Montecito Water District

Water Rate Study

FINAL REPORT / MAY 1, 2024

RAFTELIS

MONTECITO WATER DISTRICT

RAFTELIS

May 1, 2024

Mr. Nicholas Turner
General Manager
Montecito Water District
583 San Ysidro Road
Montecito, CA 93108

Subject: Water Rate Study Report

Dear Mr. Turner,

Raftelis is pleased to provide this Water Rate Study Report to the Montecito Water District (District). The study develops a long term financial plan and designs water rates with a technically sound methodology, which aligns with Proposition 218.

The major objectives of the study include the following:

- Develop a ten-year financial plan to ensure financial sufficiency, meet operation and maintenance costs, ensure sufficient funding for capital replacement and refurbishment needs, and achieve financial reserve targets adopted by the Board of Directors
- Develop equitable cost of service-based water usage rates, monthly fixed charges, and private fire service charges that align with Proposition 218 requirements

The Study details the key findings and recommendations related to developing the financial plan, the updated cost of service allocations, and proposed water rates.

It has been a pleasure working with you, and we thank you and District staff for the support provided during this study.

Sincerely,

Raftelis Financial Consultants, Inc.

Kevin Kostiuk
Senior Manager

Lindsay Roth
Consultant

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1. Executive Summary

1.1. Study Background

Montecito Water District (District) engaged Raftelis in 2023 to complete a Water Rate Study. The study consists of developing a long-range financial plan, conducting a cost of service analysis, and designing and calculating water rates for the study period.

The study encompasses a ten-year financial planning period from fiscal year (FY) 2025 to FY 2034 and five years of proposed rates, for adoption beginning July 2024 and in July of every year thereafter. For the purposes of this study, FY 2025 is the year starting on July 1, 2024 and ending on June 30, 2025.

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:

- Adequately recovering all cost requirements to maintain the District's financial sufficiency
- Minimizing rate impacts to customers while maintaining adequate reserves for all years of the study
- Fairly and equitably allocating costs between customer classes
- Developing rates that are defensible, promote efficient use of water, and are easy for customers to understand

1.2. District Background

Montecito Water District was formed in 1921 and currently provides water service to the communities of Montecito, Summerland, and Toro Canyon. The District serves approximately 4,650 connections, the majority of which are Residential customers. In addition to serving single family and multi-family residences, the District supplies water to schools, institutions, businesses, restaurants, hotels, agriculture and the community at large.

Water supplied to the District comes from various sources, which include water from the California State Water Project, supplemental water purchases from around California, surface water from Lake Cachuma, surface water from Jameson Lake and Doulton Tunnel, local groundwater and ocean desalination. Lake Cachuma, Jameson Lake and ocean desalination serve as the District's primary source of water.

The District's water is treated by the Bella Vista, Doulton, Cater, and Charles E. Meyer Treatment Plants. The Bella Vista and Doulton Treatment Plants are owned and operated by the District; the Cater Treatment Plant serves the District under a Joint Powers Agreement with the City of Santa Barbara and Carpinteria Valley Water District; and the Charles E. Meyer Desalination Plant is owned by the City of Santa Barbara and serves the District under a Water Supply Agreement.

1.3. Current Rates

The District's existing water rate structure consists of the following components:

1. Monthly meter charge – for all water customers, based on meter size
2. Monthly private fire line charge – for all customers with private fire lines, based on fire line size

3. Water usage rate – for all customers, per one hundred cubic feet (HCF) of usage, customer class, and/or tier
    a. Residential – three tier rate structure
        i. Single Family Residential (SFR)
        ii. Multi-Family Residential (MFR) – tiers per dwelling unit (DU)
    b. Commercial and Institutional – uniform rate for all usage
    c. Agriculture – domestic and agricultural usage rates, based on DU and HCF per acre, respectively
    d. Non-Potable – uniform rate for all usage

Table 1-1 shows the District's current monthly meter charges.

Table 1-1: Current Monthly Meter Charges ($/Month)

A Line	B Meter Size	C FY 2024
1	3/4-inch	$50.92
2	1-inch	$83.32
3	1 1/2-inch	$146.72
4	2-inch	$231.22
5	3-inch	$794.69
6	4-inch	$1,555.34
7	6-inch	$3,527.44

Table 1-2 shows the District's current monthly private fire line charges.

Table 1-2: Current Monthly Private Fire Line Charges ($/Month)

A Line	B Fireline Diameter	C FY 2024
1	2-inch	$21.04
2	4-inch	$99.84
3	6-inch	$278.88
4	8-inch	$587.70

Table 1-3 shows the District's current water usage rates by class and tier.

Table 1-3: Current Water Usage Rates

A Line	B Class/Tier	C Monthly Tier (HCF)	D FY 2024 ($/HCF)
1	**Water Usage Rates**		
2	**Residential**		
3	Tier 1	0-9	$7.14
4	Tier 2	10-35	$12.13
5	Tier 3	>35	$13.39
6			
7	**Commercial**	Uniform	$10.47
8	**Institutional**	Uniform	$11.51
9	**Agriculture**	Uniform	$5.99
10	**Non-Potable**	Uniform	$1.98

1.4. Legal Framework[1]

The rate-making process, especially for water agencies in California, begins with a review of the legal requirements and framework currently in place. The major legal requirements include Proposition 218 and Article X, Section 2 of the California Constitution, which are outlined in the following sections.

1.4.1. California Constitution – Article XIII D, Section 6 (Proposition 218)

Proposition 218 was enacted by voters in 1996 to ensure, in part, that fees and charges imposed for ongoing delivery of a service to a property ("property-related fees and charges") are proportional to, and do not exceed, the cost of providing service. Water service fees and charges are property-related and subject to the provisions of Proposition 218. The principal requirements, as they relate to public water service fees and charges, are as follows:

1. Revenues derived from a property-related charge imposed by a public agency shall not exceed the costs required to provide the property-related service.
2. Revenues derived by the fee or charge shall not be used for any purpose other than that for which the fee or charge was imposed.
3. The amount of the fee or charge imposed upon any parcel shall not exceed the proportional cost of service attributable to the parcel.
4. No fee or charge may be imposed for a service unless that service is actually used or immediately available to the owner of property.
5. A written notice of the proposed fee or charge shall be mailed to the record owner of each parcel not less than 45 days prior to a public hearing, when the agency considers all written protests against the charge.

As stated in the American Water Works Association's Manual of Water Supply Practices M1, *Principles of Water Rates, Fees, and Charges, Seventh Edition* (M1 Manual), "water rates and charges should be recovered from classes of customers in proportion to the cost of serving those customers." Proposition 218 requires that

[1] Raftelis does not practice law nor does it provide legal advice. The above discussion provides a general overview of Raftelis' understanding as rate practitioners and is labeled "legal framework" for literary convenience only. The District should consult with its legal counsel for clarification and/or specific guidance.

water rates cannot be "arbitrary and capricious," meaning that the rate-setting methodology must establish a clear nexus between costs and the rates charged.

1.4.2. California Constitution – Article X, Section 2

Article X, Section 2 of the California Constitution was established in 1928. As updated in 1976, it states the following:

"It is hereby declared that because of the conditions prevailing in this State the general welfare requires that the water resources of the State be put to beneficial use to the fullest extent of which they are capable, and that the waste or unreasonable use or unreasonable method of use of water be prevented, and that the conservation of such waters is to be exercised with a view to the reasonable and beneficial use thereof in the interest of the people and for the public welfare."

Article X, Section 2 of the California Constitution institutes the need to preserve the State's water supplies and to discourage the wasteful or unreasonable use of water by encouraging conservation. As such, public agencies are constitutionally mandated to maximize the beneficial use of water, prevent waste, and encourage conservation.

1.5. Process and Approach

The process and approach Raftelis utilized in the study is informed by the District's policy objectives, the current water system and rates, and the legal requirements in California (namely, Proposition 218). The resulting cost of service analysis and rate design process considers all these factors and follows four key steps, outlined below, to derive proposed rates that fulfill the District's policy objectives, meets industry standards, and aligns with Proposition 218.

1.5.1. Step 1: Revenue Requirement Calculation

The rate-making process begins by determining the revenue requirement for the base year, also known as the rate-setting year. The base year for this study is FY 2025 (July 1, 2024 to June 30, 2025). The revenue requirement should sufficiently fund the utility's operation and maintenance (O&M) costs, annual debt service, capital project expenses, and reserve funding as projected in the District's budget.

1.5.2. Step 2: Cost of Service Analysis

The annual cost of providing water service, or the revenue requirement, is then distributed among customer classes commensurate with their use of and burden on the system. A cost of service analysis involves the following steps:

1. Functionalize costs – the O&M expense budget is categorized into functions such as supply, treatment, pumping, transmission and distribution (T&D), etc.
2. Allocate to cost components – the functionalized costs are then allocated to system cost components such as supply, delivery, peaking, conservation, etc.
3. Develop unit costs – unit costs for each cost component are determined using appropriate units of service for each.
4. Distribute cost components – the cost components are allocated to each customer class using the unit costs in proportion to their demand and burden on the system.

A cost of service analysis considers both the average water demand and peak demand. Peaking costs[2] are incurred during maximum periods of consumption, most often coinciding with summertime irrigation usage. There are additional capacity-related[3] costs associated with designing, constructing, operating, maintaining, and replacing and refurbishing facilities to meet peak demand. These peaking costs must be allocated to the customer classes whose water demand patterns generate additional costs for the utility, proportionate to their burden on the peaking-related facilities.

1.5.3. Step 3: Rate Design and Calculation

After allocating the revenue requirement to each user class, the rate design and calculation process can begin. Rates do more than simply recover costs; within the legal framework and industry standards, properly designed rates should support the District's policy objectives, while adhering to cost of service principles. Rates are not only a financial instrument but act as a public information tool in communicating policy objectives to customers. The rate design process also includes a rate impact analysis to all customer classes and sample customer bill impact analysis.

1.5.4. Step 4: Administrative Record Preparation and Rate Adoption

The final step in a cost of service and rate study is to develop the administrative record in preparation for the rate adoption process. The administrative record, also known as the study report, documents the rate study results and presents the methodologies, rationale, justifications, and calculations utilized to derive the proposed rates. A thorough and methodical administrative record serves two important functions: maintaining defensibility in a litigious environment and communicating the rate adoption process to customers and stakeholders.

1.6. Results and Recommendations

The proposed revenue adjustment for the rate-making year, FY 2025, is 9.0 percent. The revenue adjustment, or percentage increase of total revenues is based upon factors affecting the revenue adjustments and thus the water rates. The three main drivers affecting revenue adjustments for this study include increased reserve funding, debt coverage on existing and proposed debt, and extraordinary inflation impacting O&M and capital over the past several years. Without additional revenue adjustments, the District cannot maintain existing Board adopted reserve levels or proposed reserve levels, achieve minimum debt coverage requirements, or adequately fund long-term capital improvement plan (CIP) expenditures. **Table 1-4** shows the recommended revenue adjustments for the study period.

[2] Collectively, maximum day and maximum hour costs are known as peaking costs.

[3] System capacity is the system's ability to supply water to all delivery points at the time when demanded. The time of greatest demand is known as peak demand. Both the operating and capital costs incurred to accommodate peak flows are generally allocated to each customer class based upon the relative demand during the peak day and peak hour event.

Table 1-4: Recommended Revenue Adjustments

A Line	B Fiscal Year	C Effective Month	D Proposed Revenue Adjustment
1	FY 2025	July	9.00%
2	FY 2026	July	5.75%
3	FY 2027	July	5.75%
4	FY 2028	July	5.75%
5	FY 2029	July	5.75%

1.7. Proposed Rates

This section shows the resulting water rates based on the recommendations previously outlined. The proposed rates for FY 2025, the rate-setting year, are a result of the cost of service analysis developed during the study. Rates for all years after FY 2025 are adjusted based on the proposed annual revenue adjustments in **Table 1-4**. **Table 1-5**, **Table 1-6**, and **Table 1-7** show the proposed monthly meter charges, private fire line charges, and water usage rates for the study period, respectively.

Table 1-5: Proposed Monthly Meter Charges

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

Table 1-6: Proposed Monthly Private Fire Line Charges

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

Table 1-7: Proposed Water Usage Rates

A	B	C	D	E	F	G	H
Line	Water Usage Rates ($/HCF)	Monthly Tiers (HCF)	FY 2025	FY 2026	FY 2027	FY 2028	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

1.8. Customer Impacts

Figure 1-1 shows the monthly customer bill impacts for all Residential customers, based on the District's FY 2023 customer data. This chart shows that over 60 percent of SFR bills will experience an increase in their monthly water charge of $20 or less.

Figure 1-1: Monthly Customer Bill Impacts – Single Family Residential

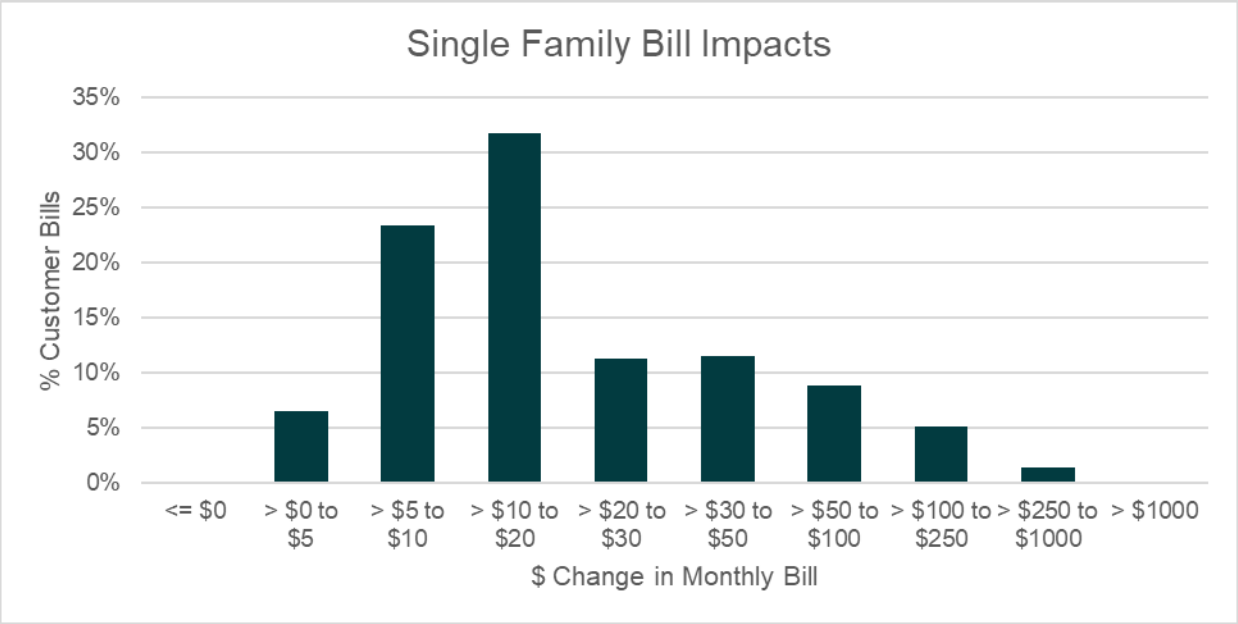
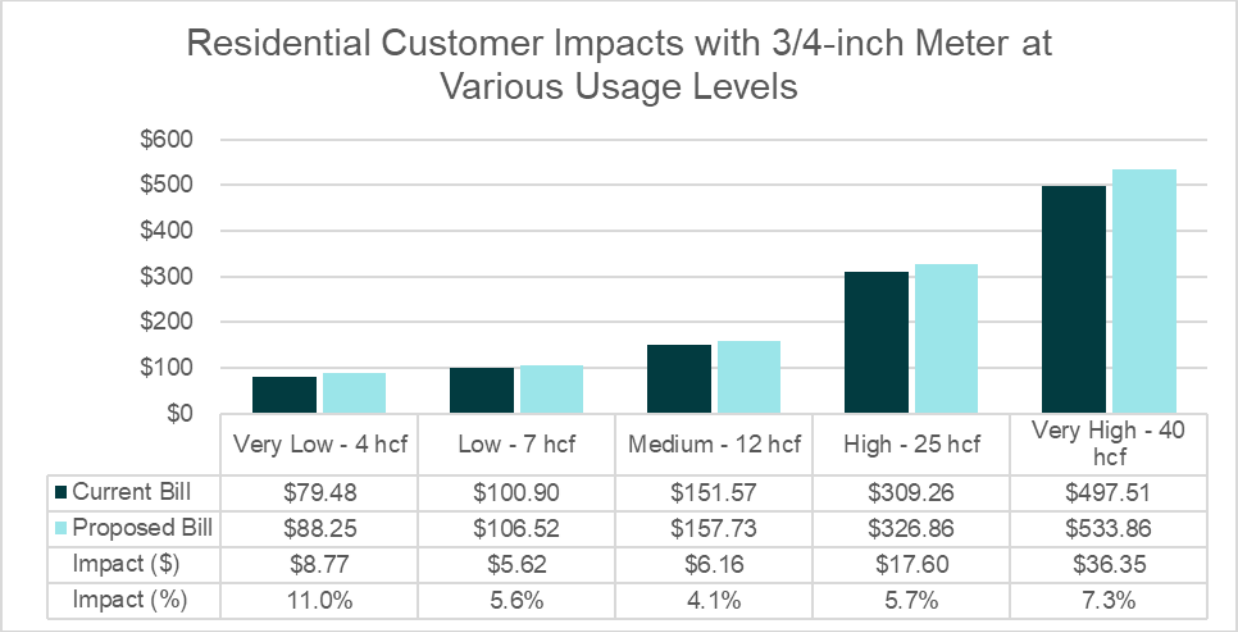


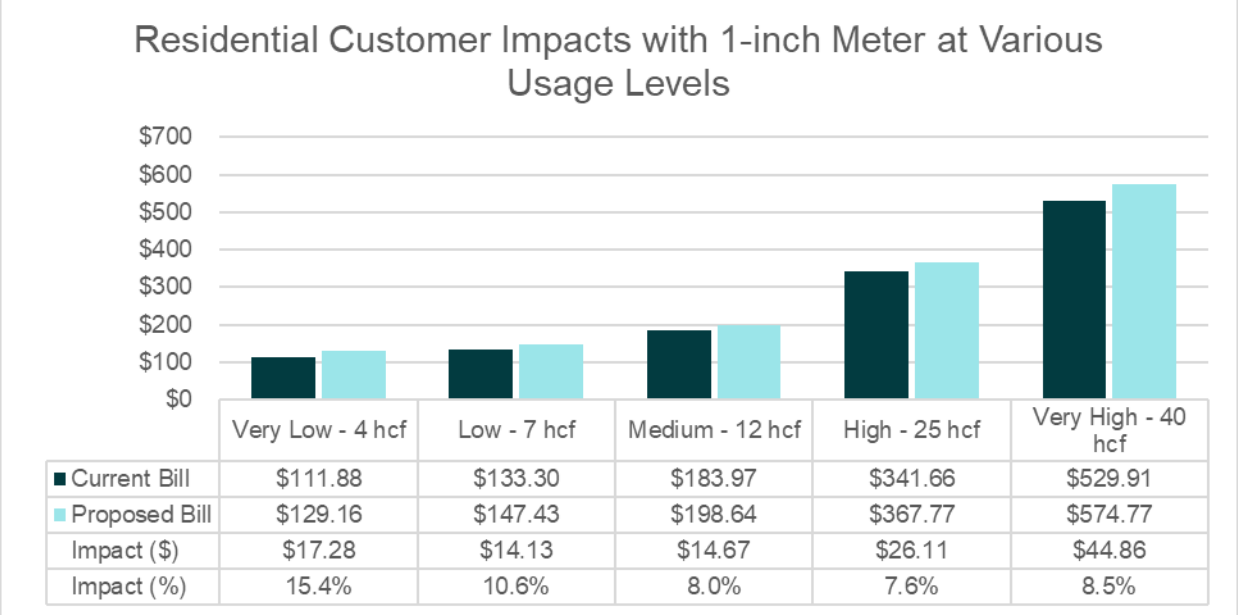
Figure 1-2 shows the monthly bill impacts at various levels of usage for a Residential customer with a 3/4 - inch meter, based on the District' FY 2023 customer data. The median Residential customer uses 12 HCF of water per month and will see an increase of $6.16 in their monthly water bill. **Figure 1-3** shows the same impacts using a 1-inch meter, the second most common meter size.

