



Fiscal
Year
2020

Operating & Capital Budget

Santa Fe
Irrigation
District

A Special District of
the State of
California

FISCAL YEAR 2020 OPERATING AND CAPITAL BUDGET

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FISCAL YEAR 2020 BUDGET

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

I am pleased to present the Fiscal Year 2020 Operating and Capital Budgets for the period July 1, 2019, through June 30, 2020 (FY20), 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 change in projected revenues / expenditures in this budget document refer specifically to the FY20 Budget as compared to the FY19 Budget, unless stated otherwise.

LOOKING AHEAD TO FY 2020

FY20 brings a new period for the District, with the retirement of the District's General Manager, Administrative Service Manager, and Operations Services Manager within a 12 month period. The District first filled the Administrative Services manager with Seth Gates, who came from the City of San Diego as Finance Deputy Director of their Public Utilities Department. Mr. Gates has 20 years of finance and management experience, including conducting water & wastewater cost-of-service, capital financing for large projects, staff management, and information technology services, among others. Subsequent to Mr. Gates' arrival, the previous Operations Services Manager for the District retired, and we are currently in the process of splitting this position's responsibilities into two separate positions based on District need (this is discussed further in this document).

Finally, the Board of Directors was informed by the District's prior General Manager, Michael Bardin that he would retire in FY19 after a 14 year tenure with the District. During FY19, the District engaged an executive search firm to find a new General Manager to lead the District. After a lengthy process of multiple interviews to determine the best candidate, I was selected and confirmed by the Board of Directors as the new District General Manager. I come to the District from Padre Dam Municipal Water District, where I served as the Engineering and Planning Director. I bring over 24 years of experience in the water field, including capital programming, operations, regional / State water policy level input and review, leading staff, and creating efficiencies. My first year as the General Manager for the District will involve creation of a new strategic plan that will guide the District into the future by establishing goals, performance standards, and metrics to measure success. This extensive process will engage the Board of Directors on their priorities, while also engaging the Public in determining the best path forward for the District. The following sections outline the areas of significance that are influencing the FY20 Budget and a general overview of sources and uses of funds for the District.

DISTRICT COST-OF-SERVICE

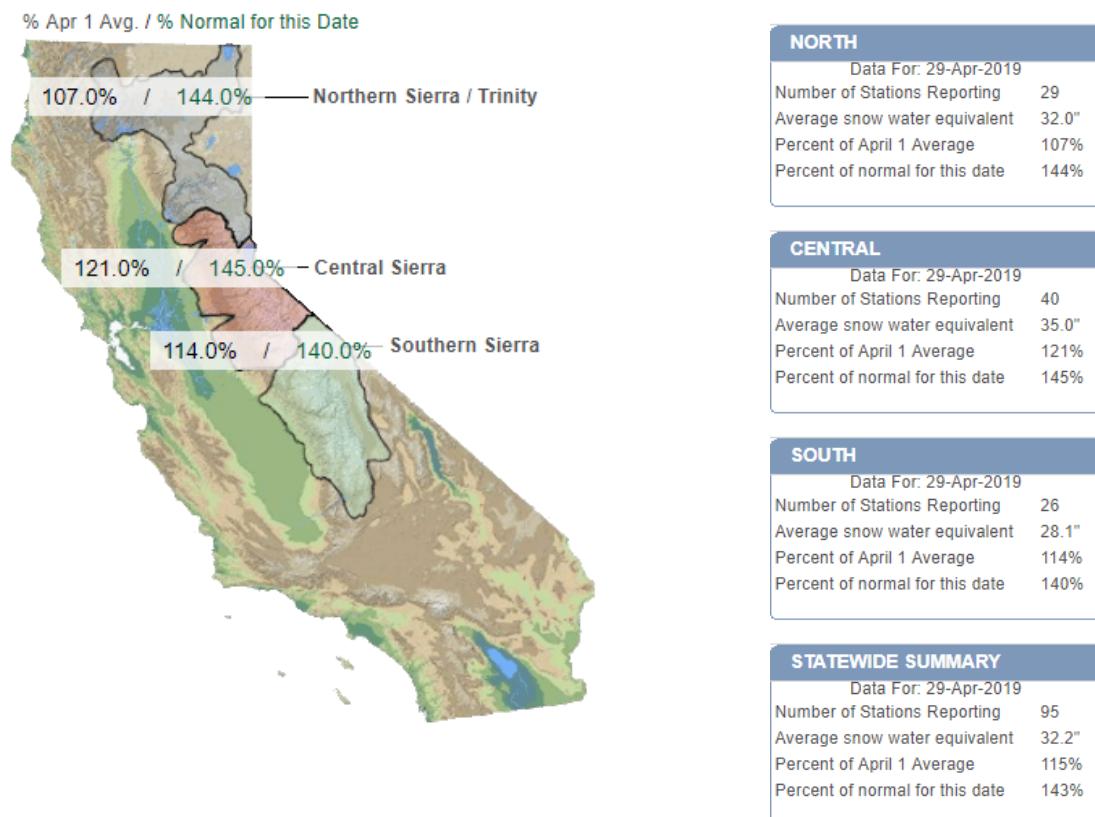
The District engaged an independent consultant, Carollo Engineers, Inc. (Carollo) in April 2018 to perform a cost-of-service study as the prior cost-of-service study period expired at the end of FY18. Per the Board of Director's prior approved cost-of-service, the last rate increase and wholesale water cost pass-through from San Diego County Water Authority (SDCWA) were effective January 1, 2018. Since Carollo was engaged, a number of Board of Director special meetings / workshops have been held to discuss and

review recommendations in regards to District potable water rate design and potential rate impacts. As of FY20 Budget preparation, Carollo and District staff were continuing to hold workshops on rate structure options that would best address priorities and concerns that have been discussed by the Board of Directors. No pass-through for the January 1, 2019 SDCWA wholesale water rate increases has been authorized by the Board of Directors. The FY20 Budget assumes that the current potable water rate structure and pricing that has been in place since January 1, 2018 will continue through the entirety of the fiscal year. Revised revenue projections based on any proposed water rate structure change(s) will be included in an updated cost-of-service subsequent to the FY20 Budget publication.

IMPORTED WATER SUPPLY CONDITIONS

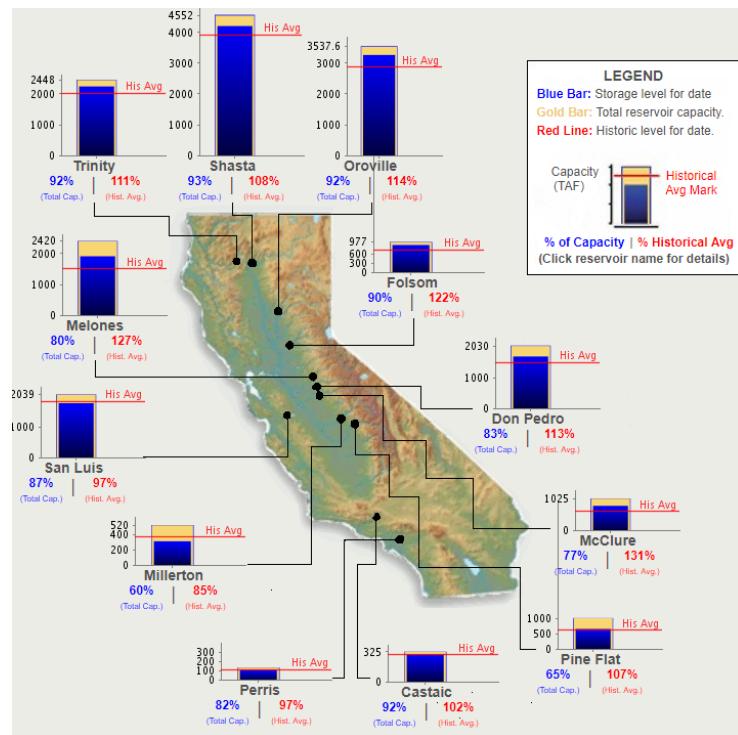
The District has two primary water sources: 1.) local water yield from Lake Hodges, and 2.) imported water from the San Diego County Water Authority (SDCWA). SDCWA's two sources of imported water are from the California State Water Project (SWP) and the Colorado River. The SWP is anticipated to be the primary source of imported water in the region during FY20 due to a wet 2019 water year to date (October 2018 to September 2019). Major reservoirs in California are primarily fed by snow pack run-off from the Sierra mountain range, and as of April 2019, snowpack statewide in California was 143% (as shown in the following graphic from the California Department of Water Resources) of normal due to sustained precipitation.

CALIFORNIA SNOWPACK LEVELS – APRIL 2019 (source: California Dept. of Water Resources)



This snowpack is anticipated to provide water storage in California's major reservoirs, which are utilized to import water into southern California and San Diego County. Additionally, major reservoir levels throughout the State show a higher than historical average level as of April. As shown in the following graphic, of the twelve major reservoirs shown, nine are above historical averages. Conversely, the Colorado River is currently under a drought contingency plan due to sustained low reservoir levels in Lake Powell and Lake Mead. The Metropolitan Water District of Southern California, which is the primary source of water for SDCWA, has pledged to dramatically reduce their allocation of Colorado River water if sustained drought plans to reduce California reliance on this water are enacted. Based on the currently ample supply from the State Water Project, despite the reduction in Colorado River water, no drought restrictions or reduced supply are anticipated for FY20 in this budget.

CALIFORNIA MAJOR RESERVOIR LEVELS – APRIL 2019 (source: California Dept. of Water Resources)



LAKE HODGES SUPPLY & VOLUNTARY STORAGE REDUCTION

Lake Hodges serves as a 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 to-date wet water year of 2019 has also positively impacted regional water supplies, and Lake Hodges water levels. Currently, the District has approximately 2,600 acre-feet (AF) of local water stored in Lake Hodges. Projections for FY19 included in this budget reflect an anticipated 2,800 AF of local water yield from Lake Hodges for financial projections. The FY19 Budget assumed 1,720 AF of local water; however, due to higher-than-anticipated rainfall, these projections have been revised upwards. Based on the assumption of the District carrying forward a portion of water currently available in Lake Hodges and an average rainfall year during the upcoming fiscal year, the FY20 Budget also assumes 2,800 AF of local water yield from Lake Hodges.

Though the District, San Dieguito Water District (SDWD), and SDCWA all have storage rights in Lake Hodges, the City of San Diego owns and operates Lake Hodges and Hodges Dam. The storage rights for Lake Hodges are as follows:

Entity	AF Storage Rights
SDCWA	20,000
City of San Diego	5,000
SFID / SDWD	5,000
Total Lake Hodges	30,000

Hodges Dam was built in 1918 and has been previously rated as in “fair” condition by the California Division of Safety of Dams (DSOD). However, the DSOD recently revised their condition assessment of Hodges Dam to “poor”. Based on this revised condition assessment, the City of San Diego, working in conjunction with the DSOD, voluntarily agreed to a water level restriction of 13,000 AF, or 18,000 AF below the maximum water capacity of Lake Hodges. The District is currently working with SDCWA, City of San Diego, and SDWD to determine how this reduction in the allowable storage levels in Lake Hodges may impact the ability of the District to yield and utilize local water during FY20 and beyond. Impacts to operating and capital costs to assess the condition of the dam and address any required maintenance are currently unknown. Per agreement, the Districts (SFID & SDWD) are responsible for 25% of any repairs, with the City of San Diego also responsible for 25%, and the SDCWA responsible for 50%. Additionally, with the draw-down of water in Lake Hodges to 13,000 AF, this will leave the Districts a higher proportional amount of water remaining. Agreements stipulate that evaporative loss will be shared by all parties; however, due to this higher percentage of the pool belonging to the Districts, a greater amount of evaporative loss will be incurred by the Districts than in prior years.

As the District continues to work on assessing impacts, staff will keep the Board of Directors and public apprised of changes to any projections to this budget as a result of these discussions.

DISTRICT WATER SALES

FY18 saw a rise in customer water demand, mostly due to warm, dry weather conditions, with total water demand of approximately 10,000 AF. However, projected total water demand during FY19 is anticipated to decrease to approximately 9,000 AF due to a wet winter that reduced customer irrigation demands during winter months. Looking toward FY20, National Weather Service forecasts are predicting above seasonal mean temperatures throughout the western United States, similar to weather patterns in FY18. Based on these projections, the FY20 is estimated to have demand in-line with FY18, with 10,022 AF of potable water sold. These levels are moderately lower than levels projected in the District’s Urban Water Management Plan for FY 2020 (10,478 AF) and reflective of the District achieving the 20 X 2020 goal of consumption below 11,351 AF in 2020.

CAPITAL IMPROVEMENT PROGRAM

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. Over the past few years, major capital projects have been designed, constructed and completed in a planned progression per the Asset Management Master Plan and the Joint Facilities Master Plan. Funding for the Capital Improvement Program (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 R.E. Badger Filtration Plant (REB). The District shares ownership of the REB, pump stations, a reservoir, pipelines, and other treatment-related infrastructure (the Joint Facilities) with its business partner, the SDWD.

Total CIP expenditures for FY20 are anticipated to be \$10.8 million, with District CIP expenditures totaling \$1.6 million and joint facilities expenditures of \$9.2 million. The District CIP projects consist primarily of the \$1.5 million for the 5th Phase of the automated meter infrastructure (AMI) implementation. The \$9.2 million in joint facility expenditures in FY20 consist of \$7.5 million in REB improvements, \$1.2 million in San Dieguito reservoir improvements, and \$515,000 in additional joint facility improvements.

The FY20 requested appropriations to allow staff to engage in contracts to accomplish these projects is \$1.5 million for District CIP and \$1,040,000 for joint facilities. The FY19 Budget included the necessary appropriations to complete all projects, which has been carried over to FY20.

FY 2020 BUDGET

The programs and expenditures outlined in the FY20 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 Fiscal Year 2020 focus on infrastructure investment, completion of the District's cost of service study, and working with the District's partners in Lake Hodges to determine impacts of the voluntary level restriction, among others.

FY20 Budget high level highlights are as follows (amounts shown are FY19 Budget to FY20 Budget, unless otherwise noted).

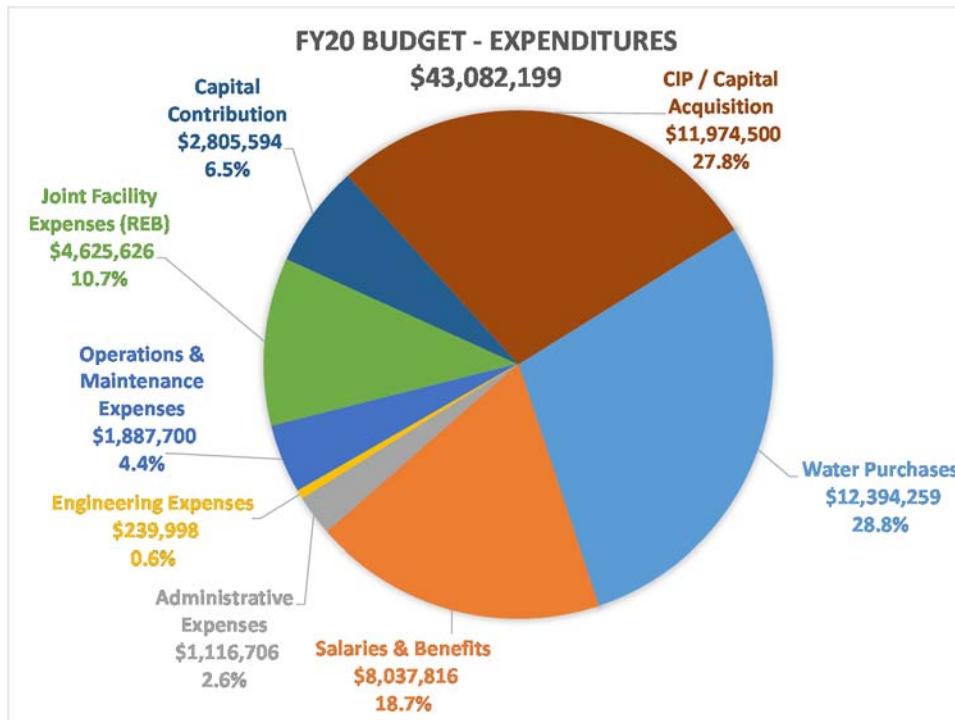
- Increase in Local Water Yield of 2,800 AF: Local water from Lake Hodges is projected to be 2,800 AF during FY20; however, due to voluntary water level restrictions that have reduced water storage totals for Lake Hodges by approximately 60%, District staff continues to work to determine any budgetary impacts.
- Customer Water Demands at 10,596.0 AF. Total water sales volumes include 574 AF from recycled water. This represents a 4% increase in water demands over FY19.
- Increase in water sales revenues of \$1.0 million. The increase in water sales revenues is attributable to an estimated increase in water demands of 4% and customer use similar to that experienced in 2018. No new rate increases or wholesaler pass-through increases are included.
- Reduction in Imported Water Purchase Costs of approximately \$400,000. Imported water purchases are projected to decrease due to an increase in local water yield, thereby reducing the amount of potable water purchase projections from 8,000 AF in FY19 to 7,151 AF in FY20. This projection also assumes a 5% increase in both the fixed and volumetric charges from SDCWA effective January 1, 2020.
- Increase of approximately \$600,000 in personnel costs. District personnel costs are reflective of a 5% Memorandum of Understanding general wage increase for all staff effective July 1, 2019, offset by a 2% healthcare contribution by all staff effective January 1, 2020. Additionally, this is reflective of 2 additional positions to be filled by the District in FY20.
- Increase in non-personnel cost operating expenses of \$1.3 million. The majority of the increase (58%) in Operating Expenses is due to an increase in joint facilities costs primarily due to an increase in energy costs for pumping of local water and an increase in chemical costs. Approximately 24% of this increase is also due to an increase in legal and consultant costs associated with the continuation of the District's cost-of-service and current litigation.

- Capital expenditures at \$12.0 million. This includes a combined District and joint facilities expenditure of \$1.2 million for capital acquisition items and \$10.8 million in CIP.
- No debt expenditure for FY20. The District's final principal and interest payment on outstanding indebtedness is due October 2019. Staff has confirmed with the Trustee that the final payment can be made utilizing the debt service reserve fund the District previously established and deposited with the Trustee. The FY20 Budget, therefore, does not require an appropriation to make this payment.

EXPENDITURES

Total expenditures (for operating and capital) by cost center for FY20 as depicted in the associated pie chart are \$43,082,199, an increase of \$1.9 million, or 4.5% more than the FY19 Budget.

Expenses can be categorized into three major areas: costs associated with capital improvements (infrastructure replacement and refurbishment), water purchases and treatment, and day-to-day operations including labor. The largest non-personnel expenditures for the District are for the purchase / treatment of water (39.5%) and for capital costs / depreciation of current assets in service (34.3%).



The FY20 Operating Budget is increasing by approximately \$1.9 million over FY19. The majority is due to a \$1.6 million increase in operating expenses due to salary increases / position additions and non-personnel expenditures in operating departments. Additionally, there is a \$1.6 million increase in capital investment for the District and joint facilities. These increases are offset by a \$1.3 million reduction in debt service expenditures as the District's final payment on outstanding indebtedness is made by debt service reserve funds previously established in accordance with the bond covenant.

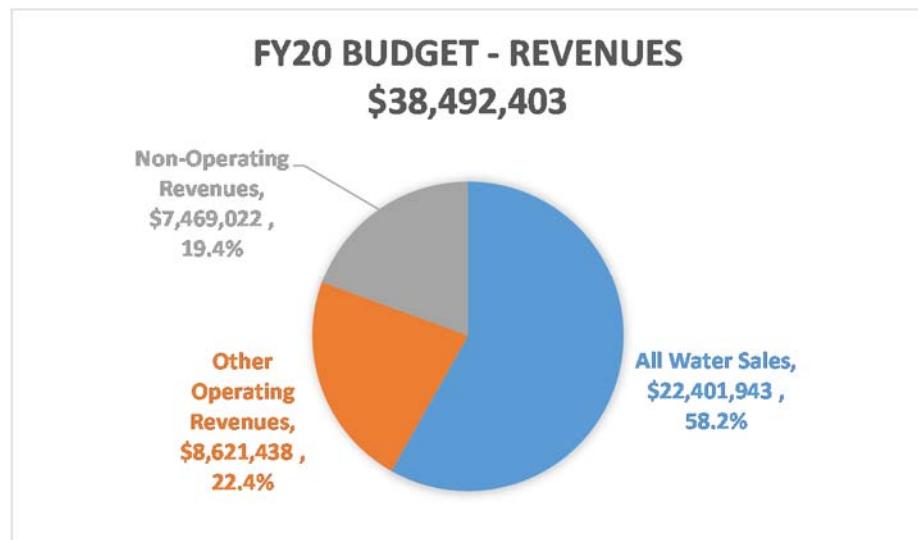
The \$1.6 million increase in operating expenditures includes \$1.3 million increase in department budgets, \$600,000 in salaries and benefits, and a \$258,000 decrease in water purchase costs. Department budget increases include an approximate \$310,000 change in Administration, \$65,000 in Engineering, \$157,000 in Operations and Maintenance, and \$740,000 for Joint Facilities. The Administrative budget increase primarily due to a \$370,000 increase in contract / professionals services for legal and cost-of-service consultant expenditures, offset by reductions in other areas of the department budget. The Engineering budget increase is due to a \$75,000 increase in consultant expenditures for continue work on exploratory work associated with a potable reuse program. The Operations and Maintenance increase is due to material price increases for pipes and asphalt in addition to a higher than previously estimated work load

for construction services in the District. Finally, Joint Facilities cost are increasing due to an approximate \$200,000 increase in electricity prices due to an increase in local water and \$150,000 increase in chemical costs due to increased total water demand, increased local water, and general price increases.

The Salaries and Benefits budget, including retiree health and Other Post-Employment Benefits (OPEB) Trust contributions, is up by 8.0%, or approximately \$600,000. The majority of this increase is due to the current MOU 5.0% general wage adjustment on July 1, 2019 and the net addition of two positions to the overall budget.

Total planned CIP / capital acquisition expenditures are up approximately \$1.6 million. This is comprised of a \$370,000 increase in District expenditures to complete AMI Phase 5 and an approximate \$1.2 million increase in Joint Facilities expenditures.

REVENUES



The associated pie chart shows total revenues of \$38,492,403 (operating and non-operating) in FY20. This figure is an increase of approximately \$2.7 million or 7.7% from FY18. The additional revenue is primarily comprised of \$1.0 million in addition water sales due to higher anticipated demand, \$1.0 million due to SDWD reimbursements for capital and operating costs, and \$550,000 in

investment income and property tax revenue.

FY20 operating revenues are projected to total \$31.0 million or 5.4% higher than in FY19 (water sales plus other operating revenue). Water sales and fixed charges provide 72.6% of all District revenues for FY20, and are projected to total approximately \$28.0 million, or \$1.2 million or 4.5% more than in FY19. Water sales volumes are anticipated to increase by 4.2% from FY19 as customer demand continues to harden after drought restrictions ended in 2016 and have subsequently rebounded, though not to previous levels. Total water sales are budgeted at 10,596.0 AF which includes 574.0 AF of recycled water. Reimbursements from SDWD for Joint Facilities operating costs will increase by approximately \$375,000 or 15.2% from FY19 due to the added costs for treating and moving local water at the R.E. Badger Filtration Plant.

