FEMA	145,600	785,212	1,200,000	1,337,852	70.4%	11.5%
Misc Non-Operating Revenue	376,350	157,556	1,102,046	208,303	32.2%	-81.1%
<b>TOTALS</b>	<b>\$ 31,699,713</b>	<b>\$ 38,986,688</b>	<b>\$ 39,489,715</b>	<b>\$ 39,926,864</b>	<b>2.4%</b>	<b>1.1%</b>

The District receives revenue from a variety of operating and non-operating sources. The table and chart presented summarize projected revenues for FY22. 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 FY22 is estimated to be \$39,856,864. Over two-thirds of total revenues for the District is from water sales (variable and fixed charges - 69.1% of the total).

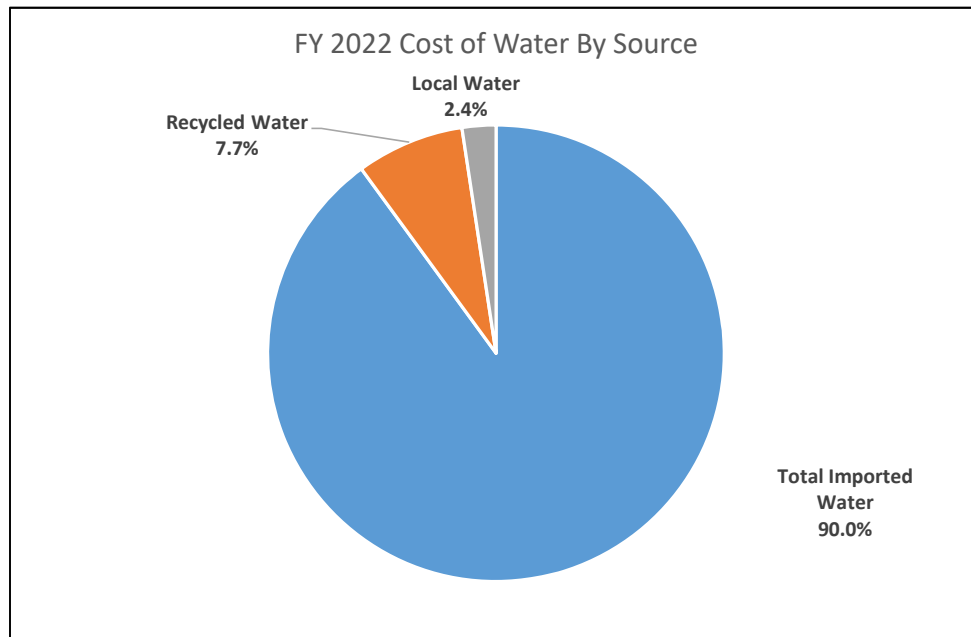


*Note: Totals may not foot due to rounding.*

# Water Expense Summary Fiscal Year 2022 Operating Budget

## Commodity Cost Breakdown

	FY 2020	FY 2021		FY 2022	% Change	% Change
WATER SOURCE	Actual	Budget	Projected	Budget	Bgt to Bgt	Proj to Bgt
Imported Water:						
Variable Costs	\$ 5,905,044	\$ 6,967,130	\$ 7,431,473	\$ 8,468,785	21.6%	14.0%
Fixed Costs						
Supply Reliability Charge	542,604	649,224	649,224	691,206	6.5%	6.5%
Infrastructure Access Charge	377,418	419,904	419,904	539,436	28.5%	28.5%
Customer Service Charge	477,324	428,976	428,976	402,696	-6.1%	-6.1%
Emergency Storage Charge	1,285,864	1,184,298	1,184,298	1,018,812	-14.0%	-14.0%
MWD Capacity Charge	195,012	176,214	176,214	180,480	2.4%	2.4%
MWD Readiness-to-Serve Charge	296,514	262,116	262,116	219,912	-16.1%	-16.1%
Total Fixed Costs	3,174,736	3,120,732	3,120,732	3,052,542	-2.2%	-2.2%
Total Imported Water	\$ 9,079,780	\$ 10,087,862	\$ 10,552,205	\$ 11,521,327	14.2%	9.2%
Local Water	76,680	636,900	62,849	305,000	-52.1%	385.3%
Total Potable Water	\$ 9,156,460	\$ 10,724,762	\$ 10,615,055	\$ 11,826,327	10.3%	11.4%
Recycled Water	791,852	943,000	993,348	979,777	3.9%	-1.4%
<b>Total Water Costs</b>	<b>\$ 9,948,312</b>	<b>\$ 12,652,666</b>	<b>\$ 11,608,403</b>	<b>\$ 12,806,104</b>	<b>1.2%</b>	<b>10.3%</b>







# PERSONNEL

## OVERVIEW



The total FY22 Personnel Budget is \$8,730,211 (excluding any capitalized labor), and includes salary and benefit expenses for 49 regular District employees. This figure represents 27.1% of total operating expenses and is an increase of approximately \$435,000 or 5.2% from FY21. This increase is primarily due to an increase in pension, salary, and healthcare costs. This section outlines the information behind the FY22 Budget in addition to challenges & assumptions.

## SALARIES



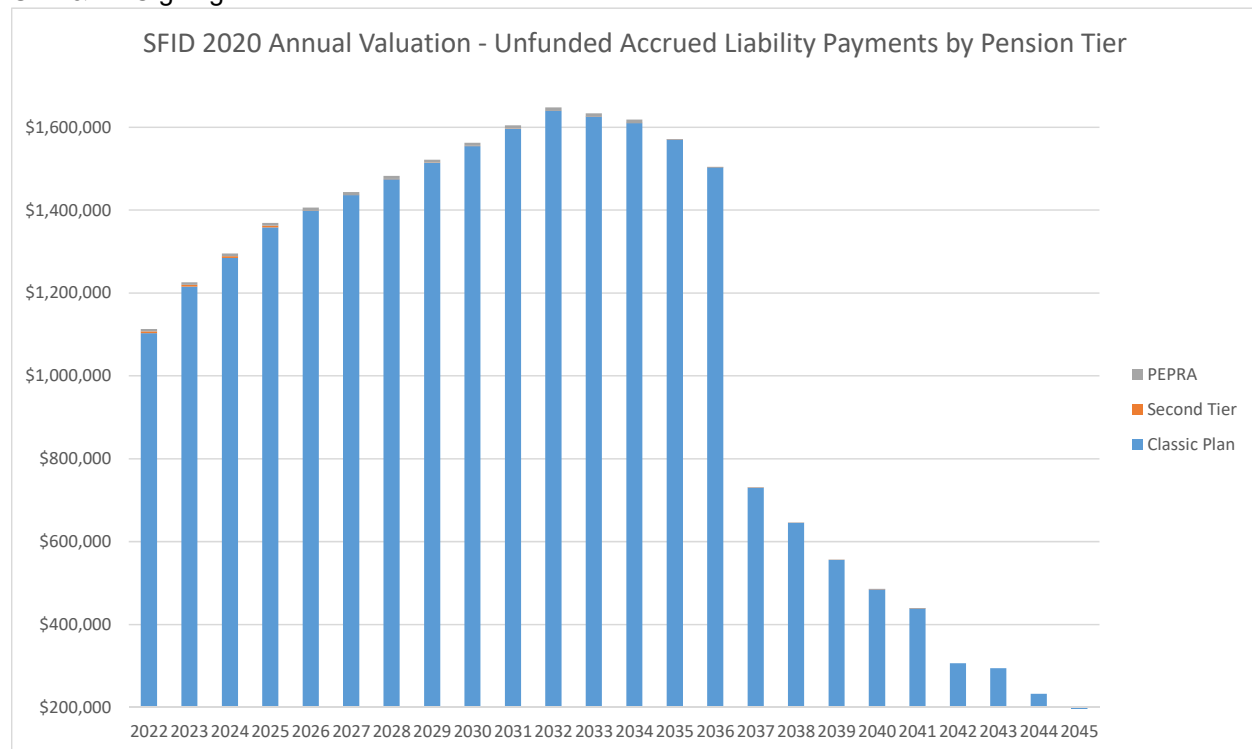
Total salaries have increased by approximately \$220,000 or 4.1% from FY21 Budget. This increase is due primarily to two changes. First, there is a 2.0% general wage adjustment for all District employees (except the General Manager) effective July 1, 2021 per the Memorandum of Understanding (MOU) between the District and the SFID Employees Association & managers. This four-and-a-half year MOU was effective January 1, 2019 and expires June 30, 2023. The MOU stipulated that a general wage adjustment was to be given to all employees each July 1<sup>st</sup> of each year of the MOU; with the July 1, 2021 increase matching the San Diego consumer price index change for CY20, with a minimum of 2.0% and a maximum of 4.0%. The San Diego CPI-U for CY20 was 1.7%, so the floor of 2.0% will be enacted, which accounts for approximately \$110,000 increase from FY21.

Second, the District's 49 total FTEs included in the FY21 Budget included a utility worker position in the District's distribution group. As a part of expenditure reductions implemented during FY21 in response to the pandemic, this position was held vacant for the entire fiscal year. However, this vacancy has

created staffing and response issue for the distribution group. The FY22 Budget includes funding for this position, which is an approximate \$74,000 increase from FY21. Additional increases are primarily due to anticipated employee step and longevity pay increase.

## RETIREMENT / CALPERS

The District's current funding level for its pension program with CalPERS is ~70%, with an unfunded actuarial liability (UAL) of \$14.5 million. The District pays two portions to CalPERS, a contribution to reduce this UAL – called the actuarial determined contribution (ADC), and PAYGO for current employee contributions. The District's ADC increased by approximately \$148,000 from FY21 to \$1.1 million. The District's annual ADC payment is anticipated to increase from \$1.1 million in FY22 to over \$1.6 million in FY32 based on the current actuarial valuation. As previously discussed in this document, Staff is engaging with the Board on funding policies and options to potentially reduce this UAL & ADC going forward.



Total PAYGO for CalPERS in FY22 is approximately \$600,000, which is a marginal decrease from FY21 despite the filling one additional position in FY22. This marginal decrease is due to the pension reforms the District has implemented in prior years, including closing the District's classic plan and instituting the second tier pension plan, in addition to the statewide implementation of the Public Employee's Pension Reform Act (PEPRA).

For a more detailed review of the District's retirement liabilities, please refer to materials included in the March 18, 2021 Board of Director's meeting.

## OTHER EMPLOYMENT EXPENDITURES



OPEB actuarial liability through and ADC.

### Healthcare

Total healthcare costs in the FY22 Budget are approximately \$880,000, an approximately \$52,000 increase from FY21 or 6.2%. The District faced an approximate 10% increase in medical costs on January 1, 2021. The proposed FY22 Budget estimates a 10% increase in healthcare costs again on January 1, 2022 (half of FY22), resulting in an approximate increase of \$38,000. The remaining approximate \$14,000 increase is due to filling the previously mentioned Utility Worker position (where benefits costs will be dependent on plan election).

### Retiree Healthcare

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

The PAYGO and ADC total approximately \$536,000 in FY22, which is basically unchanged from FY21. The District, per Governmental Accounting Standards Board pronouncement 75, engages an actuarial consultant every two years to perform an updated plan valuation. This updated plan valuation will occur during the first half of CY22, which will also update the ADC for this benefit.

## PROPOSED STAFFING

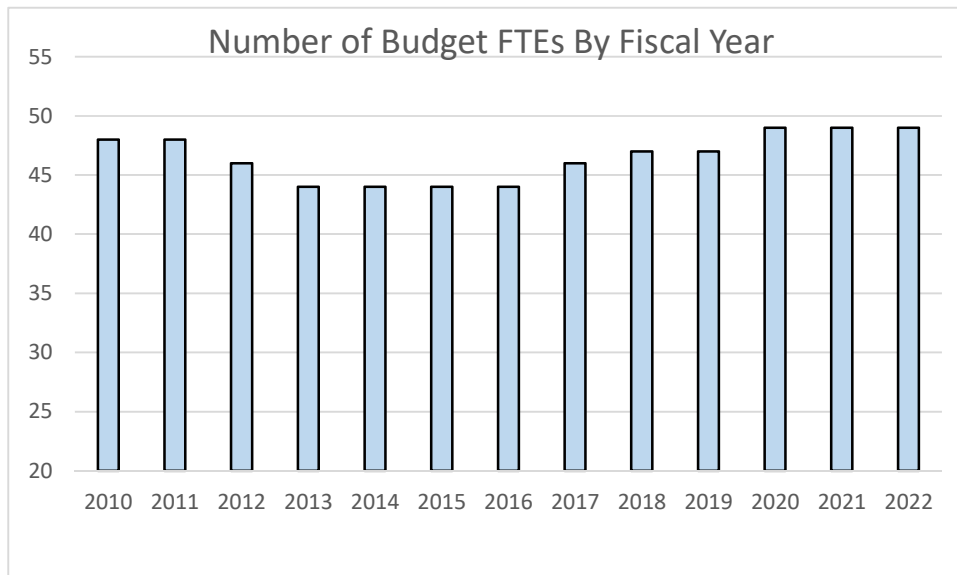
The continued maintenance on the District's systems, not only for distribution and treatment, but for technology, presents challenges from a staffing perspective. Skill sets and knowledge are evolving, and with them, employee responsibilities. All of this contributes to more data, better decision making, but also increased workload & evolving responsibilities related to keeping up with changing technologies. This type of challenge will persist, and is embraced by employees of the District as we work to bring more information to the customer, management and the Board of Directors. Additionally, new drinking water regulations from the State and Federal governments necessitate a higher level of reporting, certification requirements, and industry knowledge from existing and prospective employees.





The proposed FY21 organizational chart is presented at the end of this budget section. As shown in the graphic below, budgeted employee count declined beginning in 2011 with a low of 44 total employees in 2013. In an effort to control costs during a struggling economic period, management redistributed responsibilities, combined positions, reorganized departments, or withheld filling vacant positions as current

employees retired or resigned. At the same time, many critical responsibilities were contracted out. The chart does not represent the costs associated with having to continue providing the same level of services by contracting with outside services. As the District moves forward with infrastructure improvements that require long-term and consistent maintenance and protection, it will be important to select the appropriate staff with requisite skills and experience to maximize capital investments to sustain the level of services as directed by the Board. The District also uses an appropriate level of outside consultant work to engage in items not covered by Staff to fulfill our mission.



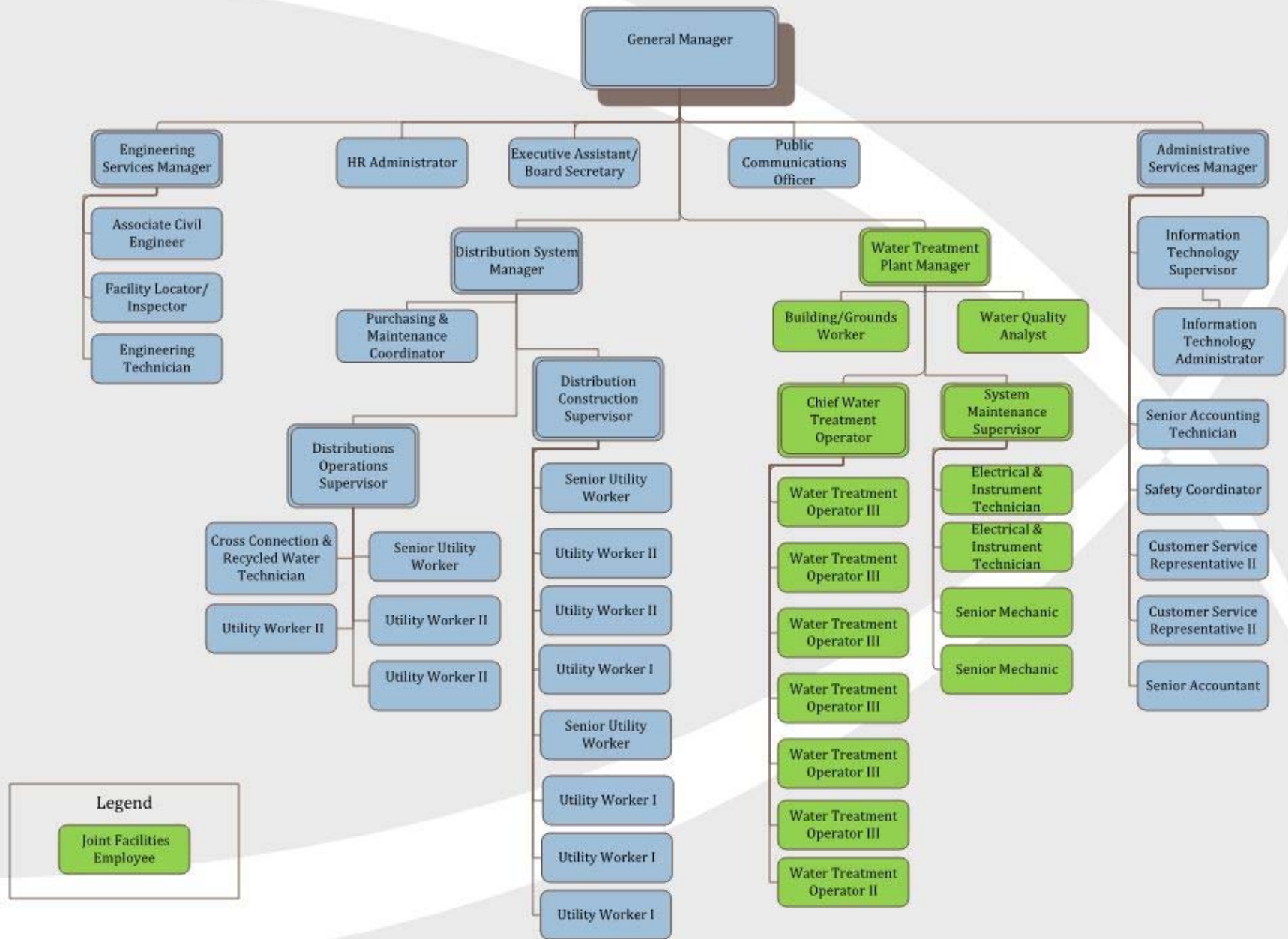
<b>REGULAR</b>	<b>Actual FTE</b>		<b>Proposed FTE</b>
<b>Departments</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>
Administration	12.0	12.0	12.0
Engineering	4.0	4.0	4.0
Operations*	18.0	17.0	17.0
Joint Facilities	15.0	16.0	16.0
<b>Total</b>	<b>49.0</b>	<b>49.0</b>	<b>49.0</b>