Figure 1-2: Monthly Bill Impacts at Various Levels of Usage – Residential, 3/4-inch Meter



	Very Low - 4 hcf	Low - 7 hcf	Medium - 12 hcf	High - 25 hcf	Very High - 40 hcf
Current Bill	$79.48	$100.90	$151.57	$309.26	$497.51
Proposed Bill	$88.25	$106.52	$157.73	$326.86	$533.86
Impact ($)	$8.77	$5.62	$6.16	$17.60	$36.35
Impact (%)	11.0%	5.6%	4.1%	5.7%	7.3%

Figure 1-3: Monthly Bill Impacts at Various Levels of Usage – Residential, 1-inch Meter



	Very Low - 4 hcf	Low - 7 hcf	Medium - 12 hcf	High - 25 hcf	Very High - 40 hcf
Current Bill	$111.88	$133.30	$183.97	$341.66	$529.91
Proposed Bill	$129.16	$147.43	$198.64	$367.77	$574.77
Impact ($)	$17.28	$14.13	$14.67	$26.11	$44.86
Impact (%)	15.4%	10.6%	8.0%	7.6%	8.5%

2. General Assumptions

The study period is FY 2025 to FY 2034, with proposed revenue adjustments and rates presented for the first five years from FY 2025 through FY 2029. FY 2025 begins on July 1, 2024, and ends on June 30, 2025. A variety of assumptions and inputs are incorporated into the study based on discussions with and/or direction from District staff and the Board of Directors. These include the projected number of accounts, water demand over time, inflationary factors, and reserve levels, among others.

2.1. Inflation

Inflationary factors show projected increases in various cost categories across the study period. These factors are applied to all years beginning in FY 2025. Raftelis worked with District staff to escalate individual budget line items from the FY 2024 budget according to appropriate escalation factors. Inflationary assumptions are presented in **Table 2-1**. For long-term planning purposes, inflationary factors are constant.

A general inflation rate of three percent is based on the long-term change in the US Bureau of Labor Statistics Consumer Price Index-Urban (CPI-U). Salaries and benefits tend to outpace general inflation, and District staff have estimated annual increases of four percent and six percent, respectively. Electricity costs reflect the price of electricity for water production, system pumping, and other District uses of energy. The District's long-term CIP is escalated using the 20-year average of the Handy-Whitman Index of Public Utility Construction Costs.

To project non-operating revenues, the study assumes that all recurring non-rate revenues (miscellaneous revenues) will increase at two percent and reserve interest earning will increase at four percent per year through FY 2029. Interest rates earned on reserves were provided by District staff and are based on recent District interest earnings. These revenue escalation assumptions are also presented below in **Table 2-1**.

Table 2-1: Escalation Factors

A	B	C	D	E	F	G
Line	Escalation Factors	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
1	General Cost Inflation	3.0%	3.0%	3.0%	3.0%	3.0%
2	Salary / COLA	4.0%	4.0%	4.0%	4.0%	4.0%
3	Salary / Employee Benefits	6.0%	6.0%	6.0%	6.0%	6.0%
4	Electricity	6.0%	6.0%	6.0%	6.0%	6.0%
5	Capital	6.0%	6.0%	6.0%	6.0%	6.0%
6	Non-Rate Revenue Escalation	2.0%	2.0%	2.0%	2.0%	2.0%
7	Reserve Interest Rate	4.0%	4.0%	4.0%	4.0%	4.0%

2.2. Projected Water Demand and Connection Growth

To estimate future water demand, two primary factors are used – account growth from new connections and water demand relative to the most recent year of use, which is FY 2023. The long-term financial plan projects 0.25% annual growth in Residential customers throughout the study period. All other customer classes are projected to have zero growth.

Water demand has declined from historical levels in the 2000s and 2010s due to improved efficiency, conservation efforts during prior drought cycles, and wet year rainfall conditions which depress demand. In consideration of cyclical wet and dry year conditions, annual baseline water demand is projected to remain consistent for the study period at 4,000 acre-feet per year (AFY), based on the 5-year average water demand. This level of demand represents a modest increase to the prior rate study baseline of 3,750 AF. Actual water sales in FY 2023 of 3,465 AFY were escalated for each customer class to achieve projected water use under baseline conditions in FY 2024 and beyond. **Table 2-2** shows the water demand assumptions for the study period.

Table 2-2: Water Demand Factors[4]

A	B	C	D	E	F	G	H	I
Line	Class	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
1	SFR	N/A	114%	100%	100%	100%	100%	100%
2	MFR	N/A	103%	100%	100%	100%	100%	100%
3	Commercial	N/A	105%	100%	100%	100%	100%	100%
4	Institutional	N/A	95%	100%	100%	100%	100%	100%
5	Agriculture	N/A	125%	100%	100%	100%	100%	100%
6	Non-Potable	N/A	160%	100%	100%	100%	100%	100%
7								
8	**Total Water Sales (AF)**	**3,465**	**3,936**	**3,943**	**3,951**	**3,958**	**3,966**	**3,973**

[4] Increases in AF Sales are a result of 0.25% annual account growth assumption for Residential customers.

3. Financial Reserve Policies

Reserve policies provide guidelines for sound financial management with an overall long-range perspective to maintain financial solvency and mitigate financial risks associated with revenue instability, volatile capital costs, and emergencies; and to provide routine working capital. These risks include fiscal emergencies, water shortages, asset failures, and natural disasters, among others. The District has adopted reserve policies to meet cash flow needs (operating), ensure adequate funding of capital repairs and replacements (capital), and provide an immediate source of funds in times of emergency.

The District's current target reserve fund balance for its Board Committed Funds, which consists of a Rate Stabilization Fund, is $5 million, comprised of a Reserve for Operations, Reserve for Emergencies, and Reserve for Unanticipated or Unplanned Capital Repair & Replacement.

Raftelis recommends an alternative reserve policy which maintains the logic of the existing policy but accounts for costs pressures over time. The alternative policy represents 90 days cash on hand, or approximately 25 percent of annual operating costs (O&M expenses plus debt service payments). The benefit of this change is to ensure that reserve levels adjust annually to the change in operating costs as a result of inflation pressure, cost structure changes, or new debt service. An additional consideration for the recommended alternative policy is for future planned external borrowing. Days cash on hand is one consideration of many for credit rating and creditworthiness. In Raftelis' experience with Municipal Advisory firms in California, 90 days cash represents a minimum level of reserves required to secure external borrowing. The 90 days cash on hand reserve target for FY 2025 is $6.27 million. **Table 3-1** shows the proposed reserve targets throughout the study period. By FY 2029, the reserve target increases to $7.16 million.

Table 3-1: Proposed Cash Reserve Targets

A	B	C	D	E	F	G
Line	Proposed Reserve Target	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
1	O&M Expenses	$23,305,944	$23,824,953	$24,712,412	$25,427,798	$26,400,825
2	Debt Service	$2,136,562	$2,027,354	$2,268,032	$2,909,748	$2,915,498
3	**Total Annual Operating**	**$25,442,506**	**$25,852,307**	**$26,980,444**	**$28,337,546**	**$29,316,323**
4	90 days cash (of 365 days)	90/365	90/365	90/365	90/365	90/365
5	**Cash Reserve Target**	**$6,273,495**	**$6,374,542**	**$6,652,712**	**$6,987,340**	**$7,228,682**

4. Long-Term Financial Plan

This section describes the development of the District's long-range financial plan. To develop the financial plan, Raftelis projects annual revenues and expenses; models reserve balances; incorporates capital expenditures, debt service, and inflationary pressures; and calculates debt service coverage ratios to estimate the amount of any additional rate revenue required in each year of the study. This section includes a discussion of O&M expenses, the capital improvement program (CIP), current and planned future debt service, reserve funding, projected revenue under existing rates, and the revenue adjustments required to ensure the fiscal sustainability and solvency of the District.

4.1. Revenue Requirements

A review of the utility's revenue requirements is a key first step in the rate study process. The review involves an analysis of annual rate revenues from existing rates, O&M expenses, capital expenditures, and reserve requirements.

4.1.1. Revenues from Current Rates

The current rates, adopted in June 2020 and last updated in July 2023, were originally developed in the 2020 rate study. The District's rate structure has two main components – a fixed charge component (monthly service charge) and a variable volumetric rate (water usage rate) – and for certain customers, a monthly fire line charge for private fire protection service. The monthly fixed service charge is determined based on the size of the water meter serving a property and increases with meter size. As described in more detail in **Section 5**, as larger meter sizes generally consume more water on average, have the capacity to consume more water, and tend to have higher rates of peaking, the costs to provide service to these customers are higher. A residential customer with a 3/4" meter has a monthly fixed service charge of $50.92. The rates for the current fixed charge are shown in **Table 4-1**.

Table 4-1: Current Monthly Fixed Charges ($/Month)

A	B	C
Line	Meter Size	FY 2024
1	3/4-inch	$50.92
2	1-inch	$83.32
3	1 1/2-inch	$146.72
4	2-inch	$231.22
5	3-inch	$794.69
6	4-inch	$1,555.34
7	6-inch	$3,527.44

The District imposes a fixed monthly fire line service charge on properties that are required to install[5] a private fire suppression system as a condition of extending or initiating water service, or where the customer or property owner has installed a private fire line for the purpose of fire protection. The rates for the monthly fire line service charge are established based on the diameter of the fire line serving a property and are

[5] Installation of fire suppression is required by law, not the District.

calculated to recover the costs associated with fire service capacity in the water distribution system. The current rates for the monthly fire service charge for private fire lines are shown in **Table 4-2**. The rates for Private Fire Protection Charges are discussed in more detail in **Section 6.3**.

Table 4-2: Current Monthly Private Fire Line Charges ($/Month)

A Line	B Fire Line Diameter	C FY 2024
1	2-inch	$21.04
2	4-inch	$99.84
3	6-inch	$278.88
4	8-inch	$587.70

The volumetric component of a customer's water bill is calculated based on the number of units of water delivered to a property, measured in HCF, multiplied by the rate(s) that vary by customer class and tier. The current tier widths and rates are shown in **Table 4-3**. The rates in **Table 4-3**, multiplied by the amount of use in each respective tier, determine the volumetric component of a customer's bill.

Table 4-3: Current Water Usage Rates ($/HCF)

A Line	B Water Usage Rates ($/HCF)	C Monthly Tier (HCF)	D FY 2024
1	**Water Usage Rates**		
2	**Residential**		
3	Tier 1	0-9	$7.14
4	Tier 2	10-35	$12.13
5	Tier 3	>35	$13.39
6			
7	**Commercial**	Uniform	$10.47
8	**Institutional**	Uniform	$11.51
9	**Agriculture**	Uniform	$5.99
10	**Non-Potable**	Uniform	$1.98

Table 4-4 shows the projected number of water connections by meter size, by fiscal year. The number of connections each year changes based on the growth assumptions identified in **Section 2.2**. Similarly, **Table 4-5** shows estimated fire line counts using the same assumptions as metered connections.

Table 4-4: Projected Number of Water Meters, by Meter Size

A	B	C	D	E	F	G	H	I

Line	Meter Size	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
1	3/4-inch	2,277	2,282	2,288	2,293	2,299	2,304	2,310
2	1-inch	1,603	1,607	1,611	1,615	1,618	1,622	1,626
3	1 1/2-inch	518	519	520	522	523	524	525
4	2-inch	210	210	211	211	211	212	212
5	3-inch	15	15	15	15	15	15	15
6	4-inch	2	2	2	2	2	2	2
7	6-inch	5	5	5	5	5	5	5
8	**Total**	**4,630**	**4,641**	**4,652**	**4,663**	**4,673**	**4,684**	**4,695**

Table 4-5: Projected Number of Fire Lines, by Line Size

A	B	C	D	E	F	G	H	I
Line	Fire Line Diameter	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
1	2-inch	16	16	16	16	16	16	16
2	4-inch	62	62	62	62	63	63	63
3	6-inch	40	40	40	40	40	41	41
4	8-inch	10	10	10	10	10	10	10
5	**Total**	**128**	**128**	**129**	**129**	**129**	**130**	**130**

Water demand projections through FY 2029 are shown in **Table 4-6**. The water demand and revenue growth assumptions are identified in **Table 2-2**. Column C in **Table 4-6** shows the FY 2023 actuals, which are used to project water use, by class, for FY 2024 at the five-year baseline. For planning purposes, water sales are maintained at baseline of approximately 4,000 acre feet per year (AFY) through the study period.

Table 4-6: Projected Water Usage, by Class and Tier

A	B	C	D	E	F	G	H	I

Line	Customer Usage (HCF)	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
1	Single Family Residential							
2	Tier 1	347,122	395,664	396,654	397,645	398,639	399,636	400,635
3	Tier 2	411,878	469,476	470,650	471,826	473,006	474,188	475,374
4	Tier 3	351,948	401,165	402,168	403,174	404,182	405,192	406,205
5								
6	Multi-Family Residential							
7	Tier 1	31,465	32,332	32,413	32,494	32,575	32,657	32,738
8	Tier 2	4,116	4,229	4,240	4,251	4,261	4,272	4,283
9	Tier 3	2,792	2,869	2,876	2,883	2,891	2,898	2,905
10								
11	Commercial	94,658	99,391	99,391	99,391	99,391	99,391	99,391
12								
13	Institutional	123,189	117,030	117,030	117,030	117,030	117,030	117,030
14								
15	Agriculture	99,982	124,978	124,978	124,978	124,978	124,978	124,978
16								
17	Non-Potable	42,040	67,264	67,264	67,264	67,264	67,264	67,264
18								
19	**Total Usage**	**1,509,190**	**1,714,398**	**1,717,663**	**1,720,935**	**1,724,216**	**1,727,505**	**1,730,802**
20	*AF*	*3,465*	*3,936*	*3,943*	*3,951*	*3,958*	*3,966*	*3,973*

Table 4-7 shows the rate revenue generated in each study year with a projected steady demand and the current rates. Note that revenues for FY 2024 and beyond use existing rates from **Table 4-1**, **Table 4-2**, and **Table 4-3**. The overall adequacy of water revenues is measured by comparing the projected annual revenue required from rates with projected revenues from the existing rates.

Table 4-7: Projected Rate Revenue with Current Rates

A	B	C	D	E	F	G	H

Line		FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
1	**Monthly Meter Charges**						
2	Single Family Residential	$4,098,985	$4,109,232	$4,119,505	$4,129,804	$4,140,128	$4,150,479
3	Multi-Family Residential	$85,933	$86,148	$86,363	$86,579	$86,796	$87,013
4	Commercial	$290,823	$290,823	$290,823	$290,823	$290,823	$290,823
5	Institutional	$318,517	$318,517	$318,517	$318,517	$318,517	$318,517
6	Agriculture	$81,359	$81,359	$81,359	$81,359	$81,359	$81,359
7	Non-Potable	$15,606	$15,606	$15,606	$15,606	$15,606	$15,606
8							
9	**Total Monthly Meter Charge Revenue**	**$4,891,222**	**$4,901,685**	**$4,912,173**	**$4,922,688**	**$4,933,229**	**$4,943,796**
10							
11	**Monthly Private Fire Charge**	**$283,414**	**$284,122**	**$284,833**	**$285,545**	**$286,259**	**$286,974**
12							
13	**Water Usage Rate Revenue**						
14	Single Family Residential						
15	Tier 1	$2,825,044	$2,832,106	$2,839,187	$2,846,285	$2,853,400	$2,860,534
16	Tier 2	$5,694,744	$5,708,981	$5,723,254	$5,737,562	$5,751,906	$5,766,286
17	Tier 3	$5,371,603	$5,385,032	$5,398,495	$5,411,991	$5,425,521	$5,439,085
18							
19	Multi-Family Residential						
20	Tier 1	$230,852	$231,429	$232,008	$232,588	$233,169	$233,752
21	Tier 2	$51,303	$51,431	$51,560	$51,689	$51,818	$51,948
22	Tier 3	$38,415	$38,511	$38,608	$38,704	$38,801	$38,898
23							
24	Commercial	$1,040,623	$1,040,623	$1,040,623	$1,040,623	$1,040,623	$1,040,623
25							
26	Institutional	$1,347,010	$1,347,010	$1,347,010	$1,347,010	$1,347,010	$1,347,010
27							
28	Agriculture	$748,615	$748,615	$748,615	$748,615	$748,615	$748,615
29							
30	Non-Potable	$133,183	$133,183	$133,183	$133,183	$133,183	$133,183
31							
32	**Total Water Usage Rate Revenue**	**$17,481,393**	**$17,516,923**	**$17,552,542**	**$17,588,250**	**$17,624,047**	**$17,659,933**
33							
34	**Total Revenue**	**$22,656,029**	**$22,702,730**	**$22,749,548**	**$22,796,482**	**$22,843,534**	**$22,890,704**

The District also derives some revenue from other non-rate sources. These revenues consist of other operating revenue, miscellaneous, and non-operating revenues and are summarized in **Table 4-8**.

Table 4-8: Projected Non-Rate Revenues

A	B	C	D	E	F	G	H

Line	Non-Rate Revenue	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
1	Miscellaneous Fees/Charges	$353,004	$354,064	$355,145	$356,248	$357,373	$358,521
2	Interest Income	$167,607	$418,506	$417,040	$293,152	$361,046	$348,175
3	Other Revenue	$417,280	$7,925,926	$885,944	$912,571	$939,925	$965,027
4	**Total**	**$937,891**	**$8,698,496**	**$1,658,129**	**$1,561,971**	**$1,658,344**	**$1,671,723**

4.1.2. Operating and Maintenance (O&M) Expenses

Total projected O&M expenses are shown in **Table 4-9** and are summarized by department. Expenses are projected from the District's adopted FY 2024 budget. Expenses beyond FY 2024 use District estimated costs where known or rely on FY 2024 budgeted values inflated by the assumptions from **Table 2-1**.