FY20 non-operating revenue is projected to total \$7.5 million, or about \$1.2 million or 18.3% more than FY19. This is primarily due to a \$550,000 increase in property tax and interest revenues and another \$550,000 increase in capital expense reimbursements from SDWD for CIP and capital acquisition projects. SDWD reimbursements fluctuate from year to year, dependent on total capital expenditures for Joint Facilities.

RESERVES

The difference between operating revenues and operating expenditures is anticipated to be made up by utilization of approximately \$84,000 from the Rate Stabilization Reserve, while \$4.5 million will also be paid from the capital reserve to fund the CIP / capital acquisition program. However, based on projected District financial performance and available resources, overall reserves are anticipated to grow in both FY19 and FY20. A discussion with the Board of Directors in regards to the District's Reserve Policy, appropriate reserve levels based on a number of varying factors, and potential addition of a new designated reserve(s) is currently being considered as part of the District's cost-of-service.

CONCLUSION

The Santa Fe Irrigation District FY20 Operating and Capital Budget presents a financial plan for the fiscal year July 1, 2019, through June 30, 2020. This plan best represents the District and staff's continued efforts to maintain the highest standards in all areas of operations and to wisely invest ratepayer funds into long-term capital planning and prudent day-to-day operational spending.

Respectfully submitted,



Albert C. Lau, P.E.
General Manager



Seth M. Gates
Administrative Services Manager

FY 2020 BUDGET SUMMARY

The budget document represents an estimation of revenues and expenses based on reasonable assumptions, variables, and known obligations. It is a planning tool designed to establish the spending program for the fiscal year, and serves to advance the District's mission and the Strategic Business Plan. The Santa Fe Irrigation District FY20 Budget has total sources and uses of funds of \$43,082,199.

SOURCES OF FUNDS

The District has three main sources of operating and non-operating revenue: water sales, property taxes, and both capital and operating reimbursements from the San Dieguito Water District (SDWD) for costs associated with the R. E. Badger Filtration Plant (REB) and the other Joint Facilities. Reimbursements from SDWD vary according to fluctuations in operating and capital expenditures at the Joint Facilities. Total revenues are projected to increase from the FY19 Budget by 7.7% or \$2.7 million to \$38,492,403.

OPERATING REVENUES

Operating Revenues are budgeted at \$31,023,381, which is an increase of 5.4% or approximately \$1.6 million from FY19. The majority of revenues are from water sales; other sources of operating revenues are from SDWD and fees and charges for miscellaneous development services.

WATER SALES

Water sales (commodity) revenues for FY19 are projected at \$22.4 million, an increase in revenues of \$1.0 million or 4.9% from the FY19 budget. Volumetrically, the FY20 Budget assumes 11,046 acre feet (AF) of potable and recycled water production, which is an increase of 876 AF or 8.6% from the FY19 Budget. The increase in water sales is a function of a projected increase in water demands, similar to the actual level of water demand in FY18 (11,045 AF). The FY20 Budget does not include any volumetric or fixed rate increase (meter charge) or any water wholesaler pass-through increases from the San Diego County Water Authority (SDCWA) for potable water or San Elijo Joint Powers Authority (SEJPA) for recycled water. The District continues to engage the Board of Directors on cost-of-service for the District, including both water rates and structure.

OTHER OPERATING REVENUES

The largest additional source of operating revenues after water sales comes from reimbursements from SDWD for its share of operating expenses of the Joint Facilities. As costs to operate the plant and the related treatment infrastructure vary, so does the amount contributed by SDWD. For FY20, SDWD's total operating contribution is expected to increase by 15.2% from FY19 primarily as a result of anticipated water treatment cost from increased local water yield (4,884 AF FY20 vs. 3,000 AF FY19 for both Districts combined), which requires additional costs for electricity and chemicals; however, it reduces the amount of water necessary to purchase from SDCWA and is an overall net benefit to SFID and SDWD.

NON-OPERATING REVENUE

Non-operating revenues are budgeted at \$7.5 million for FY20, an 18.3% increase over FY19. The bulk of revenues in this category come from property taxes and reimbursements from SDWD for capital projects associated with the Joint Facilities. The reason for the increase in non-operating revenues is an increase in expected CIP expenditures for the Joint Facilities, creating a corresponding increase of \$550,000 in reimbursements from SDWD. Additionally, interest income is anticipated to increase approximately

\$375,000 due to increased yield on District investments and cash balances, and \$175,000 in property tax revenue due to assessed valuation growth in the District.

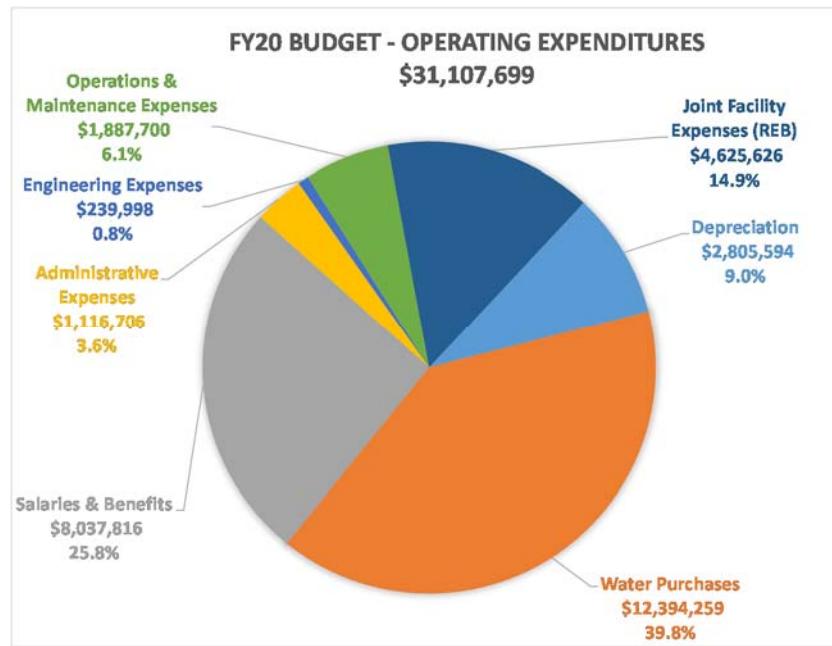
RESERVE FUND ACTIVITY

The aggregate reserve fund balance projected for the end of FY20 is \$22.1 million, an increase of approximately \$500,000 as compared to FY19 year-end projections. Staff is continuing to discuss the District's Reserve Fund Policy with the Board of Directors in relation to the ongoing cost-of-service study.

USES OF FUNDS

Budgeted FY20 expenditures are \$43,082,199, consisting of \$31,107,699 in operating expenses and \$11,974,500 for capital projects and acquisitions. The District has no debt service expenditures in FY20.

OPERATING EXPENSES



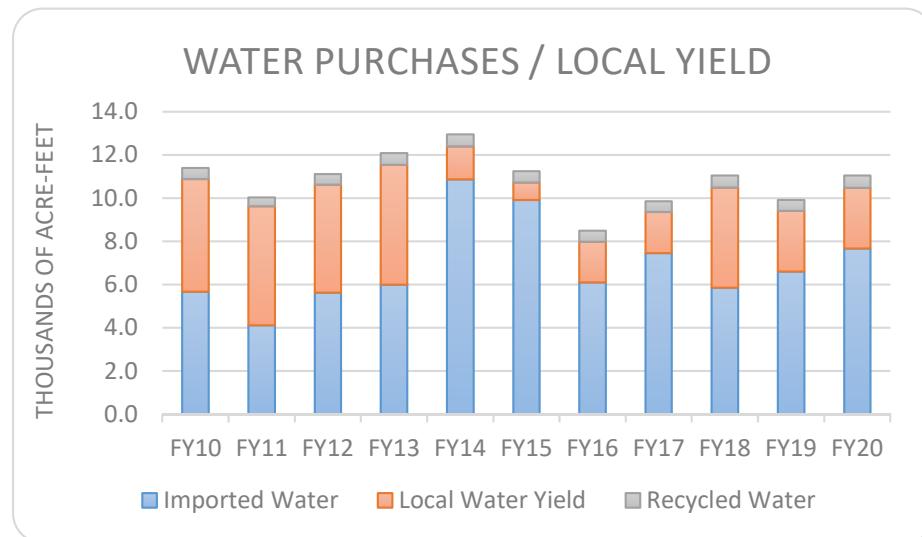
As shown in the accompanying graph, more than half (54.7%) of total operating expenditures is for the purchase and treatment of water (Joint Facilities costs). One-quarter (25.8%) is for labor, 10.4% will go toward the day-to-day operations and maintenance of the District, and 9.0% will fund a contribution to the Capital Improvement Reserve fund through depreciation. Total operations of the District are budgeted 5.5% higher than in FY19, at \$31.1 million, with \$2.8 million projected for the contribution to reserves.

WATER PURCHASES

The District's costs of imported water are expected to decline by approximately 4.1% from FY19 due to an increase in local yield from Lake Hodges. The FY19 Budget assumed a dry water year, with a yield of 1,720 AF, as compared to a historical long-run average of approximately of 3,200 AF (based on 30+ years of information). However, recent rain events have increased the local amount of water available from Lake Hodges (which is reflected in FY19 projections included in this budget document), some of which will be carried into FY20. The FY20 Budget assumes a yield of 2,800 AF based on an average yield from the prior six years actual yield from Lake Hodges due to changing meteorological conditions as compared to those experienced over the long-run history. Total purchases from SDCWA are assumed to be 7,672 AF in FY20 as compared to 8,000 AF in the FY19 Budget.

Imported water purchase costs for FY20 are expected to be \$11,349,339 and reflect actual SDCWA wholesale cost increases for both volumetric and fixed charges imposed on the District. These Projected demand is similar to actual FY18 demand, which was a warmer year with less than normal rainfall, which is also projected for FY20. The accompanying graph shows the decline in annual water purchases from a high in FY14, and a drastic reduction in FY16 based on the State's mandated water use restrictions. Total

demand has increased through FY18 back to what is considered a more normal level of water demand in the District. The reduction in FY19 is based on higher than a normal water year to-date, which reduced irrigation demand during the winter / spring months (with an offsetting reduction in purchases due to Lake Hodges yield).



PERSONNEL

After water purchases, the second largest operating expenditure is labor, budgeted at \$8,037,816 for FY20. The total net FY20 Personnel Budget is projected to be 8.0% higher than in FY19 due to two reasons: a Memorandum of Understanding wage adjustment and a net of two position additions. A new four-and-a-half year Memorandum of Understanding (MOU) with the SFID Employees Association was approved in November 2018, which included a negotiated 5.0% general wage adjustment effective July 1, 2019 & annual adjustments thereafter between 2 – 4% on July 1st, dependent on cost-of-living changes. Employees did not receive any cost-of-living or general wage adjustments since January 1, 2018, so this incrementally larger first year increase reflects this 18-month period that no adjustment was given.

An offsetting contribution of 2.0% healthcare contribution from all employees effective January 1, 2020, onwards, was also included. Both MOU negotiated items are reflected in the FY20 Budget. The total regular employee count is proposed to increase from 47 to 49 in FY20 due to the addition of splitting the District's Operations Manager position (eliminated in FY20) into a Distribution Superintendent and a Joint Facilities Superintendent. Additionally, a previously approved Engineering Technician is being filled in FY20, with an offsetting reduction of the previously approved limited-term Engineering Assistant.

The District continues to fund the full actuarial determined contribution (ADC) for CalPERS for the District's pension unfunded actuarial liability (UAL), which has increased approximately \$110,000 from \$705,003 in FY19 to \$820,002 in FY20. This FY20 ADC is based on the District's intent to pay the entirety of this amount in July 2019, which provides approximately \$30,000 in savings as compared to paying the ADC on a monthly basis to CalPERS. The District's other post-employment benefits (healthcare) pay-go and pre-payment contributions have increased by approximately \$5,000 from \$574,832 in FY19 to \$579,646 in FY20. For active employees, medical insurance premiums are budgeted to increase by 10%. There are no projected increases for workers compensation, life, or short-term and long-term disability insurance. Dental insurance costs are projected to increase by 5%.

DEPARTMENT BUDGETS

Operating expenses for the day-to-day operations of the District are budgeted to increase by \$1.3 million for FY20. The Administration department budget is increasing by 38.0% or approximately \$310,000 due to continuing legal and consultant costs associated with the District's cost-of-service process. The Engineering department is increasing 37.0% or approximately \$65,000 to provide for consultant services associated with the ongoing research into potable / non-potable reuse project(s). Operations and Maintenance department costs are increasing by 9.1% or approximately \$157,000 due mainly to material price increases. Joint Facilities costs are increasing 19.0% or approximately \$740,000 due primarily to an increase in local water availability and associated pumping and treatment costs (shared with the San Dieguito Water District).

CAPITAL ACQUISITION PROGRAM

A capital purchase is defined in the District's Capitalization Policy as having a minimum cost of \$7,500 and a useful life greater than two years. Replacement or purchase of equipment, furniture, and vehicles that falls into this category is funded by the District's Capital Budget. Capital Acquisitions are budgeted at \$1,222,000, down 5.3% from FY19. Items included in the FY20 Capital Acquisition Budget represent improvements for hazardous materials storage, security and technology upgrades, and vehicle and rolling stock replacements. Slightly less than half of the total capital acquisitions expenditure is for the Joint Facilities at \$520,000; those costs will be shared with the San Dieguito Water District (SDWD).

CAPITAL IMPROVEMENT PROGRAM

The District's Asset Management Master Plan (AMMP) was adopted in FY09 and established a ten-year capital replacement and improvement program. With the AMMP reaching ten years since adoption, discussions are occurring on how best to update this planning document and reflect the District's current priorities and needs. In 2012, the Board adopted the Joint Facilities Master Plan (JFMP) that identified projects associated with the treatment plant and the facilities jointly owned by the District and SDWD. The projects identified in these two plans were combined to create a comprehensive, 10-year Capital Improvement Program (CIP) that is reviewed annually in conjunction with other relevant plans and reports. The FY20 CIP sets forth \$10,752,500 in expenditures for ten capital improvement projects. Approximately 85.1% or \$9.2 million of the \$10.8 million in projects are part of the Joint Facilities of the R. E. Badger Filtration Plant. Carryover appropriations from FY19 total \$15.0 million; new appropriations of \$2.6 million are requested for FY20 to encumber funds for construction and project management contracts. Details about the individual capital projects are contained in the Capital Program section of this document.

DEBT SERVICE

The District's obligations for the 2007 refunding of Joint Facilities indebtedness end in FY20. The final payment of approximately \$1.35 million is due in October 2019; however, the District currently has these funds on deposit with the bond's Trustee based on previously established debt service reserve funds that were a requirement of the refunding. Due to this reserve, no appropriation or expenditure will be required for these bonds, and are therefore not reflected in the District's sources / uses.

ALLOCATION OF COSTS

A portion of each department costs are allocated to the Joint Facilities to capture the true cost of operating the treatment plant's programs and facilities. The total operational overhead allocation to the Joint Facilities is \$420,269, and is identified as Interdepartmental Charges in the Joint Facilities Expense Summary. The following pages show the summarized expenses (uses) and revenues (sources) for FY20.

Santa Fe Irrigation District
Fiscal Year 2020 Budget Summary

Sources of Funds

OPERATING REVENUES	FY 2018		FY 2019		FY 2020		% Change Bgt to Bgt	% Change Proj to Bgt
	Actual		Budget	Projected	Budget			
Potable Water Sales	\$ 19,972,502		\$ 20,535,055	\$ 19,511,571	\$ 21,539,324	4.9%	10.4%	
Recycled Water Sales	824,792		705,672	751,410	862,619	22.2%	14.8%	
Fixed Charges	5,352,584		5,507,426	5,519,421	5,550,830	0.8%	0.6%	
Hydroelectric Revenue	-		30,000	30,000	53,000	76.7%	76.7%	
SDWD Local Water Reimbursement	74,988		74,993	74,993	58,885	-21.5%	-21.5%	
SDWD Treatment Reimbursement	2,387,970		2,463,105	2,546,944	2,836,723	15.2%	11.4%	
Misc Operating Revenue	245,188		122,000	279,901	122,000	0.0%	-56.4%	
Total Operating Revenue	\$ 28,858,022		\$ 29,438,251	\$ 28,714,240	\$ 31,023,381	5.4%	8.0%	
NON-OPERATING REVENUES								
Capacity Charges	\$ 215,428		\$ 75,000	\$ 150,000	\$ 125,000	66.7%	-16.7%	
Interest Income	260,625		185,500	436,633	560,000	201.9%	28.3%	
Property Tax	2,406,427		2,300,000	2,467,192	2,473,807	7.6%	0.3%	
SDWD Capital Reimbursement	510,351		3,609,395	382,971	4,160,558	15.3%	986.4%	
Misc Non-Operating Revenue	258,538		143,977	236,819	149,657	3.9%	-36.8%	
Total Non-Operating Revenue	\$ 3,651,370		\$ 6,313,872	\$ 3,673,615	\$ 7,469,022	18.3%	103.3%	
TOTAL REVENUE	\$ 32,509,392		\$ 35,752,123	\$ 32,387,855	\$ 38,492,403	7.7%	18.8%	
OTHER SOURCES OF FUNDS								
Transfer from Rate Stabilization Fund	\$ -		\$ 1,403,148	\$ 45,211	\$ 84,318	-94.0%	86.5%	
Transfer from Capital Improvement Fund	-		4,071,028	-	4,505,478	10.7%	-	
Transfer from Operating Fund	-		-	-	-	-	-	
Total Other Sources of Funds	\$ -		\$ 5,474,176	\$ 45,211	\$ 4,589,796	-16.2%	10052.0%	
TOTAL FUNDS AVAILABLE	\$ 32,509,392		\$ 41,226,298	\$ 32,433,066	\$ 43,082,199	4.5%	32.8%	

Note: Totals may not foot due to rounding.

Santa Fe Irrigation District
Fiscal Year 2020 Budget Summary
Uses of Funds

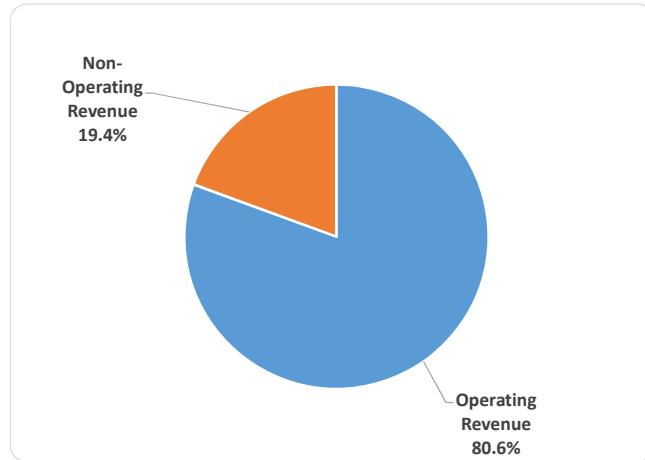
OPERATING EXPENSES	FY 2018		FY 2019		FY 2020		% Change Bgt to Bgt	% Change Proj to Bgt
	Actual		Budget	Projected	Budget			
Imported Water Purchases	\$ 8,937,962		\$ 11,839,560	\$ 9,729,772	\$ 11,349,339	-4.1%	16.6%	
Local Water Costs	175,752		100,757	100,757	138,000	37.0%	37.0%	
Recycled Water Purchases	810,840		712,348	761,000	906,920	27.3%	19.2%	
Salaries & Benefits	7,529,978		7,440,285	7,278,114	8,037,816	8.0%	10.4%	
Administration Expense	621,907		809,063	963,389	1,116,706	38.0%	15.9%	
Engineering Expense	76,523		175,170	128,670	239,998	37.0%	86.5%	
Operations & Maintenance	1,314,162		1,730,700	1,553,168	1,887,700	9.1%	21.5%	
Joint Facilities	4,264,413		3,886,640	4,097,706	4,625,626	19.0%	12.9%	
Capital Contribution (Equal to Depreciation)	2,805,594		2,800,000	2,800,000	2,805,594	0.2%	0.2%	
Total Operating Expenses	\$ 26,537,131		\$ 29,494,523	\$ 27,412,576	\$ 31,107,699	5.5%	13.5%	
CAPITAL EXPENSES								
Capital Acquisitions	\$ 407,775		\$ 1,290,700	\$ 763,863	\$ 1,222,000	-5.3%	60.0%	
Capital Improvements	2,437,378		9,094,200	1,790,971	10,752,500	18.2%	500.4%	
Total Capital Expenses	\$ 2,845,153		\$ 10,384,900	\$ 2,554,834	\$ 11,974,500	15.3%	368.7%	
LONG TERM DEBT EXPENSES								
Bond Debt Service	\$ 1,346,575		\$ 1,346,875	\$ 1,346,875	\$ -	-100.0%	-100.0%	
Total Long-Term Debt Expenses	\$ 1,346,575		\$ 1,346,875	\$ 1,346,875	\$ -	-100.0%	-100.0%	
TOTAL EXPENSES	\$ 30,728,859		\$ 41,226,298	\$ 31,314,285	\$ 43,082,199	4.5%	37.6%	
RESERVE CONTRIBUTION								
Transfer to Rate Stabilization Fund	\$ 1,129,701		\$ -	\$ -	\$ -	-	-	
Transfer to Capital Improvement Fund	-		-	1,118,781	-	-	-100.0%	
Transfer to Operating Fund	2,918,156		-	-	-	-	-	
Total Reserve Contribution	\$ 4,047,857		\$ -	\$ 1,118,781	\$ -	-	-100.0%	
TOTAL USES OF FUNDS	\$ 34,776,716		\$ 41,226,298	\$ 32,433,066	\$ 43,082,199	4.5%	32.8%	

Note: Totals may not foot due to rounding.