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



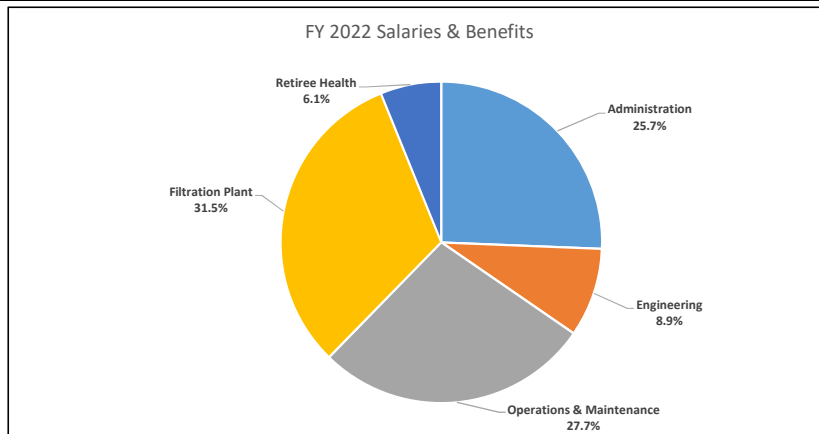
*Employee of the year, Memo Preciado, with GM Al Lau & Board President Michael Hogan*





**Personnel Expense Summary  
Fiscal Year 2022 Operating Budget**

Description	FY 2020	FY 2021		FY 2022	% Change	% Change
	Actual	Budget	Projected	Budget	Bgt to Bgt	Proj to Bgt
<b>Salaries &amp; Benefits:</b>						
District Administration	\$ 1,910,488	\$ 2,091,645	\$ 2,071,517	\$ 2,239,964	7.1%	8.1%
Salaries	1,352,217	1,431,962	1,405,162	1,512,236	5.6%	7.6%
Retirement - CalPERS	343,400	406,546	409,299	461,128	13.4%	12.7%
Healthcare (Medical / Dental)	162,790	194,938	198,257	206,912	6.1%	4.4%
Other	52,081	58,199	58,799	59,688	2.6%	1.5%
District Engineering	650,575	735,389	737,293	780,553	6.1%	5.9%
Salaries	461,960	515,885	515,885	539,099	4.5%	4.5%
Retirement - CalPERS	126,700	143,078	143,078	159,378	11.4%	11.4%
Healthcare (Medical / Dental)	46,354	59,739	61,643	64,421	7.8%	4.5%
Other	15,561	16,687	16,687	17,656	5.8%	5.8%
District Operations	2,277,269	2,257,197	2,196,540	2,419,750	7.2%	10.2%
Salaries	1,486,366	1,458,627	1,403,590	1,550,436	6.3%	10.5%
Retirement - CalPERS	411,886	437,922	425,064	485,999	11.0%	14.3%
Healthcare (Medical / Dental)	303,845	286,072	293,310	300,989	5.2%	2.6%
Other	75,172	74,576	74,576	82,326	10.4%	10.4%
Joint Facilities Operations	1,207,417	1,363,200	1,366,209	1,534,537	12.6%	12.3%
Salaries	842,595	903,860	903,860	996,457	10.2%	10.2%
Retirement - CalPERS	213,495	279,804	281,807	322,499	15.3%	14.4%
Healthcare (Medical / Dental)	109,010	132,867	133,873	162,001	21.9%	21.0%
Other	42,317	46,669	46,669	53,580	14.8%	14.8%
Joint Facilities Maintenance	852,302	974,251	964,583	861,230	-11.3%	-10.7%
Salaries	659,523	623,135	615,566	543,962	-12.7%	-11.6%
Retirement - CalPERS	66,035	189,237	188,653	172,576	-8.8%	-8.5%
Healthcare (Medical / Dental)	124,404	126,293	128,173	115,196	-8.8%	-10.1%
Other	32,340	32,586	32,191	29,497	-9.5%	-8.4%
Joint Facilities Laboratory	276,354	120,794	121,005	131,350	8.7%	8.5%
Salaries	120,268	85,700	85,700	91,988	7.3%	7.3%
Retirement - CalPERS	130,372	22,123	22,313	25,462	15.1%	14.1%
Healthcare (Medical / Dental)	19,321	8,450	8,471	8,865	4.9%	4.7%
Other	6,393	4,521	4,521	5,035	11.4%	11.4%
Joint Facilities Administration	87,551	224,555	224,994	227,079	1.1%	0.9%
Salaries	48,540	148,404	148,404	147,243	-0.8%	-0.8%
Retirement - CalPERS	28,715	47,798	48,086	50,130	4.9%	4.3%
Healthcare (Medical / Dental)	7,512	20,533	20,684	21,651	5.4%	4.7%
Other	2,784	7,820	7,820	8,055	3.0%	3.0%
Subtotal Operating Salaries & Benefits	\$ 7,291,956	\$ 7,764,030	\$ 7,682,142	\$ 8,194,463	5.5%	6.7%
<b>Retiree Health Care Program</b>						
Annual OPEB Trust Contribution / Pay-Go						
District	428,040	383,878	383,878	386,754	0.7%	0.7%
Plant	154,513	147,838	147,838	148,994	0.8%	0.8%
Subtotal Retiree Healthcare Program	582,553	\$ 531,716	\$ 531,716	\$ 535,748	0.8%	0.8%
<b>Total Personnel Expenses</b>	<b>\$ 7,874,509</b>	<b>\$ 8,295,746</b>	<b>\$ 8,213,858</b>	<b>\$ 8,730,211</b>	<b>5.2%</b>	<b>6.3%</b>
Direct Labor Charged to CIP	(69,628)	(507,651)	(125,000)	(120,000)	-76.4%	-4.0%
<b>Personnel Net of Capitalized Labor</b>	<b>\$ 7,804,881</b>	<b>\$ 7,788,095</b>	<b>\$ 8,088,858</b>	<b>\$ 8,610,211</b>	<b>10.6%</b>	<b>6.4%</b>



Note: Totals may not foot due to rounding.



# 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 transmission infrastructure. The District and the San Dieguito Water District (SDWD) share ownership of these facilities, funding approximately 60% and 40%, respectively, of the operating cost of the Joint Facilities. A detailed allocation of expenses between the two agencies is included in Appendix A. This section discusses the District's four cost centers and provides an overview of the expenses associated with each.

## ADMINISTRATIVE SERVICES – PROGRAMS AND SERVICES

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

### SERVICES

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

## STAFFING – FULL-TIME EQUIVALENT POSITIONS (FTE)

Positions	Actual FTE		Proposed FTE
	FY 2020	FY 2021	FY 2022
<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
Management Analyst	-	-	-
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
<b>Total</b>	<b>12.0</b>	<b>12.0</b>	<b>12.0</b>

## PROGRAMS AND ACTIVITIES

The FY22 Budget provides funding for the following regular activities for each portion of the Administrative Services department. Additionally, the FY22 Budget provides funding for the objectives for the upcoming fiscal year listed in this section that may be for a single or over multiple fiscal years.

### GENERAL MANAGER'S OFFICE

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

### ACCOUNTING / FINANCE

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

### CUSTOMER SERVICES

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

## HUMAN RESOURCES

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

## INFORMATION SYSTEMS

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

## SAFETY

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

## PUBLIC COMMUNICATION

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

## ACCOMPLISHMENTS OF FY21

The Administrative Services staff achieved the following key accomplishments in FY21:

- ✧ Government Finance Officers Association distinguished budget award and certificate of achievement for excellence in financial reporting
- ✧ Unmodified opinion on FY20 audit - completed and accepted by Board of Directors
- ✧ Completed recruitments for four positions District-wide
- ✧ Increased physical security of District facilities, including access systems and surveillance
- ✧ Implementation new servers, switches, and firewalls throughout the District
- ✧ Ensured business continuity during pandemic response
- ✧ Complied with American Water Infrastructure Act reporting requirements for emergency response plan update and risk assessment
- ✧ Ensured operation continuity during SDG&E public safety power shut-offs
- ✧ Completion of strategic plan update
- ✧ Adoption of updated District Reserve Policy, updated Leak Credit Policy, and new Credit Card Policy

## OBJECTIVES FOR FY22

During FY22, Administrative Services will achieve the following objectives:

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

## ADMINISTRATIVE SERVICES DETAIL & SIGNIFICANT BUDGET CHANGES

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

- ✳ Reduction of board support expenditures due to less Directors taking per diem expenses;
- ✳ Property & liability insurance estimates from ACWA JPA are for a 10% increase in FY22 – however, the District does not budget refunds due to unpredictability in District and overall pool claims;
- ✳ Information technology expenditures are increasing due to an estimated \$40,000 cost for implementation of a new AMI customer portal, approximately \$20,000 contractual increases in software support costs, and offset by \$70,000 in other IT support costs to match prior fiscal year(s) spending;
- ✳ Other office expense increases are due to increase utility costs for the Administration building;
- ✳ Contract / professional services are made up of bank fees (\$130,000), general consulting (\$255,000), legal fees (\$225,000), and public outreach (\$72,000). The \$255,000 in consulting expenditures are made up of: \$25,000 in re-districting consultation, \$30,000 (District portion) in IT security / technology roadmap, \$150,000 for fee review / PSAWR / rate consultation, \$25,000 in local water planning (for short-term Lake Hodges repair & maintenance review), and \$25,000 in other general consultant expenditures;
- ✳ Training and development expenditures are proposed to increase in FY22 as the ability to attend outside trainings / conferences increase as the pandemic continues to wane and the budget is returned to prior year(s) levels.

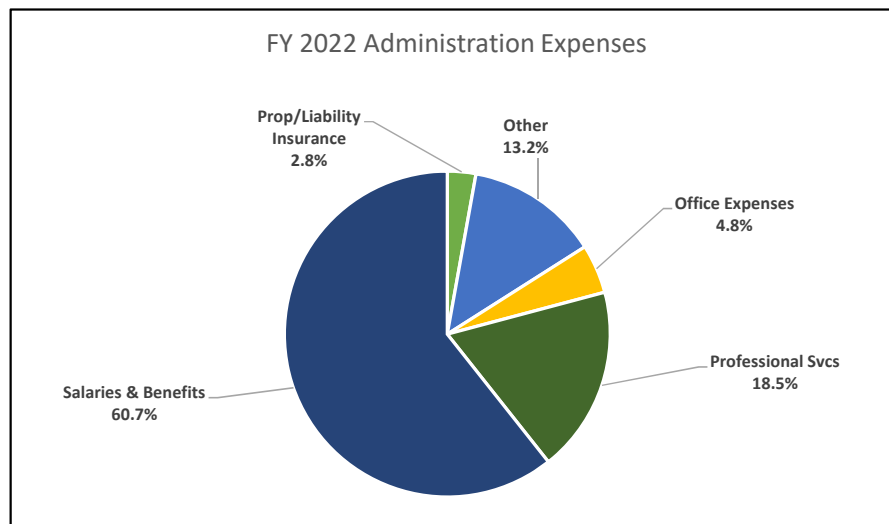


## ADMINISTRATIVE SERVICES KEY PERFORMANCE INDICATORS

KPI #	KPI	FY22 Goal	Department
1	Average, typical single-family residential bill (SDCWA members)	<33rd Percentile	Administration
2	Compliance with state requirement AB1668 - District water budget	TBD	Administration
3	Compliance with state requirement SBX 7-7 (gallons per capita / day)	< 510	Administration
4	Participation rate in customer survey	25%	Administration
5	# attendees at water seminar(s) / landscape classes held by District	100	Administration
6	Percentage of customers enrolled in District AMI portal (as a % of total District customers - goal of 60% by FY31)	10%	Administration
7	% of District main phone line calls not answered by live customer service representative	<1%	Administration
8	# of updates of current and developing legislation and regulations at District Board meeting	9	Administration
9	% customers on auto-pay (goal of 60% by FY31)	15%	Administration
10	Employee voluntary turnover annually	<=5%	Administration
11	Percentage of distribution and treatment employees with certifications/education above minimum requirements for their job	67%	Administration
12	Percentage of performance evaluations completed within 30 days from anniversary	90%	Administration
13	Development / review for compliance with OPEB and pension funding policy	Y	Administration
14	Proposition 26 fees reviewed within last 3 years	Y	Administration
15	Completion of cost-of-service study within last 5 years	Y	Administration
16	Compliance with all Board adopted financial policies (Budget, Reserves, Debt, Treasurer, etc.)	Y	Administration
17	# of Table top emergency response plan exercises conducted	2	Administration
18	Annual District rate increase / revenue requirement within 3% of San Diego / Carlsbad CPI-U, less water supply costs	Y	Administration

## Administration Expense Summary Fiscal Year 2022 Operating Budget

Description	FY 2020	FY 2021		FY 2022	% Change	% Change
	Actual	Budget	Projected	Budget	Bgt to Bgt	Proj to Bgt
<b>Labor Expenses:</b>						
Salaries & Benefits	\$ 1,910,488	\$ 2,091,645	\$ 2,071,517	\$ 2,239,964	7.1%	8.1%
District Retiree Health Care	428,040	383,878	383,878	386,754	0.7%	0.7%
Capitalized Labor	582	-	(5,000)	-	-	-
Interdepartmental Allocations	(393,123)	(495,503)	(495,503)	(530,863)	7.1%	7.1%
Net Personnel Expenditures	<u>\$ 1,945,987</u>	<u>\$ 1,980,020</u>	<u>\$ 1,954,892</u>	<u>\$ 2,095,855</u>	<b>5.9%</b>	<b>7.2%</b>
<b>Non-Labor Expenses:</b>						
Board Support	\$ 20,992	\$ 43,240	\$ 19,678	\$ 26,120	-39.6%	32.7%
Property & Liability Insurance	90,053	93,334	90,414	104,007	11.4%	15.0%
Office Supplies	63,113	70,000	58,078	70,000	0.0%	20.5%
Information Technology	214,230	343,848	257,578	376,300	9.4%	46.1%
Other Office Expense	90,846	99,500	94,943	109,000	9.5%	14.8%
Conservation	11,087	42,500	11,120	42,500	0.0%	282.2%
Contract/Professional Services	569,895	557,000	437,840	682,000	22.4%	55.8%
Training & Development	44,586	27,000	16,657	42,000	55.6%	152.1%
<b>Total Non-Labor</b>	<u>\$ 1,104,802</u>	<u>\$ 1,276,421</u>	<u>\$ 986,309</u>	<u>\$ 1,451,927</u>	<b>13.7%</b>	<b>47.2%</b>
<b>Expenses Before Depreciation</b>	<u>\$ 3,050,789</u>	<u>\$ 3,256,441</u>	<u>\$ 2,941,201</u>	<u>\$ 3,547,782</u>	<b>8.9%</b>	<b>20.6%</b>
Depreciation & Amortization	<u>\$ 3,242,425</u>	<u>\$ 3,504,497</u>	<u>\$ 3,504,497</u>	<u>\$ 3,684,497</u>	5.1%	5.1%
<b>Total Net Expenses</b>	<b>\$ 6,293,214</b>	<b>\$ 6,760,938</b>	<b>\$ 6,445,698</b>	<b>\$ 7,232,279</b>	<b>7.0%</b>	<b>12.2%</b>



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

## ENGINEERING AND PLANNING – PROGRAMS AND SERVICES

The Engineering and Planning Department (EPD) oversees the Capital Improvement Program, Water Resources Management, Development Services, Property Management, and Geographic Information System (mapping). EPD also provides general engineering support to operations, utility mark-out, and inspection services. The EPD includes a staff of four funded, full-time employees. The four positions are currently filled with no anticipated changes in FY22. 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 2020	FY 2021	FY 2022
<u>Regular</u>			
Engineering Manager	1.0	1.0	1.0
Associate Civil Engineer	1.0	1.0	1.0
Engineering Technician	1.0	1.0	1.0
Facility Location/Inspection	1.0	1.0	1.0
<b>Total</b>	<b>4.0</b>	<b>4.0</b>	<b>4.0</b>

## PROGRAMS AND ACTIVITIES

The FY22 Budget provides funding for the following regular activities for each portion of the Engineering & Planning department. Additionally, the FY22 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.

### 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

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

## GEOGRAPHICAL INFORMATION SYSTEMS (GIS)

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

## PROPERTY MANAGEMENT

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

## FACILITY LOCATING/INSPECTION

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

## ACCOMPLISHMENTS OF FY21

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

### ✳ **Capital Improvement Projects**

Advanced the Capital Improvement Program for the District and Joint facilities with a total expenditures in FY21 of approximately \$12 million including:

- Completed Phase 5 of the Automated Metering Program and developed and processed the final phase (Phase 6) of the program.
- Managed the listed Projects throughout the Construction Phase. Projects are being delivered within schedule and budget with a construction change order (CCO) rate of less than 1%.
  - Clearwell Seismic Improvements
  - Washwater Tank Seismic Improvements
  - Mechanical Dewatering & Filter Washwater Improvements
  - Handrail Improvements at San Dieguito Reservoir
  - San Dieguito Dam Concrete Refurbishment
- Advanced the R.E. Badger Operations Building Roofing Replacement to the Award and Construction Phase.
- Completed Design Related Activities for the Following Projects:
  - Cielo Pump Station Valve Replacement Project
  - Government Road Pipeline Replacement Project
- Developed a robust FY2022 Capital Improvement Projects list to ensure critical objectives and performance of the District's Assets and Joint Facilities system are met.

- Received reimbursements of approx. \$1.75 million from the awarded \$2.6 million Hazard Mitigation Grant that was approved by the Federal Emergency Management Agency (FEMA) and awarded to the Districts to fund the Seismic Improvements Projects.

✧ **Planning and Operations Support**

- Established a collaborative working group with the City of San Diego, San Diego County Water Authority and San Deguito Water District to manage the operation and water level at Hodges
- Continued to coordinate the development and implementation of needed near and long term Hodges Dam repairs and improvements in response to the Division of Safety of Dams Restrictions
- Executed a Transportation and Storage Agreement between the Districts and the San Diego County Water Authority to maximize local water supply and minimize cost to our rate payers
- Prepared and completed the development of the District's 2020 Urban Water Management Plan
- Initiated the development and update of the District's Energy Efficiency Management Plan, Water system Master Plan and the new 10-yr CIP for both the District and Joint facilities.
- Continued to respond to land development related activities and requests. Created tracking tool to ensure staff cost has been properly recouped and District's interest is protected. In the meantime, provide an outstanding customer service and public/ community transparency.
- Continued to participate in different local workgroups and collations such as Regional Advisory Committee for the Integrated Regional Water Management for San Diego and the North San Diego Water Reuse Coalition for funding opportunities and alternative water supplies.

✧ **Property Management**

- Successfully processed multiple quit-claim and easement actions
- Updated applicable Articles of District Administration Codes to conform to current practices. This includes Easement Encroachments and Annexations to ensure District's interests and properties are protected and provide directions to staff in regards to related inquiries.