Table 4-9: Projected O&M Expenses

A	B	C	D	E	F	G	H
Line	O&M Summary	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
1	JPA Operating Expense	$13,199,851	$13,867,412	$13,957,491	$14,435,576	$14,722,847	$15,248,091
2	Jameson	$375,585	$388,858	$402,634	$416,934	$431,778	$447,190
3	Transmission & Distribution	$1,818,871	$1,908,087	$2,001,913	$2,100,597	$2,204,401	$2,313,603
4	Treatment	$2,159,531	$2,119,513	$2,216,278	$2,317,791	$2,424,300	$2,536,067
5	Engineering	$1,431,695	$1,334,613	$1,384,426	$1,436,245	$1,490,158	$1,546,258
6	Customer Service	$372,802	$489,060	$509,067	$529,951	$551,753	$574,516
7	Conservation	$215,530	$224,663	$234,211	$244,192	$254,629	$265,544
8	Public Information / Conservation	$219,933	$228,890	$238,239	$247,998	$258,187	$268,826
9	Fleet	$296,220	$308,707	$321,767	$335,427	$349,717	$364,668
10	Administration	$2,158,244	$1,987,430	$2,063,460	$2,142,618	$2,225,042	$2,310,879
11	Semitropic Mgmt./Maint./Banking	$59,354	$61,135	$62,969	$64,858	$66,803	$68,808
12	MWD 218 Pmt. To GSA	$0	$137,577	$175,000	$175,000	$175,000	$175,000
13	Legal-All	$323,000	$250,000	$257,500	$265,225	$273,182	$281,377
14	**Total O&M Expenses**	**$22,630,616**	**$23,305,944**	**$23,824,953**	**$24,712,412**	**$25,427,798**	**$26,400,825**

4.1.3. Projected Capital Improvement Plan

The District has proposed approximately $63.6 million in capital expenditures over the next five years (FY 2025 to FY 2029). A summary of these capital expenditures is shown in **Table 4-10**. The full detailed capital improvement plan is shown in **Appendix A**. The capital project costs in **Table 4-10** account for estimated construction cost inflation from **Table 2-1**. A significant portion of the District's projected capital expenditures are attributed to pipeline replacement and reservoir retrofits and replacements. **Table 4-11** shows the capital financing plan for the study period. The reservoir projects will be funded by a mix of grants and debt proceeds, while the rest of the capital improvement plan will be funded through rate revenue and reserves.

Table 4-10: Projected Capital Improvement Plan (Summary by Type)

A	B	C	D	E	F	G	H

Line	Capital Improvement Plan	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
1	Pipeline Replacements	$1,878,000	$2,252,500	$4,253,556	$4,255,381	$5,928,781	$5,741,122
2	Pumping/Wells/ Valving/Treatment	$162,000	$31,800	$67,416	$83,371	$176,747	$66,911
3	Generators	$188,000	$159,000	$146,068	$71,461	$239,871	$254,263
4	Water Meter Enhancements	$0	$15,900	$0	$17,865	$0	$20,073
5	Large Equipment/ Vehicles	$495,000	$100,700	$140,450	$369,215	$176,747	$347,939
6	Other	$787,500	$1,725,150	$707,868	$369,215	$328,244	$214,116
7	Reservoir Projects	$0	$9,116,163	$0	$9,945,336	$10,894,018	$5,338,532
8	**Total**	**$3,510,500**	**$13,401,213**	**$5,315,358**	**$15,111,844**	**$17,744,408**	**$11,982,956**

Table 4-11: Capital Financing Plan

A	B	C	D	E	F	G	H
Line	Capital Financing Plan	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
1	Pay-as-you-go	$3,510,500	$4,285,050	$5,315,358	$0	$16,898	$6,644,424
2	Grant Funded	$0	$2,546,479	$0	$2,983,601	$3,268,206	$1,601,560
3	Debt Funded	$0	$6,569,684	$0	$12,128,243	$14,459,305	$3,736,973
4	**Total**	**$3,510,500**	**$13,401,213**	**$5,315,358**	**$15,111,844**	**$17,744,408**	**$11,982,956**

4.1.4. Existing and Planned Future Debt Service

The District has three outstanding and one planned future long-term debt obligations, which include the 2020 Refunding Revenue Certificates of Participation (COP), the Cater Treatment SRF Loan Financing Agreement, the Cater Ozone Loan, and the Cater Treatment Basin Project Loan. Additionally, debt service payments for the reservoir retrofit and replacement projects start in FY 2031 (which falls outside the Study period but within the ten year planning period). Debt service schedules for each obligation were provided by the District.

Table 4-12 shows the annual debt service payment obligation for each debt instrument for each year of the Study period.

Table 4-12: Existing and Planned Future Annual Debt Service

A	B	C	D	E	F	G	H	I	J	K	L	M
Line	Debt service	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034
1	**Refunding Revenue Certificates of Participation, Series 2020**											
2	Principal	$1,215,000	$1,260,000	$1,315,000	$1,375,000	$1,445,000	$1,525,000	$1,595,000	$0	$0	$0	$0
3	Interest	$424,300	$374,800	$323,300	$262,625	$192,125	$117,875	$39,875	$0	$0	$0	$0
4												
5	**Cater Treatment SRF Loan (Financing Agreement)**											
6	Principal	$213,103	$218,492	$111,309	$0	$0	$0	$0	$0	$0	$0	$0
7	Interest	$12,314	$6,924	$1,399	$0	$0	$0	$0	$0	$0	$0	$0
8												
9	**Cater Ozone Loan**											
10	Principal	$206,344	$211,538	$216,864	$222,323	$227,919	$233,657	$239,539	$245,569	$251,751	$258,088	$264,585
11	Interest	$70,002	$64,807	$59,482	$54,023	$48,426	$42,689	$36,807	$30,777	$24,595	$18,257	$11,760
12												
13	**Cater New CT Basin Project Loan**											
14	Total Payment	$0	$0	$0	$0	$288,154	$288,154	$288,154	$288,154	$288,154	$288,154	$288,154
15												
16	**Proposed Revenue Bond FY 2027**											
17	Total Payment	$0	$0	$0	$354,062	$354,062	$354,062	$354,062	$354,062	$354,062	$354,062	$354,062
18												
19	**Proposed Revenue Bond FY 2028**											
20	Total Payment	$0	$0	$0	$0	$354,062	$354,062	$354,062	$354,062	$354,062	$354,062	$354,062
21												
22	**Proposed SRF Loan Repayment**											
23	Total Payment	$0	$0	$0	$0	$0	$0	$0	$829,807	$829,807	$829,807	$829,807
24												
25	**Total Debt Service**	**$2,141,062**	**$2,136,562**	**$2,027,354**	**$2,268,032**	**$2,909,748**	**$2,915,498**	**$2,907,498**	**$2,102,430**	**$2,102,430**	**$2,102,430**	**$2,102,430**

4.2. Status Quo Financial Plan – No Revenue Adjustments

Table 4-13 shows the District's financial plan under the status quo or "do nothing" scenario, which includes no revenue adjustments (Line 3) or any proposed revenue bond proceeds (Line 30). Revenues (Lines 1-7) are from Table 4-7 and Table 4-8. O&M expenses (Lines 9-26) are from Table 4-9. Annual debt service (Lines 29-30) is from Table 4-12, excluding rows 17 and 20. Rate-funded capital expenditures (Line 31) are from **Table 4-11**. Net cash flow (Line 34) is negative from FY 2026 to FY 2029, while net operating revenue (Line 36) is positive in FY 2025 and FY 2026 and negative from FY 2027 through FY 2029. This signifies that the District's existing revenues are insufficient to fund both operating and capital expenses through the study period. Similarly, debt coverage (Line 37) falls below the required ratio of 1.25 in from FY 2026 through FY 2029.

Table 4-13: Status Quo Financial Plan

A	B	C	D	E	F	G
Line	Water Financial Plan	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
1	**Revenues**					
2	Rate Revenues	$22,702,730	$22,749,548	$22,796,482	$22,843,534	$22,890,704
3	Revenue Adjustments	$0	$0	$0	$0	$0
4	Water Availability Charge	$300,000	$300,000	$300,000	$300,000	$300,000
5	Other Revenue	$7,729,990	$686,089	$708,719	$731,996	$752,940
6	Interest Revenue - General	$377,641	$264,210	$0	$0	$0
7	**Total – Revenues**	**$31,110,361**	**$23,999,847**	**$23,805,201**	**$23,875,530**	**$23,943,643**
8						
9	**O&M Expenses**					
10	JPA Operating (External O&M)					
11	Cachuma	$1,050,000	$1,081,500	$1,113,945	$1,147,363	$1,181,784
12	Cater Treatment	$919,000	$942,070	$965,832	$999,307	$1,034,056
13	State Water	$4,429,164	$4,328,885	$4,608,342	$4,679,337	$5,275,081
14	WSA (Desal Water)	$7,469,248	$7,605,036	$7,747,457	$7,896,839	$7,757,169
15	Montecito Water District (Internal O&M)					
16	Jameson Lake	$388,858	$402,634	$416,934	$431,778	$447,190
17	Bell Vista/Doulton Treatment Plant	$2,119,513	$2,216,278	$2,317,791	$2,424,300	$2,536,067
18	Transmission & Distribution	$1,908,087	$2,001,913	$2,100,597	$2,204,401	$2,313,603
19	Meter Reading/Customer Service	$489,060	$509,067	$529,951	$551,753	$574,516
20	Fleet and Equipment	$308,707	$321,767	$335,427	$349,717	$364,668
21	Administrative and General	$1,987,430	$2,063,460	$2,142,618	$2,225,042	$2,310,879
22	Conservation	$224,663	$234,211	$244,192	$254,629	$265,544
23	Public Information	$228,890	$238,239	$247,998	$258,187	$268,826
24	Engineering	$1,334,613	$1,384,426	$1,436,245	$1,490,158	$1,546,258
25	Other O&M Expenses	$448,712	$495,469	$505,083	$514,985	$525,185
26	**Total - O&M Expenses**	**$23,305,944**	**$23,824,953**	**$24,712,412**	**$25,427,798**	**$26,400,825**
27						
28	**Debt and Capital**					
29	Existing Debt	$2,136,562	$2,027,354	$1,913,971	$2,201,624	$2,207,374
30	Proposed Debt Service	$0	$0	$0	$0	$0
31	PAYGO CIP	$4,285,050	$5,315,358	$5,166,508	$6,850,389	$6,644,424

A	B	C	D	E	F	G
Line	Water Financial Plan	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
32	**Total - Debt and Capital**	**$6,421,612**	**$7,342,712**	**$7,080,479**	**$9,052,014**	**$8,851,798**
33						
34	**Net Cash Flow**	**$1,382,805**	**($7,167,819)**	**($7,987,690)**	**($10,604,282)**	**($11,308,980)**
35						
36	Net Operating Revenue	$7,804,417	$174,893	($907,211)	($1,552,268)	($2,457,182)
37	Calculated Debt Coverage	4.77	0.11	-0.55	-0.95	-1.50
38	Target Debt Coverage	1.25	1.25	1.25	1.25	1.25
39	SRF Loan Coverage (MADS[6])	3.54	0.08	-0.41	-0.70	-1.11

Table 4-14 shows the District's fund balances under the status quo scenario. Without additional revenue, the District's funds are nearly depleted by the end FY 2027 (Column F, Line 20) and fall below zero by the end of FY 2028 (Column G, Line 20). The fund balances are below reserve target levels starting in FY 2026 (Column E, Line 23).

[6] MADS stands for Maximum Annual Debt Service and is requires a future-looking projection of annual debt service to derive coverage. Specifically, the maximum annual debt in the next five years is used in calculating the coverage ratio in any given year.

Table 4-14: Unrestricted Cash Balances – Status Quo Financial Plan

A	B	C	D	E	F	G
Line	Water Fund Balances	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
1	**Beginning Balance**	**$8,938,451**	**$10,321,255**	**$3,153,437**	**($4,834,253)**	**($15,438,534)**
2						
3	**Sources of Funds**					
4	Rate Revenues	$22,702,730	$22,749,548	$22,796,482	$22,843,534	$22,890,704
5	Revenue Adjustments	$0	$0	$0	$0	$0
6	Water Availability Charge	$300,000	$300,000	$300,000	$300,000	$300,000
7	Other Revenue	$7,729,990	$686,089	$708,719	$731,996	$752,940
8	Interest Revenue - General	$377,641	$264,210	$0	$0	$0
9	**Total - Sources of Funds**	**$31,110,361**	**$23,999,847**	**$23,805,201**	**$23,875,530**	**$23,943,643**
10						
11	**Uses of Funds**					
12	JPA Operating (External O&M)	$6,398,164	$6,352,455	$6,688,119	$6,826,007	$7,490,922
13	WSA	$7,469,248	$7,605,036	$7,747,457	$7,896,839	$7,757,169
14	Montecito Water District (Internal O&M)	$9,438,532	$9,867,463	$10,276,835	$10,704,951	$11,152,735
15	Existing Debt	$2,136,562	$2,027,354	$1,913,971	$2,201,624	$2,207,374
16	Proposed Debt Service	$0	$0	$0	$0	$0
17	PAYGO CIP	$4,285,050	$5,315,358	$5,166,508	$6,850,389	$6,644,424
18	**Total - Uses of Funds**	**$29,727,556**	**$31,167,666**	**$31,792,891**	**$34,479,811**	**$35,252,623**
19						
20	**Ending Balance**	**$10,321,255**	**$3,153,437**	**($4,834,253)**	**($15,438,534)**	**($26,747,514)**
21	Proposed Reserve Target	$6,273,495	$6,374,542	$6,565,409	$6,812,734	$7,054,077
22	Over/(Under) Reserve Target	$4,047,761	($3,221,105)	($11,399,662)	($22,251,269)	($33,801,591)

4.3. Proposed Financial Plan

Raftelis worked with District staff and the Board of Directors to develop the proposed revenue adjustments over the study period. Revenue adjustments represent increases to total rate revenues, relative to current rate revenue. The proposed financial plan calls for adoption of revenue adjustments in each year from FY 2025 through FY 2029. The FY 2025 revenue adjustment is proposed for implementation in July of 2024, with all subsequent adjustments occurring in July of each year through 2028. **Table 4-15** shows the proposed revenue adjustment plan. The rates presented in **Section 6** are based on the proposed financial plan below.

Table 4-15: Proposed Revenue Adjustments

A	B	C	D	E
Line	Fiscal Year	Month Effective	Effective Year	Proposed Revenue Adjustment
1	FY 2025	July	2024	9.00%
2	FY 2026	July	2025	5.75%
3	FY 2027	July	2026	5.75%
4	FY 2028	July	2027	5.75%
5	FY 2029	July	2028	5.75%

Table 4-16 shows the financial plan under the proposed scenario, which includes the following:

- Annual revenue adjustments from **Table 4-15**
- $12 million of planned revenue bond proceeds assumed as two separate issues to fund pipeline repair and replacement projects
    - $6 million in proceeds in FY 2027
    - $6 million in proceeds in FY 2028

These revenue adjustments allow for full funding of all operating expenses, capital expenditures (including repair and refurbishment (R&R) and supplemental supply projects) and achieve reserve policy targets within the 10-year planning period. Total revenue adjustments (Line 3) are equal to the sum of annual revenue adjustments (**Table 4-15**) for each year. Net cash flow (Line 34) is positive for all years of the study except for FY 2026 and FY 2029.

Table 4-16: Proposed Financial Plan

A	B	C	D	E	F	G
Line	Water Financial Plan	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
1	**Revenues**					
2	Rate Revenues	$22,702,730	$22,749,548	$22,796,482	$22,843,534	$22,890,704
3	Revenue Adjustments	$2,043,246	$3,473,287	$4,991,377	$6,602,779	$8,313,072
4	Water Availability Charge	$300,000	$300,000	$300,000	$300,000	$300,000
5	Other Revenue	$7,729,990	$686,089	$708,719	$731,996	$752,940
6	Interest Revenue – General	$418,506	$417,040	$293,152	$361,046	$348,175
7	**Total – Revenues**	**$33,194,472**	**$27,625,964**	**$29,089,730**	**$30,839,355**	**$32,604,890**
8						
9	**O&M Expenses**					
10	JPA Operating (External O&M)					
11	Cachuma	$1,050,000	$1,081,500	$1,113,945	$1,147,363	$1,181,784
12	Cater Treatment	$919,000	$942,070	$965,832	$999,307	$1,034,056
13	State Water	$4,429,164	$4,328,885	$4,608,342	$4,679,337	$5,275,081
14	WSA	$7,469,248	$7,605,036	$7,747,457	$7,896,839	$7,757,169
15	Montecito Water District (Internal O&M)					
16	Jameson Lake	$388,858	$402,634	$416,934	$431,778	$447,190
17	Bell Vista/Doulton Treatment Plant	$2,119,513	$2,216,278	$2,317,791	$2,424,300	$2,536,067
18	Transmission & Distribution	$1,908,087	$2,001,913	$2,100,597	$2,204,401	$2,313,603
19	Meter Reading/Customer Service	$489,060	$509,067	$529,951	$551,753	$574,516
20	Fleet and Equipment	$308,707	$321,767	$335,427	$349,717	$364,668
21	Administrative and General	$1,987,430	$2,063,460	$2,142,618	$2,225,042	$2,310,879
22	Conservation	$224,663	$234,211	$244,192	$254,629	$265,544
23	Public Information	$228,890	$238,239	$247,998	$258,187	$268,826
24	Engineering	$1,334,613	$1,384,426	$1,436,245	$1,490,158	$1,546,258
25	Other O&M Expenses	$448,712	$495,469	$505,083	$514,985	$525,185
26	**Total - O&M Expenses**	**$23,305,944**	**$23,824,953**	**$24,712,412**	**$25,427,798**	**$26,400,825**
27						
28	**Debt and Capital**					
29	Existing Debt	$2,136,562	$2,027,354	$1,913,971	$2,201,624	$2,207,374
30	Proposed Debt Service	$0	$0	$354,062	$708,124	$708,124
31	PAYGO CIP	$4,285,050	$5,315,358	$0	$16,898	$6,644,424

A	B	C	D	E	F	G
Line	Water Financial Plan	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
32	**Total - Debt and Capital**	**$6,421,612**	**$7,342,712**	**$2,268,032**	**$2,926,645**	**$9,559,922**
33						
34	**Net Cash Flow**	**$3,466,915**	**($3,541,701)**	**$2,109,286**	**$2,484,912**	**($3,355,856)**
35						
36	Net Operating Revenue	$9,888,527	$3,801,011	$4,377,318	$5,411,557	$6,204,065
37	Calculated Debt Coverage	6.05	2.32	2.20	2.31	2.64
38	Target Debt Coverage	1.25	1.25	1.25	1.25	1.25
39	SRF Loan Coverage (MADS)	3.39	1.30	1.50	1.86	2.13

Table 4-17 shows the District's fund balances including the proposed revenue adjustments from **Table 4-15**. The ending fund balances meet the proposed reserve target in all years of the study period.