Santa Fe Irrigation District Fiscal Year 2020 Budget Summary

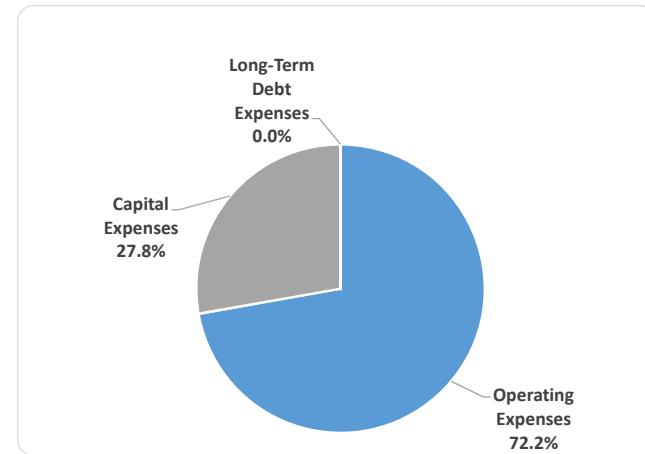
SOURCES OF FUNDS

Operating Revenue	\$ 31,023,381
Non-Operating Revenue	7,469,022
Total Funds Available	\$ 38,492,403



USES OF FUNDS

Operating Expenses	\$ 31,107,699
Capital Expenses	11,974,500
Long-Term Debt Expenses	-
Total Expenses	\$ 43,082,199

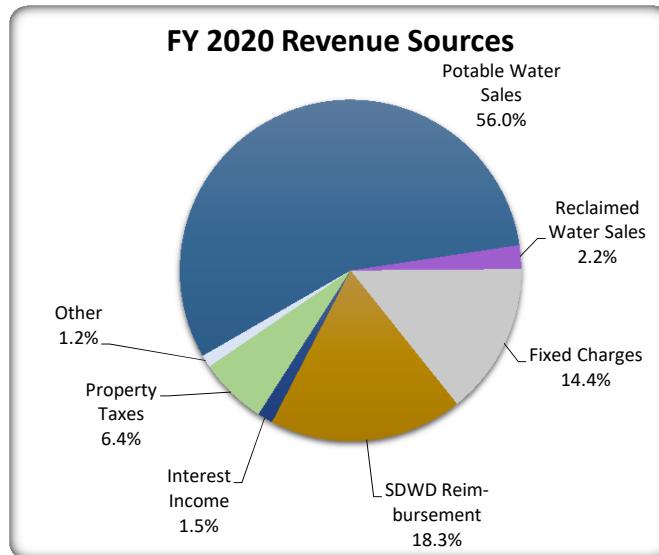


Note: Totals may not foot due to rounding

Revenue Summary
Fiscal Year 2020 Budget

REVENUE SOURCE	FY 2018		FY 2019		FY 2020		% Change Bgt to Bgt	% Change Proj to Bgt
	Actual		Budget	Projected	Budget			
Potable Water Sales	\$ 19,972,502		\$ 20,535,055	\$ 19,511,571	\$ 21,539,324		4.9%	10.4%
Recycled Water Sales	824,792		705,672	751,410	862,619		22.2%	14.8%
Fixed Charges	5,352,584		5,507,426	5,519,421	5,550,830		0.8%	0.6%
Hydroelectric Revenue	-		30,000	30,000	53,000		76.7%	76.7%
SDWD Local Water Reimbursement	74,988		74,993	74,993	58,885		-21.5%	-21.5%
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Misc Operating Revenue	245,188		122,000	279,901	122,000		0.0%	-56.4%
Capacity Charges	215,428		75,000	150,000	125,000		66.7%	-16.7%
Interest Income	260,625		185,500	436,633	560,000		201.9%	28.3%
Property Tax	2,406,427		2,300,000	2,467,192	2,473,807		7.6%	0.3%
SDWD Capital Reimbursement	510,351		3,609,395	382,971	4,160,558		15.3%	986.4%
Misc Non-Operating Revenue	258,538		143,977	236,819	149,657		3.9%	-36.8%
TOTALS	\$ 32,509,392		\$ 35,752,123	\$ 32,387,855	\$ 38,492,403		7.7%	18.8%

The District receives revenue from a variety of operating and non-operating sources. The table and chart presented summarize projected revenues for FY20. The use and appropriation of revenues are governed by both statutory requirements and District policies. The applicable internal policies are the District Administrative Code and the Reserve Fund 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 FY20 is estimated to be \$38,495,784. Nearly three-fourths of total revenues for the District is from water sales (72.6% of the total).



Note: Totals may not foot due to rounding.

DISTINGUISHED BUDGET PRESENTATION AWARD

The Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to the District for its annual budget for the fiscal year beginning July 1, 2018. In order to receive this award, a government unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device. This is the eighth consecutive year the District has received this honor. This award is valid for a period of one year only. We believe our current budget continues to conform to program requirements, and we plan to submit it to GFOA to determine its eligibility for another award.



GOVERNMENT FINANCE OFFICERS ASSOCIATION

Distinguished Budget Presentation Award

PRESENTED TO

**Santa Fe Irrigation District
California**

For the Fiscal Year Beginning

July 1, 2018

Christopher P. Morrell

Executive Director



INTRODUCTION

HISTORY

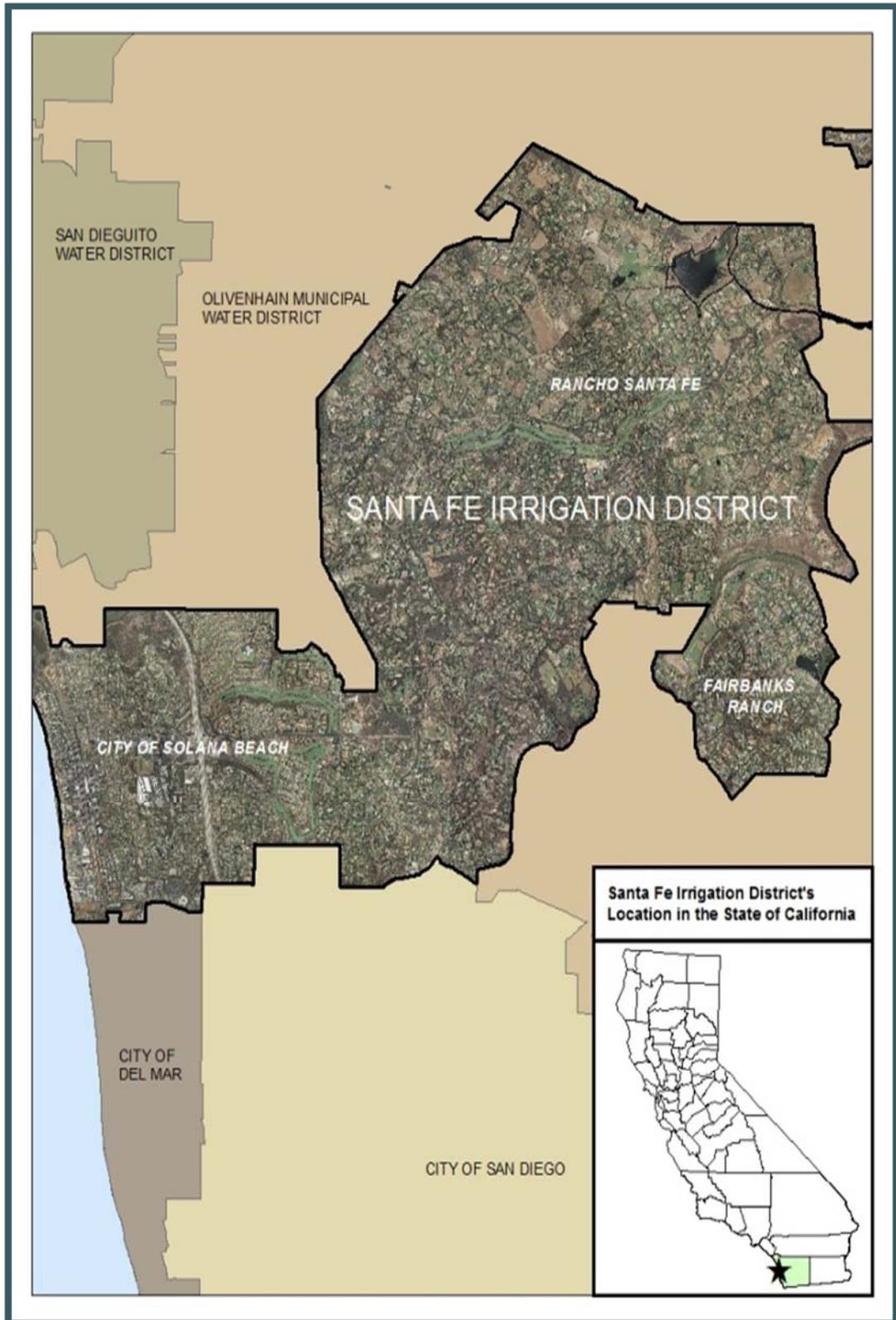
Originally a land grant from Mexico known as Rancho San Dieguito, Rancho Santa Fe and the surrounding areas were purchased in 1906 by the Atchison, Topeka, and Santa Fe Railway Company. Along the coast adjacent to this property, the City of Solana Beach existed as Lockwood Mesa prior to the early 1920s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

SERVICE AREA

The Santa Fe Irrigation District is situated in northern San Diego County and includes coastal and inland communities. The District map on the following page shows the service area that comprises approximately 10,260 acres (about 16 square miles), 2,850 acres in Solana Beach and 7,410 in the Rancho Santa Fe and Fairbanks Ranch area. Characterized by low-density urban development, these communities include a large number of estates covering more than three acres. Approximately 81% of the District's total water demand is residential, with the remainder of usage distributed between commercial, outdoor irrigation, and institutional/governmental customers. The District serves an approximate population of 19,800, 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 recently, 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 San Diego region's unemployment rate as of March 2018 was 3.7% compared with 4.6% for California and 3.9% for the United States. Unemployment data is not available for the District's individual service area.



San Diego County's median population age was 35.5 in 2016, according to SANDAG. By contrast, SANDAG data defines the District's customer base as relatively affluent and older, with a median age of 43.9 in the City of Solana Beach and a median income of \$100,256. Additionally, the District's unincorporated service area (as represented by zip code 92067) has a median age of 48.8 and a median income of \$138,509. 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 nearly 400% of the national average.

Solana Beach Household Income Distribution (source: SANDAG)



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



The City of Solana Beach and the unincorporated communities that comprise the District's service area are primarily residential, with no major industries. The principal employers in the area are in the leisure or service industry, such as the Lomas Santa Fe Country Club and the Fish Market Restaurant; and schools, such as the Rancho Santa Fe School District and the Santa Fe Christian Community School.

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. The District has a current staff of 49 full-time employees under the direction of the General Manager.

FACILITIES

The District has 100% ownership of approximately 160 miles of pipelines and one above-ground storage reservoir with a capacity of 6.0 million gallons in Solana Beach. Due to the service area's topography, water is gravity fed to customers throughout the District and regulated by multiple pressure-reducing stations. The

District shares ownership with the San Dieguito Water District (SDWD) of approximately eight miles of pipelines and transmission mains, two pumping stations, a 1.4 megawatt hydroelectric power plant, 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, 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, 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.

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:

- ※ Joint Facilities are reported separately in the financial statements, but consolidated into the District budget as a departmental unit. The facility's expenses and the reimbursements from San Dieguito Water District (SDWD) are presented as offsetting revenues for their proportional expenditure share.
- ※ 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.
- ※ Government Accounting Standards Board (GASB) adjustments for 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.

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 Manager 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 the final numbers are assigned to the budget. 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 FY20 is shown below.

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				✓		
5 SDWD staff reviews budget					✓	
6 Board committees review relevant portions of the budget						✓
7 Board holds budget workshop						✓
8 Board committees finalize budget review						✓
9 Joint Facilities Advisory Committee budget review						✓
10 Board reviews final draft of budget					✓	
11 Board holds meeting and adopts new budget						✓

The District's Board of Directors has established three committees that are responsible for reviewing agenda items prior to board meetings. These committees do the bulk of the review of issues that will be presented to the Board so that an appropriate level of discussion occurs, and the committees can make a recommendation to the Board about those issues. The committees review either all or part of the budget before the final document is approved by the entire Board.

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

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

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 January or 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 fiscal planning tool which incorporates the ten-year CIP identified in the 2009 Asset Management Master Plan and the 2012 Joint Facilities Master Plan. The District's financial model is maintained and updated regularly 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 generate revenues as required by the Indenture of Trust for the District's bonds. The debt covenant requires revenues in an amount greater than 115% of the annual debt obligation. For FY20, though the budget does not include an appropriation request for debt service payment, the District is still obligated to produce required coverage during the year. The District is continuing the current cost-of-service process after the expiration of the prior approved cost-of-service on June 30, 2018, engaging the Board of Director in cost allocation and structure options through public workshops. The cost-of-service process guides revenue requirements and projections into the future for all water rates.

Property taxes, a relatively large source of non-operating revenue, are allocated to the Capital Reserve Fund 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 San Dieguito Water District based on ownership percentage. Reimbursements from SDWD provide a significant contribution toward operating and capital expenses associated with the Joint Facilities and are recognized as revenue in the budget.

DISTRICT FACTS, MISSION & VISION

QUICK DISTRICT FACTS

Service Territory	Solana Beach (2,850 Acres) Rancho Santa Fe (7,410 Acres - Combined) Fairbanks Ranch	
Population of Service Territory	19,800 (est.)	
Solana Beach	Average Age 43.9 Median Income \$ 100,256	
Rancho Santa Fe / Fairbanks Ranch (zip 92067)	Average Age 48.8 Median Income \$ 138,509	
San Diego County Unemployment Rate	3.70%	
Infrastructure:	Miles of water mains 157 Reservoirs 2 Treatment capacity 40 million gallons / day	
Water Supplied in FY 2020 (Budget)	Treated Water - imported 522 Acre Feet Untreated Water - imported 7,151 Acre Feet Lake Hodges Water 2,800 Acre Feet Recycled Water 574 Acre Feet Total 11,046	
Connections & FY20 Est. Water Use		

Meter Size Inventory

Classification	FY20 Est. Water Use (AF)	# Meters	3/4"	1"	1.5"	2"	3"	4" +
Single Family	8,098	5,512	3,241	1,575	629	64	2	1
Multi-Family	610	464	155	82	136	89	2	-
Non-Residential	497	382	168	89	75	46	2	2
Irrigation / Commercial Agriculture	799	173	35	55	45	34	1	3
Recycled Water	18	54	-	16	3	29	3	3
TOTAL	10,022	6,585	3,599	1,817	888	262	10	9

STRATEGIC PLAN DEVELOPMENT

With the installation of the District's new General Manager after the previous incumbent retired, a new strategic plan development process is anticipated to begin in FY20 to identify strategic areas for the District and staff to focus on in the upcoming year(s). This process will be done in a public setting with the Board of Directors to gain consensus on the direction that the General Manager will be taking the District in the future. Though a strategic plan will be developed, the District is still continuously guided by the established mission and vision statements. These statements are utilized to formulate the programs, service, and investment of rate payer funds incorporated into the FY20 Budget.

MISSION STATEMENT

The mission of Santa Fe Irrigation District is to provide its customers with safe and reliable water.

VISION STATEMENT

Santa Fe Irrigation District will be recognized for:

- ✳ Managing our water supply portfolio to effectively meet changing demands and availability of water supply
- ✳ Building, maintaining and operating infrastructure to maximize asset value
- ✳ Maintaining a high-performing and stable workforce
- ✳ Demonstrating cost effectiveness and efficiency in District operations and service delivery as measured by identified standards
- ✳ Providing responsive customer service and essential public information

WATER SUPPLY AND DEMAND

OVERVIEW

The Santa Fe Irrigation District service area has been built out for some time and, therefore, water consumption has not increased significantly due to population / connection growth. Fluctuations in customer demand are largely driven by hydrology, particularly because a large portion of total water consumption in the District is for outdoor irrigation. The District has experienced a decline in water use over the past five years, resulting from drought and mandated water use reductions. Customers have adopted water efficiency practices and more drought-tolerant landscapes, permanently reducing water demand. Additionally, the State of California is currently considering a set of Water Use Efficiency standards that would set urban water use targets. These factors contribute to a likely flat level or even long-term reduction in water consumption and present a distinct set of challenges related to water management, sourcing, and sustainability.

The District is a member agency of and obtains treated and untreated water from the San Diego County Water Authority (SDCWA), local water from Lake Hodges and the San Dieguito Reservoir (SDR), and recycled water from the San Elijo Joint Powers Authority (SEJPA). The primary supply of water for the District is untreated, imported water supplied by SDCWA. This imported water is delivered from Northern California through the State Water Project and from the Colorado River through the Colorado River Aqueduct to supply water to Southern California. The R.E. Badger Filtration Plant (REB) provides treatment of this imported raw water supply prior to distribution to District customers. During routine shutdowns of the REB treatment facility or the SDCWA raw water aqueduct for maintenance or repair, the District purchases imported, treated water from SDCWA.

Since the drought of the early 1990's, the SDCWA has spent 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 costly 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 SDCWA water. 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.

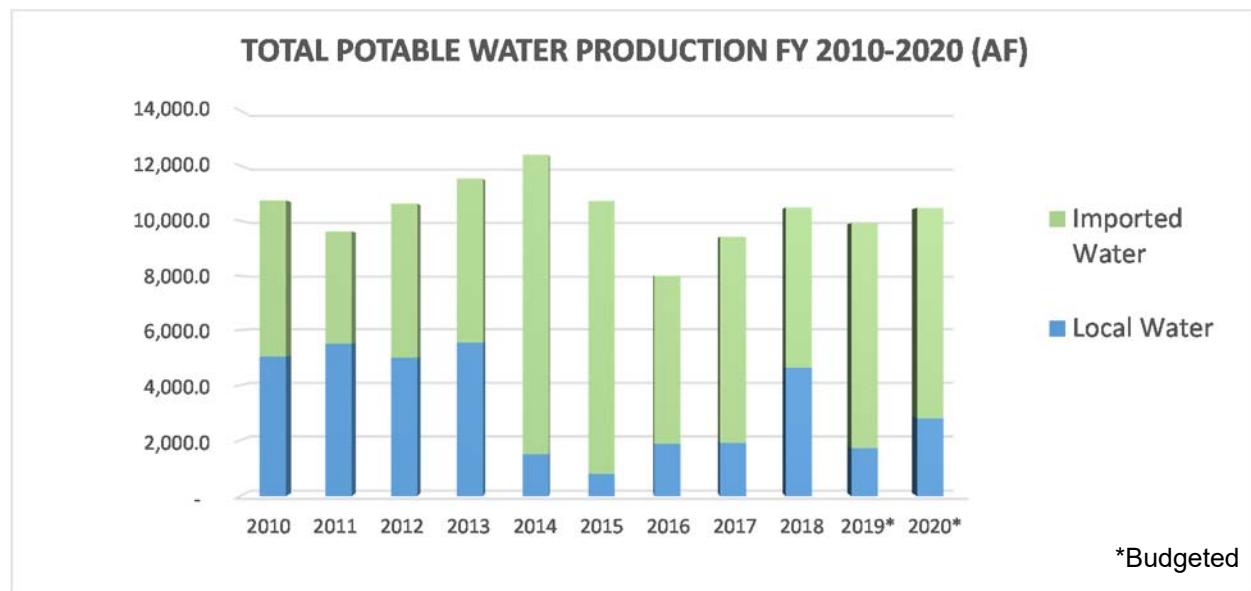
The District's lowest cost water is its water from Lake Hodges and SDR. However, these sources are subject to the hydrologic cycle and therefore vulnerable to periods of drought. Fluctuations in local supply range from annual highs of more than 50% to less than 10% of total water deliveries to the District's service area. The FY19 Budget utilized a conservative local yield projection of 1,720 AF based on then current levels in Lake Hodges and the assumption of a dry winter. Due to a higher than projected rainfall total during the prior winter, FY19 projections assume 2,800 AF of local yield. For the FY20 Budget, a six-year average of 2,800 AF was utilized as a local water yield projection to reflect recent meteorological trends. As previously discussed in this budget document, the voluntary water level restriction for Lake Hodges has reduced total storage capacity by approximately 60%. With this restriction, the District is evaluating all options and potential impacts with our partners for Lake Hodges (City of San Diego, SDCWA, SDWD) for any potential local yield and budgetary impacts for FY20.

Local yield variations from budgeted levels are typically accommodated through the Rate Stabilization Reserve Fund. Any reduced yield as compared to budgeted levels may necessitate staff returning to the Board to request additional appropriations to purchase more imported water, whose source of funds would come from the Rate Stabilization Reserve fund. Conversely, any positive financial impact due to an increase in local water yield would be deposited into this fund to accommodate any potential future variation in yield. This practice helps to mitigate any variations in rate impacts due to a temporary change in local yield.

The District purchases recycled water from SEJPA, a wastewater service agency located in the City of Encinitas, under a water purchase agreement. SEJPA completed a comprehensive cost-of-service study in 2018 to establish uniform rates for all of its customers. Annual wholesale cost increases of 3.8% for recycled water for District purchases to meet customer demand are anticipated every July 1st for the next two years based on this cost-of-service.

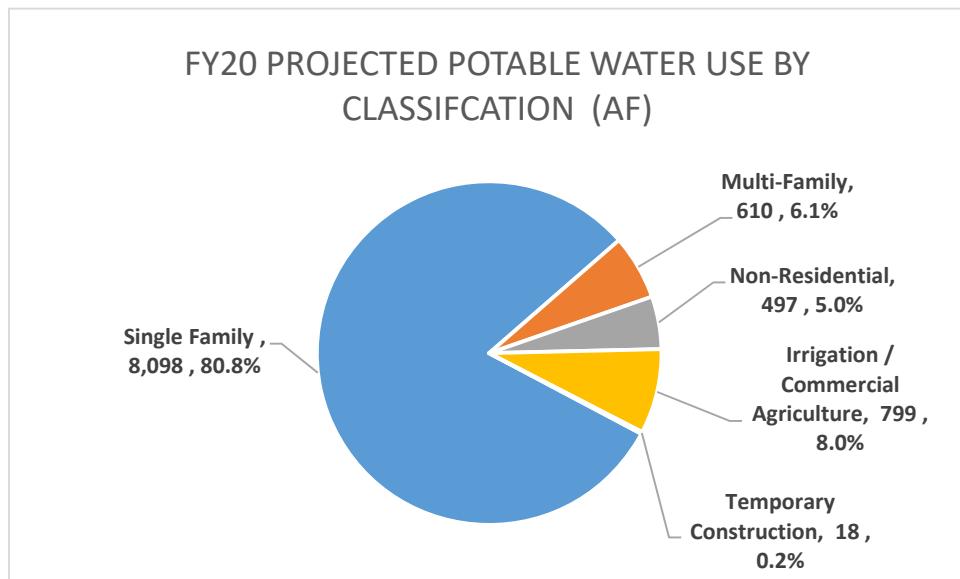
FY20 PROJECTIONS

Total customer potable water demands for FY20 are projected to be 10,022 AF. To meet these demands, the District anticipated needing approximately 10,472 AF of water, factoring in an approximate 4.3% non-revenue water figure, which includes leaks, pipeline breaks, water meter accuracy, fire-hydrant knockovers, etc. The total potable water sources to meet this 10,472 AF includes 2,800 AF of local water yield from Lake Hodges, 7,151 AF of untreated water from SDCWA, and 522 AF of treated water (to accommodate a winter REB Plant shut down for maintenance purposes), also from SDCWA. The graphic below details the amount of imported water from SDCWA, local water, and total water production for FY10 – FY20.



In addition to potable water, 574 AF of recycled water will be purchased / supplied to District customers. Recycled water is used on golf courses, public medians, parks, and landscaping.

Of the District's projected annual potable water demand (sales) of 10,022 AF for FY20, approximately 81% of this demand is for residential purposes. The next highest use is for irrigation, primarily for homeowners associations and other community open spaces. Commercial and institutional (non-residential) uses relatively low.



