

FISCAL YEAR 2025-26

ANNUAL BUDGET

Adopted
June 24, 2025



www.montecitowater.com | 805.969.2271

The mission of Montecito Water District is to provide an adequate and reliable supply of high-quality water to the residents of Montecito and Summerland, at the most reasonable cost.



In carrying out this mission, the District places particular emphasis on providing outstanding customer service, conducting its operations in an environmentally sensitive manner, and working cooperatively with other agencies.

MONTECITO WATER DISTRICT

Board of Directors

Ken Coates, President
Brian Goebel, Vice President
Cori Hayman
Tobe Plough
Floyd Wicks

This budget was prepared under the direction of:

General Manager/Board Secretary

Nicholas Turner

Staff Contributors

Adam Kanold, Assistant General Manager / Engineering Manager
Chad Hurshman, Treatment and Production Superintendent
Richie Romero, Distribution Superintendent
Raymond Willefert, Financial Analyst / IT Specialist
Laura Camp, Public Information Officer
Christina Perry, Administrative Assistant

Contact Us

583 San Ysidro Road, Santa Barbara, CA 93108
805-969-2271
customerservice@montecitowater.com
montecitowater.com



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

**Montecito Water District
California**

For the Fiscal Year Beginning

July 01, 2024

Christopher P. Morrell

Executive Director

The Distinguished Budget Presentation Award is granted by the Government Finance Officers Association of the United States and Canada (GFOA). To receive this award, a governmental 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 award represents a significant achievement and reflects the commitment of Montecito Water District's Board of Directors, management, and staff in meeting the highest principles of governmental budgeting.

The Distinguished Budget Presentation Award for Fiscal Year 24-25 is the District's third consecutive recognition received from GFOA.

RESOLUTION NO. 2309

**RESOLUTION OF THE BOARD OF DIRECTORS
OF THE MONTECITO WATER DISTRICT
ADOPTING A BUDGET FOR FISCAL YEAR 2025-26**

WHEREAS, the Montecito Water District (“District”) is a County Water District organized and existing under and by virtue of Water Code §§30000 – 33901; and

WHEREAS, the District manages water resources to deliver a safe and reliable supply of high-quality water to over 4,660 residential, commercial, institutional, agricultural and non-potable customers in the Montecito and Summerland communities; and

WHEREAS, the District prepares and adopts an annual budget that provides a financial plan to assist with the implementation of the District’s necessary programs, projects and work plan for the fiscal year; and

WHEREAS, District management prepared a budget for Fiscal Year 2025-26 (FY 25-26) that estimates expenses required for funding operations, maintenance, capital improvements, debt service, prudent reserve requirements, and other expenses of the District; and the revenues from all sources to fund those expenses; and

WHEREAS, District management has determined that the activities proposed in the FY 25-26 budget are consistent with the June 2024 *Water Rate Study*. District Management proposes a balanced budget for FY 25-26, which if implemented will ensure that the District’s revenue will be sufficient to fund all of the District’s planned expenses for the budgeted period; and

WHEREAS, the proposed FY 25-26 budget has been reviewed and considered by the Finance Committee, and by the Board of Directors at a Board workshop held on May 27, 2025, and feedback received at those public meetings has been incorporated into the budget; and

WHEREAS, it has been determined to be in the best interest of the District to adopt the Fiscal Year 2026 budget for the continued sound financial operation of the District;

NOW THEREFORE BE IT RESOLVED by the Board of Directors of Montecito Water District as follows:

1. The certain documents referred to as the “Montecito Water District Fiscal Year 2025-26 Budget” and all schedules, exhibits, and policies contained therein, which are incorporated herein by this reference and included as Attachment A, are hereby adopted as the annual budget of the District for the fiscal year beginning on July 1, 2025, and ending June 30, 2026.
2. That the amounts stated in the proposed budget shall become and thereafter be assigned to the departments, activities, and purposes stated therein and said monies are hereby authorized to be expended for the purposes and objects specific in said budget, subject

to applicable California law, and the authority granted in Resolution 2272, a resolution covering the authority of officers to execute contracts and instruments.

PASSED AND ADOPTED by the Board of Directors of the Montecito Water District this 24th day of June 2025 by the following roll call vote:

AYES: Coates, Hayman, Goebel, Plough, Wicks

NOES:

ABSENT:

ABSTAIN:

APPROVED:


Kenneth Coates, Board President

ATTEST:


Nicholas Turner, Board Secretary

TABLE OF CONTENTS

LIST OF FIGURES.....	5
SECTION 1: BUDGET MESSAGE	8
Basis of Budgeting.....	8
Fiscal Year 24-25 in Review.....	8
Fiscal Year 25-26 Priorities & Considerations.....	11
Customer Demand & Conservation	12
Water Supply Outlook.....	12
Budget in Brief	15
SECTION 2: ABOUT THE DISTRICT	18
Historic Milestones	18
Form of Government	18
Authority	19
Mission & Vision Statements	19
Governance.....	19
Service Area and Socioeconomics	22
Organizational Structure.....	24
SECTION 3: STRATEGIC PLANNING	28
2022 5-Year Strategic Plan.....	28
2024 Water Rate Study.....	29
2020 Urban Water Management Plan.....	30
2022 Water Use Efficiency Plan	32
2024 Asset Management Plan	33
2024 Climate Action & Adaptation Plan	33
SECTION 4: WATER SUPPLY SOURCES, AGREEMENTS AND INFRASTRUCTURE	36
Water Supply.....	36
Treatment, Storage & Delivery Facilities	40
Joint Powers Authorities	41
WSA Water Purchase	47

Water Marketing & Storage.....	48
SECTION 5: BUDGET OVERVIEW	50
Understanding The Budget & Budget Process.....	50
Basis Of Budget & Accounting	51
Funds Summary	52
Cost Centers: Water Supply, Direct & Indirect	54
Performance Measures.....	55
SECTION 6: BUDGET SUMMARY	60
SECTION 7: OPERATING REVENUES	68
Water Sales	68
Monthly Meter Charge	72
Water Availability Charge	72
Monthly Private Fire Line Charge	73
Other Operating Revenues	73
SECTION 8: WATER SUPPLY, DIRECT & INDIRECT EXPENDITURES.....	76
Joint Powers Authorities	77
MWD Direct Expenses	78
MWD Indirect Expenses.....	79
Personnel Expenses & Position Summary Schedule	79
SECTION 9: NON-OPERATING REVENUES AND EXPENSES.....	86
SECTION 10: CAPITAL CONTRIBUTIONS AND SPECIAL ITEMS.....	90
SECTION 11: DEBT SERVICE	94
Cater Loans	94
Refunding Revenue Bonds.....	95
Debt Service Coverage	97
SECTION 12: CAPITAL IMPROVEMENT PROGRAM	100
Equipment.....	101
System Projects.....	101
Extraordinary Projects	107

Long-Term Capital Expenditure Plan	109
SECTION 13: RESERVES	112
Restricted Reserves.....	112
Unrestricted Reserves.....	113
APPENDIX A: DISTRICT RECOGNITION	116
Distinguished Budget Presentation Award.....	117
District Transparency Certificate of Excellence	118
AWWA Small Utility Award.....	119
Green Business Certification, Innovator Status.....	120
APPENDIX B: GLOSSARY	121
Terminology & Definitions	121
Acronyms & Abbreviations	125
APPENDIX C: FINANCIAL POLICIES	127
Capitalization Policy.....	129
Debt Management Policy	137
Employee Classification and Salary Range Schedule	143
Fixed Asset Disposal Policy	157
Investment Policy.....	161
Procurement Policy.....	167
Reserve Policy	173
Schedule of Miscellaneous Fees and Charges	181
Water Rates and Charges.....	183

Page left intentionally blank.

LIST OF FIGURES

Figure 1-1: Planned Water Supply Use and Outlook	14
Figure 1-2: Budget in Brief	15
Figure 2-1: District Service Area.....	22
Figure 2-2: Average Consumption by Customer Class.....	23
Figure 2-3: Organizational Chart.....	26
Figure 3-1: Water Rates (\$/HCF) Adopted June 2024	29
Figure 5-1: Funds and Purpose	54
Figure 5-2: Three-Year Projected Fund Balance Summary.....	54
Figure 6-1: FY 25-26 Total Revenue	61
Figure 6-2: FY 25-26 Total Expenditures	63
Figure 6-3: FY 25-26 Total Outflows	64
Figure 6-4: FY 25-26 Budget Summary	65
Figure 7-1: Operating Revenue	68
Figure 7-2: Water Usage Rates	69
Figure 7-3: Projected Consumption by Customer Classification	70
Figure 7-4: Comparison of Water Sales	71
Figure 7-5: Comparison of Seasonal Water Use Variations.....	71
Figure 7-6: Monthly Meter Charges	72
Figure 7-7: Monthly Private Fire Line Charges.....	73
Figure 8-1: Operating Expenses	76
Figure 8-2: Position Summary Schedule	80
Figure 8-3: FY 25-26 Total Outflows, Featuring Budgeted Personnel Costs.....	81
Figure 8-4: Department Personnel Expenses	82
Figure 8-5: Total Compensation by Department.....	84
Figure 9-1: Non-Operating Expenses	86
Figure 10-1: Capital Contributions.....	90
Figure 10-2: FY 25-26 Capital Cost Recovery & Connection Fees.....	90
Figure 11-1: Debt Service.....	94

Figure 11-2: Debt Service Schedules.....	96
Figure 11-3: Bond Debt Service	97
Figure 12-1: FY 25-26 Budgeted Capital Equipment Purchases	101
Figure 12-2: FY 25-26 Summary of Budgeted Infrastructure Improvements.....	101
Figure 12-3: FY 25-26 Total Capital Improvement Funding.....	102
Figure 12-4: FY 25-26 Pipeline Expenditures	102
Figure 12-5: FY 25-26 Reservoirs Expenditures	104
Figure 12-6: FY 25-26 Pumping/Wells/Valves & Treatment Plant	104
Figure 12-7: FY 25-26 Other Capital Expenditure Projects	106
Figure 12-8: FY 25-26 Extraordinary Capital Expenditure Projects	107
Figure 12-9: FY 25-26 CIP Recap	108
Figure 12-10: Long-Term Capital Improvement Program Plan.....	110
Figure 13-1: FY 25-26 Restricted Reserves	112
Figure 13-2: FY 25-26 Board Committed Funds*	114

BUDGET MESSAGE



SECTION 1: BUDGET MESSAGE

Letter Of Transmittal

We are pleased to present the Fiscal Year 25-26 (July 1, 2025, through June 30, 2026) Operating and Capital Improvement Budget for the Montecito Water District (District).

The District reports budgeted information to the Board of Directors throughout the fiscal year at regularly noticed monthly public meetings. Participation at public meetings, including those held specifically for budget development, is encouraged. Public meetings specific to the development of the budget are held in May through June and prior to final consideration and approval of the budget by the Board. The public is notified of all public meetings in advance using the District's e-news list, its website and various regular publications including the local newspaper. Supporting information including draft budgets and presentations are available on the District's website ahead of all public meetings.

Beginning in January 2025, department heads, managers and the Board of Directors collaborated on creating this budget. Together with Directors, Staff conduct an extensive review and analysis of the operational and capital improvement project needs that support the replacement, maintenance and development of infrastructure and dependable water delivery.

This budget identifies and estimates financial revenues and expenditures including capital improvements and debt service. It also serves as a policy document that guides management actions during the fiscal year in alignment with the Strategic Plan. The 2022 Strategic Plan defines the priorities and guides the development of the Fiscal Year (FY) 25-26 budget. The budget provides a focus on sound financial management, dependable service to customers, efficient operations, achievable goals and objectives, and transparent reporting.

BASIS OF BUDGETING

A zero-based budgeting methodology was used to prepare the FY 25-26 budget. Zero-based budgeting requires that all expenses be justified for each new period. Every department within the District participates in an extensive review and analysis of the operational and capital improvement project needs during the proposed budget period.

FISCAL YEAR 24-25 IN REVIEW

Drought Conditions Return

After two consecutive years of above average rainfall, the 2024-25 winter brought about 50% of normal rainfall to Santa Barbara County. The below normal rainfall locally slowly topped off

Jameson Lake but little to no inflow was received by the Cachuma Project which remains at about 85% of its full capacity. In contrast, the 2024-25 winter brought average rainfall in the northern portions of the state, filling State Water Project surface water reservoirs. As of June 1, 2025, the US Drought Monitor indicates nearly 60% of the state, including Santa Barbara County, has returned to drought conditions.

Despite the return of drought conditions, the District's three-year water supply outlook indicates adequate water supplies to meet projected customer water demand through 2028 without projected water shortages, or the need for SWP or supplemental water supplies.

Water Use at Planned Levels

Despite a relatively dry 2024-25 winter locally, District customers continue to utilize water at planned levels. The FY 24-25 forecast for water sales is approximately 4,000-acre feet (AF), which is consistent with budget.

Water Supply Planning Continues

In early 2025, the District completed an update of its Future Demand and Water Supply Options report, prepared by Dr. Stephen Bachman. The Report is one of the District's long-range water supply planning tools, and projects future customer water demand and water supply availability by source over the next 20 years to evaluate whether water shortages exist in the future. The Report also considers various water supply strategies, such as participation in a local groundwater banking program and a permanent sale of a portion of the District's SWP entitlement to evaluate their impact on the long-term water supply reliability and to help inform future Board decisions.

Water Transfer Agreement with Homer LLC

In alignment with its *2022 Strategic Plan*, the District finalized a multi-year agreement with Homer LLC for the transfer or sale of the District's surplus State Water Project (SWP) water. According to the agreement, the District will annually determine the quantity of SWP water that is surplus to its needs, if any, and Homer is then obligated to purchase that water at a predetermined price. The transfer of surplus water will help offset the cost of local reliable water supplies, including ocean desalination, and will help avoid the physical loss of SWP supplies to events such as paper spills during wet conditions. The initial transfer, pursuant to this agreement, is expected to occur in FY 25-26.

Maximized Storage of Surplus SWP Water for Future Use

The District stored 656 AF of surplus State Water Project Table A water in the Semitropic Banking and Exchange Program in FY 24-25. As of the end of FY 24-25, the District has 5,782 AF of water stored in Semitropic and available for future use.

Expansion of Customer tools for Efficient Water Use

The District's *2022 Strategic Plan* identifies a strategic goal of bolstering water supply reliability through additional diversification including managing customer demands by building a community partnership in conservation. To accomplish this, the District completed a *2022 Water Use Efficiency Plan* which established a comprehensive water conservation program aimed at enhancing demand management through many water use efficiency measures including water budgets. A Water Budget is a property-specific determination of the total water required for efficient use indoors and outdoors and serves as a tool to guide customers in conservation while maintaining landscaping and the garden-like atmosphere of the community. Following a multi-year process, water budgets were rolled out to customers in Spring 2025 on monthly bills and in Watersmart.

Funding Secured for Seismically Retrofitting Storage Reservoirs

In late 2024, the District finalized a funding agreement with the State Water Resource Control Board for no interest loan funding with 30% principal forgiveness through the Department of Water Resources State Resolving Funds Additional Supplemental Appropriations for Disaster Relief Act (ASADRA) Funding Program. This project will seismically retrofit and/or replace eight of the District's nine water storage reservoirs. Construction on the first set of reservoirs is expected to begin in mid-2025.

Climate Action and Adaption Plan Prepared

In early 2025, the District completed its first Climate Action and Adaptation Plan (CAAP). A CAAP is a long-range planning document that identifies and addresses factors that contribute to climate change and evaluates and addresses vulnerabilities by adapting operations and infrastructure to reduce risks associated with climate hazards. The CAAP aligns with the District's long-term climate strategies included in the *2020 Urban Water Management Plan*, *2021 Risk and Resilience Assessment*, *2022 5-Year Strategic Plan*, and *2023 Local Hazard Mitigation Plan* and provides a roadmap of specific strategies and actions to implement over time in a financially responsible manner. The CAAP identifies the actions and implementation strategy for the District to ensure climate resilient water sources and operations, and to reduce operational greenhouse gas emissions for the future. The CAAP was used when preparing the FY 25-26 budget.

Distinguished Budgeting Award!

The Distinguished Budget Presentation Award is presented by the Government Finance Officers Association of the United States and Canada (GFOA) to state and local governments that prepare budget documents of the very highest quality and that reflect both the guidelines and best practices established by the National Advisory Council on State and Local Budgeting. To earn recognition, budget documents must meet program criteria and excel as a policy document, financial plan, operations guide, and communication tool. The GFOA presented the District with the Distinguished Budget Presentation Award for its Annual Budget for FY 22-23, which was the first year the District achieved this prestigious recognition. Since then, the District has received the subsequent recognition for its FY 23-24 and 24-25 Budgets.

Once Again Awarded a Transparency Certificate!

In recognition of its efforts toward full transparency to its citizens and ratepayers, Montecito Water District was once again awarded the District Transparency Certificate of Excellence from the California Special Districts Association (CSDA) in May 2025. This Transparency Certification program focuses on transparency to the public in the operations and governance of Special Districts. Applications are subject to rigorous review, and award recipients are approved by the Special District Leadership Foundation of the CSDA, which was formed to promote good governance and best practices among California's Special Districts. In order to receive this award, a Special District must fulfill numerous requirements to demonstrate transparency in three main subject areas: Basic Transparency, Website, and Outreach.

The District also:

- Achieved an unqualified financial audit prepared by Nigro & Nigro PC for FY 23-24.
- Completed \$1.6M of Capital Improvement Projects.
- Completed a 2024 Total Compensation Study.
- Received the ACWA JPIA President's Special Recognition Award for achieving a loss ratio of 20% or less in the liability, property and/or workers compensation programs.

FISCAL YEAR 25-26 PRIORITIES & CONSIDERATIONS

This budget reflects the District's continuing commitment to reliably deliver water that meets the highest of standards, while striving to be a good steward of water resources, the environment and customer relationships. As stated in the District's Strategic Plan: "The intent as we embark on a new century in 2022 is to be well positioned to ensure a future of ongoing dependability and resilience."

CUSTOMER DEMAND & CONSERVATION

Customer water use (sales) is highly dependent on several factors including weather, conservation, and economic conditions. For example, during the 2020-21 and 2021-22 winters, extreme drought conditions existed with approximately 48% and 63% of normal rainfall received, and water use increased to nearly 25% and 15% over budget, respectively. In comparison, during the 2022-23 and 2023-24 winters, between 150 to 200% of normal rainfall was received in Santa Barbara County, and water use dropped below budget by nearly 15%. The 5-year average customer water use is 4,000 acre-feet per year (AFY). During recent 2024-25 winter, rainfall received locally was about 50% of average and unexpectedly customer water use remained relatively stable at about average use or 4,000 AFY.



Sporadic hydrologic conditions have necessitated various declared water shortage emergency conditions over the last decade. Following a second consecutive winter with above-average rainfall, the District repealed its February 28, 2023, declared Stage 1 water shortage condition through adoption of Ordinance No. 99, which became effective on July 25, 2024, and remains in effect. Ordinance No. 99 provides water use efficiency policies and recommendations irrespective of hydrologic conditions.

With the institution of the District's conservation campaign over the last decade, including the development and implementation of its first *Water Use Efficiency Plan* (December 2022), much of the water use actions and efficiencies have become permanent such as drought tolerant landscaping and reduced waste from water leaks resulting in a reduction in overall water use District-wide. Among other actions, the *Water Use Efficiency Plan* instituted a water conservation rebate program that rewards water saving actions such as landscape conversions and use of efficient household appliances. Additionally, the District's Advanced Metering Infrastructure Program and institution of Parcel Water Budgets provides customers with tools to help monitor and manage water use on individual properties to achieve efficient water use and avoid water waste. The June 2024 repeal of the District's declared water shortage conditions reflects the improved water supply condition and is not expected to result in a significant increase in overall water use.

WATER SUPPLY OUTLOOK

After two consecutive years of above average rainfall, the 2024-25 winter brought about 50% of normal rainfall to Santa Barbara County. The below normal rainfall locally slowly topped off

Jameson Lake but produced little to no inflow to the Cachuma Project, which remains at about 85% of its full capacity. In contrast, the 2024-25 winter brought average rainfall in the northern portions of the state, filling State Water Project surface water reservoirs. As of June 1, 2025, the US Drought Monitor indicates nearly 60% of the state, primarily the southern half of the State including Santa Barbara County, has returned to drought conditions.

Despite the severe weather swings that continue to impact water supply availability across the State, the District remains well positioned to respond. District actions over the past decade, such as the Water Supply Agreement (WSA) with the City of Santa Barbara for ocean desalination, local groundwater management for the Montecito Groundwater Basin, regional groundwater banking in Semitropic, and enhanced management of customer water use have significantly improved long-term water supply reliability. The WSA delivers approximately one-third of the District's annual water supply needs irrespective of rainfall. Additionally, the District has over 5,700-AF of water stored in Semitropic as of the end of FY 24-25, which is about four years of maximum guaranteed recovery supply that is available for future use.

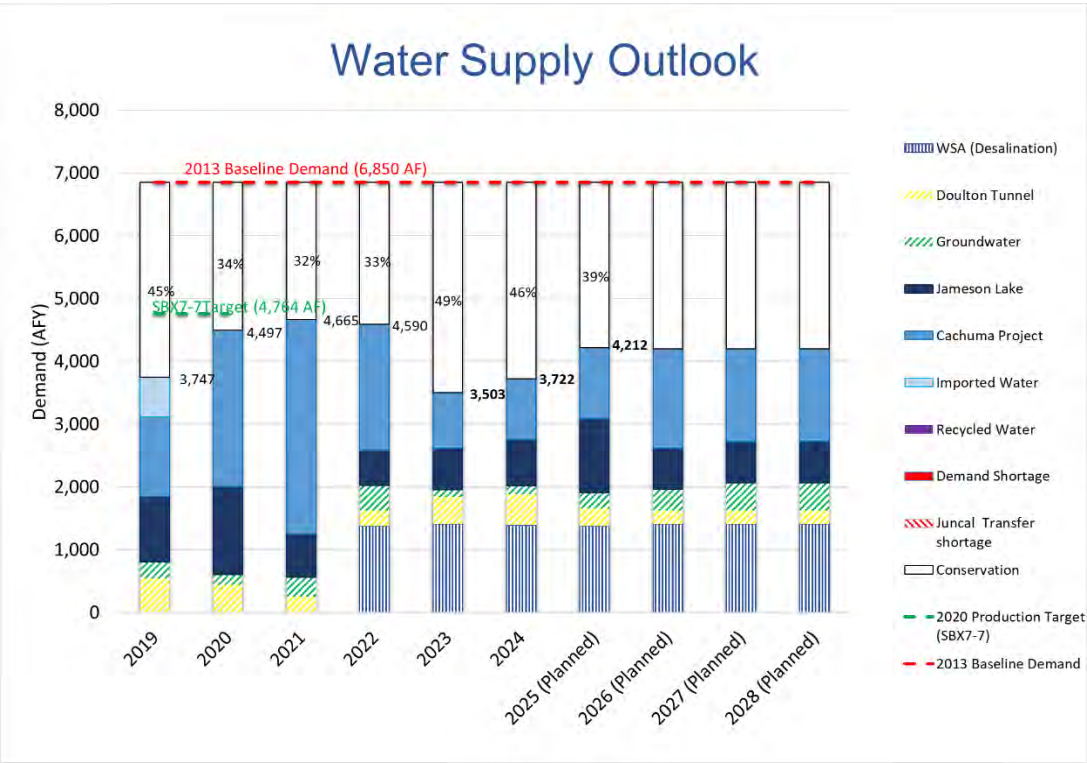
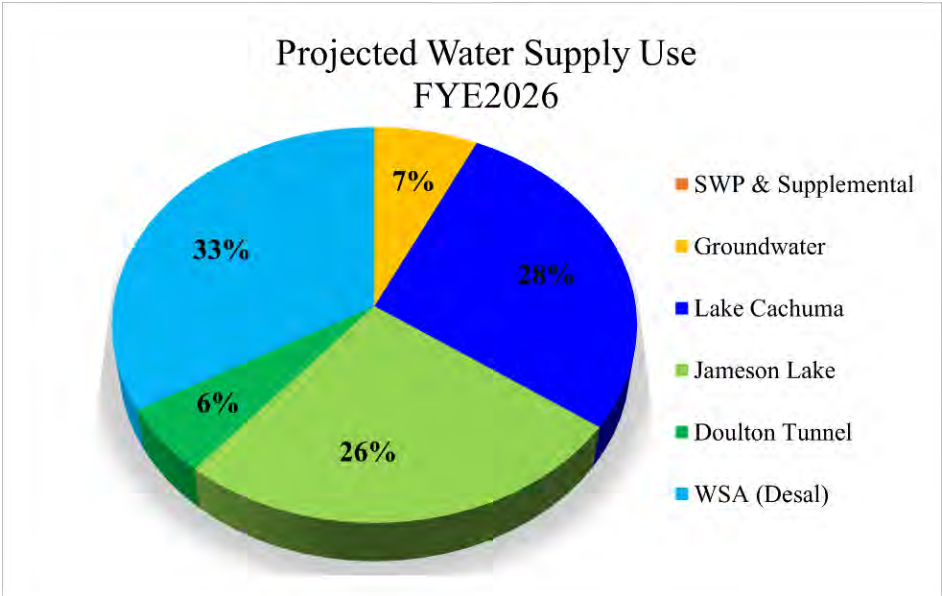
The District's three-year water supply outlook indicates adequate water supply to meet projected customer demand through FY 27-28 with no anticipated water shortages and no need for imported water. Water sales and production for FY 25-26 are projected to be approximately 4,000 AF and 4,300 AF respectively, which is the 5-year average. Sources of water supplies used to meet customer demands in FY 24-25 are local, including the City of Santa Barbara (ocean desalination), Jameson Lake and Cachuma Project (surface water), and Doulton Tunnel and groundwater (groundwater).

Despite favorable water supply outlook, efficient water use remains necessary to extend the availability of the District's limited surface water supplies and to bolster long-term water supply reliability. The District's ongoing water use efficiency related initiatives continue, including implementation of the *Water Use Efficiency Plan* with conservation rebates, monthly leak notifications, Smart Meter Program, parcel water budgets, and continued evaluation of the need for additional rainfall independent water supplies.

The District continuously evaluates water supply conditions and the need for additional demand-management measures to ensure water supply availability over a three-year planning period and beyond.

Figure 1-1 shows the distribution of planned water use by source for FY 25-26. Desalinated water is the greatest use at 33% of total supply followed by Lake Cachuma at 28% and Jameson Lake at 26%. It is notable that local water sources collectively account for 100% of the planned water supply use in FY 25-26. Figure 1-1 also includes the District's latest Water Supply Outlook.

Figure 1-1: Planned Water Supply Use and Outlook



BUDGET IN BRIEF

The budget as presented is consistent with the District's 2024 5-year Water Rate Study, as prepared by Raftelis and dated May 1, 2024. The District also acknowledges that extraordinary financial market conditions and other factors continue to negatively impact the costs of certain District initiatives, including undertaking capital improvement projects. Despite cost increases, the budget for FY 25-26 is balanced, and if implemented, it will ensure the District's revenue will be sufficient to fund all the District's planned expenses for the budget period.

Figure 1-2: Budget in Brief

BUDGET IN BRIEF	FY 23-24 AUDITED	FY 24-25 ADOPTED BUDGET	FY 25-26 BUDGET	% OF TOTAL REVENUE
Water Sales	15,148,804	18,169,061	20,169,432	55%
Monthly Meter Charges	4,826,114	6,149,380	6,558,499	18%
Water Availability Charge (WAC)	306,440	300,000	300,000	1%
Private Fire Line Srv Charge	268,662	275,673	304,189	1%
Other Operating Revenues	100,214	123,000	114,000	0%
OPERATING REVENUE	20,650,234	25,017,113	27,446,120	75%
Water Sources, Treatment & Distribution	(15,601,152)	(18,526,022)	(18,932,192)	-51%
Other Operating Expenses	(5,078,312)	(5,128,190)	(5,816,115)	-16%
OPERATING EXPENSE	(20,679,464)	(23,654,212)	(24,748,306)	-67%
OPERATING INCOME/(LOSS) BEFORE DEPRECIATION	(29,230)	1,362,901	2,697,814	7%
DEPRECIATION (NON-CASH)	(1,833,850)	(1,961,087)	(2,128,651)	-6%
NON-OPERATING INCOME/(LOSS)	1,361,758	(209,632)	354,958	1%
CAPITAL CONTRIBUTIONS	599,785	3,458,400	3,439,800	9%
SPECIAL ITEMS (FEMA)	327,190	5,338,938	5,372,355	15%
NET SURPLUS/(DEFICIT)	425,653	7,989,520	9,736,276	26%
TOTAL DEBT SERVICE	(1,215,000)	(1,315,000)	(1,591,864)	-4%
Vehicles & Equipment	(384,204)	(485,000)	(240,000)	-1%
Capital Improvement Program	(7,106,809)	(7,396,000)	(13,393,500)	-36%
NET CAPITAL EXPENDITURES	(7,491,013)	(7,881,000)	(13,633,500)	-37%
NET IMPACT AFTER DEBT & CAPITAL	(8,280,361)	(1,206,480)	(5,489,087)	-15%
REMOVE NON CASH ACTIVITY	1,603,981	1,760,207	1,926,329	5%
Cash Impact before Net Transfers	(6,676,379)	553,727	(3,562,758)	-10%
Transfers In	6,676,379	-	3,562,758	10%
Transfers Out		(553,727)	-	0%
NET CASH IMPACT ON FUND BALANCE	-	-	-	0%

HIGHLIGHTS

- Water consumption or sales in the Fiscal Year (FY) ending June 30, 2026, are projected to be consistent with the 5-year average of 4,000 AF, which is consistent with the prior fiscal year actuals.
- Water rates and charges will increase as of July 1, 2025, by 5.75% in accordance with the District's 2024 5-year Water Rate Study.
- The sale of 1,000 AF of surplus SWP Table A water to Homer is anticipated in summer 2025, which will help offset other District expenses.
- Operating expenses are projected to be 11% greater than the prior year. Contributing factors include inflationary pressure on electricity, chemicals, and fuel, increases in personnel expenses resulting from implementation of the 2024 *Total Compensation Study*, and a planned increase in the fixed costs associate with the WSA for desalination.
- Debt service is consistent with the District's various debt schedules include the 2020 Certificate of Participation (COP) Bonds and Cater JPA loan.
- Total capital contributions, including special items, are projected to be \$6.4M greater than the prior year due to anticipated receipt capital project funding reimbursements associated with the ASADRA Reservoir Seismic Retrofit and Replacement Project, and FEMA reimbursements associated with the 2023 repairs to the Juncal Pipeline.
- Planned capital expenditures are consistent with the District's 10-year Capital Improvement Plan, which is informed by the 2024 *Asset Management Plan*.
- Net Capital expenditures are projected to increase over the prior year by \$12M. Contributing factors include initiation of construction of the ASADRA Reservoir Seismic Retrofit and Replacement Project, catch up on capital projects delayed in FY 24-25 due to cash flow constraints, and construction material and labor costs increases resulting from ongoing inflationary pressure. A significant portion of the increased capital expenditures are offset by grant and loan proceeds, and rate revenue from the prior fiscal year.
- Rate stabilization fund transfers help insulate from inflationary pressure. Note that for FY 25-26, the net of capital project expenses for the ASADRA Reservoir Seismic Retrofit and Replacement Project and the associated grant receipts are about (\$5.7M). This is strictly a result of the timing of grant/loan reimbursements.

ABOUT THE DISTRICT

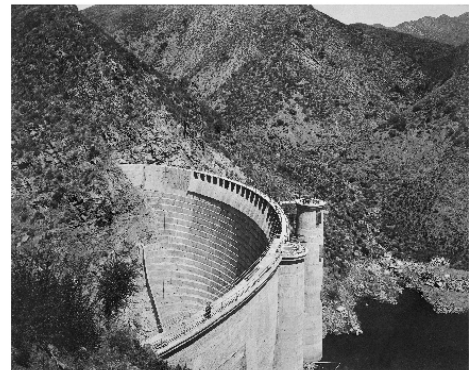


SECTION 2: ABOUT THE DISTRICT

For over a century, the District has reliably delivered water that meets the highest standards, while striving to be a good steward of water resources, the environment and customer relationships.

HISTORIC MILESTONES

The District was formed in 1921 to address the challenge of providing sufficient water to a growing community in a semi-arid region. Over the past century, the District's ability to achieve its mission has required relentless foresight and action. A myriad of variable factors including population, climate, environment, and regulations have prompted responsive and pro-active historic achievements.



Juncal Dam at Jameson Lake

The District's most noteworthy accomplishments include: the creation of Jameson Lake in the 1920s; participation in the Cachuma Project in the 1950s; participation in the State Water Project in the 1990s, and most recently investing in desalination with the City of Santa Barbara in 2020.

As drought conditions reached unprecedented levels over the past decade, the District identified opportunities to maximize its investments and to shore up water supply reliability amidst an ever-changing climate. Recent notable advancements include: (1) Groundwater Banking to allow for the storing of excess water when available and saving it for use when needed most, (2) the 50-year Water Supply Agreement with the City of Santa Barbara to provide the security of ocean desalination, a local rainfall independent supply, (3) establishment of a Groundwater Sustainability Agency (GSA) and its development and implementation of a Groundwater Sustainability Plan (GSP) to ensure the long term health of the Montecito Groundwater Basin, (4) an extensive infrastructure replacement program to improve resilience and increase the longevity of District assets, and (5) continued implementation of the 2022 *Water Use Efficiency Plan*, including a Smart Metering Program, conservation rebates, and parcel water budgets, targeting efficient and responsible water use and the avoidance of water waste.

FORM OF GOVERNMENT

Montecito Water District (District) is an Independent Special District. It is a local, nonprofit, government agency overseen by an elected Board of Directors. Since 1921, the District has reliably delivered safe drinking water supplies to residents of the Montecito and Summerland communities. The District currently serves an estimated population of approximately 13,300,

which includes transient populations such as college students, service industry professionals, and those whose residence in Montecito or Summerland is considered a second home.

The District was incorporated on November 10, 1921, as Montecito County Water District under the provisions of Chapter 387, Statutes of 1913 of the State of California. The 1913 Act was superseded by the present County Water District Act found in Division 12 of the State of California Water Code. Montecito County Water District changed its name to "Montecito Water District" in July 1979 pursuant to Section 31006 of the Water Code. The District was formed for the purpose of furnishing potable water within its service area. In 1995, the Summerland County Water District, contiguous with the Montecito Water District service boundary, merged with the Montecito Water District.

AUTHORITY

The District is a County Water District organized and existing under the laws of the State of California, including the County Water District Act found in Division 12 of the State of California Water Code (*Division 12 added by Stats. 1949, Ch. 274*).

MISSION & VISION STATEMENTS

The mission of Montecito Water District is to *provide an adequate and reliable supply of high-quality water to the residents of Montecito and Summerland at the most reasonable cost. In carrying out this mission, the District places particular emphasis on providing outstanding customer service, conducting its operations in an environmentally sensitive manner, and working cooperatively with other agencies.*

The District's vision is to *ensure long term sustainability through further development of local water resources and to be recognized in the community for our transparency, integrity, and dedication to providing high-quality drinking water to our customers.* (District 2022 5-Year Strategic Plan)

GOVERNANCE

The District is governed by a five-member Board of Directors (Board) elected to four-year terms by registered voters residing within the District's service area boundary. The Board is responsible for setting District policy. Policies include water supply policy, financial planning, infrastructure investment, and adoption of water fees, rates and charges. The Board participates in monthly Board and Committee meetings including meetings of various joint power agencies and professional organizations, in which the District is affiliated. All Board meetings are open to the public and conducted in accordance with the Ralph M. Brown Act. Schedules and agendas are available at the District office, and on its web site, www.montecitowater.com.

Public elections are held every two years with staggered terms to ensure continuity. Terms begin and end in December of the applicable year. Board members also provide representation to affiliated agencies including joint power agencies and professional organizations.

BOARD OF DIRECTORS



Ken Coates, President

Term Expires: 12/2026

Committees Served:

- Strategic Planning Committee
- Operations & Customer Relations Committee (Alternate)
- Central Coast Water Authority (CCWA)
- Alternate Representative to California Special Districts Association (SBCSDA)



Brian Goebel, Vice President

Term Expires: 12/2026

Committees Served:

- Operations & Customer Relations Committee
- Finance Committee (Alternate)
- Alternate Representative to Cachuma Conservation and Release Board (CCRB)



Cori Hayman, Director

Term Expires: 12/2026

Committees Served:

- Finance Committee
- Representative to Cachuma Operations and Maintenance Board (COMB)
- Alternate Representative to CalDesal



Tobe Plough, Director

Term Expires: 12/2028

Committees Served:

- Finance Committee
- Strategic Planning Committee
- Representative to Cachuma Conservation Release Board (CCRB)
- Alternate Representative to Cachuma Operation and Maintenance Board (COMB)
- Alternate Representative to Central Coast Water Authority (CCWA)
- Alternate Representative to Association of California Water Agencies (ACWA-JPIA)



Floyd E. Wicks, Director

Term Expires: 12/2028

Committees Served:

- Operations & Customer Relations Committee
- Strategic Planning Committee (Alternate)
- Representative to Association of California Water Agencies (ACWA-JPIA)
- Representative to California Special Districts Association (SBCSDA)
- Representative to CalDesal

SERVICE AREA AND SOCIOECONOMICS

The District is located in the southern coastal portion of Santa Barbara County and provides service to approximately 9,888 acres (15.5 square miles) bounded by the Santa Ynez Mountains coastal range and the Pacific Ocean to the north and south and the City of Santa Barbara and the Carpinteria Valley to the west and east.

The District serves the unincorporated and affluent communities of Montecito and Summerland, a small portion of the Carpinteria Valley on its eastern boundary, and a small portion of the City of Santa Barbara on its western boundary. The service area is a coastal community in California and is primarily residential, consisting of estates on larger lots with expansive landscapes, and includes limited institutional (e.g. golf courses, college) and commercial uses, and retains small areas of agricultural land and open space. Residency in these communities often serves as a second home or a vacation home and/or involves onsite service staff and caretakers. According to the most recent Census data, the median household income is \$222,966, with an average of 2.29 persons per household, a homeownership rate of 73.6%, and a median value of owner-occupied housing of \$2,000,000+. The District's service area is shown in Figure 2-1.

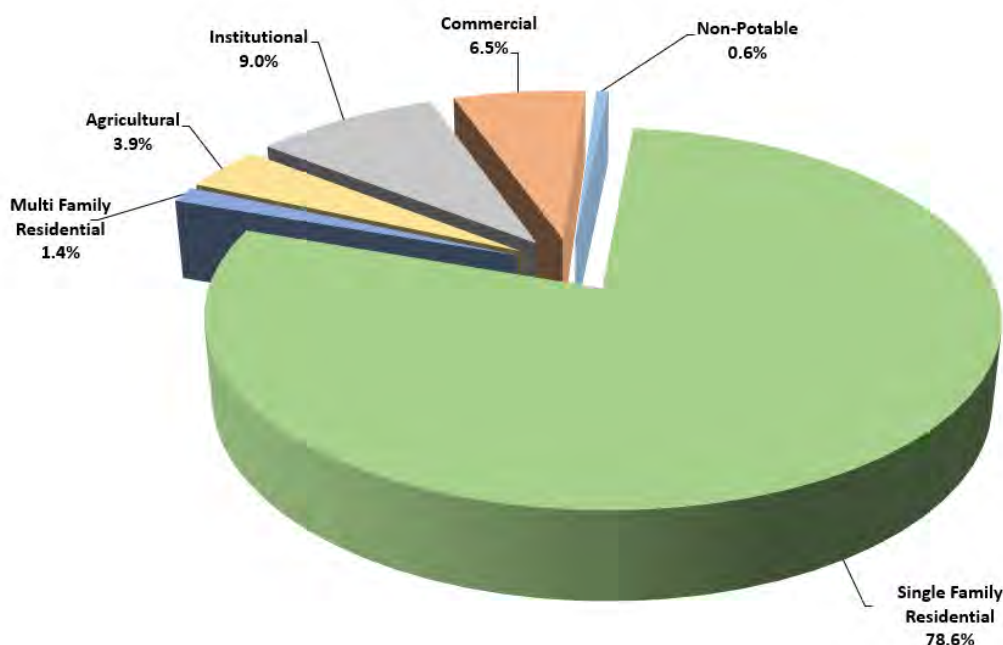
Figure 2-1: District Service Area



Approximately 4,660 residential, commercial, institutional, and agricultural service connections are served by the District. About 93% of the District's total service connections are low density residential housing, with commercial/institutional and agriculture making up approximately 6% and 1% respectively. Water consumption or sales can vary significantly depending on annual rainfall and averages about 4,000 acre-feet per year. Water sales are based on the actual quantity of water delivered through a District issued water meter, measured in increments of one hundred cubic feet (HCF). One HCF equals 748 gallons.

Figure 2-2 depicts average consumption by customer class, with residential customers consuming about 80% of the total water supplied. Most of the water used in the community, estimated between 75% and 85%, is used outdoors for irrigation of landscapes.

Figure 2-2: Average Consumption by Customer Class



District terrain is relatively steep, varying in elevation from sea level to 1,800 feet in the coastal foothills in the northern part of the service area. The water system is primarily gravity-fed from a series of reservoirs with numerous pressure zones, controlled by pumps and pressure regulating stations, with water delivered directly from Jameson Lake, Doulton Tunnel, and groundwater wells. Cachuma Project, State Water Project, supplemental water if needed, and ocean desalinated water from the City of Santa Barbara are delivered through turnouts along the Cachuma Project South Coast Conduit (SCC) and subsequently pumped to District storage reservoirs.