Table 4-17: Unrestricted Cash Balances - Proposed Financial Plan

A	B	C	D	E	F	G
Line	Water Fund Balances	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
1	**Beginning Balance**	**$8,938,451**	**$12,405,366**	**$8,863,665**	**$10,972,950**	**$13,457,862**
2						
3	**Sources of Funds**					
4	Rate Revenues	$22,702,730	$22,749,548	$22,796,482	$22,843,534	$22,890,704
5	Revenue Adjustments	$2,043,246	$3,473,287	$4,991,377	$6,602,779	$8,313,072
6	Water Availability Charge	$300,000	$300,000	$300,000	$300,000	$300,000
7	Other Revenue	$7,729,990	$686,089	$708,719	$731,996	$752,940
8	Interest Revenue - General	$418,506	$417,040	$293,152	$361,046	$348,175
9	**Total - Sources of Funds**	**$33,194,472**	**$27,625,964**	**$29,089,730**	**$30,839,355**	**$32,604,890**
10						
11	**Uses of Funds**					
12	JPA Operating (External O&M)	$6,398,164	$6,352,455	$6,688,119	$6,826,007	$7,490,922
13	WSA	$7,469,248	$7,605,036	$7,747,457	$7,896,839	$7,757,169
14	Montecito Water District (Internal O&M)	$9,438,532	$9,867,463	$10,276,835	$10,704,951	$11,152,735
15	Existing Debt	$2,136,562	$2,027,354	$1,913,971	$2,201,624	$2,207,374
16	Proposed Debt Service	$0	$0	$354,062	$708,124	$708,124
17	PAYGO CIP	$4,285,050	$5,315,358	$0	$16,898	$6,644,424
18	**Total - Uses of Funds**	**$29,727,556**	**$31,167,666**	**$26,980,444**	**$28,354,443**	**$35,960,747**
19						
20	**Ending Balance**	**$12,405,366**	**$8,863,665**	**$10,972,950**	**$13,457,862**	**$10,102,005**
21	Proposed Reserve Target	$6,273,495	$6,374,542	$6,652,712	$6,987,340	$7,228,682
22	Over/(Under) Reserve Target	$6,131,871	$2,489,123	$4,320,238	$6,470,522	$2,873,323

Figure 4-1 through **Figure 4-4** display the proposed financial plan in graphical format through FY 2034.

Figure 4-1 shows the target debt coverage requirement shown as the dotted line and the standard debt coverage and SRF Loan debt coverage as the blue and green lines, respectively. With the proposed financial plan, the District is able to achieve its target coverage requirement in all years of the plan.

Figure 4-1: Projected Debt Coverage

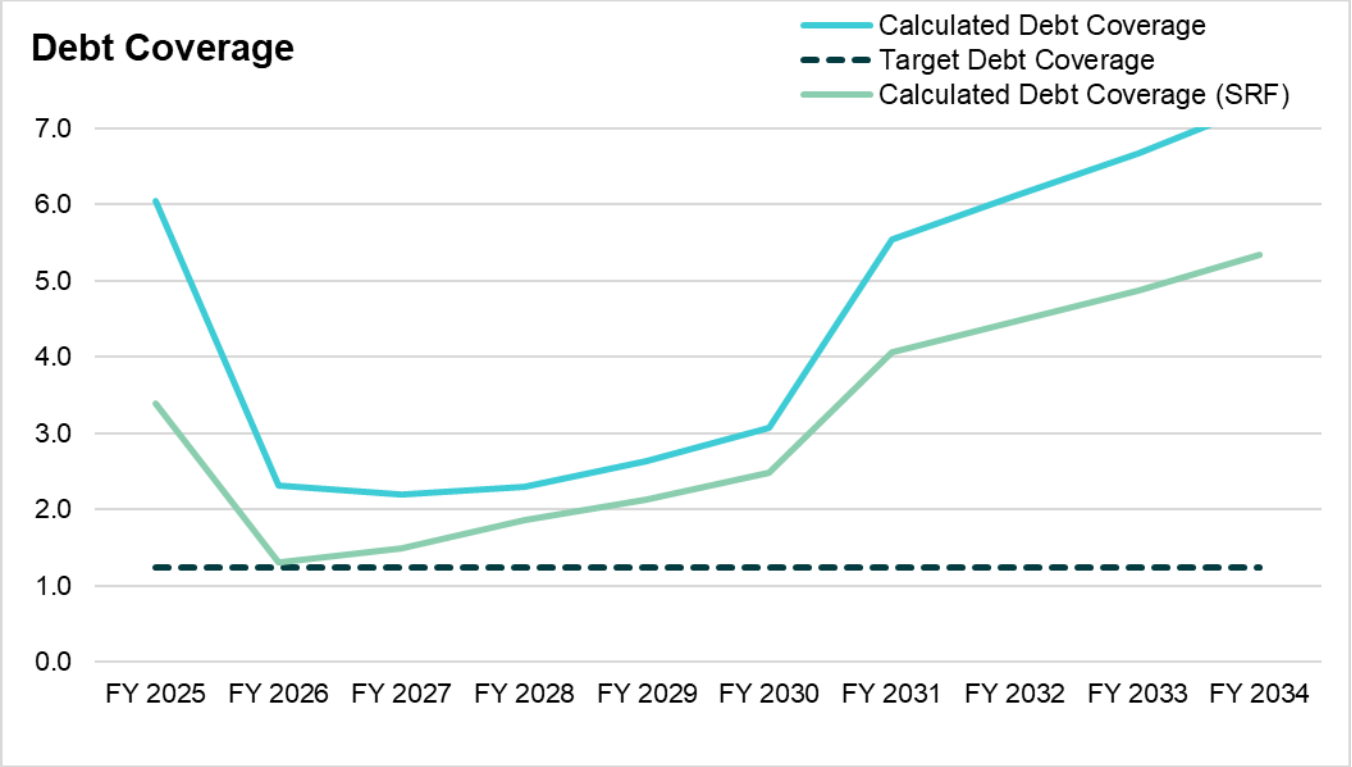


Figure 4-2 illustrates the proposed Operating Financial Plan in a graphic format. It compares existing and proposed revenues with projected expenses. The expenses represent O&M expenses including water production costs, other operating expenses (including capitalized expenses), and reserve funding. Total revenues at existing and proposed rates are shown by the horizontal dotted and solid lines respectively. **Figure 4-2** shows that current revenue from existing rates will not meet future total expenses (inclusive of reserve funding).

Figure 4-2: Proposed Operating Financial Plan

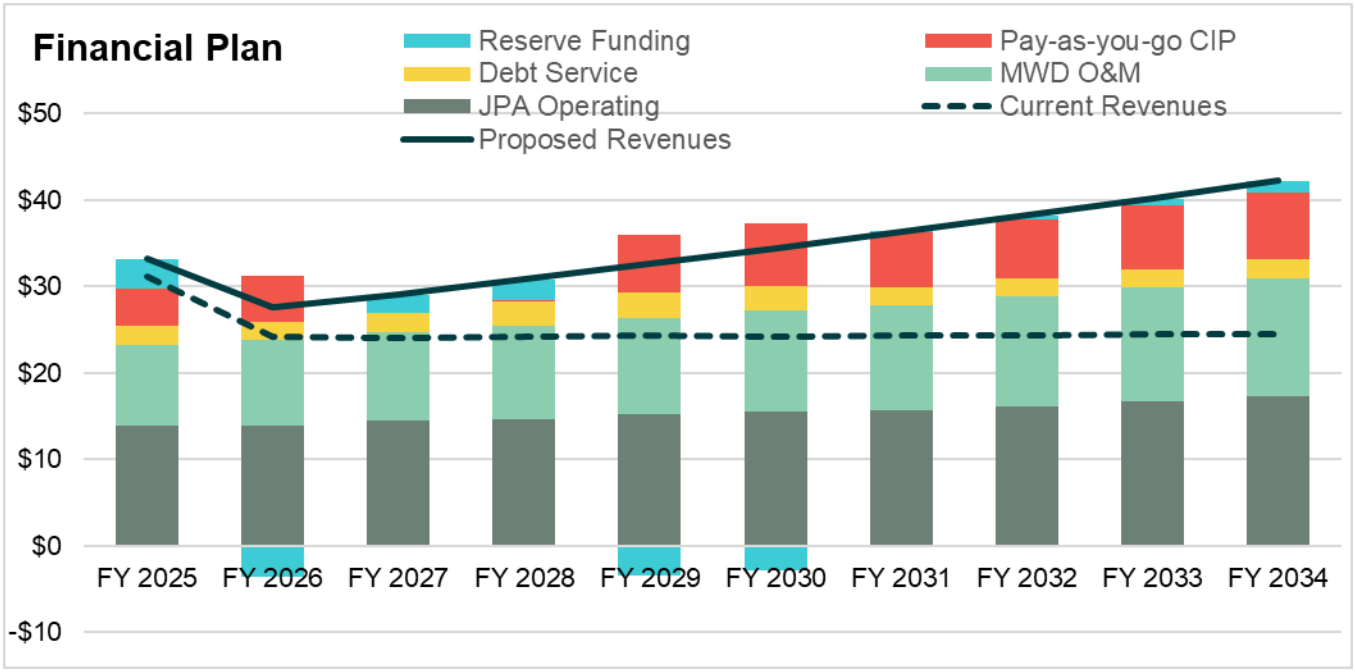


Figure 4-3 shows the District's ending balance by fiscal year. The blue bars indicate the ending balance, while the gray and yellow lines indicate the existing and proposed target balances, respectively. With the proposed financial plan, the District achieves existing and proposed target fund balance through FY 2029.

Figure 4-3: Projected Ending Fund Balances

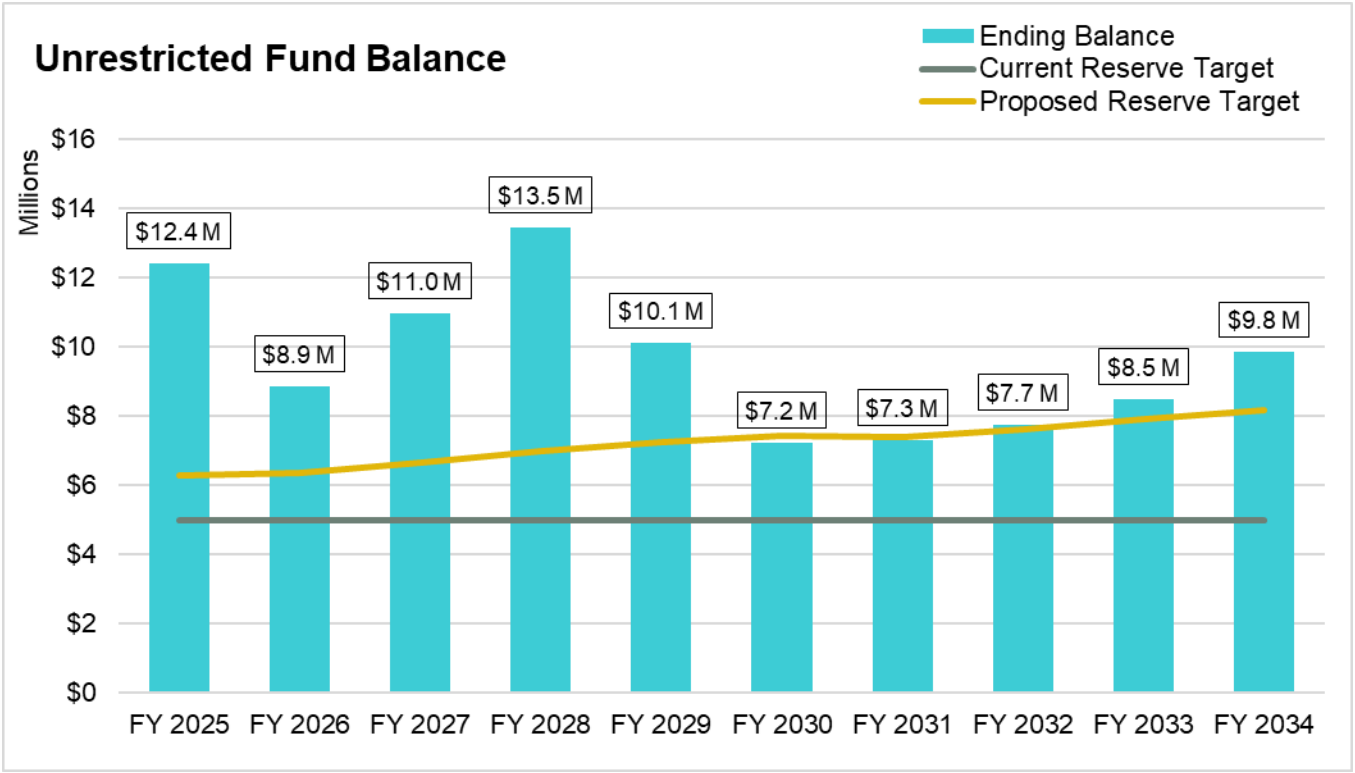
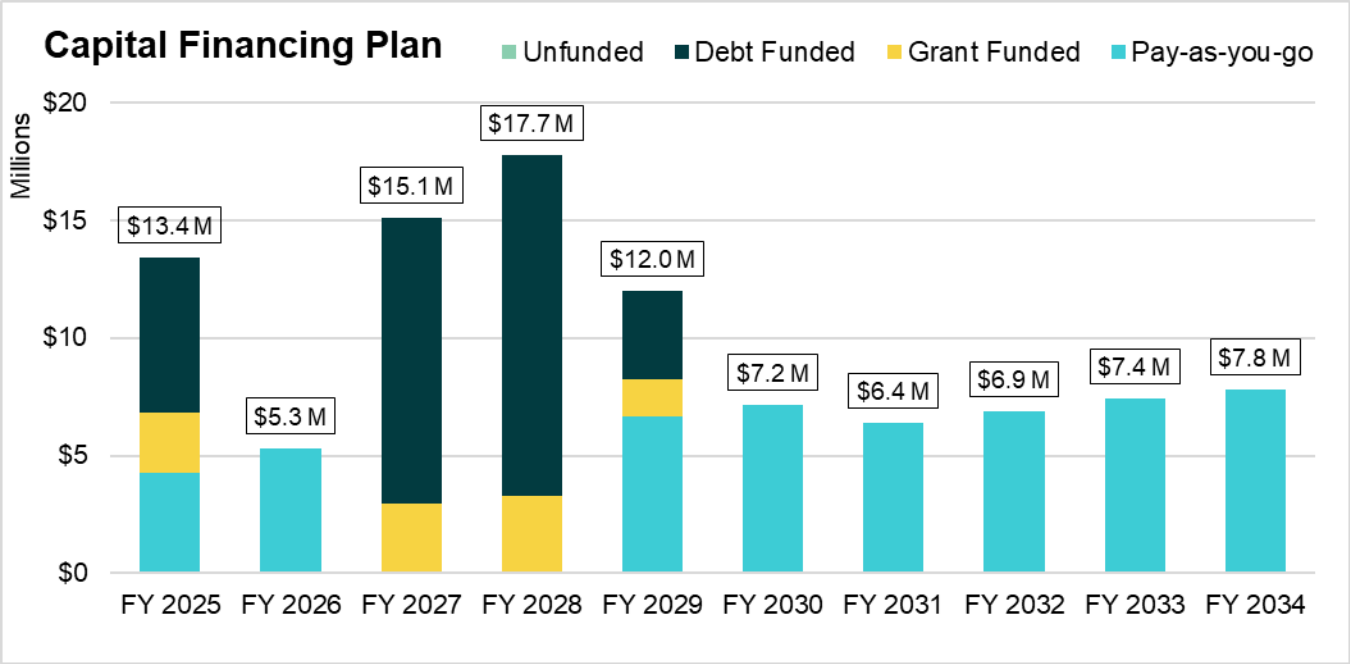


Figure 4-4 shows the total proposed CIP during the study period by funding source. The dark blue bars represent debt funded capital and the light blue bars indicate rate funded capital on a pay-as-you-go (PAYGO) basis.

Figure 4-4: Proposed Capital Improvement Program and Funding



5. Cost of Service Analysis

This section of the report outlines the cost of service (COS) analysis, which allocates the revenue requirement to each cost component and customer class. Numbers shown in the tables of this section are rounded. Therefore, hand calculations based on the displayed numbers, such as summing or multiplying, may not equal the exact results shown in this report.

5.1. Methodology

The principles and methodology of a COS analysis were described in **Section 1.5.2** and are detailed in this sub-section. The annual cost of providing water service is distributed among customer classes commensurate with their service requirements. A COS analysis involves the following:

1. **Functionalize costs.** Examples of functions are supply, treatment, transmission, distribution, storage, meter servicing, and customer billing and collection.
2. **Allocate functionalized costs to cost components.** Cost components include variable supply, base delivery, maximum day, maximum hour, conservation, public fire protection, meter service, and customer servicing and billing costs.
3. **Develop unit costs** for each cost component using appropriate units of service.
4. **Distribute the cost components.** Distribute costs using unit costs to customer classes in proportion to their demands and burdens on the water system. This is described in the M1 Manual published by AWWA.

A COS analysis considers both the average quantity of water consumed (base costs) and the peak rate at which it is consumed (peaking or capacity costs as identified by maximum day and maximum hour demands). Peaking costs are costs that are incurred during peak times of consumption. There are additional costs associated with designing, constructing, operating, and maintaining facilities to meet peak demands. These peak demand costs need to be allocated to those customers whose water usage patterns generate additional costs for the utility. In other words, not all customer classes and not all customers share the same responsibility for peaking related costs.

The functionalization of costs allows us to better allocate to the **cost causation components** (plainly, cost components). Organizing the costs in terms of end function allows direct correlation between the cost component and the rate, coupling the cost incurred by the utility to the demand and burden that the customer places on the utility's system and water resources. The costs incurred are generally responsive to the specific service requirements or cost drivers imposed on the system and its water resources by its customers. The cost components[7] include:

1. **Base Delivery** – represents costs of delivering water to customers under average daily demand conditions
2. **Peaking (Max Day and Max Hour)** – represents the costs of delivering water to customer at peak capacity and peak times of use

[7] This Study uses the Base-Extra Capacity methodology set forth in the M1 Manual for functionalizing and allocating costs.

3. **WSA** – represents the costs of the Water Supply Agreement
4. **State Water Project (SWP)** – represents the costs of purchasing imported water from the District's wholesaler, Central Coast Water Authority (CCWA)
5. **Local Supply** – represents the costs associated with water supply from Jameson Lake/Doulton Tunnel, Lake Cachuma, and groundwater
6. **Conservation** – represents the costs of the District's water efficiency programs
7. **Non-Potable** – represents the costs associated with non-potable water production and delivery
8. **Meters** – represents costs of servicing, installing, and replacing meters
9. **Customer** – represents the costs of customer service staff, billing, and collections
10. **Private Fire** – represents costs of providing private fire protection
11. **General** – represents all other costs that have a general or administrative function

This method of functionalizing costs is consistent with the AWWA M1 Manual and is widely used in the water industry to perform cost of service analyses.

5.2. Customer Data

District staff provided customer data for FY 2023; FY 2025 estimates factor in account growth of 0.25 percent for Residential customers between the two years. **Table 5-1** shows the projected meter counts for all water customers in FY 2025.

Table 5-1: Projected Meter Counts

A	B	C	D	E	F	G	H
Line	Meter Size	Residential	Commercial	Institutional	Agriculture	Non-Potable	Total Meters
1	3/4-inch	2,185	66	36	1	0	2,288
2	1-inch	1,542	35	24	8	2	1,611
3	1 1/2-inch	469	16	22	10	3	520
4	2-inch	147	8	40	13	3	211
5	3-inch	5	4	4	2	0	15
6	4-inch	2	0	0	0	0	2
7	6-inch	0	3	2	0	0	5
8	**Total**	**4,350**	**132**	**128**	**34**	**8**	**4,652**

Table 5-2 shows the projected fire line counts for all private fire customers in FY 2025.