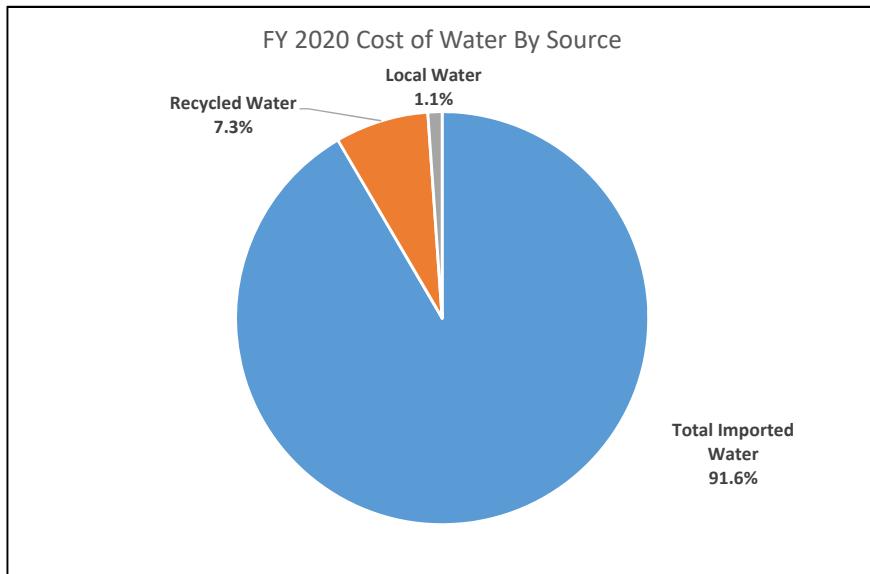
The District has four main user classifications for potable water and one classification for recycled water. The table below, shows the number of meters by customer classification based on current data and the meter size count.

Meter Size Inventory							
Classification	# Meters	3/4"	1"	1.5"	2"	3"	4" +
Single Family	5,512	3,241	1,575	629	64	2	1
Multi-Family	464	155	82	136	89	2	-
Non-Residential	382	168	89	75	46	2	2
Irrigation / Commercial Agriculture	173	35	55	45	34	1	3
Recycled Water	54	-	16	3	29	3	3
TOTAL	6,585	3,599	1,817	888	262	10	9

Water Expense Summary
Fiscal Year 2020 Operating Budget

Commodity Cost Breakdown

WATER SOURCE	FY 2018	FY 2019		FY 2020	% Change	% Change
	Actual	Budget	Projected	Budget	Bgt to Bgt	Proj to Bgt
Imported Water:						
Variable Costs	\$ 5,808,740	\$ 8,534,893	\$ 6,539,860	\$ 8,228,607	-3.6%	25.8%
Fixed Costs						
Supply Reliability Charge	493,782	519,720	542,604	649,224	24.9%	19.6%
Infrastructure Access Charge	363,532	382,629	377,418	419,904	9.7%	11.3%
Customer Service Charge	479,856	505,063	477,324	428,976	-15.1%	-10.1%
Emergency Storage Charge	1,292,142	1,360,018	1,301,040	1,184,298	-12.9%	-9.0%
MWD Capacity Charge	199,486	209,965	195,012	176,214	-16.1%	-9.6%
MWD Readiness-to-Serve Charge	300,426	327,272	296,514	262,116	-19.9%	-11.6%
Total Fixed Costs	<u>3,129,224</u>	<u>3,304,668</u>	<u>3,189,912</u>	<u>3,120,732</u>	-5.6%	-2.2%
Total Imported Water	\$ 8,937,964	\$ 11,839,560	\$ 9,729,772	\$ 11,349,339	-4.1%	16.6%
Local Water	<u>106,956</u>	<u>100,757</u>	<u>175,750</u>	<u>138,000</u>	37.0%	-21.5%
Total Potable Water	\$ 9,044,920	\$ 11,940,318	\$ 9,905,522	\$ 11,487,339	-3.8%	16.0%
Recycled Water	810,840	712,348	761,000	906,920	27.3%	19.2%
Total Water Costs	\$ 9,855,760	\$ 12,652,666	\$ 10,666,522	\$ 12,394,259	-2.0%	16.2%



PERSONNEL

OVERVIEW

The total FY20 Personnel Budget is \$8,037,816, and includes salary and benefit expenses for 49 regular District employees. This figure represents 25.8% of total operating expenses and is an increase of approximately \$600,000 or 8.0% from FY19. The increase is due to two new positions (net) being added to the budget for FY20 in addition to a 5.0% general wage adjustment for all staff effective July 1, 2019. A new Memorandum of Understanding (MOU) between the District and the SFID Employees Association & managers, was ratified by the Board of Directors in November 2018. 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 1st of each year of the MOU; with the first year wage adjustment being 5.0%, with a 2-4% wage adjustment each July 1st thereafter (to match local consumer price index changes, with a minimum of 2.0% and a maximum of 4.0%). Additionally, all employees agreed to begin paying 2.0% of their healthcare costs throughout the MOU period, effective January 1, 2020.



OTHER POST-EMPLOYMENT BENEFITS

The District implemented the Government Accounting Standards Board's (GASB) Statement 45 requiring public agencies to disclose their liability for other post-employment benefits (OPEB). The District currently provides paid post-employment health care coverage for retired employees and dependents. This benefit was eliminated for all employees hired after September 28, 2007.

In the past, retiree health care premiums were budgeted every year on a PAYGO basis, only accounting for the current year's premium costs. GASB 45 required that the cost of OPEB be recognized sooner, i.e., as promised benefits are actually being earned. This action mandates the same treatment of OPEB as pension benefits.

In FY09, the District began participation in CalPERS' California Employers' Retirement Benefit Trust (CERBT), which established an irrevocable trust for the contribution of funds to reduce the District's OPEB liability. These two items account for \$579,646 of the total FY20 Personnel budget of \$8,037,816. The District continues to fund the full actuarial determined contribution (ADC) for CalPERS for the District's unfunded pension actuarial liability (UAL), which has increased approximately \$110,000 from \$705,003 in FY19 to \$814,763 in FY20. This FY20 ADC is based on the District's intent to pay the entirety of this amount in July 2019, which provides approximately \$30,000 in savings as compared to paying the ADC on a monthly basis to CalPERS. This increase from FY19 is primarily related to the reduction in the CalPERS assumed discount rate from 7.5% to 7.0% in 2016, phased in over three years. The District continually

looks at ways to reduce the UAL and has previously discussed options with the Board of Directors and will continue to do so in the future. The OPEB PAYGO and CERBT contribution go has increased by approximately \$5,000 from \$574,832 in FY19 to \$579,646 in FY20. For active employees, medical insurance premiums are budgeted to increase by 10%. There are no projected increases for workers compensation, life, or short-term and long-term disability insurance. Dental insurance costs are projected to increase by 5%.

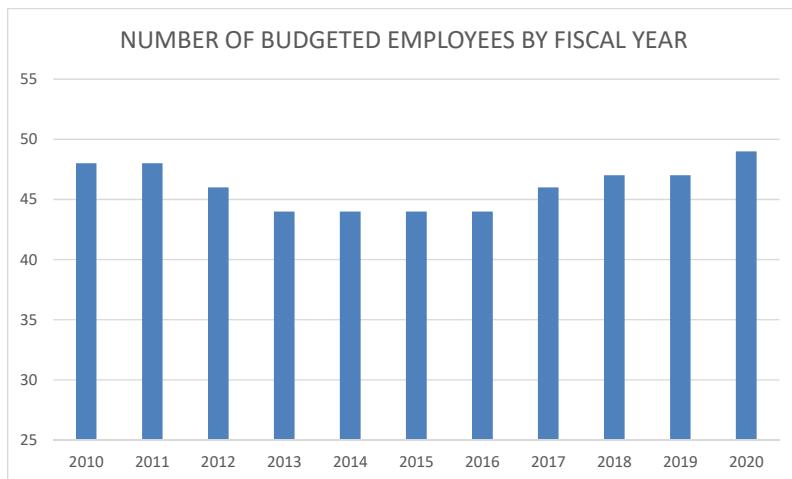
CHALLENGES AND HIGHLIGHTS

Since 2007, management and the SFID Employees Association have worked together to reduce both short and long-term labor costs for the District. The District now has three retirement plans for employees based on their membership in the California Public Employees' Retirement System (CalPERS). New employees to CalPERS are required through the State's Public Employee Pension Reform Act (PEPRA – AB340) to enroll in a retirement benefit plan created by the State with a lesser benefit and higher minimum retirement age. The District also contracted with CalPERS for its own second tier benefit plan. This would apply to employees hired who are already members of CalPERS and is also a lesser benefit than the District's classic plan. The two additional retirement plans have long-term contributions at significantly lower rates which reduce the District's current costs and future liabilities as current employees retire and new employees are hired. District employees hired after January 2013 have been enrolled in the new PEPRA plan or the second tier plan, accounting for 42% of current District staff. There will be no employees added to the District's classic plan.

The FY20 personnel budget includes a number of position changes for the District and Joint Facilities. The District's Operation's Manager retired in December 2018, leaving a key District executive team position vacant. This position's responsibilities were divided between two positions prior to the incumbent accepting the position fourteen years ago – one for District distribution / construction supervision, and the other for treatment / joint facilities supervision. Based on District workload, need, available skill sets / certifications / experience from candidates, the FY20 Budget splits the Operations Manager position into two positions again – a Distribution Superintendent and a Joint Facilities Superintendent. The addition of these two positions will be offset by the elimination of the Operations Manager position, netting a one position addition to the budget. The Engineering Department is filling a previously approved Engineering Technician position, which has remained vacant for a number of years. Based on the workload for the Engineering Department, this permanent position will assist the Engineering Services Manager and the District's Associate Civil Engineer in all manners including geographic information system (GIS) software maintenance, research, planning, and documentation review, among other items. Based on filling this position, the limited term Engineering Assistant that has been included in prior year's budgets will be eliminated. Finally, the Management Analyst position included in the FY19 Budget will be reclassified to a Public Communications Officer due to the incumbent's departure. The responsibilities of this position will be similar to those of the Management Analyst (public relations / communications, conservation, etc.), however, the new title better reflects the primary responsibility of the position for being the liaison between the District, public, and customers that we serve.

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 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.

The proposed FY20 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 governing Board.



PERSONNEL BUDGET SUMMARY

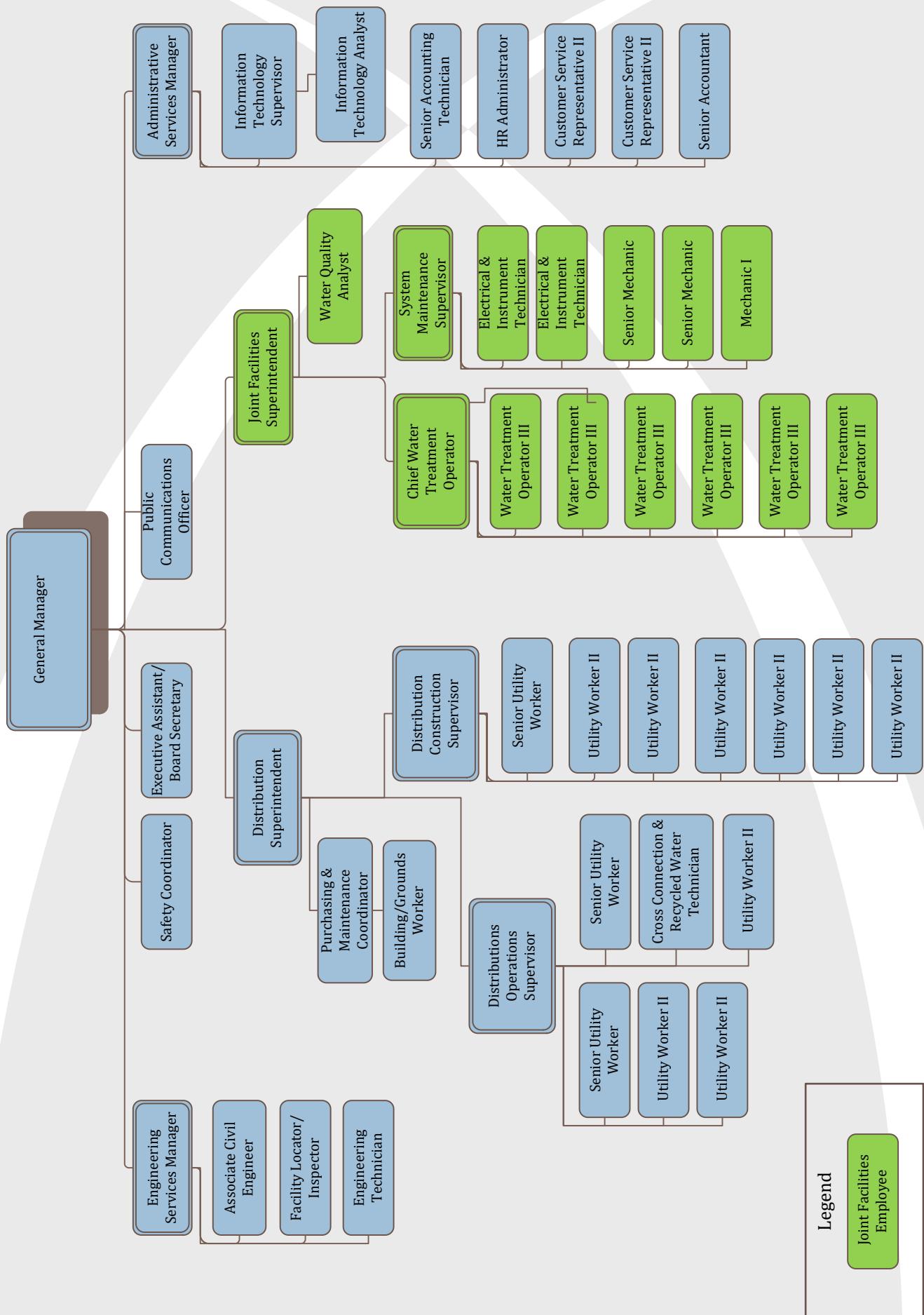
The following sections provide a summary of labor expenses by department and an organization chart depicting the budgeted positions. The personnel budget for FY20 includes forty-nine full-time equivalent (FTE) positions. Personnel costs at the Joint Facilities are shared between the District and SDWD. Direct labor costs related to capital projects that will be capitalized are estimated to be \$154,690, a marginal decrease over FY19 of \$43,600.

PROPOSED STAFFING FOR FY20

REGULAR Departments	Actual FTE		Proposed FTE
	FY 2018	FY 2019	FY 2020
Administration	12.0	12.0	12.0
Engineering	3.0	3.0	4.0
Operations	17.5	17.5	18.0
Joint Facilities	14.5	14.5	15.0
Total	47.0	47.0	49.0

LIMITED DURATION Departments	Actual FTE		Proposed FTE
	FY 2018	FY 2019	FY 2020
Administration	0.0	0.0	0.0
Engineering	1.0	1.0	0.0
Total	1.0	1.0	0.0

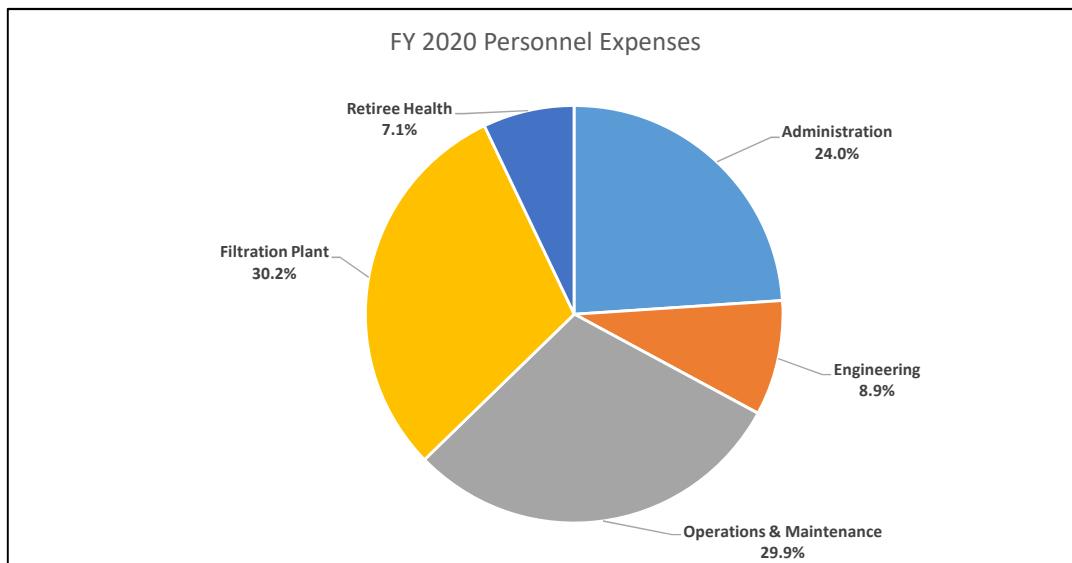
Proposed FY20 Organizational Structure



Legend
Joint Facilities Employee

Personnel Expense Summary
Fiscal Year 2020 Operating Budget

Description	FY 2018	FY 2019		FY 2020	% Change	% Change
	Actual	Budget	Projected	Budget	Bgt to Bgt	Proj to Bgt
Salaries & Benefits:						
District Administration	\$ 1,829,292	\$ 1,884,594	\$ 1,725,742	\$ 1,962,220	4.1%	13.7%
District Engineering	581,057	633,737	633,737	729,668	15.1%	15.1%
District Operations	2,084,186	2,264,639	2,210,277	2,447,448	8.1%	10.7%
Joint Facilities Operations	1,075,760	1,103,013	1,048,651	1,160,959	5.3%	10.7%
Joint Facilities Maintenance	789,353	887,765	887,765	939,135	5.8%	5.8%
Joint Facilities Laboratory	160,987	164,930	164,930	171,452	4.0%	4.0%
Joint Facilities Administration	134,609	125,065	125,065	201,978	61.5%	61.5%
Subtotal Operating Salaries & Benefits	\$ 6,655,244	\$ 7,063,743	\$ 6,796,167	\$ 7,612,860	7.8%	12.0%
Direct Labor Charged to CIP	(14,064)	(198,290)	(92,885)	(154,690)	-22.0%	66.5%
Total Operating Salaries & Benefits	6,869,784	6,865,453	6,703,282	7,458,170	8.6%	11.3%
Retiree Health Care Program						
Annual OPEB Trust Contribution						
District	492,114	424,743	424,743	428,179	0.8%	0.8%
Plant	168,080	150,089	150,089	151,467	0.9%	0.9%
Subtotal Retiree Healthcare Program	660,194	\$ 574,832	\$ 574,832	\$ 579,646	0.8%	0.8%
Total Personnel Expenses	\$ 7,529,978	\$ 7,440,285	\$ 7,278,114	\$ 8,037,816	8.0%	10.4%



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 Strategic Business Plan. Short-term initiatives identified by the departments are included in the operating program budgets.

The District's operating budget funds day-to-day programs and functions, and includes four main cost centers: Administration, Engineering and Planning, Operations and Maintenance, and Joint Facilities. Major expense items in the operating program budget include water purchases, labor, supplies, professional services, utilities, and repair and maintenance. It is important to note that the Joint Facilities staff operates and maintains the jointly-owned R.E. Badger Filtration Plant (REB), as well as the other water treatment infrastructure. The District and the San Dieguito Water District (SDWD) share ownership of these facilities, funding approximately 60% and 40%, respectively, of the operating cost of the Joint Facilities. A detailed allocation of expenses between the two agencies is included in Appendix A. This section discusses the District's four cost centers and provides an overview of the expenses associated with each.

ADMINISTRATIVE SERVICES – PROGRAMS AND SERVICES

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

SERVICES

- ⌘ Implements and maintains District policies and procedures
- ⌘ Supports activities of the Board of Directors
- ⌘ Coordinates District legal activities
- ⌘ Manages overall operations and projects of the District
- ⌘ Directs and maintains official District documents and archives
- ⌘ Creates and administers public outreach activities
- ⌘ Administers water conservation programs
- ⌘ Oversees District's financial management, including budget, annual financial audit, required reporting
- ⌘ 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 2018	FY 2019	FY 2020
<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	1.0	1.0	-
Public Communication Officer	-	-	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
Total	12.0	12.0	12.0

PROGRAMS AND ACTIVITIES

GENERAL MANAGER'S OFFICE

- ✳ Oversees District departments, activities, and projects
- ✳ Assists with policy formulation and implementation of Board goals
- ✳ 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
- ✳ Develops and administers public relations programs

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

- ✳ Performs District recruitments
- ✳ Manages and administers District benefits
- ✳ Maintains job descriptions, employee records and database

- * Provides support and assistance to managers, supervisors, and employees for human resource-related issues

INFORMATION SYSTEMS

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

SAFETY

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

WATER CONSERVATION / PUBLIC COMMUNICATION

- * Coordinates participation in SDCWA/MWD conservation programs
- * Administers and delivers District-level water conservation programs
- * Provides educational materials and programs for local school districts
- * Purchases, creates, and distributes water conservation materials
- * Serves as the liaison between District, public, and ratepayers
- * Media interaction including print, social media, and television

ACCOMPLISHMENTS OF FY 2019

The Administrative Services staff achieved the following key accomplishments in FY19:

- * Successfully negotiated new Memorandum of Understanding with the SFID Employee Association
- * Government Finance Officers Association distinguished budget award and certificate of achievement for excellence in financial reporting
- * Unmodified opinion on FY18 audit - completed and accepted by Board of Directors
- * Successfully obtain three year audit services contract with new audit firm
- * Assisted in recruitment for new District General Manager
- * Increased physical security of District facilities, including access systems and surveillance
- * Customer training for new District customer portal for automated metering infrastructure information
- * Continuation of cost-of-service process and working with Board of Directors on rate structure for future

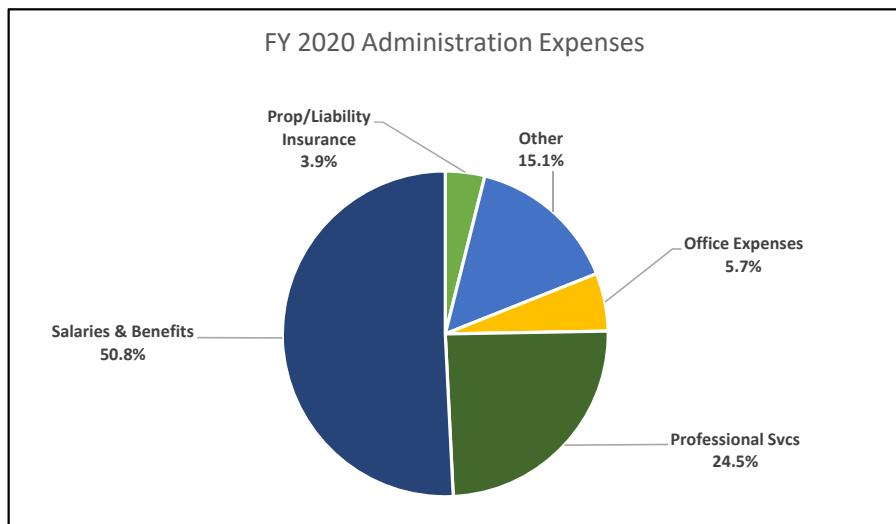
OBJECTIVES FOR FY 2020

During FY20, Administrative Services will achieve the following objectives:

- * Complete update of District Strategic Business Plan
- * Complete Cost of Service Study and implement recommended rates and charges
- * Implementation of State mandate for discontinuation of residential water service (AB 998)
- * Bring forward continued modifications / enhancements to the District's Administrative Code
- * Implementation of NEOGOV for District recruitments and performance evaluations
- * Recruit and fill new Superintendent positions, Engineering Technician, and Public Communications Officer

Administration Expense Summary Fiscal Year 2020 Operating Budget

Description	FY 2018		FY 2019		FY 2020		% Change	% Change
	Actual		Budget	Projected	Budget		Bgt to Bgt	Proj to Bgt
Labor Expenses:								
Salaries & Benefits	\$ 1,827,928		\$ 1,875,244	\$ 1,725,742	\$ 1,952,870		4.1%	13.2%
Non-Labor Expenses:								
Board Support	\$ 20,194		\$ 42,335	\$ 34,335	\$ 37,360		-11.8%	8.8%
Property & Liability Insurance	109,053		140,000	140,000	120,000		-14.3%	-14.3%
Office Supplies	60,481		57,000	57,000	67,000		17.5%	17.5%
Information Technology	237,779		233,800	233,800	329,538		40.9%	40.9%
Other Office Expense	104,376		101,500	101,500	109,500		7.9%	7.9%
Conservation	30,609		57,700	45,369	57,700		0.0%	27.2%
Contract/Professional Services	386,484		388,710	563,367	752,000		93.5%	33.5%
Training & Development	31,019		38,000	38,000	38,000		0.0%	0.0%
Interdepartmental Allocations	(358,088)		(249,982)	(249,982)	(394,392)		57.8%	57.8%
Total Non-Labor	\$ 621,907		\$ 809,063	\$ 963,389	\$ 1,116,706		38.0%	15.9%
Expenses Before Depreciation	\$ 2,449,835		\$ 2,684,307	\$ 2,689,131	\$ 3,069,576		14.4%	14.1%
Depreciation & Amortization	\$ 2,820,676		\$ 2,815,575	\$ 2,815,575	\$ 2,820,676		0.2%	0.2%
Total Net Expenses	\$ 5,270,511		\$ 5,499,882	\$ 5,504,706	\$ 5,890,252		7.1%	7.0%



Note: Totals may not foot due to rounding.