The local climate is generally characterized as Mediterranean coastal with mild, dry summers and cool winters. High temperatures average about 80 degrees while low temperatures rarely fall below 40 degrees. The area is semi-arid with average rainfall of approximately 19 inches per year, primarily occurring between November and March.



The major activities of the District encompass acquisition, treatment, and delivery of water from multiple sources including oceanwater desalination from the City of Santa Barbara, surface water from Jameson Lake, Cachuma Project, State Water Project, and groundwater from Doulton Tunnel and the Montecito Groundwater Basin.

ORGANIZATIONAL STRUCTURE

Pursuant to the Water Code, Sections 30540, 30580 and 30581, management of the District is delegated to the General Manager, who reports directly to the Board. General Counsel and the District's Auditors also report directly to the Board.

The General Manager oversees day-to-day operations. Four departments report to the General Manager: Water Treatment, Distribution, Engineering, and Administrative (including Business).

The Treatment Department is responsible for the operation and maintenance of groundwater wells and associated treatment facilities, pump stations, one surface water reservoir and dam, nine water storage reservoirs (or tanks), and two potable water treatment facilities.

The Distribution Department is responsible for the operation and maintenance of more than 114 miles of water distribution mains, isolation valves, pressure regulators and approximately 4,660 service connections.

The Engineering Department is responsible for planning, organizing, managing, and providing administrative direction and oversight for all functions and activities related to the District's water supply infrastructure.

The Business Department is responsible for the District's accounting, customer service, information systems, personnel functions, and financial reporting.

MANAGEMENT



Nick Turner
General
Manager &
Board Secretary

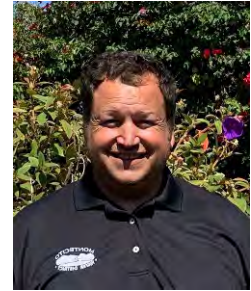


Adam Kanold
Assistant
General
Manager &
Engineering

(Vacant)
Business Manager



**Chad
Hurshman**
Treatment &
Production
Superintendent



Richie Romero
Distribution
Superintendent

Management oversees a staff of 28 full-time employees, including engineers, certified water treatment and distribution system operators, water conservation experts, and communications, finance, and administrative staff. The District's organizational chart is provided in Figure 2-3.

Figure 2-3: Organizational Chart



STRATEGIC PLANNING



**PLANNING FOR THE
NEXT 100 YEARS**

MONTECITO
WATER DISTRICT
100
RELIABLE SINCE 1921

Jarical Dam construction

Foundation
Vision, Mission, Values

Challenges

Strategy

Goals

SECTION 3: STRATEGIC PLANNING

PLANNING FOR THE FUTURE

Long term planning is crucial for ensuring a sustainable and reliable water supply, managing water resources effectively, adapting to a changing climatic and responding to increasing regulatory and environmental restrictions. The District places significant focus on strategic planning and as a result is well positioned to ensure a future of ongoing dependability and resilience. The District maintains numerous long-range plans including the following:

- 2020 5-year Urban Water Management Plan
- 2022 Water Use Efficiency Plan
- 2022 5-year Strategic Plan
- 2024 5-year Water Rate Study
- 2024 Asset Management Plan
- 2024 Climate Action and Adaptation Plan

Strategic planning provides the essential framework for performance measures by defining the District's overall mission, vision, objectives, and goals. It serves as a roadmap, setting the direction and benchmarks for success and guiding the allocation of resources. Strategic planning informs the selection of key performance measures and other metrics that directly reflect progress towards strategic goals. Regular monitoring and measurement against these strategically informed measures ensures that the District remains focused and on course, allowing for adjustments as needed.

2022 5-YEAR STRATEGIC PLAN

In March 2022, the District finalized its first 5-year Strategic Plan outlining the actions it intends to take through 2027 to ensure it continues to achieve its mission and vision over the next century.

The plan identifies strategic goals and objectives to be pursued over the next 5 years in support of the District's mission to provide an adequate and reliable supply of high-quality water to the residents of Montecito and Summerland, at the most reasonable cost. Through numerous public workshops, priorities, goals and specific initiatives were identified to address various anticipated future challenges including a projected water shortage, aging



infrastructure/facilities and workforce, the need for employee development, impacts of water policy, efficient management of water supplies and implementation of water reuse.

THE DISTRICT'S OBJECTIVES

The objectives of the District over the next five years are to:

1. Bolster water supply reliability through additional diversification.
2. Enhance infrastructure dependability through enhanced replacement/rehabilitation.
3. Achieve operational excellence through improved planning and investment in qualified personnel.
4. Be included in the development of water policy at all levels to ensure representation of the community's unique needs by continued involvement with community organizations and joint agency ventures.

2024 WATER RATE STUDY

The District engaged Raftelis, a local government and utilities consultant, in late 2023 to complete a Water Cost Rate Study. This rate study came one year earlier than planned due to the impacts that extraordinary inflation has had on cash flow and debt coverage over the last several years. The study consisted of reviewing the District's long-range financial plan, developing a cost-of-service analysis, and designing and calculating water rates for the study period.

The study encompasses a five-year financial planning period from Fiscal Year (FY) ending June 30, 2025, to FY 28-29 and five years of proposed rates for adoption beginning July 2024 and in July of every year thereafter. The proposed rates were adopted by the Board of Directors on June 25, 2024, and are provided in Figure 3-1. The complete *2024 Water Rate Study* is available on the District's website, www.montecitowater.com.

Figure 3-1: Water Rates (\$/HCF) Adopted June 2024

Water Usage	Monthly					
Rates (\$/HCF)	Tiers (HCF)	FY 24-25	FY 25-26	FY 26-27	FY 27-28	FY 28-29
Residential						
Tier 1	0-9	\$ 6.09	\$ 6.45	\$ 6.83	\$ 7.23	\$ 7.65
Tier 2	10-35	\$ 13.01	\$ 13.76	\$ 14.56	\$ 15.40	\$ 16.29
Tier 3	35+	\$ 15.38	\$ 16.27	\$ 17.21	\$ 18.20	\$ 19.25
Commercial		\$ 11.15	\$ 11.80	\$ 12.48	\$ 13.20	\$ 13.96
Institutional		\$ 11.76	\$ 12.44	\$ 13.16	\$ 13.92	\$ 14.73
Agriculture		\$ 5.46	\$ 5.78	\$ 6.12	\$ 6.48	\$ 6.86
Non-Potable		\$ 2.00	\$ 2.12	\$ 2.25	\$ 2.38	\$ 2.52

Raftelis collaborated closely with the District's staff and Board of Directors to design and derive rates that meet the District's policy objectives.

The main objectives that informed the study include:

1. Adequately recovering all cost requirements to maintain the District's financial sufficiency.
2. Maintaining compliance with coverage requirements for all existing and planned debt.
3. Minimizing rate impacts to customers while maintaining adequate reserves for all years of the study.
4. Fairly and equitably allocating costs between customer classes.
5. Developing a rate structure that is defensible, promotes the efficient use of water, and is easy for customers to understand.
6. Confirming that the proposed rates developed within the study are fair and equitable and compliant with Proposition 218.

In preparation for the planned annual rate adjustments, the District plans to continue to engage Raftelis to prepare an updated five-year financial plan to ensure the approved rate increases remain necessary. For FY 25-26, the financial plan update was prepared by Raftelis in April 2025 and presented to the Board on May 27, 2025. The updated financial Plan demonstrated that the second annual rate increase of 5.75%, scheduled to become effective on July 1, 2025, is necessary to comply with debt coverage requirements, to maintain Board allocated reserves and to maintain cash on hand over a ten-year horizon.

2020 URBAN WATER MANAGEMENT PLAN

The Urban Water Management Act (Act) became part of the California Water Code (CWC) with the passage of Assembly Bill 797 during the 1983-1984 regular session of the California Legislature. The CWC requires every urban water supplier providing water for municipal purposes, either directly or indirectly to more than 3,000 customers, or supplying more than 3,000 acre-feet of water annually (AFY), to adopt and submit an Urban Water Management Plan (UWMP) every five years to the California Department of Water Resources (DWR). The specific planning requirements are in the CWC Division 6, Part 2.6 Urban Water Management Planning.

Subsequent legislation has been passed that updates and provides for additional requirements for UWMPs and water management. Senate Bill X7-7 Water Conservation, known as 20x2020, required the State to achieve a 20% reduction in urban per capita water use by December 31, 2020. Reporting of 20x2020 compliance is incorporated into the 2020 UWMP requirements. Senate Bill 606 and Assembly Bill 1668 establish a new framework for long-term improvements in urban water use efficiency and drought planning. Urban retail water suppliers are required to

calculate an Urban Water Use Objective (UWUO), assess whether their actual water use met the UWUO, and report the outcome and supporting information in their Annual Water Use Report to the DWR by January 1 of each year, starting in 2024.

The core requirements for the UWMP include a description of the water service area, a description of the existing and planned supply sources, estimates of past, present, and projected water use, 20x2020 analysis and target compliance, a description of water conservation Demand Management Measures (DMMs) already in place and planned, and other conservation measures, a 5-Year Drought Risk Assessment, and a Water Shortage Contingency Plan.

The District's 2020 UWMP demonstrated full compliance with the targeted 20% reduction in per-capita (per-person) urban water consumption in 2020. The Plan anticipates a reliable source of supply to meet expected demands under various circumstances for the foreseeable future. Under normal conditions, the District projects a need for approximately 5,000 acre-feet (AF) to meet expected demands in 2040. To meet this demand, the District has developed new reliable supplies, including a desalinated water purchase agreement with the City of Santa Barbara and a contract for long-term water storage at Semitropic Groundwater Banking and Exchange Program (Semitropic). These newly obtained supplies have made the District less reliant on imported water and rainfall-dependent sources of supply.

The District anticipates full compliance with its newly mandated UWUO, which limits urban consumption for residential, commercial and institutional customer classes. The FY2024 UWUO for these categories of water use was 3,940-acre feet. The FY2024 District usage for these categories was 2,629-acre feet. The resulting difference between actual use in FY2024 and the UWUO was 1,311-acre feet.

2022 WATER USE EFFICIENCY PLAN

The District has taken significant actions to counter the impact of droughts including securing groundwater banking, implementing local groundwater management, and acquiring ocean desalination as a new non-rainfall-dependent water source. Equally critical is the management of customer water use, also known as demand management, to ensure water use remains efficient and not wasteful. Water conserved or not wasted is water available for future use, improving future water security.

The District has historically taken steps to achieve water conservation such as performing free onsite water conservation audits, participating in the County of Santa Barbara's Regional Water Efficiency Program (RWEF), and performing public outreach. In 2022, the District took its management of customer water use to a new level with the development and implementation of a *Water Use Efficiency Plan*. This long-term plan targets changing the way customers view water use, consistent with the State's goal of *Making Conservation a Way of Life*. The plan encompasses water use efficiency goals, forecasted budget spending for water use efficiency programs such as rebates, analyses of demand forecasts, and the identification of new actions and associated water savings. The plan supports the District's efforts to comply with the States UWUO regulations.

In addition to other Plan initiatives, in March 2025, the District implemented parcel water budgets. A parcel water budget is a property-specific determination of the total water required for efficient use indoors and outdoors and serves as a tool to guide customers in conservation while maintaining landscaping and the garden-like atmosphere of the community. This tool, coupled with the Smart Metering Program, water conservation rebates, and ongoing public outreach are helping customers target efficient water use and avoid water waste.



2024 ASSET MANAGEMENT PLAN

In mid-2024, the District finalized the development of an Asset Management Plan. The purpose of this plan is to effectively record the assets managed by the District, document their condition throughout their lifecycles, and predict asset replacements to most effectively maintain the lowest overall lifecycle cost. The plan optimizes the rehabilitation, repair, and replacement of District assets and assists with prioritizing capital improvements and annual maintenance. The plan includes asset management software that is updated as infrastructure is maintained, rehabilitated and replaced and used for long range financial planning.

The plan found the majority of District assets to be in good to excellent condition. For those assets in a poorer condition, the plan prioritizes projects and funding requirements to ensure the best use of District funds over the planning period. The plan calculates a 50-year average spending requirement of \$5.1M per year. This spending requirement has been incorporated into the District's 10-year capital improvement program, *2024 Water Rate Study*, and this FY 25-26 Budget.



2024 CLIMATE ACTION & ADAPTATION PLAN

In alignment with District's 2022 5-year Strategic Plan and recognizing the risks climate change could pose to its mission, the District prepared a Climate Action and Adaptation Plan (CAAP) in late 2024. The CAAP is a long-range planning document that identifies and addresses the factors that contribute to climate change and evaluates and addresses vulnerabilities by adapting operations and infrastructure to reduce risks associated with climate hazards. The CAAP is intended to align with the District's long-term climate strategies included in the *2020 Urban Water Management Plan*, *2021 Risk and Resilience Assessment*, *2022 5-Year Strategic Plan*, and *2023 Local Hazard Mitigation Plan* while providing a roadmap of specific strategies and actions to implement over time in a financially responsible manner. Development of a CAAP is a critical step in identifying the actions and implementation strategy for the District to ensure climate resilient water sources and operations, and to reduce operational GHG emissions for the future. The CAAP provided specific measures (projects) to improve resilience to climate change. Those projects are reviewed annually and incorporated into the annual budgeting process as necessary.

Page left intentionally blank.

WATER OPERATIONS



SECTION 4: WATER SUPPLY SOURCES, AGREEMENTS AND INFRASTRUCTURE

WATER SUPPLY

The District has a diverse water supply portfolio consisting of a variety of local, regional, and imported water supplies. Actual water availability varies from year to year based on weather conditions, environmental, hydrological, and regulatory constraints and is subject to hydraulic constraints. All water supplies are secured through collaborative agreements with Federal, State, and local partners or are owned by the District.

The District's foundational water resource management documents, which include the *Urban Water Management Plan* (UWMP) and the *Future Demand and Water Supply Options Analysis*, were last updated in mid-2021 and early 2025, respectively. The GSP for the Montecito Groundwater Basin was adopted by the Montecito Groundwater Basin Groundwater Sustainability Agency on May 19, 2023, and approved by the DWR in February 2025.

State-mandated urban water use regulations are outlined in Senate Bill X7-7, and more recently in Senate Bill 606 and Assembly Bill 1668. Senate Bill X7-7 targeted a 20% reduction in urban water use by 2020, limiting the District's maximum annual urban water use to approximately 4,800 acre-feet (AF), which includes agricultural deliveries and unaccounted-for water. On June 22, 2021, the District adopted its 2020 UWMP, which demonstrated full compliance with Senate Bill X7-7. Senate Bill 606 and Assembly Bill 1668 established a new framework for long-term improvements in urban water use efficiency and drought planning. Urban retail water suppliers are required to calculate an Urban Water Use Objective (UWUO), assess whether their actual water use met the UWUO, and report the outcome and supporting information in their Annual Water Use Report to the DWR by January 1 of each year, starting in 2024. The UWUO is based on an aggregate estimate of efficient urban water use for the previous year based on the adopted urban water use efficiency standards and local service area characteristics for that year.

The District's FY 25-26 budget reflects an anticipated annual water production of approximately 4,300 AF, which equates to approximately 4,000 AF in sales, consistent with the five-year average water sales (2020-2024 Calendar Year). This projection is based on historical customer usage trends and increased water availability but is highly variable depending on customer water use behaviors and hydrologic conditions both locally and statewide.

DESALINATION

Pursuant to a long-term Water Supply Agreement (WSA) between the District and the City of Santa Barbara, the District receives 1,430 AF annually supported by the City's desalination facility.

The September 2020 agreement guarantees the District approximately 117 AF of water monthly for a term of 50 years irrespective of hydrologic conditions. Water deliveries began on January 1, 2022, and serve as the District's base supply. Deliveries are made through the District's various turnouts on the Cachuma Project South Coast Conduit (SCC). Approximately 35% of the District's annual water supply needs are met with this local reliable water supply.



JAMESON LAKE

Jameson Lake is a District-owned surface water reservoir on the upper Santa Ynez River. Ownership and diversion rights were transferred from the City of Santa Barbara to the District in 1928 pursuant to the 1928 Juncal Dam Transfer Agreement. During normal conditions, annual diversions from Jameson Lake average about 1,500 AFY and are limited to a maximum of 2,000 AFY in accordance with the 1933 Gin Chow decision by the California Supreme Court. During average conditions, approximately 30% of the District's annual water supply needs are met with this regional surface water supply.



The current total storage capacity is approximately 4,587 AF, 66% of the original capacity of nearly 7,000 AF. Despite receiving minimal inflow this past winter, as of June 2025 Jameson Lake is at 98% of current full storage capacity. This is primarily attributable to significant inflows during the prior to winters, filling and spilling the reservoir on January 9, 2023, and December 21, 2023.

The Modified Operational Rule Curve for the reservoir, updated as part of the 2020 *Future Water Demands & Water Supply Options Analysis*, recommends maximum annual diversion based on the current lake level. Deliveries from Jameson Lake are expected to provide approximately 1,100 AF of water in FY 25-26.

DOULTON TUNNEL

A 2.3-mile-long tunnel through the Santa Ynez Mountains connecting Jameson Lake and the District's service area, the Doulton Tunnel serves as a conduit for Jameson Lake deliveries and acts as a horizontal well collection tunnel for intrusion water or groundwater. This water is collected and conveyed, along with water delivered from Jameson Lake to the District for treatment.



Annual intrusion has historically varied widely depending on hydrology and can range from above 1,000 AFY to the low hundreds. Due to below average rainfall conditions during the 2024-25 winter and assuming an average 2025-26 winter, deliveries from Doulton Tunnel are projected to average approximately 250 AF for FY 25-26.

CACHUMA PROJECT

The Cachuma Project (Lake Cachuma) has historically been used to meet approximately 40% of annual demand under normal conditions. In accordance with water supply agreements with United States Bureau of Reclamation (USBR), Santa Barbara County Water Agency (SBCWA) and the Cachuma Member Units (CMUs), the District is entitled to 2,651 AF of Cachuma supplies annually under normal



conditions. The USBR owns the Cachuma Project and is responsible for the operations of Bradbury Dam. The Cachuma Operation and Maintenance Board (COMB), a Joint Powers Authority of which the District is a member, is responsible for the operations and maintenance of the balance of the Cachuma Project facilities, including the Tecolote Tunnel, the South Coast Conduit (SCC), and regulating reservoirs and appurtenances. COMB delivers water to the CMUs on the south coast, including the District and maintains project infrastructure to ensure ongoing sustainability of the Cachuma Project.

Over the last decade, availability of water from the Cachuma Project has varied widely due to extreme weather swings, in some years providing a 0% allocation and in others providing a 100% allocation. The Cachuma Project received minimal to no inflow this past winter due to below average rainfall conditions. Despite these conditions, the Cachuma Project remains relatively full at about 85% of full storage capacity. The USBR issued a 100% Cachuma Project allocation for Water Year 2025, which began October 1, 2024, equating to 2,651 AF. Due to the full lake level,

the Water Year 2026 and 2027 allocations are expected to be 100%. Cachuma Project supplies not used in the water year allocated become carryover water and are stored in the Lake until used or lost to spill. The District anticipates utilizing about 1,100 AF of Cachuma supplies in FY 25-26.

GROUNDWATER

The Montecito Groundwater Basin is a locally controlled and reliable water source for the District. Since 2018, management of the Montecito Groundwater Basin (Basin) is the responsibility of the Montecito Groundwater Basin Groundwater Sustainability Agency (GSA) and in accordance with the 2014 Sustainable Groundwater Management Act (SGMA). The District formed the GSA in 2018 as a single agency GSA and was tasked with developing a Groundwater Sustainability Plan (GSP) for the Basin by 2024. The GSP for the Montecito Groundwater Basin was adopted by the GSA on May 19, 2023, and subsequently approved by DWR in February 2025.

The District has twelve active groundwater wells, six potable and six non-potable. Diversions from the Basin have historically ranged from 5% to 15% of the District's annual water supply depending on hydrologic conditions. The basin reached a historic low level in 2016 following four consecutive years of drought conditions but continues to recover following the 2022-23 and 2023-24 wet winters locally. Extractions from the basin in FY 25-26 are expected to be about 300 AF.

STATE WATER PROJECT (AND SUPPLEMENTAL WATER)

The District participates in the State Water Project (SWP) through the Central Coast Water Authority (CCWA), a Joint Powers Authority with responsibility for the ownership and operations of the treatment and distribution of SWP supplies in Santa Barbara and San Luis Obispo Counties. In accordance with water supply agreements between DWR, Santa Barbara County Flood



Control and Water Conservation District and the District, the District is entitled to 3,300 AF of SWP Table A supplies annually under normal hydrologic conditions. SWP water provides the District with a drought buffer which is used to offset reductions in local and regional surface water supplies. The availability of SWP water varies year-to-year based on hydrologic condition primarily in northern and central California, and other environmental and regulatory restrictions. The District stores undelivered portions of its annual entitlement either in the SWP System, Cachuma Project or in Semitropic.

SWP and supplemental water deliveries are limited due to a capacity limitation in infrastructure used for delivery to the Cachuma Project. The District's annual deliveries utilizing these facilities vary depending on the delivery point at Cachuma Project, up to a maximum of about 3,800 AF per year. Additional capacity may be available depending on other South Coast agencies' use of the pumping and transmission facilities. The District projects no SWP deliveries to the Cachuma Project in FY 25-26 due to the availability of local surface water supplies including Cachuma and Jameson Lakes.

In May 2024, the District secured a five-year agreement with Homer LLC for the transfer (or sale) of surplus SWP water to help offset the cost of local reliable water supplies, including ocean desalination, and to avoid the physical loss of SWP supplies to events such as paper spills during wet conditions. The water transfer arrangement involves the District annually determining the quantity of SWP water that is surplus to its needs, if any; Homer is then obligated to purchase that water at a predetermined price. Through the CCWA, the District anticipates having acquired a multi-year transfer agreement between DWR, the Santa Barbara County Flood Control and Water Conservation District or CCWA, and the Kern County Water Agency, of which Homer is represented, complete in early FY 25-26 enabling the District's transfer of 1,000 AF of its surplus 2025 SWP Table A water to Homer. Should challenges occur preventing the execution of the multi-year transfer agreement prior to September 30, the District may choose to store this water in Semitropic or transfer it to another SWP participant.

All remaining 2025 SWP Table A supplies available to the District in 2025, approximately 600 AF, will be used to satisfy the District's obligation under the Santa Ynez River/State Water Project Exchange Agreement (Exchange Agreement) dated February 1, 1993.

When needed, the District purchases supplemental water through the Central Coast Water Authority's (CCWA) Supplemental Water Purchase Program. Between 2014 and 2022, the District purchased 17,806 AF of supplemental water. The District does not anticipate a need to acquire supplemental water through FY 27-28.

TREATMENT, STORAGE & DELIVERY FACILITIES

The District's water supply treatment, storage and distribution system is comprised of two water treatment plants, Bella Vista and Doulton, nine potable water reservoirs totaling 11.56 million gallons (MG), over 114 miles of pipeline, 12 active groundwater wells, and 9 pump stations. All District water is treated by the District or the City of Santa Barbara to meet all federal and state

drinking water standards. All water delivered from Lake Cachuma, whether SWP, supplemental, and/or Cachuma Project water, is treated at the City of Santa Barbara's regional Cater Water Treatment Plant and subsequently delivered to the District through nine metered turnouts on the SCC.

The District's Bella Vista Treatment plant is a 2.2 MG per day (6.7 AF per day) treatment facility that is used to treat water received from Jameson Lake and Doulton Tunnel. The Bella Vista Treatment Plant went into service in 1994 and provides approximately 30% of the District's potable water supply during average water supply conditions.



Doulton Treatment Plant, a secondary 0.15 MG per day (0.46 AF per day) treatment facility is located in the upper reaches of Toro Canyon on the easterly side of Montecito. The Doulton Treatment Plant also went into service in 1994 and treats the same water supply as Bella Vista Treatment Plant. This treatment plant is used to deliver treated water to a small, isolated portion of the District's service area located on upper Toro Canyon Road.

District groundwater production includes six potable groundwater wells capable of producing up to approximately 75 AF per month. Each potable groundwater well has well head treatment which includes disinfection, and some include filtration of iron and manganese.

JOINT POWERS AUTHORITIES

The District is a member of Joint Power Authorities (JPAs) for the purchase, management, treatment and delivery of water. These JPAs include the Cachuma Operations & Maintenance Board (COMB), Cachuma Conservation & Release Board (CCRB), Cater Treatment Plant (Cater), and Central Coast Water Authority (CCWA). Additionally, the JPA category of expenditures includes the Water Supply Agreement (WSA) with the City of Santa Barbara and groundwater banking with Semitropic. Budget items associated with JPAs are determined and controlled by the individual JPAs pursuant to agreements.

CACHUMA OPERATION AND MAINTENANCE BOARD

The Cachuma Operation and Maintenance Board (COMB) is a Joint Powers Agency formed in 1956 pursuant to an agreement with the United States Bureau of Reclamation (USBR). The agreement transferred to COMB the responsibility to operate, repair and maintain all Cachuma Project facilities, except Bradbury Dam, which the USBR continues to operate. COMB is responsible for diversion of water to the South Coast through the Tecolote Tunnel, and the operation and maintenance of the South Coast Conduit (SCC) pipeline, flow control valves, meters, and instrumentation at control stations and turnouts along the SCC and at four regulating reservoirs. COMB's member agencies (Cachuma Member Units) include the City of Santa Barbara, Goleta Water District, Montecito Water District, Carpinteria Valley Water District, and, formerly, Santa Ynez River Water Conservation District-Improvement District No. 1 (SYRWCD ID#1). COMB's Board of Directors is made up of elected representatives from each of its member agencies.



The District's percentage of participation for this JPA is 11.50%. This provides for the payment of the operation and maintenance of the Cachuma Project, excluding Bradbury Dam, and related south coast facilities including the Tecolote Tunnel, the SCC water transmission facilities and the COMB managing office and maintenance facility. The budget also covers fish passage obligations in the Santa Ynez River and its tributaries located downstream of Bradbury Dam at Lake Cachuma.

The JPA expense identified as USBR in the COMB budget is the District's proportionate share of costs stipulated in the September 12, 1949, agreement between the United States Department of the Interior, Bureau of Reclamation (USBR) and the Santa Barbara County Water Agency (SBCWA) for the Cachuma Project construction. The District entered into a separate agreement with the County to purchase water from the Cachuma Project. The 1995 Cachuma Project contract with USBR expired in September 2020. USBR and SBCWA have entered into several three-year interim contracts to allow additional time for the contract renewal process between USBR, the SBCWA and CMUs.

CACHUMA CONSERVATION RELEASE BOARD

The Cachuma Conservation Release Board (CCRB) is a Joint Powers Agency formed in January 1973 between Montecito Water District (MWD), Carpinteria Valley Water District (CVWD), Goleta Water District (GWD), and the City of Santa Barbara (City). CCRB was established to jointly represent the water agencies in protecting the Cachuma Project water rights and interests. In 2011, CVWD withdrew from CCRB, increasing the percentage of participation for the remaining

member agencies. The District's current percentage of expenses for CCRB is 13.09%. CCRB's Board of Directors is made up of an elected representative from each of the three remaining member agencies.

The withdrawal of CVWD from CCRB in 2011 also caused a fundamental change in the organization's purpose to focus its activities on water rights advocacy and the Cachuma Project Biological Opinion (BO) Re-consultation and State Water Resources Control Board (SWRCB) Water Rights Orders. All extraneous CCRB programs, not having to do with water rights, including fish passage projects and related studies of the Santa Ynez River and its tributaries, were transferred to COMB.

CCRB does not have any contractual water rights. The actual Cachuma Project water rights are held by USBR. The water rights orders issued by the SWRCB include provisions protecting the Santa Ynez River water interests and rights of certain parties located downstream of the Cachuma Project. In 1990 the SWRCB added additional provisions that now require the release of Cachuma Project water into the lower Santa Ynez River for fish restoration purposes. The Lower Santa Ynez River Fish Management Plan (FMP) is a comprehensive plan to provide fish passage and management strategies to protect, restore and create new habitat for the spawning and rearing of endangered steelhead.

Currently the National Marine Fisheries Service (NMFS) and USBR are in re-consultation over the Cachuma Project, and detailed studies and reports are being compiled to ascertain the status of fish passage and restoration activities funded by CCRB. Re-consultation is a process that results in the development of a Biological Opinion (BO). The new BO could adversely affect the Cachuma Project water supply by requiring more releases of water from the Cachuma Project for fish passage purposes.

Additionally, CCRB assists USBR with the preparation of certain biological and hydrologic plans in response to the State Water Resources Control Board's (SWRCB) Order 2019-0148, issued September 17, 2019. The intent of these plans is to address the effects of the SWRCB's Order 2019-0148 water flow regime on the Lower Santa Ynez River, which will ultimately have an impact on releases of water from the Cachuma Project.

CENTRAL COAST WATER AUTHORITY

On June 4, 1991, District voters approved participation in the California State Water Project (SWP) allowing the District to participate in the formation of the Central Coast Water Authority (CCWA). The CCWA was formed on August 1, 1991, as a JPA under Government Code Section 6500, Article 1, Chapter 5, Division 7, Title 1 providing for a total of 45,486 AF of SWP Table “A” and drought buffer water supplies to Santa Barbara County. The actual right to the 45,486 AF of State Water is held by the Santa Barbara County Flood Control and Water Conservation District, which acquired the SWP supply in 1963.



CCWA, by way of a transfer agreement, is the agency responsible for managing the financing, construction, operation and maintenance of the SWP facilities necessary for the delivery of SWP water and other supplemental supplies to the eight participating agencies, which includes the Cities of Buellton, Guadalupe, Santa Barbara and Santa Maria; Carpinteria Valley Water District; Goleta Water District; Montecito Water District and the Santa Ynez River Water Conservation District Improvement District #1. SWP Table A water is water made available to SWP contractors on a calendar year basis as established by the California Department of Water Resources (DWR). Annual Table A allocations vary from year to year depending upon hydrologic conditions, and environmental and regulatory restrictions and have ranged from 5% to 100% allocation. According to DWR, the long-range reliability of the SWP, excluding any potential delta conveyance project, is as low as 41%, but has averaged approximately 59% since deliveries to Santa Barbara County began in 1997.

The CCWA Board of Directors is made up of one representative from each participating entity. In general, votes on the Board are apportioned based on an allocated percentage of SWP Table A water under the governing rules and obligations of CCWA. The District has a voting percentage of 9.5% in CCWA.

CCWA water treatment and conveyance facilities include the 43 MGD Polonio Pass Water Treatment Plant, 143 miles of transmission pipelines, pump stations, five storage tanks, ten turnouts and the CCWA office and maintenance facility in Buellton, CA.



The District's SWP Table A entitlement is 3,300 AF, which includes a 300 AF drought buffer. For the 2025 calendar year, DWR issued an SWP Table A allocation of 50%, which for the District translates to 1,650 AF.

In June each year, the District is responsible for paying fixed capital cost components for its share of the construction loan costs for the pipeline and facilities built by the DWR. The District also pays a variable water treatment and delivery cost to DWR and CCWA for all SWP deliveries.

Each Santa Barbara County SWP participant, including the District, has entered into a Water Supply Agreement to provide for the development, financing, construction, operation and maintenance of the CCWA Project. The purpose of the Water Supply Agreement is to assist in carrying out the role of CCWA: (1) requiring CCWA to sell, and the SWP participants to buy, a specified amount of water from CCWA (take or pay); and (2) assigning the Santa Barbara County SWP contractors entitlement rights in the SWP to CCWA. Although the District has an ongoing financial responsibility pursuant to the Water Supply Agreement between the District and CCWA, the District does not have an equity interest as defined by GASB Code Sec. J50.105.

Each Santa Barbara County SWP participant is required to pay to CCWA an amount equal to its proportionate share of the "fixed project cost component" and certain other proportionate costs established in the Water Supply Agreement. These costs include the Santa Barbara County SWP participant's share of payments to the DWR under the State Water Supply Contract (including capital, operation, maintenance, power, and replacement costs of the DWR facilities) and all CCWA operating and administrative costs.

Each Santa Barbara County SWP participant is required to make payments under its Water Supply Agreement solely from the revenues of its water system. Each participant has agreed in its Water Supply Agreement to fix, prescribe, and collect rates and charges for its water system which will be at least sufficient to yield each fiscal year net revenues equal to 125% of the sum of (1) the payments required pursuant to the Water Supply Agreement, and (2) debt service on any existing participant obligation for which revenues are also pledged.

CATER TREATMENT PLANT

All water delivered from Lake Cachuma, which includes Cachuma Project, SWP and supplemental water, is treated at the City of Santa Barbara's Regional Cater Treatment Plant (Cater) located at the northerly terminus of San Roque Road in the City of Santa Barbara. The District entered into a JPA with the City of Santa Barbara and Carpinteria Valley Water District (CVWD) on July 5, 1978, followed by contract amendments for payment of the capital cost and debt service for treatment plant construction and all future capital improvements needed to maintain compliance with state and federal water quality standards. The District, CVWD and the City determined that the construction of a regional water treatment facility was the most efficient and cost-effective means to treat this water supply. Under the JPA, neither the District nor CVWD have ownership in Cater.



The District signed a subsequent agreement with the City of Santa Barbara, effective November 1, 2003, for participation in a California Drinking Water State Revolving Fund loan contract totaling \$19.2 million to fund improvements required at Cater. The District's proportionate share was 19.7% or about \$3.5 million to be financed over 20 years, with interest payable semi-annually at a rate of 2.5132% per annum. In December 2004, the Cater Water Treatment Plant project was completed. Interest and principal payments, totaling \$225,416 per year, began on July 1, 2005, and continued through FY 24-25 with the final payment submitted in May 2025. As of July 2025, the District's 2003 Cater improvement debt service obligations are fully satisfied.

The City entered into a \$20M Cater upgrade project, (Ozone Project) in 2011 to comply with regulations regarding post-treatment of total trihalomethanes levels which, at times, were at or in excess of the EPA Stage II disinfection byproducts rule maximum contaminant level. This project is financed by a 2.5% State Revolving Fund loan held by the City of Santa Barbara. The District and the City entered into a contribution agreement on June 28, 2011, where the District is invoiced by the City for its 24.63% share of costs. The District has no ownership of the Cater Ozone treatment facilities. Construction of the Ozone Project was completed in June 2013 with MWD's final cost obligation of \$4.3M. The District's payments for its share of debt service are \$276,346 per year through July 2035.

WSA WATER PURCHASE

WATER SUPPLY AGREEMENT FOR OCEAN DESALINATION

In September 2020, the District and the City of Santa Barbara (City) effectuated a 50-year Water Supply Agreement (WSA) whereby the City is obligated to supply, and the District is obligated to accept, 1,430 AF of water annually irrespective of hydrologic conditions. The WSA was pursued by the District because its current water supply sources are increasingly affected by changing regulations, environmental, and climatic challenges. The District's acquisition of this reliable water source is supported by its *Future Water Demand and Water Supply Options 2020 Update* analysis prepared by Dr. Steve Bachman in May 2020 indicating moderate to extensive shortages experienced under certain anticipated future conditions. Despite the District having a diverse water supply portfolio, history has demonstrated that its supplies are insufficient to meet customer needs during extended periods of below-normal rainfall and droughts, which are projected by experts to be of increased intensity, longer duration and more frequent in the future. This agreement provides the District with a new local water supply that is nearly 100% reliable and will help protect against ongoing and future droughts and climate change.



The water unit pricing is based on the financing and operational costs of the City's Charles E. Meyer Desalination Plant and, if/when expanded to 5,000 AFY capacity, the Conveyance Pipeline, including additional payments in consideration of the City's past investments and risks. The estimated unit cost of water in accordance with the WSA is \$3,194 per AF based on the current production capacity of the Desalination Plant. Desalination Plant financing and operational costs are the basis for the water unit pricing; it is the water produced by the Desalination Plant that creates the surplus water supply enabling the City to enter into the WSA. As the Desalination Plant increases in capacity, the District will benefit from economies of scale. The City has indicated it currently has no plans to expand the Desalination Plant. Although the water pricing is based on the Desalination Plant costs, the District has no ownership rights in the Desalination Plant or other City water facilities and does not have control over its operations. The City is required to maintain the Desalination Plant's ability to produce water, which, at a minimum, means that the Desalination Plant will be able to promptly resume operation in the event of a shut-down if resumption of operations is necessary to meet the City's delivery obligation under the WSA.

Based on WSA cost projections for FY 25-26, the WSA unit price for water has increased by about 14% over FY 24-25. The year-over-year increase in the cost of desalinated water is primarily

attributable to increased fixed costs associated with the Design Build Operate (DBO) contract between the City of Santa Barbara and IDE Americas, the contract operator. This increase was anticipated and is included in the *2024 Water Rate Study*.

WATER MARKETING & STORAGE

SEMITROPIC WATER BANKING AND EXCHANGE PROGRAM

The District participates in the Semitropic Groundwater Banking and Exchange Program (Semitropic). Often during average or wet conditions, the District stores its surplus SWP water in Semitropic, a groundwater banking program located in the Central Valley (Kern County) for future use during below average or dry conditions. Participation in this program provides a guaranteed right to withdraw or recover up to 1,500-acre feet per year of District-stored water and store up to 4,500-acre feet at any time. The District's contract with Semitropic allows for the storage of water in excess of the stored water right of 4,500-acre feet if Semitropic has available capacity within their groundwater banking program. As of June 2025, the District has in excess of 5,700 AF of water stored in Semitropic. Storing surplus SWP supplies in Semitropic bolsters the District's drought supplies and reduces the risk of loss of this water to spill conditions.

BUDGET OVERVIEW



SECTION 5: BUDGET OVERVIEW

UNDERSTANDING THE BUDGET & BUDGET PROCESS

THE BUDGET

This budget is a foundational financial document that projects revenues and expenses including debt obligation and capital project expenditures for FY 25-26. This FY 25-26 budget covers the period beginning July 1, 2025, and ending June 30, 2026.

The purpose of the budget plan is to match resources with the needs of the District. The budget provides for the general operation of the District for a one-year period.

PROCESS & SCHEDULE

The budget process for the District is designed to produce a document that (1) is a policy document providing the rationale for the budget, (2) a communication tool effectively conveying how the budget supports implementing short and long-range goals and strategies, (3) an operational guide representing the structure of operations and performance measures, (4) and a long-term financial plan to guide the District's allocation of resources.

Throughout the budget development process, the District's General Manager works closely with department managers to ensure the budget includes the financial resources required to achieve the District's strategic goals and objectives.

The Board of Directors publicly reviews and adopts the annual budget typically in June of each year for the upcoming fiscal year. The budget is adopted by resolution. The District then monitors and reports budgeted information to the Board of Directors on a monthly basis at regularly noticed public meetings.

The public meetings for development of the budget for FY 25-26 are detailed below:

- **May 19, 2025:** The Proposed FY 2026 Capital Improvement Projects were presented to the District's Strategic Planning Committee and committee feedback was incorporated.
- **May 20, 2025:** The Draft Budget was presented to the Agency's Finance Committee, and committee feedback was incorporated.
- **May 27, 2025:** A Budget Workshop with the Board was held. Following the workshop, Board input was incorporated.
- **June 24, 2025:** The FY 2026 Budget was considered by the Board and subsequently adopted via Resolution No. 2309.

All meetings of the Board of Directors of the District including standing committees are open to the public and compliant with the Ralph M. Brown Act. Public participation in meetings of the District, including those held specifically for the development of this budget, is encouraged. The public is notified of all public meetings in advance using the District's e-news list, its website and various regular publications including the local newspaper. Supporting information including draft budgets and presentations are available on the District's website ahead of all public meetings.

APPROVAL

The final annual budget is adopted by the Board of Directors via a resolution at its regular meeting scheduled for the fourth Thursday in June. District Resolution No. 2309 adopting a budget for FY 25-26 was approved by the Board of Directors on June 24, 2025.

AMENDMENTS

The District's Board may formally amend the budget after adoption.

Pursuant to the District's policy concerning the authorities of officers to execute contracts and instruments, the General Manager has the authority to enter into contracts and agreements for budgeted studies and projects and expend funds up to \$200,000. Expenditures in excess of \$200,000 require the approval of the Board. The General Manager may make emergency purchases and contract for work in excess of \$200,000, but emergency purchases require advance concurrence of the Board President and subsequently must be ratified by the Board at its next regular meeting. The Board ratifies all District disbursements at regular Board meetings.

MONITORING

The Board of Directors and management track and evaluate revenues and expenditures against the adopted budget to ensure the District is meeting its financial goals and using resources efficiently. Unaudited financial reporting is provided to the Board of Directors monthly at regularly scheduled public meetings.

BASIS OF BUDGET & ACCOUNTING

The District uses zero-based budgeting when developing its annual budget. This budgeting approach requires a thorough evaluation of all expenses planned during each budgeting period. zero-based budgeting is particularly important for the District because its costs associated with water supply, treatment, distribution, and capital improvements can fluctuate significantly from year to year based on various factors including hydrology. Developing a budget from the ground up is the best practice when adapting to changing conditions.

The District utilizes fund accounting and the accrual basis for budgeting purposes, and for accounting and financial reporting. The accrual method recognizes revenues and expenses in the period in which they are earned and incurred. The accrual method conforms with Generally Accepted Accounting Principles (GAAP) as applied to enterprise funds. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles.