Table 5-2: Projected Fire Line Counts for FY 2025

A	B	C
Line	Public/Private Fire	Total Fire Lines
1	**Private Fire Lines**	
2	2-inch	16
3	4-inch	62
4	6-inch	40
5	8-inch	10
6	**Total - Private Fire Lines**	**128**
7		
8	**Public Fire Hydrants**	
9	6-inch	875
10	**Total - Public Fire Hydrants**	**875**
11		
12	**Total - Fire Protection**	**1,003**

Table 5-3 shows the estimated water usage for FY 2025.

Table 5-3: Estimated Water Usage

A	B	C	D
Line	Customer Class	Monthly Tier (HCF)	FY 2025 Estimated Usage (HCF)
1	Residential		
2	Tier 1	9	431,565
3	Tier 2	35	474,481
4	Tier 3	35+	402,955
5	Commercial		99,391
6	Institutional		117,030
7	Agriculture		124,978
8	Non-Potable		67,264
9	**Total - Water Usage (HCF)**		**1,717,663**

5.3. Revenue Requirement

Table 5-4 shows the District's revenue requirement for the rate-setting year, which for this study is FY 2025. The revenue requirements (Lines 1-6), also known as costs, are equal to the O&M expenses, debt service, and CIP expenditures shown in the financial plan for FY 2025 (Table 4-16, Column D, Lines 9-26, 29-30, and 31). Revenue offsets (Lines 8-13), also known as non-rate revenues, are also equal to that shown in the financial plan for FY 2025 (Table 4-16, Column D, Lines 4-6). The adjustment for cash balance is equal to the net cash flow (Table 4-16, Column D, Line 34).

The revenue required from rates (Line 15) is equal to revenue requirements (Line 6) less revenue offsets and adjustments (Line 13) and is separated into Operating (Column C) and Capital (Column D) components, which will be allocated to the cost components based on O&M expenses and CIP expenditures, respectively.

Table 5-4: Revenue Requirement Derivation

A	B	C	D	E
Line	Revenue Requirement - FY 2025	Operating	Capital	Total
1	**Revenue Requirements**			
2	JPA Operating (External O&M)	$13,867,412	$0	$13,867,412
3	Montecito Water District (Internal O&M)	$9,438,532	$0	$9,438,532
4	Debt Service	$0	$2,136,562	$2,136,562
5	PAYGO CIP	$0	$4,285,050	$4,285,050
6	**Total - Revenue Requirements**	**$23,305,944**	**$6,421,612**	**$29,727,556**
7				
8	**Revenue Offsets and Adjustments**			
9	Water Availability Charge	($300,000)	$0	($300,000)
10	Other Revenue[8]	($7,729,990)	$0	($7,729,990)
11	Interest Revenue - General	($418,506)	$0	($418,506)
12	Adjustment for Cash Balance[9]	$3,466,915	$0	$3,466,915
13	**Total - Revenue Offsets and Adjustments**	**($4,981,580)**	**$0**	**($4,981,580)**
14				
15	**Revenue Required From Rates**	**$18,324,364**	**$6,421,612**	**$24,745,976**

5.4. Peaking Factors

Table 5-5 shows the system-wide peaking factors used to derive the cost component allocation bases for Base (Delivery), Max Day, and Max Hour costs. Base represents average daily demand during the year, which has been normalized to a factor of 1.00 (Column C, Line 1). District staff provided Max Day and Max Hour peaking factors. The Max Day peaking factor (Column C, Line 2) shows that the system-wide Max Day demand is 1.80 times greater than the average daily demand. The Max Hour peaking factor (Column C, Line 3) signifies that the system-wide Max Hour demand is 3.51 times greater than average demand.

The allocation bases (Columns D to F) are calculated using the equations outlined in this section. Columns are represented in these equations as letters and rows are represented as numbers. For example, Column D, Line 2 is shown as D2.

The Max Day allocations are calculated as follows:

- Base Delivery: C1 / C2 x 100% = D2

[8] Other revenues include revenues for late charges, service connection fees, reimbursements, and other miscellaneous non-rate revenues.

[9] Adjustment for cash balance is the difference in reserves, which includes any increases to reserves through revenue adjustments and uses of reserves, such as for additional debt paydown.

- Max Day: (C2 - C1) / C2 x 100% = E2

The Max Hour allocations are calculated as follows:

- Base Delivery: C1 / C3 x 100% = D3
- Max Day: (C2 - C1) / C3 x 100% = E3
- Max Hour: (C3 - C2) / C3 x 100% = F3

Table 5-5: System-Wide Peaking Factors

A	B	C	D	E	F	G
Line	Peaking Factors	Factor	Base	Max Day	Max Hour	Total
1	Base	1.00	100%			100%
2	Max Day	1.80	56%	44%		100%
3	Max Hour	3.51	28%	23%	49%	100%
4	Average Max Day/Max Hour		42%	34%	24%	100%

Table 5-6 shows the calculated customer-specific peaking factors. Within the Residential class, peaking factors are then calculated for each of the three Residential tiers. All other customers classes have uniform rates and therefore the class-specific peaking factor is used in deriving their rates. Peaking factor calculations utilize District customer billing data for each account and each billing period. Peaking factors for each class and tier are derived by identifying the maximum period of use which is divided by the average period of use to calculate a ratio of max to average. The maximum period peaking factor is used as a proxy for the class and tier-specific Max Day peaking factors. Peaking calculations utilize the water use of each and every customer meter read, which is then apportioned into each tier based on the tier breakpoints. For example, a bill with 40 HCF of water use has 9 HCF in the first tier (0-9 HCF), 26 HCF of water in the second tier (10-35 HCF) and 5 HCF of water in Tier 3 (>35 HCF). Once all use is apportioned based on actual use and the District's tier allotments, the total is summed for all water use in each tier and for each period. Then, the same ratio calculation is performed as at the class level: maximum period of use divided by average period of use.

Table 5-6: Customer-Specific Peaking Factors

A	B	C
Line	Customer Class/Tier	Peaking Factor
1	Residential	1.72
2	Tier 1	1.15
3	Tier 2	1.69
4	Tier 3	2.45
5	Commercial	1.39
6	Institutional	2.09
7	Agriculture	2.17
8	Non-Potable	2.53

Table 5-7 shows the calculation of additional capacity required to meet Max Day and Max Hour demands of each customer class and tier. Annual use is derived from water usage projections for FY 2025 (**Table 5-3**). First, annual use (Column D) is converted to average daily use (Column E), assuming 365 days in a year. The capacity factors (Column F) are the customer-specific peaking factors (**Table 5-6**, Column C) and are multiplied by the average daily use (Column E) to arrive at the total capacity required to meet each class and tier's Max Day demand (Column G). The extra capacity required to meet Max Day demands (Column H) is calculated by subtracting the average daily use (Column E) from the total capacity for Max Day (Column G).

For Max Hour demands, the customer-specific peaking factors (Column F) are inflated based on the ratio between the system-wide Max Day and Max Hour peaking factors to determine the Max Hour peaking factors for all classes and tiers. This is calculated using the following equation:

*Max Day peaking factor (Column F) x [System-wide Max Hour peaking factor (***Table 5-5***, Column C, Line 3) / System-wide Max Day peaking factor (***Table 5-5***, Column C, Line 2)]*

The total capacity for Max Hour demands (Column J) is calculated by multiplying the average daily use (Column E) by the Max Hour peaking factors (Column I). The extra capacity required for Max Hour demands (Column K) is equal to the Max Hour total capacity (Column J) less the Max Day total capacity (Column G).

Table 5-7: Water Demand – Average and Extra Capacity

A	B	C	D	E	F Max Day	G	H	I Max Hour	J	K
Line	Customer Class	Monthly Tiers (HCF)	Annual Use (HCF)	Average Daily Use (HCF/day)	Capacity/ Peaking Factor	Total Capacity (HCF/day)	Extra Capacity (HCF/day)	Capacity Factor	Total Capacity (HCF/day)	Extra Capacity (HCF/day)
1	**Residential**		**1,309,001**	**3,586**	**1.72**	**6,164**	**2,578**	**3.35**	**12,020**	**5,856**
2	Tier 1	9	431,565	1,182	1.15	1,354	172	2.23	2,641	1,287
3	Tier 2	35	474,481	1,300	1.69	2,192	892	3.29	4,274	2,082
4	Tier 3	35+	402,955	1,104	2.45	2,710	1,606	4.79	5,284	2,574
5	Commercial		99,391	272	1.39	380	107	2.72	740	361
6	Institutional		117,030	321	2.09	669	348	4.07	1,305	636
7	Agriculture		124,978	342	2.17	744	402	4.24	1,451	707
8	Non-Potable		67,264	184	2.53	467	282	4.94	910	443
9	**Total**		**1,717,663**	**4,706**		**8,516**	**3,810**		**16,605**	**8,090**

5.5. Equivalent Meters

Equivalent meter units are used to allocate meter-related costs appropriately and equitably. Larger meters have the capacity to impose larger demands on the system and are more expensive to install, maintain, and replace than smaller meters.

Equivalent meter units are based on meter hydraulic capacity and are calculated to represent the potential demand on the water system compared to a base meter size. A ratio of hydraulic capacity is calculated by dividing larger meter capacities by the base meter capacity. The base meter in this study is the 3/4-inch meter, which is also the most common meter size.

Table 5-8 shows the equivalent meters for FY 2025. The number of total meters (Column E) is derived from the meter count projections for FY 2025 (**Table 5-1**).

The capacity in gallons per minute (gpm) is based on actual capacity ratings from the manufacturer for the District's meters, with data provided by District staff. The capacity ratios (Column D) are calculated by dividing the capacity in gpm for each meter size (Column C) by the capacity in gpm for the 3/4-inch meter (Column C, Line 1). The meter count (Column E) is multiplied by the capacity ratio (Column D) to arrive at the number of equivalent meters (Column F).

Table 5-8: Equivalent Meters

A	B	C	D	E	F
Line	Meter Size	Capacity (gpm)	Capacity Ratio	Total Meters	Equivalent Meters
1	3/4-inch	32	1.00	2,288	2,288
2	1-inch	55	1.72	1,611	2,768
3	1 1/2-inch	100	3.13	520	1,626
4	2-inch	160	5.00	211	1,054
5	3-inch	560	17.50	15	263
6	4-inch	1,100	34.38	2	69
7	6-inch	2,500	78.13	5	391
8	**Total**			**4,652**	**8,459**

Similar to equivalent water meters, private fire lines and public fire hydrants are also converted to equivalent lines based on fire line capacities. **Table 5-9** shows the equivalent lines for private fire lines and public fire hydrants. Private fire line and public hydrant counts are derived from the account projections in FY 2025 (**Table 5-2**).

The fire line capacity ratios (Column C) are determined based on the Hazen-Williams equation for flow through pressure conduits, as explained in the M1 Manual. The flow potential is dependent on the diameter of the fire line raised to the power of 2.63. The fire line capacity ratio is normalized based on the capacity of a 6-inch fire line to be consistent with the most common fire conduit, a 6-inch public hydrant.

Table 5-9: Equivalent Fire Lines

A	B	C	D	E	F
Line	Fire Line Size	Fire Ratio	Total Fire Lines	Equivalent Lines	Percent of Total
1	**Private Fire Lines**				
2	2-inch	0.06	16	1	0%
3	4-inch	0.34	62	21	2%
4	6-inch	1.00	40	40	4%
5	8-inch	2.13	10	21	2%
6	**Total - Private Fire Lines**		**128**	**84**	**9%**
7					
8	**Public Fire Hydrants**				
9	6-inch	1.00	875	875	91%
10	**Total - Public Fire Hydrants**		**875**	**875**	**91%**
11					
12	**Total**		**1,003**	**959**	**100%**

5.6. Operating and Capital Allocations

Table 5-10 shows the allocation of operating expenses to each cost component, as developed from the District's O&M expense budget for FY 2025.

O&M expenses are used in the cost of service analysis to derive the relative share of costs under each cost component. The resulting percentage allocation for each cost component (Line 32) is later used to allocate the operating revenue requirement (**Table 5-4**, Column C, Line 15) between the different cost components.

Note that the total operating expenses (Column O, Line 31) are equal to the FY 2025 budget (**Table 5-4**, Column C, Lines 2-3).

Raftelis worked with District staff to determine the appropriate allocation to each cost component:

- JPA Operating Expenses (COMB & CCRB) – costs for local Cachuma Lake water, entirely to Local Supply
- JPA Operating Expenses (CCWA) – costs for SWP water, entirely to SWP component
- JPA Operating Expenses (Cater) – costs for Cater Treatment Plant, allocated based on Max Day (**Table 5-5**, Line 2) because treatment plant capacity is based on Max Day demand
- JPA Operating Expenses (Suppl. Water) – costs for local supplemental water if acquired (for FY 2025, the District does not expect to purchase supplemental water), entirely to Local Supply
- WSA Agreement– entirely to WSA component
- Jameson Lake – costs for local Jameson Lake/Doulton Tunnel water, entirely to Local Supply
- Treatment Operations – a portion of groundwater production costs to Local Supply and Non-Potable for groundwater treatment, with the remainder allocated based on Max Day (**Table 5-5**, Line 2) because treatment plant capacity is based on Max Day demand; actual groundwater treatment costs were provided by District staff and were used to allocate costs to the three components

- System Pipelines – allocated based on Max Hour (**Table 5-5**, Line 3) because pipelines are designed to meet maximum hour demand, plus fire flow
- Meter Reading / Customer Service – entirely to Customer component
- Fleet & Equipment – entirely to General, which is ultimately reallocated based on the proportional responsibility of each cost component
- Engineering – a fraction of costs to Local Supply and Non-Potable - which represent the District's share of costs associated with the Montecito Groundwater Sustainability Agency (GSA) - and the remainder allocated based on the Capital Allocation (**Table 5-11**, Line 22); actual costs related to SGMA were provided by District staff for potable and non-potable users and were used to allocate costs between the components
- Admin & General – allocated based on the the system asset valuation to be representative of the constructed system and operations (**Table 5-12**, Line 25)
- Conservation – entirely to Conservation
- Public Information – entirely to Conservation for efforts related to customer outreach, messaging, and other conservation efforts
- Other O&M – includes water banking and legal expenses, allocated entirely to General

Table 5-11 shows the allocation of capital expenses to each cost component, as developed by the District's 10-year CIP from FY 2025 to FY 2034. The average costs for the 10-year CIP are used to allocate the capital revenue requirement to reduce the annual fluctuations in CIP expenditures and to maintain a relatively stable cost allocation.

The 10-year average CIP costs are used in the cost of service analysis to derive the proportion of costs related to each cost component. The resulting percentage allocation for each cost component (Line 22) is later used to allocate the capital revenue requirement (**Table 5-4**, Column D, Line 15) between the different cost components.

The District's 10-year CIP costs are shown in **Appendix A**. The 10-year CIP is divided into several functions, which are then allocated to the various cost components:

- Pipeline Replacements – allocated based on Max Hour (**Table 5-5**, Line 3) because pipelines are designed to meet maximum hour demand, plus fire flow
- Reservoir Repairs – allocated based on Max Day (**Table 5-5**, Line 2) because system storage is designed to meet maximum day demand, plus fire flow
- Pumping/Wells/Valving/Treatment – allocated based on Max Day (**Table 5-5**, Line 2) as these facilities are designed to meet maximum day demands
- Generators – allocated based on Max Day (**Table 5-5**, Line 2)
- Water Meter Enhancements – entirely to Meter
- Large Equipment/Vehicles – entirely to General
- Other – entirely to General
- Reservoir Projects – allocated based on Max Day (**Table 5-5**, Line 2) because system storage is designed to meet maximum day demand, plus fire flow

Table 5-10: Operating Expense Allocation

A	B	C	D	E	F	G	H	I	J	K	L	M	N
Line	O&M Expense Allocation	Base	Max Day	Max Hour	WSA	SWP	Local Supply	Conser-vation	Non-Potable	Meters	Custo-mer	General	Total
1	**Percent Allocation**												
2	Cachuma						100%						100%
3	Cater Treatment	56%	44%										100%
4	State Water					100%							100%
5	WSA (Desal)				100%								100%
6	Supplemental Water						100%						100%
7	Jameson Lake						100%						100%
8	Bell Vista/Doulton Treatment Plant	38%	31%				26%		4%				100%
9	Transmission & Distribution	28%	23%	49%									100%
10	Meter Reading/Customer Service									0%	100%	0%	100%
11	Fleet And Equipment											100%	100%
12	Administrative And General	33%	27%	29%	0%	0%	2%	0%	0%	9%	0%	0%	100%
13	Conservation							100%					100%
14	Public Information							100%					100%
15	Engineering	35%	28%	26%	0%	0%	5%	0%	6%	0%	0%	0%	100%
16	Other O&M Expenses											100%	100%
17													
18	**Dollar Allocation**												
19	Cachuma						$1,050,000						$1,050,000
20	Cater Treatment	$510,556	$408,444										$919,000
21	State Water					$4,429,164							$4,429,164
22	WSA (Desal)				$7,469,248								$7,469,248
23	Supplemental Water						$0						$0
24	Jameson Lake						$388,858						$388,858
25	Bell Vista/Doulton Treatment Plant	$815,325	$652,260				$561,056		$90,872				$2,119,513
26	Transmission & Distribution	$543,615	$434,892	$929,581									$1,908,087
27	Meter Reading/Customer Service									$0	$489,060	$0	$489,060
28	Fleet And Equipment											$308,707	$308,707
29	Administrative And General	$664,297	$531,437	$582,551	$0	$0	$33,433	$0	$0	$175,712	$0	$0	$1,987,430
30	Conservation							$224,663					$224,663

A	B	C	D	E	F	G	H	I	J	K	L	M	N
Line	O&M Expense Allocation	Base	Max Day	Max Hour	WSA	SWP	Local Supply	Conser-vation	Non-Potable	Meters	Custo-mer	General	Total
31	Public Information							$228,890					$228,890
32	Engineering	$469,773	$375,819	$350,146	$0	$0	$63,981	$0	$73,595	$1,299	$0	$0	$1,334,613
33	Other O&M Expenses											$448,712	$448,712
34													
35	**O&M Allocation**	**$3,003,565**	**$2,402,852**	**$1,862,278**	**$7,469,248**	**$4,429,164**	**$2,097,328**	**$453,553**	**$164,467**	**$177,011**	**$489,060**	**$757,419**	**$23,305,944**
36	Percent Allocated	13%	10%	8%	32%	19%	9%	2%	1%	1%	2%	3%	100%