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). Utility mark-out and inspection services are also provided by the EPD. The EPD includes a staff of four funded, full-time employees. A Limited Duration Engineering Assistant position was utilized in fiscal years 2018 and 2019, and has been eliminated for FY20. 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 2018	FY 2019	FY 2020
<u>Regular</u>			
Engineering Manager	1.0	1.0	1.0
Associate Civil Engineer	1.0	1.0	1.0
Engineering Technician	-	-	1.0
Facility Location/Inspection	1.0	1.0	1.0
<u>Limited Duration</u>			
Engineering Assistant	1.0	1.0	0.0
Total	4.0	4.0	4.0

PROGRAMS AND ACTIVITIES

CAPITAL IMPROVEMENT PROGRAM (CIP)

- Implementation of projects identified in the District's 10 Year Capital Improvement Program (CIP) as defined in multiple District planning documents and subsequently approved CIP updates
- 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 outside funding support for CIP planning, design, and construction projects

WATER RESOURCE MANAGEMENT

- Implements alternative water supply programs as defined in the District's Urban Water Management and Integrated Water Resources Plans
- Actively participates in various outside activities focused on defining and supporting regional water resource management solutions
- Supports implementation of the District's drought management programs

DEVELOPMENT ASSISTANCE

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

GEOGRAPHICAL INFORMATION SYSTEMS (GIS)

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

PROPERTY MANAGEMENT

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

FACILITY LOCATING/INSPECTION

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

ACCOMPLISHMENTS OF FY 2019

The Engineering Services Department staff achieved the following key accomplishments in FY19:

- ※ Completed Phase 4 of the Automated Metering Program
- ※ Completed the Recycled Water Expansion Plan which answered several critical fiscal and technical questions associated with a potential regional Potable Reuse Project
- ※ Finalized the design of the following projects:
 - Clearwell Seismic Improvements
 - Washwater Tank Seismic Improvements
 - Mechanical Dewatering & Filter Washwater Improvements
 - Handrail Improvements at San Dieguito Reservoir
 - San Dieguito Dam Concrete Refurbishment
- ※ Pursued grant funding from Cal OES for \$2.6 million for the Joint Facilities Seismic Projects
- ※ Partnered with Olivenhain Municipal Water District to jointly submit a \$4.5 million grant application for Automated Metering Improvements (\$2.5 million SFID)
- ※ Negotiated Power Purchase Agreement with SDG&E for hydroelectric facility
- ※ Successfully processed multiple quit-claim and easement actions
- ※ Updated District's Geographic Information System (GIS) database
- ※ Provided mark-outs required to protect SFID infrastructure from excavations associated with a fiber optic cable installation project impacting the entire community of Rancho Santa Fe (approximately 74 miles of public and private roadway)
- ※ SFID mark-out personnel responded to over 1,100 mark-out requests associated with other (not fiber project) construction activities throughout the service area

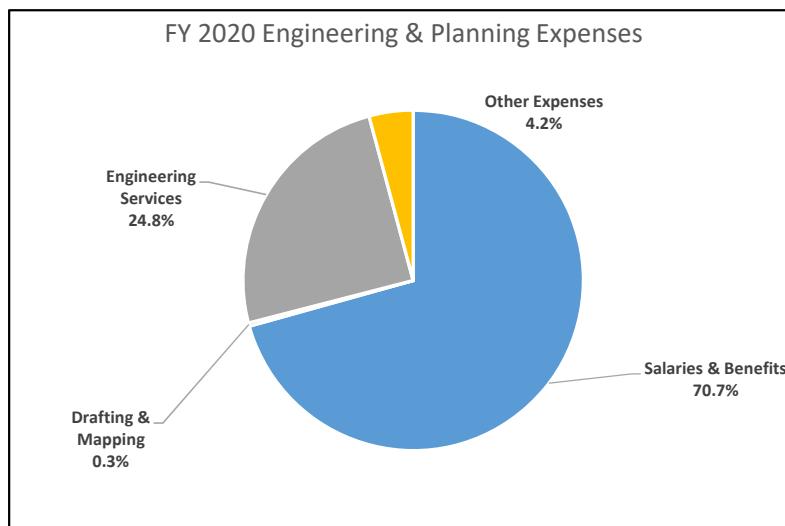
OBJECTIVES FOR FY 2020

During FY20, the Engineering Department will achieve the following objectives:

- ※ Implement the Board-approved FY20 Capital Improvement Program
- ※ Support programs associated with the expansion of local water supplies
- ※ Provide mark-out services to protect District assets
- ※ Successfully manage development support activities in the service area
- ※ Maintain and update GIS mapping data

Engineering & Planning Expense Summary
Fiscal Year 2020 Operating Budget

Description	FY 2018		FY 2019		FY 2020		% Change	% Change
	Actual		Budget	Projected	Budget	Bgt to Bgt	Proj to Bgt	
Labor Expenses:								
Salaries & Benefits	\$ 966,995		\$ 532,417	\$ 485,975	\$ 640,228	20.2%	31.7%	
Non-Labor Expenses:								
Drafting & Mapping	1,333		3,000	3,000	3,000	0.0%	0.0%	
Engineering Services	58,782		150,000	100,000	225,000	50.0%	125.0%	
Other Expenses	27,134		37,120	40,620	37,875	2.0%	-6.8%	
Interdepartmental Charges	(10,726)		(14,950)	(14,950)	(25,877)	73.1%	73.1%	
Total Non-Labor	\$ 76,523		\$ 175,170	\$ 128,670	\$ 239,998	37.0%	86.5%	
Total Revenue		(15,000)		(11,000)	(11,000)		0.0%	0.0%
Total Net Expenses	\$ 1,028,518		\$ 696,587	\$ 603,645	\$ 869,226	24.8%	44.0%	



Note: Totals may not foot due to rounding.

OPERATIONS AND MAINTENANCE – PROGRAMS AND SERVICES

The Operations and Maintenance Department (O&M) includes the following programs: Distribution System Operations, Repair and Maintenance, Meter Services, 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, 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, operates the District's pump station(s) and reservoir(s), collects distribution system water quality samples, and oversees maintenance of Joint Facilities and District buildings, grounds, vehicles, and equipment. The Operations Manager was previously split 50/50 between the District and Joint Facilities. However, a full-time Distribution Superintendent is proposed for FY20, reducing the need for the Operations Manager FTE.

STAFFING - FULL-TIME EQUIVALENT POSITIONS (FTE)

Positions	Actual FTE		Proposed FTE
	FY 2018	FY 2019	FY 2020
Operations Manager	0.5	0.5	-
Distribution Superintendent	-	-	1.0
Distribution System Operations	5.0	5.0	5.0
Repair and Maintenance	9.0	9.0	9.0
Meter Services	2.0	2.0	2.0
Cross Connection/Recycled Water	1.0	1.0	1.0
Total	17.5	17.5	18.0

PROGRAMS AND ACTIVITIES

DISTRIBUTION SYSTEM OPERATIONS

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

REPAIR & MAINTENANCE

- ※ Installs, maintains, and repairs water mains, water services, meters, air vents, blow offs, fire hydrants, and fire sprinkler service lines
- ※ Performs installation of new and replacement water mains and valves
- ※ Oversees maintenance of buildings/grounds and District fleet and equipment

- ※ Performs welding, metal fabricating, wood work, electrical, painting, landscaping, concrete work, and plumbing services
- ※ Manages inventory control, rolling stock maintenance, and materials

METER SERVICES

- ※ Reads water meters and maintains access to the meters
- ※ Maintains all meter pits, 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 program

ACCOMPLISHMENTS OF FY 2019

The Operations and Maintenance Department staff achieved the following key accomplishments in FY19:

- ※ Enhanced the District's valve maintenance program to ensure that all valves are exercised with the District's service area at least once every 2.5 years in accordance with industry established practices and State Water Resources Control Board Requirements
- ※ Supported new service installations including large diameter private fire line connections
- ※ Re-trained meter reading staff to support District's maintenance activities on Pressure Reducing Stations, Valves, Pipelines, services and construction
- ※ Supported the replacement of 1,577 water meters with AMI technologies (Phase 4 of Automated Metering Program)
- ※ Performed corrective work related to curb stop repairs stemming from the Phase 4 AMI program
- ※ Supported Department of Drinking Water Annual inspection
- ※ Deployed 4G private network for District SCADA system

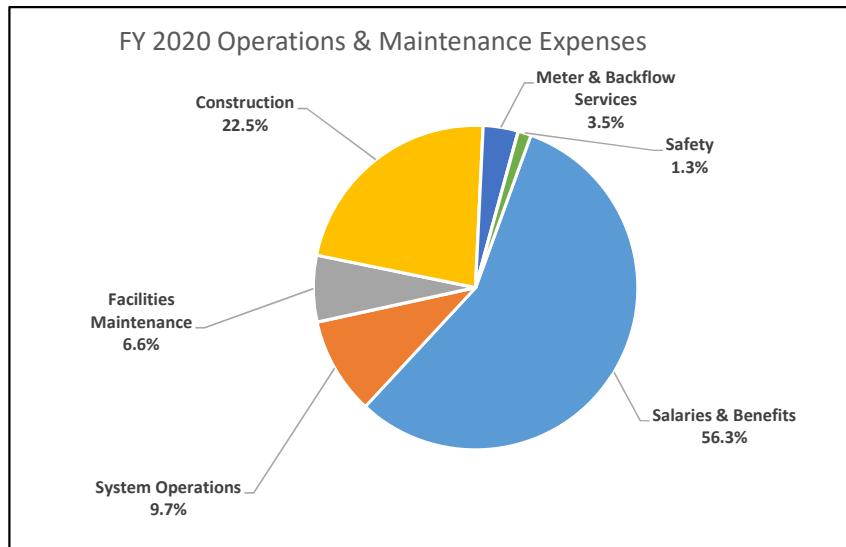
OBJECTIVES FOR FY 2020

During FY20, the Operations and Maintenance Department will achieve the following objectives:

- ※ Support the construction of the Glencrest Road Pipeline Relocation Project.
- ※ Support the replacement of water meters with AMI technologies for phase 5 of Automated Metering Program
- ※ Conduct lead and copper monitoring sampling in compliance with regulatory requirements
- ※ Evaluate using outside contracting services to install new services during peak work load periods
- ※ Identify priority replacement valves 12" and smaller, and develop a 10-year valve replacement schedule

Operations & Maintenance Expense Summary Fiscal Year 2020 Operating Budget

Description	FY 2018	FY 2019		FY 2020	% Change	% Change
	Actual	Budget	Projected	Budget	Bgt to Bgt	Proj to Bgt
Labor Expenses:						
Salaries & Benefits	\$ 1,968,793	\$ 2,225,639	\$ 2,187,056	\$ 2,435,948	9.4%	11.4%
Non-Labor Expenses:						
System Operations	261,670	431,400	366,634	419,100	-2.9%	14.3%
Facilities Maintenance	275,670	274,300	291,611	286,300	4.4%	-1.8%
Construction	631,115	818,000	724,712	974,500	19.1%	34.5%
Meter & Backflow Services	120,057	150,200	146,903	151,000	0.5%	2.8%
Safety	25,651	56,800	23,309	56,800	0.0%	143.7%
Interdepartmental Charges	0	0	0	0	-	-
Total Non-Labor	\$ 1,314,162	\$ 1,730,700	\$ 1,553,168	\$ 1,887,700	9.1%	21.5%
Total Revenue	(202,482)	(111,000)	(184,126)	(111,000)	0.0%	-39.7%
Total Net Expenses	\$ 3,080,473	\$ 3,845,339	\$ 3,556,098	\$ 4,212,648	9.6%	18.5%



Note: Totals may not foot due to rounding.

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. The Operations Manager was previously split 50/50 between the District and Joint Facilities. However, a full-time Distribution Superintendent is proposed for FY20, reducing the need for the Operations Manager FTE.

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
- Oversees the generation of electricity from a hydroelectric plant located at 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 2018	FY 2019	FY 2020
Operations Manager	0.5	0.5	-
Joint Facilities Superintendent	-	-	1.0
Treatment Operations	7.0	7.0	7.0
Instrumentation & Maintenance	6.0	6.0	6.0
Laboratory	1.0	1.0	1.0
Total	14.5	14.5	15.0

PROGRAMS AND ACTIVITIES

MANAGEMENT

- ⌘ Manages the filtration plant operations
- ⌘ Assists with policy formulation and implementation of Board Strategic Plan goals and objectives
- ⌘ Provides staff direction and manages all Plant programs and projects
- ⌘ Supports the Engineering Department in the development of short and long range capital projects
- ⌘ Develops, manages, and adheres to annual filtration plant budget
- ⌘ Provides documentation to District's administrative staff to allocate the cost of operations between the District and SDWD

OPERATIONS

- ⌘ Manages and operates REB filtration and joint transmission/conveyance systems
- ⌘ Evaluates raw water source combinations based upon water quality and costs
- ⌘ Oversees the operation of power generation facilities

- ※ Ensures compliance with Federal and State drinking water standards
- ※ Coordinates water production activities with CWA to ensure that peak summer demands are met countywide
- ※ Coordinates Plant operational changes with District and SDWD staff
- ※ Monitors expenses and water purchases associated with daily operational activities
- ※ Works to coordinate activities on and around Lake Hodges & Hodges Dam with partner agencies

MAINTENANCE

- ※ Provides design, fabrication, installation, repair, and maintenance support services for REB, raw water conveyance systems, hydroelectric plant, and treated water transmission mains
- ※ Provides the following services: worker safety in cooperation with Safety Officer, site regulatory compliance, instrumentation and control, SCADA, data management, electrical, plumbing, mechanical, process control enhancements, and site maintenance
- ※ Provides support services to District and SDWD staff as needed

LABORATORY

- ※ Conducts biological and chemical analysis of raw and treated water sources to ensure compliance with Federal and State drinking water standards
- ※ Provides water quality data to operations staff for process optimization
- ※ Maintains laboratory certification
- ※ Prepares/submits monthly compliance reports to California Department of Health Services
- ※ 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 FY 2019

The Joint Facilities Department staff achieved the following key accomplishments in FY19:

- ※ Completed the Filter Gallery and Utility Water System painting and refurbishment
- ※ Replaced and upgraded the Chemical Feed Programmable Logic Controller, ICP-110 and associated Ethernet communications equipment
- ※ Completed the Cross Collector Coating project
- ※ Completed sanitary survey with the State Water Resources Control Board, Division of Drinking Water
- ※ Treated over 50% local water supplies while receiving more challenging state water project supplies
- ※ Supported engineering in the design of improved water treatment plant residuals management systems and seismic retrofits at the treatment plant
- ※ Received State Water Resources Control Board, Division of Drinking Water, water supply permit superseding original 1967 permit
- ※ Met and exceeded all State and Federal drinking water standards
- ※ Supported engineering in completing new power purchase agreement with SDG&E for Hydro Electric Plant
- ※ Completed Emergency Action Plan for the San Dieguito Dam per the Governor's Office of Emergency Services (Cal OES)

OBJECTIVES FOR FY 2020

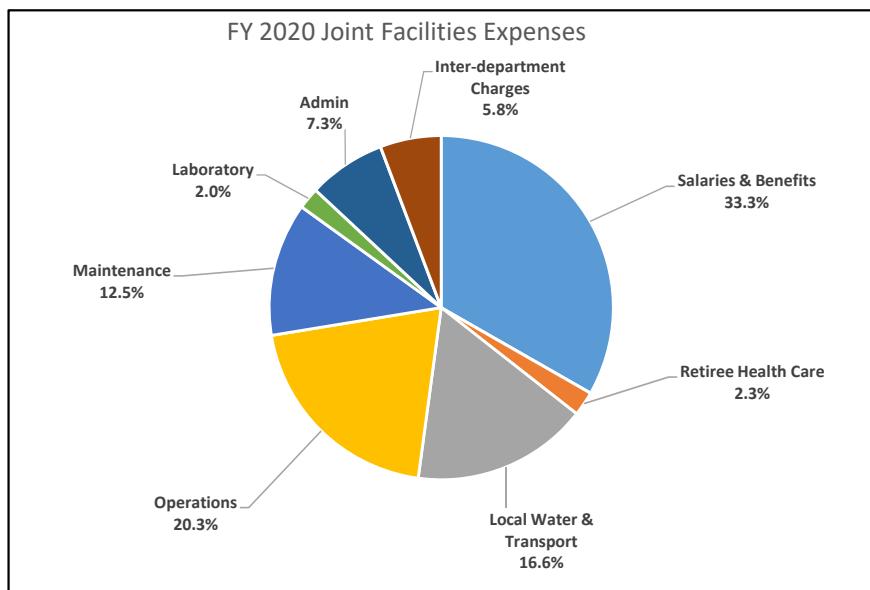
During FY20, the Joint Facilities Department will achieve the following objectives:

- ※ Replace 6 Filter Influent Valves and install new actuators

- ※ Upgrade the SCADA servers and incorporate a safe and secure remote tracking system.
- ※ Upgrade remote online raw water analyzers to self-populate weekly reports on source water quality.
- ※ Upgrade online WIMS database with OIMS-WIMS interface for self-population from 3rd party laboratory data
- ※ Continue to meet and exceed all State and Federal drinking water standards with increasingly challenging imported and local source water
- ※ Complete invitation to qualify process for primary coagulant to optimize plant performance and minimize plant residuals
- ※ Develop plan, in conjunction with stakeholders, to provide a more accurate and frequent estimation of local yield in Lake Hodges
- ※ Continue to support Lake Hodges Project stakeholders in the operational start-up of the pure oxygen lake management system for lake Hodges
- ※ Work with Support Engineering in the construction of CIP projects
- ※ Finalize Standard Operating Procedures for Filter Surveillance program as directed by the State Water Resources Control Board, Division of Drinking Water
- ※ Complete semi annual San Dieguito Dam Surveillance Report for the Department of Water Resources, Division of Safety of Dams
- ※ Participate in California State Water Quality Control Board environmental laboratory accreditation program
- ※ Lake Hodges repair evaluation & agreement

Joint Facilities Expense Summary
Fiscal Year 2020 Operating Budget

	FY 2018	FY 2019		FY 2020	% Change	% Change
	Actual	Budget	Projected	Budget	Bgt to Bgt	Proj to Bgt
Labor Expenses:						
Salaries & Benefits	\$ 2,274,567	\$ 2,232,153	\$ 2,203,190	\$ 2,429,124	8.8%	10.3%
Retiree Health Care	\$ 168,080	\$ 150,089	\$ 150,089	\$ 151,467	0.9%	0.9%
Total Labor	\$ 2,442,647	\$ 2,382,242	\$ 2,353,279	\$ 2,580,591	8.3%	9.7%
Non-Labor Expenses:						
Local Water & Transport	1,495,221	1,046,350	1,205,216	1,210,409	15.7%	0.4%
Operations	1,461,726	1,284,400	1,289,400	1,480,495	15.3%	14.8%
Maintenance	654,792	821,000	821,000	915,000	11.4%	11.4%
Laboratory	96,370	49,000	108,600	146,100	198.2%	34.5%
Administrative	294,445	521,715	509,315	532,468	2.1%	4.5%
Interdepartmental Charges	368,814	264,932	264,932	420,269	58.6%	58.6%
Total Non-Labor	\$ 4,371,369	\$ 3,987,397	\$ 4,198,463	\$ 4,704,742	18.0%	12.1%
SFID Local Water Reimbursement	\$ (106,956)	\$ (100,757)	\$ (100,757)	\$ (79,115)	-21.5%	-21.5%
Total Net Expenses	\$ 6,707,060	\$ 6,268,882	\$ 6,450,984	\$ 7,206,217	15.0%	11.7%



Note: Totals may not foot due to rounding.

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. 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 FY20 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 FY20.

CAPITAL ACQUISITION

The District's Capital Acquisition Program (CAP) funds the purchase and procurement of equipment that has a value of \$7,500 or greater and has a useful life of more than two years. CAP purchases are funded from the Capital Improvement Reserve fund 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) in-house maintenance and repair projects. CAP expenditures for FY20 total \$1,222,000, a decrease of approximately \$70,000 from the FY19 Budget, as summarized in the following table.