FUNDS SUMMARY

The District's accounting is managed using fund accounting. Each fund is a self-balancing set of accounts established to record the financial position and results pertaining to a specific activity or agency. Funds may be created to track activity for specific grants, projects, or reserves. District funds are not subject to appropriation.

The District manages various funds to document expenditures related to water operations, groundwater management, capital improvements and reserves as further detailed below.

1. The District's day-to-day finance and accounting is managed using its **OPERATIONS FUND**. This method of reporting is used to account for operations that are financed and operated in a manner similar to a private business enterprise. The costs (including replacement of existing assets) of providing water and services to its customers on a continuing basis should be financed or recovered primarily through user charges, and the costs should be borne by the customers who are receiving the benefit of the assets. The Enterprise Fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. The Enterprise Fund manages the day-to-day Water operations, carries debt to fund Capital Improvements and maintains Fixed Assets.
2. The District manages the **GROUNDWATER SUSTAINABILITY AGENCY (GSA) FUND**. The GSA has a separate directive and is a separate entity with separate financial reporting, and a separate budget.
3. The District's **RESERVE FUNDS** are composed of: Restricted funds; Board Committed and Assigned funds; and any other Board designated reserves. These Funds help mitigate the impact of inflationary pressure or water consumption on cyclical peaks and valleys.
4. The **CAPITAL IMPROVEMENT FUND** was created to track future infrastructure projects not reimbursed by Federal or State resources. The District plans to fund this in the future with its own local resources. At the time this budget was prepared, this fund is not in active uses.

5. Capital outlay and reimbursements associated with the District's ASADRA (Additional Supplemental Appropriations for Disaster Relief Act) Funding Agreement and project are tracked in the **ASADRA FUND**. This project will seismically retrofit and/or replace eight of the District's nine water storage reservoirs and is estimated to cost \$35M. Funding involves a 30-year, no interest loan with 30% principal forgiveness.
6. The **2025 HIGHLINE FUND** serves to track capital outlay, reimbursements, and a one-time CalOES cash advance associated with the District's FEMA-approved Highline Replacement Project. This project will repair and replace a pipeline that was damaged during the 2022-23 early winter storm disasters.

Figure 5-1: Funds and Purpose

FUND NAME	FUND	TYPE	DESCRIPTION
Operations	1	Enterprise	The purpose of this fund is to track receipt of water revenues and expenditures for day-to-day operations. This includes customer billing, water purchases and funding in case of water-related operating emergencies and unforeseen circumstances.
Groundwater Sustainability Agency (GSA)	2	Governmental	The purpose of this fund is to track day-to-day operations, grant funding and fund GSA related operating emergencies and unforeseen circumstances. The GSA is a separate agency with a Board and separate set of records.
Reserve Fund	3	Reserve	The purpose of this fund is to segregate reserves from the Operations Fund, mitigate the impact of cyclical financial peaks and valleys, and stabilize debt service coverage.
Capital Improvements	4	Capital Projects	Tracks infrastructure projects <u>not</u> reimbursed by Federal or State resources. The District plans to fund this in the future with its own local resources.
ASADRA	5	Capital Projects	Accounts for capital outlay funded by the ASADRA (Additional Supplemental Appropriations for Disaster Relief Act) funding agreement to seismically retrofit and/or replace District water storage reservoirs.
F025 Highline	6	Capital Projects	This fund is intended for the FEMA-approved Highline Replacement Project, which is funded by Federal and State resources.

Figure 5-2: Three-Year Projected Fund Balance Summary

FUND	FY 23-24		FY 24-25		FY 25-26	
	Begin Bal	End Bal	Begin Bal	End Bal	Begin Bal	End Bal
OPERATIONS FUND	\$31,527,790	\$30,050,867	\$30,050,867	\$ 31,766,892	\$ 31,766,892	\$ 35,193,411
GSA FUND	\$ 1,247,433	\$ 1,806,883	\$ 1,806,883	\$ 1,185,559	\$ 1,185,559	\$ 1,017,745
RESERVE FUND	\$ 8,200,182	\$ 8,200,182	\$ 8,200,182	\$ 6,273,495	\$ 6,273,495	\$ 6,309,757
TOTAL	\$40,975,406	\$40,057,931	\$40,057,931	\$ 39,225,946	\$ 39,225,946	\$ 42,520,913

COST CENTERS: WATER SUPPLY, DIRECT & INDIRECT

Within the Operating Fund (Fund 1), planned operating expenditures are separated into three categories consisting of Water Supply Expenses, and Direct and MWD Indirect Expenses.

Water Supply Expenses, which include Joint Powers Authority (JPA) operating expenses (fixed and variable costs associated with COMB, CCRB, CATER, and CCWA), the WSA with the City of Santa Barbara and groundwater banking, account for about 52% of Total Expenditures.

MWD Direct Expenses, which include operations & maintenance expenses directly associated with providing water service to District customers, represent 18% of Total Expenditures and include costs related to management of District-owned Jameson Lake, water treatment, and distribution.

MWD Indirect Expenses, which include operations & maintenance expenses indirectly associated with providing water service to District customers, represent 21% of Total Expenditures, and include costs related to engineering services, finance, public information, fleet, and administrative services including liability insurance, legal and others.

PERFORMANCE MEASURES

Strategic planning provides the essential framework for performance measures by defining the District's overall mission, vision, objectives, and goals. It serves as a roadmap, setting the direction and benchmarks for success and guiding the allocation of resources. Strategic planning informs the selection of key performance measures and other metrics that directly reflect progress towards strategic goals. Regular monitoring and measurement against these strategically informed measures ensures that the District remains focused and on course, allowing for adjustments as needed.

The District's planning efforts, in particular the 2022 5-year Strategic Plan, and the 2024 Water Rate Study, are critical in establishing its key performance measures. The District utilizes various performance measures to monitor its financial and operational health and efficiency which include:

- Budget Variances: comparing actual revenues and expenses to the budgeted amounts to identify areas where the district may need to adjust spending or find cost-saving opportunities.
- Revenue Projections: tracking revenue against initial projections to assess the accuracy of forecasts and ensure the District is meeting its revenue targets.
- Expense Monitoring: closely monitoring expenditures against budget allocations to identify overspending in specific areas and ensure resources are being used effectively.
- Reserve Funds: Monitoring and managing reserve funds to ensure financial stability and the ability to address unforeseen challenges or emergencies.
- Infrastructure Dependability: monitoring the condition of all District assets, and planning and implementing maintenance activities and capital improvement projects as needed to ensure District systems are reliable. Also, ensuring costs associated with maintenance and capital improvement projects are completed on time and within budget.
- Water Use Efficiency: tracking water usage patterns and implementing programs, such as smart metering, rebates and water budgets to encourage efficient water use.

- Water Quality: monitoring water quality to ensure it meets regulatory standards and public health requirements.
- Customer Satisfaction: implementing a robust public outreach program to keep customers informed on District activities. Tracking customer complaints and feedback to identify areas for improvement and address any concerns.
- Employee Satisfaction: tracking employee satisfaction through regular performance evaluations and surveys. Monitoring turnover to assess effectiveness of District practices and programs and to address potential issues relating to retention.

KEY ACTIONS TAKEN IN FY 24-25

1. Replacement of 900 feet of aging distribution pipelines.
2. Continued implementation of the 2022 *Water Use Efficiency Plan*, prepared by Maddaus Water Management dated December 2022, specifically the development and institution of parcel water budgets in April 2025.
3. Completion of the 2025 update of the Future Demand and Water Supply Options report, prepared by Dr. Steven Bachman dated April 7, 2025.
4. Completion of an Office Property Master Plan in September 2024.
5. Completion of the 2024 Total Compensation Study, prepared by Gallagher dated November 2024.
6. Maximization of storage of surplus State Water Project water in Semitropic Groundwater Banking and Exchange Program; total volume stored as of June 1, 2025, is over 5,700 AF.
7. Completion of a Climate Action and Adaptation Plan, prepared by Rincon dated January 2025.
8. Participation in Santa Barbara County's addendum to their 2023 Countywide Potable Reuse Evaluation which included an MSD and SSD alternative partnership for potable reuse, prepared by Carollo Engineers dated October 2024
9. Finalization of a funding agreement through the Department of Water Resources State Resolving Funds Additional Supplemental Appropriations for Disaster Relief Act (ASADRA) Funding Program in January 2025 to retrofit and replace eight of the District water storage reservoirs totaling an estimated \$35M; funding involves a 30-year, no interest loan with 30% principal forgiveness.
10. Completion of an evaluation of an Aquifer Storage and Recovery project to store surplus surface water in the Montecito Groundwater Basin, prepared by GSI dated May 2025.
11. Completion of an evaluation of the feasibility of an Aquifer Storage and Recovery project to store surplus surface water in the Carpinteria Groundwater Basin, prepared by Montgomery and Associates dated May 2025.

KEY ACTIONS PLANNED FOR FY 25-26

1. Replacement of 0.75 miles of distribution pipelines per year, consistent with the recommendations of the 2024 Asset Management Plan.
2. Design of 2.2 miles of distribution pipelines scheduled to be replaced next fiscal year, in exceedance of the 1.1 miles of recommended in the 2024 Asset Management Plan. This temporary accelerated schedule will keep the District on schedule with pipeline replacement, consistent with its 10-year Capital Improvement Program.
3. Completion of a preliminary design report for the replacement of 4 miles of the Highline water transmission pipeline.
4. Initiation of construction of the Reservoir Seismic Retrofit and Replacement Project, specifically for Terminal and Park Lane Reservoirs.
5. Replacement of dry-barrel fire hydrants with new wet barrel hydrants and replacement of aging pressure regulator vaults and lids.
6. Transfer of 1,000-acre feet of surplus 2025 SWP Table A allocation to Homer LLC pursuant to the 2024 Water Management Program Agreement.
7. Continued evaluation of permanently transferring a portion of the District's SWP Table A entitlement to reduce associated future costs and risks and offset the costs of other local water supply reliability enhancements such as the WSA.
8. Implementation of various improvements to harden District facilities against wildfire.
9. Preparation of the 2025 Urban Water Management Plan.
10. Preparation of the 5-year update of the Emergency Response Plan & AWIA Risk and Resilience Assessment.
11. Rehabilitation of a 36-inch emergency release valve at Juncal Dam which contains Jameson Lake, a key District water supply.

Page left intentionally blank.

BUDGET SUMMARY



SECTION 6: BUDGET SUMMARY

The District's FY 25-26 Budget is summarized below. This budget, approximately \$27 million, reflects the essential needs of the District and the community. It is a balanced financial plan that outlines the District's commitment to providing safe, reliable, and sustainable water services while maintaining fiscal responsibility.

This budget details the resources and expenditures necessary to fulfill the District's mission, including operational expenses, debt service, and capital improvement projects. The budget is built upon careful consideration of economic and climatic trends, ensuring a prudent approach to managing the District's financial resources. As such, it serves as a roadmap for aligning goals, operational plans, and infrastructure investments to meet community needs.

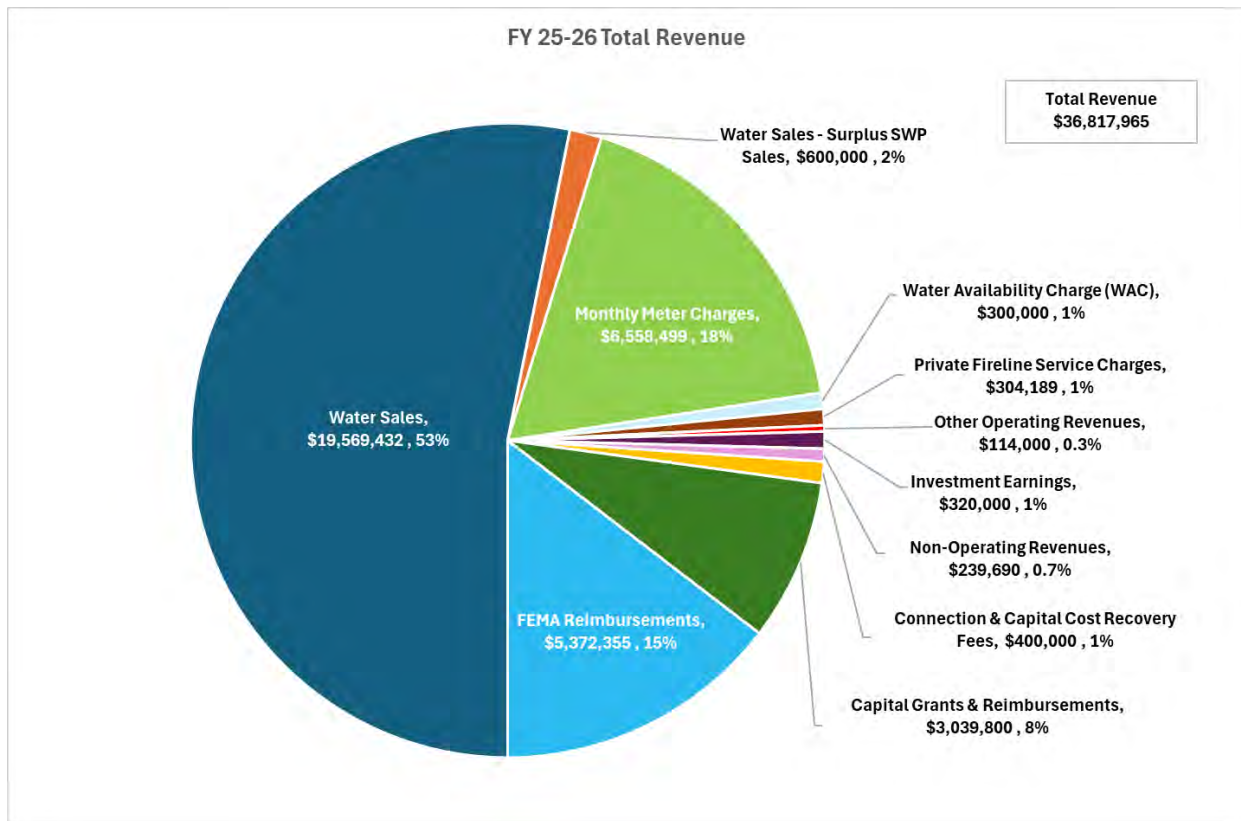
Commitment is made to transparency and accountability in financial operations. The budget represents a thorough analysis of departmental needs and the allocation of resources to support effective day-to-day operations, customer service, and the long-term reliability of the water system.

REVENUE

Customer Water Sales and Monthly Meter Charges are 72% and 24% respectively of Total Operating Revenue and are a function of the total volume of water sales, the number of active service connections and the corresponding meter sizes, and water rates and charges. The rates and charges for each customer classification are based on the cost of providing service to that customer classification and the amount of water each customer uses. Water rates for residential customers are tiered and fixed for all other customer classifications. Additional revenues include a property assessment collected on the County of Santa Barbara tax roll, grant funding associated with various capital expenditures, and reimbursements from FEMA for disaster related projects. Budgeted Operating Revenues are 75% of Total Revenues for FY 25-26.

Total Operating Revenue for FY 25-26 is expected to increase by 8% over FY 24-25, primarily as a result of the approved and planned annual increase in water rates and charges for FY 25-26.

Figure 6-1: FY 25-26 Total Revenue



EXPENDITURES

DIRECT EXPENSES

Direct Expenses include Water Supply and MWD Direct Expenses, which are directly associated with providing water service to District customers. Water Supply Expenses include Joint Powers Authority (JPA) operating expenses (fixed and variable costs associated with COMB, CCRB, CATER, and CCWA), the WSA with the City of Santa Barbara for ocean desalination, and groundwater banking. MWD Direct Expenses include operations & maintenance cost related to management of District-owned Jameson Lake, water treatment, and distribution.

Total Direct Expenses, which include Source of Supply Water Purchases and MWD Direct Expenses are projected to increase 9% over FY 24-25 primarily due to a planned increase in WSA (desalination) cost associated with the City of Santa Barbara's Design Build Operate contract, and inflationary pressure, such as increased personnel costs and the increased cost of electricity and chemicals. Budgeted Total Direct Expenses are 70% of Total Expenses and 51% of Total Revenues for FY 25-26.

MWD INDIRECT EXPENSES

MWD Indirect Expenses include operations & maintenance expenses indirectly associated with providing water service to District customers. This includes costs related to engineering services, finance, public information, fleet, and administrative services including liability insurance, legal and others.

MWD Indirect Expenses are 17% greater than the prior year and 16% of Total Revenues. This increase is attributable to a 24% increase in Engineering resulting from completion of several one-time expenses including the 2025 *Urban Water Management Plan*, and 2025 *Emergency Response Plan*, a 72% increase in Conservation resulting from the implementation of a water conservation demonstration garden, and wildfire hardening projects, and increased liability insurance and personnel costs. Budgeted Total Indirect Expenses are 21% of Total Expenses and 16% of Total Revenues for FY 25-26.

Total Operating Income Before Depreciation is \$2,697,814 and 7% of Total Revenues.

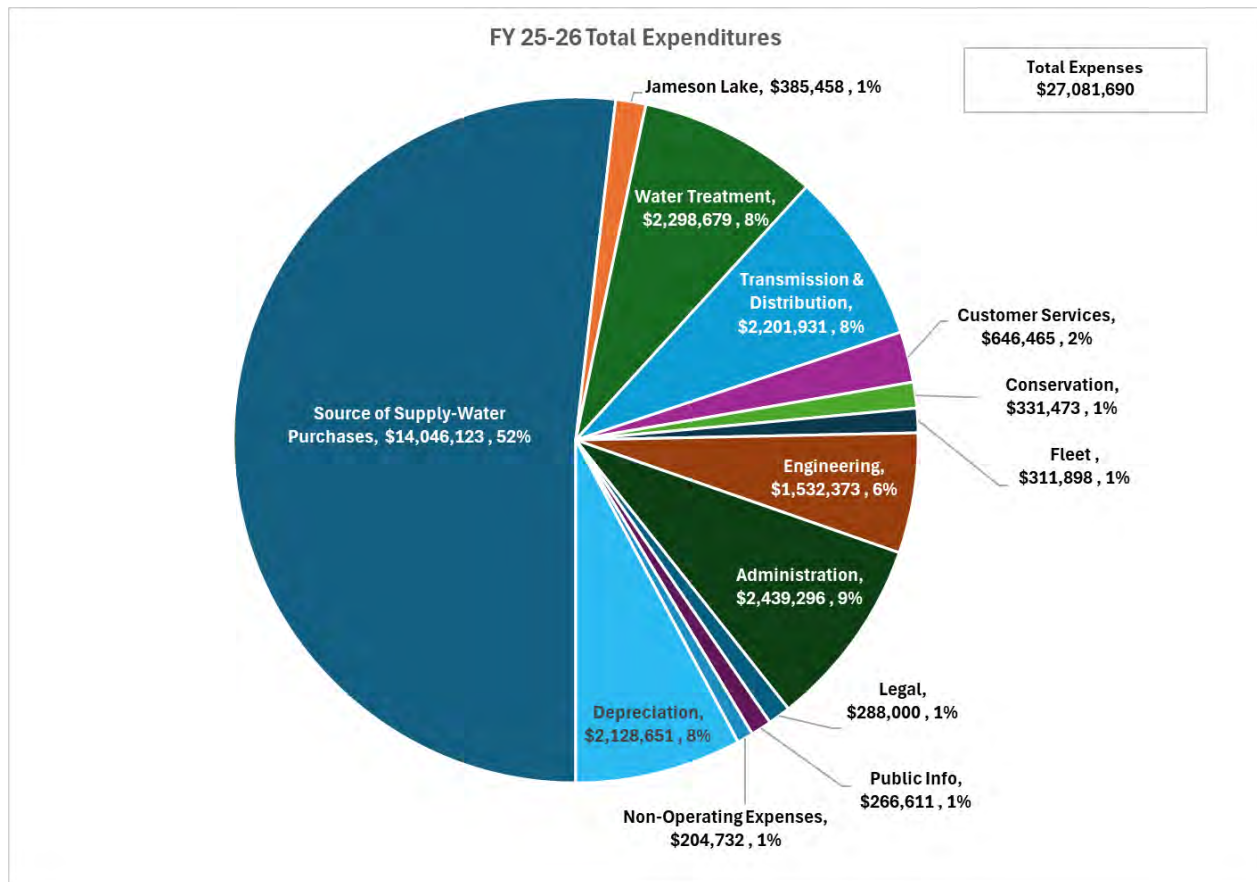
NON-OPERATING ACTIVITY, CAPITAL CONTRIBUTIONS & NET POSITION

Net Non-Operating Income/(Loss) is 10% greater than the prior fiscal year and 1% of Total Revenues.

Total Capital Contributions and Special Items are 357% greater than the prior fiscal year and 24% of Total Revenues. This significant increase is attributable to the planned receipt of funding reimbursements associated with the ASADRA Reservoir Seismic Retrofit and Replacement Project (\$3M), and planned receipt of FEMA reimbursements from prior fiscal year extraordinary capital projects (e.g. 2023 Juncal Pipeline Repair Project, 2023 Highline Pipeline Repair Project, and Alder Creek Flume Repair) totaling an additional \$5.4M.

There is a favorable \$9.7 million impact on Net Position before Debt Service and Capital.

Figure 6-2: FY 25-26 Total Expenditures

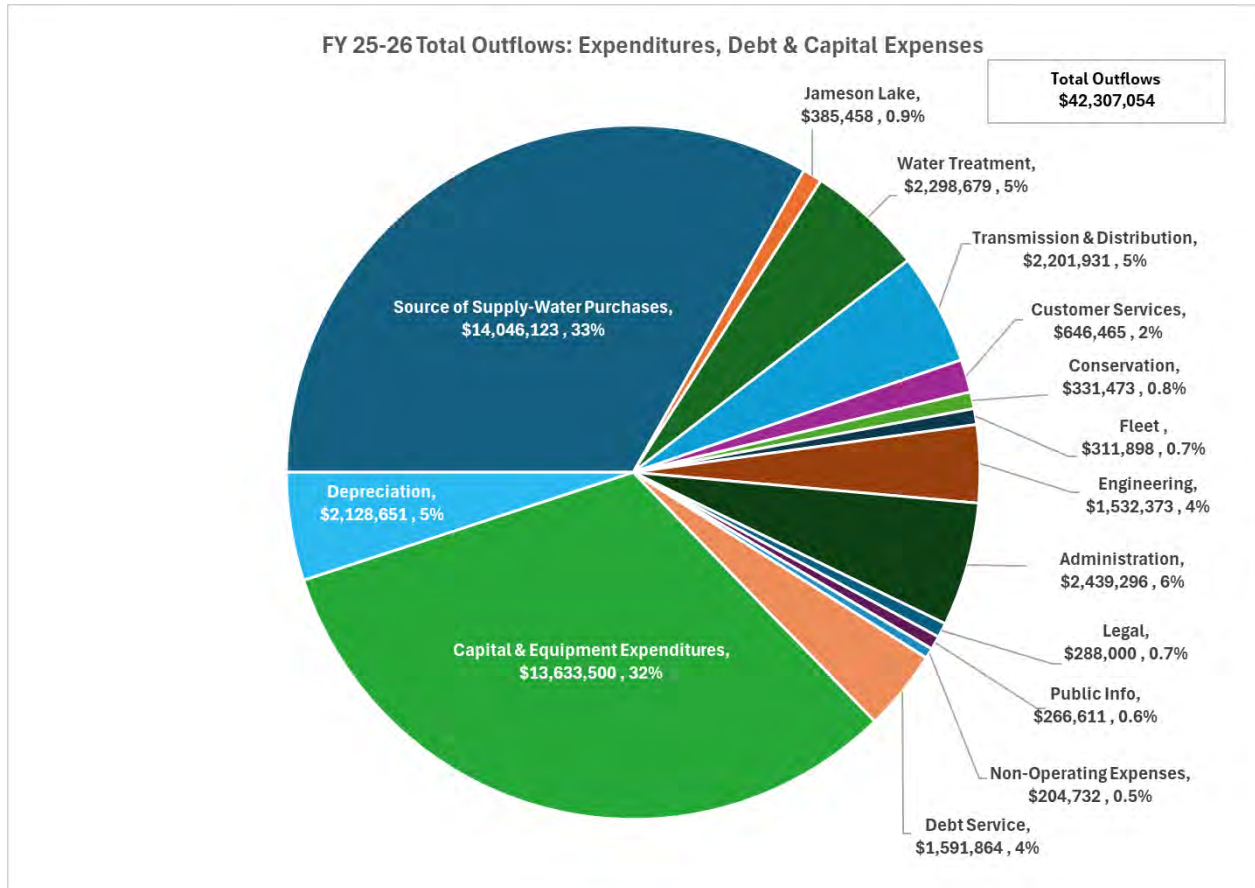


DEBT SERVICE & CAPITAL EXPENDITURE

Debt service is consistent with the associated repayment schedules for the 2020 Certificate of Participation (COP) Refunding Bonds and 2011 Cater Ozone Project and is 4% of Total Revenues. The 2003 Cater DWR Loan was fully paid off in FY 24-25.

Planned Capital & Equipment Expenditures are consistent with the District's 10-year Capital Improvement Plan. Net Capital 7 Equipment Expenditures are projected to increase over FY 24-25 by \$12M. Contributing factors include initiation of construction of the ASADRA Reservoir Seismic Retrofit and Replacement Project, catch up on capital projects delayed in FY 24-25 due to cash flow constraints, and construction material and labor costs increases resulting from ongoing inflationary pressure. A significant portion of the increased capital expenditures are offset by grant and loan proceeds, and rate revenue from the prior fiscal year.

Figure 6-3: FY 25-26 Total Outflows



CASH IMPACT

The Cash Impact before net inter-fund transfers is unfavorable at \$3,562,758. A transfer-in of \$3,562,758 is necessary to balance the FY 25-26 budget. This transfer-in is driven by the timing of receipt of funding reimbursements for the ASADSRA Reservoir Seismic Retrofit and Replacement Project, which has a net cash impact of (\$5.7M) in FY 25-26.

Figure 6-4: FY 25-26 Budget Summary

MONTECITO WATER DISTRICT FISCAL YEAR ENDING JUNE 30, 2026 BUDGET SUMMARY						
	FY 23-24	FY 24-25	FY 24-25	FY 25-26	(FORECAST v. REC)	
	ACTUALS	ADOPTED	FORECAST	RECOMMENDED	VARIANCE	%
Operating Revenue						
Water Sales - Customer Classes	15,249,259	18,254,061	18,509,319	19,634,432	1,125,113	6%
Water Sales - Construction	68,799	60,000	89,185	75,000	(14,185)	-16%
Water Sales - Surplus SWP Sales	-	-	-	600,000	600,000	n/a
Water Loss Adjustments	(147,786)	(120,000)	(98,543)	(100,000)	(1,457)	1%
Water Conservation Rebates	(18,728)	(25,000)	(32,520)	(40,000)	(7,480)	23%
Customer Credits (Fee Reversals, Misread rebills)	(2,740)	-	-	-	-	0%
Total Water Sales	15,148,804	18,169,061	18,467,441	20,169,432	1,701,992	9%
Monthly Meter Charges	4,826,114	6,149,380	6,179,656	6,558,499	378,843	6%
Water Availability Charge (WAC)	306,440	300,000	329,975	300,000	(29,975)	-9%
Private Fire Line Srv Charge	268,662	275,673	283,937	304,189	20,252	7%
Other Operating Revenues	100,214	123,000	115,318	114,000	(1,318)	-1%
Total Operating Revenue	20,650,234	25,017,113	25,376,327	27,446,120	2,069,794	8%
Operating Expenses						
Source of Supply-Water Purchases						
Cachuma Lake	948,658	1,209,378	1,089,425	1,226,611	137,186	13%
Cater Water Treatment Plant	455,562	933,998	915,305	860,452	(54,853)	-6%
State Water Project (SWP)	4,303,200	4,343,815	4,551,004	4,465,692	(85,311)	-2%
WSA Water Purchase (DESAL)	5,609,365	7,410,562	6,454,106	7,388,663	934,558	14%
Supplemental Water Purchases	125,000	-	-	-	-	0%
Water Marketing & Storage (Semitropic/Westwater)	69,078	111,540	103,450	104,705	1,255	1%
Total Source of Supply-Water Purchases	11,510,862	14,009,293	13,113,289	14,046,123	932,834	7%
MWD Direct expenses						
Jameson Lake	340,528	526,419	442,428	385,458	(56,969)	-13%
Water Treatment	1,965,331	2,149,540	1,978,725	2,298,679	319,954	16%
Transmission and Distribution	1,784,430	1,840,770	1,787,927	2,201,931	414,005	23%
Total MWD Direct Expenses	4,090,290	4,516,729	4,209,079	4,886,069	676,990	16%
Total Direct Expenses	15,601,152	18,526,022	17,322,368	18,932,192	1,609,824	9%
MWD Indirect Expenses						
Customer Services	581,369	600,898	616,066	646,465	30,398	5%
Conservation	146,690	289,635	193,011	331,473	138,462	72%
Fleet	277,354	289,888	264,944	311,898	46,954	18%
Engineering	1,263,795	1,355,920	1,235,785	1,532,373	296,588	24%
Administration	2,279,758	2,074,527	2,174,792	2,439,296	264,504	12%
Legal	259,035	287,000	231,219	288,000	56,781	25%
Public Information	182,257	230,322	206,492	266,611	60,119	29%
Extraordinary Expense	88,055	-	44,397	-	(44,397)	-100%
General & Administrative	4,496,943	4,527,292	4,350,640	5,169,650	819,010	19%
Total Indirect Expenses	5,078,312	5,128,190	4,966,707	5,816,115	849,408	17%
Total Operating Expenses	20,679,464	23,654,212	22,289,074	24,748,306	2,459,232	11%
Operating Income before Depreciation Expense	(29,230)	1,362,901	3,087,252	2,697,814	(389,438)	-13%
Depreciation Expense	1,833,850	1,961,087	1,980,726	2,128,651	147,925	7%
OPERATING SURPLUS / (DEFICIT)	(1,863,080)	(598,186)	1,106,527	569,163	(537,363)	-49%

MONTECITO WATER DISTRICT
FISCAL YEAR ENDING JUNE 30, 2026
BUDGET SUMMARY

	FY 23-24	FY 24-25	FY 24-25	FY 25-26	(FORECAST V. REC)	
	ACTUALS	ADOPTED	FORECAST	RECOMMENDED	VARIANCE	%
Non-Operating Revenues:						
Rental Revenue	98,000	47,280	55,084	95,845	40,761	74%
Investment Earnings	685,601	400,000	370,357	320,000	(50,357)	-14%
Other Non-Operating Revenues	886,878	14,400	165,943	143,845	(22,099)	-13%
Total Non-Operating Revenues	1,670,478	461,680	591,384	559,690	(31,694)	-5%
Non-Operating Expenses:						
Interest Expense - 2020 COP Refunding Bonds	111,361	30,047	60,934	8,334	(52,600)	-86%
Interest Expense - Cater Loans	85,868	501,762	68,986	59,482	(9,504)	-14%
Groundwater Sustainability Fee Payment	111,491	139,503	139,504	136,916	(2,588)	-2%
Total Non-Operating Expenses:	308,720	671,312	269,424	204,732	(64,691)	-24%
Non-Operating Income (Loss)	1,361,758	(209,632)	321,960	354,958	32,997	10%
Net Position						
Change in Net Position before Capital Contributions	(501,322)	(807,817)	1,428,487	924,121	(504,366)	-35%
Capital Contributions						
Capital cost recovery fees	490,755	200,000	281,021	300,000	18,979	7%
Connection fees	109,030	80,000	93,404	100,000	6,596	7%
Capital Grants & Other Reimbursements	-	3,178,400	1,520,015	3,039,800	1,519,785	100%
Total Capital Contributions	599,785	3,458,400	1,894,440	3,439,800	1,545,360	82%
Change in Net Position before Special Items	98,463	2,650,583	3,322,927	4,363,921	1,040,994	31%
Special Items						
FEMA reimbursements	327,190	5,338,938	34,350	5,372,355	5,338,005	15540%
Total Special Items	327,190	5,338,938	34,350	5,372,355	5,338,005	15540%
Change in Net Position	425,653	7,989,520	3,357,277	9,736,276	6,378,999	190%
Total Revenues	23,247,686	34,276,131	27,896,501	36,817,966	8,921,465	32%
Total Expenditures	22,822,034	26,286,611	24,539,224	27,081,690	2,542,466	10%
Surplus before Debt and Capital	425,653	7,989,520	3,357,277	9,736,276	6,378,999	190%
Net Position-Beginning	55,087,459	55,513,112	55,513,112	58,870,389	3,357,277	6%
Net Position-End	55,513,112	63,502,632	58,870,389	68,606,665	9,736,276	17%
Debt Service						
Principal - 2003 Cater DWR Loan (SRF)	-	-	219,839	-	(219,839)	-100%
Principal - 2011 Cater Ozone Project Loan	-	-	211,538	216,864	5,325	3%
Principal - 2020 COP Refunding Bonds	1,215,000	1,315,000	1,315,000	1,375,000	60,000	5%
Total Debt Service	1,215,000	1,315,000	1,746,377	1,591,864	(154,514)	-9%
Capital & Equipment						
Vehicles & Equipment	384,204	485,000	429,475	240,000	(189,475)	-44%
Pipelines	2,841,042	2,160,000	162,130	2,900,000	2,737,870	1689%
Reservoirs	57,361	3,700,000	216,533	8,783,500	8,566,967	3956%
Pumping/Wells/Valves/Treatment Plant	377,451	420,000	52,511	830,000	777,489	1481%
Other Projects	387,838	743,000	375,826	455,000	79,174	21%
Extraordinary Projects	3,443,117	373,000	365,128	425,000	59,872	16%
Capital Improvement Program	7,106,809	7,396,000	1,172,128	13,393,500	12,221,372	1043%
Net Capital & Equipment Expenditures	7,491,013	7,881,000	1,601,604	13,633,500	12,031,896	751%
Total OutFlows: Expenditures, Debt & Capital Expenditures	31,528,047	35,482,611	27,887,205	42,307,053	14,419,848	52%
Remove Non-Cash Activity						
Bond Interest Amortization	288,639	288,666	288,666	288,666	-	0%
Inventory Disbursements	(58,770)	(87,786)	(75,587)	(86,344)	(10,757)	14%
Depreciation Expense	(1,833,850)	(1,961,087)	(1,980,726)	(2,128,651)	(147,925)	7%
Total Non-Cash Activity	(1,603,981)	(1,760,207)	(1,767,647)	(1,926,329)	(158,682)	9%
Total OutFlows less Non-Cash Activity	29,924,066	33,722,404	26,119,558	40,380,724	14,261,166	55%
Total Revenues	23,247,686	34,276,131	27,896,501	36,817,966	8,921,465	32%
Cash Impact before Net Transfers	(6,676,379)	553,727	1,776,943	(3,562,758)	(5,339,702)	-300%
Transfers In	6,676,379	-	-	3,562,758	3,562,758	n/a
Transfers Out	-	(553,727)	(1,776,943)	-	1,776,943	-100%
MWD CASH IMPACT	-	-	-	-	-	0%

REVENUES



SECTION 7: OPERATING REVENUES

The District receives 96% of its Total Operating Revenues from Water Sales (72%) and Monthly Meter Charges (24%). Water Sales, or consumption-based charges, are based on the actual water delivered to each customer and Monthly Meter Charges, or fixed meter charges, represent a percentage of each customer's portion of the District's fixed costs associated with operating and maintaining the water distribution system. Other sources of revenue include the sale of surplus water, private fire lines and the Water Availability Charge. Total Operating Revenue is offset by water loss adjustments, and water conservation rebates.

Total Operating Revenue for FY 25-26 is expected to increase by 8% over FY 24-25 primarily as a result of the approved and planned 5.75% annual increase in water rates and charges that become effective July 1, 2025.

Figure 7-1: Operating Revenue

MONTECITO WATER DISTRICT FISCAL YEAR ENDING JUNE 30, 2026 BUDGET SUMMARY		FY 23-24 ACTUALS	FY 24-25 ADOPTED	FY 24-25 FORECAST	FY 25-26 RECOMMENDED	(FORECAST V. REC) VARIANCE %	
Operating Revenue							
Water Sales - Customer Classes		15,249,259	18,254,061	18,509,319	19,634,432	1,125,113	6%
Water Sales - Construction		68,799	60,000	89,185	75,000	(14,185)	-16%
Water Sales - Surplus SWP Sales		-	-	-	600,000	600,000	n/a
Water Loss Adjustments		(147,786)	(120,000)	(98,543)	(100,000)	(1,457)	1%
Water Conservation Rebates		(18,728)	(25,000)	(32,520)	(40,000)	(7,480)	23%
Customer Credits (Fee Reversals, Misread rebills)		(2,740)	-	-	-	-	0%
Total Water Sales		15,148,804	18,169,061	18,467,441	20,169,432	1,701,992	9%
Monthly Meter Charges		4,826,114	6,149,380	6,179,656	6,558,499	378,843	6%
Water Availability Charge (WAC)		306,440	300,000	329,975	300,000	(29,975)	-9%
Private Fire Line Srv Charge		268,662	275,673	283,937	304,189	20,252	7%
Other Operating Revenues		100,214	123,000	115,318	114,000	(1,318)	-1%
Total Operating Revenue		20,650,234	25,017,113	25,376,327	27,446,120	2,069,794	8%

WATER SALES

Revenue from water sales is a function of the total volume of water sales, the number of active service connections and the corresponding customer classifications, and water rates. The rates for each customer classification are based on the cost of providing service to each customer classification and the amount of water each customer uses. Water rates for residential customers are tiered and fixed for all other customer classifications. Water Sales Revenue is projected to be approximately 72% of the District's Total Operating Revenue for FY 25-26.

The second of five adopted and planned increases in water rates and charges of 5.75% becomes effective on July 1, 2025, consistent with Resolution No. 2286. On June 25, 2024, the Board of Directors adopted Resolution No. 2286 adopting water rates and charges based on the *2024 5-year Water Rate Study* prepared by Raftelis Financial Consultants, Inc., dated May 1, 2024. The study covers the period of FY 24-25 through FY 28-29 and plans a 9.0% increase in water rates for FY 24-25, followed by 5.75% each fiscal year thereafter through FY 28-29.

Figure 7-2: Water Usage Rates

Water Usage Rates (\$/HCF)	Monthly Tiers (HCF)	FY 24-25	FY 25-26	FY 26-27	FY 27-28	FY 28-29
Residential						
Tier 1	0-9	\$ 6.09	\$ 6.45	\$ 6.83	\$ 7.23	\$ 7.65
Tier 2	10-35	\$ 13.01	\$ 13.76	\$ 14.56	\$ 15.40	\$ 16.29
Tier 3	35+	\$ 15.38	\$ 16.27	\$ 17.21	\$ 18.20	\$ 19.25
Commercial		\$ 11.15	\$ 11.80	\$ 12.48	\$ 13.20	\$ 13.96
Institutional		\$ 11.76	\$ 12.44	\$ 13.16	\$ 13.92	\$ 14.73
Agriculture		\$ 5.46	\$ 5.78	\$ 6.12	\$ 6.48	\$ 6.86
Non-Potable		\$ 2.00	\$ 2.12	\$ 2.25	\$ 2.38	\$ 2.52

Projected water sales or consumption for FY 25-26 is 4,000 AF (or approx. 4,300 AF total production). The FY 25-26 water sales projections are similar to FY 24-25 water sales forecast, and 10% over the water sales for FY 23-24. Projections of water sales for FY 25-26 were developed using a customer demand analysis of water use trends for the period of January 2020 through December 2024. The analysis considers five-year average water use by customer by water use tier, where applicable. The January 2020 through December 2024 period encompasses wet, dry, and average conditions. The District's demand projections are periodically updated with the latest data, but there is an inherent high degree of uncertainty due to weather fluctuations.

The demand analysis uses the latest available data concerning several key factors including recent water use trends, the weather, water rates, new connections, and conservation. Understanding these factors can help determine the projected change year over year in water use.

- *Weather Variability:* FY 24-25 ended with below average rainfall totals, a contrast from the two prior wet years. As of June 2025, about 60% of the State, including Santa Barbara County, is in drought conditions according to the US Drought Monitor. Despite receiving about 50% of normal rainfall locally this past winter, demands are anticipated to remain consistent with FY 24-25.
- *Conservation:* Common sense conservation actions remain in effect and efficient water use is essential. Enhanced water use efficiency remains a top priority to extend the longevity of the District's limited surface water supplies.

Water sales vary widely across customer classes and can vary significantly month to month depending upon weather conditions. Residential customers, which include single and multi-family residential customers, make up approximately 92% of the District's customer base and are responsible for about 80% of total water sales. Of this use, approximately 80% is used for irrigation of landscapes with the remaining being indoor use, such as: showering, toilet flushing,

clothes-washing, and dishwashing. As a result, water sales often increase significantly during warm and/or dry periods and decrease significantly during cooler and/or wet periods consistent with irrigation needs. Monthly water use can vary by about five times between summer and winter months. Additionally, water use in a particular month can vary by as much as four times depending upon rainfall conditions. This variability can make projecting customer water demand challenging.

Figure 7-3 shows projected water consumption or sales and associated revenues by customer classification. Tier 1 Residential consumption includes Agricultural dwelling consumption. Tiers 2 and 3 apply only to Residential.