✧ **Information Technology Program**

- Continued to implement different GIS solutions and asset management technologies such as Isolation Trace, Miller Spatial Mark-out solutions and dashboard and Story Map
- Updated District's Geographic Information System (GIS) database

✧ **District Asset Protection**

- Continued to provide mark-outs required to protect SFID infrastructure from excavations associated with a fiber optic cable installation project impacting the Solana Beach service area (approximately 40 miles of public and private roadway)
- In addition, SFID mark-out personnel responded to over 1,400 mark-out requests associated with other construction activities throughout the District's entire service area

## OBJECTIVES FOR FY22

During FY22, the Engineering Department will achieve the following objectives:

- ✧ Implement the Board-approved FY22 Capital Improvement Program
- ✧ Support and coordinate projects/programs associated with Hodges Dam repairs and upgrades and the expansion of local water supplies
- ✧ Support studies and projects associated local water resources and water use efficiency
- ✧ Complete the District' updated Master Plan
- ✧ Establish a new 10-Year Master Plan and 10-Year Capital Improvement Program

- ✱ Continue to provide mark-out services to protect District assets
- ✱ Successfully manage development support activities in the service area
- ✱ Continue to maintain and update GIS mapping data
- ✱ Implement the District's new Strategic Business Plan and identified initiatives
- ✱ Develop an Easement Management Plan for the District that reflects the recent adopted Administrative Code revisions

## ENGINEERING & PLANNING DETAIL & SIGNIFICANT BUDGET CHANGES

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

- ✱ The largest change in the FY22 Engineering budget is a reduction in engineering services / consultant expenditures. The \$110,000 reduction is primarily due to the largest portion of the District's asset management master plan (AMMP) being completed in FY21.
- ✱ The \$215,000 in consultant expenditures include: \$40,000 for the completion of the District AMMP, \$50,000 in potable reuse planning for Encina wastewater, \$25,000 in potable reuse planning for SEJPA, and \$100,000 in general consultant expenditures to leverage Staff time.

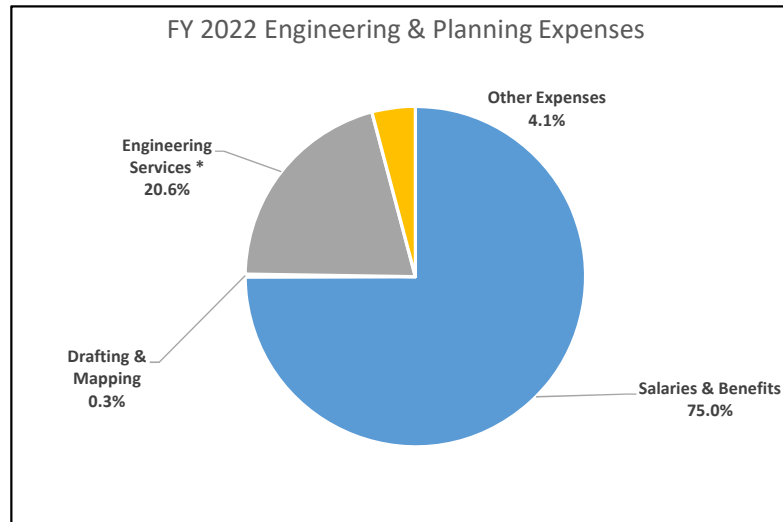
## ENGINEERING & PLANNING KEY PERFORMANCE INDICATORS

KPI #	KPI	FY22 Goal	Department
19	Performed assessment of Drought Contingency Plan for short-term water reliability	Y	Engineering
20	Annual Capital Improvement Program (CIP) expenditures as % of adopted budget	90%	Engineering
21	CIP construction change orders as % of yearly program	<5%	Engineering
22	# day to update GIS base maps from receipt of system change	<30	Engineering
23	DigAlert Tickets responded to within 48 hours	100%	Engineering

## Engineering & Planning Expense Summary Fiscal Year 2022 Operating Budget

Description	FY 2020	FY 2021		FY 2022	% Change	% Change
	Actual	Budget	Projected	Budget	Bgt to Bgt	Proj to Bgt
<b>Labor Expenses:</b>						
Salaries & Benefits	\$ 650,575	\$ 735,389	\$ 737,293	\$ 780,553	6.1%	5.9%
Capitalized Labor	56,231	(251,654)	(85,000)	(85,000)	-66.2%	0.0%
Interdepartmental Charges	(32,021)	(62,512)	(62,512)	(82,202)	31.5%	31.5%
<b>Net Personnel Expenditures</b>	<b>\$ 674,785</b>	<b>\$ 421,223</b>	<b>\$ 589,782</b>	<b>\$ 613,351</b>	<b>45.6%</b>	<b>4.0%</b>
<b>Non-Labor Expenses:</b>						
Drafting & Mapping	12,666	3,000	2,109	3,000	0.0%	42.2%
Engineering Services *	71,553	325,000	235,000	215,000	-33.8%	-8.5%
Other Expenses	36,804	42,875	39,407	42,875	0.0%	8.8%
<b>Total Non-Labor</b>	<b>\$ 121,023</b>	<b>\$ 370,875</b>	<b>\$ 276,516</b>	<b>\$ 260,875</b>	<b>-29.7%</b>	<b>-5.7%</b>
<b>Total Revenue</b>	(30,750)	(20,000)	(18,000)	(20,000)	0.0%	11.1%
<b>Total Net Expenses</b>	<b>\$ 765,058</b>	<b>\$ 772,098</b>	<b>\$ 848,298</b>	<b>\$ 854,226</b>	<b>10.6%</b>	<b>0.7%</b>

\* Does not include joint facilities engineering services consulting budget



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



## OPERATIONS AND MAINTENANCE – PROGRAMS AND SERVICES

The Operations and Maintenance Department (O&M) includes the following programs: Distribution System Operations and Meter Services, Construction Repair and Maintenance, and Facilities/Equipment Maintenance. The O&M staff operates and maintains the District-owned and the jointly-owned water distribution system – a network of pipelines, water services, meters, valves, pressure reducing stations, and cathodic protection systems. The department also performs emergency and routine repairs to pipelines, installs new services, is responsible for the District's Cross Connection Control Program, oversees compliance of Recycled Water Use sites, 30 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 2020	FY 2021	FY 2022
Operations Manager	-	-	-
Distribution System Manager	1.0	1.0	1.0
Distribution System Operations*	5.0	5.0	5.0
Repair and Maintenance	9.0	8.0	8.0
Meter Services	2.0	2.0	2.0
Cross Connection/Recycled Water	1.0	1.0	1.0
<b>Total</b>	<b>18.0</b>	<b>17.0</b>	<b>17.0</b>

\*Includes vacant utility worker position in FY21

## PROGRAMS AND ACTIVITIES

The FY22 Budget provides funding for the following regular activities for each portion of the Operations & Maintenance department. Additionally, the FY22 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.

### DISTRIBUTION SYSTEM OPERATIONS

- ✧ Operates Larrick Reservoir & Pump Station, pressure reducing stations, valves, related equipment to ensure proper performance of water distribution system; assists in repair & maintenance of system components
- ✧ Ensures compliance with local, State, and Federal water regulations
- ✧ Ensures that system-wide water pressure and quality meet established standards and operational objectives
- ✧ Performs sampling, monitoring, and reporting of water quality
- ✧ Operates, maintains, repairs/rebuilds, and upgrades valves throughout the distribution system
- ✧ Provides customer service and responds to service requests of a routine, emergency, and/or complex nature
- ✧ Provides maintenance and repair support services on jointly-owned pipelines
- ✧ Oversees District's cathodic protection program for jointly-owned transmission mains and District distribution systems
- ✧ Reads water meters and maintains access to the meters

- ✧ Maintains all meter pits, boxes, and vaults to protect the housing, radios and encasement of the meters
- ✧ Maintains a meter replacement program
- ✧ Oversees the Cross Connection Control program as required by the Division of Drinking Water for the potable and recycled water systems
- ✧ Oversees regulatory compliance with the District's recycled water use sites

## REPAIR & MAINTENANCE

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

## METER SERVICES

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- ✧ 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 FY21

The Operations and Maintenance Staff achieved the following Key Accomplishments in FY21

- ✧ Executed new service agreement for traffic control services
- ✧ Completed an updated distribution system condition assessment including a detailed assessment of the Larrick Reservoir
- ✧ Coordinated the inspection and cleaning of Larrick Reservoir as recommended by American Water Works Association
- ✧ Supported Asset Management Master Plan update and distribution system condition assessment
- ✧ Updated Administrative Code Articles; 15 Construction Water, 22 Maintenance and Replacement of District lines, 26 Fire Hydrants and 27 Backflow Prevention
- ✧ Submitted to the State Water Resources Control Board the annual report for water loss, discharges and other programs
- ✧ Maintained successful operations during public safety power shut-off events, implemented new standard operating procedures associated
- ✧ Implemented Competent Persons Certifications to Operations and Construction Staff
- ✧ Facilitated Phase 6 AMI installations
- ✧ Replaced all large diameter meters associated with Phase 6 Advanced Metering Program
- ✧ Completed initial review of existing water service agreements
- ✧ Maintained operations and exceptional customer service during pandemic

## OBJECTIVES FOR FY22

During FY22, the Operations & Maintenance Department will achieve the following objectives:

- ✱ Execute new service agreement for asphalt paving repair services
- ✱ Continue efforts to expand preventative maintenance programs for the District's backbone system and distribution facilities. These efforts include projects such as the valve maintenance, cathodic protection, and advances metering infrastructure maintenance program
- ✱ Continue to replace critical system isolation valves
- ✱ Evaluate the District's Computerized Maintenance Management System for potential improvements and enhancements
- ✱ Complete all corrective work related to Phase 6 AMI and support further propagation studies of radio coverage as necessary
- ✱ Complete corrosion control assessment on District and Joint Facilities pipelines
- ✱ Support the completion of an updated Asset Management Master plan
- ✱ Comply with state and federal regulatory requirements including the revised lead & copper rule
- ✱ Update applicable articles of the District's Administrative Code to conform with regulations and current practices
- ✱ Provide operational support on developer-related and capital improvement construction activities

## OPERATIONS & MAINTENANCE DETAIL & SIGNIFICANT BUDGET CHANGES

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

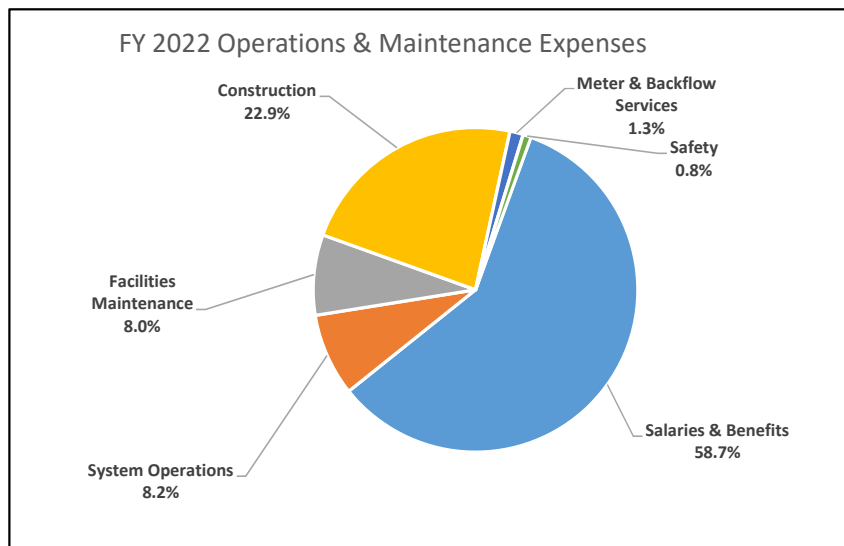
- ✱ The systems operations budget FY22 is decreasing by approximately \$39,000 primarily due to: a \$21,500 reduction in projected tool expenditures as the District does not anticipate having to procure a significant amount of tools or vehicle fittings that cannot be capitalized in FY22; \$11,500 reduction in distribution SCADA expenses as Staff does not anticipate the need to make any material change or significant repairs to the system in FY22; and a \$10,000 in general services to align with prior fiscal year(s) spending;
- ✱ Facilities maintenance expenditures are proposed to increase a marginal amount due to increases in vehicle maintenance costs (\$2,500), fuel costs (\$3,000), and office supply expenses (\$3,500);
- ✱ Construction expenses are increasing approximately 1.4% from the FY21 Budget. The largest changes are: \$55,000 increase in inspection fees for District & reimbursable work to align with prior fiscal year(s) & to reflect the increasing number of site visits and associated costs by the County of San Diego and City of Solana Beach; \$7,500 decrease in meter expenditures - as the District completes AMI Phase 6, the amount of expense meter repairs & change-outs decreases; and \$42,000 decrease in paving & traffic control services to align with actual spending in prior fiscal year(s), among others.

## OPERATIONS & MAINTENANCE KEY PERFORMANCE INDICATORS

KPI #	KPI	FY22 Goal	Department
24	# of unplanned disruptions greater than 4 hours	<6	Distribution
25	Number of system valves replaced per year	15	Distribution
26	# leaks in fiscal year	<10	Distribution
27	System water loss / non-revenue water %	<=5%	Distribution
28	# pressure regulating stations serviced per year	5	Distribution
29	# of valves exercised per year	800	Distribution

## Operations & Maintenance Expense Summary Fiscal Year 2022 Operating Budget

	FY 2020	FY 2021		FY 2022	% Change	% Change
Description	Actual	Budget	Projected	Budget	Bgt to Bgt	Proj to Bgt
<b>Labor Expenses:</b>						
Salaries & Benefits	\$ 2,277,269	\$ 2,257,197	\$ 2,196,540	\$ 2,419,750	7.2%	10.2%
Capitalized Labor	12,585	(133,873)	(25,000)	(25,000)	-81.3%	0.0%
Net Personnel Expenditures	<u>\$ 2,289,854</u>	<u>\$ 2,123,324</u>	<u>\$ 2,171,540</u>	<u>\$ 2,394,750</u>	<b>12.8%</b>	<b>10.3%</b>
<b>Non-Labor Expenses:</b>						
System Operations	239,104	377,400	292,675	338,900	-10.2%	15.8%
Facilities Maintenance	301,148	320,300	292,638	330,400	3.2%	12.9%
Construction	703,373	930,750	838,996	944,175	1.4%	12.5%
Meter & Backflow Services	60,016	70,000	43,489	55,000	-21.4%	26.5%
Safety	39,349	30,000	37,179	33,500	11.7%	-9.9%
<b>Total Non-Labor</b>	<u>\$ 1,342,990</u>	<u>\$ 1,728,450</u>	<u>\$ 1,504,977</u>	<u>\$ 1,701,975</u>	<b>-1.5%</b>	<b>13.1%</b>
<b>Total Revenue</b>	(250,000)	(250,000)	(209,605)	(230,000)	-8.0%	9.7%
<b>Total Net Expenses</b>	<b>\$ 3,382,844</b>	<b>\$ 3,601,774</b>	<b>\$ 3,466,913</b>	<b>\$ 3,866,725</b>	<b>7.4%</b>	<b>11.5%</b>



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

## JOINT FACILITIES – PROGRAMS AND SERVICES

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

### SERVICES

- ✳ Treats raw surface water from Lake Hodges and SDR
- ✳ Treats 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 2020	FY 2021	FY 2022
Water Treatment Plant Manager	1.0	1.0	1.0
Treatment Operations	7.0	7.0	8.0
Instrumentation & Maintenance	6.0	6.0	5.0
Grounds Maintenance*	0.0	1.0	1.0
Laboratory	1.0	1.0	1.0
<b>Total</b>	<b>15.0</b>	<b>16.0</b>	<b>16.0</b>

\* FY21 staffing includes the transfer of a Grounds and Maintenance Worker from District operations.

## PROGRAMS AND ACTIVITIES

The FY22 Budget provides funding for the following regular activities for each portion of the Joint Facilities department. Additionally, the FY22 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.

### 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

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- ✱ 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 SDCWA 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

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- ✱ 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

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- ✱ 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 FY20

The Joint Facilities Department staff achieved the following key accomplishments in FY20:

- ✱ Treated over 40% local water supplies while receiving more challenging state water project supplies
- ✱ Completed the Environmental Laboratory Accreditation Program's annual proficiency testing to maintain a State accredited status
- ✱ Worked with stake holders to evaluate short term and long term repairs to Lake Hodges
- ✱ Installed 6 filter influent valves and actuators to provide for better filter operation
- ✱ Installed 4 filter effluent valves to provide for better filter operation
- ✱ Replaced 6 filter backwash valves to provide more reliability and consistency for filter back washes.
- ✱ Upgraded the SCADA system to the most recent standard and increase security
- ✱ Developed and completed a filter surveillance program to comply with Department of Drinking Water requirements
- ✱ Replaced 3 cross collector drive units to help optimize solids removal
- ✱ Installed an overflow sensor on the Clear Well to provide notification for potential overflow releases
- ✱ Upgraded trained staff to the HAZWOPER (Hazardous Waste Operations and Emergency Response) level for better response to hazardous materials emergencies



## OBJECTIVES FOR FY21

During FY21, the Joint Facilities Department will achieve the following objectives:

- ✳ Continue to meet and exceed all State and Federal drinking water standards with increasingly challenging imported and local source water
- ✳ Upgrade the filter surface wash valves to 150lb class industry standard
- ✳ Install 2 particle counters on filters to facilitate a filtration optimization study
- ✳ Install remote monitoring sensors and treatment system on SDR to help maximize its quality.
- ✳ Replace the roof of the compressor room at SDR
- ✳ Add filter media to all filters to maintain optimal performance
- ✳ Rebuild washwater pump number 2 for redundancy of the backwash system
- ✳ Replace the THM analyzer in order to maintain up-to-date- information on THM formation through the plant.

## JOINT FACILITIES DETAIL & SIGNIFICANT BUDGET CHANGES

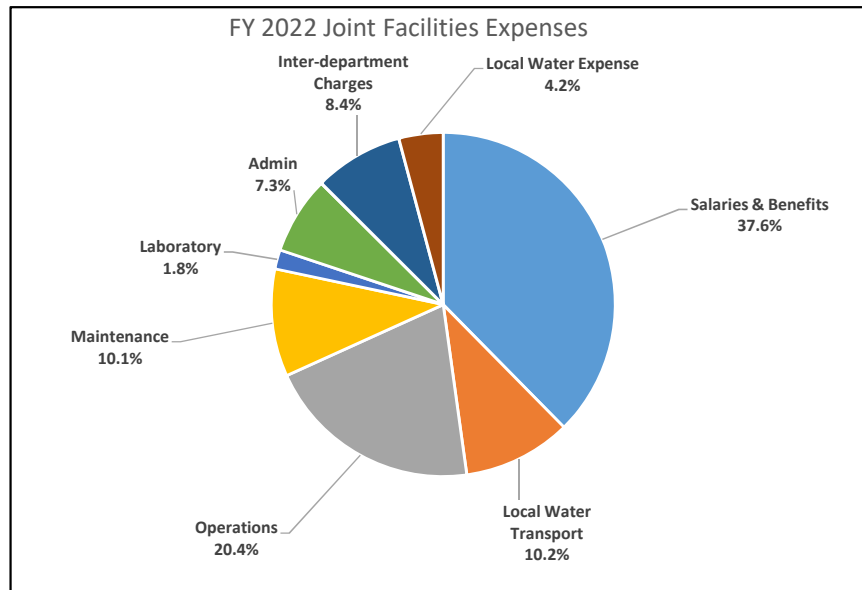
- ✳ Local water transportation costs are anticipated to decrease approximately \$360,000 from FY21 primarily due to the decrease in local water availability. The FY21 Budget included the transportation of 3,000 AF of local water, where the proposed FY22 Budget includes 2,250 AF, and therefore, total electricity for Cielo & San Dieguito pump stations in FY22 is projected to be approximately \$604,000 as compared to \$962,559 in the FY21 Budget;
- ✳ Operations expenditures are increasing approximately \$210,000 from FY21 due to:
  - \$150,000 increase in chemical utilization due to price increases and an increase in total water being delivered to the District and SDWD. The FY21 Budget projected approximately 15,100 AF (9,400 AF for the District and 5,700 for SDWD), where the FY22 Budget projects approximately 15,666 AF (9,666 AF for the District and 6,000 for SDWD).
  - \$10,000 increase in solids handling as the de-watering facility is still anticipated to be offline in FY22 to complete the capital project. The alternative is utilizing drying beds while this facility is offline, which leads to a slightly wetter solid and thereby increasing trucking / disposal costs;
  - \$54,000 increase in plant utilities to align to prior fiscal year(s) actuals.
- ✳ Maintenance expenditures are anticipated to decline approximately \$80,000 from the FY21 Budget primarily due to: \$50,000 decrease in contract services expenditures as staff continues to try to address any issues with in-house staff; a \$10,000 reduction in rental services due to the proposed purchase of a new forklift; and \$10,000 in machine repair / maintenance for the Plant's chlorinator system due to work performed in FY21;
- ✳ Laboratory expenditures are projected to increase in FY22 due to increased Environmental Laboratory Accreditation Program expenses;
- ✳ Administrative expenditures are projected to increase approximately \$70,000 from the FY21 Budget due to \$30,000 for the Joint Facilities' portion of the IT security / technology roadmap and \$30,000 increase in legal fees to align with prior fiscal year(s) actual expenditures;
- ✳ Of the proposed \$3,646,835 FY22 Budget, SDWD is responsible for \$1,478,607 and the District \$2,168,228. Total SDWD treatment cost reimbursements (net of offset from revenues) is \$2,853,800 received by the District under operating revenues.