	FY19 Budget	FY19 Projection	FY20 Budget
District Administration	\$ 249,700	\$ 181,998	\$ 245,000
District Operations	\$ 469,000	\$ 324,000	\$ 457,000
Joint Facilities	\$ 572,000	\$ 257,865	\$ 520,000
TOTAL CAP	\$ 1,290,700	\$ 763,863	\$ 1,222,000

The District's capital acquisitions include enhancements to the security program, technology network upgrades, repairs to the administration and operations buildings and grounds, and five vehicles. Nearly half of the capital acquisitions expense (\$558,000) is for Joint Facilities equipment, and those costs will be

shared with San Dieguito Water District proportionate to each agency's ownership percentage. Items budgeted for FY20 at the Joint Facilities are technology network upgrades, repair of the operations roof, replacement valves and actuators, chemical storage tank/pumps and an industrial front loading tractor and three vehicles.

FY20 CAP - District

District Administration:

Cisco Router and Switch Upgrades (\$60,000): This is part of the regularly scheduled technology program refresh/replacement program and replaces network routers and switches that are nine to twelve years old. This was previously budgeted in FY19.

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 was previously budgeted in FY19, and includes an increase of approximately \$18,000 from the prior fiscal year budget based on updated estimates.

Entry Gate Conversion to Automatic Entry (\$65,000): This project would upgrade gate 3 (entry from front / public lot to back / employee lot) to automatic ingress for District rolling stock and allow for automatic egress for all vehicles, while being upgraded to current fire code provisions.

Parking Lot and Entryway Improvements (\$70,000): This project will slurry seal the District front / public and back / employee parking lot and re-stripe spaces. Additional improvements include entry walkway repairs to eliminate trip hazard(s) and increase pedestrian safety.

District Operations:

Lerrick Fence Relocation (\$15,000): The Lerrick Reservoir and Pump Station fencing on the east side of the property is approximately 3 feet over the District boundary. The adjacent property has been undeveloped; however, a new single family residential property will be constructed and a variance in the lot line was determined during initial stages of construction. This project will relocate the District fence within the District boundaries.

Roof Replacement on Modular Buildings (\$75,000): This project will replace the membrane roof seals on the three District modular buildings to prevent continued water intrusion.

Warehouse Access Control System (\$27,000): This project will complete the District storage yard controlled access program (Phase 5). This project will allow controlled and monitored access to the District warehouse and associated contents.

Four Yard Dump Truck – Unit 7 (\$75,000): The District needs to replace an existing four-yard dump truck that is over 12 years old, has exceeded its useful life, and has become an operational inefficiency due to vehicle down time for repairs and maintenance.

Two Operations Trucks – Unit 5 and 59 (\$115,000): The District needs to replace two operations trucks that are 19 years old with 79,000 miles (unit 5) and 16 years old with 160,000 miles (unit 59). These trucks have exceeded their useful life and have become an operational inefficiency due to vehicle down time for repairs and maintenance.

Valve Maintenance Flat Bed Truck & Associated Equipment - Unit 2 (\$150,000): The current Unit 2, an 11-year old crew cab truck, is utilized for District distribution valve maintenance. This unit has exceeded its useful life and has been determined to be insufficient for the duties performed. The proposed replacement vehicle, a flat-bed truck, is more consistent with the duties and space needed to properly convey personnel and equipment to valve maintenance sites.

FY20 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 FY20. The percentages shown for SFID and SDWD are the cost sharing allocation; where, SDWD amounts are reimbursed and received by SFID as separately budgeted revenues.

Cisco Router and Switch Upgrades (\$40,000 – 55% SFID, 45% SDWD): This is part of the regularly scheduled technology program refresh/replacement program and replaces network routers and switches that are nine to twelve years old. This was previously budgeted in FY19.

SCADA Servers and Remote Racking System (\$50,000 – 55% SFID, 45% SDWD): The current Supervisory Control and Data Acquisition (SCADA) servers are past their useful life (eight years old) and are no longer properly supported by the manufacturer. This project will replace the SCADA servers in addition to relocating the backup server rack to a remote location to allow for proper redundancy.

30" Filter Influent Valves and Actuators (\$200,000 – 55% SFID, 45% SDWD): The influent valves and actuators in the RE Badger filtration plant collection pools are past their useful life. Both valves are currently leaking, thereby wasting water and reducing the efficiency of the treatment process.

Chemical Storage Tank / Pumps (\$50,000 - 55% SFID, 45% SDWD): This project is to replace a fiberglass holding tank for treatment chemicals that is aged and has lost its structural integrity. This tank and associate pump(s) are considered essential to the system process.

Two Operations Trucks - Unit 34 and Unit 38 (\$90,000 - 55% SFID, 45% SDWD): Two joint facility operations trucks are needed to be replaced that are 16 years old with 82,000 miles (unit 34) and 15 years old with 41,000 miles (unit 38). These trucks have exceeded their useful life and have become an operational inefficiency due to vehicle down time for repairs and maintenance.

Industrial Front Loader (\$90,000 - 55% SFID, 45% SDWD): The existing Case 570MXT front loader is utilized in the joint facility solids handling process. This loader has become an operational inefficiency due to vehicle down time for repairs and maintenance. The proposed replacement will also add an enclosed cab to aid in improved air quality for the operator.

CAPITAL IMPROVEMENTS

The FY20 Capital Budget includes ten (10) Capital Projects with total projected FY20 expenditures of \$10,752,500. This total FY20 budget amount includes San Dieguito Water District's (SDWD) share of the Joint Facilities Projects described later in this memorandum.

Six (6) projects are continuing from FY19. In the development of the FY19 budget, it was anticipated that the construction of 5 large joint facility projects (J-1750, 1751, 1752, 1753, 1754) would be initiated in FY19 and completed in FY20. Therefore, the FY19 budget included the total appropriation amount for these large projects. It is now known that design of these projects will be completed in FY19, and construction will span between FY20 and FY22. Therefore, the total projected carryover appropriation from the FY19 capital budget is \$14,971,200. The carryover amount also includes \$70,000 that was appropriated in FY19 for a small pipeline project to be constructed in FY20. Recommended new appropriations for FY20 total \$2,565,000.

The projected expenditures for FY20 Capital Program Distribution System (District Improvements) is \$1,595,000. District Improvement Projects include the Glencrest Road Pipeline Relocation and Phase 5 of the Automated Metering Program.

The projected expenditure for FY20 Capital Program Joint Facilities projects is \$9,157,500. This total Joint Facilities budget amount will be shared with the San Dieguito Water District. Joint facility projects include completion of designs for the Clearwell Seismic Improvements, Washwater Tank Seismic Improvements, Mechanical Dewatering Improvements, Handrail Improvements at the San Dieguito Reservoir, San Dieguito Dam Concrete Refurbishment, R.E. Badger Operations Building Roofing Replacement, R.E. Badger Filters and Sedimentation Basins Concrete Repairs, and Cielo Pump Station Valve Replacements.

DISTRICT IMPROVEMENT PROJECTS

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

JOINT FACILITIES - TREATMENT PLANT AND LOCAL WATER SYSTEM IMPROVEMENT PROJECTS

As joint owners of the R.E. Badger Filtration Plant, the San Dieguito Water District (SDWD) and the Santa Fe Irrigation District (SFID) share capital improvement expenses. The projects for FY20 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 FY20 Joint Facilities Capital Improvement Projects. The Capital Costs shown are the total cost for both SFID and SDWD. There are eight (8) total FY20 Joint Facilities Projects. Five (5) of the projects are continuations from FY19.

The five ongoing projects are being combined into two separate bid packages. The first bid package includes the Mechanical Dewatering Improvements, San Dieguito Dam Handrail Improvements, and Concrete Refurbishment at the San Dieguito Dam. The second bid package includes the Clearwell Seismic and Washwater Tank Seismic Improvement Projects. There is a high probability that the Districts will be awarded a \$2.6 million hazard mitigation grant for the joint facility seismic improvement projects. Though there is a high probability of award of the grant, the budget amount shown for the Clearwell Seismic and Washwater Tank Seismic Improvements includes the total required amount, and does not assume grant

funds will be made available. Although the five projects are being combined into construction packages to improve economies of scale, the design and subsequent construction activities shall be monitored and managed in order to track costs on a per-project basis. This will accommodate the fact that the cost split between SFID and SDWD for the separate projects vary. The three new projects will be designed and constructed as separate projects.

DISTRICT PROJECT #1800 – GLENCREST ROAD PIPELINE RELOCATION

Projected Costs

FY20 Expenditures: \$70,000

Total Capital: \$75,000

SUPPORTS STRATEGIC GOAL #4

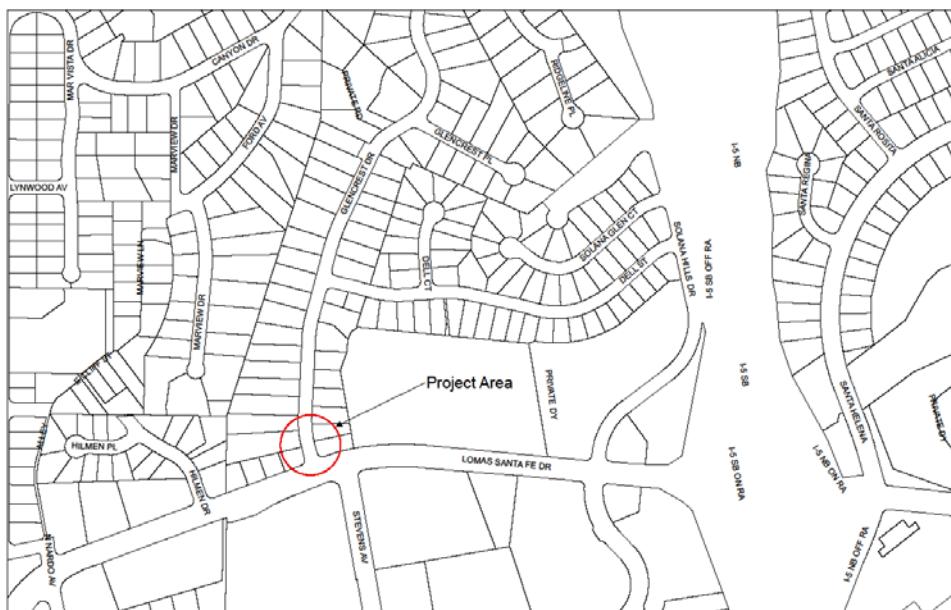
To plan for, provide and maintain District facilities and other physical assets in a manner that achieves reliable and efficient operations over the long term.

PROJECT DESCRIPTION

The District has an existing 8-inch water pipeline located within City of Solana Beach's right-of-way along Glencrest Road. The City of Solana Beach is designing improvements to Glencrest Road that include lowering the road elevation for a distance of approximately 200 feet in the vicinity of the District's pipeline. In order to accommodate the new road elevation, the District will need to lower a segment of the pipeline and replace two potable water services and a fire hydrant. The District's pipeline is old but does not have any history of failure or capacity problems. Therefore, it was not planned to be replaced in the near future. However, in order to accommodate the City's construction schedule, the District's pipeline would need to be lowered in FY19. Therefore, this project includes the design and construction of the pipeline improvements required to accommodate the new roadway elevation.

OPERATING IMPACTS

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



DISTRICT PROJECT #2000, AUTOMATED METERING PROGRAM PHASE 5

Projected Costs

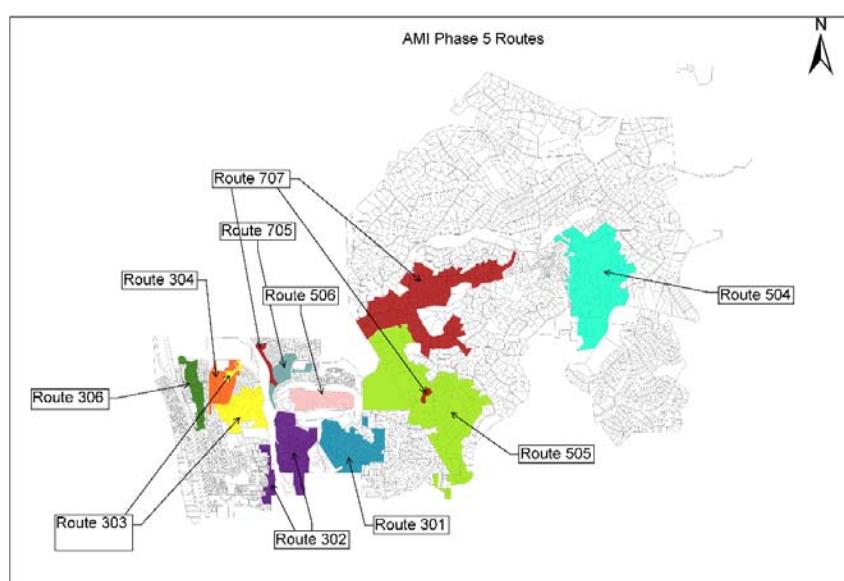
FY20 Expenditures: \$1,525,000

Total Capital: \$1,525,000

SUPPORTS STRATEGIC GOAL #1

To ensure an adequate, diverse, and reliable supply of quality water that meets customer needs.

PROJECT DESCRIPTION



This is the fifth phase of a planned phased program for the implementation of a fixed based automated metering system. Phases 1, 2, 3, and 4 were completed between FY17 and FY19. The first 4 Phases of the program included installation of approximately 4,106 automated meters (including the total for meters installed by SFID Staff as well as meters installed by an outside contractor), three antennae base stations, and installation of automated metering system operating software and customer portal software. Phase 5 will be

implemented in FY20 and includes the installation of approximately 2,104 meters within ten (10) meter route locations (routes 301, 302, 303, 304, 306, 504, 505, 506, 705 and 707) throughout the District service area. In addition, Phase 5 includes the construction of a 4th antennae base station. The total number of SFID meters is approximately 7,539. Following Phase 5 approximately 6,210 manual meters will have been replaced with automated meters, or approximately 82% of the total number of meters. There should be no need for any additional antennae base stations following Phase 5. Phase 6 will be the final Phase of the program and will include the installation of approximately 1,329 automated meters in FY21.

OPERATING IMPACTS

Implementation of an automated metering system will increase the efficiency of reading meters, reducing time and resources required to read meters. This is a phased program, so efficiencies will be incremental over time. It is anticipated that rather than experiencing cost savings, employees will be diverted to other, higher value tasks.

\$ in thousands	Prior Year(s)	FY 2020	FY 2021	TOTAL
Projected Expenditures by Fiscal Year	\$ -	\$ 1,525.0	\$ -	\$ 1,525.0

JOINT FACILITIES PROJECT #1750, CLEARWELL SEISMIC IMPROVEMENTS

Projected Costs

FY20 Expenditures: \$1,103,800

Total Capital: \$2,400,000

SUPPORTS STRATEGIC GOAL #4

To plan for, provide and maintain District facilities and other physical assets in a manner that achieves reliable and efficient operations over the long term.

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 X 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 facility's ability to withstand seismic events. In order to improve economy of scale, enhance efficiency, and accommodate potential grant funding, the Clearwell Seismic Improvements and Washwater Tank Seismic Improvements Projects are being combined into one design package. Design was initiated in FY17 and will be completed in FY19. Construction will occur between FY20 and FY21.

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.



\$ in thousands	Prior Year(s)	FY 2020	FY 2021	TOTAL
Projected Expenditures by Fiscal Year	\$ 151.2	\$ 1,103.8	\$ 1,145.0	\$ 2,400.0

JOINT FACILITIES PROJECT #1751, WASHWATER TANK SEISMIC IMPROVEMENTS

Projected Costs

FY20 Expenditures: \$1,553,800

Total Capital: \$3,375,000

SUPPORTS STRATEGIC GOAL #4

To plan for, provide and maintain District facilities and other physical assets in a manner that achieves reliable and efficient operations over the long term.

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 potential grant funding, the Clearwell Seismic Improvements and Washwater Tank Seismic Improvements Projects are being combined into one design package. Design was initiated in FY17 and will be completed in FY19. Construction will occur between FY20 and FY21.

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.



\$ in thousands	Prior Year(s)	FY 2020	FY 2021	TOTAL
Projected Expenditures by Fiscal Year	\$ 258.5	\$ 1,553.8	\$ 1,562.7	\$ 3,375.0

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

Projected Costs

FY20 Expenditures: \$4,267,400

Total Capital: \$9,100,000

SUPPORTS STRATEGIC GOAL #4

To plan for, provide and maintain District facilities and other physical assets in a manner that achieves reliable and efficient operations over the long term.

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 are being combined into one design package. Design was initiated in FY17 and will be completed in FY19. Construction will occur between FY20 and FY21.

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 will not be clear until after the project is completed; it is unlikely that staffing costs will decrease because employees operating the current equipment will be reassigned to other maintenance responsibilities.



\$ in thousands	Prior Year(s)	FY 2020	FY 2021	TOTAL
Projected Expenditures by Fiscal Year	\$ 756.6	\$ 4,267.4	\$ 4,076.0	\$ 9,100.0

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

Projected Costs

FY20 Expenditures: \$561,000

Total Capital: \$600,000

SUPPORTS STRATEGIC GOAL #4

To plan for, provide and maintain District facilities and other physical assets in a manner that achieves reliable and efficient operations over the long term.

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 are being combined into one design package. Design was initiated in FY17 and will be completed in FY19. Construction is scheduled to occur in FY20.

OPERATING IMPACTS

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



\$ in thousands	Prior Year(s)	FY 2020	FY 2021	TOTAL
Projected Expenditures by Fiscal Year	\$ 39.0	\$ 561.0	\$ -	\$ 600.0

JOINT FACILITIES PROJECT #1754 SAN DIEGUITO DAM CONCRETE REFURBISHMENT

Projected Costs

FY20 Expenditures: \$631,500

Total Capital: \$688,000

SUPPORTS STRATEGIC GOAL #4

To plan for, provide and maintain District facilities and other physical assets in a manner that achieves reliable and efficient operations over the long term.

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 are being combined into one design package. Design was initiated in FY17 and will be completed in FY19. Construction is scheduled to occur in FY20.

OPERATING IMPACTS

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



\$ in thousands	Prior Year(s)	FY 2020	FY 2021	TOTAL
Projected Expenditures by Fiscal Year	\$ 56.5	\$ 631.5	\$ -	\$ 688.0

JOINT FACILITIES PROJECT #2050 R.E. BADGER OPERATIONS BUILDING ROOFING REPLACEMENT

Projected Costs

FY20 Expenditures: \$275,000

Total Capital: \$275,000

SUPPORTS STRATEGIC GOAL #4

To plan for, provide and maintain District facilities and other physical assets in a manner that achieves reliable and efficient operations over the long term.

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 is scheduled to be completed in FY20.

OPERATING IMPACTS

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



\$ in thousands	Prior Year(s)	FY 2020	FY 2021	TOTAL
Projected Expenditures by Fiscal Year	\$ -	\$ 275.0	\$ -	\$ 275.0

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

Projected Costs

FY20 Expenditures: \$250,000

Total Capital: \$250,000

SUPPORTS STRATEGIC GOAL #4

To plan for, provide and maintain District facilities and other physical assets in a manner that achieves reliable and efficient operations over the long term.

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 work is conducted during much larger filter and sedimentation improvement projects identified later in the 10 year Joint Facilities CIP. Design and construction is scheduled to be completed in FY20.

OPERATING IMPACTS

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



\$ in thousands	Prior Year(s)	FY 2020	FY 2021	TOTAL
Projected Expenditures by Fiscal Year	\$ -	\$ 250.0	\$ -	\$ 250.0

JOINT FACILITIES PROJECT #2052 CIELO PUMP STATION VALVE REPLACEMENT PROJECT

Projected Costs

FY20 Expenditures: \$515,000

Total Capital: \$515,000

SUPPORTS STRATEGIC GOAL #4

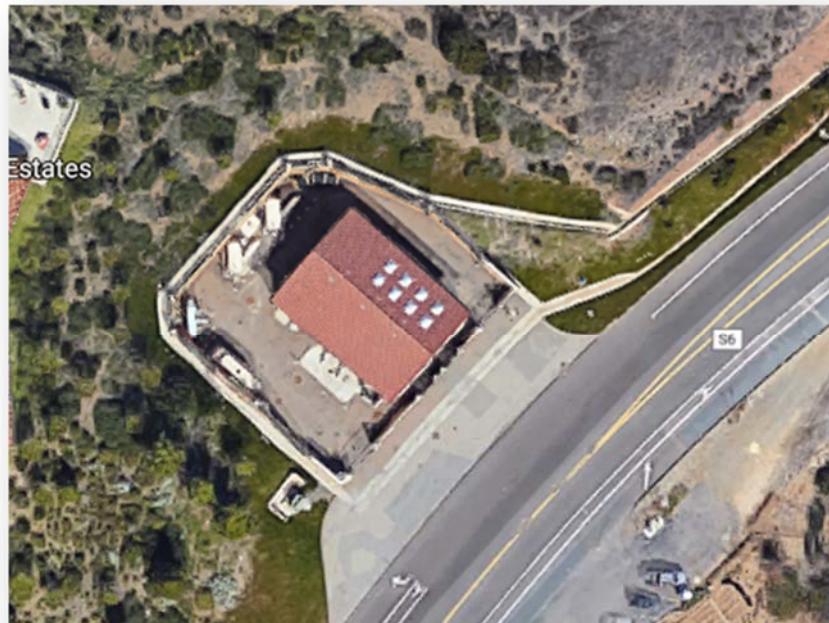
To plan for, provide and maintain District facilities and other physical assets in a manner that achieves reliable and efficient operations over the long term.

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 and construction is scheduled to be completed in FY20.