Figure 7-3: Projected Consumption by Customer Classification

Water Usage Rates (\$/hundred cubic feet or HCF)	FY 25-26 RATES	6/30/2026	Acre Feet
Tier 1: 9 hcf	\$ 6.45	\$ 2,763,808	984
Tier 2: 10-35 hcf	\$ 13.76	\$ 8,632,658	1440
Tier 3: 36 +hcf	\$ 16.27	\$ 4,807,508	678
Commercial	\$ 11.80	\$ 1,160,856	226
Institutional	\$ 12.44	\$ 1,458,135	269
Agriculture	\$ 5.78	\$ 692,636	274
Non-Potable	\$ 2.12	\$ 118,831	129
Projected FY 25-26 Water Sales Revenue		\$ 19,634,432	4000

Figure 7-4: Comparison of Water Sales

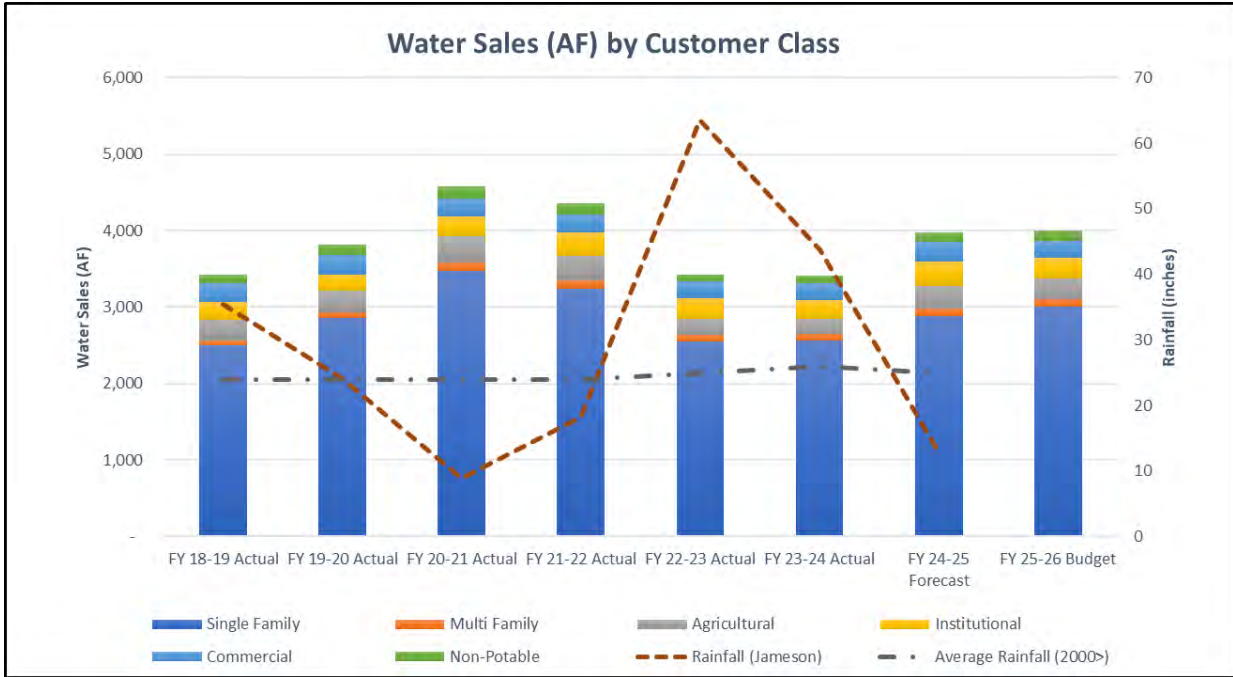
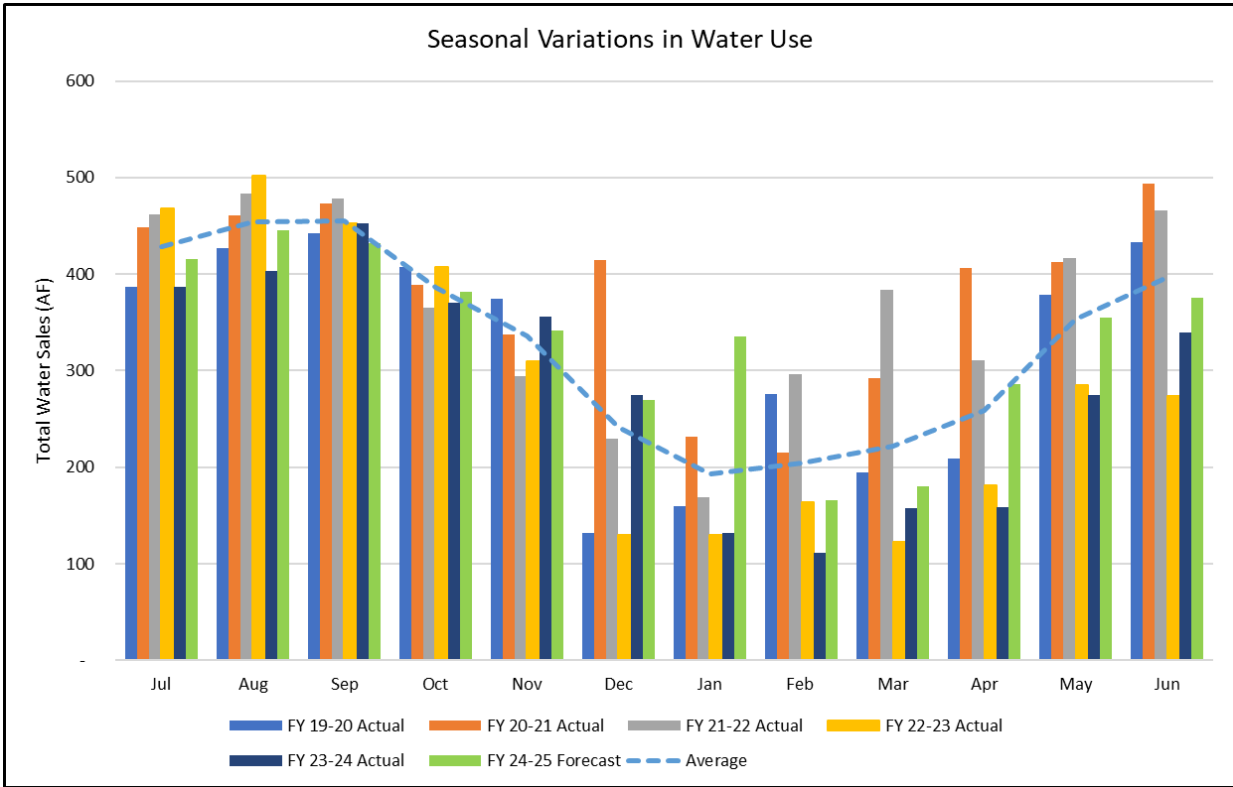


Figure 7-5: Comparison of Seasonal Water Use Variations



MONTHLY METER CHARGE

The Monthly Meter Charge is a fixed amount based on meter size, and is billed monthly to each customer to recover a portion of the District's fixed costs to provide water service. All active water service connections pay a Monthly Meter Charge, irrespective of water use based on the size of the meter. While the District's fixed costs represent approximately 70% of its total costs, the total Monthly Meter Charges collected from customers recovers approximately 26.5% of all fixed costs.

Based on the District's 2024 *Water Rate Study* and water use projections for FY 25-26, approximately 24% of Total Operating Revenue will come from the fixed Monthly Meter Charge. Approximately 83% of District connections are ¾ inch or 1-inch meters, which have the smallest capacities and are charged the lowest Monthly Meter Charges. The District offers water meters ranging from ¾-inch to 6-inch in size which are selected based on the customer's actual water needs.

In accordance with the 2024 Water Rate Study and Resolution No. 2286 adopted by the Board of Directors on June 25, 2024, the Monthly Meter Charges for FY 25-26 are shown in Figure 7-6.

Figure 7-6: Monthly Meter Charges

Meter Size	FY 24-25	FY 25-26	FY 26-27	FY 27-28	FY 28-29
3/4-inch	\$ 63.89	\$ 67.57	\$ 71.46	\$ 75.57	\$ 79.92
1-inch	\$ 104.80	\$ 110.83	\$ 117.21	\$ 123.95	\$ 131.08
1 1/2-inch	\$ 184.84	\$ 195.47	\$ 206.71	\$ 218.60	\$ 231.17
2-inch	\$ 291.56	\$ 308.33	\$ 326.06	\$ 344.81	\$ 364.64
3-inch	\$1,003.03	\$1,060.71	\$1,121.71	\$1,186.21	\$1,254.42
4-inch	\$1,963.51	\$2,076.42	\$2,195.82	\$2,322.08	\$2,455.60
6-inch	\$4,453.64	\$4,709.73	\$4,980.54	\$5,266.93	\$5,569.78

WATER AVAILABILITY CHARGE

Subject to an annual public hearing and approval by the Board, the Budget includes the Water Availability Charge (WAC), assessed annually on the County of Santa Barbara tax roll, for the sole purpose of funding needed capital improvements. In general, the WAC is a \$30/acre charge for the first five acres or fraction of an acre levied on all properties within the District's service area, including those properties not currently served by the District. The charge is used strictly to pay the cost of replacing and enhancing the water distribution and treatment systems.

The District held the annual public hearing for the WAC at its regular Board meeting on June 24, 2025, and the charge was continued for FY 25-26 via Resolution No. 2298 and is expected to provide approximately \$300,000.

MONTHLY PRIVATE FIRE LINE CHARGE

The monthly private fire line charge is a fixed amount based on fire line capacities, and is billed monthly only to customers with dedicated fire lines serving their property. Private fire line revenue is anticipated to be \$304,189 based on the current number of private fire lines. The District has approximately 115 private fire lines.

The monthly private fire line charges for FY 25-26 are shown in Figure 7-7.

Figure 7-7: Monthly Private Fire Line Charges

Fire Line Diameter	FY 24-25	FY 25-26	FY 26-27	FY 27-28	FY 28-29
2-inch	\$ 22.23	\$ 23.51	\$ 24.87	\$ 26.31	\$ 27.83
4-inch	\$ 101.41	\$ 107.25	\$ 113.42	\$ 119.95	\$ 126.85
6-inch	\$ 281.28	\$ 297.46	\$ 314.57	\$ 332.66	\$ 351.79
8-inch	\$ 591.52	\$ 625.54	\$ 661.51	\$ 699.55	\$ 739.78

OTHER OPERATING REVENUES

SURPLUS WATER SALES

Pursuant to the Water Management Program Agreement between the District and Homer LLC dated June 2024, the District plans to sell 1,000 AF of its 2025 SWP Table A water to Homer in the first quarter of FY 25-26. This agreement stipulates the unit purchase price based on SWP allocation. Based on the 2025 SWP allocation of 50%, the District's 1,000 AF of surplus water would be sold to Homer at a unit price of \$600/AF.

WATER LOSS ADJUSTMENTS

The District provides some financial relief to customers that experience water loss on their property due to circumstances beyond their reasonable control. The financial relief, referred to as a water loss adjustment, is outlined in District Resolution No. 2308. Based on water loss adjustments granted in FY 24-25, the FY 25-26 Budget includes a decrease in revenue of \$100,000 for water loss adjustments.

WATER CONSERVATION REBATES

Consistent with the District's 2022 *Water Use Efficiency Plan*, the District offers its customers rebates for certain water conservation actions made on their property aimed at reducing long term water use. Based on rebates granted in FY 24-25, the FY 25-26 Budget includes a decrease in revenue of \$40,000 for water conservation rebates.

LATE CHARGES

Pursuant to Resolution Nos. 2302, a late charge is applied to the past due amount of a monthly bill. The past due amount is assessed a late charge of 6% the first month late, followed by an additional 1.5% fee for each month late thereafter. It covers the District's costs of financing late payments from customers with delinquent accounts.

WATER SUPPLY DIRECT & INDIRECT EXPENDITURES



SECTION 8: WATER SUPPLY, DIRECT & INDIRECT EXPENDITURES

Water Supply, Direct & Indirect Expenditures are comprised of costs associated with delivering water to customers and account for 91% of the District's Total Expenditures.

Water Supply Expenditures, which include Joint Powers Authority (JPA) operating expenses (fixed and variable costs associated with COMB, CCRB, CATER, and CCWA), the WSA with the City of Santa Barbara and groundwater banking, account for about 52% of Total Expenditures.

MWD Direct Expenses, which include operations & maintenance expenses directly associated with providing water service to District customers, represent 18% of Total Expenditures and include costs related to management of District-owned Jameson Lake, water treatment, and distribution.

MWD Indirect Expenses, which include operations & maintenance expenses indirectly associated with providing water service to District customers, represent 21% of Total Expenditures, and include costs related to engineering services, finance, public information, fleet, and administrative services including liability insurance, legal and other services

Figure 8-1: Operating Expenses

MONTECITO WATER DISTRICT FISCAL YEAR ENDING JUNE 30, 2026 BUDGET SUMMARY		FY 23-24 ACTUALS	FY 24-25 ADOPTED	FY 24-25 FORECAST	FY 25-26 RECOMMENDED	(FORECAST v. REC) VARIANCE %	
Operating Expenses							
Source of Supply-Water Purchases							
Cachuma Lake		948,658	1,209,378	1,089,425	1,226,611	137,186	13%
Cater Water Treatment Plant		455,562	933,998	915,305	860,452	(54,853)	-6%
State Water Project (SWP)		4,303,200	4,343,815	4,551,004	4,465,692	(85,311)	-2%
WSA Water Purchase (DESAL)		5,609,365	7,410,562	6,454,106	7,388,663	934,558	14%
Supplemental Water Purchases		125,000	-	-	-	-	0%
Water Marketing & Storage (Semitropic/Westwater)		69,078	111,540	103,450	104,705	1,255	1%
Total Source of Supply-Water Purchases		11,510,862	14,009,293	13,113,289	14,046,123	932,834	7%
MWD Direct expenses							
Jameson Lake		340,528	526,419	442,428	385,458	(56,969)	-13%
Water Treatment		1,965,331	2,149,540	1,978,725	2,298,679	319,954	16%
Transmission and Distribution		1,784,430	1,840,770	1,787,927	2,201,931	414,005	23%
Total MWD Direct Expenses		4,090,290	4,516,729	4,209,079	4,886,069	676,990	16%
Total Direct Expenses		15,601,152	18,526,022	17,322,368	18,932,192	1,609,824	9%
MWD Indirect Expenses							
Customer Services		581,369	600,898	616,066	646,465	30,398	5%
Conservation		146,690	289,635	193,011	331,473	138,462	72%
Fleet		277,354	289,888	264,944	311,898	46,954	18%
Engineering		1,263,795	1,355,920	1,235,785	1,532,373	296,588	24%
Administration		2,279,758	2,074,527	2,174,792	2,439,296	264,504	12%
Legal		259,035	287,000	231,219	288,000	56,781	25%
Public Information		182,257	230,322	206,492	266,611	60,119	29%
Extraordinary Expense		88,055	-	44,397	-	(44,397)	-100%
General & Administrative		4,496,943	4,527,292	4,350,640	5,169,650	819,010	19%
Total Indirect Expenses		5,078,312	5,128,190	4,966,707	5,816,115	849,408	17%
Total Operating Expenses		20,679,464	23,654,212	22,289,074	24,748,306	2,459,232	11%

JOINT POWERS AUTHORITIES

The Joint Power Agencies (JPA) are each responsible for preparing their own fiscal year budgets which are then passed on to the participating JPA members.

CACHUMA OPERATION AND MAINTENANCE BOARD (COMB) \$809,331

This is the District's share of the Cachuma Operation and Maintenance Board (COMB) FY 25-26 adopted budget and is the District's 11.45% share of COMB operating costs. Costs include the management of the Cachuma Project including Lake Cachuma, Tecolote Tunnel and the South Coast Conduit, and various fish passage improvement projects. These amounts are based on the COMB budget adopted by the COMB Board on April 8, 2025.

CACHUMA CONSERVATION AND RELEASE BOARD (CCRB) \$190,460

This is the District's share of the Cachuma Conservation and Release Board's (CCRB) FY 25-26 Budget. The CCRB budget is ratified annually by the District's Board of Directors which occurred on May 27, 2025.

UNITED STATES BUREAU OF RECLAMATION (USBR) \$226,820

This is the District's share of the U.S. Bureau of Reclamation's annual costs for the operation and maintenance of Bradbury Dam and associated facilities. This budget is consistent with prior years. These amounts are based on the COMB budget approved by the COMB Board on April 8, 2025.

CATER WATER TREATMENT PLANT (CATER) \$860,452

This amount includes Cater Water Treatment Plant (Cater) operations and maintenance costs, the variable water treatment costs related to all water delivered from Lake Cachuma (\$779,998), as well as the City of Santa Barbara's anticipated Cater Water Treatment Plant capital projects (\$80,454). The operations and maintenance costs are shared with the City of Santa Barbara and the Carpinteria Valley Water District and are allocated as a percentage of water deliveries to each agency. The current amount is based on the City of Santa Barbara's FY 25-26 proposed budget received in February 2025.

STATE WATER PROJECT (DWR/CCWA): FIXED COST \$4,280,974

The District pays an annual fixed costs payment to the CCWA for its proportionate share of construction loan costs for the SWP facilities built by DWR and pipeline and facilities built by CCWA. The total DWR and CCWA fixed costs are budgeted based on estimates provided by CCWA in its approved FY 25-26 Budget. Note that CCWA operates on a fiscal year schedule with the fixed payment due on or before June 1 of each year. The CCWA budget was adopted by the CCWA Board of Directors on April 24, 2025.

STATE WATER PROJECT (DWR AND CCWA): VARIABLE COST \$147,419

State Water Project (DWR and CCWA) variable costs include the treatment and delivery of State Water to Lake Cachuma. This budget was adopted by the CCWA Board of Directors on April 24, 2025.

2020 WSA W/ SANTA BARBARA (OCEAN DESALINATION) \$7,388,663

This item includes the costs to take receipt of 1,430 AF of water annually from the City of Santa Barbara in accordance with the September 2, 2020, Water Supply Agreement. Water deliveries commenced on January 1, 2022.

SUPPLEMENTAL WATER ACQUISITION \$0.00

This item includes the cost of taking receipt of supplemental water deliveries. No supplemental water purchases are budgeted for during FY 25-26.

WATER MARKETING & STORAGE (SEMITROPIC/WESTWATER) \$104,705

This item includes the cost of participating in the Semitropic Groundwater Banking and Exchange Program, and the District's ongoing evaluation of marketing its surplus water supplies.

MWD DIRECT EXPENSES

MWD Direct Expenses are 76% of the District's Total Operating Expenses.

MWD direct expenses consist of the direct cost of delivering water to the District's customers. Direct expenses include the cost of operating and maintaining the water treatment facilities, the transmission and distribution system pipelines, pump stations and storage reservoirs.

JAMESON LAKE \$385,458

Jameson Lake Operations & Maintenance expenses include one employee's labor (Dam Caretaker), supplies, contracting services, and Division of Safety of Dams (DSOD) Dam fees for the District's Jameson Lake, Juncal Dam and Doulton Tunnel facilities.

WATER TREATMENT \$2,298,679

The Treatment Operations and Maintenance budget includes the costs to operate and maintain the District's Bella Vista and Doulton Water Treatment Plants, and potable and non-potable wells. This item consists of labor, supplies, contracted services, training, and electricity.

TRANSMISSION & DISTRIBUTION \$2,201,931

The Transmission and Distribution Operations & Maintenance budget includes maintenance of the District's 114 miles of pipelines, approximately 4,660 service laterals and water meters, reservoirs, valves and fire hydrants. The budgeted amount includes an estimate of labor, supplies, utilities, contracted services, and training.

MWD INDIRECT EXPENSES

CUSTOMER SERVICE \$646,465

This item includes costs for the Smart Meter Program, bill printing service, merchant credit card and bank fees and payroll for customer service personnel and customer utility billing.

CONSERVATION \$331,473

This item includes costs for managing the District's Water Use Efficiency Program including the implementation of a water conservation demonstration garden.

FLEET \$311,898

This item includes the costs to maintain and repair District equipment, including vehicles and heavy machinery such as backhoes and dump trucks. This includes labor for one employee as a mechanic, materials and outside services to maintain the District's fleet.

ENGINEERING \$1,532,373

The Engineering department plans, organizes, manages, and provides administrative direction and oversight for all functions and activities related to the District's water supply infrastructure. Engineering staff perform long-term and short-term project planning, environmental programs/planning and compliance, and design, construction, permitting, and construction management of facility improvements. The Engineering department also coordinates assigned activities with other District departments and outside agencies and provides administrative and technical support to the General Manager, Business Manager and Board of Directors.

ADMINISTRATION \$2,439,296

This item includes general and administrative costs necessary to keep the District functioning on a day-to-day basis. Administration works with elected officials to analyze, manage and deliver programs and services to ensure public safety and provide public services.

LEGAL \$288,000

This item includes anticipated general and special legal costs.

PUBLIC INFORMATION \$266,611

This item includes costs for public outreach, events, website development, and public notices.

PERSONNEL EXPENSES & POSITION SUMMARY SCHEDULE

Providing high quality service depends on a partnership between an elected Board of Directors, and a skilled and dedicated personnel staff of managers, technicians, operators, and field crews with shared expertise in engineering, finance, water conservation, treatment, distribution, business management, technology, and communication. The purpose of this section is to

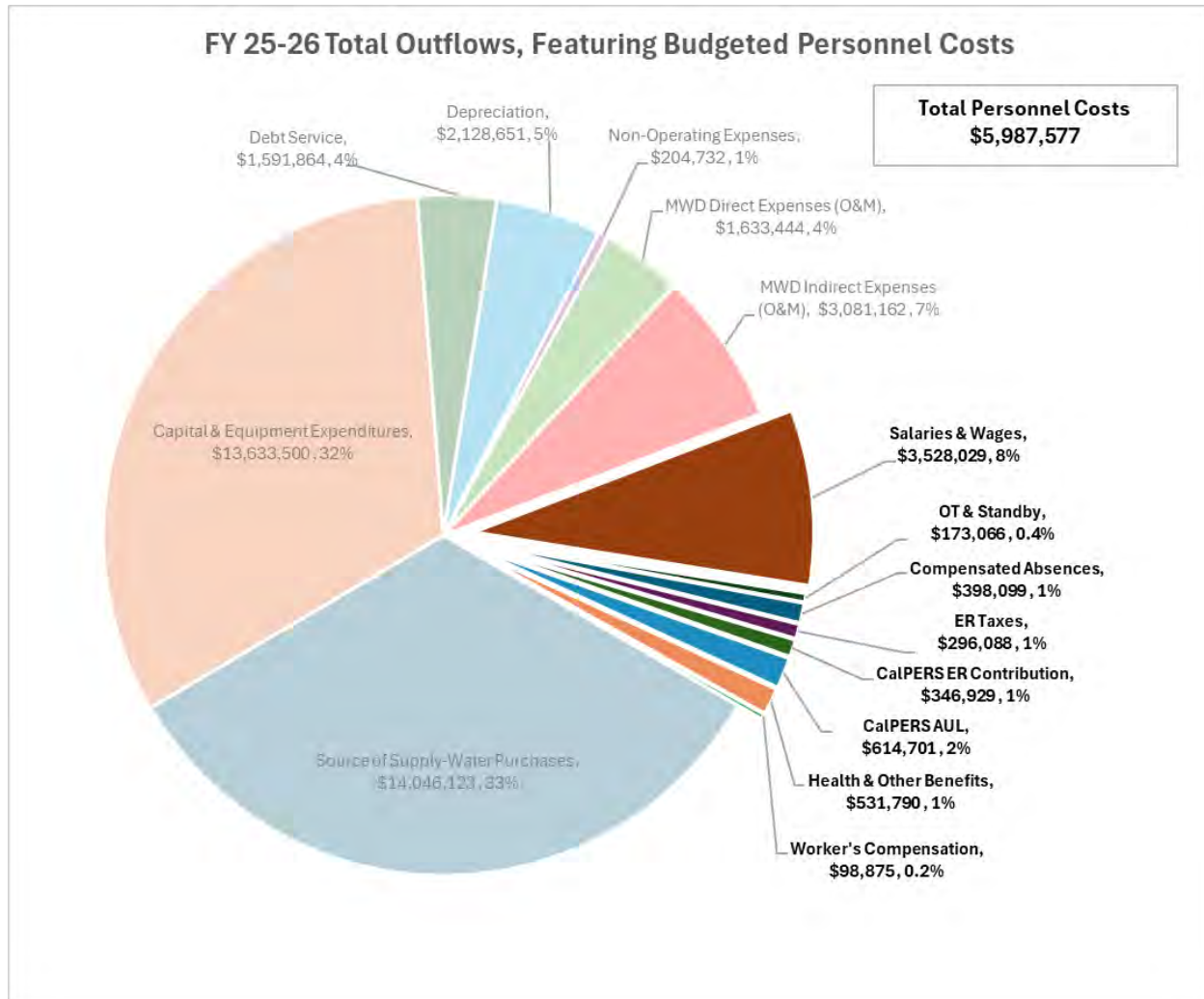
summarize staff total compensation per department and delineate the number of Full-Time Equivalent (FTE) positions. Personnel expenses are embedded within the MWD Direct and MWD Indirect Expenses. Total compensation includes Wages, Overtime & Standby, Vacation, Sick, PTO, Employer Payroll Taxes, CalPERS Employer contributions and Annual Unfunded Liability, worker's compensation and benefits.

Figure 8-2: Position Summary Schedule

MONTECITO WATER DISTRICT			
POSITION SUMMARY SCHEDULE			
Represented and Unrepresented FTE Positions			
	FY 23-24	FY 24-25	FY 25-26
CLASSIFICATION	COUNT	COUNT	COUNT
UNREPRESENTED POSITIONS			
General Manager (includes District Engineer, & Secretary)	1	1	1
Assistant General Manager/Engineering Manager	1	1	1
Engineering Manager	0	0	0
Business Manager (includes Assistant Secretary)	1	1	1
Treatment and Production Superintendent	1	1	1
Distribution Superintendent	1	1	1
Groundwater Specialist	1	1	1
Public Information Officer	1	1	1
Administrative/HR Assistant	1	1	1
Total Unrepresented Employees	8	8	8
REPRESENTED POSITIONS			
Treatment Chief Operator	1	1	1
Distribution Chief Operator IV	1	1	1
Financial Analyst/IT Specialist	1	1	1
Assistant Engineer	2	2	2
Control System Technician/Treatment Operator	1	1	1
Water Conservation Specialist	1	1	1
Treatment Plant Operator	2	2	2
Distribution Operator III	2	2	2
Senior Office Technician/Staff Accountant	1	1	1
Mechanic/Distribution Operator I	1	1	1
Distribution Operator II	4	4	4
Dam Caretaker	1	1	1
Office Technician II	2	2	2
Distribution Operator I	0	0	0
Total Represented Employees	20	20	20
TOTAL EMPLOYEES	28		
<i>*No changes in Full-Time Equivalent (FTE) Staff for Prior, Current and Budgeted Years</i>			

Salaries and wages are governed by a Board-adopted Employee Classification and Salary Range Schedule. The Employee Classification and Salary Range Schedule is updated annually with a Board adopted cost-of-living adjustment (COLA). The FY 25-26 adopted COLA is 3.01% pursuant to Resolution 2301 (see Appendix A).

Figure 8-3: FY 25-26 Total Outflows, Featuring Budgeted Personnel Costs



PERSONNEL COST PER DEPARTMENT

Figure 8-4: Department Personnel Expenses

DEPARTMENT	FULL TIME	INTERN/ TEMP	MGRS & SUPER	TOTAL COMP
ENGINEERING	3	1	1	703,873
CONSERVATION	1			160,933
DISTRIBUTION	7		1	1,677,157
FLEET & EQUIPMENT	1			207,820
CUSTOMER SERVICE	3			376,315
ADMIN & GENERAL	5	1	2	1,076,719
TREATMENT	6	1	1	1,446,294
JAMESON LAKE	1			129,172
PUBLIC INFORMATION	1			180,731
BOARD OF DIRECTORS	5			28,563
	33	3	5	5,987,577

TREATMENT, JAMESON LAKE

\$1,446,294

Treatment staff are primarily based at the District's Bella Vista Treatment plant and Doulton, with a caretaker stationed at Jameson Lake. Treatment is led by a Treatment Superintendent who oversees a Chief Operator, two Plant Operators, the Jameson Lake Dam Caretaker, and a Control Systems Operator. Treatment staff are responsible for monitoring, treating, and testing the District's water sourced from divergent sources including Jameson Lake and groundwater. The Dam Caretaker resides at Jameson Lake year-round.

TRANSMISSION & DISTRIBUTION, FLEET & CUSTOMER SERVICE

\$2,261,292

Distribution, Fleet & Customer Service staff are housed at the main District administrative building and shop. Distribution staff report to a Distribution Superintendent who oversees a Chief Operator IV, two Operator IIIs, four Operator IIs and the Fleet Technician. Distribution staff are responsible for the repair and maintenance of the infrastructure necessary to transport and deliver water to approximately 4,660 service connections.

Customer Service staff include two dedicated Office Technicians II and a rotating Distribution staff member. The two Office Technicians II report to the Business Manager and are tasked with responding to customer inquiries either by dispatching Distribution, Conservation or Engineering staff or assisting with billing or other customer questions. Customer Service handles all revenue related billing and payments and maintains customer information.

ENGINEERING

\$703,873

The Engineering Department is overseen by the Assistant General Manager/Engineering Manager (AGM). The Treatment and Distribution Superintendents report to the AGM, as do two Assistant Engineers. The Engineering department is responsible for monitoring and complying with changing regulations and overseeing a variety of District facilities along with the Capital Improvement Program Budget. District facilities include:

- Jameson Lake & Juncal Dam
- Doulton Tunnel
- Two Surface Water Treatment Plants
- 9 Pump Stations
- 9 Reservoirs
- 12 Active Groundwater Wells
- 114 Miles of Water Distribution Pipe

The Engineering staff is also responsible for implementing and maintaining the District's smart meter program.

CONSERVATION & PUBLIC INFORMATION

\$341,663

There is one Water Conservation Specialist (WCS) and one Public Information Officer (PIO). The WCS reports to the Assistant General Manager and the PIO reports to the General Manager.

The WCS assists with the District's Water Conservation Program, including the identification, evaluation, coordination, promotion, and implementation of Water Efficiency Measures with an emphasis on landscape irrigation efficiency and California-friendly horticulture/landscape design. The WCS coordinates with other agencies; responds to public inquiries for landscape conversion and water efficiency practices, makes site visits and performs water conservation audits, analysis, and reporting.

The PIO is responsible for planning, coordinating, and participating in a variety of communications, public information, marketing, community relations, and outreach activities and initiatives. The position is responsible for communications, media, website content, and other related materials and collaborates with the Board of Directors, Committees, District management and staff, District constituencies and various media outlets. In support of the District's Emergency Response Plan and public notification responsibilities, this position serves as a critical resource and liaison, and assists to develop and disseminate accurate, accessible, and complete information in the event of an emergency or incident.

ADMINISTRATION

\$1,076,719

The General Manager serves as the District's Chief Executive Officer and receives policy direction from the Board of Directors. The position is responsible for enforcement of all District ordinances, policies, and procedures, the conduct of all financial activities and the efficient and economical performance of the District's operations. The General Manager exercises general direction and supervision to the entire District staff through subordinate levels of supervision.

The Assistant General Manager/Engineering Manager and Business Manager report directly to the General Manager.

The Business Department is responsible for the financial planning and analysis, internal controls and auditing, cash and investments, budgeting, information technology, insurance, payroll, customer service, utility billing, collecting revenue, procuring goods and services, human resources, and general office management functions.

The business department staff is directed by the Business Manager. Staff include a Financial Analyst/IT Specialist, a Senior Office Technician responsible for accounts payable and payroll processing; two Office Technicians II responsible for customer service, utility billing and accounts receivable; and a Human Resources/Administrative Assistant.

BOARD OF DIRECTORS

\$28,563

The District is governed by five publicly elected Directors. Public elections are held every two years and Directors serve four-year terms that are staggered for continuity.

Directors attend monthly board and committee meetings, serve on external committees, and attend occasional special meetings as needed. Compensation for attendance at meetings is provided to Directors pursuant to the Directors' Compensation, Expense Reimbursement and Benefits Policy.

Figure 8-5 details the composition of staff total compensation.

Figure 8-5: Total Compensation by Department

DEPARTMENT	FULL TIME	INTERN/ TEMP*	MGRS & SUPER	SALARIES & WAGES	OT & STANDBY	VAC PTO & SICK	ERTAXES	CALPERSER CONT	CALPERSER AUL	WORKER'S COMP	BENEFITS	TOTAL COMP
ENGINEERING	3	1	1	473,345	21,135	48,961	39,558	37,233	2,178	18,271	63,192	703,873
CONSERVATION	1			114,977	539	7,075	9,241	9,152	535	4,438	14,975	160,933
DISTRIBUTION	7		1	829,679	76,595	115,848	72,502	101,160	296,051	32,026	153,298	1,677,157
FLEET & EQUIPMENT	1			101,460	3,000	13,463	8,357	12,764	39,473	3,916	25,388	207,820
CUSTOMER SERVICE	3			256,046	7,909	19,995	21,116	20,381	1,192	2,279	47,396	376,315
ADMIN & GENERAL	5	1	2	795,765	-	60,996	63,661	61,687	3,609	5,809	85,191	1,076,719
TREATMENT	6	1	1	716,496	63,889	108,727	62,431	87,519	270,664	27,657	108,912	1,446,294
JAMESON LAKE	1			87,060	-	9,364	6,965	6,930	405	3,361	15,087	129,172
PUBLIC INFORMATION	1			126,932	-	13,670	10,155	10,104	591	927	18,353	180,731
BOARD OF DIRECTORS	5			26,270	-	-	2,102	-	-	192	-	28,563
	33	3	5	3,528,029	173,066	398,099	296,088	346,929	614,701	98,875	531,790	5,987,577

*The number of temporary positions is subject to change

NON-OPERATING REVENUES AND EXPENSES



SECTION 9: NON-OPERATING REVENUES AND EXPENSES

This section of the annual budget details revenues and expenses that are not directly related to the water operations of the District. Non-Operating Revenues are derived from sources not directly related to water sales or services, such as rental income, investment earnings, and reimbursements. Non-Operating Expenses are costs incurred from activities not directly related to daily water operations, such as interest expense and groundwater sustainability fees.

Figure 9-1: Non-Operating Expenses

MONTECITO WATER DISTRICT FISCAL YEAR ENDING JUNE 30, 2026 BUDGET SUMMARY						
	FY 23-24 ACTUALS	FY 24-25 ADOPTED	FY 24-25 FORECAST	FY 25-26 RECOMMENDED	(FORECAST v. REC) VARIANCE	%
Non-Operating Revenues:						
Rental Revenue	98,000	47,280	55,084	95,845	40,761	74%
Investment Earnings	685,601	400,000	370,357	320,000	(50,357)	-14%
Other Non-Operating Revenues	886,878	14,400	165,943	143,845	(22,099)	-13%
Total Non-Operating Revenues	1,670,478	461,680	591,384	559,690	(31,694)	-5%
Non-Operating Expenses:						
Interest Expense - 2020 COP Refunding Bonds	111,361	30,047	60,934	8,334	(52,600)	-86%
Interest Expense - Cater Loans	85,868	501,762	68,986	59,482	(9,504)	-14%
Groundwater Sustainability Fee Payment	111,491	139,503	139,504	136,916	(2,588)	-2%
Total Non-Operating Expenses:	308,720	671,312	269,424	204,732	(64,691)	-24%
Non-Operating Income (Loss)	1,361,758	(209,632)	321,960	354,958	32,997	10%

Non-Operating Revenues

RENTAL REVENUE

Monthly rental income is received from District-provided housing (3 single-family residences) and an AT&T cell tower lease. Rental Revenue for FY 25-26 is budgeted at \$95,845 and is a \$41K increase over FY 24-25 resulting from a renewed lease agreement with AT&T.

INVESTMENT EARNINGS

The District invests its funds with Charles Schwab in accordance with its Investment Policy, adopted in Resolution 2300 on June 24, 2025. Investment earnings for FY 25-26 are budgeted at \$320,000, which is a \$50K decrease over FY 24-25 due to a decrease in the anticipated rate of return on investments.

OTHER NON-OPERATING REVENUES

In addition to rental revenue and investment earnings, the District receives other minor non-operating revenues, mainly in the form of reimbursements. These include overhead reimbursements from the GSA for utilities, insurance and use of District facilities, as well as reimbursements from Carpinteria Valley Water District for Operation and Maintenance (O&M) costs associated with chlorination of a shared reservoir utilized by both water Districts but

operated by MWD. Other non-operating revenues for FY 25-26 total \$143,845 and are 26% of total Non-Operating Revenues.

Non-Operating Expenses

INTEREST EXPENSE

Interest expense specifically represents the costs incurred by the District to service its long-term debt, which is primarily used to finance significant capital improvement projects. In FY 25-26, the District will pay interest expense on its 2020 COP Refunding Bonds (2020 COP) in the amount of \$297,000, or \$8,334 after amortization of bond premiums. The District will also make two interest payments on its 2011 Cater Ozone Project Loan totaling \$59,482 in FY 25-26.

GROUNDWATER SUSTAINABILITY FEE PAYMENT

The GSA has an adopted Schedule of Fees that fairly and reasonably recovers its operating, administrative, and regulatory costs for compliance with the Sustainable Groundwater Management Act (SGMA) from properties that overlie the Montecito Groundwater Basin. The fee is known as the Montecito GSA Groundwater Sustainability Fee (Fee). The Fee is based on the total acreage of a parcel overlying the Basin and determined by multiplying the acreage overlying the Basin by the Fee.

As the public water purveyor supplying potable water to properties overlying the Basin, and benefiting from its groundwater extractions, the District is responsible for a share of the GSA's costs based on its average annual groundwater extractions as a percentage of the estimated total groundwater pumped annually from the Basin. The District's proportionate share of total groundwater extraction was determined to be 17.4%. The District's Groundwater Sustainability Fee Payment for FY 25-26 is \$136,916.

Page left intentionally blank.

CAPITAL CONTRIBUTIONS AND SPECIAL ITEMS



SECTION 10: CAPITAL CONTRIBUTIONS AND SPECIAL ITEMS

Capital Contributions

Figure 10-1: Capital Contributions

MONTECITO WATER DISTRICT FISCAL YEAR ENDING JUNE 30, 2026 BUDGET SUMMARY						
	FY 23-24 ACTUALS	FY 24-25 ADOPTED	FY 24-25 FORECAST	FY 25-26 RECOMMENDED	(FORECAST v. REC) VARIANCE	%
Capital Contributions					-	
Capital cost recovery fees	490,755	200,000	281,021	300,000	18,979	7%
Connection fees	109,030	80,000	93,404	100,000	6,596	7%
Capital Grants & Other Reimbursements	-	3,178,400	1,520,015	3,039,800	1,519,785	100%
Total Capital Contributions	599,785	3,458,400	1,894,440	3,439,800	1,545,360	82%
Change in Net Position before Special Items	98,463	2,650,583	3,322,927	4,363,921	1,040,994	31%
Special Items						
FEMA reimbursements	327,190	5,338,938	34,350	5,372,355	5,338,005	15540%
Total Special Items	327,190	5,338,938	34,350	5,372,355	5,338,005	15540%

CAPITAL COST RECOVERY AND CONNECTION FEES

The District has invested, and continues to invest, in significant public waterworks projects necessary to acquire, treat, and deliver a reliable supply of potable water to its customers. Individuals desiring to become District customers and receive potable water service are responsible for (1) funding a proportionate share of the District's facilities, referred to as a Capital Cost Recovery Fee and (2) the actual cost including direct labor, materials and equipment necessary for physically connecting to the District's water system, referred to as a Connection Fee. Capital Cost Recovery and Connection fees are one-time charges paid by individuals prior to receiving potable water service from the District.

Figure 10-2: FY 25-26 Capital Cost Recovery & Connection Fees

Meter Size	Connection Fee	Capital Cost Recovery Fee
3/4"	\$12,809	\$27,046
1"	\$12,885	\$46,486
1.5"	\$15,196	\$84,520
2"	\$16,493	\$135,232
3" - 6"	*	**
* Conditions typically vary widely for larger size meters. The Connection fee is determined on a case-by-case basis based on time & materials including (1) actual cost of direct labor and (2) actual cost of materials and equipment usage.		
** Contact the District for a determination of Capital Cost Recovery Fees for 3-inch and larger meters.		

The Capital Cost Recovery and Connection Fees are adjusted annually at the beginning of each fiscal year and were last updated on June 24, 2025, with adoption of Resolution No. 2303. The updated Capital Cost Recovery and Connection Fees become effective on July 1 each year.

The Capital Cost Recovery and Connection Fees for FY 25-26 are shown in Figure 10-2. The FY 25-26 budget projects 1 new ¾-inch, 3 new 1-inch, and 1 new 1.5-inch water services connections.

CAPITAL GRANTS AND REIMBURSEMENTS

In late 2024, the District entered into a funding agreement with the State Water Resources Control Board (SWRCB) to fund a capital project involving seismic retrofitting or replacing eight of the District's nine water storage reservoirs. This funding is made available by the United States Environmental Protection Agency (EPA) and administered through the SWRCB Drinking Water State Revolving Fund (DWSRF) grant program, more specifically the Additional Supplemental Appropriations for Disaster Relief Act (ASADRA) funding program. The terms of the ASADRA funding program, includes no interest, 30-year loan with 30% principal forgiveness. District Resolution No. 2290, adopted by the Board of Directors on November 19, 2024, authorized the acceptance of the ASADRA funding and implementation of the Project. The loan portion of the funding, estimated to be approximately \$23M, does not become due until all reservoirs have been retrofitted and replaced, which is anticipated to occur around 2031. The project will proceed in phases, generally with two reservoirs being seismically retrofitted or replaced annually.