## JOINT FACILITIES KEY PERFORMANCE INDICATORS

KPI #	KPI	FY22 Goal	Department
30	% of annual water treatment plant shutdowns completed on time	100%	Treatment
31	# violations for primary and secondary water quality standards	0	Treatment
32	# public tours conducted per year	5	Treatment

### Joint Facilities Expense Summary Fiscal Year 2022 Operating Budget

Description	FY 2020	FY 2021		FY 2022	% Change	% Change
	Actual	Budget	Projected	Budget	Bgt to Bgt	Proj to Bgt
<b>Labor Expenses:</b>						
Salaries & Benefits	\$ 2,453,394	\$ 2,679,799	\$ 2,676,791	\$ 2,754,196	2.8%	2.9%
Capitalized Labor	230	(122,124)	(10,000)	(10,000)	-91.8%	0.0%
Joint Facilities Retiree Health Care	154,513	147,838	147,838	148,994	0.8%	0.8%
Interdepartmental Charges	425,144	558,014	558,014	613,065	9.9%	9.9%
<b>Total Labor</b>	<b>\$ 3,033,281</b>	<b>\$ 3,263,528</b>	<b>\$ 3,372,644</b>	<b>\$ 3,506,254</b>	<b>7.4%</b>	<b>4.0%</b>
<b>Non-Labor Expenses:</b>						
Local Water Transport	1,243,644	1,104,699	1,020,542	744,294	-32.6%	-27.1%
Operations	1,227,134	1,280,482	1,468,641	1,494,894	16.7%	1.8%
Maintenance	655,905	815,000	757,186	739,500	-9.3%	-2.3%
Laboratory	128,277	126,000	113,000	133,000	5.6%	17.7%
Administrative	333,717	465,050	260,948	535,147	15.1%	105.1%
<b>Subtotal Non-Labor</b>	<b>\$ 3,588,677</b>	<b>\$ 3,791,231</b>	<b>\$ 3,620,317</b>	<b>\$ 3,646,835</b>	<b>-3.8%</b>	<b>0.7%</b>
 <b>Local Water Expense</b>	<b>\$ 133,752</b>	<b>\$ 636,900</b>	<b>\$ 147,292</b>	<b>\$ 305,000</b>	<b>-52.9%</b>	<b>107.1%</b>
<b>Total Net Expenses</b>	<b>\$ 6,755,710</b>	<b>\$ 7,691,659</b>	<b>\$ 7,140,253</b>	<b>\$ 7,458,089</b>	<b>-3.0%</b>	<b>4.5%</b>



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

**Joint Facilities Cost Allocation  
Fiscal Year 2022 Budget**

Description	FY 2021	FY 2021	FY 2022	FY 2022 Allocated Cost		Percentage	
	Budget	Projection	Budget	SDWD	SFID	SDWD	SFID
Operations & Maintenance							
<b>Local Water Costs</b>	<b>\$ 636,900</b>	<b>\$ 147,292</b>	<b>\$ 305,000</b>	<b>\$ 130,144</b>	<b>\$ 174,857</b>	42.67%	57.33%
<b>Operating Costs</b>							
Labor (Net of Capitalization)	\$ 3,115,690	\$ 3,224,806	\$ 3,357,260	\$ 1,342,904	\$ 2,014,356	40.00%	60.00%
Retiree Healthcare	147,838	147,838	148,994	59,598	89,396	40.00%	60.00%
Water Transportation	1,104,699	1,020,542	744,294	317,590	426,704	42.67%	57.33%
Operations	1,280,482	1,468,641	1,494,894	597,958	896,936	40.00%	60.00%
Maintenance	815,000	757,186	739,500	295,800	443,700	40.00%	60.00%
Laboratories	126,000	113,000	133,000	53,200	79,800	40.00%	60.00%
Administrative	465,050	260,948	535,147	214,059	321,088	40.00%	60.00%
<b>Total Operating Costs</b>	<b>\$ 7,054,759</b>	<b>\$ 6,992,961</b>	<b>\$ 7,153,089</b>	<b>\$ 2,881,108</b>	<b>\$ 4,271,981</b>		
<b>Less: External Revenues</b>							
Hydroelectric Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	40.00%	60.00%
Lake House Rent	26,400	43,300	25,000	10,668	14,333	42.67%	57.33%
Interest Income	500	1,604	3,500	1,400	2,100	40.00%	60.00%
Cell Site Revenue	35,577	42,298	38,103	15,241	22,862	40.00%	60.00%
<b>Total Revenues</b>	<b>\$ 92,477</b>	<b>\$ 87,201</b>	<b>\$ 66,603</b>	<b>\$ 27,309</b>	<b>\$ 39,294</b>		
<b>Net Operating Reimbursements from Districts</b>	<b>\$ 7,599,182</b>	<b>\$ 7,053,052</b>	<b>\$ 7,391,486</b>	<b>\$ 2,853,800</b>	<b>\$ 4,232,687</b>		

**Joint Facilities Cost Allocation  
Fiscal Year 2022 Budget**

Description	FY 2021	FY 2021	FY 2022	FY 2022		Percentage	
	Budget	Projection	Budget	Allocated Cost		SDWD	SFID
Capital Improvement & Acquisition				SDWD	SFID	SDWD	SFID
<b>Capital Acquisition</b>							
30" Filter Influent Valves and Actuators Installation	\$ 56,000	\$ 52,740	\$ -	\$ -	\$ -	45.00%	55.00%
Unit 34 Replacement	37,000	39,360	-	-	-	45.00%	55.00%
Turbidity Analyzer Replacement	18,000	18,000	-	-	-	45.00%	55.00%
San Dieguito Reservoir Gate Cameras	15,000	10,400	-	-	-	45.00%	55.00%
Server Storage Replacement	60,000	60,000	-	-	-	45.00%	55.00%
PLC Replacement at Cielo Pump Station	22,000	24,943	-	-	-	42.67%	57.33%
Batteries for APC	20,000	14,115	-	-	-	45.00%	55.00%
Filter effluent valves (4)	35,000	25,908	-	-	-	45.00%	55.00%
Tanks Farm Fiberglass Decking Replacement	35,000	28,358	-	-	-	45.00%	55.00%
Replace 3 Cross Collector Drive Units	35,000	30,000	-	-	-	45.00%	55.00%
Filter Backwash valves and actuators (6)	225,000	205,070	-	-	-	45.00%	55.00%
Clearwell Overflow Monitoring SCADA	15,000	-	-	-	-	31.00%	69.00%
Cloud Based Phone System & Handsets	-	-	30,000	13,500	16,500	45.00%	55.00%
Replacement of SDR Lake Management System	-	-	65,000	27,736	37,265	42.67%	57.33%
Filter Particle Counters (2)	-	-	15,000	6,750	8,250	45.00%	55.00%
TOC Analyzer - Carousel Replacement	-	-	8,000	3,600	4,400	45.00%	55.00%
THM Analyzer Replacement	-	-	150,000	67,500	82,500	45.00%	55.00%
Replacement of Chlorine Analyzer (2)	-	-	30,000	13,500	16,500	45.00%	55.00%
Filter Media Addition	-	-	30,000	13,500	16,500	45.00%	55.00%
Filter Bed UV Covers	-	-	12,000	5,400	6,600	45.00%	55.00%
Forklift Acquisition	-	-	185,000	83,250	101,750	45.00%	55.00%
Surface Wash Valves and Actuators (6)	-	-	210,000	94,500	115,500	45.00%	55.00%
Compressor Room Building Roof	-	-	45,000	20,250	24,750	45.00%	55.00%
Clearwell Level Transmitter	-	-	12,000	3,720	8,280	31.00%	69.00%
<b>Total Capital Acquisition</b>	<b>\$ 573,000</b>	<b>\$ 508,894</b>	<b>\$ 792,000</b>	<b>\$ 353,206</b>	<b>\$ 438,795</b>		
<b>Capital Improvement Projects</b>							
Clearwell Seismic Improvements	965,837	950,000	359,728	\$ 111,516	\$ 248,212	31.00%	69.00%
Washwater Tank Seismic Improvements	2,960,225	2,850,000	2,483,708	1,117,669	1,366,039	45.00%	55.00%
Mechanical Dewatering & Filter Washwater Improvements	4,710,000	4,650,000	4,850,729	2,053,314	2,797,415	42.33%	57.67%
Handrail Improvements at San Dieguito Reservoir	200,229	-	240,229	102,506	137,723	42.67%	57.33%
San Dieguito Dam Concrete Refurbishment	417,176	400,000	92,676	39,545	53,131	42.67%	57.33%
R.E. Badger Operation Building Roofing Replacement Project	660,000	130,000	296,313	133,341	162,972	45.00%	55.00%
R..E. Badger Filters and Sedimentation Basins Concrete Repair	394,000	-	640,250	288,113	352,138	45.00%	55.00%
Cielo Pump Station Valve Replacement Project	625,000	10,000	885,000	374,621	510,380	42.33%	57.67%
Reline or Replace 15-in Drain Line to SDR	100,000	5,000	100,000	42,670	57,330	42.67%	57.33%
Reline or Replace Existing 30-in SDPS Forcemain to Plant	150,000	5,000	150,000	64,005	85,995	42.67%	57.33%
<b>Total Capital Improvement Projects</b>	<b>\$ 11,182,467</b>	<b>\$ 9,000,000</b>	<b>\$ 10,098,633</b>	<b>\$ 4,327,297</b>	<b>\$ 5,771,336</b>		
<b>Less: Capital Grant Revenue / Reimbursement</b>							
CalOES / FEMA Seismic Retrofit Grant	\$ 785,212	\$ 1,200,000	\$ 1,337,852	\$ 522,431	\$ 815,421	39.05%	60.95%
<b>Net Capital Reimbursements from Districts</b>	<b>\$ 10,970,255</b>	<b>\$ 8,308,894</b>	<b>\$ 9,552,781</b>	<b>\$ 4,158,072</b>	<b>\$ 5,394,709</b>		



# CAPITAL PROGRAM

## CAPITAL IMPROVEMENT BUDGET

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

The annual capital budget is used to systematically implement the District's long-range capital planning efforts. The projects are a reflection of established goals that are derived from the District Strategic Business Plan, Urban Water Management Plan, Asset Management Master Plan, and Joint Facilities Master Plan, and other key District planning documents. As the District continues to work on updating these key plans in FY22, the Capital Program will be adjusted accordingly in consultation with the Board. Within this framework of major objectives and goals established for the District, management must plan and control capital expenditures. This planning encompasses the anticipation of long and short-term customer needs for water service, selection and design of proper facilities to meet customer needs, timely purchase or construction of required infrastructure, and timely replacement and retirement of fixed assets.

The Capital Program budget has two elements: Capital Acquisitions and Capital Improvements. Capital Acquisitions are major assets to be acquired during that particular fiscal year. Capital Improvements are relatively large infrastructure projects that may span multiple fiscal years. The budget establishes projected FY22 Capital project expenditures. In addition, the budget identifies the total appropriations required to accommodate capital projects that are implemented in a single one-year period, as well as appropriations required to accommodate planning, design, and/or construction contracts that span multiple fiscal years. The following sections summarize the Capital Acquisitions and Capital Improvement programs for FY22. Due to the current Asset Management Master Plan being developed in 2009, the 10-year capital plan did not program new capital projects past 2023. Based on this, the FY22 Budget does not include 10-year schedule as in prior years. With the new Asset Management Master Plan to be adopted in the fall of 2022, this new plan will dictate capital investment & potentially require changes in appropriations.

## CAPITAL ACQUISITION

The District's Capital Acquisition Program (CAP) advances the District's Goal #3: cost-effective, resilient infrastructure and operations through the funding of purchases and procurement of equipment that has a value of \$7,500 or greater and has a useful life of more than two years. CAP purchases are funded from the Capital Improvement Reserve and generally fall into one of four primary categories: 1) buildings and grounds maintenance and repair; 2) technology equipment/software replacement and upgrades; 3) replacement of the District's rolling stock, such as vehicles and heavy equipment; and, 4) treatment plant maintenance, repair, and replacement projects. Proposed CAP expenditures for FY22 total \$1,277,000 as summarized in the following table.

	<b>FY21 Budget</b>	<b>FY21 Projection</b>	<b>FY22 Budget</b>
District Administration	\$ 255,000	\$ 184,959	\$ 260,000
District Operations	382,000	344,883	225,000
Joint Facilities	573,000	508,894	792,000
<b>Total CAP</b>	<b>\$ 1,210,000</b>	<b>\$1,038,736</b>	<b>\$1,277,000</b>



A summary of the FY22 CAP Budget for Santa Fe Irrigation District (SFID) and the Joint Facilities is included as Attachment A to this memorandum. The costs for the Joint Facilities capital acquisitions will be shared with San Dieguito Water District (SDWD) proportionate to their ownership percentage as shown. A summary discussion of all CAP items for the District and the Joint Facilities is presented in the following narrative. CAP are typically depreciated over a 3-7 year time-frame, dependent on useful life.

## **FY22 CAP - District**

### ***District Administration:***

Administration Building Exterior Painting (\$50,000): This project will allow the outside of the Administration Building to be repainted (which is over 20 years old) and for repairs to be made to termite damaged areas. This project was delayed from FY20 to FY21 due to COVID-19 and closing District facilities to outside contractors at the end of the fiscal year. However, demand for professional painting services has increased significantly and District Staff is having difficulty receiving responsive bids for this project. Staff is requesting this item be re-budgeted in FY22 and continuing to work with vendors to receive a sufficient number of bids.

Board Meeting Audio / Visual Improvements (\$20,000): With the pandemic slowly receding, it is anticipated that the District will have in-person Board meetings at some point in FY22. With probable limited capacity for the public & unknown modifications to the Brown Act meeting requirements, this project is reserved for any potential audio, visual, or information technology upgrades required to be performed by the District for compliance and the most reasonably inclusive way for the public to participate in these meetings.

Cloud Based Phone System & Handsets (\$30,000): This project is to replace the antiquated Cisco Unity call handler with a cloud-based telephony service for incoming calls & associated handsets for employees and facilities. The current call handler is a continuing impediment due to its age and downtime, resulting in a number instances where customers had difficulty in contacting the District's main customer line. The current handsets are Cisco Unity specific and will need to be replaced to enable continued VoIP calling.

Generator & Electrical Panel Emergency Power Supply Upgrades (\$85,000): This project will replace the District's emergency generator as it is non-compliant with CARB. This generator (and others for the District) have become significantly more important due to SDG&E public safety power shutoffs, and this project will ensure that District facilities are able to continue to operate during these events. Additionally, this project will connect all power outlets in the engineering & distribution / construction trailers to the emergency generator (only a small portion are currently connected).

Engineering / Operations Parking Lot Resurfacing (\$75,000): This project will slurry seal the District yard and re-stripe spaces to ensure that this area of critical District use remains in good condition and with clear marks for parking and ingress / egress.

### ***District Operations:***

Modular Decking Replacement (\$15,000): The breezeways between engineering and distribution / construction trailers are degrading & creating a safety hazard. This project will replace the decking to ensure a flat, safe, non-slip surface.

Replacement of Unit 16 – Construction Vehicle Stake Bed (\$55,000): The construction department's multi-use, flat-bed vehicle is requiring increasing maintenance & repairs as it is over 20 years old. This project will replace this critical piece of rolling stock for the District's construction department with a Chevrolet 2500 or similar equipment, in addition to all proper outfitting costs.

Replacement of Unit 17 – Crew Truck (\$155,000): The construction department's crew truck is requiring increasing maintenance & repairs as it is over 16 years old. This project will replace this critical piece of rolling stock for the District's construction department with a Chevrolet 5500 or similar equipment, in addition to all proper outfitting costs.

## **FY22 Capital Acquisitions - Joint Facilities**

For the Joint Facilities, capital acquisitions typically fall into two primary categories: 1) facility enhancements that allow staff to treat local water supplies more efficiently and reliably; and 2) replacement/maintenance. In some cases, the replacement/maintenance items upgrade old systems with newer technologies that provide operations staff with some greater operational flexibility. The requested budget amounts shown are the entire requested budget for Joint Facilities in FY22, with the percentages shown for SFID and SDWD representing each District's cost sharing allocation.

Cloud Based Phone System & Handsets (\$30,000 – 55% SFID, 45% SDWD): This is the Joint Facilities portion of the aforementioned project.

Replacement of SDR Lake Management System (\$65,000 – 57.33% SFID, 42.67% SDWD): The District installed a monitoring platform in San Dieguito Reservoir (SDR) in 2009 to aid in water treatment decisions. The platform aided treatment staff in their ability to make improved blending, chemical use, and water movement decisions. This platform has been repaired a number of times; however, the platform has consistently been offline for some time and replacement is needed. This project will install a new LG lake management system that has been positively received by Vista Irrigation District after installation at Lake Henshaw.

Filter Particle Counters - 2 (\$15,000 – 55% SFID, 45% SDWD): This project would add a particle counter to two of the treatment plant's filters as a pilot study to determine if the addition aids Staff in optimizing the coagulation process. The counters illustrate the number and size of particles that are larger than those represented by turbidity meters and provide additional information for operators to make better informed treatment decisions. If this project is successful, Staff would propose to place a counter in additional filter(s) in future budget year(s).