Table 5-11: Capital Expense Allocation

A	B	C	D	E	F	G	H	I	J	K	L	M	N
Line	Capital Expense Allocation	Base	Max Day	Max Hour	WSA	SWP	Local Supply	Conser-vation	Non-Potable	Meters	Customer	General	Total
1	**Percent Allocation**												
2	Pipeline Replacements	28%	23%	49%									100%
3	Reservoir Repairs	56%	44%										100%
4	Pumping/Wells/Valving/Treatment	56%	44%										100%
5	Generators	56%	44%										100%
6	Water Meter Enhancements									100%			100%
7	Large Equipment/Vehicles											100%	100%
8	Other											100%	100%
9	Reservoir Projects	56%	44%										100%
10													
11	**Dollar Allocation**												
12	Pipeline Replacements	$1,603,479	$1,282,783	$2,741,949									$5,628,212
13	Reservoir Repairs	$0	$0										$0
14	Pumping/Wells/Valving/Treatment	$55,863	$44,690										$100,553
15	Generators	$58,615	$46,892										$105,507
16	Water Meter Enhancements									$10,174			$10,174
17	Large Equipment/Vehicles											$148,968	$148,968
18	Other											$391,974	$391,974
19	Reservoir Projects	$1,960,781	$1,568,624										$3,529,405
20													
21	**Capital Allocation (10-Year Average)**	**$3,678,738**	**$2,942,990**	**$2,741,949**	**$0**	**$0**	**$0**	**$0**	**$0**	**$10,174**	**$0**	**$540,942**	**$9,914,793**
22	Percent Allocated	37%	30%	28%	0%	0%	0%	0%	0%	0%	0%	5%	100%

Table 5-12: Asset Valuation Allocation

A	B	C	D	E	F	G	H	I	J	K	L	M	N
Line	Asset Allocation	Base	Max Day	Max Hour	WSA	SWP	Local Supply	Conser-vation	Non-Potable	Meters	Custo-mer	General	Total
1	General											100%	100%
2	Land											100%	100%
3	Meter									100%			100%
4	Meters									100%			100%
5	Fire	28%	23%	49%									100%
6	Pumping	56%	44%										100%
7	Storage	56%	44%										100%
8	Transmission & Distribution	28%	23%	49%									100%
9	Transmission & Distribution	28%	23%	49%									100%
10	Treatment	56%	44%										100%
11	Wells						100%						100%
12													
13	General											$2,306,437	$2,306,437
14	Land											$101,352	$101,352
15	Meter									$3,842,211			$3,842,211
16	Meters									$44,305			$44,305
17	Fire	$63,998	$51,198	$109,436									$224,631
18	Pumping	$223,757	$179,006										$402,763
19	Storage	$6,156,159	$4,924,927										$11,081,087
20	Transmission & Distribution	$1,584,182	$1,267,345	$2,708,951									$5,560,478
21	Transmission & Distribution	$5,887,074	$4,709,659	$10,066,897									$20,663,630
22	Treatment	$778,224	$622,579										$1,400,803
23	Wells						$739,493						$739,493
24	**Total**	**$14,693,394**	**$11,754,715**	**$12,885,283**	**$0**	**$0**	**$739,493**	**$0**	**$0**	**$3,886,516**	**$0**	**$2,407,789**	**$46,367,189**
25	Asset Allocation	32%	25%	28%	0%	0%	2%	0%	0%	8%	0%	5%	100%

5.7. Fire Service Allocation

Peak capacity, as represented by Max Day and Max Hour, also includes capacity required to meet demands for firefighting. Max Day and Max Hour costs encompass capacity required to meet peak customer demands, public fire service, and private fire service. **Table 5-13** derives the allocation of Max Day and Max Hour costs to these three components, as outlined in the M1 Manual. The Max Hour fire capacity assumes a four hour fire with 6,000 gpm of capacity required.

The total Max Day capacity demanded for fire (Column C, Line 4) is calculated as follows, with letters representing columns and numbers representing rows:

*C2 kgal/min * 60 min/hour * C1 hours * 1000 gal/kgal * 1 HCF/748 gal*

The Max Hour capacity demanded for fire represents the additional capacity needed above Max Day capacity demanded for fire. Thus, the calculation multiplies the Max Hour capacity by 24 hours to convert it into Max Day increments in order to subtract the Max Day capacity demanded for fire (Column C, Line 4). The total Max Hour capacity demanded for fire (Column D, Line 4) is calculated as follows:

*[D2 kgal/min * 60 min/hour * 24 hours/day * 1000 gal/kgal * 1 HCF/748 gal] - C4 HCF/day*

Public fire hydrants account for a portion of the total fire capacity (Line 5) based on the proportionate share of the equivalent fire lines (Table 5-9, Column F, Line 10). The total capacity demanded for fire (Line 4) is multiplied by the public fire allocation (Line 5) to determine the additional capacity required for public fire service (Line 8). The remaining capacity demanded for fire is allocated to private fire service (Line 9). The customer demand capacity is equal to the Max Day and Max Hour demand for all other customers (Table 5-7 , Columns H and K, Line 9). The proportion of system capacity for each of these components (Lines 13-17) is later used to allocate Max Day and Max Hour costs across the different components.

Table 5-13: Fire Capacity Estimate

A	B	C	D
Line	Fire Capacity Estimate	Max Day	Max Hour
1	Hours for Fire	4	0
2	kgals/min	6	6
3			
4	Capacity Demanded for Fire (HCF)	1,925	9,626
5	Allocation to Public Fire	91%	91%
6			
7	**System Capacity**		
8	Public Fire Capacity	1,757	8,787
9	Private Fire Capacity	168	839
10	Customer Demand Capacity	3,810	8,090
11	**Total**	**5,735**	**17,716**
12			
13	**Proportion of System Capacity**		
14	Public Fire Capacity	31%	50%
15	Private Fire Capacity	3%	5%
16	Customer Demand Capacity	66%	46%
17	**Total**	**100%**	**100%**

5.8. Unit Cost and Allocation to Classes

Table 5-14 shows the units of service for each cost component by customer class and tier (when applicable). The units of service for Base, Local Supply, and Conservation (Columns C, H, and I) are equal to potable water usage (Table 5-3, Lines 1-7). The units of service for Max Day and Max Hour (Columns D and E) are equal to the extra capacity demanded for potable water (Table 5-7, Columns H and K, Lines 1-7). The units of service for WSA and SWP (Columns F and G) are equal to potable water usage less Agriculture (**Table 5-3**, Lines 1-6). Non-Potable units of service (Column J) are equal to non-potable water usage (**Table 5-3**, Line 8). Equivalent meters per year (Column K) are equal to equivalent meters (**Table 5-8**, Column F) multiplied by 12 months. Customer bills per year (Column L) are equal to water meters (**Table 5-8**, Column E) and private fire lines (**Table 5-9**, Column D, Line 6) multiplied by 12 months. Private Fire units of service (Column M) are equal to equivalent lines for private fire (**Table 5-9**, Column E, Line 6) multiplied by 12 months.

Table 5-15 shows the allocation of the revenue requirement to each cost component. Please note that the revenue requirement (Column O, Lines 3 and 8) is equal to the revenue required from rates (**Table 5-4**, Column E, Line 15). Operating expenses (Line 1) are derived from the operating revenue requirement (**Table 5-4**, Column C, Line 15) and are allocated to each cost component based on the operating expense allocation (

Table 5-10, Line 32). Capital expenses (Line 2) are based on the capital revenue requirement (**Table 5-4**, Column D, Line 15) and are allocated based on the capital expense allocation (**Table 5-11**, Line 22).

Public fire costs (Line 4) are reallocated to Meter from Max Day and Max Hour based on the public fire protection of system capacity (**Table 5-13**, Line 14). The cost of service for Max Day and Max Hour (Columns D and E, Line 3) is multiplied by the public fire protection system capacity and subtracted from Max Day and Max Hour costs. Public fire service is a benefit shared by all customers and connections to the water system.

Similarly, private fire costs (Line 5) are reallocated to the Private Fire cost component from Max Day and Max Hour based on the private fire proportion of system capacity (**Table 5-13**, Line 15). The cost of service for Max Day and Max Hour (Columns D and E, Line 3) is multiplied by the private fire protection system capacity and subtracted from Max Day and Max Hour costs.

Next, General costs (Line 6) are reallocated to all cost components. Total General costs (Column N, Line 6) are divided into each cost component based on the proportion of total costs[10]. For example, the equation used to determine the Base-related General cost reallocation is as follows:

General costs (Column N, Line 3) x [Base costs (Column C, Line 3) / Total costs less General (sum of Columns C through N, Line 3) = Base portion of General costs (Column C, Line 6)

Peaking costs, along with base delivery costs and fixed water system costs to meet average demand, are generally considered as fixed water system costs. To balance affordability and revenue stability, it is a common practice that a portion of the peaking costs are recovered in the monthly service charge, along with customer-related costs and meter-related costs. Approximately two thirds, or 66 percent, of peaking costs are reallocated to Meters (Line 7) to obtain a fixed charge revenue recovery percentage of 26 percent.

The resulting allocation of costs (Line 8) are then divided by units of service for each component (Line 10) to determine the unit cost per cost component (Line 13). Units of service are from **Table 5-15**.

Table 5-16 shows the allocation of the revenue requirement to each customer class and tier based on the unit costs for each component (**Table 5-15**, Line 13). The unit costs for each cost component are multiplied by the units of service for each class and tier (**Table 5-14**). Please note that the total cost of service (Column N, Line 10) is equal to the total revenue required from rates (**Table 5-4**, Column E, Line 15).

[10] General cost reallocations for Max Day, Max Hour, Meters, and Private Fire account for the adjustments in lines 4 and 5.

Table 5-14: Units of Service by Cost Component

A	B	C	D	E	F	G	H	I	J	K	L	M
Line	Customer Class/Tier	Base	Max Day	Max Hour	WSA	SWP	Local Supply	Conser-vation	Non-Potable	Meters	Customer	Private Fire
1	Residential									86,304	52,196	
2	Tier 1	431,565	172	1,287	431,565	431,565	431,565	431,565				
3	Tier 2	474,481	892	2,082	474,481	474,481	474,481	474,481				
4	Tier 3	402,955	1,606	2,574	402,955	402,955	402,955	402,955				
5	Commercial	99,391	107	361	99,391	99,391	99,391	99,391		6,246	1,584	
6	Institutional	117,030	348	636	117,030	117,030	117,030	117,030		6,867	1,536	
7	Agriculture	124,978	402	707	0	0	124,978	124,978		1,752	408	
8	Non-Potable								67,264	334	96	
9	Private Fire										1,536	1,003
10	**Total**	**1,650,399**	**3,527**	**7,647**	**1,525,421**	**1,525,421**	**1,650,399**	**1,650,399**	**67,264**	**15,199**	**5,160**	**1,003**
11	Units	HCF	HCF/day	HCF/day	HCF	HCF	HCF	HCF	HCF	EMU/year	bills/year	EL/year

Table 5-15: Unit Cost Derivation

A	B	C	D	E	F	G	H	I	J	K	L	M	N	O
Line	Revenue Requirement	Base	Max Day	Max Hour	WSA	SWP	Local Supply	Conser-vation	Non-Potable	Meters	Customer	Private Fire	General	Total
1	Operating Expenses	$2,361,561	$1,889,249	$1,464,221	$5,872,717	$3,482,443	$1,649,030	$356,608	$129,313	$139,175	$384,524	$0	$595,523	$18,324,364
2	Capital Expenses	$2,382,645	$1,906,116	$1,775,905	$0	$0	$0	$0	$0	$6,589	$0	$0	$350,357	$6,421,612
3	**Total - Cost of Service**	**$4,744,206**	**$3,795,365**	**$3,240,127**	**$5,872,717**	**$3,482,443**	**$1,649,030**	**$356,608**	**$129,313**	**$145,764**	**$384,524**	**$0**	**$945,880**	**$24,745,976**
4	Allocation of Public Fire Costs		($1,163,025)	($1,607,071)						$2,770,095				$0
5	Allocation of Private Fire Costs		($111,044)	($153,441)								$264,485		$0
6	Allocation of General Costs	$188,548	$100,203	$58,804	$233,398	$138,402	$65,537	$14,173	$5,139	$115,884	$15,282	$10,511	($945,880)	$0
7	Allocation of Peak to Meter		($1,730,189)	($1,015,356)						$2,745,546				$0
8	**Total - Adjusted Cost of Service**	**$4,932,753**	**$891,310**	**$523,062**	**$6,106,115**	**$3,620,844**	**$1,714,567**	**$370,780**	**$134,452**	**$5,777,290**	**$399,806**	**$274,996**	**$0**	**$24,745,976**
9														
10	Units	1,650,399	3,527	7,647	1,525,421	1,525,421	1,650,399	1,650,399	67,264	101,503	57,356	1,003		
11	Units of Service	HCF	HCF/day	HCF/day	HCF	HCF	HCF	HCF	HCF	EMU/year	bills/year	EL/year		
12														
13	Unit Cost	$2.99	$252.68	$68.41	$4.00	$2.37	$1.04	$0.22	$2.00	$56.92	$6.97	$274.30		
14	Units of Service	HCF	HCF/day	HCF/day	HCF	HCF	HCF	HCF	HCF	EMU	bill	EL		

Table 5-16: Cost Allocation to Customer Classes

A	B	C	D	E	F	G	H	I	J	K	L	M	N
Line	Customer Class	Base	Max Day	Max Hour	WSA	SWP	Local Supply	Conser-vation	Non-Potable	Meters	Customer	Private Fire	Total
1	Residential									$4,912,197	$363,838		$20,270,464
2	Tier 1	$1,289,871	$43,448	$88,010	$1,727,511	$1,024,391	$448,344	$96,956					
3	Tier 2	$1,418,142	$225,345	$142,431	$1,899,304	$1,126,262	$492,930	$106,597					
4	Tier 3	$1,204,361	$405,801	$176,105	$1,612,989	$956,481	$418,622	$90,528					
5	Commercial	$297,062	$27,114	$24,669	$397,852	$235,921	$103,255	$22,329		$355,527	$11,041		$1,474,771
6	Institutional	$349,781	$88,037	$43,477	$468,458	$277,789	$121,580	$26,292		$390,851	$10,707		$1,776,972
7	Agriculture	$373,536	$101,564	$48,371	$0	$0	$129,837	$28,078		$99,719	$2,844		$783,949
8	Non-Potable								$134,452	$18,996	$669		$154,117
9	Private Fire (Uniform)										$10,707	$274,996	$285,703
10	**Total - Cost of Service**	**$4,932,753**	**$891,310**	**$523,062**	**$6,106,115**	**$3,620,844**	**$1,714,567**	**$370,780**	**$134,452**	**$5,777,290**	**$399,806**	**$274,996**	**$24,745,976**

6. Rate Derivation

This section of the report details the calculation of the proposed water rates that were developed in the study. Numbers shown in the tables of this section are rounded. Therefore, hand calculations based on the displayed numbers, such as summing or multiplying, may not equal the exact results shown in this report. All rates shown in this section are rounded up to the nearest cent.

6.1. Proposed Adjustments

Table 6-1 shows the proposed revenue adjustments from the financial plan. The rate-setting year, which the cost of service analysis is based upon, is FY 2025, meaning that the revenue adjustment for that year is already included in the proposed rates shown in this section of the report. The proposed rates for FY 2026 through FY 2029 are calculated by multiplying by the revenue adjustment for those years across-the-board from the previous years' rate[11].

Table 6-1: Proposed Revenue Adjustments

A	B	C	D
Line	Fiscal Year	Effective Months	Proposed Revenue Adjustment
1	FY 2025	July	9.00%
2	FY 2026	July	5.75%
3	FY 2027	July	5.75%
4	FY 2028	July	5.75%
5	FY 2029	July	5.75%

6.2. Monthly Meter Charges

Table 6-2 shows the monthly meter charge calculation, which consists of the Meter and Customer cost components. As identified earlier, the Meters cost component is derived based on total equivalent meter units. The Meter unit cost (**Table 5-15**Error! Reference source not found., Column K, Line 13) is multiplied by the c apacity ratio for each meter size (Column D) to appropriately reflect the share of cost by meter size (Column E). A connection's share of the Customer cost does not vary with meter size and therefore the Customer unit cost (**Table 5-15**, Column L, Line 13) is applied uniformly across all meter sizes. These components are added together to arrive at the total proposed meter charge for FY 2025 (Column G).

[11] $rate_t X (1+0.0575) = rate_{t+1}$ *where t = any given year*

Table 6-2: Monthly Meter Charge Calculation

A	B	C	D	E	F	G	H	I	J
Line	Meter Size	Meter Count	Capacity Ratio	Meters	Customer	Proposed Charge	Current Charge	Difference ($)	Difference (%)
1	3/4-inch	2,288	1.00	$56.92	$6.97	$63.89	$50.92	$12.97	25.5%
2	1-inch	1,611	1.72	$97.83	$6.97	$104.80	$83.32	$21.48	25.8%
3	1 1/2-inch	520	3.13	$177.87	$6.97	$184.84	$146.72	$38.12	26.0%
4	2-inch	211	5.00	$284.59	$6.97	$291.56	$231.22	$60.34	26.1%
5	3-inch	15	17.50	$996.05	$6.97	$1,003.03	$794.69	$208.34	26.2%
6	4-inch	2	34.38	$1,956.53	$6.97	$1,963.51	$1,555.34	$408.17	26.2%
7	6-inch	5	78.13	$4,446.66	$6.97	$4,453.64	$3,527.44	$926.20	26.3%

6.3. Monthly Private Fire Line Charges

Table 6-3 shows the calculation of the monthly private fire line charge. The Private Fire unit cost (**Table 5-15**, Column M, Line 10) is multiplied by the fire ratio (Column D), by each line size to arrive at the Private Fire cost for each meter size (Column E). Like the monthly meter charge calculation, Customer costs do not vary between customer types or meter sizes; therefore, the Customer unit cost is applied uniformly across all line sizes. These two components are added together to arrive at the total proposed private fire line charge for FY 2025 (Column G).

Table 6-3: Monthly Private Fire Charge Calculation

A	B	C	D	E	F	G	H	I	J
Line	Fire Line Diameter	Fireline Count	Fire Ratio	Private Fire	Customer	Proposed Charge	Current Charge	Difference ($)	Difference (%)
1	2-inch	16	0.06	$15.25	$6.97	$22.23	$21.04	$1.19	5.7%
2	4-inch	62	0.34	$94.43	$6.97	$101.41	$99.84	$1.57	1.6%
3	6-inch	40	1.00	$274.30	$6.97	$281.28	$278.88	$2.40	0.9%
4	8-inch	10	2.13	$584.55	$6.97	$591.52	$587.70	$3.82	0.6%

6.4. Water Usage Rate Components

The District's water usage rates consist of six cost components: Base, Peaking (Max Day and Max Hour), WSA (i.e purchased Desal water from the City of Santa Barbara), SWP, Local Supply, and Conservation. The following section presents the calculations for each of the components.

Table 6-4 shows the Peaking unit cost calculation for all potable water customer classes. Max Day and Max Hour costs (**Table 5-16**, Columns D and E) are added for each customer class and tier to determine total peaking costs (Column C). Peaking costs are divided by annual use (Column D) to determine the Peaking unit cost (Column E) for each class and tier.

Table 6-4: Peaking Unit Cost Calculation

A	B	C	D	E
Line	Class/Tier	Peaking Costs	Annual Use (HCF)	Unit Cost
1	Residential			
2	Tier 1	$131,458	431,565	$0.30
3	Tier 2	$367,776	474,481	$0.78
4	Tier 3	$581,906	402,955	$1.44
5	Commercial	$51,783	99,391	$0.52
6	Institutional	$131,514	117,030	$1.12
7	Agriculture	$149,935	124,978	$1.20

Table 6-5 shows the WSA unit cost calculation for all potable water customer classes. WSA costs (**Table 5-16**, Column F) are allocated to customers first at the class level and then the tier sub-class. The WSA costs for each (Column C) are divided by the annual use (Column D) to develop the WSA unit cost for each class and tier (Column E).