All costs incurred relating to these projects are anticipated to be eligible for reimbursement. Total estimated costs to be incurred in FY 25-26 for the Reservoir Seismic Retrofit or Replacement Project for the Park Lane and Terminal Reservoirs is \$8,783,500. The associated funding reimbursements totaling \$3,039,800 are budgeted in FY 25-26. The remaining reimbursements totaling \$5,743,700 are anticipated to be received in FY 26-27.

Special Items

FEMA REIMBURSEMENTS

The District has several ongoing disaster recovery projects related to the 2018 Thomas Fire and Debris Flow, and the January 2023 winter storms. Through the Public Assistance grant program, these projects are 75% reimbursable by the Federal Emergency Management Agency (FEMA) and 18.75% reimbursable by the California Governor's Office of Emergency Services (CalOES). To date, the District has incurred approximately \$5.8M in capital expense to make the required repairs and these expenses have not yet been reimbursement by FEMA. The Juncal Pipeline Repair Project, which repaired a portion of the critical pipeline connecting the District's Jameson Lake to its service area, was damaged by a debris flow during a heavy storm event in January

2023. The cost of repairs for this project along was \$5.4M. A FEMA reimbursement in the amount of \$5,120,478 is anticipated in summer 2025.

In addition, FEMA reimbursements in the amount of \$251,877 are anticipated for the Highline Repair Project and the Alder Creek Flume Repair Project.

DEBT SERVICE



SECTION 11: DEBT SERVICE

Management of the District's long-term debt is consistent with its Debt Management Policy established in Resolution No. 2306, adopted June 24, 2025. This policy establishes (1) the purposes for which the debt proceeds may be used, (2) the types of debt that may be issued, (3) the relationship of the debt to, and integration with the District's capital improvement program or budget, (4) the policy goals related to the District's planning goals and objectives, (5) and the internal control procedures that the District has implemented, or will implement to ensure that debt proceeds will be directed to the intended use.

Figure 11-1: Debt Service

MONTECITO WATER DISTRICT FISCAL YEAR ENDING JUNE 30, 2026 BUDGET SUMMARY						
	FY 23-24 ACTUALS	FY 24-25 ADOPTED	FY 24-25 FORECAST	FY 25-26 RECOMMENDED	(FORECAST v. REC) VARIANCE	%
Debt Service						
Principal - 2003 Cater DWR Loan (SRF)	-	-	219,839	-	(219,839)	-100%
Principal - 2011 Cater Ozone Project Loan	-	-	211,538	216,864	5,325	3%
Principal - 2020 COP Refunding Bonds	1,215,000	1,315,000	1,315,000	1,375,000	60,000	5%
Total Debt Service	1,215,000	1,315,000	1,746,377	1,591,864	(154,514)	-9%

Debt service expenditures reflect payments associated with approximately \$8.4M of outstanding debt including loans associated with the City of Santa Barbara Regional Cater Water Treatment Facility, and the District's Refunding Revenue Bonds, Series 2020A. Principal and interest payments for the District's Cater loans are payable semi-annually, during the months of November and May of each year. Interest payments for the District's Refunding Revenue Bonds are also due semi-annually, in December and June, with a single principal payment made in June. The current five-year financial plan forecasts sufficient revenues to satisfy debt coverage requirements.

CATER LOANS

CATER WATER TREATMENT PLANT

The District currently receives approximately 30% of its water supplies from or through the Cachuma Project. These surface water supplies are treated at the City of Santa Barbara's Cater Water Treatment Plant. The District entered into a joint powers agreement with the City of Santa Barbara, effective November 1, 2003, in which the District agreed to participate in a California Drinking Water State Revolving Fund contract financing totaling \$19.2M to fund improvements required at the Cater Water Treatment plant. The District's annual payments for its share of the debt service were \$225,416 per year. As of July 2025, the District's 2003 Cater Improvement debt service obligations are fully satisfied.

CATER OZONE PROJECT

The District currently receives approximately 30% of its water supplies from or through the Cachuma Project. These surface water supplies are treated at the City of Santa Barbara's Cater Water Treatment Plant. The District entered into a joint powers agreement with the City of Santa Barbara, effective November 1, 2003, in which the District agreed to participate in a California Drinking Water State Revolving Fund contract to fund improvements required at the Cater Water Treatment Plant. The District's annual payments for its share of the debt service are \$276,346 per year.

REFUNDING REVENUE BONDS

On September 9, 2020, the District refinanced 2010A Revenue Refunding bonds and a 2004 DWR Ortega Loan with Refunding Revenue Bonds, Series 2020A. The 2020A bonds were issued to provide an estimated net present value savings from cashflow of \$3,302,335 over the life of the bonds. The bond covenants require a 1.25 debt coverage ratio. Principal payments commenced in FY 21-22 and continue through the life of the bonds ending in FY 29-30. The combination of the coupon rate of 4% for FY 20-21 through FY 25-26 and 5% for FY 26-27 through FY 29-30, borrowing costs and the investor yield is a true overall borrowing cost of 1.21%.s

The Refunding Revenue Bonds, Series 2020A are rated "A-1" by Standard & Poor.

Figure 11-2 lists the principal and interest due to the bond holders per fiscal year.

Figure 11-2: Debt Service Schedules

**Montecito Water District Portion of
2011 Safe Drinking Water Loan**

24.63% of Cater Portion

MONTH DATE YEAR	Montecito Water District Portion			
	MWD Principal	MWD Interest	Total MWD	ANNUAL
01/01/16	\$83,419.83	\$54,466.73	\$137,886.56	\$137,886.56
07/01/16	\$85,066.79	\$53,081.98	\$138,148.76	
01/01/17	\$86,130.84	\$52,017.92	\$138,148.76	\$276,297.53
01/01/25	\$105,084.23	\$33,064.53	\$138,148.76	\$276,297.53
07/01/25	\$106,398.68	\$31,750.09	\$138,148.76	
01/01/26	\$107,729.57	\$30,419.20	\$138,148.76	\$276,297.53
07/01/26	\$109,077.10	\$29,071.66	\$138,148.76	
01/01/27	\$110,441.49	\$27,707.27	\$138,148.76	\$276,297.53
07/01/27	\$111,822.95	\$26,325.81	\$138,148.76	
01/01/28	\$113,221.69	\$24,927.08	\$138,148.76	\$276,297.53
07/01/28	\$114,637.92	\$23,510.84	\$138,148.76	
01/01/29	\$116,071.87	\$22,076.90	\$138,148.76	\$276,297.53
07/01/29	\$117,523.75	\$20,625.01	\$138,148.76	
01/01/30	\$118,993.80	\$19,154.96	\$138,148.76	\$276,297.53
07/01/30	\$120,482.23	\$17,666.53	\$138,148.76	
01/01/31	\$121,989.29	\$16,159.48	\$138,148.76	\$276,297.53
07/01/31	\$123,515.19	\$14,633.58	\$138,148.76	
01/01/32	\$125,060.18	\$13,088.59	\$138,148.76	\$276,297.53
07/01/32	\$126,624.49	\$11,524.27	\$138,148.76	
01/01/33	\$128,208.38	\$9,940.39	\$138,148.76	\$276,297.53
07/01/33	\$129,812.07	\$8,336.69	\$138,148.76	
01/01/34	\$131,435.82	\$6,712.94	\$138,148.76	\$276,297.53
07/01/34	\$133,079.89	\$5,068.87	\$138,148.76	
01/01/35	\$134,744.52	\$3,404.24	\$138,148.76	\$276,297.53
07/01/35	\$137,410.00	\$1,718.79	\$139,128.80	\$139,128.80
Total	\$4,327,092.28	\$1,199,576.10	\$5,526,668.39	\$5,526,668.39

Figure 11-3: Bond Debt Service

BOND DEBT SERVICE					
Refunding Revenue Bonds, Series 2020A					
Montecito Water District					
<i>Period Ending</i>	<i>Principal</i>	<i>Coupon</i>	<i>Interest</i>	<i>Debt Service</i>	<i>Annual Debt Service</i>
06/30/2021	160,000	4.000%	160,222.22	320,222.22	320,222.22
12/30/2021	335,000	4.000%	254,300.00	589,300.00	
06/30/2022			247,600.00	247,600.00	836,900.00
12/30/2022	1,165,000	4.000%	247,600.00	1,412,600.00	
06/30/2023			224,300.00	224,300.00	1,636,900.00
12/30/2023	1,215,000	4.000%	224,300.00	1,439,300.00	
06/30/2024			200,000.00	200,000.00	1,639,300.00
12/30/2024	1,260,000	4.000%	200,000.00	1,460,000.00	
06/30/2025			174,800.00	174,800.00	1,634,800.00
12/30/2025	1,315,000	4.000%	174,800.00	1,489,800.00	
06/30/2026			148,500.00	148,500.00	1,638,300.00
12/30/2026	1,375,000	5.000%	148,500.00	1,523,500.00	
06/30/2027			114,125.00	114,125.00	1,637,625.00
12/30/2027	1,445,000	5.000%	114,125.00	1,559,125.00	
06/30/2028			78,000.00	78,000.00	1,637,125.00
12/30/2028	1,525,000	5.000%	78,000.00	1,603,000.00	
06/30/2029			39,875.00	39,875.00	1,642,875.00
12/30/2029	1,595,000	5.000%	39,875.00	1,634,875.00	
06/30/2030					1,634,875.00
	11,390,000		2,868,922.22	14,258,922.22	14,258,922.22

DEBT SERVICE COVERAGE

The debt service coverage ratio is a measurement of the District's available cash flow to pay current debt obligations. It is equal to Net Operational Surplus/(Deficit) less interest payments and non-cash adjustments, such as depreciation, divided by Total Debt Service.

Pursuant to the 2020A bond covenants, the District must maintain a debt service coverage ratio of 1.25 or above to meet debt service covenant requirements. The District's most recent ratio as of June 30, 2024, was 1.57. Debt service coverage ratios based on the FY 24-25 forecast and FY 25-26 budget are also projected to meet debt service covenant requirements.

The DSCR is a dynamic component which is updated throughout the year as economic conditions, cashflow and District debt service needs change.

Page left intentionally blank.

CAPITAL IMPROVEMENT PROGRAM



SECTION 12: CAPITAL IMPROVEMENT PROGRAM

The District's Capital Improvement Program (CIP) is a planning and fiscal management tool for capital asset repair or replacement which enables the District to sustain District facilities, infrastructure, equipment and networks in good working condition at the lowest life cycle cost. The program ensures the reliable delivery of high-quality water to customers today and into the future. District assets include 2 Surface Water Treatment Plants; 9 Storage Reservoirs; over 114 miles of Pipeline; 943 Fire Hydrants; 9 Pumping Stations; 12 Groundwater Wells; one Surface Water Reservoir; a Concrete Arch Dam and a 2-mile-long Groundwater Conveyance Tunnel. The District also has a 29-vehicle fleet along with other specialized equipment.



The District completed an Asset Management Plan (AMP) in 2024. The AMP was used to inform the 10-year Capital Improvement Plan. The AMP prioritizes the repair or replacement of assets over a 50-year planning horizon using criteria such as age, criticality, and condition. Given limited annual resources that can be dedicated to infrastructure replacement and repairs, the program ensures annual budgets include projects with the greatest consequence of failure and risk of failure. Using the Asset Management software, all Capital Assets are now recorded and tracked in the program. The program delivers Repair and Replacement schedules which in turn informs the Capital Improvement Program.

The operating budget is not impacted by capital asset expenditures. Capital asset expenditures are tracked separately on the Statement of Net Position instead of the Revenue and Expense Statement. The cumulative amount paid for a given piece of equipment or constructed asset is assigned an expected life and the total cost is equally divided over the assigned lifespan and recorded as depreciation each year. For example, a \$40,000 truck with a lifespan of 5 years is depreciated at the rate of $(\$40,000/5)$ or \$8,000.00 per year over 5 years.

Asset lives are governed by the District's Capitalization Policy, adopted on June 25, 2024, via Resolution No. 2284 and the government code.

Fixed assets and equipment can include the necessary designs, planning and preparatory expenses to construct or purchase an item.

EQUIPMENT

The FY 25-26 budget includes \$240,000 in equipment capital expenditures. The budgeted equipment includes two service trucks to replace aging vehicles used by District staff to perform critical daily operations. The budget also includes an attachment for the District's backhoe to break rock during excavations and a mini excavator to assist with excavating in tight work areas.



Figure 12-1: FY 25-26 Budgeted Capital Equipment Purchases

VEHICLES & EQUIPMENT	BUDGET
H009 Compact Excavator	80,000.00
E004 Backhoe Breaker	15,000.00
F029 Truck (Electrician Truck)	75,000.00
F030 Truck (Dist Service Truck)	70,000.00
TOTAL VEHICLES & EQUIPMENT	240,000.00

SYSTEM PROJECTS

The FY 25-26 budget includes \$13,633,500 in infrastructure improvements, shown in Figure 12-2. FY 25-26 projects include approximately \$2.9M in replacement of aging pipelines, \$8.8M in replacement or rehabilitation of reservoirs, approximately \$1.3M in treatment plant improvements, Juncal Dam improvements, and extraordinary projects.

Figure 12-2: FY 25-26 Summary of Budgeted Infrastructure Improvements

MONTECITO WATER DISTRICT FISCAL YEAR ENDING JUNE 30, 2026 DRAFT BUDGET SUMMARY	FY 23-24 AUDITED	FY 24-25 ADOPTED BUDGET	FY 24-25 FORECAST	FY 25-26 DRAFT BUDGET	DRAFT VS FORECAST
Capital & Equipment					
Vehicles & Equipment	(384,204)	(485,000)	(429,475)	(240,000)	-44%
Pipelines	(2,841,042)	(2,160,000)	(162,130)	(2,900,000)	1689%
Reservoirs	(57,361)	(3,700,000)	(216,533)	(8,783,500)	3956%
Pumping/Wells/Valves/Treatment Plant	(377,451)	(420,000)	(52,511)	(830,000)	1481%
Other Projects	(387,838)	(743,000)	(375,826)	(455,000)	21%
Extraordinary Projects	(3,443,117)	(373,000)	(365,128)	(425,000)	16%
Capital Improvement Program	(7,106,809)	(7,396,000)	(1,172,128)	(13,393,500)	1043%
Net Capital & Equipment Expenditures	(7,491,013)	(7,881,000)	(1,601,604)	(13,633,500)	751%

Figure 12-3 lists Total Capital Improvement Funding for FY 25-26. These funding opportunities include public assistance grants from the Federal Emergency Management Agency (FEMA) or the ASADRA funding opportunity through the State Water Resources Control Board (SWRCB).

Figure 12-3: FY 25-26 Total Capital Improvement Funding

CAPITAL IMPROVEMENT FUNDING	BUDGET
A1 ENG Alder Creek Flume (FEMA 6.25% match)	95,988.38
F24 FEMA JUNCAL PIPELINE REPLACEMENT PROJECT	5,120,478.32
F25 FEMA HIGHLINE REPLACEMENT PROJECT	155,888.72
P132 ASADRA Park Lane Reservoir Replacement Project	1,475,000.00
P133 ASADRA Terminal Reservoir Replacement Project	1,564,800.00
TOTAL CAPITAL IMPROVEMENT FUNDING	8,412,155.41

PIPELINE REPLACEMENTS

Figure 12-4 lists Capital Improvement Pipeline expenditures for FY 25-26. The proposed work for FY 25-26 includes replacement of approximately 3,500 feet of aging water mains and design of approximately 2.2 miles of water main replacements in subsequent Fiscal Years and installation of two 36-inch casings underneath the US 101 as part of the Highway Widening Project.

Figure 12-4: FY 25-26 Pipeline Expenditures

PIPELINES	BUDGET
P95 Las Tunas Water Main Replacement Project	1,000,000.00
P98 Freehaven Water Main Replacement Project	1,100,000.00
P115 East Valley, Ladera and Lambert Water Main Replacements	190,000.00
P141 Fairway, Butterfly, High, & Miramonte Water Main Replacements	150,000.00
P142 US101 Casing Installations at Danielson and Miramar	320,000.00
P143 Fire Hydrant Replacements (CS31, CS32, CS35, CS54, SB1537, SB1538, SBK04)	140,000.00
TOTAL PIPELINES	2,900,000.00

LAS TUNAS ROADWATER MAIN REPLACEMENT (\$1,000,000)

This project will replace approximately 1,800 feet of the existing 1924 6-inch cast iron water mains with new 8-inch ductile iron pipe. This water main has experienced significant water main breaks in the last 10 years. The project also includes the replacement of three fire hydrants and 14 service lines. This project will replace an aging main with frequent main breaks and known hydraulic deficiencies.

FREEHAVEN DR. WATER MAIN REPLACEMENT PROJECT (\$1,100,000)

This project will replace approximately 1,800 feet of 6-inch 1960s cast iron water main with 8-inch ductile iron water main. This water main has experienced significant water main breaks in the last five years. The project also includes replacement of four fire hydrants and 17 service lines. This project will replace an aging main with frequent main breaks and known hydraulic deficiencies.

EAST VALLEY RD., LADERA LN. AND LAMBERT RD. WATER MAIN REPLACEMENTS (\$190,000)

This project includes the engineering design for replacing 1.1 miles of aging, critical cast iron water mains. This includes three separate water mains on Ladera, East Valley and Lambert Road identified as the most critical water main replacements in the Asset Management Plan. The project also includes replacement of one pressure regulator, 9 fire hydrants and 50 service lines. The construction of this project will occur in a subsequent Fiscal Year.

FAIRWAY, BUTTERFLY, HIGH, & MIRAMONTE WATER MAIN REPLACEMENTS (\$150,000)

This project includes the engineering design for replacing 1.1 miles of aging, critical cast iron water mains. This includes water mains on Fairway, Butterfly, High, and Miramonte Roads identified as critical water main replacements in the Asset Management Plan. The project also includes replacement of 6 fire hydrants and 40 service lines. The construction of this project will occur in a subsequent Fiscal Year.

US 101 CASING INSTALLATIONS AT DANIELSON AND MIRAMAR (\$320,000)

This project includes installation of two new 36-inch casings underneath the US 101 as part of the US 101 Highway Widening Project. The work will be completed by the Highway Widening Project contractor and inspected by District staff and welding inspector. The new 8-inch pipelines inside the casing will be installed in the subsequent Fiscal Year.

FIRE HYDRANT REPLACEMENTS (CS31, CS32, CS35, CS54, SB1537, SB1538, SBK04) (\$140,000)

This project includes installation of seven new fire hydrants, hydrant valves, and hydrant laterals to replace existing dry barrel and undersized hydrant laterals identified in the Asset Management Plan.

ASADRA RESERVOIR REPLACEMENT/RETROFIT PROJECT

Figure 12-5: FY 25-26 Reservoirs Expenditures

RESERVOIRS	BUDGET
P132 ASADRA Park Lane Res. Replacement Project	3,763,000.00
P133 ASADRA Terminal Res. Replacement Project	5,020,500.00
TOTAL RESERVOIRS	8,783,500.00

ASADRA PARK LANE RESERVOIR REPLACEMENT PROJECT (\$3,763,000)

This project will replace the 100-year-old Park Lane Reservoir with a new reinforced concrete reservoir to be installed inside the existing reservoir floor and walls. The project will bring the reservoir up to the current seismic design code and includes upgrading the roof from wood & steel to concrete to withstand future natural disasters. This project is funded by the ASADRA program which provides 30% principal forgiveness and 0% interest loans for the remaining 70% of project costs.

ASADRA TERMINAL RESERVOIR REPLACEMENT PROJECT (\$5,020,500)

This project will retrofit the 80-year-old Terminal Reservoir by strengthening the walls, footings, floor, and roof of the existing reservoir. The project will bring the reservoir up to the current seismic design code and includes upgrading the roof from wood & steel to concrete to withstand future natural disasters. This project is funded by the ASADRA program which provides 30% principal forgiveness and 0% interest loans for the remaining 70% of project costs.

PUMPING/WELLS/VALVES & TREATMENT PLANT

Figure 12-6: FY 25-26 Pumping/Wells/Valves & Treatment Plant

PUMPING/WELLS/VALVES/TREATMENT PLANT	BUDGET
P88 Juncal Dam Emergency Release Valve #2 Rehab	230,000.00
P146 BVTP Reclaim Basin Repair and Coating	160,000.00
P147 BVTP Filter #1 Media Replacement and Coating	140,000.00
P127 Barker Pass Regulator Vault Replacement	140,000.00
P144 Pressure Regulator Vault Repairs (Ortega Hill, Upper Syc., Pimiento, Toro Cyn)	160,000.00
TOTAL PUMPING/WELLS/VALVES/TREATMENT PLANT	830,000.00

JUNCAL DAM EMERGENCY RELEASE VALVE #2 RECONSTRUCTION (\$230,000)

This project is required by the Division of Safety of Dams. The Juncal Dam has two 36-inch emergency release valves that are operated to lower lake elevations in the event of an emergency. The valve and valve controls are 90 years old and require rehabilitation. Valve #1

was rehabilitated during prior years. The project will complete the rehabilitation of the second valve. The project includes disassembling the valve, repairing the valve components, reassembly of the valve, replacement of the electric valve actuator, and installation of new valve controls at the top of the dam.

BELLA VISTA TREATMENT PLANT RECLAIM BASIN STRUCTURAL REPAIR AND COATING (\$160,000)

The Bella Vista Treatment Plant includes two media filters that remove organics from the District water supply. These filters backwash into large open concrete basins outside of the Treatment Plant. The basins were originally constructed in 1995 during construction of the Treatment Plant, but over the years have developed cracking and spalling of the concrete floor and walls. This project will rehabilitate the concrete to cover exposed rebar and replace the sump pumps at the bottom of the reclaim basins.

BELLA VISTA TREATMENT PLANT FILTER #1 MEDIA REPLACEMENT AND COATING (\$140,000)

The Bella Vista Treatment Plant includes two media filters that remove organics from the District water supply. The media in Filter #1 is at the end of its useful life and is causing slower flow rates through the filters. This project will replace the media inside Filter #1 and apply a new epoxy coating to the interior and exterior of the filter #1 media tank.

BARKER PASS INTERTIE VAULT REPLACEMENT (\$140,000)

The Barker Pass Intertie Vault is at the corner of Barker Pass and Sycamore Canyon (Highway 192). The vault contains an intertie meter for water shared between the District and the City of Santa Barbara. The vault has caved in recently and requires full replacement. This project includes excavating and removing the old vault, installation of a new vault, valving, and traffic rated lid.

PRESSURE REGULATOR VAULT REPAIRS (ORTEGA HILL, UPPER SYC., PIMIENTO, TORO CYN) (\$160,000)

The District operates over 50 pressure regulating stations, which control pressure across the service area caused by the steep topography. The pressure regulators are housed inside concrete vaults with steel or cast-iron lids. Many of these vaults and lids exist within the traveled roadway, resulting in significant wear and tear on the vault lids caused by traffic. This project will replace the top concrete ring and install new traffic rated, spring loaded lids in four locations across the District. These locations were identified as the top priority vaults for replacement given their location in high traffic areas.

Figure 12-7: FY 25-26 Other Capital Expenditure Projects

OTHER PROJECTS		BUDGET
P122 Doulton Treatment Plant Road Replacement		85,000.00
P125 Juncal Dam Arch Drain Replacement		250,000.00
P145 Ortega PS Backup Generator Concrete Pad & Electrical		70,000.00
P148 Ennisbrook 2 Well Roof Installation		50,000.00
TOTAL OTHER PROJECTS		455,000.00

DOULTON TREATMENT PLANT ROAD REPLACEMENT (\$85,000)

The District operates two treatment plants. The Doulton Treatment Plant was constructed in the 1970s and the asphalt driveway, parking area, and work area surrounding the reclaim water tanks is likely original asphalt. This project will replace approximately 8,000 square feet of asphalt and 1,000 square feet of failed subgrade.

JUNCAL DAM ARCH DRAIN REPLACEMENT (\$250,000)

This project is recommended by the Division of Safety of Dams. The District owns and operates the Juncal Dam. The “Dam” actually consists of three separate dams, the large arch dam and intake structure, the gravity dam section, and the multi-arch section. The multi arch section of the dam experiences small amounts of water that flows through the cracks in the dam. These flow rates increase as lake levels increase and are currently higher than average given the lake has been full for several years. The water that flows through the dam is not abnormal, but it does require a drain system on the downstream side to capture these flows and carry them away from the dam structure so the soil beneath the dam doesn’t become over-saturated. The existing drain system was built in the 1950s and has several broken sections requiring frequent repairs and rooting equipment to clear out plant roots and sediment buildup. Additionally, when the pipes back up, the water flows down the access road, making the road impassable. The Division of Safety of Dams has recommended the District replace the drain system. This project includes engineering design and construction to install an entirely new drain system within each “bay” of the multi-arch dam to safely convey water away from the dam. The water ultimately flows into the highline which carries water to the District.

ORTEGA PUMP STATION BACKUP GENERATOR - CONCRETE PAD & ELECTRICAL (\$70,000)

The District owns and operates nine pump stations including the Ortega Pump Station. The backup generator has reached the end of its useful life and requires replacement which will occur over a two-year period. This project will install a new reinforced concrete pad and electrical conduits to house the generator, which will be installed in a subsequent fiscal year.

ENNISBROOK 2 WELL ROOF INSTALLATION (\$50,000)

The Ennisbrook 2 Well supplies potable water to the District distribution network. The well requires treatment before being added to the potable system. In 2024, the District installed a backwash recycling system at the well to reduce the cost of sewer discharges and recycle backwash water. The equipment was installed outside of the well building, making it susceptible to damage from the sun and rain. This project will install a roof over the well equipment to prolong the life of the equipment.

Extraordinary Projects

Figure 12-8: FY 25-26 Extraordinary Capital Expenditure Projects

EXTRAORDINARY PROJECTS		BUDGET
A1 ENG Alder Creek Flume (FEMA 6.25% match)		150,000.00
F25 FEMA HIGHLINE REPLACEMENT PROJECT		275,000.00
TOTAL EXTRAORDINARY PROJECTS		425,000.00

FEMA ALDER CREEK FLUME RECONSTRUCTION (\$150,000)

The Alder Creek Flume Repair is an ongoing project using 94% FEMA funding to repair damaged portions of the Alder Creek Flume following the 2017 Thomas Fire and subsequent debris flow. The fiscal year budget includes completion of the permitting process with the United States Forest Service. Construction is expected in the subsequent fiscal years. This project is 94% reimbursable by FEMA.

FEMA HIGHLINE REPLACEMENT PROJECT (\$275,000)

This project has been on hold due to cash flow constraints caused by the Juncal Pipeline project in the prior fiscal year. The project was restarted in spring 2025 when the District received a cash advance from FEMA. The project includes design, survey and geotechnical work to be performed by Wood Rodgers, as previously approved by the Board of Directors in FY 23-24. Construction will occur in subsequent Fiscal Years. This project is 94% reimbursable by FEMA.

Figure 12-9: FY 25-26 CIP Recap

FY 25-26 CAPITAL IMPROVEMENT PLAN	
VEHICLES & EQUIPMENT	BUDGET
H009 Compact Excavator	80,000.00
E004 Backhoe Breaker	15,000.00
F029 Truck (Electrician Truck)	75,000.00
F030 Truck (Dist Service Truck)	70,000.00
TOTAL VEHICLES & EQUIPMENT	240,000.00
PIPELINES	BUDGET
P95 Las Tunas Water Main Replacement Project	1,000,000.00
P98 Freehaven Water Main Replacement Project	1,100,000.00
P115 East Valley, Ladera and Lambert Water Main Replacements	190,000.00
P141 Fairway, Butterfly, High, & Miramonte Water Main Replacements	150,000.00
P142 US101 Casing Installations at Danielson and Miramar	320,000.00
P143 Fire Hydrant Replacements (CS31, CS32, CS35, CS54, SB1537, SB1538, SBK04)	140,000.00
TOTAL PIPELINES	2,900,000.00
RESERVOIRS	BUDGET
P132 ASADRA Park Lane Res. Replacement Project	3,763,000.00
P133 ASADRA Terminal Res. Replacement Project	5,020,500.00
TOTAL RESERVOIRS	8,783,500.00
PUMPING/WELLS/VALVES/TREATMENT PLANT	BUDGET
P88 Juncal Dam Emergency Release Valve #2 Rehab	230,000.00
P146 BVTP Reclaim Basin Repair and Coating	160,000.00
P147 BVTP Filter #1 Media Replacement and Coating	140,000.00
P127 Barker Pass Regulator Vault Replacement	140,000.00
P144 Pressure Regulator Vault Repairs (Ortega Hill, Upper Syc., Pimiento, Toro Cyn)	160,000.00
TOTAL PUMPING/WELLS/VALVES/TREATMENT PLANT	830,000.00
OTHER PROJECTS	BUDGET
P122 Doulton Treatment Plant Road Replacement	85,000.00
P125 Juncal Dam Arch Drain Replacement	250,000.00
P145 Ortega PS Backup Generator Concrete Pad & Electrical	70,000.00
P148 Ennisbrook 2 Well Roof Installation	50,000.00
TOTAL OTHER PROJECTS	455,000.00
EXTRAORDINARY PROJECTS	BUDGET
A1 ENG Alder Creek Flume (FEMA 6.25% match)	150,000.00
F25 FEMA HIGHLINE REPLACEMENT PROJECT	275,000.00
TOTAL EXTRAORDINARY PROJECTS	425,000.00
TOTAL CIP PROJECTS	13,393,500.00
TOTAL FY 25-26 CAPITAL EXPENDITURES	13,633,500.00

NET IMPACT FROM CAPITAL EXPENDITURES FOR FY 25-26

➤ Total Capital Expenditures funding	\$8,812,155
➤ Less: Total planned Expenditures	<u>\$13,633,500</u>
➤ Net Capital Expenditures FY 25-26	(\$5,221,345)

Net capital Expenditures of (\$5.2M) are driven primarily by timing of funding reimbursements associated with the ASADRA Reservoir Seismic Retrofit and Replacement Program, with \$8.78M of expenditures and \$3.04M of reimbursements forecasted in FY 25-26. The difference is expected to be reimbursed in the subsequent FY 26-27 due to the lag between reimbursement request submittals and processing by the State of CA.

Long-Term Capital Expenditure Plan

Figure 12-10 is the District's FY 25-26 through FY 35-36 Long-Term Capital Improvement Plan subject to Board approval and adoption on a year-to-year basis.

Figure 12-10: Long-Term Capital Improvement Program Plan

Capital Improvement Plan	FY 25-26	FY 26-27	FY 27-28	FY 28-29	FY 29-30	FY 30-31	FY 31-32	FY 32-33	FY 33-34	FY 34-35	FY 35-36
PIPELINE REPLACEMENTS	2,760,000	8,035,381	5,928,781	5,741,122	6,383,762	6,080,305	6,680,535	7,108,863	7,597,313	9,494,922	3,310,378
Las Tunas Water Main Replacement	1,000,000	-	-	-	-	-	-	-	-	-	-
Freehaven Water Main Replacement	1,100,000	-	-	-	-	-	-	-	-	-	-
East Valley, Ladera and Lambert Water Main Replacements	190,000	3,780,000	-	-	-	-	-	-	-	-	-
Fairway, Butterfly, High, & Miramonte Water Main Replacements	150,000	3,457,400	-	-	-	-	-	-	-	-	-
Cold Springs and Dawlish Water Main Replacements	-	178,652	4,352,263	-	-	-	-	-	-	-	-
Shelfield, Toro Canyon and Edgcliff Water Main Replacements	-	-	189,372	4,108,486	-	-	-	-	-	-	-
East Valley and El Bosque Water Main Replacements	-	-	-	200,734	4,404,927	-	-	-	-	-	-
East Valley (Orchard to Park Lane) Water Main Replacement	-	-	-	-	212,778	4,693,206	-	-	-	-	-
Lateral 1, Cota Lane, and Pepper Lane Water Main Replacements	-	-	-	-	-	225,545	5,030,902	-	-	-	-
Parra Grande, Oak Road, and Hidden Valley Water Main Replacements	-	-	-	-	-	-	239,077	5,200,808	-	-	-
Toro Canyon, Knapp, and Arcady Water Main Replacements	-	-	-	-	-	-	-	253,422	5,378,901	-	-
Toro Canyon and Mesa Road Water Main Replacements	-	-	-	-	-	-	-	-	268,627	6,371,924	-
Highline Transmission Main Replacements (Cash funded long-term)	-	142,922	1,387,147	1,431,901	1,766,056	1,161,554	1,410,556	1,654,633	1,949,785	3,122,998	3,310,378
Other US101 Crossing at Danielson - Open cut	160,000	238,203	-	-	-	-	-	-	-	-	-
Other US101 Crossing at Miramar - Open cut	160,000	238,203	-	-	-	-	-	-	-	-	-
Highline Transmission Main Replacements (Debt Financed)	-	-	-	-	-	-	-	-	-	-	-
RESERVOIR REPLACEMENTS	8,783,500	8,984,962	7,135,567	9,248,018	3,155,158	-	-	-	-	-	-
ASADRA Reservoir Retrofit and Replacement Project	8,783,500	8,984,962	7,135,567	9,248,018	3,155,158	-	-	-	-	-	-
PUMPING/WELLS/WALVING/TREATMENT	350,000	83,371	176,747	66,911	85,111	105,254	95,631	185,843	107,451	132,881	120,732
Groundwater Well - Pump and Motor Replacement	-	35,730	-	40,147	-	45,109	-	50,694	-	56,949	-
Groundwater Well - Treatment System Media Replacement	-	47,641	-	-	-	60,145	-	-	-	75,932	-
Pump Station - Pump and Motor Replacement	-	-	37,874	-	42,556	-	47,815	-	53,725	-	60,366
Pump Station - Variable Freq Drive Replacement	-	-	37,874	-	42,556	-	47,815	-	53,725	-	60,366
Bella Vista Treatment Plant Media Replacement	140,000	-	100,998	-	-	-	-	135,158	-	-	-
Doulton Treatment Plant Media Replacement	-	-	-	26,765	-	-	-	-	-	-	-
Ennisbrook 2 Building Roof Addition	50,000	-	-	-	-	-	-	-	-	-	-
Bella Vista Reclaim Basin Improvements	160,000	-	-	-	-	-	-	-	-	-	-
GENERATORS	70,000	180,000	75,000	250,000	180,000	80,000	165,000	-	-	-	-
Replace Ortega Pump Station Generator	70,000	180,000	-	-	-	-	165,000	-	-	-	-
Replace Bella Vista Generator	-	-	-	-	-	80,000	-	-	-	-	-
Replace East Valley Pump Station Generator	-	-	75,000	170,000	-	-	-	-	-	-	-
Replace Mountain Drive Pump Station Generator	-	-	-	80,000	180,000	-	-	-	-	-	-
LARGE EQUIPMENT/VEHICLES	240,000	371,461	130,000	347,939	354,630	-	-	-	-	-	-
Backhoe Replacement (compliance)	-	-	-	347,939	-	-	-	-	-	-	-
Backhoe Rock Breaker	15,000	-	-	-	-	-	-	-	-	-	-
Mini Excavator	80,000	-	-	-	-	-	-	-	-	-	-
Dump Truck (Transmission & Distribution Dept.)	-	-	-	-	354,630	-	-	-	-	-	-
Vehicle Replacement (Transmission & Distribution Dept.)	70,000	300,000	70,000	-	-	-	-	-	-	-	-
Vehicle Replacement (Treatment Dept.)	75,000	71,461	-	-	-	-	-	-	-	-	-
Vehicle Replacement (Engineering Dept.)	-	-	60,000	-	-	-	-	-	-	-	-
OTHER	1,430,000	379,012	265,120	147,205	85,111	90,218	-	-	-	-	-
Fire Hydrant Improvements	140,000	-	-	-	-	-	-	-	-	-	-
MWD 6.25% FEMA/CalOES Match - Thomas Incident (Alder Flume)	150,000	198,000	63,124	66,911	-	-	-	-	-	-	-
FEMA Highline Replacement Project	275,000	-	-	-	-	-	-	-	-	-	-
Asphalt Replacement Projects (Bella Vista, Buell, etc)	85,000	59,551	126,248	-	-	-	-	-	-	-	-
Pressure Regulator Repairs	300,000	71,461	75,749	80,294	85,111	90,218	-	-	-	-	-
Jameson Boat Dock	-	50,000	-	-	-	-	-	-	-	-	-
Juncal Dam Arch Drain Repairs	250,000	-	-	-	-	-	-	-	-	-	-
Juncal Dam Emergency Release Valve Modifications	230,000	-	-	-	-	-	-	-	-	-	-
Total Capital Improvements	13,633,500	18,034,187	13,711,216	15,801,195	10,243,771	6,355,777	6,941,165	7,294,706	7,704,764	9,627,802	3,431,109

RESERVES



SECTION 13: RESERVES

Maintaining adequate reserve balances is important to the financial health of the District. In June 2017, the District adopted Resolution No. 2155 defining reserves to be held by the District. Since then, the District reserve policy has been updated annually. At its meeting of June 24, 2025, the Board of Directors adopted a Reserve Policy for FY 25-26, District Resolution No. 2305.

The Reserve Policy documents the District's existing restricted reserves and establishes certain unrestricted reserves, including Board Committed and Board Assigned Funds. This policy also describes how and why specific reserves are established and maintained by the District and provides the District's customers with assurance that reserve balances will be maintained at prudent and fiscally responsible levels.

RESTRICTED RESERVES

Restricted Reserves are reserves that have restrictions on their use imposed by an outside source such as creditors, grantors, contributors, laws, or regulations governing use. These funds are specifically governed by a written contract with the District or outlined within the debt covenants of debt financing.

As of June 30, 2025, the District is projected to have a total of \$14,211,043 in cash and investments in various financial institutions. Restricted Reserves totaling \$4,825,317, are held in trustee accounts to satisfy debt covenants, debt agreements, and other contractual requirements and are not available for use. The remaining \$9,385,726 is available for District operating, capital needs and unrestricted reserves.

Figure 13-1: FY 25-26 Restricted Reserves

RESTRICTED RESERVES	FY 25-26
CCWA Rate Coverage Reserve	\$ 1,495,258
WSA Debt Service Coverage Deposit	481,580
WSA Debt Service Reserve Deposit	1,333,605
Thomas Fire/Debris Flow/CalOES/FEMA Holdback	1,514,874
TOTAL RESTRICTED RESERVES	\$ 4,825,317

The following provides a description of the Restricted Reserves:

CCWA Rate Coverage Reserve

The CCWA Rate Coverage Reserve are reserve funds held by CCWA that approximate 25% of the annual charge by CCWA to the District for the fixed and variable charges from the SWP, in addition to the proportionate share of CCWA's administrative costs.

WSA Debt Service Coverage Deposit and Reserve

The WSA Debt Service Coverage Deposit and WSA Debt Service Reserve are reserve funds held by the City of Santa Barbara and represent an amount equal to the District's portion of City's debt service coverage deposit and reserve required pursuant to the City's State Revolving Fund loan for the desalination plant.

Thomas Fire/Debris Flow Cal OES/FEMA Reserve

A result of the settlement between the District and Southern California Edison in connection with damages caused by the 2017 Thomas Fire, a portion of the settlement (referred to as "holdback funds") was held in escrow until reconciliation of project funding was complete. The reconciliation determined \$1,514,874 is due back to California Office of Emergency Services (CalOES). These funds remain in reserve until CalOES requests they be returned.

UNRESTRICTED RESERVES

Unrestricted Reserves are reserves that do not have external restrictions imposed on their use. The use of Unrestricted Funds is at the discretion of the Board. Unrestricted Funds may be designated for a specific purpose, determined by the Board. The Board may also redirect the use of these funds as needs change. Unrestricted Reserves are subdivided into "Committed", "Assigned" and "Unassigned" Funds. Committed Funds refer to the fund balance amounts that have constraints imposed by formal action of the Board. Once adopted, the limitation imposed remains in effect until an additional modifying action is taken. Assigned funds refer to fund balance amounts that are constrained by the Board's intent to be used for a specific purpose but are neither restricted nor committed. Unassigned funds refer to fund balances that are not restricted, committed, or assigned. The District's Unrestricted Reserves are outlined below.

BOARD COMMITTED FUNDS

As of July 1, 2025, the District's Board Committed Funds consist of a Rate Stabilization Fund, an Operating Reserve, a Capital and Emergency Reserve, and a SWP Prefunding Reserve. The Board desires a minimum Rate Stabilization Fund balance of \$2,112,639, an Operating Reserve Fund balance of \$3,697,118, a Capital and Emergency Reserve Fund balance of \$500,000 and the SWP Prefunding Reserve, which is funded monthly with a maximum target of \$4,280,974 by the June 1 payment due date. The Board Committed fund balances for FY 25-26 are shown in Figure 13-2. These funds are legally accessible for use to fund operations and are held in various financial accounts.

Figure 13-2: FY 25-26 Board Committed Funds*

UNRESTRICTED RESERVES BOARD COMMITTED FUNDS		FY 25-26
Rate Stabilization Fund	\$	2,112,639
Operating Reserve		3,697,118
Capital and Emergency Reserve		500,000
TOTAL BOARD COMMITTED FUNDS	\$	6,309,757

* SWP Prefunding Reserve is funded monthly in the amount of \$356,748 and is fully funded each year on June 1. The fully funded amount for FY 25-26 will be \$4,280,974.

The following provides a description of Board Committed fund(s).

Rate Stabilization Fund.