TOC Analyzer - Carousel Replacement (\$8,000 - 55% SFID, 45% SDWD): The treatment plant's total organic compound (TOC) analyzer is a critical piece of infrastructure & the carousel portion of the machine needs to be replaced. The carousel allows for automatic sample injection & removes the need for Staff to manually configure the process (currently occurring while the carousel is inoperable).

THM Analyzer Replacement (\$150,000 - 55% SFID, 45% SDWD): The R.E. Badger Filtration Plant has a licensed & accredited laboratory to analyze water samples. This allows the District to ensure water quality on an expedited basis and ensure the safety of our customers. One critical component of this process is the trihalomethane (THM) analyzer. This analyzer measures THM, which forms when chlorinated water reacts with organic matter, and is required to be measure & kept under a certain level per EPA and California Division of Drinking Water requirements. The current machine has been failing & is requiring ongoing repairs to keep up with demand. This project will replace this critical machine to ensure District compliance & customer health.

Replacement of Chlorine Analyzer – 2 (\$30,000 - 55% SFID, 45% SDWD): As with the THM analyzer, the two chlorine analyzers the District utilizes ensure the safety of the drinking water. These disinfection analyzers ensure that Staff can continuously monitor a safe level of chlorine for treatment purposes. Two analyzers have also been needing consistent repair & as a critical portion of the treatment process, Staff are recommending their replacement.

Filter Media Addition (\$30,000 - 55% SFID, 45% SDWD): Each filter at the R.E. Badger treatment plant has numerous layers, comprised of sand, aggregate, and anthracite. Every two years, it is necessary to add anthracite to the filters as this layer slowly erodes during the regular backwash process.

Filter Bed UV Covers (\$12,000 - 55% SFID, 45% SDWD): Each filter is covered with an ultraviolet barrier to ensure efficacy of each filter, as these covers prevent organic material growth and general protection. The current covers are rotted and require replacement.

Forklift Acquisition (\$185,000 - 55% SFID, 45% SDWD): This acquisition was deferred from the FY21 CAP, and is for the replacement of the District's current forklift at the treatment plant. The forklift is utilized to move chemicals, large mechanical parts, and other items of significant size. The current forklift has experienced significant downtime (it is over 10 years old and was acquired used) and the need has been backfilled with rentals. Acquisition of a new forklift will enable staff to ensure an operable unit is available when needed without waiting for a rental & coordinating repairs.

Surface Wash Valves and Actuators – 6 (\$210,000 - 55% SFID, 45% SDWD): The replacement of six surface wash valves and actuators in the treatment plant's filters will continue the replacement of all failing valves. The current valves are experience blow-by and are not sealing properly, thereby reducing efficacy of the filters. This project will increase the rating on these seals, enable future repairs without replacement, and standardize the actuators used to same in the rest of the plant.

Compressor Room Building Roof (\$45,000 - 55% SFID, 45% SDWD): The roof at the treatment plant's compressor room is leaking and is letting moisture accumulate on the compressors, potentially decreasing the life of the compressors and degrading the building. This project will replace the roof and ensure that it is water-tight.

Clearwell Level Transmitter (\$12,000 - 69% SFID, 31% SDWD): The transmitter utilized to measure the level of water in the clearwell is beginning to fail, requiring regular maintenance on an important piece of the treatment plant's SCADA system. Staff is recommending its replacement prior to becoming totally inoperative.

**Capital Acquisition Budget Detail  
Fiscal Year 2022**

Account	Description	FY 2021 Budget	FY 2021 Projected	FY 2022 Budget	% Change Bgt to Bgt	% Change Proj to Bgt
1-00-000	<b><u>District Administration</u></b>					
1841	Administration Building Exterior Painting	50,000	-			
1841	Parking Lot and Entryway Improvements - Front Lot	70,000	70,000			
1815	Board Room Upgrades	16,000	-			
1815	RSF Connect - Connection	9,000	9,000			
1815	Server Storage Replacement	90,000	90,000			
1815	Water pro Modeling Software	20,000	15,959			
1841	Administration Building Exterior Painting			50,000		
1841	Board Meeting Audio / Visual Improvements			20,000		
1815	Cloud Based Phone System & Handsets			30,000		
1820	Generator & Electrical Panel Emergency Power Supply Upgrades			85,000		
1841	Engineering/Operations Parking Lot Resurfacing			75,000		
<b>Total District Administration</b>		<b>\$ 255,000</b>	<b>\$ 184,959</b>	<b>\$ 260,000</b>	<b>2.0%</b>	<b>40.6%</b>
1-00-000	<b><u>District Operations</u></b>					
1841	Carpet replacement on Modular Buildings	32,000	32,000			
1841	Warehouse and Maintenance Building roof repairs	35,000	30,155			
1891	Replacement Unit 40 - CARB compliance	55,000	59,339			
1891	Replacement Saw Cut machine	35,000	18,986			
1891	Replacement of Mark-out Vehicle - Unit 06	75,000	55,098			
1891	Skip Loader replacement with Backhoe Loader/Breaker	150,000	149,305			
1841	Modular Decking Replacement			15,000		
1891	Replacement of Unit 16 - Construction Vehicle Stake Bed			55,000		
1891	Replacement of Unit 17 - Crew Truck			155,000		
<b>Total District Operations</b>		<b>\$ 382,000</b>	<b>\$ 344,883</b>	<b>\$ 225,000</b>	<b>-41.1%</b>	<b>-34.8%</b>
2-00-000	<b><u>Joint Facilities</u></b>					
1820	30" Filter Influent Valves and Actuators Installation	56,000	52,740			
1891	Unit 34 Replacement	37,000	39,360			
1820	Turbidity Analyzer Replacement	18,000	18,000			
1815	San Dieguito Reservoir Gate Cameras	15,000	10,400			
1815	Server Storage Replacement	60,000	60,000			
1861	PLC Replacement at Cielo Pump Station	22,000	24,943			
1820	Batteries for APC	20,000	14,115			
1820	Filter effluent valves (4)	35,000	25,908			
1820	Tanks Farm Fiberglass Decking Replacement	35,000	28,358			
1820	Replace 3 Cross Collector Drive Units	35,000	30,000			
1820	Filter Backwash valves and actuators (6)	225,000	205,070			
1820	Clearwell Overflow Monitoring SCADA	15,000	-			
1815	Cloud Based Phone System & Handsets			30,000		
1872	Replacement of SDR Lake Management System			65,000		
1820	Filter Particle Counters (2)			15,000		
1842	TOC Analyzer - Carousel Replacement			8,000		
1842	THM Analyzer Replacement			150,000		
1842	Replacement of Chlorine Analyzer (2)			30,000		
1875	Filter Media Addition			30,000		
1820	Filter Bed UV Covers			12,000		
1891	Forklift Acquisition			185,000		
1820	Surface Wash Valves and Actuators (6)			210,000		
1841	Compressor Room Building Roof			45,000		
1820	Clearwell Level Transmitter			12,000		
<b>Total Joint Facilities</b>		<b>\$ 573,000</b>	<b>\$ 508,894</b>	<b>\$ 792,000</b>	<b>38.2%</b>	<b>55.6%</b>
<b>TOTAL CAPITAL ACQUISITIONS</b>		<b>\$ 1,210,000</b>	<b>\$ 1,038,736</b>	<b>\$ 1,277,000</b>	<b>5.5%</b>	<b>22.9%</b>

## CAPITAL IMPROVEMENTS

The Capital Improvement program supports strategic Goal #1: sustainable, cost-effective water sources, & Goal #3: cost-effective, resilient infrastructure and operations. CIP projects are typically depreciated over 15-50 year time frames, depending on the life of the asset(s).

### Asset Management Master Plans

The FY22 Capital Improvement Program (CIP) is a carryover of projects whose development, planning, and implementation were based on the 10-Year CIP plan that was developed in year 2012. This 10-Year plan was based on the prior District and Joint Facilities Asset Management Master Plans. The District is currently updating these Asset Management Master Plans, which will be based on recent asset management and condition assessment data including future planning for the District's service areas and their water supply. Staff anticipates to bring these plans forward to the Board for review and acceptance in fall 2021. This will also develop a new 10-Year CIP Plan for Board approval to guide District capital investment.

At the time Staff brings forward these plans for acceptance / approves, proposed budget amendments to the FY22 CIP budget may be brought forward to include projects that will be identified as a high priority and recommended to be initiated in FY22 not currently appropriated in the FY22 Budget. Additional budget will be only required to cover planning and predesign activities for these potential new projects.

### Appropriations

The FY22 Capital Budget includes eleven (11) Capital Projects which all are continuing from FY21 with total projected FY22 expenditures of \$11,938,633. This total FY22 Budget amount includes San Dieguito Water District's (SDWD) share of the Joint Facilities Projects described later in this document.

The FY21 Budget included funding necessary to begin / continue construction of 8 different Joint Facilities projects and planning for one District-only project. These 8 Joint Facilities projects are continuing from FY21 into FY22, as anticipated, with \$10,527,070 in carry-over appropriations in the FY22 Budget to complete these projects. An additional \$146,313 in additional appropriations is requested for the Cielo Pump Station project based on 100% design estimates from the District's consultant (after transfer of \$128,687 in excess appropriations from the R.E. Badger Operations Building Roofing Replacement). Based on this, total Joint Facilities appropriations in the FY22 Budget total \$10,673,383.

Additionally, the FY22 Budget includes \$100,000 of carryover appropriations for the one District-only project, with continued planning & construction to initiate in FY22, a requested additional \$1,740,000 in new appropriations is requested to initiate the construction activities for the Government Road Pipeline Replacement.

### Expenditures

The projected expenditure for FY22 Capital Program Joint Facilities projects is \$10,098,633, with the District responsible for \$5,771,336 and \$4,327,297 for SDWD based upon ownership percentages. Joint Facilities projects include the construction of the Clearwell Seismic Improvements, Washwater Tank Seismic Improvements, Mechanical Dewatering Improvements, Handrail Improvements at the San Dieguito Reservoir, San Dieguito Dam Concrete Refurbishment, the R.E. Badger Operations Building Roofing Replacement and the completion of design and start of construction for the R.E. Badger Filters and Sedimentation Basins Concrete Repairs, and Cielo Pump Station Valve Replacements. It also includes the

assessment and conceptual design of existing 15-inch Drain Line and the 30-inch San Dieguito Pump Station Forcemain projects.

Spending on the one District-only project, Government Road Pipeline, is projected to total \$1,840,000 in FY22. Based on these totals, the total SFID and SDWD spend in FY22 is as follows.

Santa Fe Irrigation District	San Dieguito Water District	Total
\$7,611,336	\$4,327,297	\$11,938,633

With the development of a new 10-year capital plan through the completion of District and Joint Facilities asset management master plan (AMMP), the level of capital spending in the FY22 Budget and beyond may change based on assessed need & financial capacity of both the District and SDWD. The District maintains sufficient capital reserves (shown in the "reserves" section of this document) as defined by the Reserve Policy (shown in Appendix), in addition to other capital funding sources (property tax & depreciation) to accommodate any change in spending as defined in the new AMMP.

## DISTRICT IMPROVEMENT PROJECT(S)

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

### DISTRICT IMPROVEMENT PROJECT #1502 – GOVERNMENT ROAD PIPELINE RELOCATION

#### Projected Costs

**FY22 Expenditures: \$1,840,000**

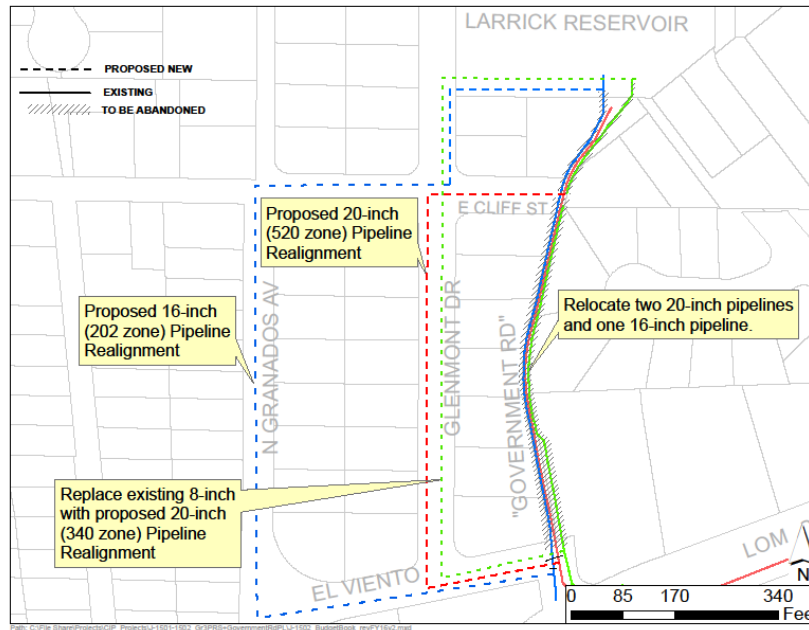
**Total Capital: \$3,500,000**

#### PROJECT DESCRIPTION

The District identified the need to replace aging facilities which are critical to the reliability of its water distribution system. The Government Road Pipeline Project is a continuation of the District's efforts to replace aging water distribution pipelines with limited maintenance access as recommended in its Asset Management Master Plan. The project consists of three components to replace and relocate existing water transmission and distributions pipelines. The scope includes the replacement of approximately 800 lineal feet of existing 16-inch diameter, 202 Pressure Zone, asbestos cement pipeline in "Government Road" with approximately 1,960 lf of new 16-inch pipeline in a relocated alignment in El Viento Street, N. Granados Avenue, E. Cliff Street and Glenmont Drive, the replacement of approximately 600 lineal feet of existing 20-inch diameter, 340 Pressure Zone, asbestos cement pipeline in "Government Road" with approximately 1,100 lineal feet of new 20-inch pipeline in El Viento, Glenmont Drive and E. Cliff Street and transfer existing water services and meters in Government Road to the new 20-inch diameter pipeline and the abandonment of the existing 340 Pressure Zone distribution pipeline in Glenmont Drive. The map below shows the proposed relocation of the Government Road pipelines. The construction of the pipelines relocation will be initiated in FY22.







## OPERATING IMPACTS

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

<i>\$ in thousands</i>	Prior Year(s)	FY 2022	FY2023	TOTAL
Projected Expenditures by Fiscal Year	\$ 180.0	\$ 1,840.0	\$ 1,480.0	\$ 3,500.0

## JOINT FACILITIES IMPROVEMENT PROJECT(S)

As joint owners of the R.E. Badger Filtration Plant, the San Dieguito Water District (SDWD) and the Santa Fe Irrigation District (SFID) share capital improvement expenses. The projects for FY22 are planned for the replacement, upgrade, and enhancement of the water treatment and other jointly-owned local facilities. The following provides a summary description for the FY22 Joint Facilities Capital Improvement Projects. The Capital Costs shown are the total cost for both SFID and SDWD.

The FY22 CIP Budget includes ten (10) Joint Facilities Projects that are continuing from FY21. Design and construction award of the first five (5) projects were completed in FY20 and construction was initiated in mid-year of FY21 and will be spanning between FY21 and FY22. A \$2.6 million hazard mitigation grant was approved by FEMA and awarded to the District for the design and construction of The Clearwell Seismic and Washwater Tank Seismic Improvement Projects. The budget amount shown for the Clearwell Seismic and Washwater Tank Seismic Improvements includes the total required amount. The District has been submitting invoices to the California Office of Emergency Services (CalOES) to seek reimbursement for work performed in accordance with the project schedule that was previously approved by CalOES. Furthermore, staff has initiated a request to CalOES seeking additional grant funding to cover the costs associated with the actual construction bid amount of the Washwater Tank Temporary Bypass System.

### PROJECT #1750, CLEARWELL SEISMIC IMPROVEMENTS

#### **Projected Costs**

**FY22 Expenditures: \$359,728**

**Total Capital: \$1,809,728**

#### **PROJECT DESCRIPTION**

The Clearwell is a 13 million gallon buried concrete tank located at the R.E. Badger Water Filtration Plant site that stores treated potable water. The tank is 252 feet by 329 feet and its depth varies between 16 and 25 feet. The Clearwell was built in the middle 1960s. This project includes the design and construction of improvements to enhance the facilities ability to withstand seismic events and improve reliability. In order to improve economy of scale, enhance efficiency, and accommodate the approved Federal Emergency Management Agency (FEMA) grant funding, the Clearwell Seismic Improvements and Washwater Tank Seismic Improvements Projects have been combined into one design package. Design was initiated in FY17 and was completed in FY21. Construction spans between FY21 and FY22.

## OPERATING IMPACTS

This project will extend the service life of the asset, and bring it into compliance with seismic regulatory requirements. There is no operating budget fiscal impact from the construction of this project.



<i>\$ in thousands</i>	Prior Year(s)	FY 2022	TOTAL
Projected Expenditures by Fiscal Year	\$ 1,450.0	\$ 360.0	\$ 1,810.0

## PROJECT #1751, WASHWATER TANK SEISMIC IMPROVEMENTS

### Projected Costs

**FY22 Expenditures: \$2,483,708**

**Total Capital: \$5,333,708**

### PROJECT DESCRIPTION

The Washwater Tank is a 1 million gallon above ground steel tank located at the R.E. Badger Water Filtration Plant site. The tank has a diameter of 46 feet and is 82.5 feet tall. The tank was built in 1968 to store water used for backwashing of the filters at the Plant. This project includes the design and construction of improvements to enhance the Washwater Tank's ability to withstand seismic events. In order to improve economy of scale, enhance efficiency, and accommodate the approved Federal Emergency Management Agency (FEMA) grant funding, the Clearwell Seismic Improvements and Washwater Tank Seismic Improvements Projects have been combined into one design package. Design was initiated in FY17 and was completed in FY21. Construction spans between FY21 and FY22.

### OPERATING IMPACTS

This project will extend the service life of the asset, and bring it into compliance with seismic regulatory requirements. There is no operating budget fiscal impact from the construction of this project.