WSA costs are not allocated to Residential Tier 1 (Line 2) as WSA is a supplemental water source to increase reliability at the system level. Essential indoor demands of the District's Residential customers can be served by the District's existing sources, even during shortage conditions. Since Tier 1 represents efficient indoor use, Tier 1 usage is excluded from WSA costs. The WSA costs for Residential customers (Column C, Line 1) are divided between Tiers 2 and 3 based on the proportion of use in each tier, excluding Tier 1 usage.

Similarly, Agricultural users' water service is interruptible. If water supply conditions arise where existing sources are unable to meet Agricultural demand, water would not be delivered to these connections, except for Residential purposes if the connection has one or more dwelling units at the service connection. As interruptible users do not benefit from increased system reliability, the Agricultural class is excluded from WSA costs (Line 8).

Table 6-5: WSA Unit Cost Calculation

A	B	C	D	E
Line	Class/Tier	WSA Cost	Annual Use (HCF)	Unit Cost
1	Residential	$5,239,804	877,436	$5.97
2	Tier 1	0%	431,565	$0.00
3	Tier 2	100%	474,481	$5.97
4	Tier 3	100%	402,955	$5.97
5	Commercial	$397,852	99,391	$4.00
6	Institutional	$468,458	117,030	$4.00
7	Agriculture	$0	124,978	$0.00

Table 6-6 shows the Local Supply costs by source of supply. The District receives local water from three sources: Jameson Lake/Doulton Tunnel, Lake Cachuma, and groundwater.

District staff provided estimated production amounts for FY 2025 (Line 1) which reflect normal hydrologic conditions and normal condition demand. The estimated potable water demand (Column F, Line 3) is allocated to each source of supply based on the proportion of estimated production (Line 2).

The local water supply costs (Line 5) are derived from the District's operating budget (Table 5-10, Column H). The total local water supply costs (Column F, Line 5) are adjusted (Column F, Line 7) to match the Local Supply[12] cost of service (**Table 5-15**, Column H, Line 10). The adjustment amounts allocated to each source of supply (Line 7) are proportionate to the cost of each source of supply (Line 6).

The unit cost for each source (Line 10) is calculated by dividing the supply costs (Line 8) by the estimated demand (Line 3) from each source. The least expensive local source of water is from Jameson Lake, followed by Lake Cachuma water. Groundwater is the most expensive local supply because groundwater costs include both treatment and SGMA-related costs, with relatively low utilization of the source.

[12] The Local Water supply cost of service (Error! Reference source not found., Column F, Line 8) is equal to the Local W ater supply cost from the budget (Error! Reference source not found., Column F, Line 5) net of revenue offsets and adjustments.

Table 6-6: Local Water Supply Costs, by Source

A	B	C	D	E	F
Line	Local Water Supply	Jameson Lake/Doulton Tunnel	Lake Cachuma	Groundwater	Total
1	FY 2025 Estimated Production (AF)	1,350	1,300	250	2,900
2	Percent from Source	47%	45%	9%	100%
3	**Estimated Demand (HCF)**	**768,289**	**739,834**	**142,276**	**1,650,399**
4					
5	Direct Water Purchase Costs	$388,858	$1,050,000	$625,037[13]	$2,063,895
6	Percent of Water Purchase Costs	19%	51%	30%	100%
7	Total Water Supply Costs	$323,041	$872,280	$519,245	$1,714,567
8	**Unit Cost**	**$0.42**	**$1.18**	**$3.65**	**$1.04**

Table 6-7 shows the Local Supply unit cost for each customer class and tier. The amount of water available from each source is allocated to each customer class equally based on proportion of water usage.

However, *within* the Residential customer class, Tier 1 receives the cheapest source of water first to promote affordability of essential water use. Jameson Lake/Doulton Tunnel water is the cheapest; all Jameson Lake/Doulton Tunnel water is allocated to Tier 1 (Column D, Line 2). The remainder of Tier 1 usage is served by the second cheapest source, Lake Cachuma (Column E, Line 2). All of Tier 2 is served by Lake Cachuma water (Column E, Line 3). The remaining amount of Lake Cachuma water is allocated to Tier 3 (Column E, Line 4) and the remainder of Tier 3 usage is served by the most expensive source of local water, which is groundwater (Column F, Line 4). Allocating the cheapest source of water for the lower tiers aligns with Article X, Section 2 of the California Constitution, which mandates that water resources are allocated to beneficial use; indoor use for public health and safety (which is represented by Tier 1) is the most essential use of water.

All other customers pay for a blended supply source, equal to the Local Supply unit cost (**Table 6-6**, Column F, Line 10 and **Table 5-15**, Column H, Line 10).

[13] Groundwater costs include treatment and SGMA-related costs.

Table 6-7: Local Supply Unit Cost Calculation

A	B	C	D	E	F	G	H	I
Line	Class/Tier	Annual Use (HCF)	Jameson Lake/Doulton Tunnel	Lake Cachuma	Groundwater	Total Demand	Total Cost	Unit Cost ($/hch)
1	**Residential**	**1,309,001**	**609,362**	**586,793**	**112,845**	**1,309,001**	**$1,359,895**	**$1.04**
2	Tier 1	431,565	431,565	0	0	431,565	$181,459	$0.42
3	Tier 2	474,481	177,798	296,684	0	474,481	$424,555	$0.89
4	Tier 3	402,955	0	290,110	112,845	402,955	$753,881	$1.87
5	Commercial	99,391	46,268	44,555	8,568	99,391	$103,255	$1.04
6	Institutional	117,030	54,479	52,462	10,089	117,030	$121,580	$1.04
7	Agriculture	124,978	58,179	56,024	10,774	124,978	$129,837	$1.04
8	**Total**	**1,650,399**	**768,289**	**739,834**	**142,276**	**1,650,399**	**$1,714,567**	**$1.04**

Table 6-8 shows the Conservation unit cost calculation. Conservation costs (**Table 5-16**, Column I) are added together for all customers at the class level. For Residential customers, Conservation costs are entirely allocated to Tier 3 since that tier represents use greater than the average outdoor irrigation demands of the class.

Table 6-8: Conservation Unit Cost Calculation

A	B	C	D	E
Line	Class/Tier	Conservation Costs	Annual Use (HCF)	Unit Cost ($/HCF)
1	Residential	$294,081	402,955	$0.73
2	Tier 1	*0%*	431,565	$0.00
3	Tier 2	*0%*	474,481	$0.00
4	Tier 3	*100%*	402,955	$0.73
5	Commercial	$22,329	99,391	$0.22
6	Institutional	$26,292	117,030	$0.22
7	Agriculture	$28,078	124,978	$0.22

6.5. Water Usage Rates

Table 6-9 shows the water usage rate calculation for all customer classes and tiers based on the following unit costs:

- Base (**Table 5-15**, Column C, Line 10)
- Peaking (**Table 6-4**, Column E)
- WSA (**Table 6-5**, Column E)
- SWP (**Table 5-15**, Column G, Line 10)

Local Supply

- (**Table 6-7**, Column I)
- Conservation (**Table 6-8**, Column E)
- Non-Potable (**Table 5-15**, Column J, Line 10)

All rates are rounded to the nearest penny.

Table 6-9: Water Usage Rate Calculation ($/HCF)

A	B	C	D	E	F	G	H	I	J
Line	Class/Tier	Monthly Tier (HCF)	Base	Peaking	WSA	SWP	Local Supply	Conserv-ation	Proposed Charge
1	Residential								
2	Tier 1	9	$2.99	$0.30	$0.00	$2.37	$0.42	$0.00	$6.09
3	Tier 2	35	$2.99	$0.78	$5.97	$2.37	$0.89	$0.00	$13.01
4	Tier 3	35+	$2.99	$1.44	$5.97	$2.37	$1.87	$0.73	$15.38
5	Commercial		$2.99	$0.52	$4.00	$2.37	$1.04	$0.22	$11.15
6	Institutional		$2.99	$1.12	$4.00	$2.37	$1.04	$0.22	$11.76
7	Agriculture		$2.99	$1.20	$0.00	$0.00	$1.04	$0.22	$5.46
8	Non-Potable								$2.00

6.6. Proposed Rates

This section shows the resulting water rates based on the recommendations previously outlined. The proposed rates for FY 2025, the rate-setting year, is a result of the cost-of-service analysis developed during the study. Rates for all years after FY 2025 are adjusted based on the recommended revenue adjustment per year.

Table 6-10 shows the proposed monthly meter charges for the study period.

Table 6-10: Proposed Monthly Meter Charges ($/Month)

A	B	C	D	E	F	G
Line	Meter Size	FY 2025	FY 2026	FY 2027	FY 2028	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

Table 6-11 shows the proposed monthly private fire line charges for the study period.

Table 6-11: Proposed Monthly Private Fire Line Charges ($/Month)

A	B	C	D	E	F	G
Line	Fire Line Diameter	FY 2025	FY 2026	FY 2027	FY 2028	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

Table 6-12 shows the proposed water usage rates for the study period.

Table 6-12: Proposed Water Usage Rates ($/HCF)

A	B	C	D	E	F	G	H
Line	Class/Tier	Monthly Tiers (HCF)	FY 2025	FY 2026	FY 2027	FY 2028	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

6.7. Customer Impacts

Figure 6-1 shows the monthly customer bill impacts for all SFR customers, based on FY 2023 customer data provided by District staff. This graph shows that over 60 percent of SFR customers will see an increase in their monthly water bill of $20 or less.

Figure 6-1: Monthly Customer Bill Impacts – Single Family

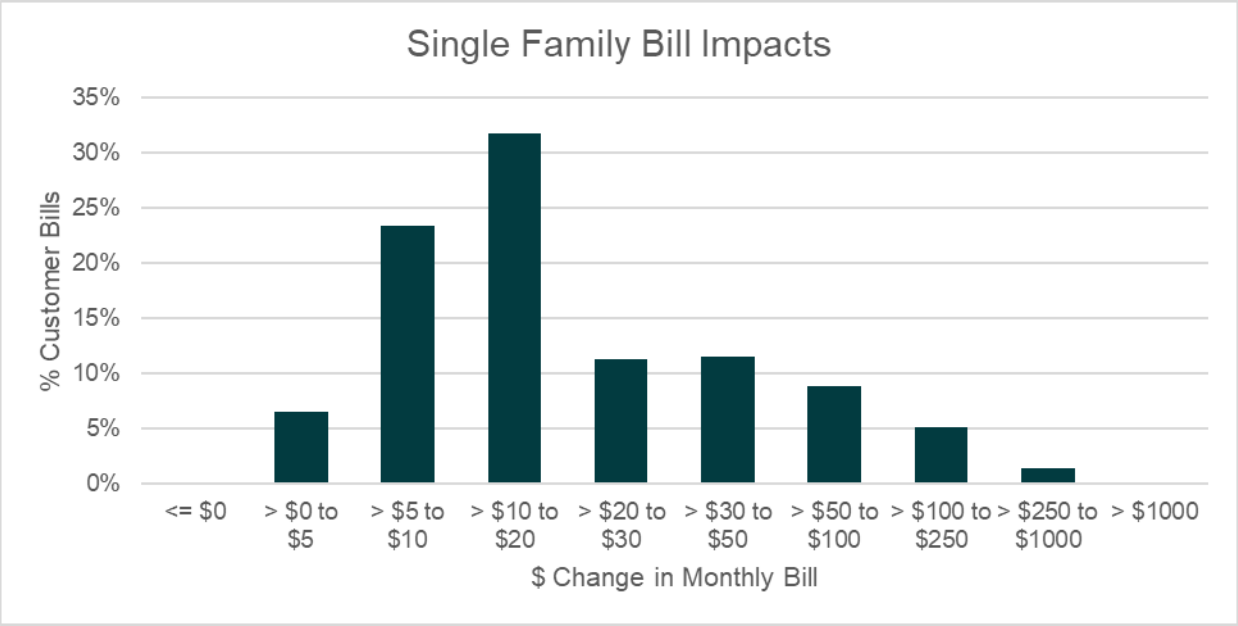
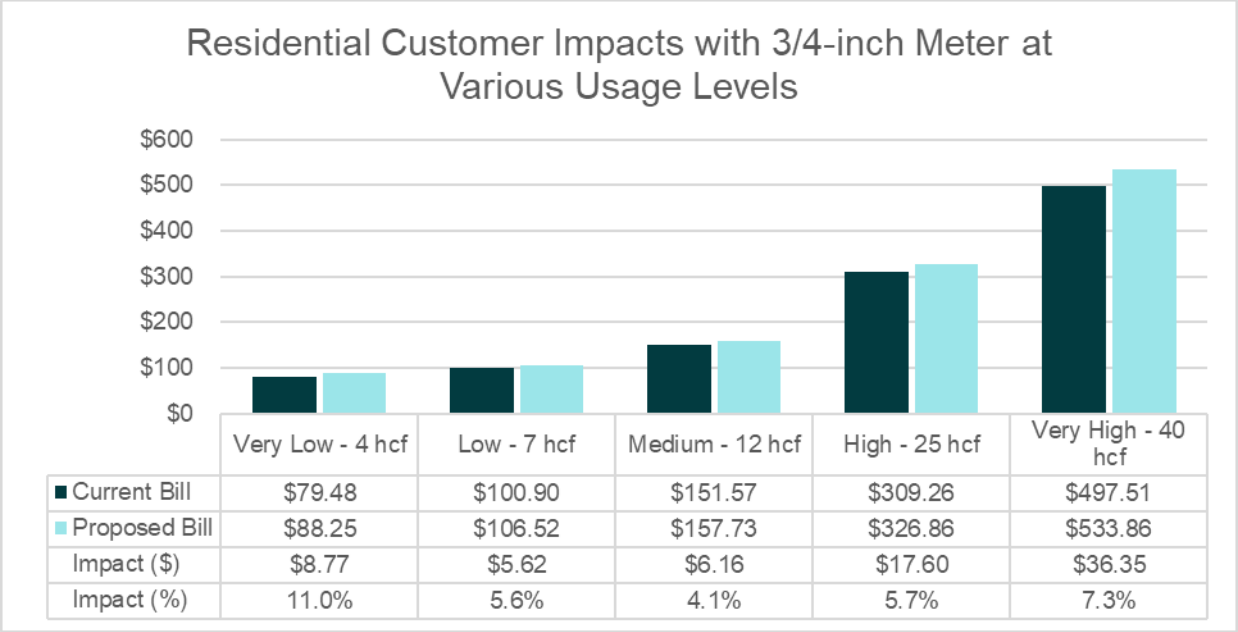


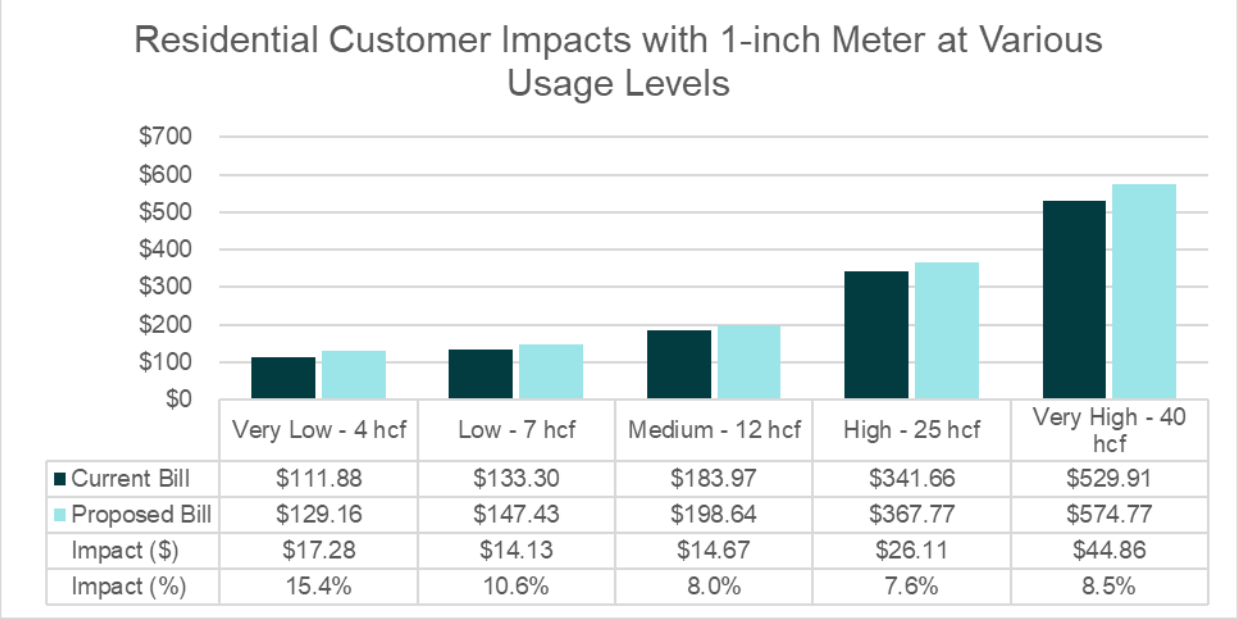
Figure 6-2 shows the monthly bill impacts at various levels of usage for a Residential customer with a 3/4 - inch meter. The median Residential customer uses 12 HCF of water per month and will see an increase of $6.16 in their monthly water bill. **Figure 6-3** shows the same impacts using a 1-inch meter, the next most common meter size.