OPERATING IMPACTS

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



\$ in thousands	Prior Year(s)	FY 2020	FY 2021	TOTAL
Projected Expenditures by Fiscal Year	\$ -	\$ 515.0	\$ -	\$ 515.0

Capital Improvement Budget Summary
Fiscal Year 2020

Project Number	Project	Total Cost of Project	Estimated Appropriations Through FY19	Projected Expenditures Through FY19	Projected FY20 Carryover	FY2020 Appropriation	FY20 Budget Projected Expenditures
GENERAL DISTRICT							
1800	Glencrest Road Pipeline Relocation	75,000	75,000	5	70,000	-	70,000
2000	Automated Metering Program Phase 5	1,525,000	0	0	0	1,525,000	1,525,000
	GENERAL DISTRICT CIP SUBTOTAL	\$ 1,600,000	\$ 75,000	\$ 5	\$ 70,000	\$ 1,525,000	\$ 1,595,000
JOINT FACILITIES (Budget includes BOTH SFID and SDWD Portions)							
1750	Clearwell Seismic Improvements	2,400,000	2,400,000	151,200	2,248,800	0	1,103,800
1751	Washwater Tank Seismic Improvements	3,375,000	3,375,000	258,500	3,116,500	0	1,553,800
1752	Mechanical Dewatering Improvements	9,100,000	9,100,000	756,600	8,343,400	0	4,267,400
1753	Handrail Improvements at San Dieguito Reservoir	600,000	600,000	39,000	561,000	0	561,000
1754	San Dieguito Dam Concrete Refurbishment	688,000	688,000	56,500	631,500	0	631,500
2050	R.E. Badger Operation Building Roofing Replacement Project	275,000	0	0	0	275,000	275,000
2051	R.E. Badger Filters and Sedimentation Basins Concrete Repair	250,000	0	0	0	250,000	250,000
2052	Cielo Pump Station Valve Replacement Project	515,000	0	0	0	515,000	515,000
	JOINT FACILITIES CIP SUBTOTAL	\$ 17,203,000	\$ 16,163,000	\$ 1,261,800	\$ 14,904,200	\$ 1,040,000	\$ 9,157,500
	CIP PROGRAM TOTAL	\$ 18,803,000	\$ 16,238,000	\$ 1,261,805	\$ 14,971,200	\$ 2,565,000	\$ 10,752,500

Capital Acquisition Budget Detail
Fiscal Year 2020

Account	Description	FY 2019	FY 2019	FY 2020	% Change	% Change
		Budget	Projected	Budget	Bgt to Bgt	Proj to Bgt
1-00-000	<u>District Administration</u>					
1841	Corporate Office Surveillance System	30,000	30,000			
1842	Phase 2 AED Replacements	7,700	7,700			
1841	Administration Building Carpeting	65,000	40,000			
1841	Administration Building Exterior Painting	32,000	-			
1841	Administration Building Interior Painting	31,000	31,000			
1815	Cisco Router and Switch Upgrades	60,000	43,298			
1815	Wireless Upgrade - Administration to Plant	24,000	30,000			
1815	Cisco Router and Switch Upgrades			60,000		
1841	Administration Building Exterior Painting			50,000		
1841	Entry Gate Conversion to Automatic Entry			65,000		
1841	Parking Lot and Entryway Improvements			70,000		
	Total District Administration	\$ 249,700	\$ 181,998	\$ 245,000	-1.9%	34.6%
1-00-000	<u>District Operations</u>					
1835	Lerrick Surveillance System	20,000	20,000			
1816	Hazardous Materials Storage Facility	15,000	15,000			
1891	Two Operations Pickups (Unit 5 and 59)	80,000	65,000			
1816	800 Gallon Vac Trailer (Unit 45)	65,000	65,000			
1816	Backhoe (Unit 8)	140,000	105,000			
1816	500 Gallon Water Trailer with Pump	13,000	13,000			
1841	Modular Buildings HVAC Replacement	41,000	41,000			
1816	AC Pipe Disposal	95,000	-			
1835	Lerrick Fence Relocation			15,000		
1841	Roof replacement on Modular Buildings			75,000		
1842	Warehouse Access Control System			27,000		
1891	4 Yrd. Dump Truck (Unit 7)			75,000		
1891	Two Operations Trucks (Unit 6 and 60)			115,000		
1891	Valve Maintenance Flat Bed Truck & Associated Equipment (Unit 2)			150,000		
	Total District Operations	\$ 469,000	\$ 324,000	\$ 457,000	-2.6%	41.0%
2-00-000	<u>Joint Facilities</u>					
1861	Cielo Pump Station Isolation Valve Replacement	150,000	-			
1820	Filter and Utility Water Gallery Piping Painting	60,000	60,000			
1820	Cross-Collector Coating	64,000	64,000			
1820	Operations Building Roof Replacement/Repair	153,000	-			
1843	PLC110 and Ethernet Upgrade	39,000	39,000			
1820	TOC Analyzer Replacement	50,000	50,000			
1815	Cisco Router and Switch Upgrades	40,000	28,865			
1815	Wireless Upgrade - Administration to Plant	16,000	16,000			
1815	Cisco Router and Switch Upgrades			40,000		
1815	SCADA Servers and Remote Racking System			50,000		
1820	30" Filter Influent Valves and Actuators			200,000		
1820	Chemical Storage Tank / Pumps			50,000		
1891	Two Operations Trucks (Unit 34 and Unit 38)			90,000		
1891	Industrial Front Loader (Unit 53)			90,000		
	Total Joint Facilities	\$ 572,000	\$ 257,865	\$ 520,000	-9.1%	101.7%
	TOTAL CAPITAL ACQUISITIONS	\$ 1,290,700	\$ 763,863	\$ 1,222,000	-5.3%	60.0%



LONG TERM DEBT

The Santa Fe Irrigation District has only one outstanding long term debt obligation, 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 is responsible for 65.53% of the net cost of the revenue bonds. In November 2007, the bonds were refunded to take advantage of favorable interest rates. The Indenture of Trust for the bonds includes a rate covenant requiring the District to maintain net revenues in an amount greater than 115% of the annual debt obligation.

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.

FY20 is the final year of outstanding indebtedness for the Water Revenue Refunding Bonds for the District. The SDWD continues payments on their portion of the Water Revenue Refunding Bonds through FY25, unless SDWD opts to refund or prepay their portion of the outstanding indebtedness of the Authority. The District's final payment will be made by the bond's Trustee from the District's reserve fund currently on deposit with them; therefore, no appropriation is needed to expend the final payment. The following pages include a breakdown of the final bond payment from the bond reserve for the District and a graphical illustration summarizing the rate covenant coverage for the prior 5 years and projected coverage for FY20 (though the District does legally required to meet), which exceeds 115%.

FY 2020 Debt Summary - Santa Fe Irrigation District Portion of WFFA

FY 2020 Final Required Principal & Interest Payment	\$	1,349,975
Amount of Bond Reserve on Deposit w/ Trustee*		(1,408,400)
Excess Deposit to be Returned to District	\$	(58,425)

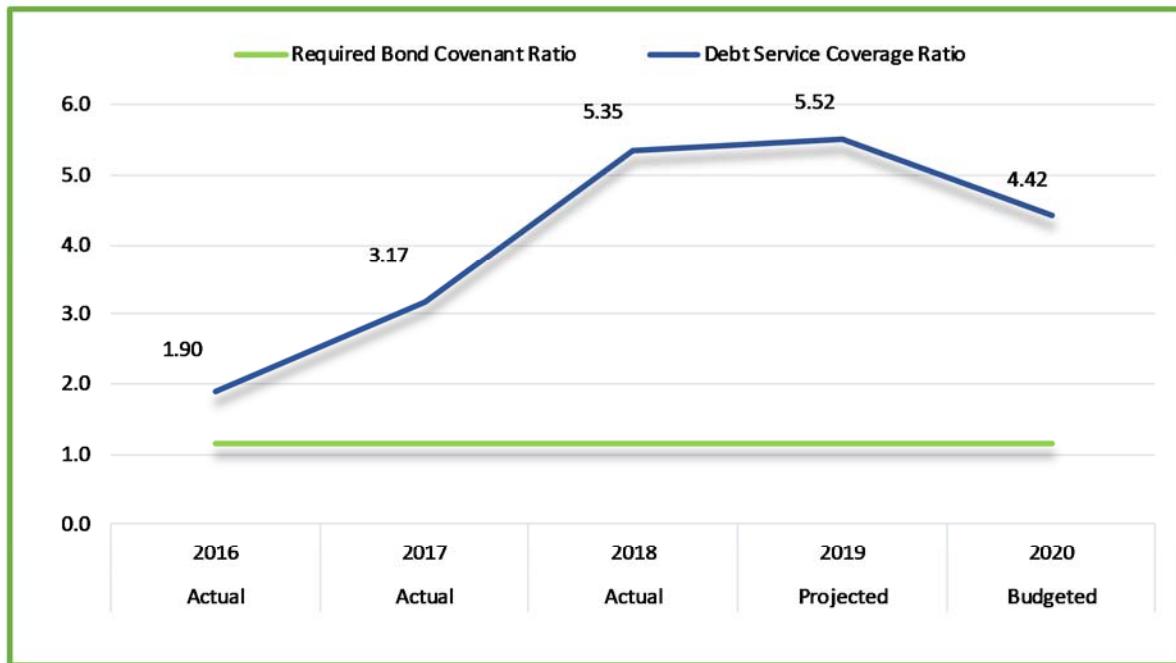
**estimated reserve after investment maturity*

Debt Service Coverage Fiscal Year 2020 Operation Budget

EXISTING DEBT ISSUANCE

Fiscal Year	Principal	Interest	Total
2020	1,325,000	24,975	1,349,975
Total	1,325,000	24,975	1,349,975

DEBT SERVICE COVERAGE FY16-FY20



FY 2020 Estimated Coverage Calculation

Operating Revenues	31,087,348
Non-Operating Revenues	<u>3,308,464</u>
Total Revenues	<u><u>34,395,813</u></u>
(Operating Expenses)	<u><u>(28,422,555)</u></u>
Net Revenues	<u><u>5,973,258</u></u>
Debt Service Amount	1,349,975
Coverage	4.42

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, and Rate Stabilization. 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 will review the Reserve Policy in FY20 in concert with the current cost-of-service process for any potential changes based on industry practices, established guidelines from agencies such as the Government Finance Officers Association, and exigent circumstances facing the District.

CAPACITY CHARGE FUND

This is a legally restricted fund dedicated exclusively for the collection of capacity charges for new or expanded service connections. The capacity charges collected accrued in this fund balance are designated only for capital enhancement and upgrade projects. Capacity charges are normally expended in the fiscal year they are received; therefore both beginning and ending balances are \$0 and are not shown in the subsequent illustrations.

CAPITAL IMPROVEMENT AND REPLACEMENT FUND

The Capital Improvement Fund is an unrestricted fund. These reserves are accumulated for funding capital improvement projects and capital acquisitions on a pay-as-you-go basis. Contributions to the fund include property tax revenues, San Dieguito Water District's portion of the Joint Facilities capital expenditures, and interest earnings on the fund balance. The minimum fund balance target is calculated using the budgeted CIP over a three-year period.

OPERATING FUND

The Operating Fund is an unrestricted fund designated to maintain working capital for current operations and to meet routine cash flow needs. The District is currently proposed to maintain a 90 day reserve in FY19 and FY20.

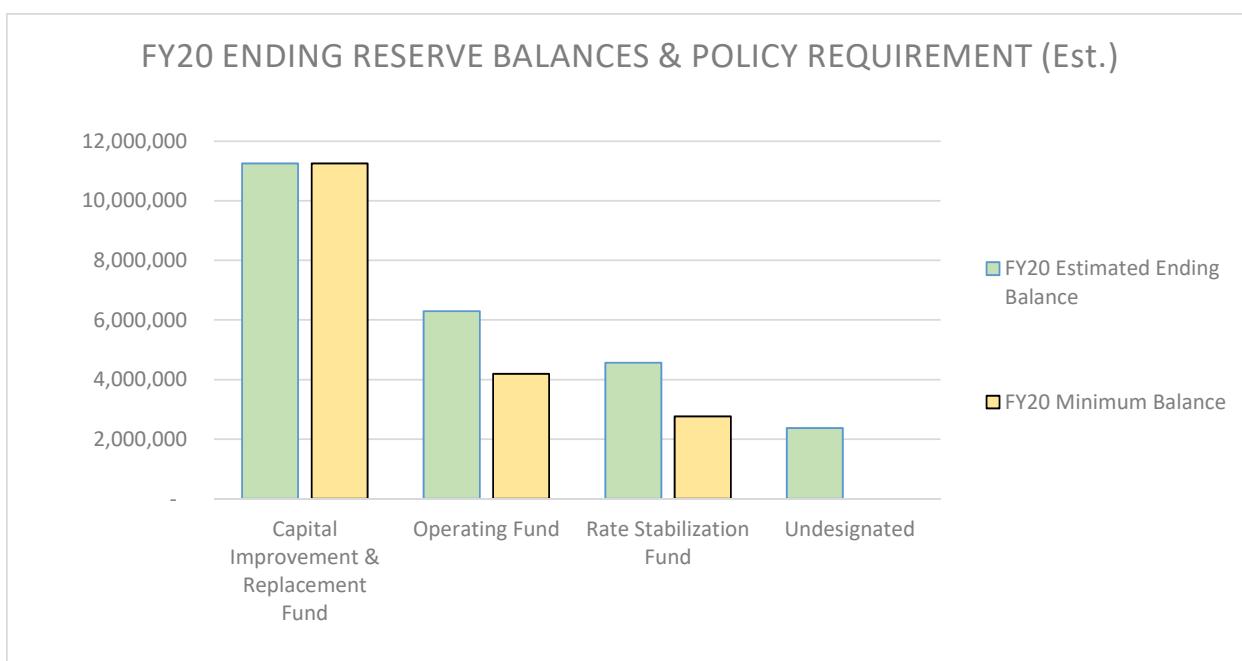
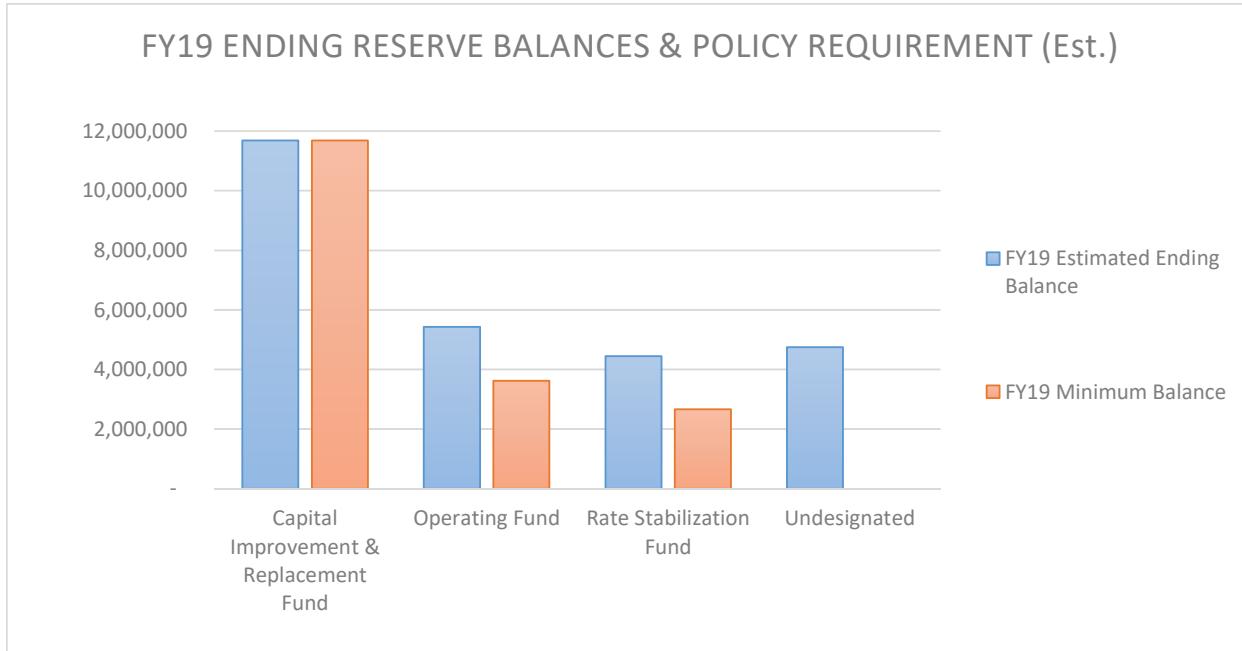
RATE STABILIZATION FUND

The Rate Stabilization Fund is an unrestricted fund utilized to moderate dramatic rate increases, offset water sales revenue losses, and fund unanticipated operating and/or capital expenditures. The minimum fund balance target is based on a calculation of potential revenue loss and cost increase risks: reduction of property taxes, lower than anticipated water sales, and increases in wholesale water costs that are greater than projected during the budgeting and rate setting process.

OVERVIEW

Reserves included in the Policy at the end of FY19 are estimated to total \$21.6 million based on current operating year projections, where the minimum combined balance for the three reserves is \$18.0 million. Reserves included in the Policy at the end of FY20 are estimated to total \$22.1 million, where the minimum combined balance for the three reserves is \$18.2 million. The two graphs on the following page illustrate estimated ending balances for FY19 and FY20 and each fund's minimum target balances. The fourth amount shown in each graph is an undesignated amount of estimated District cash 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.



The following page shows the budgeted FY20 transactions within each of the funds according to the sources and uses of funds identified in this budget.

SANTA FE IRRIGATION DISTRICT
UNRESTRICTED / DESIGNATED RESERVE FUNDS SUMMARY
FY 2020 ESTIMATED AMOUNTS

ITEM	SFID Cash Balance	Capacity Fee Fund	Capital Improvement & Replacement Fund	Operating Fund	Rate Stabilization Fund	Total Designated Reserves	Undesignated Cash Balance
FY 20 Beginning Balances	\$ 26,304,495	\$ -	\$ 11,689,801	\$ 5,440,841	\$ 4,451,250	\$ 21,581,892	\$ 4,722,603
Additional Allocations through Board Action							
Transfer From Rate Stabilization Reserve							
Property Tax Revenue							
Net Operating Income							
SDWD Capital Contribution							
Other Non-Operating Revenue							
Depreciation							
Capital Expenditures							
Debt Service							
Interest Income							
Year End Balance Prior To Transfer(s)							
Transfer Detail:							
Transfer to Capital Improvement Fund							
Transfer to Rate Stabilization Fund							
Transfer to Operating Fund							
Cash Needed to Meet Proposed Reserve Amount							
FY20 Proposed Ending Balances	\$ 24,520,293	\$ -	\$ 11,247,585	\$ 6,279,135	\$ 4,566,750	\$ 22,093,470	\$ 2,426,823



APPENDIX A

10-Year Capital Improvement Program
(All numbers are in Thousands of Dollars)