<i><b>\$ in thousands</b></i>	<b>Prior Year(s)</b>	<b>FY 2022</b>	<b>TOTAL</b>
Projected Expenditures by Fiscal Year	\$ 2,850.0	\$ 2,483.7	\$ 5,333.7



## PROJECT #1752, MECHANICAL DEWATERING & FILTER WASHWATER IMPROVEMENTS

### Projected Costs

**FY22 Expenditures: \$4,850,729**

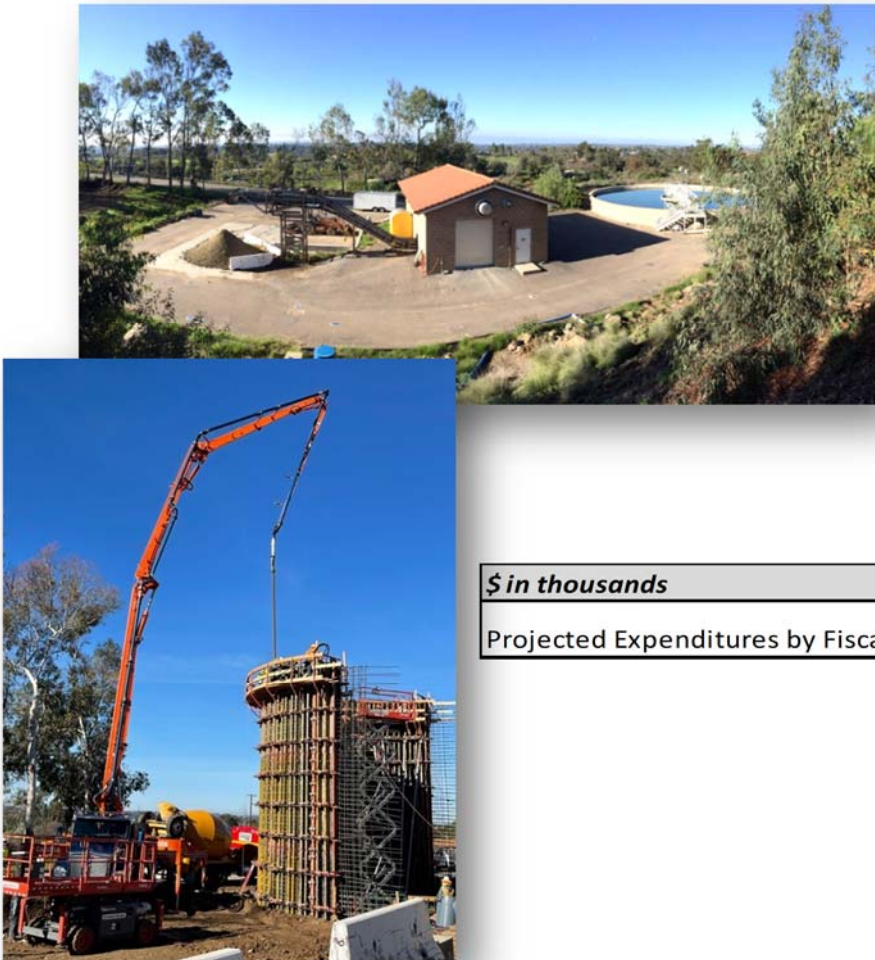
**Total Capital: \$9,500,729**

### PROJECT DESCRIPTION

The ability to efficiently manage the solids removed (and generated) as part of the water treatment process is a critical component of water treatment. Historically, a large portion of the solids removed at the R.E. Badger Water Filtration Facility has been discharged to the San Dieguito reservoir. This project includes the design and construction of improvements to enhance the ability to remove and manage solids at the R.E. Badger Water Filtration Facility. In order to improve economy of scale and enhance efficiency, the Mechanical Dewatering Improvements, Handrail Improvements at the San Dieguito Reservoir and San Dieguito Dam Concrete Refurbishment Projects have been combined into one design package. Design was initiated in FY17 and was completed in FY21. Construction spans between FY21 and FY22.

### OPERATING IMPACTS

This project will increase operational efficiency and decrease costs associated with the solids handling process. Currently it requires constant oversight and manual operation. The total operating impacts is anticipated to be an increase in electricity costs due to more dewatering machinery being operated; while total weight of solids trucked / disposed in landfills will be decrease due to the enhanced dewatering reducing weight. These amounts are anticipated to offset each other.



<i>\$ in thousands</i>	Prior Year(s)	FY 2022	TOTAL
Projected Expenditures by Fiscal Year	\$ 4,650.0	\$ 4,850.7	\$ 9,500.7

## PROJECT #1753, HANDRAIL IMPROVEMENTS AT SAN DIEGUITO RESERVOIR

### Projected Costs

**FY22 Expenditures: \$240,229**

**Total Capital: \$260,229**

### PROJECT DESCRIPTION

The San Dieguito Reservoir was constructed in 1918. The existing handrails do not meet current safety standards. This project will design and construct new handrails that comply with current safety standards. In order to improve economy of scale and enhance efficiency, the Mechanical Dewatering Improvements, Handrail Improvements at the San Dieguito Reservoir, and San Dieguito Dam Concrete Refurbishment Projects have been combined into one design package. Design was initiated in FY17 and was completed in FY21. Construction is scheduled to occur in FY22.

### OPERATING IMPACTS

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



<i><b>\$ in thousands</b></i>	<b>Prior Year(s)</b>	<b>FY 2022</b>	<b>TOTAL</b>
Projected Expenditures by Fiscal Year	\$ 20.0	\$ 240.2	\$ 260.2

## PROJECT #1754 SAN DIEGUITO DAM CONCRETE REFURBISHMENT

### Projected Costs

**FY22 Expenditures: \$92,676**

**Total Capital: \$492,676**

### PROJECT DESCRIPTION

Various inspections of the Dam identified surface wear on the exterior face of the San Dieguito Dam that requires refurbishment. This is a preventative maintenance project that includes the design and construction work required to repair the concrete surface in the areas identified. In order to improve economy of scale and enhance efficiency, the Mechanical Dewatering Improvements, Handrail Improvements at the San Dieguito Reservoir, and San Dieguito Dam Concrete Refurbishment Projects have been combined into one design package. Design was initiated in FY17 and was completed in FY21. Construction is scheduled to be completed in FY22.

### OPERATING IMPACTS

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



<i>\$ in thousands</i>	Prior Year(s)	FY 2022	TOTAL
Projected Expenditures by Fiscal Year	\$ 400.0	\$ 92.6	\$ 492.6



## PROJECT #2050, R.E. BADGER OPERATION BUILDING ROOFING REPLACEMENT

### Projected Costs

**FY22 Expenditures: \$296,313**

**Total Capital: \$696,313**

### PROJECT DESCRIPTION

The R.E. Badger Operations Building Roofing Replacement J-2050, includes replacement of the aging roofing material. The administration building was constructed in 1970. Work will require removal of existing rooftop heating, ventilation, and air conditioning (HVAC) equipment and subsequent replacement of the existing HVAC equipment following replacement of the roofing. Minor HVAC duct work replacement is also anticipated. Design and construction initiation were completed in FY21. The Construction is scheduled to be completed in FY22.

### OPERATING IMPACTS

There are no operating budget impacts as a result of the completion of this project (though there may be some energy savings due to greater insulation in the roof).

Operating budget impacts as a result of the completion of this project.



<i>\$ in thousands</i>	Prior Year(s)	FY 2022	TOTAL
Projected Expenditures by Fiscal Year	\$ 400.0	\$ 296.3	\$ 696.3

## PROJECT #2051 R.E. BADGER AND SEDIMENTATION BASIN CONCRETE REPAIRS

### Projected Costs

**FY22 Expenditures: \$640,250**

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

### PROJECT DESCRIPTION

The R.E. Badger Filters and Sedimentation Basin Concrete Repairs Project, is a preventative maintenance project that will repair spalling concrete with exposed reinforcing steel within the existing filter and sedimentation basin concrete structures. The repairs will protect the integrity of the existing facilities until more extensive refurbishment projects are identified. Design is scheduled to be completed in FY22. Construction is scheduled to span between FY22 and FY23.

### OPERATING IMPACTS

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



<i>\$ in thousands</i>	Prior Year(s)	FY 2022	FY 2023	TOTAL
Projected Expenditures by Fiscal Year	\$ 10.0	\$ 640.3	\$ 335.0	\$ 985.3

## PROJECT #2052 CIELO PUMP STATION VALVE REPLACEMENT PROJECT

### Projected Costs

**FY22 Expenditures: \$885,000**

**Total Capital: \$925,000**

### PROJECT DESCRIPTION

The Cielo Pump Station Valve Replacement Project, includes the replacement and relocation of one 36-inch buried station shut off suction valve from Del Dios Highway to a proposed new buried vault the Cielo Pump Station site, replacement of 4 buried 24-inch pump suction valves and one 10-inch buried pump discharge bypass valve within the Cielo Pump Station site, and replacement of an aging air compressor within the Cielo Pump Station Building. Each of the existing valves have operational problems of varying degrees. New couplings will be provided where valves are replaced. In addition, the existing station shut-off valve under Del Dios Highway will be removed and the fittings will be provided where the valve is located. Design was completed in FY21. Construction is scheduled to occur in FY22.

### OPERATING IMPACTS

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



<i>\$ in thousands</i>	Prior Year(s)	FY 2022	TOTAL
Projected Expenditures by Fiscal Year	\$ 40.0	\$ 885.0	\$ 925.0

## PROJECTS #TBD - REHABILITATION OF EXISTING 15-INCH DRAIN LINE AND 30-INCH FORCEMAIN

### Projected Costs

**FY22 Expenditures: \$250,000**

**Total Capital: \$7,130,000**

### PROJECT DESCRIPTION

The 15-inch drain line was installed in the late 1960s and consists of approximately 7,300 feet of asbestos cement pipe with small amounts of cast iron and steel piping. This pipeline provides an avenue for the Water Filtration Plant (WFP) to recycle decant from the sludge drying beds and wash water ponds to the San Dieguito Reservoir (SDR). In addition, the line serves to provide a means of recycling raw water with chlorine dioxide to SDR. The SDPS forcemain is over 40 years old and consists of approximately 8,800 feet of 30-inch Cement Mortar Lined Steel pipe. The forcemain runs through a housing subdivision and plant staff have limited or no access to areas where the line was installed. Operation of the line is imperative as it is the only means of bringing water from SDR to the WFP where failure of this line could result in damages to homes and plant staff may not be able to access the line to make repairs. Based on the 2012 Joint Facilities Master Plan, the condition for these two pipelines is unknown, as they have not been inspected. The scope of work will include performing condition assessment and video inspection for conceptual planning to reline or partially replace the pipelines. Also, staff will evaluate the option of the relocation of the pipeline and follow a different alignment, if feasible. The assessment and conceptual design of the two pipelines spans between FY21 and FY22.

### OPERATING IMPACTS

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



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

<i>\$ in thousands</i>	Prior Year(s)	FY 2022	FY 2023	FY2024	TOTAL
Projected Expenditures by Fiscal Year	\$ 10.0	\$ 250.0	\$ 2,200.0	\$ 4,670.0	\$ 7,130.0

**Capital Improvement Budget Summary**  
**Fiscal Year 2022**

PROJECT NUMBER	PROJECT NAME / DESCRIPTION	PROJECT STATUS	TOTAL ESTIMATED COST	APPROPRIATIONS THROUGH FY21	PROJECTED EXPENDITURES THROUGH FY21	PROJECTED FY21 CARRYOVER	FY22 APPROPRIATION	FY 22 PROJECTED EXPENDITURES
<b><u>GENERAL DISTRICT</u></b>								
1502	Government Road Pipeline	Construction	3,500,000	150,000	180,000	100,000	1,740,000	1,840,000
<b>GENERAL DISTRICT CIP SUBTOTAL</b>			<b>\$ 3,500,000</b>	<b>\$ 150,000</b>	<b>\$ 180,000</b>	<b>\$ 100,000</b>	<b>\$ 1,740,000</b>	<b>\$ 1,840,000</b>
<b><u>JOINT FACILITIES (Budget includes BOTH SFID and SDWD Portions)</u></b>								
1750	Clearwell Seismic Improvements	Construction	1,809,728	1,809,728	1,450,000	359,728	-	359,728
1751	Washwater Tank Seismic Improvements	Construction	5,333,708	5,333,708	2,850,000	2,483,708	-	2,483,708
1752	Mechanical Dewatering Improvements	Construction	9,500,729	9,500,729	4,650,000	4,850,729	-	4,850,729
1753	Handrail Improvements at San Dieguito Reservoir	Construction	260,229	260,229	20,000	240,229	-	240,229
1754	San Dieguito Dam Concrete Refurbishment	Construction	492,676	492,676	400,000	92,676	-	92,676
2050	R.E. Badger Operation Building Roofing Replacement Project	Award/ Construction	696,313	825,000	400,000	425,000	(128,687)	296,313
2051	R..E. Badger Filters and Sedimentation Basins Concrete Repair	Design	985,000	985,000	10,000	975,000	-	640,250
2052	Cielo Pump Station Valve Replacement Project	Design/ Bid &Award	925,000	650,000	40,000	610,000	275,000	885,000
2150	Reline or Replace 15-in Drain Line to SDR	Planning	2,230,000	200,000	5,000	195,000	-	100,000
2151	Reline or Replace Existing 30-in SDPS Forcemain to Plant	Planning	4,900,000	300,000	5,000	295,000	-	150,000
<b>JOINT FACILITIES CIP SUBTOTAL</b>			<b>\$ 27,133,383</b>	<b>\$ 20,357,070</b>	<b>\$ 9,830,000</b>	<b>\$ 10,527,070</b>	<b>\$ 146,313</b>	<b>\$ 10,098,633</b>
<b>CIP PROGRAM TOTAL</b>			<b>\$ 30,633,383</b>	<b>\$ 20,507,070</b>	<b>\$ 10,010,000</b>	<b>\$ 10,627,070</b>	<b>\$ 1,886,313</b>	<b>\$ 11,938,633</b>



# LONG TERM DEBT

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

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

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

# RESERVE FUNDS

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

## CAPACITY CHARGE FUND

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

## CAPITAL IMPROVEMENT AND REPLACEMENT FUND

---

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

## OPERATING FUND

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

## RATE STABILIZATION FUND

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

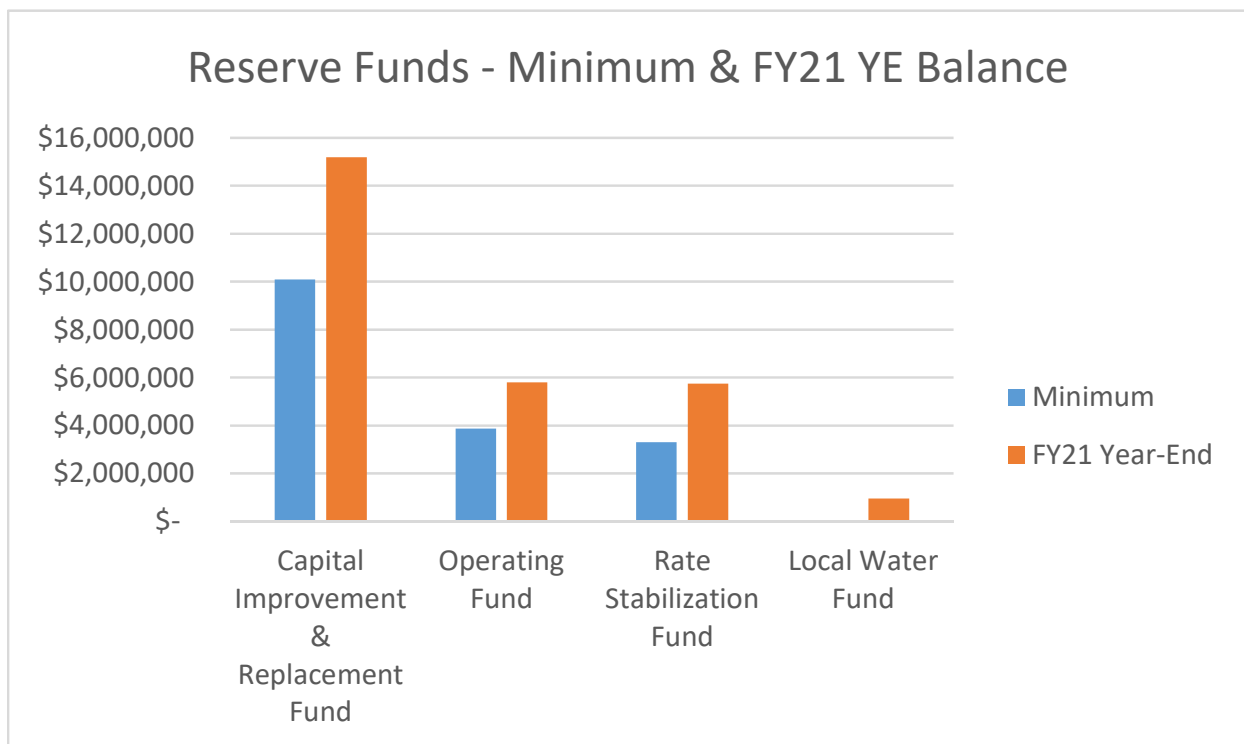


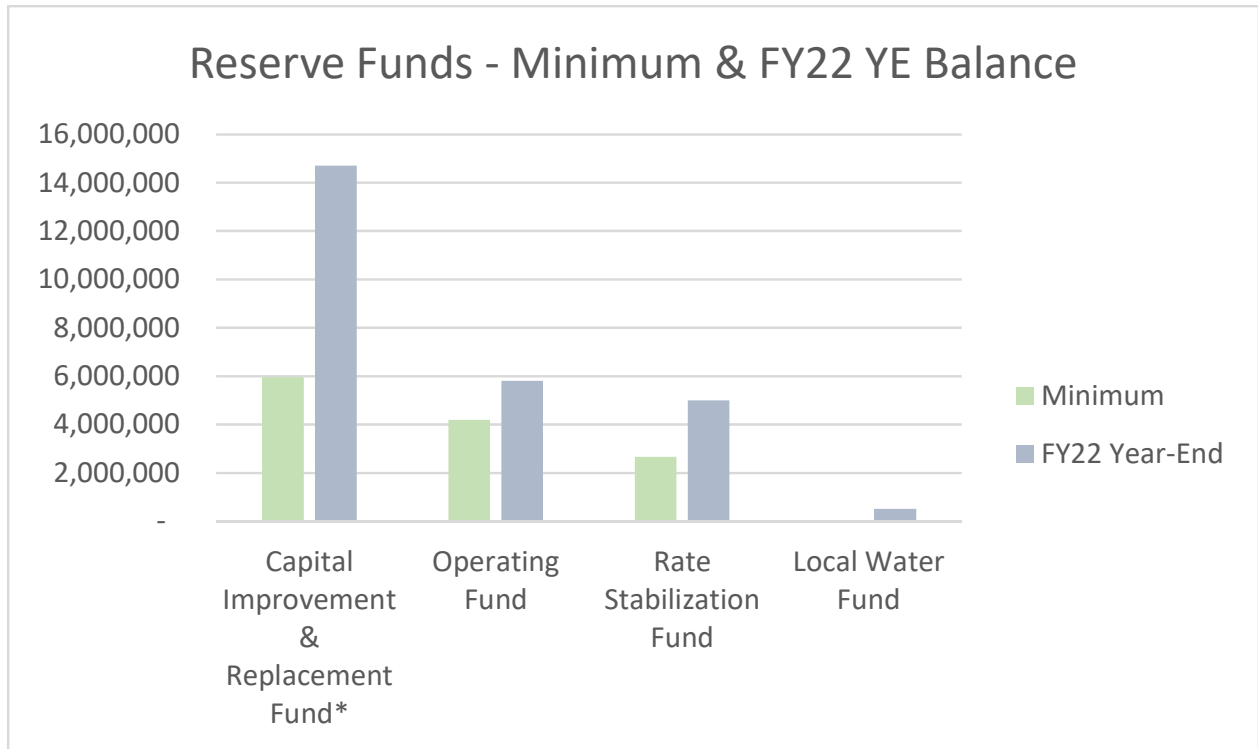
## LOCAL WATER FUND

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

### OVERVIEW

Reserves included in the Policy at the end of FY21 are estimated to total \$26.0 million based on current operating year projections, where the minimum combined balance for the three reserves is \$21.3 million. Reserves included in the Policy at the end of FY21 are estimated to total \$26.3 million, where the minimum combined balance for the three reserves is \$22.4 million. The two graphs on the following page illustrate estimated ending balances for FY20 and FY21 and each fund's minimum target balances. The fourth amount shown in each graph is an undesignated amount of estimated balance that is above the reserve balances shown. This amount is currently utilized for District cash flow purposes during the fiscal year as the cost-of-service process continues. This amount is available to designate to each of the three Policy reserve balances by the Board of Directors or for other purposes seen fit. As previously mentioned, there is a continuing discussion with the Board of Directors in regards to the Policy and potential revisions to designated minimum / maximum balance levels, inclusion of new reserve fund(s) into the Policy, and other options. This undesignated balance is included in this discussion to properly fund District priorities.