Figure 6-2: Monthly Bill Impacts at Various Levels of Usage – Residential, 3/4-inch Meter



	Very Low - 4 hcf	Low - 7 hcf	Medium - 12 hcf	High - 25 hcf	Very High - 40 hcf
Current Bill	$79.48	$100.90	$151.57	$309.26	$497.51
Proposed Bill	$88.25	$106.52	$157.73	$326.86	$533.86
Impact ($)	$8.77	$5.62	$6.16	$17.60	$36.35
Impact (%)	11.0%	5.6%	4.1%	5.7%	7.3%

Figure 6-3: Monthly Bill Impacts at Various Levels of Usage – Residential, 1-inch Meter



	Very Low - 4 hcf	Low - 7 hcf	Medium - 12 hcf	High - 25 hcf	Very High - 40 hcf
Current Bill	$111.88	$133.30	$183.97	$341.66	$529.91
Proposed Bill	$129.16	$147.43	$198.64	$367.77	$574.77
Impact ($)	$17.28	$14.13	$14.67	$26.11	$44.86
Impact (%)	15.4%	10.6%	8.0%	7.6%	8.5%

APPENDIX A:

10-Year Capital Improvement Plan Detail

A	B	C	D	E	F	G	H	I	J	K	L
Line	Capital Improvement Plan	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034
1	PIPELINE REPLACEMENTS										
2	Small (2-4 inch) Main Replacements (various locations)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
3	Buena Vista Drive (Buena Vista Reservoir to East Valley Road)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
4	Monte Cristo & Channel Drive Water Main Replacements	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
5	Las Tunas Water Main Replacement	$991,100	$0	$0	$0	$0	$0	$0	$0	$0	$0
6	Freehaven Water Main Replacement	$1,049,400	$0	$0	$0	$0	$0	$0	$0	$0	$0
7	East Valley, Ladera and Lambert Water Main Replacements	$159,000	$3,635,576	$0	$0	$0	$0	$0	$0	$0	$0
8	Olive Mill Lane, Buena Vista, and High Road Water Main Replacements	$0	$168,540	$3,457,400	$0	$0	$0	$0	$0	$0	$0
9	Cold Springs and Dawlish Water Main Replacements	$0	$0	$178,652	$4,352,263	$0	$0	$0	$0	$0	$0
10	Sheffield, Toro Canyon and Edgecliff Water Main Replacements	$0	$0	$0	$189,372	$4,108,486	$0	$0	$0	$0	$0
11	East Valley and El Bosque Water Main Replacements	$0	$0	$0	$0	$200,734	$4,404,927	$0	$0	$0	$0
12	East Valley (Orchard to Park Lane) Water Main Replacement	$0	$0	$0	$0	$0	$212,778	$4,693,206	$0	$0	$0
13	Lateral 1, Cota Lane, and Pepper Lane Water Main Replacements	$0	$0	$0	$0	$0	$0	$225,545	$5,030,902	$0	$0
14	Parra Grande, Oak Road, and Hidden Valley Water Main Replacements	$0	$0	$0	$0	$0	$0	$0	$239,077	$5,200,808	$0
15	Toro Canyon, Knapp, and Arcady Water Main Replacements	$0	$0	$0	$0	$0	$0	$0	$0	$253,422	$5,378,901
16	Toro Canyon and Mesa Road Water Main Replacements	$0	$0	$0	$0	$0	$0	$0	$0	$0	$268,627
17	Highline Transmission Main Replacements (Cash funded long-term)	$0	$0	$142,922	$1,387,147	$1,431,901	$1,766,056	$1,161,554	$1,410,556	$1,654,633	$1,949,785
18	Accelerated Pipleline Program FY25-35 (2 miles per year vs current 1.3 mi/year)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
19	US101 Crossing @ Sheffield Drive (Caltrans HWY101 widening Project)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
20	US101 Crossing @ Coast Village (City of SB Intertie)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
21	US101 Abandonments or Relocations	$53,000	$0	$0	$0	$0	$0	$0	$0	$0	$0
22	Other US101 Crossing at Danielson - Open cut	$0	$224,720	$238,203	$0	$0	$0	$0	$0	$0	$0
23	Other US101 Crossing at Mirmar - Open cut	$0	$224,720	$238,203	$0	$0	$0	$0	$0	$0	$0
24	Highline Transmission Main Replacements (Debt Financed)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
25											
26	RESERVOIR REPLACEMENT IN KIND										
27	Doulton Reservoir (Replacement in-kind) $1.2M	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
28	Park Lane Reservoir (Replacement in-kind) $3.8M	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
29	Cold Springs Reservoir $3.9M	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
30	Hot Springs Reservoir (Replacement in-kind) $1.7M	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
31	Buena Vista Reservoir (Replacement in-kind) $1.7M	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
32	Romero Reservoir (Replacement in-kind) $2M	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
33	Terminal Reservoir (Replacement in-kind) 3.9M	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0

A	B	C	D	E	F	G	H	I	J	K	L
Line	Capital Improvement Plan	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034
34	Toro Canyon Reservoir (replacement in kind) $1.7M	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
35											
36	RESERVOIR SEISMIC RETROFITS										
37	Romero Reservoir (steel roof horiz. Trusses + concrete grade beam)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
38	Terminal Reservoir (Reinforced Wall Retrofit + steel roof trusses)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
39	Bella Vista Reservoir (Reinforced Wall Retrofit)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
40	Toro Canyon Reservoir (reinforced wall retrofit + roof replacem.)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
41	Hot Springs Reservoir (reinforced wall retrofit + roof replacem.)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
42	Buena Vista Reservoir (reinforced wall retrofit + roof replacem.)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
43	ASADRA Reservoir Retrofit Program (Grant funding pending)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
44											
45	RESERVOIR REPAIRS										
46	Cold Springs Safety Ladder	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
47	Mixers	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
48	Cleaning and Inspections	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
49											
50	PUMPING/WELLS/VALVING/TREATMENT										
51	Groundwater Well - Pump and Motor Replacement	$31,800	$0	$35,730	$0	$40,147	$0	$45,109	$0	$50,684	$0
52	Groundwater Well - Treatment System Media Replacement	$0	$0	$47,641	$0	$0	$0	$60,145	$0	$0	$0
53	Pump Station - Pump and Motor Replacement	$0	$33,708	$0	$37,874	$0	$42,556	$0	$47,815	$0	$53,725
54	Pump Station - Variable Freq Drive Replacement	$0	$33,708	$0	$37,874	$0	$42,556	$0	$47,815	$0	$53,725
55	Ennisbrook 2 Backwash System	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
56	Bella Vista Treatment Plant Media Replacement	$0	$0	$0	$100,998	$0	$0	$0	$0	$135,158	$0
57	Doulton Treatment Plant Media Replacement	$0	$0	$0	$0	$26,765	$0	$0	$0	$0	$0
58											
59	GENERATORS										
60	Replace Ortega Pump Station Generator	$0	$0	$0	$0	$80,294	$184,407	$0	$0	$0	$0
61	Install Barker Pass Pump Station Generator	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
62	Replace Romero Pump Station Generator	$159,000	$0	$0	$0	$0	$0	$0	$0	$0	$0
63	Replace Office Pump Station Generator	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
64	Replace Bella Vista Generator	$0	$146,068	$0	$0	$0	$0	$0	$0	$0	$0
65	Replace East Valley Pump Station Generator	$0	$0	$71,461	$164,122	$0	$0	$0	$0	$0	$0
66	Replace Mountain Drive Pump Station Generator	$0	$0	$0	$75,749	$173,969	$0	$0	$0	$0	$0
67	Replace Doulton Generator	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0

A	B	C	D	E	F	G	H	I	J	K	L
Line	Capital Improvement Plan	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034
68	Juncal Dam Backup Generator	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
69											
70	WATER METER ENHANCEMENTS										
71	Production Meters - Repair & Replace	$15,900	$0	$17,865	$0	$20,073	$0	$22,554	$0	$25,342	$0
72	Customer Meter Replacements	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
73											
74	LARGE EQUIPMENT/VEHICLES										
75	Backhoe Replacement (compliance)	$0	$0	$0	$0	$347,939	$0	$0	$0	$0	$0
76	Paving Roller (Bomag)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
77	Main Break Truck	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
78	Dump Truck (Transmission & Distribution Dept.)	$0	$0	$0	$0	$0	$354,630	$0	$0	$0	$0
79	Jameson Lake Boat Replacement	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
80	Vehicle Replacement (Transmission & Distribution Dept.)	$0	$0	$297,754	$176,747	$0	$0	$0	$0	$0	$0
81	Vehicle Replacement (Treatment Dept.)	$0	$84,270	$71,461	$0	$0	$0	$0	$0	$0	$0
82	Vehicle Replacement (Engineering Dept.)	$53,000	$56,180	$0	$0	$0	$0	$0	$0	$0	$0
83	Vehicle Replacement (Conservation Dept.)	$47,700	$0	$0	$0	$0	$0	$0	$0	$0	$0
84											
85	OTHER										
86	District Master Planning (Office/Shop Remodel, BVTP, etc)	$424,000	$0	$0	$0	$0	$0	$0	$0	$0	$0
87	Office Projects (servers, lighting, demo garden)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
88	Fire Hydrant Improvements	$0	$112,360	$0	$0	$0	$0	$0	$0	$0	$0
89	MWD 6.25% FEMA/CalOES Match - Thomas Incident (Alder Flume)	$198,750	$0	$0	$0	$0	$0	$0	$0	$0	$0
90	MWD 6.25% FEMA/CalOES Match - JANUARY 2023 STORMS	$265,000	$0	$0	$0	$0	$0	$0	$0	$0	$0
91	Wildfire and Flood Protection Measures (fireproofing, flood protection, etc)	$53,000	$56,180	$59,551	$63,124	$66,911	$0	$0	$0	$0	$0
92	Asphalt Replacement Projects (Bella Vista, Buell, etc)	$106,000	$56,180	$59,551	$126,248	$0	$0	$0	$0	$0	$0
93	County and Caltrans Asphalt Paving Repairs	$53,000	$56,180	$59,551	$63,124	$66,911	$70,926	$75,182	$79,692	$84,474	$89,542
94	Doulton Residence Repairs (foundation, roof, septic pipe, HVAC)	$106,000	$0	$0	$0	$0	$0	$0	$0	$0	$0
95	Pressure Regulator Repairs	$84,800	$67,416	$71,461	$75,749	$80,294	$85,111	$90,218	$0	$0	$0
96	Jameson Communications & Surveillance	$63,600	$67,416	$0	$0	$0	$0	$0	$0	$0	$0
97	Jameson Boat Dock	$0	$179,776	$0	$0	$0	$0	$0	$0	$0	$0
98	Juncal Dam Arch Drain Repairs	$159,000	$0	$0	$0	$0	$0	$0	$0	$0	$0
99	Juncal Dam Emergency Release Valve Modifications	$212,000	$112,360	$119,102	$0	$0	$0	$0	$0	$0	$0
100											

A	B	C	D	E	F	G	H	I	J	K	L
Line	Capital Improvement Plan	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034
102	Reservoir Projects[14]	$9,116,163	$0	$9,945,336	$10,894,018	$5,338,532	$0	$0	$0	$0	$0
103											
104	**Total CIP**	**$13,401,213**	**$5,315,358**	**$15,111,844**	**$17,744,408**	**$11,982,956**	**$7,163,947**	**$6,373,513**	**$6,855,858**	**$7,404,522**	**$7,794,306**

[14] Project costs are shown in the table grouped by project pairing, with both reservoirs in the pair shown in the total for each year.

APPENDIX B:

10-Year Cash Flow

A	B	C	D	E	F	G	G	G	G	G	G
Line	Water Financial Plan	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034
1	**Revenues**										
2	Rate Revenues	$22,702,730	$22,749,548	$22,796,482	$22,843,534	$22,890,704	$22,937,991	$22,985,397	$23,032,921	$23,080,564	$23,128,326
3	Revenue Adjustments	$2,043,246	$3,473,287	$4,991,377	$6,602,779	$8,313,072	$10,128,168	$12,054,334	$13,834,866	$15,710,685	$17,686,773
4	Water Availability Charge	$300,000	$300,000	$300,000	$300,000	$300,000	$300,000	$300,000	$300,000	$300,000	$300,000
5	Other Revenue	$7,729,990	$686,089	$708,719	$731,996	$752,940	$774,479	$796,632	$819,416	$842,850	$866,951
6	Interest Revenue - General	$418,506	$417,040	$293,152	$361,046	$348,175	$256,272	$214,896	$222,340	$239,910	$270,880
7	**Total - Revenues**	**$33,194,472**	**$27,625,964**	**$29,089,730**	**$30,839,355**	**$32,604,890**	**$34,396,911**	**$36,351,259**	**$38,209,543**	**$40,174,009**	**$42,252,929**
8											
9	**O&M Expenses**										
10	JPA Operating (External O&M)										
11	Cachuma	$1,050,000	$1,081,500	$1,113,945	$1,147,363	$1,181,784	$1,217,238	$1,253,755	$1,291,368	$1,330,109	$1,370,012
12	Cater Treatment	$919,000	$942,070	$965,832	$999,307	$1,034,056	$1,070,134	$1,107,598	$1,146,507	$1,186,924	$1,228,915
13	State Water	$4,429,164	$4,328,885	$4,608,342	$4,679,337	$5,275,081	$5,358,356	$5,165,402	$5,313,479	$5,535,659	$5,703,273
14	WSA	$7,469,248	$7,605,036	$7,747,457	$7,896,839	$7,757,169	$7,921,519	$8,174,165	$8,435,290	$8,705,203	$8,984,224
15	Montecito Water District (Internal O&M)										
16	Jameson Lake	$388,858	$402,634	$416,934	$431,778	$447,190	$463,194	$479,813	$497,074	$515,004	$533,631
17	Bell Vista/Doulton Treatment Plant	$2,119,513	$2,216,278	$2,317,791	$2,424,300	$2,536,067	$2,653,365	$2,776,485	$2,905,733	$3,041,433	$3,183,924
18	Transmission & Distribution	$1,908,087	$2,001,913	$2,100,597	$2,204,401	$2,313,603	$2,428,494	$2,549,383	$2,676,597	$2,810,479	$2,951,393
19	Meter Reading/Customer Service	$489,060	$509,067	$529,951	$551,753	$574,516	$598,284	$623,107	$649,034	$676,117	$704,411
20	Fleet and Equipment	$308,707	$321,767	$335,427	$349,717	$364,668	$380,315	$396,690	$413,831	$431,777	$450,568
21	Administrative and General	$1,987,430	$2,063,460	$2,142,618	$2,225,042	$2,310,879	$2,400,280	$2,493,407	$2,590,426	$2,691,514	$2,796,856
22	Conservation	$224,663	$234,211	$244,192	$254,629	$265,544	$276,959	$288,900	$301,392	$314,461	$328,138
23	Public Information	$228,890	$238,239	$247,998	$258,187	$268,826	$279,936	$291,540	$303,661	$316,324	$329,555
24	Engineering	$1,334,613	$1,384,426	$1,436,245	$1,490,158	$1,546,258	$1,604,641	$1,665,407	$1,728,664	$1,794,523	$1,863,098
25	Other O&M Expenses	$448,712	$495,469	$505,083	$514,985	$525,185	$535,690	$546,511	$557,656	$569,136	$580,960
26	**Total - O&M Expenses**	**$23,305,944**	**$23,824,953**	**$24,712,412**	**$25,427,798**	**$26,400,825**	**$27,188,405**	**$27,812,163**	**$28,810,712**	**$29,918,662**	**$31,008,958**
27											
28	**Debt and Capital**										
29	Existing Debt	$2,136,562	$2,027,354	$1,913,971	$2,201,624	$2,207,374	$2,199,374	$564,499	$564,499	$564,499	$564,499
30	Proposed Debt Service	$0	$0	$354,062	$708,124	$708,124	$708,124	$1,537,930	$1,537,930	$1,537,930	$1,537,930
31	PAYGO CIP	$4,285,050	$5,315,358	$0	$16,898	$6,644,424	$7,163,947	$6,373,513	$6,855,858	$7,404,522	$7,794,306
32	**Total - Debt and Capital**	**$6,421,612**	**$7,342,712**	**$2,268,032**	**$2,926,645**	**$9,559,922**	**$10,071,445**	**$8,475,942**	**$8,958,287**	**$9,506,951**	**$9,896,736**
33											
34	**Net Cash Flow**	**$3,466,915**	**($3,541,701)**	**$2,109,286**	**$2,484,912**	**($3,355,856)**	**($2,862,939)**	**$63,154**	**$440,544**	**$748,396**	**$1,347,235**

A	B	C	D	E	F	G	G	G	G	G	G
Line	Water Financial Plan	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034
35											
36	Net Operating Revenue	$9,888,527	$3,801,011	$4,377,318	$5,411,557	$6,204,065	$7,208,506	$8,539,096	$9,398,831	$10,255,347	$11,243,971
37	Calculated Debt Coverage	6.05	2.32	2.20	2.31	2.64	3.08	5.55	6.11	6.67	7.31
38	Target Debt Coverage	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25
39	SRF Loan Coverage (MADS)	3.39	1.30	1.50	1.86	2.13	2.48	4.06	4.47	4.88	5.35

APPENDIX C:

10-Year Financial Plan Unrestricted Fund Balances

A	B	C	D	E	F	G	G	G	G	G	G
Line	Water Fund Balances	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034
1	**Beginning Balance**	**$8,938,451**	**$12,405,366**	**$8,863,665**	**$10,972,950**	**$13,457,862**	**$10,102,005**	**$7,239,067**	**$7,302,221**	**$7,742,764**	**$8,491,160**
2											
3	**Sources of Funds**										
4	Rate Revenues	$22,702,730	$22,749,548	$22,796,482	$22,843,534	$22,890,704	$22,937,991	$22,985,397	$23,032,921	$23,080,564	$23,128,326
5	Revenue Adjustments	$2,043,246	$3,473,287	$4,991,377	$6,602,779	$8,313,072	$10,128,168	$12,054,334	$13,834,866	$15,710,685	$17,686,773
6	Water Availability Charge	$300,000	$300,000	$300,000	$300,000	$300,000	$300,000	$300,000	$300,000	$300,000	$300,000
7	Other Revenue	$7,729,990	$686,089	$708,719	$731,996	$752,940	$774,479	$796,632	$819,416	$842,850	$866,951
8	Interest Revenue - General	$418,506	$417,040	$293,152	$361,046	$348,175	$256,272	$214,896	$222,340	$239,910	$270,880
9	**Total - Sources of Funds**	**$33,194,472**	**$27,625,964**	**$29,089,730**	**$30,839,355**	**$32,604,890**	**$34,396,911**	**$36,351,259**	**$38,209,543**	**$40,174,009**	**$42,252,929**
10											
11	**Uses of Funds**										
12	JPA Operating (External O&M)	$6,398,164	$6,352,455	$6,688,119	$6,826,007	$7,490,922	$7,645,728	$7,526,755	$7,751,353	$8,052,692	$8,302,200
13	WSA	$7,469,248	$7,605,036	$7,747,457	$7,896,839	$7,757,169	$7,921,519	$8,174,165	$8,435,290	$8,705,203	$8,984,224
14	Montecito Water District (Internal O&M)	$9,438,532	$9,867,463	$10,276,835	$10,704,951	$11,152,735	$11,621,157	$12,111,243	$12,624,068	$13,160,768	$13,722,534
15	Existing Debt	$2,136,562	$2,027,354	$1,913,971	$2,201,624	$2,207,374	$2,199,374	$564,499	$564,499	$564,499	$564,499
16	Proposed Debt Service	$0	$0	$354,062	$708,124	$708,124	$708,124	$1,537,930	$1,537,930	$1,537,930	$1,537,930
17	PAYGO CIP	$4,285,050	$5,315,358	$0	$16,898	$6,644,424	$7,163,947	$6,373,513	$6,855,858	$7,404,522	$7,794,306
18	**Total - Uses of Funds**	**$29,727,556**	**$31,167,666**	**$26,980,444**	**$28,354,443**	**$35,960,747**	**$37,259,850**	**$36,288,105**	**$37,768,999**	**$39,425,613**	**$40,905,694**
19											
20	**Ending Balance**	**$12,405,366**	**$8,863,665**	**$10,972,950**	**$13,457,862**	**$10,102,005**	**$7,239,067**	**$7,302,221**	**$7,742,764**	**$8,491,160**	**$9,838,395**
21	Proposed Reserve Target	$6,273,495	$6,374,542	$6,652,712	$6,987,340	$7,228,682	$7,420,907	$7,376,201	$7,622,418	$7,895,612	$8,164,452
22	Over/(Under) Reserve Target	$6,131,871	$2,489,123	$4,320,238	$6,470,522	$2,873,323	($181,841)	($73,980)	$120,346	$595,548	$1,673,943