Minimum: \$2,112,639

The Rate Stabilization Fund is comprised of cash reserves that can mitigate the impacts of operational, debt service and capital expenditure fluctuations year over year. Reserves can be transferred out of the Rate Stabilization Fund and used to help meet debt service coverage requirements. Rate Stabilization Funds can help smooth revenue variability and ensure adequate fiscal resources during periods that might otherwise require rate increases. The minimum fund balance represents 30 days cash on hand, or approximately 8 percent of the District's annual operating costs plus debt service payments. The target fund balance is 55 days, or approximately 15 percent of the District's annual operating costs plus debt service payments.

The District may withdraw all or a portion of these funds and transfer such amounts to be accounted for as revenues in the calculation of debt service coverage. Any transfers in or out of the Rate Stabilization Fund shall be in accordance with the District's legal requirements and accounted for appropriately. All retained earnings from water rates not allocated to any other funds may be placed in the Rate Stabilization Fund, subject to the transfer mechanics outlined herewith pursuant to the District's legal requirements.

Operating Reserve.

Minimum: \$3,697,118

The Operating Reserve may be utilized to pay the cost of operating the District's system, including unanticipated costs associated with operations and to meet routine cash flow needs. This minimum fund balance represents 50-60 days cash on hand, or approximately 14 - 16 percent of the District's annual operating costs plus debt service payments and the target fund balance is 75 days, or approximately 20 percent of the District's annual operating costs plus debt service payments.

The District may withdraw all or a portion of these funds to pay operating expenses, but such amounts are not accounted for as revenues and not included in the calculation of debt service coverage.

Capital and Emergency Reserve.

Minimum: \$500,000

The Capital and Emergency Reserve is comprised of reserves used for the funding of new capital assets or the replacement of capital assets when they reach the end of their useful life and in the event of an emergency in which the District's infrastructure is severely damaged. The District may use the funds herein for either capital or emergency purposes. This minimum fund balance represents \$500,000 to cover emergency needs. The targeted balance represents the planned pay-go capital costs plus \$500,000 emergency funds. The District plans to use funds in this reserve on planned capital projects throughout the year pursuant to the Budget.

SWP Prefunding Reserve.

Monthly set-aside - Annual Maximum: \$4,280,974

The State Water Project (SWP) Prefunding Reserve is used to fund the District's annual SWP fixed payment. The reserve is funded through current rates and funds the subsequent fiscal years SWP payment. The SWP payment is for the District's proportionate share of Central Coast Water Authority's SWP fixed payments, which includes California Department of Water Resources fixed payments. The District's SWP fixed payment for FY 25-26, as budgeted is \$4,280,974 and the monthly SWP prefunding amount is \$356,748.

BOARD ASSIGNED FUNDS

Board Assigned Fund balances can vary over the fiscal year depending on their intended use. No Board Assigned Funds are established for FY 25-26.

BOARD UNASSIGNED FUNDS

The Board desires to allocate retained earnings not allocated to any other fund, i.e., unassigned funds, to the Operating Reserve and to maintain a Board Unassigned Funds balance of \$0.

APPENDIX A: DISTRICT RECOGNITION

DISTINGUISHED BUDGET PRESENTATION AWARD



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

**Montecito Water District
California**

For the Fiscal Year Beginning

July 01, 2024

Christopher P. Morrell

Executive Director

The Distinguished Budget Presentation Award is granted by the Government Finance Officers Association of the United States and Canada (GFOA). To receive this award, a governmental 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 award represents a significant achievement and reflects the commitment of Montecito Water District's Board of Directors, management, and staff in meeting the highest principles of governmental budgeting.

The Distinguished Budget Presentation Award for Fiscal Year 24-25 is the District's third consecutive recognition received from GFOA.

District Transparency Certificate of Excellence

December 2024 – December 2027

The Special District Leadership Foundation is proud to present this
District Transparency Certificate of Excellence to

Montecito Water District

In recognition of the district's completion of all transparency program requirements
designed to promote transparency in their operations and governance
to the public and other stakeholders.


Sandy Seifert Raffelson, SDLF Board President




Neil McCormick, SDLF Chief Executive Officer

The Transparency Certification program focuses on transparency to the public in the operations and governance of Special Districts. Applications are subject to rigorous review, and award recipients are approved by the Special District Leadership Foundation of the California Special Districts Association (CSDA), which was formed to promote good governance and best practices among California's Special Districts. In order to receive this award, a Special District must fulfill numerous requirements to demonstrate transparency in three main subject areas: Basic Transparency, Website, and Outreach. In recognition of its efforts toward full transparency to its citizens and ratepayers, Montecito Water District was once again awarded the District Transparency Certificate of Excellence in 2025.



Small Utility Award

Presented to

Montecito Water District

This award recognizes the positive
accomplishments as a smaller utility.

Spring 2025

Anaheim, CA

On April 4, 2025, the District received the “Small Utility Award” from the American Water Works Association during their spring 2025 conference in Anaheim, California. This award recognizes the positive accomplishments of well-operated smaller utilities, which must perform the same duties and have the same responsibilities as larger agencies, but often with limited staff, funds and resources. The District was one of three Small Utility Award winners for 2025.

GREEN BUSINESS CERTIFICATION, INNOVATOR STATUS



GREEN BUSINESS CERTIFICATION **The Montecito Water District**

implemented practices to prevent pollution, reduce waste, conserve energy, save water, operate more sustainably and exceed regulatory requirements.

This business is hereby granted certification
as a California Green Business on

December 21st, 2022

Kori Nielsen

Kori Nielsen

Program Director

EXPIRATION:

December 21, 2026

The California Green Business Network provides certification based on a combination of mandatory and voluntary measures. Checklists are used to evaluate business operations, determine sustainability measures already in place, and assist in implementing additional measures to earn certification. Green Business staff conduct site visits to assess, verify, and aid organizations in meeting the requirements in these main areas: Energy, Waste & Recycling, Pollution Prevention, Water Conservation, and Wastewater. Montecito Water District received certification as a Green Business in December 2022. The District's strong work in community partnership and water conservation messaging initiated eligibility for the Innovator status, which required completion of additional checklist requirements and assessments. "Innovator" is the highest level of certification, recognizing Community Leadership in addition to outstanding policies and practices.

APPENDIX B: GLOSSARY

TERMINOLOGY & DEFINITIONS

ACRE-FOOT (AF): A unit of measure equivalent to one acre covered by one foot of water (equal to 325,851 gallons or 435.6 hundred cubic feet of water).

ACCOUNT: A financial tool for tracking revenues, expenditures and other financial transactions.

ACCRUAL BASIS: The method of accounting that recognizes income when earned and expenses when incurred regardless of when cash is received or disbursed.

APPROPRIATION: a sum of money or total of assets devoted to a special purpose.

ARBITRAGE: the simultaneous buying and selling of securities, currency, or commodities in different markets or in derivative forms in order to take advantage of differing prices for the same asset.

AUDIT: an official inspection of an individual's or organization's accounts, typically by an independent body.

BALANCED BUDGET: A budget in which the expenditures incurred during a given period are matched by revenues.

BOND: A certificate of debt issued by an entity, guaranteeing payment of the original investment, plus interest, by a specified future date.

REVENUE BOND: A bond backed by either the revenue produced by the capital improvement or by commitment of a specific revenue source.

BUDGET: A financial plan that identifies anticipated revenues, projected expenses, and establishes the amount of funding allocated for each.

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (CalPERS): An agent, multiple employers, public retirement system to which the District contributes that acts as a common investment and administrative agent for participating public entities within the State of California.

CAPITAL IMPROVEMENT: Construction of facilities in accordance with the District's water master plans that have a cost of \$35,000 or more.

CAPITAL PROJECTS FUND: Utilized to account for financial resources used in the acquisition or construction of major capital facilities.

CAPITAL EXPENDITURE (OUTLAY): Individual item purchases of furniture, fixtures, machinery, vehicles, and equipment with an individual cost of at least \$10,000 and having a useful life of two years or more.

CERTIFICATES OF PARTICIPATION (COP): A form of lease-purchase financing used to construct or acquire capital facilities and equipment.

DEBT COVERAGE: A margin of safety for payment of debt service, reflecting the number of times by which earnings for a period of time exceed debt service payable in such a period.

DEBT SERVICE: The payment of principal and interest on borrowed funds such as bonds and other debt instruments according to a pre-determined schedule.

DEBT SERVICE RESERVES: Reserves required by the District's bond covenants, usually 10% of the initial bond issue amount.

DEFICIT: The excess of expenditures over revenues during an accounting period.

DEPRECIATION: a reduction in the value of an asset with the passage of time, due in particular to wear and tear

ENTERPRISE FUND: Utilized to account for operations that are financed and operated in a manner similar to private sector enterprises where the cost of providing services to the general public is recovered primarily through user charges.

EXPENDITURE: Decrease in net financial resources. Represents the actual payment for goods and services or the accrual thereof.

FISCAL YEAR: A twelve-month time period signifying the beginning and ending period for recording financial transactions. The District's fiscal year begins July 1 and ends June 30.

FUND: An accounting entity with a set of self-balancing accounts for recording the financial resources and transactions of specific activities for a governmental organization.

FUND BALANCE: the net position of governmental funds calculated in accordance with generally accepted accounting principles (GAAP).

GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP): a set of accounting rules, standards, and procedures established by the Governmental Accounting Standards Board (GASB) to provide a set of uniform standards for financial reporting, to ensure comparability and reliability of financial information.

GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB): the source of generally accepted accounting principles (GAAP) used by state and local governments in the United States.

HCF: A unit of measurement equivalent to one Hundred Cubic Feet; the unit in which water is billed to customers.

OPERATING EXPENDITURES: Costs relating to labor, materials, repairs, equipment, and other costs required for daily operation of a department or fund.

OPERATING RESERVES: Reserve funds equal to 20% of the budgeted operating expenditures as stipulated in the District's water and sewer Master Resolution.

PROGRAM: An activity or group of similar activities organized as a subunit of a department for planning and performance measurement purposes.

RATE STABILIZATION FUND: The Rate Stabilization Fund is comprised of cash reserves that can mitigate the impacts of operational, debt service and capital expenditure fluctuations year over year. Reserves can be transferred out of the Rate Stabilization Fund and used to help meet debt service coverage requirements. Rate Stabilization Funds can help smooth revenue variability and ensure adequate fiscal resources during periods that might otherwise require rate increases.

RESTRICTED FUNDS: Funds set aside or restricted for a specific purpose by legal commitment, by law, or by Board action.

REVENUE: Income received through such sources as taxes, fines, fees, grants or service charges which can be used to finance operations or capital assets.

SURPLUS: The excess of revenues over expenditures during an accounting period.

Page left intentionally blank.

ACRONYMS & ABBREVIATIONS

ACWA:	Association of California Water Agencies
AF:	Acre Feet
AFY:	Acre Feet per Year
ASADRA:	Additional Supplemental Appropriations for Disaster Relief Act
AWWA:	American Water Works Association
BMP:	Best Management Practices
CCRB:	Cachuma Conservation and Release Board
CCWA:	Central Coast Water Authority
CIP:	Capital Improvement Project
CMU:	Cachuma Member Units
COLA:	Cost of Living Adjustment
COMB:	Cachuma Operation and Maintenance Board
COP:	Certificate of Participation
CY:	Calendar Year
DISTRICT:	Montecito Water District
DWR:	California Department of Water Resources
FY:	Fiscal Year
GFOA:	Government Finance Officers Association
GAAP:	Generally Accepted Accounting Principles
GASB:	Governmental Accounting Standards Board
GSP:	Groundwater Sustainability Plan
GSA:	Groundwater Sustainability Agency
HCF or CCF:	Hundreds of Cubic Feet (1 CCF = 748 Gallons)
JPA:	Joint Powers Agency
MG:	Million Gallons
MOU:	Memorandum of Understanding
MSD:	Montecito Sanitary District
MWD:	Montecito Water District
PEPRA:	Public Employees' Pension Reform Act
O&M:	Operation & Maintenance
CalPERS:	California Public Employees' Retirement System
SEMITROPIC:	Semitropic Groundwater Banking and Exchange Program
SBCWA:	Santa Barbara County Water Agency
SBCFCWC:	Santa Barbara County Flood Control and Water Conservation District
SCC:	South Coast Conduit
SEIU:	Service Employees International Union, Local 620

SGMA:	Sustainable Groundwater Management Act
SWP:	State Water Project
SWRCB:	California State Water Resource Control Board
WAC:	Water Availability Charge
WSA:	Water Supply Agreement
WY:	Water Year
USBR:	United States Bureau of Reclamation
UWMP:	Urban Water Management Plan
UWUO:	Urban Water Use Objective

APPENDIX C: FINANCIAL POLICIES

The District's financial policies outline how the District manages its resources, including budgeting, debt management, and investments. These policies ensure responsible financial planning and transparency for the benefit of both the District and its customers. Each policy is reviewed periodically by the Board of Directors and updated as needed.

Attached are the following financial policies.

- [Capitalization Policy \(Resolution No. 2307, adopted June 24, 2025\)](#)
- [Debt Management Policy \(Resolution No. 2306, adopted June 24, 2025\)](#)
- [Employee Classification and Salary Range Schedule \(Resolution No. 2301, adopted June 24, 2025\)](#)
- [Fixed Asset Disposal Policy \(Resolution 2304, adopted June 24, 2025\)](#)
- [Investment Policy \(Resolution 2300, pending adopted June 24, 2025\)](#)
- [Procurement Policy \(Resolution No. 2271, adopted January 23, 2024\)](#)
- [Reserve Policy \(Resolution 2305, adopted June 24, 2025\)](#)
- [Schedule of Miscellaneous Fees and Charges \(Resolution 2302, adopted June 24, 2025\)](#)
- [Water Rates and Charges \(Resolution 2286, adopted June 25, 2024\)](#)

Page left intentionally blank.

CAPITALIZATION POLICY

RESOLUTION NO. 2307

RESOLUTION OF THE BOARD OF DIRECTORS OF THE MONTECITO WATER DISTRICT ADOPTING A CAPITALIZATION POLICY FOR FISCAL YEAR 2026

WHEREAS, the Montecito Water District ("District") is a County Water District organized and existing under and by virtue of Water Code §§30000 – 33901; and

WHEREAS, for over a century the District has acquired, maintained, and replaced assets including infrastructure, equipment, and appurtenances necessary to carry out its mission to supply safe and reliable high-quality water to the communities of Montecito and Summerland; and

WHEREAS, to effectively manage District finances, these assets are expensed, or capitalized and depreciated, based on useful life of the assets and recorded accordingly in District financial statements; and

WHEREAS, a capitalization policy provides guidance for the capitalization and depreciation of capital assets in accordance with the requirements of Governmental Accounting Standard Board (GASB) *Statement 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*; and

WHEREAS, a capitalization policy includes capital asset descriptions, capitalization threshold levels, estimated useful lives, methods of depreciation, and the procedures to be used in effectively identifying, recording, and reporting capital assets; and

WHEREAS, the District desires to follow a uniform policy with respect to the acquisition, capitalization, management, and disposition of capital expenditures and other capital assets for financial statement purposes and for compliance with applicable state and/or federal requirements;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of Montecito Water District that the Capitalization Policy as documented in Attachment A, attached hereto and incorporated herein by this reference, is hereby approved as the Capitalization Policy for the District for Fiscal Year 2026.

PASSED AND ADOPTED by the Board of Directors of the Montecito Water District this 24th day of June 2025, by the following roll call vote:

AYES: Coates, Hayman, Goebel, Plough, Wicks

NOES:

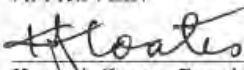
ABSENT:

ABSTAIN:

ATTEST:


Nicholas Turner, Secretary

APPROVED:


Kenneth Coates, Board President

**ATTACHMENT “A”
TO
RESOLUTION NO. 2307
CAPITALIZATION POLICY FOR FISCAL YEAR 2026**

A. Purpose of the Policy

The purpose of this Capitalization Policy (“Policy”) is to establish guidelines in identifying, capitalizing, depreciating, and accounting for District fixed assets.

B. General Definitions

A fixed asset (a.k.a. capital asset) is defined under this Policy as an asset owned by the District that 1) is acquired for use in District operations, 2) possesses physical substance, and 3) is long-term in nature (i.e., useful life exceeds 2 years), and 4) is subject to depreciation.

Specific Capital Asset Definitions

Specific capital assets are defined as follows:

1. *Land* – The investment in real estate other than buildings and building improvements. This asset does not depreciate.
2. *Buildings* – Physical property of a permanent nature.
3. *Building Improvements* – Physical property of a permanent nature that is not a physical building, such as fences, retaining walls, asphalt paving, concrete paving, fences, sidewalks, tunnels and manholes.
4. *Equipment* – moveable property of a relatively permanent nature with a significant value. “Significant value” is defined as a cost of \$10,000 or more. “Relatively permanent” is defined as a useful life that exceeds two years.
5. *Vehicles* – must be relatively permanent and have a significant value.
6. *Infrastructure*– Construction on street, road, site improvements, and water storage and/or delivery projects of a permanent nature.
7. *Maintenance and Alterations* – Expenditures which neither materially add to the value of the property nor appreciably prolong its life, but merely keep it in an ordinary, efficient operating condition. Maintenance and Alteration costs are not capitalized.
8. *Capitalized Expenditures (Betterments)* – Expenditures which materially add to the value of the property or appreciably extend its life. This amount should be added to the current book value of the asset where the original cost of a component being improved can be specifically identified. If a component is being replaced, the cost of the old component should be disposed and the new cost capitalized. Capitalized expenditures are on occasion referred to as betterments.
9. *Controlled Equipment* – Items which by their value, nature, and variety of uses should be specifically accounted for and inventoried periodically. Examples of such items include

cameras, calculators, small office equipment, furniture, and small tools or construction equipment. As a general rule, these are items with an individual cost of less than \$10,000.

C. Statement of the Policy

It is the policy of the District that the following types of assets will be considered Fixed Assets of the District:

1. Land
2. Land improvements with a limited life, such as driveways, walks, fences, landscaping, and parking lots
3. Buildings
4. Building improvements, such as HVAC equipment, remodeling costs, and landscaping
5. Hydrants, PRV stations, valves, and similar facilities
6. Transmission & distribution pipelines
7. Treatment facilities
8. Storage facilities, such as reservoirs
9. Pumps and wells
10. Water meters
11. Machinery and equipment, such as generators, compressors, jackhammers, tools, trimmers, etc.
12. Fleet equipment, such as cars, trucks, trailers, and backhoes
13. Office equipment, such as furniture and fixtures
14. Computer systems, purchased software, and phones
15. Planning documents, system modeling reports, and other documents directly related to capital improvements

D. Capitalization Thresholds

Fixed assets eligible for capitalization must have an estimated life of at least two years. The following capitalization thresholds shall be followed, and such criteria shall be applied to individual assets and not to groups of individual assets.

1. Land – All acquisition costs
2. Office Equipment - \$10,000
3. Field Equipment - \$10,000
4. Infrastructure - \$10,000
5. Buildings & Building Improvements - \$10,000

E. Valuation Of Fixed Assets

The actual cost of acquiring capital assets is recorded on the financial statements. Therefore, assets are reported at historical cost in accordance with Generally Accepted Accounting Practices. The value assigned to fixed assets shall be determined as follows:

1. Purchased Fixed Assets

The capitalized value of purchased fixed assets shall be determined using the historical cost of the asset. Specific costs eligible for capitalization are identified under Section 3.3 below. If the historical cost of an asset is not available or cannot be reasonably determined, an estimated cost may be utilized based upon the best available information.

2. Self-Constructed Fixed Assets

Only self-constructed water system infrastructure assets intended to be used in District operations are eligible for capitalization. The capitalized value of such self-constructed assets shall be determined using only direct costs associated with the construction up until the time the asset is complete and the infrastructure is ready for its intended use.

3. Donated Fixed Assets

The capitalized value of donated assets shall be determined using the fair market value at the time of donation. If the fair market value of the asset is not available or cannot be reasonably determined, an estimated cost may be determined using the best available information. The value of donated intangible assets shall be accounted for separately from donated tangible fixed assets.

F. Capitalizable Costs

Costs eligible for capitalization under this policy are as follows:

1. Land:

- a. Purchase price or appraised value, whichever can be more readily determined;
- b. Closing costs, such as title fees, attorneys' fees, environmental assessments, appraisals, taxes and recording fees;
- c. Costs necessary to get the land ready for its intended use, such as grading, clearing, filling, draining, surveying, and demolition of existing structures;
- d. Assumptions of liens, encumbrances or mortgages;

2. Purchased assets other than land:

- a. Purchase price
- b. Sales tax
- c. Freight and handling charges

- d. Insurance costs while in transit
- e. Assembling and installation charges
- f. Professional fees of engineers, inspectors, attorneys, consultants, etc.
- g. Discounts or rebates shall be accounted for as a reduction to the purchase price
- h. Costs necessary to accommodate the equipment in its new location

3. **Self-constructed assets:**

- a. Direct labor costs (to include wages and benefits)
- b. Direct materials cost
- c. Professional fees of engineers, inspectors, attorneys, consultants, etc.
- d. Insurance premiums and related costs incurred during construction
- e. Costs necessary to get the site ready for its intended use, such as grading, clearing, filling, draining, surveying, and demolition of existing structures
- f. Fair market or appraised value at date of donation
- g. Installation costs
- h. Professional fees of engineers, inspectors, attorneys, consultants, etc.
- i. Other normal or necessary costs required to place the asset in its intended location
- j. Location and condition for use

4. **Donated fixed assets:**

- a. Fair market or appraised value at date of donation
- b. Installation costs
- c. Professional fees of engineers, inspectors, attorneys, consultants, etc.
- d. Other normal or necessary costs required to place the asset in its intended location and condition for use

G. Capitalization of Costs Subsequent to Acquisition

Additional costs incurred after a fixed asset is placed in use shall be accounted for as follows:

1. **Additions**

An "Addition" is defined as an expenditure that either significantly extends the useful life or productivity of the existing fixed asset or creates a new fixed asset. All Additions to existing fixed assets should be capitalized as long as the asset meets the criteria of Section F above.

2. **Improvements and Replacements**

“Improvements and Replacements” are defined as expenditures that involve substituting a similar fixed asset, or portion thereof, for an existing one. All Improvements and Replacements to existing fixed assets should be capitalized as long as the asset meets the criteria of Section G above. If the existing asset’s book value is determinable, then the existing asset should be removed from the books at the time the replacement is recorded. If the existing asset is not separately identifiable, then the replacement should still be capitalized as the existing asset’s book value is assumed to be negligible.

3. **Rearrangement or Reinstallation**

“Rearrangement or Reinstallation” costs are defined as expenditures that involve moving an existing asset to a new location or reinstalling a similar asset in place of an existing asset. All Rearrangement or Reinstallation costs should be expensed in the period incurred.

4. **Repairs and Maintenance**

“Repairs and Maintenance” costs are defined as expenditures that involve maintaining the asset in good or ordinary repair. All Repairs and Maintenance costs should be expensed in the period incurred.

H. Depreciation of Fixed Assets

Fixed assets shall be depreciated on a straight-line basis beginning the first day of the month following acquisition in accordance with the following schedule (Note, management may determine a useful life other than these listed below if a determination is made that the useful lives listed below are not appropriate for the asset):

LAND	
Capitalization Threshold	All Acquisition Costs
Non-Depreciable	
OFFICE EQUIPMENT	
Capitalization Threshold	\$10,000
Computers	4 Years
Computer Software	3 Years
Phone & Telecommunications	
Equipment	4 Years
Office Furniture & Fixtures	7 Years
Network Servers	5 Years
Copy Machines	5 Years
Printers	5 Years

FIELD EQUIPMENT	
Capitalization Threshold	\$10,000
Vehicles	5 Years
Heavy equipment, Backhoes, Forklifts, etc.	10 Years
Machinery & Equipment	10 Years
Generators	10 Years
INFRASTRUCTURE	
Capitalization Threshold	\$10,000
Transmission and Distribution	
Pipelines	60 Years
Reservoirs	60 Years
Pumps	25 Years
Pump Stations	25 Years
Wells	25 Years
Hydrants	30 Years
Valves	30 Years
Treatment Facilities	30 Years
BUILDINGS & BUILDING IMPROVEMENTS	
Capitalization Threshold	\$10,000
Buildings	30 Years
Building Improvements	10 Years
Air Conditioners	15 Years
Plumbing Fixtures	15 Years
Shop Building	30 Years

I. PHYSICAL INVENTORY

A physical inventory of the following categories of fixed assets shall be performed annually:

1. Inventory items
2. Machinery and equipment
3. Fleet equipment
4. Office furniture and fixtures
5. Computer equipment, purchased software and telephones

The results of the physical inventory shall be reconciled with the District's asset inventory system.

J. DISPOSAL OF FIXED ASSETS

Fixed assets that have become obsolete or impaired or no longer of use to the District shall be disposed of in accordance with District's Resolution 2304 *Fixed Asset Disposal Policy*.

DEBT MANAGEMENT POLICY

RESOLUTION NO. 2306

RESOLUTION OF THE BOARD OF DIRECTORS OF THE MONTECITO WATER DISTRICT ADOPTING A DEBT MANAGEMENT POLICY FOR FISCAL YEAR 2026

WHEREAS, the Montecito Water District ("District") is a County Water District organized and existing under and by virtue of Water Code §§30000 – 33901; and

WHEREAS, the Montecito Water District ("District") has outstanding debt and may issue additional debt in the future; and

WHEREAS, the District is committed to prudent financial management, systematic capital planning, and long-term financial planning; and

WHEREAS, Government Code §8855 requires the District to have a Debt Management Policy before issuing debt, and establishes the elements that must be included in a Debt Management Policy; and

WHEREAS, on February 26, 2019, the Board of Directors adopted a Debt Management Policy, setting forth parameters within which debt may be issued and administered by the District; and

WHEREAS, the Board of Directors last adopted an updated Debt Management Policy in June 2024; and

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of Montecito Water District that the Debt Management Policy as documented in "Exhibit A", attached hereto and incorporated herein, is hereby approved as the Debt Management Policy for the District for Fiscal Year 2026.

PASSED AND ADOPTED by the Board of Directors of the Montecito Water District this 24th day of June 2025 by the following roll call vote:

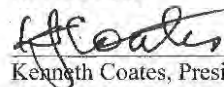
AYES: Coates, Hayman, Goebel, Plough, Wicks

NOES:

ABSENT:

ABSTAIN:

APPROVED:


Kenneth Coates, President

ATTEST:


Nicholas Turner, Board Secretary

EXHIBIT "A"
TO
RESOLUTION NO. 2306
DEBT MANAGEMENT POLICY FOR THE FISCAL YEAR 2026

Purpose and Scope

This Debt Management Policy ("Debt Policy") establishes the parameters within which debt may be issued and administered by the Montecito Water District (the "District"). This Debt Policy shall also apply to the Montecito Water District Financing Corporation.

This Debt Policy is intended to comply with Government Code Section 8855(i) and shall govern debt undertaken by the District.

The District hereby recognizes that a fiscally prudent debt policy is required in order to:

- Maintain the District's sound financial position.
- Ensure the District has the flexibility to respond to: changes in future revenue levels; construction, maintenance, and operating expenses; and the fluctuating cost of water supplies necessary to ensure effective accomplishment of the District's mission.
- Protect the District's credit-worthiness.
- Ensure that debt is structured in order to protect both current and future District customers.
- Ensure that the District's debt is consistent with its planning goals and objectives and the District's mission, projects and/or budget, as applicable.

Purposes for Which Debt May Be Issued

1. Long-Term Debt. Long-term debt may be issued to finance the construction, acquisition, and improvement of facilities, equipment, land, and property (including water supplies) to be owned and/or operated by the District.

1.1 Long-term debt financings are appropriate when the following conditions exist:

- When the action to be financed is necessary and useful to the District's purpose.
- When the action to be financed will provide benefit to District customers over multiple years.
- When total debt does not constitute an unreasonable burden to the District's customers.
- When the debt is used to refinance outstanding debt in order to produce debt service savings or to realize the benefits of a debt restructuring.

1.2 Long-term debt financing will not generally be considered appropriate for current operating expenses and annual routine maintenance expenses.

1.3 The District may use long-term debt financings subject to the following conditions:

- Any project for the construction, or improvement of facilities or equipment to be financed must be included in the Capital Improvement Plan program and approved by the District Board of Directors after reserves and cash flow have been discussed before incurring long-term debt.
 - The weighted average maturity of the debt (or the portion of the debt allocated to the project) will not exceed the average useful life of the project to be financed by more than 20%.
 - The District estimates that sufficient revenues will be available to service the debt through its maturity.
 - The District determines that the issuance of the debt will comply with applicable state and federal laws.
 - The District, following consultation with its Municipal Advisor, shall determine the appropriate sale method regarding the issuance of debt (competitive vs. negotiated sales).
 - The District determines that the issuance of variable rate debt shall not exceed 30% of the total principal amount of all debt outstanding. Prior to the issuance of variable rate debt, the savings and other possible advantages and disadvantages compared to a fixed rate borrowing shall be evaluated and a comparative analysis presented to the Board of Directors following consultation with its Municipal Advisor.
2. Short-term debt. Short-term debt may be issued to provide financing for the District's operational cash flows in order to maintain a steady and even cash flow balance and other purposes as permitted by California law. Short term debt may also be used to finance short-lived capital, or water acquisition projects, or to provide interim financing for long-lived projects.

Types of Debt

The following types of debt are allowable under this Debt Policy:

- Bond or grant anticipation notes (BANs);
- Lease revenue bonds, certificates of participation (COPs) and lease-purchase transactions;
- Other revenue bonds such as JPA bonds and refunding revenue bonds;
- Installment purchase agreements as allowed by law;
- State Water Resources Control Board Loans and other government sponsored loans;
- Short-term notes authorized by the Water Code or other interim financing vehicles such as lines of credit or commercial paper;
- Private placements or direct loans.

The District Board may from time to time find that other forms of debt would be beneficial to further its public purposes and may approve such debt through an action of the District Board

without an amendment of this Debt Policy.

Relationship of Debt to Capital Improvements and Budget

The District is committed to long-term planning. The District intends to issue debt for the purposes stated in this Debt Policy, and to implement policy decisions regarding capital improvements, and acquisitions of land and water, that are necessary and useful to the successful operation of the District.

The District shall strive to fund the upkeep and maintenance of its infrastructure and facilities due to normal wear and tear through the expenditure of available operating revenues, including the collection of assessments from District customers. The District shall seek to avoid the use of debt to fund infrastructure and facilities improvements that are the result of normal wear and tear.

The District shall seek to issue debt in a timely manner to avoid having to make unplanned expenditures for capital improvements or equipment.

Policy Goals Related to Planning Goals and Objectives

The District is committed to long-term financial planning, maintaining appropriate reserve levels and employing prudent practices in governance, management and budget administration. The District intends to issue debt for the purposes stated in this Debt Policy and to implement policy decisions incorporated in the annual budget.

It is a policy goal of the District to utilize conservative financing methods and techniques so as to obtain the highest practical credit ratings and the lowest practical borrowing costs.

The District will comply with applicable state and federal law as it pertains to the maximum term of debt and the procedures for levying and imposing any related assessments, rates and charges.

The Business Manager and/or General Manager will periodically review existing District debt to identify refinancing opportunities. Refinancing will be considered by the Board if and when there is a net benefit of refinancing. The District shall target a 3% net present value savings for current refundings and 5% for advance refunding transactions. Non-economic refinancing may be considered to achieve the District's goals relating to changes in covenants, call provisions, operational flexibility, tax status, or the District's debt service profile.

State Reporting Requirements

Pursuant to Government Code section 8855(k), the District will submit annual debt transparency reports for any debt for which has submitted a report of final sale on or after January 21, 2017, every year until the later date on which the debt is no longer outstanding and the proceeds have been fully spent. The District shall also comply with Government Code Section 5852.1 by disclosing specified good faith estimates in a public meeting prior to the authorization of the issuance of bonds.

Internal Control Procedures

When issuing debt, in addition to complying with the terms of this Debt Policy, the District shall comply with any other applicable laws and policies regarding initial bond disclosure, continuing

disclosure, post-issuance compliance, and investment of bond proceeds.

Without limiting the foregoing, the District will periodically review the requirements of, and will remain in compliance with, the following:

- Any continuing disclosure undertakings entered into by the District in accordance with SEC Rule 15c2-12.
- Any federal tax compliance requirements, including, without limitation, arbitrage, and rebate compliance.
- Investment policies as they relate to the use and investment of bond proceeds.
- Arbitrage rebate liability and yield restrictions.

Proceeds of debt will be held either (a) by a third-party trustee or fiscal agent, which will disburse such proceeds to or upon the order of the District upon the submission of one or more written requisitions by the Business Manager and/or General Manager, or the written designee of same; or (b) by the District, to be held and accounted for in a separate fund, general account or project account, the expenditure of which will be carefully documented by the District.

On an as needed basis, the Business Manager and/or General Manager will be responsible for reviewing and updating and/or revising this Policy which shall be reviewed at a Board meeting and adopted by the Board of Directors.

The District's Board may waive any requirements of this Debt Policy upon the recommendation of the General Manager or Business Manager after consultation with its Bond Counsel and its Municipal Advisor.

Page left intentionally blank.

EMPLOYEE CLASSIFICATION AND SALARY RANGE SCHEDULE

RESOLUTION NO. 2301

RESOLUTION OF THE BOARD OF DIRECTORS OF THE MONTECITO WATER DISTRICT ESTABLISHING AN UPDATED EMPLOYEE CLASSIFICATION AND SALARY RANGE SCHEDULE EFFECTIVE WITH THE PAY PERIOD BEGINNING JULY 12, 2025

WHEREAS, the Board of Directors of the Montecito Water District ("District") adopts an annual budget every June for the upcoming fiscal year which includes projected revenues and expenditures; and

WHEREAS, as part of its annual budgeting process, the Board of Directors evaluates District staffing and associated wages and salaries, including the necessity of updates to the (a) Biweekly Salary Range and Position Control Schedule and (b) Bi-Weekly Salary Rate Table.

WHEREAS, pursuant to Government Code §20636 and the California Code of Regulations 2 CCR §570.5, the District shall adopt a resolution any time a change is made to the District's wages and salaries;

NOW, THEREFORE, BE IT RESOLVED THAT:

1. Resolution No. 2291, adopted November 19, 2024, is rescinded in its entirety effective with the pay period ending July 11, 2025.
2. The Board of Directors hereby approves a Cost of Living Adjustment (COLA) to wages and salaries for Fiscal Year (FY) 2026 of 3.01%, which was determined using the U.S. Bureau of Labor Statistics *Consumer Price Index for All Urban Consumers (CPI-U)*, *Los Angeles-Long Beach-Anaheim, CA* report for the 12-month period ending on March 31.
3. The updated (a) Biweekly Salary Range and Position Control Schedule and (b) Bi-Weekly Salary Rate Table for FY 2026, as shown on Schedule A and B and the attachment thereto, are effective with the pay period beginning July 12, 2025.
4. The COLA affects all position classifications shown in the Biweekly Salary Range and Position Control Schedule, with the exception of the General Manager, and increases all steps on the Bi-Weekly Salary Rate Table for FY 2026.

PASSED AND ADOPTED by the Board of Directors of the Montecito Water District this 24th of June 2025, by the following roll call vote:

AYES: Coates, Hayman, Goebel, Plough, Wicks

NOES:

ABSENT:

ABSTAIN:

ATTEST:



Nicholas Turner, Secretary

APPROVED:



Kenneth Coates, Board President

BI-WEEKLY SALARY RANGE AND POSITION CONTROL SCHEDULE

Effective with Pay Period beginning July 12, 2025

Board Approval on June 24, 2025

Schedule A to Resolution 2301

Approved COLA

3.01%

Unrepresented Positions

PERCENT	5.0%	5.0%	5.0%	5.0%	5.0%
RANGE	STEP A	STEP B	STEP C	STEP D	STEP E
100	1,501.94	1,577.04	1,655.89	1,738.69	1,825.62
101	1,511.33	1,586.90	1,666.25	1,749.56	1,837.04
102	1,520.77	1,596.81	1,676.65	1,760.49	1,848.51
103	1,530.28	1,606.79	1,687.13	1,771.49	1,860.07
104	1,539.84	1,616.83	1,697.68	1,782.56	1,871.69
105	1,549.47	1,626.94	1,708.29	1,793.70	1,883.39
106	1,559.15	1,637.11	1,718.96	1,804.91	1,895.16
107	1,568.90	1,647.35	1,729.71	1,816.20	1,907.01
108	1,578.71	1,657.64	1,740.52	1,827.55	1,918.93
109	1,588.58	1,668.01	1,751.41	1,838.98	1,930.92
110	1,598.50	1,678.43	1,762.35	1,850.47	1,942.99
111	1,608.49	1,688.92	1,773.37	1,862.03	1,955.14
112	1,618.54	1,699.47	1,784.44	1,873.66	1,967.35
113	1,628.66	1,710.09	1,795.59	1,885.37	1,979.64
114	1,638.84	1,720.78	1,806.82	1,897.16	1,992.02
115	1,649.09	1,731.54	1,818.12	1,909.02	2,004.48
116	1,659.39	1,742.36	1,829.48	1,920.95	2,017.00
117	1,669.76	1,753.25	1,840.91	1,932.96	2,029.61
118	1,680.20	1,764.21	1,852.42	1,945.04	2,042.29
119	1,690.71	1,775.24	1,864.00	1,957.20	2,055.06
120	1,701.28	1,786.34	1,875.66	1,969.44	2,067.92
121	1,711.91	1,797.50	1,887.38	1,981.75	2,080.83
122	1,722.60	1,808.73	1,899.17	1,994.13	2,093.83
123	1,733.36	1,820.03	1,911.03	2,006.59	2,106.92
124	1,744.19	1,831.40	1,922.97	2,019.12	2,120.08
125	1,755.09	1,842.85	1,934.99	2,031.74	2,133.33
126	1,766.06	1,854.36	1,947.08	2,044.43	2,146.65
127	1,777.09	1,865.94	1,959.24	2,057.20	2,160.06
128	1,788.19	1,877.60	1,971.48	2,070.05	2,173.56
129	1,799.37	1,889.34	1,983.81	2,083.00	2,187.15
130	1,810.62	1,901.15	1,996.21	2,096.02	2,200.82
131	1,821.94	1,913.03	2,008.68	2,109.12	2,214.57
132	1,833.32	1,924.99	2,021.24	2,122.30	2,228.41
133	1,844.78	1,937.02	2,033.88	2,135.57	2,242.35
134	1,856.32	1,949.13	2,046.59	2,148.92	2,256.36
135	1,867.92	1,961.31	2,059.38	2,162.35	2,270.46
136	1,879.60	1,973.58	2,072.26	2,175.87	2,284.66
137	1,891.35	1,985.91	2,085.21	2,189.47	2,298.94

BI-WEEKLY SALARY RANGE AND POSITION CONTROL SCHEDULE

Effective with Pay Period beginning July 12, 2025

Board Approval on June 24, 2025

Schedule A to Resolution 2301

Approved COLA 3.01%

Unrepresented Positions

PERCENT	5.0%	5.0%	5.0%	5.0%	5.0%
RANGE	STEP A	STEP B	STEP C	STEP D	STEP E
138	1,903.16	1,998.32	2,098.24	2,203.15	2,313.31
139	1,915.06	2,010.81	2,111.35	2,216.92	2,327.77
140	1,927.02	2,023.37	2,124.54	2,230.77	2,342.31
141	1,939.07	2,036.02	2,137.82	2,244.71	2,356.95
142	1,951.18	2,048.74	2,151.18	2,258.74	2,371.67
143	1,963.38	2,061.54	2,164.62	2,272.85	2,386.50
144	1,975.65	2,074.43	2,178.15	2,287.06	2,401.42
145	1,987.99	2,087.39	2,191.76	2,301.35	2,416.42
146	2,000.42	2,100.44	2,205.46	2,315.73	2,431.52
147	2,012.92	2,113.57	2,219.25	2,330.21	2,446.72
148	2,025.51	2,126.78	2,233.12	2,344.78	2,462.02
149	2,038.16	2,140.07	2,247.07	2,359.42	2,477.40
150	2,050.89	2,153.44	2,261.11	2,374.17	2,492.87
151	2,063.71	2,166.89	2,275.24	2,389.00	2,508.45
152	2,076.60	2,180.44	2,289.46	2,403.93	2,524.13
153	2,089.58	2,194.06	2,303.76	2,418.95	2,539.90
154	2,102.64	2,207.77	2,318.16	2,434.07	2,555.77
155	2,115.78	2,221.57	2,332.65	2,449.28	2,571.74
156	2,129.00	2,235.45	2,347.22	2,464.58	2,587.81
157	2,142.30	2,249.42	2,361.89	2,479.98	2,603.98
158	2,155.70	2,263.48	2,376.66	2,495.49	2,620.26
159	2,169.17	2,277.63	2,391.51	2,511.09	2,636.64
160	2,182.73	2,291.87	2,406.46	2,526.78	2,653.12
161	2,196.37	2,306.19	2,421.50	2,542.57	2,669.70
162	2,210.10	2,320.61	2,436.64	2,558.47	2,686.39
163	2,223.92	2,335.11	2,451.87	2,574.46	2,703.19
164	2,237.81	2,349.70	2,467.19	2,590.55	2,720.08
165	2,251.80	2,364.39	2,482.61	2,606.74	2,737.08
166	2,265.87	2,379.17	2,498.13	2,623.03	2,754.18
167	2,280.04	2,394.04	2,513.74	2,639.43	2,771.40
168	2,294.29	2,409.00	2,529.45	2,655.92	2,788.72
169	2,308.63	2,424.06	2,545.26	2,672.53	2,806.15
170	2,323.06	2,439.22	2,561.18	2,689.24	2,823.70
171	2,337.58	2,454.46	2,577.18	2,706.04	2,841.34
172	2,352.19	2,469.80	2,593.29	2,722.96	2,859.10
173	2,366.90	2,485.24	2,609.50	2,739.98	2,876.98
174	2,381.68	2,500.77	2,625.81	2,757.10	2,894.95
175	2,396.56	2,516.39	2,642.21	2,774.32	2,913.04
176	2,411.54	2,532.12	2,658.72	2,791.66	2,931.24