Capital programming for FY24 and beyond are lower due to expiration of District and Joint Facilities current asset management plans. The minimum for Capital Improvement & Replacement Fund reflects lower project amounts due to this expiration. Completion of the new asset management plans will update (fall 2021) will update this reserve requirement.

The total of all reserves, both designated & un-designated, are considered the District's fund balance. This fund balance has been set aside through Board Policy for specific reasons, where any un-designated amount will be utilized (appropriated & spent) in FY22 for the highest and best rate payer purposes as determined by the Board.

The following page shows the budgeted FY21 and FY22 transactions within each of the funds according to the sources and uses of funds identified in this budget.

**FY21 RESERVE BALANCE CHANGES**

ITEM	SFID Cash Balance	Capital Improvement & Replacement Fund	Operating Fund	Rate Stabilization Fund	Local Water Fund	Total Designated Reserves	Undesignated Cash Balance
FY 21 Beginning Balances	\$ 30,717,179	\$ 14,332,050	\$ 5,798,436	\$ 4,334,595	\$ 385,362	\$ 24,850,443	\$ 5,866,736
Capacity Fees		198,704					
Non-Operating Revenues		8,280,296					
Capital Contribution from Depreciation		3,504,497					
Capital Expenditures		(11,117,736)					
Operating Revenues*				30,254,236			
Operating Expenditures*				(29,682,935)			
Transfer from Local Water Reserve				88,424			
Transfer from SDCWA Litigation				756,479			
Excess Local Water					651,946		
Utilization to Offset Imported Water					(88,424)		
<b>FY 21 Ending Balances</b>	<b>\$ 32,910,721</b>	<b>\$ 15,197,812</b>	<b>\$ 5,798,436</b>	<b>\$ 5,750,799</b>	<b>\$ 948,884</b>	<b>\$ 27,695,931</b>	<b>\$ 5,214,790</b>

\*May be utilized for Operating Fund or Rate Stabilization Fund / operating revenues include transfer from local water fund

**FY22 RESERVE BALANCE CHANGES**

ITEM	SFID Cash Balance	Capital Improvement & Replacement Fund	Operating Fund	Rate Stabilization Fund	Local Water Fund	Total Designated Reserves	Undesignated Cash Balance
FY 22 Beginning Balances	\$ 32,910,721	\$ 15,197,812	\$ 5,798,436	\$ 5,750,799	\$ 948,884	\$ 27,695,931	\$ 5,214,790
Capacity Fees		90,000					
Non-Operating Revenues		8,956,251					
Capital Contribution from Depreciation		3,684,497					
Capital Expenditures		(13,215,633)					
Operating Revenues*				30,970,612			
Operating Expenditures*				(32,162,424)			
Transfer from Local Water Reserve				433,110			
Transfer from SDCWA Litigation				-			
Excess Local Water					-		
Utilization to Offset Imported Water					(433,110)		
<b>FY 22 Ending Balances</b>	<b>\$ 31,144,024</b>	<b>\$ 14,712,927</b>	<b>\$ 5,798,436</b>	<b>\$ 4,992,097</b>	<b>\$ 515,774</b>	<b>\$ 26,019,234</b>	<b>\$ 5,124,790</b>

\*May be utilized for Operating Fund or Rate Stabilization Fund / operating revenues include transfer from local water fund

# APPENDIX A

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

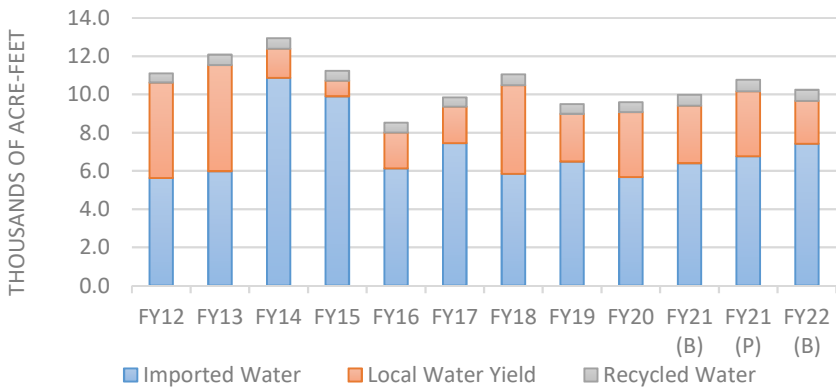
Description	FY12 Actual	FY13 Actual	FY14 Actual	FY15 Actual	FY16 Actual	FY17 Actual	FY18 Actual	FY19 Actual <sup>1</sup>	FY20 Actual	FY21 (B) Budget <sup>2</sup>	FY21 (P) Projected <sup>2</sup>	FY22 (B) Budget <sup>2</sup>
<b>Water Purchases (Acre-Feet):</b>												
Treated Imported Water	971.1	429.8	568.7	542.4	312.8	518.0	299.4	56.6	257.6	260.8	454.2	260.8
Untreated Imported Water	4,653.3	5,557.0	10,295.3	9,362.2	5,815.0	6,931.0	5,547.0	6,432.9	5,416.6	6,144.0	6,307.0	7,154.9
Imported Water	5,624.4	5,986.8	10,864.0	9,904.6	6,127.8	7,449.0	5,846.4	6,489.5	5,674.2	6,404.8	6,761.2	7,415.6
Local Water Yield	4,998.4	5,544.6	1,526.3	811.6	1,880.7	1,911.1	4,635.5	2,492.3	3,403.5	3,000.0	3,403.5	2,250.0
Recycled Water	478.7	547.2	557.5	522.8	508.9	489.6	568.1	517.7	512.7	575.0	605.7	575.0
Total Water Purchased / Local Yield	11,101.5	12,078.6	12,947.8	11,239.0	8,517.4	9,849.7	11,050.0	9,499.5	9,590.4	9,979.8	10,770.4	10,240.6
<b>Revenue:</b>												
Water Sales	\$ 15,705,818	\$ 18,166,721	\$ 19,899,004	\$ 17,598,000	\$ 13,755,595	\$ 16,548,196	\$ 20,864,372	\$ 18,472,415	\$ 18,865,808	\$ 21,217,549	\$ 21,644,645	\$ 21,824,273
Base Meter Fees	3,379,145	3,582,598	3,661,918	3,672,959	3,700,610	4,895,700	5,352,584	5,535,582	5,507,678	5,550,470	5,465,470	5,702,305
Other Operating Revenue	123,482	119,581	126,179	243,020	338,752	349,789	245,188	2,581,047	3,494,632	3,516,345	3,144,121	3,444,035
Property Tax	1,856,557	1,937,730	1,983,907	2,080,791	2,190,932	2,285,521	2,406,427	2,518,010	2,645,623	2,500,000	2,728,946	2,783,525
Investment Income	137,278	(9,103)	265,601	213,087	225,566	114,260	260,625	646,817	750,509	378,500	368,819	378,500
Other Non-Operating Revenue	131,210	95,382	73,562	72,629	47,267	132,971	149,990	915,806	1,167,259	1,032,768	2,500,750	1,636,155
Total Revenues	\$ 21,333,490	\$ 23,892,909	\$ 26,010,171	\$ 23,880,486	\$ 20,258,722	\$ 24,326,437	\$ 29,279,186	\$ 30,669,677	\$ 32,431,509	\$ 34,195,633	\$ 35,852,751	\$ 35,768,792
<b>Expenses:</b>												
Water Purchased	7,101,708	7,715,504	11,804,846	11,339,922	8,726,055	10,767,457	9,855,760	10,459,108	9,908,066	11,718,524	11,701,461	12,806,104
Water Treatment	4,578,172	4,267,793	3,443,310	3,290,620	3,524,262	3,796,508	5,040,433	4,239,608	4,850,871	5,392,045	5,414,404	5,795,730
Transmission and Distribution	2,874,452	2,649,696	2,745,603	2,712,079	2,959,956	3,577,141	3,653,614	4,633,305	5,063,619	4,956,473	4,697,060	4,841,020
Administration and Engineering	3,152,926	2,689,500	2,716,725	2,920,762	3,568,376	3,623,753	3,745,485	4,486,328	4,955,372	4,606,553	4,365,513	5,035,073
Depreciation and Amortization	1,101,648	1,203,775	1,157,728	1,286,139	1,294,022	1,372,239	1,359,335	3,243,425	3,278,660	3,504,497	3,504,497	3,684,497
Other Expenditures	-	-	-	-	-	-	-	53,341	163,686	-	-	-
Total Expenses	\$ 18,808,906	\$ 18,526,268	\$ 21,868,212	\$ 21,549,522	\$ 20,072,671	\$ 23,137,098	\$ 23,654,627	\$ 27,115,115	\$ 28,220,274	\$ 30,178,093	\$ 29,682,935	\$ 32,162,424
<b>Capital Expenditures</b>	\$ 1,459,921	\$ 9,497,510	\$ 871,253	\$ 7,348,101	\$ 3,952,441	\$ 7,503,591	\$ 2,814,597	\$ 3,914,812	\$ 3,635,178	\$ 8,976,412	\$ 7,480,771	\$ 9,057,561
(SFID Only, Based on Assets in Service)												
<b>Debt Service</b>	\$ 1,352,475	\$ 1,350,950	\$ 1,350,150	\$ 1,345,250	\$ 1,341,150	\$ 1,347,750	\$ 1,346,575	\$ 1,346,875	-	\$ -	\$ -	\$ -

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

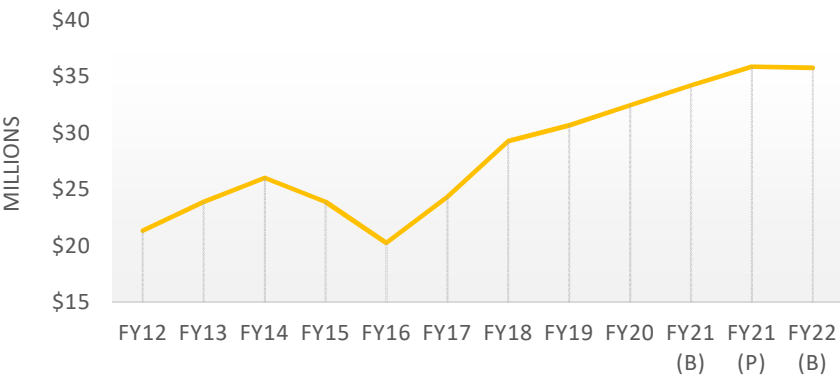
2- Budget and projected figures are based on cash accounting and actual results are based on accrual

Historical and Projected Statistical Data

WATER PURCHASES / LOCAL YIELD



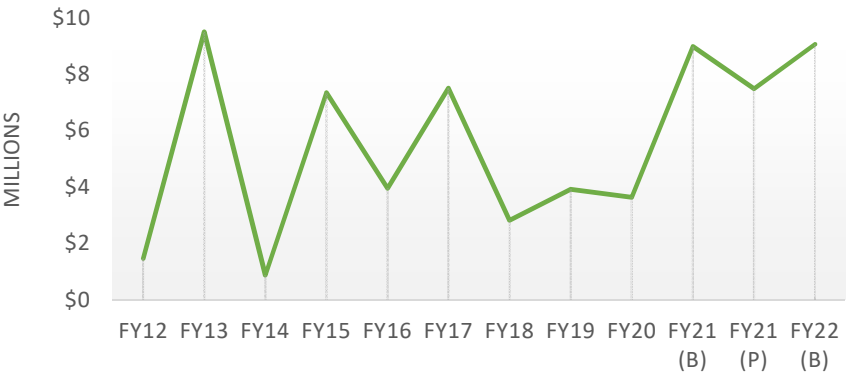
REVENUES



EXPENSES



CAPITAL EXPENDITURES





# APPENDIX B

# FINANCIAL POLICIES

The District Board of Directors has adopted the policies related to managing the financial operations of the District which are included in this section of the budget document. Financial policies are a critical component of a comprehensive government financial management program and provide guidelines for operational and strategic decision making. Good financial policies identify acceptable and unacceptable courses of action, establish parameters in which the organization can operate, and provide a standard against which fiscal performance can be measured. Additionally, policies establish consistency and quality control by serving as an ongoing context for management decisions, not only with the current staff and Board members, but also for future management and elected officials. Lastly, these policies are all living documents, designed to be reviewed regularly and modified as necessary. All changes to the financial policies must be approved and adopted by the Board of Directors.

Listed below are the financial policies that have been adopted by the District.

<b>Budget Policy</b>	• Adopted May 2009
<b>Capitalization Policy</b>	• Adopted January 2007
<b>Debt Management Policy</b>	• Adopted May 2009
<b>Investment Policy</b>	• Revised January 2020
<b>Reserve Funds Policy</b>	• Revised January 2010



# 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.

# CAPITALIZATION POLICY

## Sec. 21.1 Capital Assets

Capital assets are assets that are 1) used in the operations of the District, 2) have a probable future benefit either singly or in combination with other assets, and 3) have been the subject of a transaction that gives the District the right to or control of the asset. Capital assets may include land, land improvements, easements, water rights, buildings, building improvements, vehicles, machinery, equipment, works of art, historical treasures, infrastructure, and any intangible assets that have a useful life beyond a single reporting period. Capital assets do not include inventory held for use in unidentified future projects.

It is the purpose of this policy to provide clear guidelines for the financial treatment of capitalizable and non-capitalizable transactions.

## Sec. 21.2 General Provisions

### *Sec. 21.2.1 Definitions*

**Capital Equipment** is equipment that 1) has a useful economic life of at least two years and 2) has a cost which meets or exceeds thresholds established by the District.

**Expensed Equipment** is equipment that has a useful economic life less than two years or has a cost below the District's threshold.

### *Sec. 21.2.2 Valuation Threshold*

The minimum value of an asset that qualifies it to be capitalized is \$7,500. This is the per-unit cost of the asset. Groups of assets that cost more than \$7,500 in aggregate but not individually are not capitalizable except as noted in Section 21.2.5, Groups of Assets.

The cost of the unit is 1) the total cost of all invoices for the item, including transportation and installation charges and interest expense directly related to the unit's acquisition or making it ready for use plus 2) the net book value of any assets given in exchange plus 3) the present value of any liability incurred. If this information is not available, the cost is determined by an appraisal of the unit's value.

The initial development cost of making a decision as to which project to construct or acquire is not capitalizable. It is the responsibility of the employee overseeing the acquisition to provide all relevant data to Accounting.

If the asset is the subject of a federal award program that sets a maximum threshold, it will be capitalized according to the award program rules regardless of the District's threshold.

### *Sec. 21.2.3 Useful Life*

The cost of an asset, less salvage value, is depreciated over its estimated useful life. Standard useful lives for groups of assets are as follows:

Land Improvements	20 years
Transmission & Distribution Lines	25-50 years
Filtration Plant	25-40 years
Hydroelectric Generation	25 years
Reservoirs	50 years
Buildings	20-50 years
Autos & Trucks	5 years
Construction & Maintenance Equipment	10 years
Office Furniture & Fixtures	5 years
Computer Equipment	3 years
Other Office Equipment	5 years

If there is a substantial reason for an asset to be given a non-standard useful life, it should be noted at the time the asset is acquired. Alternative useful lives may be derived from 1) general guidelines from a professional organization, 2) information from other governmental agencies, 3) internal experience, or 4) outside professionals such as engineers, architects, etc. The alternative method should take into consideration the relative quality of the asset, the intended use, and the environment in which it will be placed.

It is the District's practice to depreciate capital assets other than land over their useful life using the straight-line method. The amount to be depreciated is the asset's adjusted cost less an estimated salvage value. The salvage value is the value an asset is expected to have when it is no longer useful for its intended purpose. If there is a substantial reason for a more rapid method of depreciation to be applied to an asset, it should be noted at the time the asset is acquired.

Assets that are acquired or constructed for a specific short-term purpose and do not have an alternative future use are charged to expense at the time the costs are incurred.

### *Sec. 21.2.4 Procurement*

The procurement process for capital and non-capital equipment is outlined in the Article 20 and in the District's Procurement Procedures.

### *Sec. 21.2.5 Groups of Assets*

The threshold given in Section 21.2.2, Valuation Threshold, is generally applied to individual items. However, items that are acquired as a group and must be maintained as a group in order to perform their function may be capitalized as a single asset. For example, desks and tables may be acquired in bulk but their usefulness is not affected by dividing them up, so they cannot be considered a group asset. A

telephone system, however, must be networked and would therefore be considered a group asset. Also, see Section 21.9, Computers and Software. Items purchased with the intention of adding to or replacing a part of an existing group asset must meet valuation and useful life thresholds separately from the group.

#### *Sec. 21.2.6 Tagging and Identification*

Every moveable physical asset valued over \$500 must have an asset tag affixed at the time it is acquired regardless of it being capitalized or not. This does not include items held in inventories such as meters, pipes, and valves. Assets that are the subject of federal grants or awards must be counted and listed by their custodial department at least every two years per federal regulations.

#### *Sec. 21.2.7 Custodianship*

The responsibility for tagging and for control of the asset rests with the department to which the asset is assigned. Each department will maintain a list of assets under its control to be updated at a minimum of once a year. Each department is also responsible for the proper use and care of all equipment in their custody.

#### *Sec. 21.2.8 Impairment*

A capital asset that has been impaired must have its cost written down to its remaining fair value, if that is less than its net book value. Circumstances under which an asset may become impaired include physical damage, changes in legal or environmental factors, technological change or obsolescence, changes in use, construction stoppage, and permanent removal from service. An asset is considered impaired when 1) the decline in service utility is significant and 2) the decline in service utility is unexpected.

Assets whose impairment is evidently temporary do not have their cost adjusted. If an asset's cost is reduced for impairment, no recovery gain may be taken should the impairment prove temporary. Impairment costs are calculated using restoration cost, service unit, or deflated depreciated replacement cost as outlined in GASB Statement Number 42.