Project #	Estimated Total Capital Cost	Description	Actual Expenditures through FY16	FY17 Actual Expenditures	FY18 Actual Expenditures	FY19 Estimated Expenditures	FY20	FY21	FY22	FY23	FY24	FY25	FY26	TOTAL 10 YEAR CIP (FY17-FY26)
		Distribution System												
		Pressure Reducing Stations												
J-1501	\$ 5,000.0	Group 3 PRS Project (PRS Project 5,6, & 7)	\$ 925.9	\$ 2,675.3	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,675.3
J-1502	\$ 3,500.0	Government Road Pipeline	\$ 93.0	\$ 19.3				\$ 1,673.0	\$ 1,714.7	\$ -	\$ -	\$ -	\$ -	\$ 3,407.0
J-1503	\$ 4,300.0	Lago Lindo Pipeline	\$ 40.8	\$ -	\$ -		\$ 5.0	\$ 70.0	\$ 500.0	\$ 1,825.0	\$ 1,934.2	\$ -	\$ -	\$ 4,259.2
J-1800	\$ 75.0	Glencrest Road Pipeline Relocation												\$ 75.0
J-TBD	\$ 3,000.0	Group 3 Pipeline and Valve Project		\$ -	\$ -									\$ 3,000.0
J-TBD	\$ 3,688.8	La Granada Pipeline and PRS Elimination Project		\$ -	\$ -									\$ -
J-TBD	\$ 2,582.6	Larick Reservoir Drain Line Project		\$ -	\$ -									\$ -
J-TBD	\$ 3,936.5	Final PRS Replacement Project		\$ -	\$ -									\$ -
		Automated Metering Program												
J-1600	\$ 520.0	Automated Metering Program Phase 1	\$ 16.7	\$ 450.0	\$ 14.40	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 464.4
J-1700	\$ 675.0	Automated Metering Program Phase 2		\$ 521.9	\$ 80.8	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 602.7
J-1801	\$ 1,000.0	Automated Metering Program Phase 3		\$ -	\$ 825.8	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 825.8
J-1900	\$ 1,150.0	Automated Metering Program Phase 4		\$ -	\$ -	\$ 1,000.0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,000.0
J-2000	\$ 1,150.0	Automated Metering Program Phase 5		\$ -	\$ -	\$ 1,525.0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,525.0
J-TBD	\$ 900.0	Automated Metering Program Phase 6		\$ -	\$ -	\$ 1,000.0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,000.0
		Subtotal Distribution System		\$ 3,666.5	\$ 921.0	\$ 1,005.0	\$ 1,595.0	\$ 2,673.0	\$ 2,214.7	\$ 1,825.0	\$ 2,434.2	\$ 1,000.0	\$ 1,500.0	\$ 18,834.4
		Other District Assets												
		Technical Programs												
J-1601	\$ 450.0	IT Program: Financial (Enterprise) Software	\$ 64.3	\$ 206.0	\$ 19.8	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 225.8
J-TBD	\$ 150.0	IT Program: Document Management System		\$ -	\$ -			\$ -	\$ -	\$ 150.0	\$ -	\$ -	\$ -	\$ 150.0
J-TBD	\$ 100.0	IT Program: Performance Management Reporting		\$ -	\$ -			\$ -	\$ -	\$ 100.0	\$ -	\$ -	\$ -	\$ 100.0
		Water Resources												
J-1504	\$ 115.0	Advanced Water Purification (Potable Reuse) Evaluations	\$ 41.6	\$ -	\$ 33.0	\$ 42.0								\$ 75.0
J-1402	\$ 575.0	Corporate Yard, Phase 3		\$ -										\$ 574.9
		Subtotal Other District Assets		\$ 206.0	\$ 52.8	\$ 42.0	\$ -	\$ -	\$ -	\$ 250.0	\$ 74.9	\$ 500.0	\$ -	\$ 1,125.7
		Joint Facilities (SFID Cost)												
		REB Plant Improvements												
J-1351	\$ 2,786.3	Electrical Distribution and Substation Improvements	\$ 2,357.7	\$ 244.3	\$ 186.0									\$ 430.3
J-1350	\$ 999.4	Chlorine Dioxide Generation & PACL Feed Improvements	\$ 443.4	\$ 495.8	\$ 54.5									\$ 550.3
J-1750	\$ 1,656.0	Clearwell Seismic Improvements		\$ 24.8	\$ 41.6	\$ 38	\$ 761.5	\$ 790.1	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,656.0
J-1751	\$ 1,856.0	Wastewater Tank Seismic Improvements		\$ 31.7	\$ 33.4	\$ 77	\$ 854.7	\$ 859.2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,856.0
J-1752	\$ 5,005.0	Mechanical Dewatering Improvements		\$ 95.5	\$ 122.7	\$ 198	\$ 2,347.3	\$ 2,241.5	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,005.0
J-TBD	\$ 3,795.0	Filter Washwater Improvements							\$ 303.0	\$ 1,746.0	\$ 1,746.0			\$ 3,795.0
J-TBD	\$ 600.6	New Flocculators		\$ -	\$ -					\$ 60.5	\$ 540.1			\$ 600.6
J-TBD	\$ 902.0	New Sludge Collection Equipment		\$ -	\$ -					\$ 96.3	\$ 805.7			\$ 902.0
J-1753	\$ 343.8	Handrail Improvements at San Dieguito Reservoir		\$ 6.8	\$ 4.1	\$ 11.3	\$ 321.6							\$ 343.8
J-TBD	\$ 3,487.0	Filter Improvements		\$ -	\$ -									\$ 1,918.5
J-2050	\$ 151.3	RE Badger Ops Building Roof Replacement Project		\$ -	\$ -									\$ 151.2
J-2051	\$ 137.5	RE Badger Filter and Sed Basin Concrete Repair		\$ -	\$ -									\$ 137.5
		SDR Improvements												
J-600	\$ 4,125.0	San Dieguito Pump Station Replacement	\$ 1,517.0	\$ 1,924.6	\$ 308.6	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,233.2
J-TBD	\$ 1,809.0	SDR Perimeter Vegetation Removal		\$ -	\$ -									\$ -
J-1754	\$ 392.2	SD Dam Concrete Refurbishment		\$ -	\$ 10.0	\$ 22.4	\$ 362.0							\$ 394.4
J-TBD	\$ 3,130.2	SDR Dredging Project		\$ -	\$ -									\$ -
		Pipeline Improvements												
J-603	\$ 82.5	Relocate Fiberoptic Cable	\$ 21.7	\$ -						\$ 60.8	\$ -	\$ -	\$ -	\$ 60.8
J-TBD	\$ 2,597.6	New Parallel Flume Pipeline from CPS to SDR		\$ -	\$ -					\$ 258.0	\$ 1,169.8	\$ 1,169.8		\$ 2,597.6
J-TBD	\$ 1,252.1	Reline or Replace 15-in Drain Line to SDR		\$ -	\$ -					\$ 150.00	\$ 1,102.1			\$ 1,252.1
J-TBD	\$ 2,817.2	Reline or Replace Existing 30-in SDPS Forcemain to Plant		\$ -						\$ 286.6	\$ 1,265.3	\$ 1,265.3		\$ 2,817.2
J-TBD	\$ 7,789.0	54 Inch CCP Pipeline Rehabilitation		\$ -	\$ -									\$ -
		Cielo Pump Station Improvements												
J-2052	\$ 258.0	Cielo Pump Station Valve Replacement Project		\$ -										\$ 295.3
		Subtotal Joint Facilities (SFID Cost)		\$ 2,823.5	\$ 760.9	\$ 346.7	\$ 5,231.1	\$ 4,327.4	\$ 2,989.2	\$ 4,181.1	\$ 3,072.6	\$ 1,695.8	\$ 1,568.5	\$ 26,996.8
		SFID TOTAL ALL PROJECTS		\$ 6,696.0	\$ 1,734.7	\$ 1,393.7	\$ 6,826.1	\$ 7,000.4	\$ 5,453.9	\$ 6,081.0	\$ 6,006.8	\$ 2,695.8	\$ 3,068.5	\$ 46,956.9
		Joint Facilities (SDWD Cost)												
		REB Plant Improvements												
J-1351	\$ 2,279.7	Electrical Distribution and Substation Improvements	\$ 1,929.0	\$ 199.8	\$ 152.2									\$ 352.0
J-1350	\$ 817.7	Chlorine Dioxide Generation & PACL Feed Improvements	\$ 362.8	\$ 405.7	\$ 44.6									\$ 450.3
J-1750	\$ 744.0	Clearwell Seismic Improvements		\$ 11.1	\$ 18.7	\$ 17	\$ 342.3	\$ 354.9	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 744.0
J-1751	\$ 1,519.0	Wastewater Tank Seismic Improvements		\$ 26.0	\$ 27.4	\$ 63	\$ 699.1	\$ 703.5	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,519.0
J-1752	\$ 4,095.0	Mechanical Dewatering Improvements		\$ 78.1	\$ 100.3	\$ 162	\$ 1,920.1	\$ 1,834.5	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,095.0
J-TBD	\$ 3,105.0	Filter Washwater Improvements								\$ 248.0	\$ 1,428.5	\$ 1,428.5		\$ 3,105.0
J-TBD	\$ 491.4	New Flocculators		\$ -	\$ -					\$ 49.5	\$ 441.9			\$ 491.4
J-TBD	\$ 738.0	New Sludge Collection Equipment		\$ -	\$ -					\$ 78.8	\$ 659.2			\$ 738.0
J-1753	\$ 256.2	Handrail Improvements at San Dieguito Reservoir		\$ 5.2	\$ 3.0	\$ 8.6	\$ 239.4							\$ 256.2
J-TBD	\$ 2,853.0	Filter Improvements		\$ -	\$ -									\$ 1,551.5
J-2050	\$ 123.8	RE Badger Ops Building Roof Replacement Project		\$ -	\$ -									\$ 123.8
J-2051	\$ 112.5	RE Badger Filter and Sed Basin Concrete Repair		\$ -	\$ -									\$ 112.5
		SDR Improvements												
J-600	\$ 3,375.0	San Dieguito Pump Station Replacement	\$ 1,241.1	\$ 1,574.7	\$ 252.5	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,827.2
J-TBD	\$ 1,346.7	SDR Perimeter Vegetation Removal		\$ -	\$ -									\$ -
J-1754	\$ 295.8	SD Dam Concrete Refurbishment		\$ -	\$ 7.4	\$ 16.7	\$ 269.5							\$ 293.6
J-TBD	\$ 2,329.8	SDR Dredging Project		\$ -	\$ -									\$ -
		Pipeline Improvements												
J-603	\$ 67.5	Relocate Fiberoptic Cable	\$ 17.7	\$ -						\$ 49.8	\$ -	\$ -	\$ -	\$ 49.8
J-TBD	\$ 1,933.4	New Parallel Flume Pipeline from CPS to SDR		\$ -	\$ -					\$ 192.0	\$ 870.7	\$ 870.7		\$ 1,933.4
J-TBD	\$ 931.9	Reline or Replace 15-in Drain Line to SDR		\$ -	\$ -					\$ 112.0	\$ 819.9	\$ -		\$ 931.9
J-TBD	\$ 2,096.8	Reline or Replace Existing 30-in SDPS Forcemain to Plant		\$ -						\$ 213.4	\$ 941.7	\$ 941.7		\$ 2,096.8
J-TBD	\$ 5,026.0	54 Inch CCP Pipeline Rehabilitation		\$ -	\$ -									\$ -
		Cielo Pump Station Improvements												
J-2052	\$ 192.0	Cielo Pump Station Valve Replacement Project		\$ -	\$ -					\$ 219.7				\$ 219.7
		Subtotal Joint Facilities (SDWD Cost)		\$ 2,300.6	\$ 606.1	\$ 267.3	\$ 3,926.4	\$ 3,218.3	\$ 2,251.4	\$ 3,240.9	\$ 2,427.5	\$ 1,351.1	\$ 1,301.5	\$ 20,891.1
		TOTAL JOINT FACILITIES PROJECTS		\$ 5,124.1	\$ 1,367.0	\$ 614.0	\$ 9,157.5	\$ 7,545.7	\$ 5,240.6	\$ 7,422.0	\$ 5,500.1	\$ 3,046.9	\$ 2,870.0	\$ 47,887.9
		TOTAL ALL CIP PROJECTS (BOTH SFID & SDWD)		\$ 8,996.6	\$ 2,340.8	\$ 1,661.0	\$ 10,752.5	\$ 10,218.7	\$ 7,705.3	\$ 9,321.9	\$ 8,434.3	\$ 4,046.9	\$ 4,370.0	\$ 67,847.9

FY19 Column Shows Estimated Expenditures

Joint Facility Cost Allocation
 R E Badger Filtration Plant
 Fiscal Year 2020 Budget

Description	Operations & Maintenance	FY 2019		FY 2019		FY 2020		FY 2020		Percentage	
		Budget	Projection	Budget	Projection	Allocated Cost	SDWD	SFID	SDWD	SFID	SDWD
Local Water Costs		\$ 175,750		\$ 106,956		\$ 138,000		\$ 58,835		\$ 79,115	
Operating Costs											
Operating Costs	Labor	\$ 2,382,242	\$ 2,203,190	\$ 2,429,124	\$ 151,467	\$ 971,650	\$ 1,457,474	40.00%	60.00%	42.67%	57.33%
	Retiree Healthcare	150,089	150,089	150,089	1,072,409	60,587	90,880	40.00%	60.00%	42.67%	57.33%
	Water Transportation	870,600	1,029,466	1,289,400	1,480,495	457,597	614,812	40.00%	60.00%	42.67%	57.33%
	Operations	1,284,400	1,289,400	821,000	915,000	592,198	888,297	40.00%	60.00%	42.67%	57.33%
	Maintenance	821,000	821,000	49,000	108,600	366,000	549,000	40.00%	60.00%	42.67%	57.33%
	Laboratories	49,000	49,000	49,000	146,100	58,440	87,660	40.00%	60.00%	42.67%	57.33%
	Administrative	786,647	774,247	786,647	952,737	381,055	571,642	40.00%	60.00%	42.67%	57.33%
Total Operating Costs		\$ 6,193,889		\$ 6,375,981		\$ 7,147,333		\$ 2,887,566		\$ 4,259,766	
Less: External Revenues											
	Hydroelectric Revenue	30,000	0	53,000	21,200	32,840	14,013	31,800	40.00%	60.00%	42.67%
	Lake House Rent	26,400	36,675	32,840	1,400	3,500	2,100	18,827	42.67%	57.33%	40.00%
	Interest Income	500	2,647	35,577	14,231	35,577	21,346	2,100	40.00%	60.00%	42.67%
	Cell Site Revenue	35,577	35,577	35,577	35,577	35,577	35,577	21,346	40.00%	60.00%	42.67%
Total Revenues		\$ 92,477		\$ 74,899		\$ 124,917		\$ 50,844		\$ 74,073	
Net Operating Reimbursements from Districts		\$ 6,277,162		\$ 6,408,048		\$ 7,160,416		\$ 2,836,723		\$ 4,185,693	
Capital Improvement & Acquisition											
Capital Acquisition											
	Cielo Pump Station Isolation Valve Replacement	\$ 150,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		42.67%	57.33%
	Filter and Utility Water Gallery Piping Painting	60,000	60,000	60,000	-	-	-	-		45.00%	55.00%
	Cross-Collector Coating	64,000	64,000	64,000	-	-	-	-		45.00%	55.00%
	Operations Building Roof Replacement/Repair	153,000	-	-	-	-	-	-		45.00%	55.00%
	PLC110 and Ethernet Upgrade	39,000	39,000	-	-	-	-	-		45.00%	55.00%
	TOC Analyzer Replacement	50,000	50,000	-	40,000	40,000	18,000	22,000		45.00%	55.00%
	Cisco Router and Switch Upgrades	40,000	-	16,000	-	50,000	22,500	27,500		45.00%	55.00%
	Wireless Upgrade - Administration to Plant	16,000	-	-	200,000	200,000	90,000	110,000		45.00%	55.00%
	SCADA Servers and Remote Racking System	-	-	-	-	50,000	22,500	27,500		45.00%	55.00%
	30" Filter Influent Valves and Actuators	-	-	-	-	90,000	40,500	49,500		45.00%	55.00%
	Chemical Storage Tank / Pumps	-	-	-	-	90,000	40,500	49,500		45.00%	55.00%
	Two Operations Trucks (Unit 34 and Unit 38)	-	-	-	-	90,000	40,500	49,500		45.00%	55.00%
	Industrial Front Loader (Unit 53)	-	-	-	-	90,000	40,500	49,500		45.00%	55.00%
Total Capital Acquisition		\$ 572,000		\$ 229,000		\$ 520,000		\$ 234,000		\$ 286,000	
Capital Improvement Projects											
	Clearwell Seismic Improvements	1,145,000	55,181	1,103,800	\$ 342,178	\$ 761,622	\$ 694,590	854,590	1,920,330	2,347,070	31.00%
	Washwater Tank Seismic Improvements	1,562,200	139,759	1,553,800	699,210	854,590	1,920,330	2,347,070	321,621	42,67%	57.33%
	Mechanical Dewatering & Filter Washwater Improvements	4,074,000	360,071	4,267,400	561,000	239,379	321,621	362,039	123,750	42,67%	57.33%
	Handrail Improvements at San Dieguito Reservoir	500,000	19,859	38,502	-	275,000	123,750	151,250	-	45.00%	55.00%
	San Dieguito Dam Concrete Refurbishment	588,000	-	-	-	-	-	-	-	-	-
	R.E. Badger Operation Building Roofing Replacement Project	-	-	-	-	-	-	-	-	-	-

Joint Facility Cost Allocation
 R E Badger Filtration Plant
 Fiscal Year 2020 Budget

Description	FY 2019		FY 2020		FY 2020 Allocated Cost		Percentage	
	Budget	Projection	Budget	Budget	SDWID	SFID	SDWID	SFID
R. E. Badger Filters and Sedimentation Basins Concrete Repair	-	-	250,000	112,500	137,500	45,00%	55,00%	42,67%
Cielo Pump Station Valve Replacement Project	\$ 7,869,200	\$ 613,371	\$ 515,000	\$ 219,751	\$ 295,250		57.33%	
Total Capital Improvement Projects			\$ 9,157,500		\$ 3,926,588			\$ 5,230,942
Total Capital Acquisition and Capital Improvement	\$ 8,441,200	\$ 842,371	\$ 9,677,500		\$ 4,160,558			\$ 5,516,942

Santa Fe Irrigation District
Historical and Projected Statistical Data

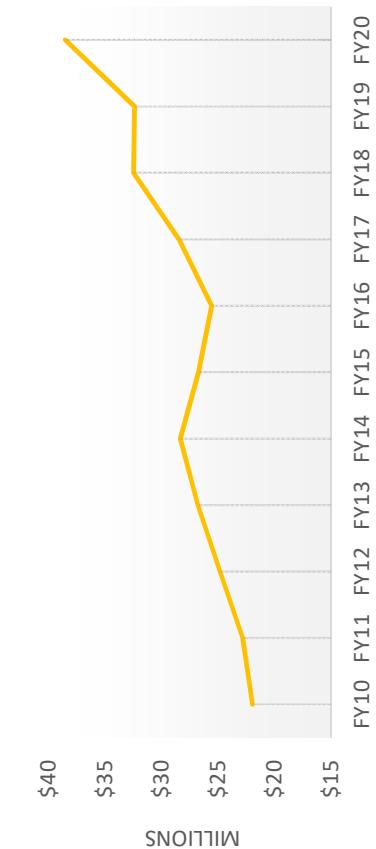
Description	FY10 Actual	FY11 Actual	FY12 Actual	FY13 Actual	FY14 Actual	FY15 Actual	FY16 Actual	FY17 Actual	FY18 Actual	FY19 Budget	FY19 Projected	FY20 Budget
Water Purchases (Acre-Feet):												
Treated Imported Water	250.9	60.8	971.0	429.9	568.7	514.4	286.5	518.7	294.7	490.0	118.7	521.5
Untreated Imported Water	5,415.1	4,041.1	4,653.0	5,556.9	10,256.6	9,390.8	5,736.5	6,931.2	5,547.0	7,510.0	6,488.0	7,150.8
Imported Water	5,666.0	4,101.9	5,624.0	5,986.8	10,843.4	9,905.2	6,092.0	7,449.9	5,841.7	8,000.0	6,606.7	7,672.3
Local Water Yield	5,209.8	5,509.1	4,998.0	5,544.6	1,526.3	811.6	1,880.7	1,911.1	4,635.5	1,720.0	2,800.0	2,800.0
Recycled Water	504.5	420.7	479.2	547.2	557.5	522.8	508.9	489.6	568.1	450.0	500.0	574.0
Total Water Purchased / Local Yield	11,380.3	10,031.7	11,101.2	12,078.6	12,948.1	11,239.6	8,481.6	9,850.6	11,045.3	10,170.0	9,906.7	11,046.3
Revenue:												
Water Sales	\$ 13,741,775	\$ 13,758,832	\$ 15,664,996	\$ 18,166,721	\$ 19,899,004	\$ 17,598,000	\$ 13,755,595	\$ 16,501,561	\$ 20,797,293	\$ 21,240,727	\$ 20,282,981	\$ 22,401,943
Base Meter Fees	2,794,500	3,080,396	3,379,145	3,582,598	3,661,918	3,672,959	3,700,610	4,895,700	5,352,584	5,507,426	5,519,421	5,550,830
Hydroelectric Revenue	34,178	10,842	33,603	44,827	89,698	62,206	13,297	29,866	0	30,000	30,000	53,000
SDWD Reimbursements	2,493,365	3,191,855	3,192,389	2,562,229	2,112,587	2,415,252	5,109,348	4,101,543	2,973,309	6,147,493	3,004,909	7,056,166
Capacity Charges	209,378	42,345	25,540	21,425	56,457	145,852	35,285	58,809	215,428	75,000	150,000	125,000
Interest Income	441,133	489,656	287,242	229,675	266,704	337,562	293,317	115,572	260,625	185,500	436,633	560,000
Property Tax	1,913,706	1,849,671	1,856,557	1,937,730	1,983,907	2,080,791	2,190,932	2,285,521	2,406,427	2,300,000	2,467,192	2,473,807
Other Revenue	344,201	406,402	409,489	270,369	298,214	443,985	486,444	493,350	503,726	265,977	516,720	271,657
Total Revenues	\$ 21,972,236	\$ 22,829,999	\$ 24,848,971	\$ 26,815,514	\$ 28,368,489	\$ 26,756,607	\$ 25,584,828	\$ 28,481,922	\$ 32,509,392	\$ 35,752,123	\$ 32,387,855	\$ 38,492,403
Operating Expenses:												
Water Purchases	5,847,691	5,307,965	7,103,160	7,716,416	11,899,291	11,339,922	8,726,055	10,650,432	9,924,554	12,652,666	10,591,529	12,394,259
Salaries & Benefits	6,510,204	6,391,361	5,817,841	6,057,371	6,046,794	6,034,651	6,260,542	6,795,279	7,529,978	7,440,285	7,278,114	8,037,816
Administrative Expenses	838,786	641,400	624,514	527,483	500,252	668,841	965,623	501,957	621,907	809,063	963,389	1,116,706
Engineering Expenses	17,227	42,830	(5,918)	2,980	31,342	111,758	176,050	42,855	76,523	175,170	128,670	239,988
Operations & Maintenance	728,801	803,442	747,963	847,546	921,467	996,730	1,226,961	1,314,162	1,730,700	1,553,168	1,887,700	
Water Filtration	3,489,855	3,721,455	3,884,446	3,654,815	2,097,853	1,919,431	2,358,244	2,692,560	3,886,640	4,264,413	3,886,640	4,625,626
Total Expenses (exclusive of depreciation)	\$ 17,432,564	\$ 16,908,453	\$ 18,172,006	\$ 18,806,621	\$ 21,496,999	\$ 21,071,333	\$ 19,713,475	\$ 21,951,592	\$ 23,731,537	\$ 26,694,523	\$ 24,612,576	\$ 28,302,105
Capital Expenditures (exclusive of bond projects)	\$ 1,679,995	\$ 6,525,639	\$ 7,337,158	\$ 1,524,659	\$ 3,791,516	\$ 5,889,410	\$ 8,772,770	\$ 9,043,954	\$ 2,845,153	\$ 10,384,900	\$ 2,554,834	\$ 11,974,500
Debt Service	\$ 1,355,463	\$ 1,352,500	\$ 1,352,475	\$ 1,350,950	\$ 1,345,250	\$ 1,351,150	\$ 1,346,750	\$ 1,346,755	\$ 1,346,875	\$ 1,346,875	\$ -	-

Historical and Projected Statistical Data

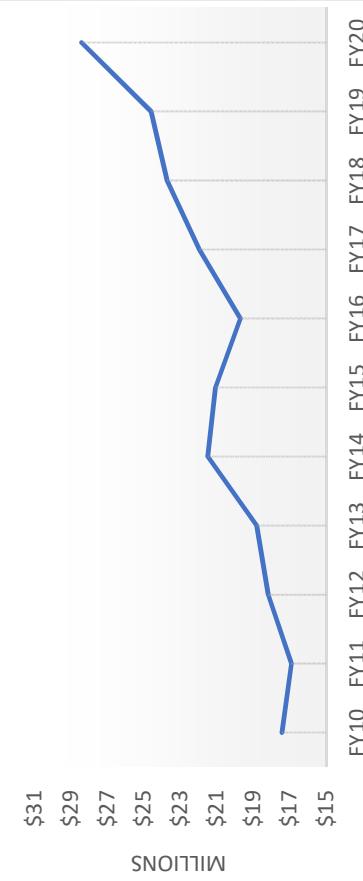
WATER PURCHASES / LOCAL YIELD



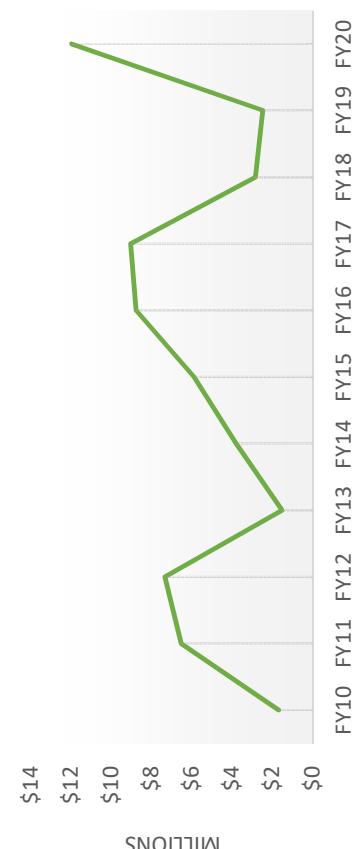
REVENUE



OPERATING 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.

Budget Policy	• Adopted May 2009
Capitalization Policy	• Adopted January 2007
Debt Management Policy	• Adopted May 2009
Investment Policy	• Revised January 2019
Reserve Funds Policy	• 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 result in zero accrual periods.

No investment will be made that could cause the portfolio to be leveraged.

It is the intent of the District that the foregoing list of authorized securities is strictly interpreted. Any deviation from this list must be preapproved by the Treasurer in writing.

PORFOLIO 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."

PORFTOLIO 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

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, a ten-year capital improvement program adopted by the District in 2009.

AMR/AMI – Automated Meter Reading or Advanced Metering Infrastructure

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 – 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

CAFR – Comprehensive Annual Financial Report

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.

Capacity Reservation Charge – A fixed charge assessed by the Metropolitan Water District and passed through to member agencies by the San Diego County Water Authority based on maximum daily flows. This charge is set to recover the cost of providing peak capacity within the 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 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 – Consumer Price Index

CDPH – California Department of Public Health

CERBT – CalPERS' California Employers' Retirement Benefit Trust

CMMS – Computer Maintenance Management System

CRACA – The San Diego County Water Authority's Comprehensive Reliability and Cost Assessment, a process of setting rates and fees

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

DWR – California Department of Water Resources

Expenditure – An amount of money disbursed or obligated.

Economic Reserves Measurement Focus - A method of accounting in which improvements of economic position are reported as revenues or gains and diminishments of position are reported as expenses or losses without regard to current financial resources.

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.

IAWP – Interim Agricultural Water Program

Indenture of Trust - An agreement in the bond contract made between a bond issuer and a trustee that represents the bondholder's interests by highlighting the rules and responsibilities that each party must adhere to.

ITSP – Integrated Technology Strategic Plan

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

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.

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.

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)

Plant – The R.E. Badger Filtration Plant

PRS – Pressure Reducing Station

PRV – Pressure Relief Valve

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

SANDAG – San Diego Association of Governments

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.

Storage Charge – A fixed annual charge assessed by the San Diego County Water Authority that is set to recover costs associated with the Emergency Storage Program, based on all non-agricultural water deliveries and allocated to member agencies using a pro rata share of each agency's three-year rolling average of non-agricultural water deliveries.

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