MWD Resolution No. 2301
Schedule A

Page 2 of 6

BI-WEEKLY SALARY RANGE AND POSITION CONTROL SCHEDULE

Effective with Pay Period beginning July 12, 2025

Board Approval on June 24, 2025

Schedule A to Resolution 2301

Approved COLA

3.01%

Unrepresented Positions

PERCENT	5.0%	5.0%	5.0%	5.0%	5.0%
RANGE	STEP A	STEP B	STEP C	STEP D	STEP E
177	2,426.61	2,547.94	2,675.34	2,809.11	2,949.56
178	2,441.78	2,563.86	2,692.06	2,826.66	2,967.99
179	2,457.03	2,579.89	2,708.88	2,844.32	2,986.54
180	2,472.39	2,596.01	2,725.81	2,862.10	3,005.20
181	2,487.84	2,612.23	2,742.84	2,879.98	3,023.98
182	2,503.38	2,628.55	2,759.98	2,897.98	3,042.87
183	2,519.03	2,644.98	2,777.23	2,916.09	3,061.90
184	2,534.78	2,661.52	2,794.59	2,934.32	3,081.04
185	2,550.62	2,678.15	2,812.05	2,952.66	3,100.29
186	2,566.56	2,694.89	2,829.64	2,971.12	3,119.67
187	2,582.61	2,711.74	2,847.32	2,989.69	3,139.17
188	2,598.74	2,728.68	2,865.12	3,008.37	3,158.79
189	2,614.99	2,745.74	2,883.03	3,027.18	3,178.54
190	2,631.33	2,762.90	2,901.04	3,046.09	3,198.40
191	2,647.78	2,780.17	2,919.17	3,065.13	3,218.39
192	2,664.32	2,797.53	2,937.41	3,084.28	3,238.50
193	2,680.97	2,815.02	2,955.77	3,103.56	3,258.73
194	2,697.73	2,832.61	2,974.24	3,122.96	3,279.10
195	2,714.59	2,850.32	2,992.84	3,142.48	3,299.61
196	2,731.55	2,868.13	3,011.54	3,162.12	3,320.22
197	2,748.62	2,886.05	3,030.36	3,181.87	3,340.97
198	2,765.80	2,904.09	3,049.29	3,201.76	3,361.85
199	2,783.08	2,922.24	3,068.35	3,221.77	3,382.86
200	2,800.48	2,940.50	3,087.53	3,241.90	3,404.00
201	2,817.98	2,958.88	3,106.82	3,262.16	3,425.27
202	2,835.59	2,977.37	3,126.24	3,282.55	3,446.67
203	2,853.30	2,995.97	3,145.77	3,303.06	3,468.21
204	2,871.14	3,014.70	3,165.44	3,323.71	3,489.89
205	2,889.09	3,033.54	3,185.22	3,344.48	3,511.71
206	2,907.14	3,052.50	3,205.13	3,365.38	3,533.65
207	2,925.32	3,071.59	3,225.17	3,386.42	3,555.75
208	2,943.60	3,090.78	3,245.32	3,407.59	3,577.97
209	2,962.00	3,110.10	3,265.60	3,428.88	3,600.33
210	2,980.51	3,129.54	3,286.01	3,450.31	3,622.83
211	2,999.13	3,149.09	3,306.54	3,471.87	3,645.46
212	3,017.88	3,168.77	3,327.21	3,493.57	3,668.25
213	3,036.74	3,188.58	3,348.01	3,515.41	3,691.18
214	3,055.73	3,208.51	3,368.94	3,537.39	3,714.26
215	3,074.82	3,228.56	3,389.99	3,559.49	3,737.46

MWD Resolution No. 2301
Schedule A

Page 3 of 6

BI-WEEKLY SALARY RANGE AND POSITION CONTROL SCHEDULE

Effective with Pay Period beginning July 12, 2025

Board Approval on June 24, 2025

Schedule A to Resolution 2301

Approved COLA

3.01%

Unrepresented Positions

PERCENT	5.0%	5.0%	5.0%	5.0%	5.0%
RANGE	STEP A	STEP B	STEP C	STEP D	STEP E
216	3,094.04	3,248.74	3,411.18	3,581.73	3,760.82
217	3,113.37	3,269.04	3,432.50	3,604.12	3,784.33
218	3,132.83	3,289.48	3,453.95	3,626.65	3,807.98
219	3,152.41	3,310.04	3,475.54	3,649.31	3,831.78
220	3,172.12	3,330.72	3,497.26	3,672.12	3,855.73
221	3,191.94	3,351.54	3,519.11	3,695.07	3,879.82
222	3,211.89	3,372.48	3,541.10	3,718.16	3,904.07
223	3,231.97	3,393.56	3,563.24	3,741.40	3,928.47
224	3,252.17	3,414.78	3,585.51	3,764.79	3,953.03
225	3,272.49	3,436.11	3,607.92	3,788.32	3,977.73
226	3,292.95	3,457.60	3,630.48	3,812.00	4,002.60
227	3,313.53	3,479.20	3,653.17	3,835.82	4,027.61
228	3,334.24	3,500.96	3,676.00	3,859.80	4,052.79
229	3,355.08	3,522.83	3,698.98	3,883.92	4,078.12
230	3,376.05	3,544.85	3,722.10	3,908.20	4,103.61
231	3,397.16	3,567.02	3,745.37	3,932.63	4,129.27
232	3,418.39	3,589.30	3,768.77	3,957.21	4,155.07
233	3,439.75	3,611.74	3,792.32	3,981.94	4,181.04
234	3,461.25	3,634.31	3,816.02	4,006.83	4,207.17
235	3,482.88	3,657.02	3,839.88	4,031.87	4,233.46
236	3,504.65	3,679.88	3,863.87	4,057.07	4,259.92
237	3,526.55	3,702.88	3,888.02	4,082.42	4,286.55
238	3,548.59	3,726.02	3,912.32	4,107.94	4,313.33
239	3,570.76	3,749.30	3,936.77	4,133.60	4,340.28
240	3,593.08	3,772.74	3,961.38	4,159.44	4,367.42
241	3,615.54	3,796.32	3,986.13	4,185.44	4,394.71
242	3,638.13	3,820.04	4,011.04	4,211.59	4,422.17
243	3,660.87	3,843.92	4,036.11	4,237.92	4,449.82
244	3,683.75	3,867.94	4,061.33	4,264.40	4,477.62
245	3,706.77	3,892.11	4,086.72	4,291.05	4,505.61
246	3,729.95	3,916.44	4,112.27	4,317.88	4,533.77
247	3,753.25	3,940.92	4,137.96	4,344.86	4,562.10
248	3,776.71	3,965.55	4,163.82	4,372.01	4,590.61
249	3,800.31	3,990.33	4,189.85	4,399.34	4,619.31
250	3,824.07	4,015.27	4,216.03	4,426.84	4,648.18
251	3,847.97	4,040.37	4,242.39	4,454.51	4,677.23
252	3,872.02	4,065.62	4,268.90	4,482.35	4,706.46
253	3,896.22	4,091.03	4,295.58	4,510.36	4,735.88
254	3,920.57	4,116.59	4,322.42	4,538.55	4,765.47

MWD Resolution No. 2301
Schedule A

Page 4 of 6

BI-WEEKLY SALARY RANGE AND POSITION CONTROL SCHEDULE

Effective with Pay Period beginning July 12, 2025

Board Approval on June 24, 2025

Schedule A to Resolution 2301

Approved COLA

3.01%

Unrepresented Positions

PERCENT	5.0%	5.0%	5.0%	5.0%	5.0%
RANGE	STEP A	STEP B	STEP C	STEP D	STEP E
255	3,945.08	4,142.33	4,349.45	4,566.92	4,795.26
256	3,969.73	4,168.22	4,376.63	4,595.46	4,825.24
257	3,994.54	4,194.27	4,403.98	4,624.18	4,855.39
258	4,019.51	4,220.48	4,431.51	4,653.08	4,885.74
259	4,044.63	4,246.86	4,459.20	4,682.16	4,916.27
260	4,069.90	4,273.40	4,487.07	4,711.42	4,946.99
261	4,095.35	4,300.11	4,515.12	4,740.87	4,977.92
262	4,120.94	4,326.98	4,543.33	4,770.50	5,009.02
263	4,146.69	4,354.02	4,571.72	4,800.31	5,040.32
264	4,172.60	4,381.23	4,600.29	4,830.31	5,071.82
265	4,198.68	4,408.61	4,629.04	4,860.49	5,103.52
266	4,224.92	4,436.16	4,657.97	4,890.87	5,135.41
267	4,251.32	4,463.88	4,687.08	4,921.43	5,167.50
268	4,277.89	4,491.79	4,716.37	4,952.19	5,199.80
269	4,304.63	4,519.86	4,745.85	4,983.15	5,232.30
270	4,331.53	4,548.10	4,775.51	5,014.29	5,265.00
271	4,358.60	4,576.53	4,805.36	5,045.63	5,297.91
272	4,385.84	4,605.13	4,835.39	5,077.16	5,331.02
273	4,413.25	4,633.92	4,865.61	5,108.89	5,364.34
274	4,440.84	4,662.88	4,896.03	5,140.83	5,397.87
275	4,468.59	4,692.02	4,926.62	5,172.95	5,431.60
276	4,496.52	4,721.34	4,957.41	5,205.28	5,465.55
277	4,524.62	4,750.85	4,988.39	5,237.81	5,499.70
278	4,552.90	4,780.54	5,019.57	5,270.55	5,534.07
279	4,581.35	4,810.42	5,050.94	5,303.48	5,568.66
280	4,609.98	4,840.48	5,082.50	5,336.62	5,603.46
281	4,638.79	4,870.73	5,114.27	5,369.98	5,638.48
282	4,667.79	4,901.18	5,146.23	5,403.55	5,673.72
283	4,696.96	4,931.80	5,178.39	5,437.31	5,709.18
284	4,726.31	4,962.63	5,210.76	5,471.30	5,744.86
285	4,755.85	4,993.64	5,243.32	5,505.49	5,780.76
286	4,785.57	5,024.85	5,276.09	5,539.89	5,816.89
287	4,815.48	5,056.25	5,309.06	5,574.52	5,853.24
288	4,845.58	5,087.86	5,342.25	5,609.36	5,889.83
289	4,875.87	5,119.66	5,375.64	5,644.43	5,926.65
290	4,906.35	5,151.66	5,409.25	5,679.71	5,963.69
291	4,937.01	5,183.86	5,443.06	5,715.21	6,000.97
292	4,967.87	5,216.26	5,477.08	5,750.93	6,038.48
293	4,998.91	5,248.86	5,511.30	5,786.87	6,076.21

MWD Resolution No. 2301
Schedule A

Page 5 of 6

BI-WEEKLY SALARY RANGE AND POSITION CONTROL SCHEDULE

Effective with Pay Period beginning July 12, 2025

Board Approval on June 24, 2025

Schedule A to Resolution 2301

Approved COLA 3.01%

Unrepresented Positions

PERCENT	5.0%	5.0%	5.0%	5.0%	5.0%
RANGE	STEP A	STEP B	STEP C	STEP D	STEP E
294	5,030.16	5,281.67	5,545.75	5,823.04	6,114.19
295	5,061.60	5,314.68	5,580.41	5,859.43	6,152.41
296	5,093.24	5,347.90	5,615.30	5,896.06	6,190.86
297	5,125.07	5,381.32	5,650.39	5,932.91	6,229.55
298	5,157.10	5,414.95	5,685.70	5,969.99	6,268.48
299	5,189.33	5,448.80	5,721.24	6,007.30	6,307.66
300	5,221.77	5,482.86	5,757.00	6,044.85	6,347.09
301	5,254.41	5,517.13	5,792.98	6,082.63	6,386.76
302	5,287.25	5,551.61	5,829.19	6,120.65	6,426.68
303	5,320.29	5,586.31	5,865.62	6,158.90	6,466.85
304	5,353.54	5,621.21	5,902.28	6,197.39	6,507.26
305	5,387.00	5,656.35	5,939.17	6,236.13	6,547.93
306	5,420.67	5,691.70	5,976.28	6,275.10	6,588.85
307	5,454.55	5,727.27	6,013.64	6,314.32	6,630.04
308	5,488.64	5,763.08	6,051.23	6,353.79	6,671.48
309	5,522.94	5,799.09	6,089.05	6,393.50	6,713.17
310	5,557.46	5,835.33	6,127.10	6,433.45	6,755.13
311	5,592.19	5,871.80	6,165.39	6,473.66	6,797.34
312	5,627.14	5,908.50	6,203.92	6,514.12	6,839.82
313	5,662.30	5,945.42	6,242.69	6,554.82	6,882.56
314	5,697.70	5,982.58	6,281.71	6,595.80	6,925.59
315	5,733.31	6,019.97	6,320.97	6,637.02	6,968.87
316	5,769.15	6,057.60	6,360.48	6,678.51	7,012.43
317	5,805.20	6,095.46	6,400.23	6,720.25	7,056.26
BMR	6,556.47	6,884.29	7,228.51	7,589.93	7,969.43
EMR	6,673.69	7,007.38	7,357.75	7,725.63	8,111.91
AGM	7,649.36	8,031.83	8,433.42	8,855.09	9,297.85
GM	N/A	N/A	N/A	N/A	12,846.15

BI-WEEKLY SALARY RANGE AND POSITION CONTROL SCHEDULE

Effective with Pay Period beginning July 12, 2025

Board Approval on June 24, 2025

Schedule B to Resolution 2301

Approved COLA

3.01%

Represented Positions

PERCENT	5.0%	5.0%	5.0%	5.0%	5.0%
RANGE	STEP A	STEP B	STEP C	STEP D	STEP E
100	1,501.94	1,577.04	1,655.89	1,738.69	1,825.62
101	1,511.33	1,586.90	1,666.25	1,749.56	1,837.04
102	1,520.77	1,596.81	1,676.65	1,760.49	1,848.51
103	1,530.28	1,606.79	1,687.13	1,771.49	1,860.07
104	1,539.84	1,616.83	1,697.68	1,782.56	1,871.69
105	1,549.47	1,626.94	1,708.29	1,793.70	1,883.39
106	1,559.15	1,637.11	1,718.96	1,804.91	1,895.16
107	1,568.90	1,647.35	1,729.71	1,816.20	1,907.01
108	1,578.71	1,657.64	1,740.52	1,827.55	1,918.93
109	1,588.58	1,668.01	1,751.41	1,838.98	1,930.92
110	1,598.50	1,678.43	1,762.35	1,850.47	1,942.99
111	1,608.49	1,688.92	1,773.37	1,862.03	1,955.14
112	1,618.54	1,699.47	1,784.44	1,873.66	1,967.35
113	1,628.66	1,710.09	1,795.59	1,885.37	1,979.64
114	1,638.84	1,720.78	1,806.82	1,897.16	1,992.02
115	1,649.09	1,731.54	1,818.12	1,909.02	2,004.48
116	1,659.39	1,742.36	1,829.48	1,920.95	2,017.00
117	1,669.76	1,753.25	1,840.91	1,932.96	2,029.61
118	1,680.20	1,764.21	1,852.42	1,945.04	2,042.29
119	1,690.71	1,775.24	1,864.00	1,957.20	2,055.06
120	1,701.28	1,786.34	1,875.66	1,969.44	2,067.92
121	1,711.91	1,797.50	1,887.38	1,981.75	2,080.83
122	1,722.60	1,808.73	1,899.17	1,994.13	2,093.83
123	1,733.36	1,820.03	1,911.03	2,006.59	2,106.92
124	1,744.19	1,831.40	1,922.97	2,019.12	2,120.08
125	1,755.09	1,842.85	1,934.99	2,031.74	2,133.33
126	1,766.06	1,854.36	1,947.08	2,044.43	2,146.65
127	1,777.09	1,865.94	1,959.24	2,057.20	2,160.06
128	1,788.19	1,877.60	1,971.48	2,070.05	2,173.56
129	1,799.37	1,889.34	1,983.81	2,083.00	2,187.15
130	1,810.62	1,901.15	1,996.21	2,096.02	2,200.82
131	1,821.94	1,913.03	2,008.68	2,109.12	2,214.57
132	1,833.32	1,924.99	2,021.24	2,122.30	2,228.41
133	1,844.78	1,937.02	2,033.88	2,135.57	2,242.35
134	1,856.32	1,949.13	2,046.59	2,148.92	2,256.36
135	1,867.92	1,961.31	2,059.38	2,162.35	2,270.46
136	1,879.60	1,973.58	2,072.26	2,175.87	2,284.66
137	1,891.35	1,985.91	2,085.21	2,189.47	2,298.94

MWD Resolution No. 2301
Schedule B

Page 1 of 6

BI-WEEKLY SALARY RANGE AND POSITION CONTROL SCHEDULE

Effective with Pay Period beginning July 12, 2025

Board Approval on June 24, 2025

Schedule B to Resolution 2301

Approved COLA

3.01%

Represented Positions

PERCENT	5.0%	5.0%	5.0%	5.0%	5.0%
RANGE	STEP A	STEP B	STEP C	STEP D	STEP E
138	1,903.16	1,998.32	2,098.24	2,203.15	2,313.31
139	1,915.06	2,010.81	2,111.35	2,216.92	2,327.77
140	1,927.02	2,023.37	2,124.54	2,230.77	2,342.31
141	1,939.07	2,036.02	2,137.82	2,244.71	2,356.95
142	1,951.18	2,048.74	2,151.18	2,258.74	2,371.67
143	1,963.38	2,061.54	2,164.62	2,272.85	2,386.50
144	1,975.65	2,074.43	2,178.15	2,287.06	2,401.42
145	1,987.99	2,087.39	2,191.76	2,301.35	2,416.42
146	2,000.42	2,100.44	2,205.46	2,315.73	2,431.52
147	2,012.92	2,113.57	2,219.25	2,330.21	2,446.72
148	2,025.51	2,126.78	2,233.12	2,344.78	2,462.02
149	2,038.16	2,140.07	2,247.07	2,359.42	2,477.40
150	2,050.89	2,153.44	2,261.11	2,374.17	2,492.87
151	2,063.71	2,166.89	2,275.24	2,389.00	2,508.45
152	2,076.60	2,180.44	2,289.46	2,403.93	2,524.13
153	2,089.58	2,194.06	2,303.76	2,418.95	2,539.90
154	2,102.64	2,207.77	2,318.16	2,434.07	2,555.77
155	2,115.78	2,221.57	2,332.65	2,449.28	2,571.74
156	2,129.00	2,235.45	2,347.22	2,464.58	2,587.81
157	2,142.30	2,249.42	2,361.89	2,479.98	2,603.98
158	2,155.70	2,263.48	2,376.66	2,495.49	2,620.26
159	2,169.17	2,277.63	2,391.51	2,511.09	2,636.64
160	2,182.73	2,291.87	2,406.46	2,526.78	2,653.12
161	2,196.37	2,306.19	2,421.50	2,542.57	2,669.70
162	2,210.10	2,320.61	2,436.64	2,558.47	2,686.39
163	2,223.92	2,335.11	2,451.87	2,574.46	2,703.19
164	2,237.81	2,349.70	2,467.19	2,590.55	2,720.08
165	2,251.80	2,364.39	2,482.61	2,606.74	2,737.08
166	2,265.87	2,379.17	2,498.13	2,623.03	2,754.18
167	2,280.04	2,394.04	2,513.74	2,639.43	2,771.40
168	2,294.29	2,409.00	2,529.45	2,655.92	2,788.72
169	2,308.63	2,424.06	2,545.26	2,672.53	2,806.15
170	2,323.06	2,439.22	2,561.18	2,689.24	2,823.70
171	2,337.58	2,454.46	2,577.18	2,706.04	2,841.34
172	2,352.19	2,469.80	2,593.29	2,722.96	2,859.10
173	2,366.90	2,485.24	2,609.50	2,739.98	2,876.98
174	2,381.68	2,500.77	2,625.81	2,757.10	2,894.95
175	2,396.56	2,516.39	2,642.21	2,774.32	2,913.04
176	2,411.54	2,532.12	2,658.72	2,791.66	2,931.24

MWD Resolution No. 2301
Schedule B

Page 2 of 6

BI-WEEKLY SALARY RANGE AND POSITION CONTROL SCHEDULE

Effective with Pay Period beginning July 12, 2025

Board Approval on June 24, 2025

Schedule B to Resolution 2301

Approved COLA

3.01%

Represented Positions

PERCENT	5.0%	5.0%	5.0%	5.0%	5.0%
RANGE	STEP A	STEP B	STEP C	STEP D	STEP E
177	2,426.61	2,547.94	2,675.34	2,809.11	2,949.56
178	2,441.78	2,563.86	2,692.06	2,826.66	2,967.99
179	2,457.03	2,579.89	2,708.88	2,844.32	2,986.54
180	2,472.39	2,596.01	2,725.81	2,862.10	3,005.20
181	2,487.84	2,612.23	2,742.84	2,879.98	3,023.98
182	2,503.38	2,628.55	2,759.98	2,897.98	3,042.87
183	2,519.03	2,644.98	2,777.23	2,916.09	3,061.90
184	2,534.78	2,661.52	2,794.59	2,934.32	3,081.04
185	2,550.62	2,678.15	2,812.05	2,952.66	3,100.29
186	2,566.56	2,694.89	2,829.64	2,971.12	3,119.67
187	2,582.61	2,711.74	2,847.32	2,989.69	3,139.17
188	2,598.74	2,728.68	2,865.12	3,008.37	3,158.79
189	2,614.99	2,745.74	2,883.03	3,027.18	3,178.54
190	2,631.33	2,762.90	2,901.04	3,046.09	3,198.40
191	2,647.78	2,780.17	2,919.17	3,065.13	3,218.39
192	2,664.32	2,797.53	2,937.41	3,084.28	3,238.50
193	2,680.97	2,815.02	2,955.77	3,103.56	3,258.73
194	2,697.73	2,832.61	2,974.24	3,122.96	3,279.10
195	2,714.59	2,850.32	2,992.84	3,142.48	3,299.61
196	2,731.55	2,868.13	3,011.54	3,162.12	3,320.22
197	2,748.62	2,886.05	3,030.36	3,181.87	3,340.97
198	2,765.80	2,904.09	3,049.29	3,201.76	3,361.85
199	2,783.08	2,922.24	3,068.35	3,221.77	3,382.86
200	2,800.48	2,940.50	3,087.53	3,241.90	3,404.00
201	2,817.98	2,958.88	3,106.82	3,262.16	3,425.27
202	2,835.59	2,977.37	3,126.24	3,282.55	3,446.67
203	2,853.30	2,995.97	3,145.77	3,303.06	3,468.21
204	2,871.14	3,014.70	3,165.44	3,323.71	3,489.89
205	2,889.09	3,033.54	3,185.22	3,344.48	3,511.71
206	2,907.14	3,052.50	3,205.13	3,365.38	3,533.65
207	2,925.32	3,071.59	3,225.17	3,386.42	3,555.75
208	2,943.60	3,090.78	3,245.32	3,407.59	3,577.97
209	2,962.00	3,110.10	3,265.60	3,428.88	3,600.33
210	2,980.51	3,129.54	3,286.01	3,450.31	3,622.83
211	2,999.13	3,149.09	3,306.54	3,471.87	3,645.46
212	3,017.88	3,168.77	3,327.21	3,493.57	3,668.25
213	3,036.74	3,188.58	3,348.01	3,515.41	3,691.18
214	3,055.73	3,208.51	3,368.94	3,537.39	3,714.26
215	3,074.82	3,228.56	3,389.99	3,559.49	3,737.46

MWD Resolution No. 2301
Schedule B

Page 3 of 6

BI-WEEKLY SALARY RANGE AND POSITION CONTROL SCHEDULE

Effective with Pay Period beginning July 12, 2025

Board Approval on June 24, 2025

Schedule B to Resolution 2301

Approved COLA

3.01%

Represented Positions

PERCENT	5.0%	5.0%	5.0%	5.0%	5.0%
RANGE	STEP A	STEP B	STEP C	STEP D	STEP E
216	3,094.04	3,248.74	3,411.18	3,581.73	3,760.82
217	3,113.37	3,269.04	3,432.50	3,604.12	3,784.33
218	3,132.83	3,289.48	3,453.95	3,626.65	3,807.98
219	3,152.41	3,310.04	3,475.54	3,649.31	3,831.78
220	3,172.12	3,330.72	3,497.26	3,672.12	3,855.73
221	3,191.94	3,351.54	3,519.11	3,695.07	3,879.82
222	3,211.89	3,372.48	3,541.10	3,718.16	3,904.07
223	3,231.97	3,393.56	3,563.24	3,741.40	3,928.47
224	3,252.17	3,414.78	3,585.51	3,764.79	3,953.03
225	3,272.49	3,436.11	3,607.92	3,788.32	3,977.73
226	3,292.95	3,457.60	3,630.48	3,812.00	4,002.60
227	3,313.53	3,479.20	3,653.17	3,835.82	4,027.61
228	3,334.24	3,500.96	3,676.00	3,859.80	4,052.79
229	3,355.08	3,522.83	3,698.98	3,883.92	4,078.12
230	3,376.05	3,544.85	3,722.10	3,908.20	4,103.61
231	3,397.16	3,567.02	3,745.37	3,932.63	4,129.27
232	3,418.39	3,589.30	3,768.77	3,957.21	4,155.07
233	3,439.75	3,611.74	3,792.32	3,981.94	4,181.04
234	3,461.25	3,634.31	3,816.02	4,006.83	4,207.17
235	3,482.88	3,657.02	3,839.88	4,031.87	4,233.46
236	3,504.65	3,679.88	3,863.87	4,057.07	4,259.92
237	3,526.55	3,702.88	3,888.02	4,082.42	4,286.55
238	3,548.59	3,726.02	3,912.32	4,107.94	4,313.33
239	3,570.76	3,749.30	3,936.77	4,133.60	4,340.28
240	3,593.08	3,772.74	3,961.38	4,159.44	4,367.42
241	3,615.54	3,796.32	3,986.13	4,185.44	4,394.71
242	3,638.13	3,820.04	4,011.04	4,211.59	4,422.17
243	3,660.87	3,843.92	4,036.11	4,237.92	4,449.82
244	3,683.75	3,867.94	4,061.33	4,264.40	4,477.62
245	3,706.77	3,892.11	4,086.72	4,291.05	4,505.61
246	3,729.95	3,916.44	4,112.27	4,317.88	4,533.77
247	3,753.25	3,940.92	4,137.96	4,344.86	4,562.10
248	3,776.71	3,965.55	4,163.82	4,372.01	4,590.61
249	3,800.31	3,990.33	4,189.85	4,399.34	4,619.31
250	3,824.07	4,015.27	4,216.03	4,426.84	4,648.18
251	3,847.97	4,040.37	4,242.39	4,454.51	4,677.23
252	3,872.02	4,065.62	4,268.90	4,482.35	4,706.46
253	3,896.22	4,091.03	4,295.58	4,510.36	4,735.88
254	3,920.57	4,116.59	4,322.42	4,538.55	4,765.47

MWD Resolution No. 2301
Schedule B

Page 4 of 6

BI-WEEKLY SALARY RANGE AND POSITION CONTROL SCHEDULE

Effective with Pay Period beginning July 12, 2025

Board Approval on June 24, 2025

Schedule B to Resolution 2301

Approved COLA

3.01%

Represented Positions

PERCENT	5.0%	5.0%	5.0%	5.0%	5.0%
RANGE	STEP A	STEP B	STEP C	STEP D	STEP E
255	3,945.08	4,142.33	4,349.45	4,566.92	4,795.26
256	3,969.73	4,168.22	4,376.63	4,595.46	4,825.24
257	3,994.54	4,194.27	4,403.98	4,624.18	4,855.39
258	4,019.51	4,220.48	4,431.51	4,653.08	4,885.74
259	4,044.63	4,246.86	4,459.20	4,682.16	4,916.27
260	4,069.90	4,273.40	4,487.07	4,711.42	4,946.99
261	4,095.35	4,300.11	4,515.12	4,740.87	4,977.92
262	4,120.94	4,326.98	4,543.33	4,770.50	5,009.02
263	4,146.69	4,354.02	4,571.72	4,800.31	5,040.32
264	4,172.60	4,381.23	4,600.29	4,830.31	5,071.82
265	4,198.68	4,408.61	4,629.04	4,860.49	5,103.52
266	4,224.92	4,436.16	4,657.97	4,890.87	5,135.41
267	4,251.32	4,463.88	4,687.08	4,921.43	5,167.50
268	4,277.89	4,491.79	4,716.37	4,952.19	5,199.80
269	4,304.63	4,519.86	4,745.85	4,983.15	5,232.30
270	4,331.53	4,548.10	4,775.51	5,014.29	5,265.00
271	4,358.60	4,576.53	4,805.36	5,045.63	5,297.91
272	4,385.84	4,605.13	4,835.39	5,077.16	5,331.02
273	4,413.25	4,633.92	4,865.61	5,108.89	5,364.34
274	4,440.84	4,662.88	4,896.03	5,140.83	5,397.87
275	4,468.59	4,692.02	4,926.62	5,172.95	5,431.60
276	4,496.52	4,721.34	4,957.41	5,205.28	5,465.55
277	4,524.62	4,750.85	4,988.39	5,237.81	5,499.70
278	4,552.90	4,780.54	5,019.57	5,270.55	5,534.07
279	4,581.35	4,810.42	5,050.94	5,303.48	5,568.66
280	4,609.98	4,840.48	5,082.50	5,336.62	5,603.46
281	4,638.79	4,870.73	5,114.27	5,369.98	5,638.48
282	4,667.79	4,901.18	5,146.23	5,403.55	5,673.72
283	4,696.96	4,931.80	5,178.39	5,437.31	5,709.18
284	4,726.31	4,962.63	5,210.76	5,471.30	5,744.86
285	4,755.85	4,993.64	5,243.32	5,505.49	5,780.76
286	4,785.57	5,024.85	5,276.09	5,539.89	5,816.89
287	4,815.48	5,056.25	5,309.06	5,574.52	5,853.24
288	4,845.58	5,087.86	5,342.25	5,609.36	5,889.83
289	4,875.87	5,119.66	5,375.64	5,644.43	5,926.65
290	4,906.35	5,151.66	5,409.25	5,679.71	5,963.69
291	4,937.01	5,183.86	5,443.06	5,715.21	6,000.97
292	4,967.87	5,216.26	5,477.08	5,750.93	6,038.48
293	4,998.91	5,248.86	5,511.30	5,786.87	6,076.21

MWD Resolution No. 2301
Schedule B

Page 5 of 6

BI-WEEKLY SALARY RANGE AND POSITION CONTROL SCHEDULE

Effective with Pay Period beginning July 12, 2025

Board Approval on June 24, 2025

Schedule B to Resolution 2301

Approved COLA

3.01%

Represented Positions

PERCENT	5.0%	5.0%	5.0%	5.0%	5.0%
RANGE	STEP A	STEP B	STEP C	STEP D	STEP E
294	5,030.16	5,281.67	5,545.75	5,823.04	6,114.19
295	5,061.60	5,314.68	5,580.41	5,859.43	6,152.41
296	5,093.24	5,347.90	5,615.30	5,896.06	6,190.86
297	5,125.07	5,381.32	5,650.39	5,932.91	6,229.55
298	5,157.10	5,414.95	5,685.70	5,969.99	6,268.48
299	5,189.33	5,448.80	5,721.24	6,007.30	6,307.66
300	5,221.77	5,482.86	5,757.00	6,044.85	6,347.09
301	5,254.41	5,517.13	5,792.98	6,082.63	6,386.76
302	5,287.25	5,551.61	5,829.19	6,120.65	6,426.68
303	5,320.29	5,586.31	5,865.62	6,158.90	6,466.85
304	5,353.54	5,621.21	5,902.28	6,197.39	6,507.26
305	5,387.00	5,656.35	5,939.17	6,236.13	6,547.93
306	5,420.67	5,691.70	5,976.28	6,275.10	6,588.85
307	5,454.55	5,727.27	6,013.64	6,314.32	6,630.04
308	5,488.64	5,763.08	6,051.23	6,353.79	6,671.48
309	5,522.94	5,799.09	6,089.05	6,393.50	6,713.17
310	5,557.46	5,835.33	6,127.10	6,433.45	6,755.13
311	5,592.19	5,871.80	6,165.39	6,473.66	6,797.34
312	5,627.14	5,908.50	6,203.92	6,514.12	6,839.82
313	5,662.30	5,945.42	6,242.69	6,554.82	6,882.56
314	5,697.70	5,982.58	6,281.71	6,595.80	6,925.59
315	5,733.31	6,019.97	6,320.97	6,637.02	6,968.87
316	5,769.15	6,057.60	6,360.48	6,678.51	7,012.43
317	5,805.20	6,095.46	6,400.23	6,720.25	7,056.26

Page left intentionally blank.

FIXED ASSET DISPOSAL POLICY

RESOLUTION NO. 2304

RESOLUTION OF THE BOARD OF DIRECTORS OF THE MONTECITO WATER DISTRICT ADOPTING A FIXED ASSET DISPOSAL POLICY FOR FISCAL YEAR 2026

WHEREAS, the Montecito Water District (“District”) is a County Water District organized and existing under and by virtue of Water Code §§30000 – 33901; and

WHEREAS, the District continually acquires, maintains, and replaces assets including infrastructure, equipment, and appurtenances necessary to carry out its mission to supply safe and reliable high-quality water to the communities of Montecito and Summerland; and

WHEREAS, it is the District’s responsibility to accurately account for, safeguard, and properly dispose of assets purchased with public funds; and

WHEREAS, the District’s Capitalization Policy provides guidance for the capitalization and depreciation of capital assets including the estimated useful life of each in accordance with the requirements of Governmental Accounting Standard Board (GASB) Statement 34, Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments; and

WHEREAS, as an asset reaches the end of its useful life and/or it is determined that an asset, such as a vehicle or large equipment no longer meets the needs of daily, emergency and/or future operations, it is the policy of the District Board of Directors to make such a determination and to dispose of the asset in a manner that returns the appropriate value of that property to the District and its customers; and

WHEREAS, the District wishes to adopt a policy annually regarding determinations related to the disposal of publicly purchased assets and obtaining appropriate value for those publicly purchased assets at the time of disposal;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of Montecito Water District that the Fixed Asset Disposal Policy as documented in “Attachment A”, attached hereto and incorporated herein, is hereby approved as the Fixed Asset Disposal Policy for the District for Fiscal Year 2026.

PASSED AND ADOPTED by the Board of Directors of the Montecito Water District this 24th day of June 2025 by the following roll call vote:

AYES: Coates, Hayman, Goebel, Plough, Wicks

NOES:

ABSENT:

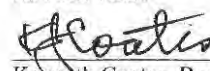
ABSTAIN:

ATTEST:



Nicholas Turner, Secretary

APPROVED:



Kenneth Coates, Board President

ATTACHMENT "A"
TO
RESOLUTION NO. 2304
FIXED ASSET DISPOSAL POLICY

The primary purpose of this policy is to allow management staff to determine if Montecito Water District vehicles, large equipment and other personal property no longer meet the needs of daily, emergency and/or future operations. It is the policy of the Board of Directors of the District to dispose of Surplus Personal Property purchased with public funds in a manner that returns the value of that property for the benefit of rate payers in a way that is simple to administer. The disposal of surplus personal property shall be handled according to this policy.

1. Determination of Surplus Personal Property

The term "Surplus Personal Property" shall mean any vehicles, large equipment and other personal property owned by the District that no longer has a business purpose but is still usable. The General Manager has the authority to deem property Surplus Personal Property.

2. Prohibited Director, Officer, and Employee Transactions

In accordance with Government Code Section 1090, all members of the District Board of Directors and District employees are prohibited from purchasing Surplus Personal Property.

3. Disposal of Vehicles, Large Equipment and other Surplus Personal Property

- a. At least once each fiscal year, the District General Manager will prepare a list of District vehicles, equipment and other personal property that are deemed Surplus Personal Property based on age, mileage and cost effectiveness to keep the asset in service.
- b. At the discretion of the General Manager, District staff will provide assistance in establishing values and setting minimum bid prices for each vehicle or item of large equipment to be sold by public auction. If, during the process of establishing value for a vehicle or piece of large equipment, it is determined that the particular vehicle or equipment has nominal or no value, or the costs of preparation for sale and sale are greater than the value of the vehicle or equipment, then the General Manager is authorized to dispose of the property.
- c. The General Manager may authorize the sale of Surplus Personal Property with an estimated value of \$10,000 or less. Surplus Personal Property with an estimated value greater than \$10,000 will be sold as surplus following authorization by the Board of Directors at a public meeting.
- d. Vehicles or large equipment are to be sold at public auction.

4. Guidelines Concerning the Sale of Surplus Vehicles, Large Equipment, and Other Personal Equipment

Prior to the sale of surplus vehicles or large equipment, the District General Manager will direct staff to assist in the following:

- a. Remove all District equipment from the vehicle or large equipment (radio, decals, etc.).
- b. Clean and if necessary, repair the vehicle or large equipment if it presents an immediate safety issue.
- c. Vehicles or large equipment will be sold at public auction.
- d. Establish vehicle or large equipment value using an appropriate, publicly available valuation tool such as trade in value. If such a valuation tool is unavailable, use the closest approximation possible. Staff will prepare a written report concerning the valuation of the item and retain appropriate documentation.
- e. Arrange for the delivery and consignment of the item and in consultation with the General Manager and auctioneer, determine an appropriate reserve or minimum price for the item.
- f. When the vehicle or large equipment is sold, the General Manager or their designee will sign the "pink slip", bill of sale and any other documents required to complete the sale.
- g. After the vehicle or large equipment is sold, the General Manager or their designee will complete paperwork as required by DMV to report the sale of the vehicle or large equipment and return all completed forms and vehicle license plates to DMV.

All Surplus Personal Property offered for sale shall be "as is" and "where is", with no warranty, guarantee, or representation of any kind, expressed or implied, as to the condition, utility or usability of the property offered for sale.

For Surplus Personal Property not sold, the General Manager has the authority to donate such items to another government agency or any non-discriminatory, tax-exempt non-profit organization qualified under Internal Revenue Code section 501(c)(3).

5. Revenue from Disposal of Surplus Personal Property

Revenue from the sale or trade-in of Surplus Personal Property shall be returned to the District's operating reserves unless otherwise specified by the Board of Directors. All sales shall be paid to the District by certified check, money order, or in any other manner agreeable to, and authorized by, the General Manager. The General Manager is authorized to sign bills of sale and any other documents evidencing the transfer of title to such Surplus Personal Property by and on behalf of the District.

Page left intentionally blank.

INVESTMENT POLICY

RESOLUTION NO. 2300

RESOLUTION OF THE BOARD OF DIRECTORS OF THE MONTECITO WATER DISTRICT ADOPTING THE INVESTMENT POLICY FOR THE FISCAL YEAR 2026

WHEREAS, the Legislature of the State of California has declared that the deposit and investment of public funds by local officials and local agencies is an issue of statewide concern (California Government Code "CGC" §53600.6 and §53630.1); and

WHEREAS, the legislative body of a local agency may invest surplus moneys not required for the immediate necessities of the local agency in accordance with the provisions of CGC §§53600 – 53610 et seq. and §§5920 – 5925 et seq.

NOW, THEREFORE, BE IT RESOLVED:

1. It shall be the goals of the Montecito Water District (District) to invest funds in a manner that will safeguard the principal, meet the daily cash flow and/or liquidity needs of the District, and provide the highest investment return with the maximum security, all while conforming to all applicable statutes and requirements governing the investment of District funds; and
2. The Business Manager (Chief Fiscal Officer of the District) shall annually prepare and submit a statement of investment policy and such policy, and any changes thereto, shall be considered by the District Board of Directors at a public meeting (CGC §53646(a)(2)); and
3. The specifics of the District investment policy for the Fiscal Year 2026 are set forth on "Attachment A" to this Resolution, which attachment is incorporated into this Resolution by reference as though fully set forth herein.

PASSED AND ADOPTED by the Board of Directors of the Montecito Water District this 24th day of June 2025 by the following roll call vote:

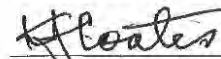
AYES: Coates, Hayman, Goebel, Plough, Wicks

NOES:

ABSENT:

ABSTAIN:

APPROVED:



Kenneth Coates, Board President

ATTEST:



Nicholas Turner, Secretary

ATTACHMENT "A"
TO
RESOLUTION NO. 2300
INVESTMENT POLICY FOR FISCAL YEAR 2026

1. SCOPE

This investment policy applies to all financial assets of the Montecito Water District ("District"). These funds are accounted for in the *Annual Financial Report* and include reserves, and operational and savings accounts. Funds not included in the policy include deferred compensation funds.

2. PRUDENCE

The standard of prudence to be used by investment officials shall be the "prudent investor" standard (CGC §53600.3) and shall be applied in the context of managing an overall portfolio. The Board of Directors, Business Manager (Chief Fiscal Officer of the District), and any other persons authorized to make investment decisions on behalf of the District are trustees and therefore fiduciaries subject to the "prudent investor" standard (CGC §53600.3). When investing, reinvesting, purchasing, acquiring, exchanging, selling, and 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 anticipated needs of the District, 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 (CGC §53600.3). Within the limitations of CGC §53600.3 and considering individual investments as part of an overall strategy, a trustee is authorized to acquire investments as authorized by law.