### **Sec. 21.3 Land and Easements**

Land is real property to which the District holds title and is capitalized, not expensed, but not depreciated. It is recorded at historical cost and remains at that cost until disposal. The cost of non-exhaustible land improvements, those which do not require maintenance or replacement, are included in the cost of land. Easements are an interest in land owned by another party and are not assigned a value unless paid for by the District, in which case they are treated as land.

Costs which are considered a part of the value of acquired land include, but are not limited to: the contract price, brokers' commissions, legal fees, ownership guarantee insurance, real estate surveys, exercised options, special assessments, the cost of building demolition net of salvage (see Section 21.6.3, Demolition Costs), lease cancellation costs, and subsequent costs for permanent improvements.

Costs which are specifically not capitalizable include services related to land not purchased and easements or rights of way that are limited as to time.

### **Sec. 21.4 Land Improvements**

Land improvements are costs to prepare land for its intended use and may include excavation, roads and driveways, sidewalks, drainage systems, power lines, sanitation systems, fencing, outdoor lighting,



landscaping, and any other items that require maintenance or replacement. See Section 21.3, Land and Easements, as to cost of non-exhaustible improvements.

## Sec. 21.5 Capital Improvement Projects/Construction in Progress

The costs for District projects are accumulated over the period that construction occurs and, after the project is substantially complete, are assigned to a capital account as one or more assets. A project is substantially complete when the Engineering Department has certified it is usable for its intended purpose; full completion and acceptance are not necessary for capitalization. Capital improvements are subject to the same valuation thresholds and useful life limitations as other assets. Depreciation is not recorded on projects until they are capitalized.

Costs which are considered a part of a project's capitalized value include internal and external labor, materials, tools and equipment purchased solely for use in the project, outside services, insurance premiums, and overhead. Interest expense net of interest earned that is incurred during construction and preparation for construction is also capitalizable. This is true regardless of whether the associated debt is related to the project, as outlined in Financial Accounting Standards Board Statement Number 34 and amended by Statement Number 62.

If construction is placed on hold, the accumulated costs will remain classified as construction in progress as long as completion is probable and construction will resume within a reasonable period of time. When construction is abandoned, the accumulated costs are expensed.

## Sec. 21.6 Buildings and Additions

### *Sec. 21.6.1 General*

A building is a permanent structure for the housing of persons, animals, plants, or personal property. An addition is a modification to the structure to create additional space within the building and is treated as a separate asset if it has a substantially different function from the previously existing space.

All costs of building construction are included in its valuation following the guidelines in Section 21.5, Capital Improvement Projects/Construction in Progress. Buildings acquired by purchase are valued at cost. See Section 21.10, Contributed Assets, for valuation of buildings acquired by contribution.

Elements of a building's valuation, in addition to those listed in Section 21.5, include: the original contract price, modifications to make it usable, planning and permitting, temporary structures used during construction, and demolition as outlined in Section 21.6.3. Valuation specifically excludes extraordinary costs such as those due to a strike, flood, fire, or other casualty.

### *Sec. 21.6.2 Acquired with Land*

When land and buildings are acquired together, the total cost is allocated between the assets using an appraisal or fair market valuation unless it is planned to demolish the building at acquisition (see Section 21.6.3, Demolition Costs).

### *Sec. 21.6.3 Demolition Costs*

If a decision has been made to demolish a building at the time it is acquired, the total acquisition cost and the cost of demolition is capitalized as a part of the land value. Any decision to demolish a building subsequently will result in the demolition cost being assigned to new construction on the same site and the

net book value of the demolished building will be expensed. If no new construction is intended, both the net value of the building and the cost of demolition are expensed.

## Sec. 21.7 Owned Equipment

### *Sec. 21.7.1 Non-Moveable Equipment*

Non-moveable or fixed equipment consists of machinery, furnishings, and other items physically attached to a building. If acquired with the building, they are part of the building's value. If the equipment is acquired later, it may be treated as a separate asset.

### *Sec. 21.7.2 Accessory Equipment*

Equipment that is closely related, but not attached, to a capital item and that is a part of the original order becomes a portion of the cost of the capital item. Accessory equipment acquired subsequent to the capital item has the capitalization criteria applied to it separately.

### *Sec. 21.7.3 Fabricated Equipment*

Equipment that is assembled from parts by District staff may be capitalized if it meets the valuation and useful life thresholds. For purposes of valuation, the cost includes the total cost of the parts plus the fully-loaded value of the labor dedicated to assembly. Labor is not included in the cost if the amount is inconsequential or unknown. Networks of computing devices are generally not considered fabricated equipment as the devices may be used separately from the network, but see Section 21.9, Computers and Software.

If all of the parts are to be purchased from a single vendor, they may be listed on a single purchase order, following District Procurement Procedures. Larger projects and those including multiple vendors should be assigned a project number for tracking purposes. It is the responsibility of the department acquiring the equipment to notify the Accounting Department of the project's completion.

## Sec. 21.8 Leased Equipment

### *Sec. 21.8.1 Capital Leases*

Capital leases are those in which 1) the title to the property passes to the District by the end of the term, 2) there is a bargain purchase option, 3) the term is 75% or more of the economic life of the property, or 4) the beginning present value of the payment stream is 90% or more of the excess fair value as outlined in Statement of Financial Accounting Standards Number 13. The property is capitalized at the net present value of the stream of payments and recorded in the same manner as other purchased assets.

### *Sec. 21.8.2 Operating Leases*

Operating leases are any leases other than capital leases as defined in Section 21.8.1, Capital Leases. They are not capitalized and the payments are expensed in the period they are made.

## Sec. 21.9 Computers and Software

In the case of computer equipment and software purchased as a group and for use as an integrated system, the assets may be considered for capitalization as a group. Items purchased separately or over an extended period of time may not be considered as a group.

## Sec. 21.10 Contributed Assets

Contributed assets are items whose ownership has been transferred to the District for no compensation. These are assigned a fair market value based upon the contributor's carrying value, values of comparable properties, or deflated current construction costs as obtained from the Engineering Department or outside experts. The estimated historical cost is then reduced by an appropriate amount of depreciation.

## Sec. 21.11 Modifications of Existing Assets

### *Sec. 21.11.1 Enhancements*

Acquisition and installation of component parts for the purpose of extending the life or capabilities of an existing asset are capitalized when the cost and useful life of the components exceed the established thresholds. Enhancements are adjustments to the value of the original asset.

### *Sec. 21.11.2 Repairs and Maintenance*

Parts and labor that do not sufficiently extend the life or capabilities of an existing asset are expensed regardless of the magnitude of cost.

## Sec. 21.12 Disposition

### *Sec. 21.12.1 Sale or Transfer*

Sale of District equipment is prohibited without the express consent of the General Manager. Property over \$5,000 may only be sold by consent of the Board of Directors. Sale of real property is subject to rules under Government Code Section 65402.

Proceeds from the sale of equipment are used to offset the write-off of the net book value of the equipment and gains or losses are recognized on the difference. Assets that are transferred from one department to another must be reported. All available information on the asset being sold or transferred must be communicated to the Accounting Department.

### *Sec. 21.12.2 Trade-in*

Trade-ins of existing equipment for the purpose of obtaining other equipment are subject to the same limitations as sales under Section 21.12.1, Sale or Transfer. The net book value of the asset to be traded becomes a part of the purchase price of the new asset. All available information on the asset to be traded must be communicated to the Accounting Department.

### *Sec. 21.12.3 Lost or Stolen*

Immediately upon discovery that equipment has been lost or stolen, it must be reported to Administration. All available information on the asset must be subsequently communicated to the Accounting Department as soon as possible. Lost or stolen equipment is written off when recovery is determined to be unlikely.

# 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:

1. the remaining time to maturity
2. size of the issue
3. current interest rate environment
4. annual cash flow savings
5. 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.

# INVESTMENT POLICY

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

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

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

## SCOPE

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

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

## OBJECTIVES

The principal investment objectives of the District are:

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

## DELEGATION OF AUTHORITY

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

The Treasurer shall develop written administrative procedures and internal controls, consistent with this Policy, for the operation of the District’s investment program. Such procedures shall be designed to prevent losses of

public funds arising from fraud, employee error, misrepresentation by third parties, or imprudent actions by employees of the District.

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

## **PRUDENCE**

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

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

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

## **ETHICS AND CONFLICTS OF INTEREST**

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

## **AUTHORIZED SECURITIES AND TRANSACTIONS**

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

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

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

1. United States Treasury bills, notes, bonds, or certificates of indebtedness with a final maturity not exceeding five years from the date of purchase.
2. Federal Agency debentures and mortgage-backed securities with a final maturity not exceeding five years from the date of purchase issued by the Government National Mortgage Association (GNMA).
3. Federal Instrumentality (government sponsored enterprise) debentures, discount notes, callable and step-up securities, with a final maturity not exceeding five years from the date of purchase, issued by the following only: Federal Home Loan Banks (FHLB), Federal National Mortgage Association (FNMA), Federal Farm Credit Banks (FFCB) and Federal Home Loan Mortgage Corporation (FHLMC).
4. Obligations of the State of California and any local agency within California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the state or local agency, or by a department, board, agency, or authority of the state or local agency, rated at least AA or A-1+ by Standard & Poor's, Aa2 or P-1 by Moody's or AA or F-1+ by Fitch, with a final maturity not exceeding five years from the date of purchase. On the date of purchase, no more than 20% of the District's portfolio may be invested in such obligations.
5. Other States' Registered treasury notes or bonds, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled or operated by a state or by a department, board, agency, or authority 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 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.
10. State of California's Local Agency Investment Fund (LAIF), pursuant to California Government Code Section 16429.1. The aggregate investment in LAIF shall not exceed \$65,000,000.
11. San Diego County Treasurer's Pooled Money Fund, pursuant to California Government Code Section 53684. The aggregate investment in this pool shall not exceed 20% of the total portfolio or \$5 million, whichever is greater.
12. California Asset Management Program (CAMP), pursuant to California Government Code Section 53601(p). The aggregate investment in this pool shall not exceed 20% of the total portfolio or \$5 million, whichever is greater.
13. Money Market Funds registered under the Investment Company Act of 1940 that (1) are "no-load" (meaning no commission or fee shall be charged on purchases or sales of shares); (2) strive to maintain a net asset value per share of \$1.00; (3) invest only in the securities and obligations authorized in the applicable California statutes ; (4) have a rating of at least two of the following: AAAM by Standard and Poor's, Aaa by Moody's or AAA/V1+ by Fitch; and (5) retain an investment advisor registered or exempt from registration with the SEC with no less than five years' experience managing money market funds with assets under management in excess of \$500,000,000. No more than 10% of the District's total portfolio may be invested in money market funds of any one issuer, and the aggregate investment in money market funds shall not exceed 20% of the total portfolio.
14. Unauthorized investments are defined in Section 53601.6 of the California Government Code, which disallows the following investments: inverse floaters, range notes, or mortgage derived interest-only strips. In addition, and more generally, investments are further restricted as follows:

No investment will be made that has either (1) an embedded option or characteristic which could result in a loss of principal if the investment is held to maturity, or (2) an embedded option or characteristic which could seriously limit accrual rates or which could results 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 Highline Banking Data Services 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 Fed wireable 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 monthly 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 2018

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-yr max
Federal Agencies	53601(b)		5-yr max, GNMA only
Federal Instrumentalities	53601(b)		5-yr max; FHLB, FNMA, FFCB & FHLMC only
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; 270-day term	25% of portfolio, 10% per issuer; 270-day max; A or A-1 rate; US only
Bankers' Acceptances	53601(g)	40% of portfolio; 180 days max; no more than 30% in any one bank	15% of portfolio; 180-day max; A or A2 rate
Certificate of Deposits (CDs) Negotiable	53601(i)	30% of portfolio	Not allowed
Medium-Term Notes	53601(j)	30% of portfolio; 5-yr max; AA rate	20% of portfolio; 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 mortgage obligations	53601(o)	20% of funds; 5-yr max; AA rate	Not allowed
Futures	53601.1		Not allowed
LAIF	16429.1	\$65,000,000 maximum	\$65,000,000
California Asset Management Program (CAMP)	53601(p)		20% of portfolio or \$5 million, whichever is greater
SD County Treasurer's Pooled Money Fund	53684		20% of portfolio or \$5 million, whichever is greater
Money Market Funds	53601(l)	20% of portfolio	20% of portfolio, 10% any one issuer; no-load; AAAm, Aaa, or AAA/V1+ rate

# RESERVE FUNDS POLICY

## 1. **Policy Statement**

A key element of prudent financial planning is to ensure that sufficient funding is available for current operating, capital, and debt service needs. Additionally, fiscal responsibility requires anticipating the likelihood of and preparing for unforeseen events. The Santa Fe Irrigation District (District) will at all times strive to have sufficient funding available to meet its operating, capital, and debt service cost obligations. Funds will be accumulated and maintained to allow the District to fund expenditures in a manner consistent with all District Master Plans and avoid significant rate fluctuations due to changes in cash flow requirements.

The Board of Directors 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 of Directors will annually review the level of Funds.

## 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 of Directors. Unrestricted Funds are designated for a specific purpose, which is determined by the Board of Directors. The Board of Directors 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 of Directors 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

Actual fund balances will be reviewed on an annual basis at the close of the fiscal year to reconcile the fund balances and assess the District's financial capacity to accomplish identified activities and projects. In the event the Rate Stabilization Fund or Operating Fund balances exceed the established maximum targets, excess monies will be transferred annually into the Capital Improvement Fund. In the event the Capital Improvement Fund balance exceeds the established maximum target, the Board of Directors will make a determination regarding the reallocation of excess monies.

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.

The Board of Directors shall approve any reallocation of funds or any transfers among Funds, including an annual reconciliation at the close of the fiscal year.

#### 4. **Santa Fe Irrigation District Funds**

##### RESTRICTED FUNDS

**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
- Interest income on Fund balance
- Capacity Charge revenues

###### *DESIGNATION OF EXPENSES:*

- Growth/expansion related Capital Improvements
- System upgrades/enhancements

##### UNRESTRICTED FUNDS

- a. **Capital Improvement and Replacement Fund:** The Capital Improvement and Replacement Fund is an Unrestricted Fund, which is designated by the Board of Directors for capital improvements to meet regulatory requirements, system reliability, facility replacement projects, and future infrastructure upgrades. These capital improvements are identified in the Asset Management Master Plan ("AMMP"). The funds are accumulated and drawn down in a manner consistent with this Policy. The Board of Directors approves utilization of the Capital Improvement and Replacement Funds.

*SOURCE OF FUNDS:*

- Prior year ending balance carried forward
- Allocation of funds by Board of Directors' action
- Annual contribution from Operating Revenue in an amount equal to depreciation expense
- SDWD contributions – RE Badger Capital Expenses
- Interest Income from any of the Unrestricted Funds
- Property Tax revenue

*DESIGNATION OF EXPENSES:*

- 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 Fund target balance shall not exceed 100% of the total of the ten-year Capital Improvement Program costs as identified in the Asset Management Master Plan. The Capital Improvement Fund target balance shall at all times equal or exceed 100% of the Pay-Go portion of the current fiscal year's CIP, 50% of the Pay-Go portion of the following fiscal year's CIP, and 25% of the Pay-Go portion of the succeeding CIP.

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

- b. Operating Fund: The Operating Fund is an Unrestricted Fund that is designated by the Board of Directors to maintain working capital for current operations and to meet routine cash flow needs.

*SOURCE OF FUNDS:*

- Prior year ending balance carried forward
- Allocation of funds by Board of Directors' action
- Transfers from Rate Stabilization Fund
- Interest Income from any of the Unrestricted Funds
- Net operating income

*DESIGNATION OF EXPENSES:*

- Cash flow requirements
- Transfers to Rate Stabilization Fund or Capital Improvement & Replacement Fund
- Debt Service

Target Fund Balance: The Operating Fund target balance shall be a minimum of sixty (60) days and a maximum of ninety (90) days of the current fiscal year's operating budget.

- c. Rate Stabilization: The Rate Stabilization Fund is an Unrestricted Fund utilized to avoid unacceptable rate increases and fund unanticipated operating expenditures.

*SOURCE OF FUNDS:*

- Prior year ending balance carried forward
- Allocation of Funds by Board of Directors' action
- Interest Income from any of the Unrestricted Funds

*DESIGNATION OF EXPENSES:*

- Transfers to Operating Fund or Capital Improvement and Replacement Fund
- Provide operating revenue to offset unacceptable rate increases
- Contingencies, unforeseen operating needs or disruptions to revenues or service
- Offset water sales revenue loss

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

- 100% of the current fiscal year's budgeted property tax revenues
- 30% of the current fiscal year's budgeted variable water sales revenues
- 25% of the current fiscal year's budgeted wholesale water costs

And shall not at any time be less than the sum of the following:

- 8% of the current fiscal year's budgeted property tax revenues
- 10% of the current fiscal year's budgeted variable water sales revenues
- 5% of the current fiscal year's budgeted wholesale water costs

5. **Delegation of Authority**

The Board of Directors 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.

# APPENDIX C

# GLOSSARY

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

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

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

**ACWA** – Association of California Water Agencies

**AF** – Acre foot (feet)

**AFY** – Acre feet per year

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

**AMI** – Advanced Metering Infrastructure (smart meters)

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

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

**ADC** – Actuarially Determined Contribution

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

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

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

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

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

**CalOES** – California Office of Emergency Services

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

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

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

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

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

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

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

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

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

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

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

CERBT – CalPERS’ California Employers’ Retirement Benefit Trust

CMMS – Computer Maintenance Management System

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

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

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

Disbursements – Payments made on obligations

District – Santa Fe Irrigation District

DSOD – Division of Safety of Dams

DWR – California Department of Water Resources



Expenditure – An amount of money disbursed or obligated.

FEMA – Federal Emergency Management Agency

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

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

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

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

GASB – Government Accounting Standards Board

GFOA – Government Finance Officers Association

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

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

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

JFMP – Joint Facilities Master Plan

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

JPIA – Joint Powers Insurance Authority (ACWA JPIA)

LAFCO – Local Agency Formation Commission

LAIF – Local Agency Investment Fund

MG – Million gallons

MGD – Million gallons per day

MOU – Memorandum of Understanding

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

NOAA - National Oceanic and Atmospheric Administration

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

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

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

Pandemic – COVID-19 pandemic

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

PERS – Public Employee Retirement System (also CalPERS)

PFOS / PFOA - Perfluorooctanesulfonic acid, Perfluorooctanoic acid

Plant – The R.E. Badger Filtration Plant

PRS – Pressure Reducing Station

r-gpcd – Residential gallons per capital per day

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

Raw Water – Water that has not yet been treated

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

REB – The R.E. Badger Filtration Plant

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

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

ROW – Right of Way

SCADA – Supervisory Control and Data Acquisition

SDCWA – San Diego County Water Authority

SDWD – San Dieguito Water District

SDR – San Dieguito Reservoir

SDG&E – San Diego Gas and Electric

SEJPA – San Elijo Joint Powers Authority

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

SWRCB – State Water Resources Control Board

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

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

UAL – Unfunded actuarial liability

Unit – HCF = one hundred acre feet = 748 gallons