3. OBJECTIVES

As specified in CGC §53600.5, when investing, reinvesting, purchasing, acquiring, exchanging, selling, and managing public funds, the primary objectives, in priority order, of the investment activities of the District shall be: (1) **Safety:** Safety of principal is the foremost objective of the investment portfolio. Investments of the District shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio; (2) **Liquidity:** The investment portfolio will remain sufficiently liquid to enable the District to meet all operating requirements which might be reasonably anticipated; and (3) **Return on Investments:** The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and the cash flow characteristics of the portfolio.

4. DELEGATION OF AUTHORITY

Authority to manage District investments is derived from CGC §§53600 -53610, et seq. Management responsibility for District investments is hereby delegated to the Business Manager (Chief Fiscal Officer of the District) pursuant to CGC §53607, who shall establish written procedures for the operation of the investment program consistent with this investment policy. Procedures should include references to: safekeeping, wire transfer agreements, collateral/depository agreements and banking services contracts, as appropriate. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Business Manager (Chief Fiscal Officer of the District). The Business Manager (Chief Fiscal Officer of the District) shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials. Under the provisions of California Government Code Section 53600.3, the Business Manager (Chief Fiscal Officer of the District) is a trustee and a fiduciary subject to the prudent investor standard.

5. ETHICS AND CONFLICTS OF INTEREST

All persons authorized to make investment decisions on behalf of the District shall refrain from personal business activity that could cause a conflict of interest which could impact and/or influence their ability to make impartial investment decisions, and which would impair, impede, or interfere with the proper execution of this Investment Policy.

6. AUTHORIZED FINANCIAL INSTITUTIONS AND DEALERS

The Business Manager (Chief Fiscal Officer of the District) will maintain a list of financial institutions, selected on the basis of creditworthiness, financial strength, experience and minimal capitalization authorized to provide investment services. In addition, a list will also be maintained of approved security brokers/dealers selected by creditworthiness who are authorized to provide investment and financial advisory services in the State of California. No public deposit shall be made except in a qualified public depository as established by state laws.

For brokers/dealers of government securities and other investments, the Business Manager (Chief Fiscal Officer of the District) shall select only brokers/dealers who are licensed and in good standing with the California Department of Securities, the Securities and Exchange Commission, the National Association of Securities Dealers, or other applicable self-regulatory organizations.

Before engaging in investment transactions with a broker/dealer, the Business Manager (Chief Fiscal Officer of the District) shall have received from said firm a signed Certification Form. This form shall attest that the individual responsible for the District's account with that firm has reviewed the District's Investment Policy and that the firm understands the policy and intends to present investment recommendations and transactions to the District that are appropriate under the terms and conditions of the Investment Policy.

7. AUTHORIZED AND SUITABLE INVESTMENTS

The District is empowered by CGC §53601 et seq. to invest in the following:

- A. Bonds issued by the District.
- B. United States Treasury notes, bonds, bills, or certificates of indebtedness.
- C. Registered state warrants or treasury notes or bonds issued by the State of California.
- D. Bonds, notes, warrants or other evidence of indebtedness of a local agency within the State of California.
- E. Federal agency or United States government-sponsored enterprise obligations, participations, or other instruments.
- F. Negotiable certificates of deposit issued by a nationally or state-chartered bank, a savings association, or a federal association. Not more than 30% of surplus funds can be invested in certificates of deposit.
- G. Any other investment security not specifically set forth above, but which is authorized under the provisions of CGC §53601 and §5922.

Prohibited Investments. Under the provisions of CGC §53601.6, the District shall not invest any funds covered by this Investment Policy in inverse floaters, range notes, interest-only strips derived from mortgage pools or any investment that may result in a zero-interest accrual if held to maturity.

8. COLLATERALIZATION

All certificates of deposit must be collateralized by U.S. Treasury obligations. Collateral must be held by a third-party trustee and valued on a monthly basis.

9. SAFEKEEPING AND CUSTODY

All security transactions entered into by the District shall be conducted on delivery-versus-payment (DVP) basis. All securities purchased or acquired shall be delivered to the District by book entry, physical delivery or by third party custodial agreement as required by CGC §53601.

10. DIVERSIFICATION

The District will diversify its investments by security type and institution. It is the policy of the District to diversify its investment portfolio. Assets shall be diversified to eliminate the risk of loss resulting from over concentration of assets in a specific maturity, a specific issuer, or a specific class of securities. Diversification strategies shall be determined and revised periodically. In establishing specific diversification strategies, the following general policies and constraints shall apply:

- A. Portfolio maturities are matched versus liabilities to avoid undue concentration in a specific maturity sector.

- B. Maturities selected shall provide for stability of income and liquidity.
- C. Disbursement and payroll dates shall be covered through maturing investments, marketable U.S. Treasury bills or other cash equivalent instruments such as money market mutual funds.

11. REPORTING

In accordance with CGC §53646(b) (1), the Business Manager (Chief Fiscal Officer of the District) shall submit to each member of the Board of Directors a quarterly investment report. The report shall include a complete description of the portfolio, and the issuers, maturity dates, par values and the current market values of each component of the portfolio, including funds managed for District by third party contracted managers. The report will also include the source of the portfolio valuation. As specified in CGC §53646 (e), if all funds are placed in LAIF, FDIC-insured accounts and/or in a county investment pool, the foregoing report elements may be replaced by copies of the latest statements from such institutions. The report must also include a statement that (1) all investment actions executed since the last report have been made in full compliance with the Investment Policy, and (2) the District will meet its expenditure obligations for the next six months as required by CGC §53646 (b) (2) and (3), respectively. The Business Manager (Chief Fiscal Officer of the District) shall maintain a complete and timely record of all investment transactions.

12. ANNUAL INVESTMENT POLICY REVIEW

This Investment Policy shall be reviewed on an annual basis, and modifications will be approved by the District Board of Directors.

Page left intentionally blank.

PROCUREMENT POLICY

RESOLUTION NO. 2271
A RESOLUTION OF THE BOARD OF DIRECTORS
OF THE MONTECITO WATER DISTRICT
UPDATING ITS POLICY REGARDING THE PROCUREMENT OF MATERIALS
AND SERVICES

WHEREAS, Montecito Water District (the "District") is a County Water District organized and existing under and pursuant to the County Water District Law [Water Code §§30000 – 33901]; and

WHEREAS, the District has a Procurement Policy that defines policies and procedures governing its procurement of supplies, materials, and equipment (referred to collectively as "materials"), and professional, construction and capital improvement related services, (referred to collectively as "services"), for District use pursuant to California Government Code Section 54202 and Water Code 31004 and 31005.

WHEREAS, the District's Procurement Policy was last updated and adopted by the Board of Directors on January 17, 2017; and

WHEREAS, a comprehensive review and update of the District's Procurement Policy has been performed and presented to the District's Operations and Customer Relations Committee and the Board of Directors; and

WHEREAS, the Board of Directors has reviewed Resolution No. 2271 and the updated Procurement Policy and has determined that it is in the best interest of the District to adopt the updated Procurement Policy in order to receive the highest quality and best value for District procurements while operating in a fair, open, transparent and non-discriminatory manner and in accordance with the highest ethical standards.

THEREFORE, BE IT RESOLVED by the Board of Directors of the Montecito Water District as follows:

1. Resolution No. 2271 including the updated Procurement Policy attached as Exhibit "A" is hereby adopted.
2. The District's latest Procurement Policy, adopted by the Board of Directors at its meeting of January 17, 2017, is hereby replaced in its entirety with Resolution No. 2271.

PASSED AND ADOPTED by the Board of Directors of the Montecito Water District this 23 day of January 2024 by the following roll call vote:

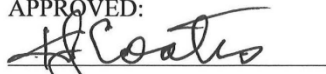
AYES: Coates, Goebel, Hayman, Plough, Wicks

NOES:

ABSENT:

ABSTAIN:

APPROVED:



Kenneth Coates, Board President

ATTEST



Nick Turner, Secretary

Exhibit "A" to Resolution No 2271

Procurement Policy

SECTION 1: Introduction

This procurement policy is established to ensure efficiency and effectiveness in procuring materials and services for the Montecito Water District ("District"). It establishes sound business practices and ensures the District receives the highest quality and best value for funds expended. It requires that the District operate in a fair, open, transparent, and non-discriminatory manner in the marketplace and establishes procedures for the conscious management of the risk inherent in all procurements. Finally, it mandates that all individuals involved in the procurement process operate in accordance with the highest ethical standards.

SECTION 2: Definitions

- A. "Board of Directors" shall refer to the Board of Directors of the Montecito Water District.
- B. "Contract" means any written agreement to perform or not to perform a certain act, including, without limitation, a purchase or sale contract, lease, contract for services, purchase order, employment agreement, labor agreement, and any addendum, amendment, extension, modification and/or revision to any contract. "Contract" and "agreement" are synonymous as used herein.
- C. "District" shall mean the Montecito Water District, duly organized under and by virtue of the County Water District Law.
- D. "Business Manager" shall refer to the person appointed pursuant to Water Code §30544 to manage the financial affairs of the District.
- E. "General Manager" shall refer to the person appointed pursuant to Water Code §30540 and exercising the authority granted under Water Code §30580 and §30581 and any designee delegated that authority by the General Manager in the discretion of the General Manager as authorized by Water Code §30580.
- F. "Instrument" shall mean any document that states some contractual relationship or grants some right, including without limitation deeds, promissory notes, powers of attorney, and negotiable instruments.
- G. "President" shall refer to the person designated as the President of the Board under Water Code §30016 and exercising the authority granted under Water Code §30578.
- H. "Vice President" shall refer to the person designated as the Vice President of the Board under Water Code §30544.

SECTION 3: Purchase Approval Authority

Purchase approval authority for procurements made on behalf of the District shall be delegated in relation to the value of the procurement, the nature of the material or service procured and the term of the contract. An approval of the Board of Directors constitutes an affirmative action made by a majority of the Board of Directors during a public meeting and subsequently recorded in meeting minutes in accordance with Water Code §30523 and §30525.

- A. Materials and Services:** The General Manager is responsible for approving all budgeted purchases, and purchase orders, for services and supplies, including Fixed Assets, totaling \$200,000 or less (including installation, tax, and shipping) except as otherwise noted herein.

The Board of Directors shall approve all purchases of services and supplies, including construction services, for non-budgeted items totaling more than \$50,000, except that the General Manager may make emergency procurements of supplies and services in excess of \$50,000 without bids to protect the health, safety or property of private individuals and public entities. Prior to emergency procurement of supplies and services in excess of \$50,000 due to an emergency, the General Manager or their designee executing the contract or instrument must contact the Board President, or Vice President, and obtain their assent prior to executing the instrument. If the Board President or Vice President is unavailable, the General Manager or their designee must contact two other Board members and obtain their unanimous assent. Subsequent to executing any contract or instrument for construction services, or the lease or purchase of materials, supplies and equipment due to an emergency, the Board must be notified as soon as possible of any emergency contract or instrument and must ratify the contract or instrument at the next regular Board meeting.

- B. Property:** The Board of Directors shall approve all purchases of real property regardless of value.
- C. Professional Services:** The Board of Directors shall approve all contracts for budgeted professional services in excess of \$200,000 and all non-budgeted professional services in excess of \$50,000. The General Manager shall approve all contracts for budgeted professional services totaling \$200,000 or less and all non-budgeted professional services totaling \$50,000 or less.
- D. Long-term Agreements:** The Board of Directors shall approve all contracts with a term longer than 12 months.
- E. Other Utilities:** The General Manager shall approve other budgeted utility services such as gas or electric.
- F. Delegation:** The General Manager in their discretion may delegate authority for approving purchases as necessary to ensure efficiency and effectiveness of District Operations.

- G. Contract Amendments:** The General Manager may authorize amendments to contracts for material and services provided that any single amendment for a given contract and/or the aggregate of all amendments shall not exceed \$100,000 or 10% of the original contract amount, whichever is less. Any amendment in excess of this authority shall be approved by the Board of Directors prior to the delivery of the materials and/or services.

SECTION 4: Procurement Processes

- A. Standard Procurement:** Purchases made on behalf of the District should minimize cost to the extent practicable, but the final decision to award to a particular vendor must be carried out on the basis of obtaining best possible value for the District.
- 1. Items with a value less than \$10,000:** A single purchase from one vendor with a value less than \$10,000 but greater than \$750 shall only be made with a purchase order that is approved by the General Manager or their designee prior to the order of order of services, materials or equipment. A single purchase from one vendor with a value \$750 or less does not require a purchase order. Advanced price quotations must be received in writing and become part of the purchase documentation.
 - 2. Items with a value of \$10,000 or greater:** A single purchase from one vendor with a value of \$10,000 or greater for a single line item or service shall be made after soliciting two or more written price quotations and with a purchase order that is approved by the General Manager or their designee. Advanced price quotations shall accompany a purchase order and become part of the purchase documentation.
 - 3. Purchase Order Contents:** When a purchase order is required, the purchase order number and a description of the purchase shall be indicated on the invoice. Additionally, if requested, a copy of the purchase order shall be provided to the vendor.
- B. Procurement through Negotiation:** While competitive solicitation is the preferred procedure to be used to purchase supplies and services, negotiation by the General Manager or their designee with a single vendor may be beneficial in some instances. Negotiated procurement may be utilized in situations where competition does not exist (e.g. only one vendor is interested in providing the product or service) or where special economies may exist outside the competitive process (e.g. as when a contractor is already mobilized for another purpose).
- C. Sole source procurements:** In exceptional circumstances, requirements to (1) obtain a purchase order ahead of the purchase and (2) secure a minimum of two bids may be waived. Exceptional circumstances may include a State or locally declared emergency condition or the need to procure proprietary and/or unique materials or services. In the event of an exceptional circumstance, a purchase order will not be required prior to a procurement as determined by the General Manager or their designee. In the event of a procurement due

to an exceptional circumstance, a purchase order shall be subsequently prepared as an administrative record of the transaction.

- D. Procurement from Other Than Lowest Cost Vendor:** While it is the desire of the Board of Directors to purchase supplies and services at the least cost to the District, there may be instances when the award of a purchase to other than the lowest cost vendor produces the greatest value and is in the best interest of the District. District Staff should strive to:
 - 1. Maximize the value received;
 - 2. Use sources which will be responsive to the needs and timelines of District; and
 - 3. Seek commonality in major equipment to minimize inventory and training costs.
- E. Internet Procurements:** The above notwithstanding, the General Manager may authorize staff to make procurements through internet commerce in instances when such procurement results in minimizing the cost to the District and/or ensuring responsiveness to the needs and timelines of the District.

SECTION 5: Other Applicable Procurement Criteria

- A. Split procurements:** Under no circumstances may a procurement be artificially split in order to change the approving authority, or the procedures required in documenting the purchase price.
- B. Encouragement of Local Procurement:** In meeting the criteria outlined above, staff is encouraged to use local vendors in meeting the District's needs for supplies and services.
- C. Use of Contractors:** While not required to do so under the Water Code and/or Public Contract Code, the District will use its best efforts to publicly bid construction projects and award projects to the lowest responsible and responsive bidder where feasible as determined by the District in its sole discretion.
- D. Requirements for Emergency Contracting:** The General Manager may annually request bids for emergency contract services and recommend up to three contractors for Board approval. Once approved, the General Manager may contract with any of the approved contractors for emergency repair services throughout the given year.
- E. Risk Transfer:** In order to minimize the potential liability exposure of the District, contracts for construction and professional services shall include appropriate risk transfer clauses as recommended by the District legal counsel and/or liability insurance provider. At a minimum, any entity performing construction and/or professional services for the District shall have adequate liability and workers compensation insurance. A contract should not be made effective until the relevant insurance documents, including a performance bond as necessary, have been approved.

- F. Internal Controls:** The General Manager and Business Manager shall establish and maintain a system of internal controls that provides an audit trail for all purchases and provides transparency in the procurement process including the following controls:
1. More than one person must be involved in each transaction, end-to-end;
 2. Utilize purchase orders to obtain prior approval of purchases to the greatest extent feasible;
 3. Certification of receipt of procured materials; and
 4. Reconciliation of any purchase order with the invoice and final payment.
- G. Petty Cash:** A Petty Cash Fund is not utilized by the District.
- H. Code of Ethics:** In exercising procurement authority, it is essential that each individual maintain an unimpeachable standard of integrity and foster the highest possible standard of professional competence. Complying with both the letter and the spirit of the principles of ethical behavior is essential. In doing so, each individual must declare any personal interest that may impinge, or might reasonably be deemed by others to impinge, upon a person's impartiality in any procurement decision.
- I. Counsel Review:** Where practicable, all contracts for procurements are to be reviewed by District Counsel prior to their execution. Such review may include, but does not require, a statement of opinion by District Counsel that the contract or instrument, as closely as possible, embodies the agreement made between the parties concerning the subject of the contract.

RESERVE POLICY

RESOLUTION NO. 2305

RESOLUTION OF THE BOARD OF DIRECTORS OF THE MONTECITO WATER DISTRICT ADOPTING A RESERVE POLICY FOR FISCAL YEAR 2026

WHEREAS, the mission of Montecito Water District ("District") is to provide an adequate and reliable supply of high-quality water to the residents of the Montecito and Summerland communities at the most reasonable cost; and

WHEREAS, California Water Code Section 31000 grants the District express and implied powers to carry out its mission; and

WHEREAS, California Water Code Section 31001 authorizes the District generally to perform all acts necessary to carry out its mission; and

WHEREAS, California Water Code Section 31007 requires that rates and charges be collected and fixed so as to yield an amount sufficient to: pay operating expenses; provide for repairs and depreciation of works owned or operated by the District; pay interest on bonded debt; and provide a fund for the payment of the principal of bonded debt as it becomes due; and

WHEREAS, the adoption of an updated reserve policy will assist the District in accomplishing its general mission, and fulfilling the requirements of the Water Code;

NOW, THEREFORE, BE IT RESOLVED that the Board of Directors of Montecito Water District hereby adopts the "Montecito Water District Reserve Policy" for Fiscal Year 2026 that is attached to this Resolution as Exhibit "A" and incorporated herein by this reference.

PASSED AND ADOPTED by the Board of Directors of the Montecito Water District this 24th of June 2025 by the following roll call vote:

AYES: Coates, Hayman, Goebel, Plough, Wicks

NOES:

ABSENT:

ABSTAIN:

APPROVED:



Kenneth Coates, Board President

ATTEST:



Nicholas Turner, Secretary

Exhibit "A"
To Resolution No. 2305



MONTECITO WATER DISTRICT RESERVE POLICY

Adopted by the
Board of Directors
June 24, 2025

Montecito Water District

STATEMENT OF RESERVE POLICY

The mission of Montecito Water District is to provide an adequate and reliable supply of high-quality water to the residents of the Montecito and Summerland communities at the most reasonable cost. In addition to supplying high-quality water, the Board is also charged with responsibility for the construction, operation, maintenance, repair, and replacement of facilities to transport and deliver that water to District customers, and for the collection and accumulation of revenues necessary to accomplish these purposes. The reserve amounts stated in this Reserve Policy ("Reserve Policy") reflect the projected activity as of July 1, 2025, for FY 2026 and will be updated annually or as appropriate.

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. Montecito Water District (District) desires to identify, and provide a calculation methodology to maintain, an appropriate level of reserve funds to meet the necessary existing and future needs of the District. The District's Board of Directors realize the importance of reserves in providing reliable service to its customers, financing unanticipated capital projects, and funding responses to emergencies, should they arise. To this extent, the District will at all times strive to have sufficient funding available to meet its operating, unanticipated capital, emergency, and debt service obligations, as well as to avoid significant rate fluctuations due to changes in cash flow requirements.

The Board will designate specific reserve funds and maintain minimum reserve balances consistent with statutory obligations that it has determined to be in the best interest of the District. The policy directives outlined in this Reserve Policy are intended to ensure that the District has sufficient funds to meet current and future needs. The Board reviews the types, as well as the amounts, of reserve funds annually. Determinations to continue existing reserve funds, discontinue existing reserve funds, or establish new reserve funds, are based on the following criteria:

- ♦ Purpose of the reserve.
- ♦ Availability and source of funds to continue, replenish or establish the reserve.
- ♦ Operating expenditure levels approved within the annual budget process.
- ♦ Future capital expenditure and debt service requirements of the District.
- ♦ Board approval of the Reserve Policy.

The District recognizes the importance of operating the District with a sound business plan in place that provides for unanticipated, or emergency costs should they arise within a budgeted fiscal year.

It is the Board's intent through this Reserve Policy to describe how and why specific reserves are established and maintained by the District, and to provide the District's customers with assurance that reserve balances will be maintained at prudent and fiscally responsible levels.

DEFINITIONS

This Reserve Policy describes the reserve funds to be maintained in connection with:

- 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. These funds are specifically governed by a written contract with the District or outlined within the debt covenants of a debt financing.
- II. **UNRESTRICTED FUNDS:** These funds have no externally imposed use restrictions. The use of Unrestricted Funds is at the discretion of the District's Board of Directors. Unrestricted Funds may be designated for a specific purpose, which would be determined by the Board. The Board also has the authority to redirect the use of these funds as the District's needs change.

The Unrestricted funds can further be subdivided into "Committed", "Assigned" and "Unassigned" funds. Committed funds refer to the fund balance amounts that have constraints imposed by formal action of the District's Board of Directors. Once adopted, the limitation imposed remains in effect until additional action is taken (a motion and/or the adoption of a new resolution) to remove or reverse the limitation. Assigned funds refer to fund balance amounts that are constrained by the Board's intent to be used for a specific purpose but are neither restricted nor committed. Unassigned funds refer to fund balances that are not Restricted, Committed, or Assigned.

To summarize:

- ♦ **Restricted Fund Balance Amounts** – Restrictions on the use of these funds are imposed by an outside source such as creditors, grantors, contributors, laws, or regulations governing use.
- ♦ **Board Committed Fund Balance Amounts** - Fund balance amounts that have constraints imposed by formal action of the District's Board of Directors.
- ♦ **Board Assigned Fund Balance Amounts** – Fund balance amounts that are constrained by the Board's intent to be used for a specific purpose.
- ♦ **Unassigned Fund Balance Amounts** – Fund balance that is not restricted, committed, nor assigned.

GENERAL PROVISIONS

The District will maintain its operating and capital funds in designated accounts in a manner that ensures its financial soundness and provides transparency to its customers. The fund balances are

considered the minimum necessary to maintain the District's fiscal strength and flexibility and adequately provide for:

- ♦ Compliance with applicable statutory requirements.
- ♦ Financing of unanticipated or unplanned capital projects.
- ♦ Cash flow requirements.
- ♦ Economic uncertainties and other financial hardships or downturns in the economy.
- ♦ Contingencies arising from hydrological, meteorological, or man-made changes or emergencies.

Through a variety of policy documents and plans, the Board of Directors has set forth a number of long-term goals for the District. The 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 Board will continually evaluate the implementation of these policy documents and plans to ascertain adequate reserve fund balances are meeting the goals outlined in this Reserve Policy.

The District has established and will maintain the reserve funds outlined in the following sections. A principal tenet of the District's Reserve Policy shall be the generation of interest income on accumulated cash balances. Unless otherwise stated in this Reserve Policy, interest derived from reserve balances will be considered unrestricted and unassigned in nature. Reserve balances will be reviewed by the General Manager and/or Business Manager on a monthly basis, as well as annually during the budget review process, in order to determine how reserve fund balances compare with the budgeted projections and how they measure against the goals outlined in this Reserve Policy. The minimum established for each reserve fund represents the baseline financial condition that is acceptable to the District from risk and long-range financial planning perspectives. Maintaining reserve funds at appropriate levels is a prudent, ongoing business process that consists of an iterative, dynamic assessment and application of various funding alternatives. These alternatives (either alone or in combination with each other) include, but are not limited to rates, loans and grants, debt financing, investment of funds, and levels of capital expenditures.

The Board shall approve any reallocation of funds or any transfers among reserve funds.

SPECIFIC PROVISIONS

The District maintains the following reserve funds and respective target levels:

1. Restricted Reserves

(a) CCWA Rate Coverage Reserve.

These are reserve funds held by Central Coast Water Authority (CCWA) that approximate 25% of the annual charge by CCWA to the District for the fixed and variable charges from the State Water Project, in addition to the proportionate share of CCWA's administrative costs. The CCWA Rate Coverage Reserve is established in the amount of **\$1,495,258**.

(b) WSA Debt Service Coverage Deposit.

These reserve funds held by the City of Santa Barbara represent an amount equal to the District's portion of the City's debt service coverage deposit required pursuant to the City's State Revolving Fund loan for the desalination plant. The (b) Water Supply Agreement (WSA) Debt Service Coverage Deposit is in the amount of \$481,580.

(c) WSA Debt Service Reserve Deposit.

These reserve funds held by the City of Santa Barbara represent the District's portion of the debt service reserve deposit required pursuant to the City's State revolving fund loan for the desalination plant. The WSA Debt Service Reserve Deposit at the end of FY2025 is in the amount of \$1,333,605.

(d) Thomas Fire/Debris Flow CalOES/FEMA Reserve.

Pursuant to the settlement between the District and Southern California Edison in connection with damages caused by the 2017 Thomas Fire, a portion of the settlement (referred to as "holdback funds") was held in escrow until reconciliation of project funding was complete. The reconciliation determined \$1,514,874 is due back to California Office of Emergency Services (CalOES). These funds will remain in reserve until their return is requested by CalOES.

2. Unrestricted Reserves

Board Committed Funds

The District's Board Committed Funds consist of a Rate Stabilization Fund, Operating Reserve, Capital and Emergency Reserve, and State Water Project (SWP) Prefunding Reserve. The District's Board Committed Funds, excluding the SWP Prefunding Reserve, consist of a minimum balance equivalent to 90 days cash on hand and a targeted balance range of 160 - 200 days cash on hand. Funds appropriated to the Board Committed Funds may be invested in the same manner as other District funds, and the earnings thereon shall be credited to the Unrestricted Fund balance.

(a) Rate Stabilization Fund.

Minimum: \$2,112,639

The Rate Stabilization Fund is comprised of cash reserves that can mitigate the impacts of operational, debt service and capital expenditure fluctuations year over year. Reserves can be transferred out of the Rate Stabilization Fund and used to help meet debt service coverage requirements. Rate Stabilization Funds can help smooth revenue variability and ensure adequate fiscal resources during periods that might otherwise require rate increases. The minimum fund balance represents 30 days cash on hand, or approximately 8 percent of the District's annual operating costs plus debt service payments. The target fund balance is 55 days, or approximately 15 percent of the District's annual operating costs plus debt service payments.

The District may withdraw all or a portion of these funds and transfer such amounts to be accounted for as revenues in the calculation of debt service coverage. Any transfers in or out of the Rate Stabilization Fund shall be in accordance with the District's legal requirements and accounted for appropriately. All retained earnings from water rates not allocated to any other funds may be placed in the Rate Stabilization Fund, subject to the transfer mechanics outlined herewith pursuant to the District's legal requirements.

(b) Operating Reserve.

Minimum: \$3,697,118

The Operating Reserve may be utilized to pay the cost of operating the District's system, including unanticipated costs associated with operations and to meet routine cash flow needs. This minimum fund balance represents 50-60 days cash on hand, or approximately 14 - 16 percent of the District's annual operating costs plus debt service payments and the target fund balance is 75 days, or approximately 20 percent of the District's annual operating costs plus debt service payments.

The District may withdraw all or a portion of these funds to pay operating expenses, but such amounts are not accounted for as revenues and not included in the calculation of debt service coverage.

(c) Capital and Emergency Reserve.

Minimum: \$500,000

The Capital and Emergency Reserve is comprised of reserves used for the funding of new capital assets or the replacement of capital assets when they reach the end of their useful life and in the event of an emergency in which the District's infrastructure is severely damaged. The District may use the funds herein for either capital or emergency purposes. This minimum fund balance represents \$500,000 to cover emergency needs. The targeted balance represents the planned pay-go capital costs plus \$500,000 emergency funds. The District plans to use funds in this reserve on planned capital projects throughout the year pursuant to the Budget.

(d) SWP Prefunding Reserve.

\$4,280,974

The State Water Project (SWP) Prefunding Reserve is used to fund the District's annual SWP fixed payment. The reserve is funded through current rates and funds the subsequent fiscal years SWP payment. The SWP payment is for the District's proportionate share of Central Coast Water Authority's SWP fixed payments, which includes California Department of Water Resources fixed payments. The District's SWP fixed payment for FY2026, as budgeted is \$4,280,974 and the monthly SWP prefunding amount is \$356,747.

Board Assigned Funds

No Board Assigned Funds are established for FY 2026.

Board Unassigned Funds

The Board desires to allocate retained earnings not allocated to any other fund, i.e., unassigned funds, to the Operating Reserve and to maintain a Board Unassigned Funds balance of \$0.

3. Additional Reserves

In addition to the reserves identified above, the Board may approve the creation of such additional reserve accounts and/or funds, whether temporary or permanent, as the Board deems necessary or appropriate, by amendment to this resolution or by simple motion. In such event, the Board will identify the purposes for which such additional reserve accounts and/or funds are created, provide guidance as to the amount which the District should endeavor to maintain in such reserve accounts and/or funds, and establish the limits and restrictions pertaining thereto.

ANNUAL REPORTS

Each year the District's General Manager or Business Manager shall provide the Board of Directors with a report indicating the beginning and ending balance for each of the Restricted and Unrestricted Reserves, or accounts created pursuant to this Reserve Policy, and the purposes for which expenditures have been made therefrom and shall make recommendations to replenish or augment fund or account balances as appropriate.

SCHEDULE OF MISCELLANEOUS FEES AND CHARGES

RESOLUTION NO. 2302

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE MONTECITO WATER DISTRICT ADOPTING A SCHEDULE OF MISCELLANEOUS FEES AND CHARGES FOR FISCAL YEAR 2026

WHEREAS, Ordinance No. 82, adopted July 20, 1999, established a schedule of miscellaneous fees and charges to be paid for by Montecito Water District (“District”) customers for certain services provided by the District; and

WHEREAS, Ordinance No. 82 provides that the schedule of miscellaneous fees and charges may be established from time to time by resolution of the Board of the District; and

WHEREAS, Ordinance No. 83, adopted April 18, 2000, updated Subsection 3.5 of Section 3 of Ordinance 82, modifying the schedule of miscellaneous fees and charges to include any other fee that the Board establishes by resolution; and

WHEREAS, Resolution No. 1012, adopted March 21, 2006, established a schedule of miscellaneous fees and charges associated with any payment for water service received by the District after the due date and time; and

WHEREAS, Resolution No. 2279, adopted June 25, 2024, established the most recent updated schedule of miscellaneous fees and charges for Fiscal Year 2025; and

WHEREAS, the Board of Directors of the District wishes to establish an updated schedule of miscellaneous fees and charges annually to be consistent with the District’s costs to provide the service; and

WHEREAS, the District has complied with Government Code §66018 and §6062a in updating the District schedule of miscellaneous fees and charges;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Montecito Water District as follows:

1. The Montecito Water District fees and charges for Fiscal Year 2026 as shown on the schedule in Exhibit A and are consistent with the District’s current costs to provide the services.
2. The updated fees and charges shall become effective on July 1, 2025.

PASSED AND ADOPTED by the Board of Directors of the Montecito Water District this 24th of June 2025 by the following roll call vote:

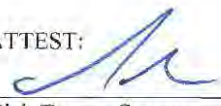
AYES: Coates, Hayman, Goebel, Plough, Wicks

NOES:

ABSENT:

ABSTAIN:

ATTEST:


Nick Turner, Secretary

APPROVED:

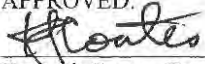

Kenneth Coates, Board President

Exhibit A Resolution No. 2302 Schedule of Miscellaneous Fees and Charges Effective Date: July 1, 2025			
	Fee/Charge Description	FY 2025 Fee/Charge	FY 2026 Fee/Charge
1	Late Charge for Non-Payment (See Discontinuation For Non-Payment Policy) First Month Late (in Calendar Year) Following Months Late	6% of total bill 1.5% of past due amount	6% of total bill 1.5% of past due amount
2	Final Discontinuation Notice (Non-Payment)	\$22	\$32
3	Disconnection of Water Service (Non Payment & Backflow Non-Compliance)	\$43	\$65
4	Reestablishment of Service	\$30	\$44
5	Lock Out Damaged/Broken Lock	\$60	\$69
6	After Hours Service Call	\$157	\$230
7	Notice of Lock Off (Backflow Non-Compliance)	\$29	\$44
8	Non-sufficient Funds check (NSF)	\$24	\$24
9	Hydrant Meter Use Deposit Installation/Removal Charge Monthly Rental Fee (billed monthly only) Water Unit Rate (\$\$/HCF)	\$837 \$133 \$35 \$11.76	\$962 \$107 \$53 \$12.44
10	Meter Flow Test	\$216	\$306
11	Fire Flow Test Fee	\$556	\$645
12	Meter Downsize/Upsize	T&M	T&M
13	Can and Will Serve Agreement Request (nonrefundable and due at time of request)	\$231	\$328
14	Manual Read if OPT-OUT of AMI (Monthly Charge)	\$19	\$29
15	Miscellaneous Service Request Charge	T&M	T&M

RESOLUTION NO. 2286

**RESOLUTION OF THE BOARD OF DIRECTORS OF MONTECITO WATER
DISTRICT ADOPTING WATER RATES AND CHARGES**

WHEREAS, Ordinance No. 82, adopted by the Board on July 20, 1999, establishes water user classifications and provides, among other things, that the Board may establish from time to time, certain fees, rates and charges for its customers; and

WHEREAS, Ordinance No. 90, adopted by the Board on August 20, 2008, amends Ordinance 82 and clarifies water use classifications; and

WHEREAS, on June 25, 2020, the Board adopted Resolution No. 2200, which established such water rates, fees and charges for Fiscal Years ending June 30, 2021, through 2025; and

WHEREAS, at the request of the District, Raftelis, an independent financial consulting firm specializing in cost of services analyses and rate setting, has prepared a financial plan, which determines rate-based revenue increases required to meet annual expenses, cash reserve targets, debt service and a proposed annual capital outlay for the Fiscal Years ending 2025 through 2029; and

WHEREAS, at the request of the District, Raftelis has prepared a water cost of service analysis, which determines a fair, proportional and equitable rate structure for the District's customer classes, based upon budgeted costs and actual and estimated customer demand characteristics; and

WHEREAS, Raftelis has prepared a Water Rate Study dated May 1, 2024, which combines the rate-based revenue requirements of the financial plan with the recommended rate structure of the water cost of service analysis to determine proposed water usage rates, monthly meter service charges and monthly private fire line charges by customer classification ("Proposed Rates"); and

WHEREAS, on June 25, 2024, the Board held a full and fair public hearing on the proposed rate increase. At the hearing, all interested persons had an opportunity to provide oral and written testimony regarding the proposed rate increases; and

WHEREAS, in accordance with the requirements of Section 6 of Article XIID of the California Constitution and Government Code section 53755, the June 25, 2024, public hearing was held not less than 45 days after mailing notice of the hearing to the District's customers of record; and

WHEREAS, the District accepted and caused the tabulation of all written protests against the proposed rate increase received prior to the conclusion of the public comment portion of the Public Hearing in accordance with Government Code section 53755 and District Resolution 2274.

Based upon the results of this tabulation, a majority protest against the proposed rate increases did not exist; and

WHEREAS, based on the information presented at the June 25, 2024, public hearing, including but not limited to the financial plan, water cost of service analysis, the Water Rate Study, and oral and written testimony and protests from members of the public, the Board determines that:

- A. Revenues derived from the proposed rates are not expected to exceed the funds required to provide water service.
- B. Revenues derived from the proposed rates may not be used for any purpose other than to provide water service.
- C. The amount of the proposed rates imposed upon any parcel or person as an incident of property ownership will not exceed the proportional cost of water service attributable to the parcel.
- D. The proposed rates are imposed upon a parcel only where water service is actually used by, or immediately available to, the parcel.

WHEREAS, this resolution does not constitute a project under the California Environmental Quality Act ("CEQA") Guidelines as set forth in Title 14, section 15378 of the California Code of Regulations, because it amends a government funding mechanism that does not involve any commitment to any specific project that may result in a potentially significant physical impact on the environment (§ 15378(b)(4)) and is an administrative activity of government that will not result in direct or indirect physical changes in the environment (§15378(b)(5)). Furthermore, if this resolution were a project, it would be categorically exempt from CEQA pursuant to Title 14, Section 15273(a) of the California Code of Regulations, because it establishes rates and charges to fund current operating expenses of the District; and

WHEREAS, the Board now finds it necessary to adopt new rates and charges to serve the purposes discussed in the financial plan, consistent with the classifications established in Ordinance No. 90 and pursuant to its authority under Ordinance No. 82 to adopt new fees, rates and charges, and in accordance with authority granted by Water Code Section 30523 to act by ordinance, resolution or motion;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Montecito Water District as follows:

Section 1: Repeal

Resolution No. 2200 is hereby repealed in its entirety and shall have no further force or effect as of the effective date of this Resolution.

Section 2: New Rates and Charges

District water rates and charges are hereby established as follows, with all terms as defined and described in Ordinance No. 90.

Section 2.1: Water Rates: The water usage rates per hundred cubic feet ("HCF") by customer classification are as follows:

A Line	B Water Usage Rates (\$/HCF)	C Monthly Tiers (HCF)	D FY 2025	E FY 2026	F FY 2027	G FY 2028	H FY 2029
1	Residential						
2	Tier 1	0-9	\$6.09	\$6.45	\$6.83	\$7.23	\$7.65
3	Tier 2	10-35	\$13.01	\$13.76	\$14.56	\$15.40	\$16.29
4	Tier 3	35+	\$15.38	\$16.27	\$17.21	\$18.20	\$19.25
5	Commercial		\$11.15	\$11.80	\$12.48	\$13.20	\$13.96
6	Institutional		\$11.76	\$12.44	\$13.16	\$13.92	\$14.73
7	Agriculture		\$5.46	\$5.78	\$6.12	\$6.48	\$6.86
8	Non-Potable		\$2.00	\$2.12	\$2.25	\$2.38	\$2.52

1. "DU" – dwelling unit
2. "HCF" – hundred cubic feet (1 HCF = 748.05 gallons)
3. Agricultural customers are allocated 9 HCF per month at Tier 1 residential rates for each DU. Water use above 9 HCF multiplied by the number of DUs is then billed at the Agriculture rate shown above.
4. "Residential" customer classification includes Single Family and Multi Family Residential uses as defined in Ordinance 90.

Section 2.2: Monthly Meter Charge: The monthly meter charge for each meter size is as follows:

A Line	B Meter Size	C FY 2025	D FY 2026	E FY 2027	F FY 2028	G FY 2029
1	3/4-inch	\$63.89	\$67.57	\$71.46	\$75.57	\$79.92
2	1-inch	\$104.80	\$110.83	\$117.21	\$123.95	\$131.08
3	1 1/2-inch	\$184.84	\$195.47	\$206.71	\$218.60	\$231.17
4	2-inch	\$291.56	\$308.33	\$326.06	\$344.81	\$364.64
5	3-inch	\$1,003.03	\$1,060.71	\$1,121.71	\$1,186.21	\$1,254.42
6	4-inch	\$1,963.51	\$2,076.42	\$2,195.82	\$2,322.08	\$2,455.60
7	6-inch	\$4,453.64	\$4,709.73	\$4,980.54	\$5,266.93	\$5,569.78

Section 2.3: Monthly Private Fire Charge: The monthly private fire charge for each fire line size is as follows:

A Line	B Fire Line Diameter	C FY 2025	D FY 2026	E FY 2027	F FY 2028	G FY 2029
1	2-inch	\$22.23	\$23.51	\$24.87	\$26.31	\$27.83
2	4-inch	\$101.41	\$107.25	\$113.42	\$119.95	\$126.85
3	6-inch	\$281.28	\$297.46	\$314.57	\$332.66	\$351.79
4	8-inch	\$591.52	\$625.54	\$661.51	\$699.55	\$739.78

Note: The Monthly Private Fire Line Charge applies to customers with dedicated fire lines serving their property and are based on fire line capacities.

Section 3: Reservation of Powers. Nothing in this Resolution shall prevent the District from exercising any of its powers under the California Water Code, including but not limited to its power to declare a water shortage emergency or a threat of water shortage and to adopt ordinances, resolutions, rules or regulations in response thereto.

Section 4: Recitals. Each of the matters set forth in the recitals of this Resolution is true and correct. All recitals constitute findings associated with the matters addressed in this Resolution.

Section 5: Severability. If any subdivision, paragraph, sentence, clause, or phrase of this Resolution is, for any reason, held to be invalid or unenforceable by a court of competent jurisdiction, such invalidity or unenforceability shall not affect the validity or enforcement of the remaining portions of this Resolution. It is the District's express intent that each remaining portion would have been adopted irrespective of the fact that one or more subdivisions, paragraphs, sentences, clauses, or phrases be declared invalid or unenforceable.

Section 7: Effective Date. All rates and charges set forth in this Resolution shall become effective on July 1, 2024, and shall remain in effect until changed by the Board.

PASSED AND ADOPTED by the Governing Board of the Montecito Water District this 25th of June 2024 by the following roll call vote:

AYES: Coates, Goebel, Hayman, Plough, Wicks

NOES:

ABSTAIN:

ABSENT:

APPROVED:


Kenneth Coates, Board President

ATTEST:


Nicholas Turner, Board Secretary