

MONTECITO WATER DISTRICT

Finance Committee Financial Review

As of February 28, 2026 | Finance Committee Meeting – March 17, 2026

Unaudited Financial Statements



TODAY'S AGENDA

01

Executive Summary

High-level financial health snapshot

02

Revenue Performance

Water sales, operating & non-operating revenue

03

Expense Performance

Department-by-department spending review

04

Balance Sheet Overview

Net position and key asset/liability balances

05

Capital Project Activity

\$2.7M in active capital projects YTD

06

Water Sales Analysis

Volume trends by customer class

07

Watch Items & Outlook

Risks, opportunities, and forward-looking notes

EXECUTIVE SUMMARY | YTD through February 28, 2026

Total Revenue (YTD)

\$17.9M

Budget: \$21.8M

\$(2.9M) -14%

Total Expenses (YTD)

\$17.2M

Budget: \$19.1M

+\$1.9M +10%

Revenue Over Expenses (YTD)

\$647K

Budget: \$1.6M

\$(1M) unfav.

Annual Budget Pace

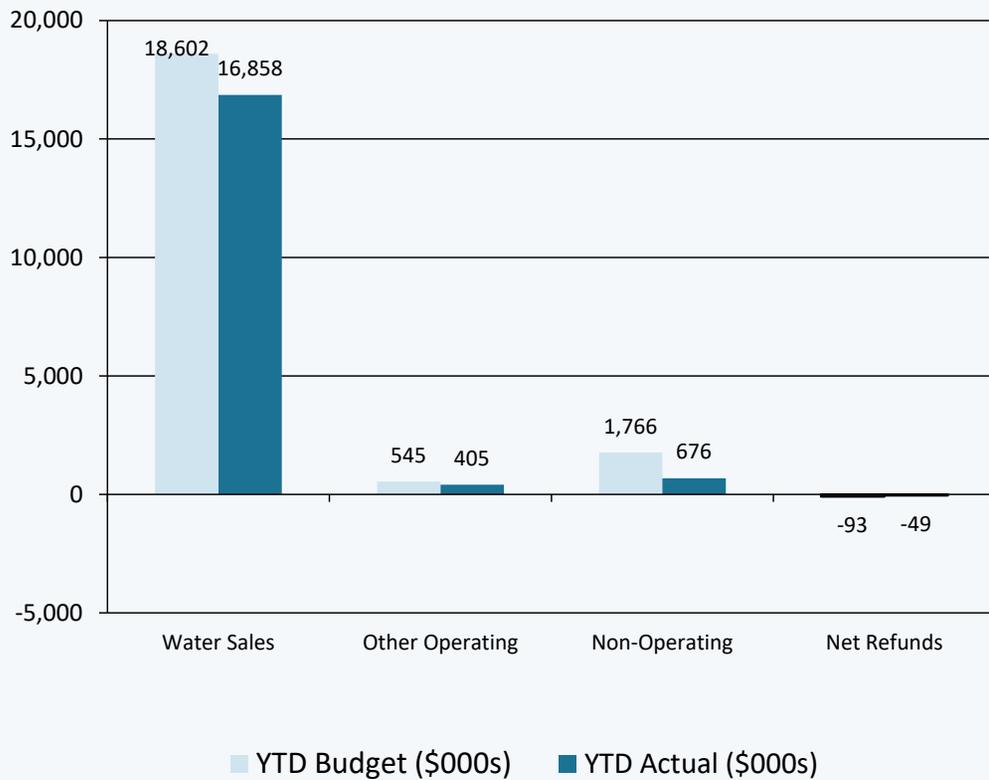
**44%
Revenue**

31% Expenses spent

8 of 12 months

	YTD Budget	YTD Actual	\$ Variance	% Var
Total Revenue	\$20.8 M	\$17.8M	\$(2.9M)	-14%
Total Expenses	\$19.1M	\$17.2M	+\$1.8M	+10%
Rev Over/(Under) Exp	\$1.6M	\$647K	\$(1M)	-62%

REVENUE PERFORMANCE | YTD through February 28, 2026



Revenue Category	YTD Budget	YTD Actual	Variance \$	Var %
Water Sales	\$18.6M	\$16.8M	\$(1.7M)	-9%
Other Operating	\$545K	\$405K	\$(140K)	-26%
Non-Operating	\$1.7M	\$676K	\$(1M)	-62%
Water Refunds/Rebates	\$(93K)	\$(49K)	+\$44K	+47%
TOTAL REVENUE	\$20.8M	\$17.8M	\$(2.9M)	-14%

KEY DRIVERS

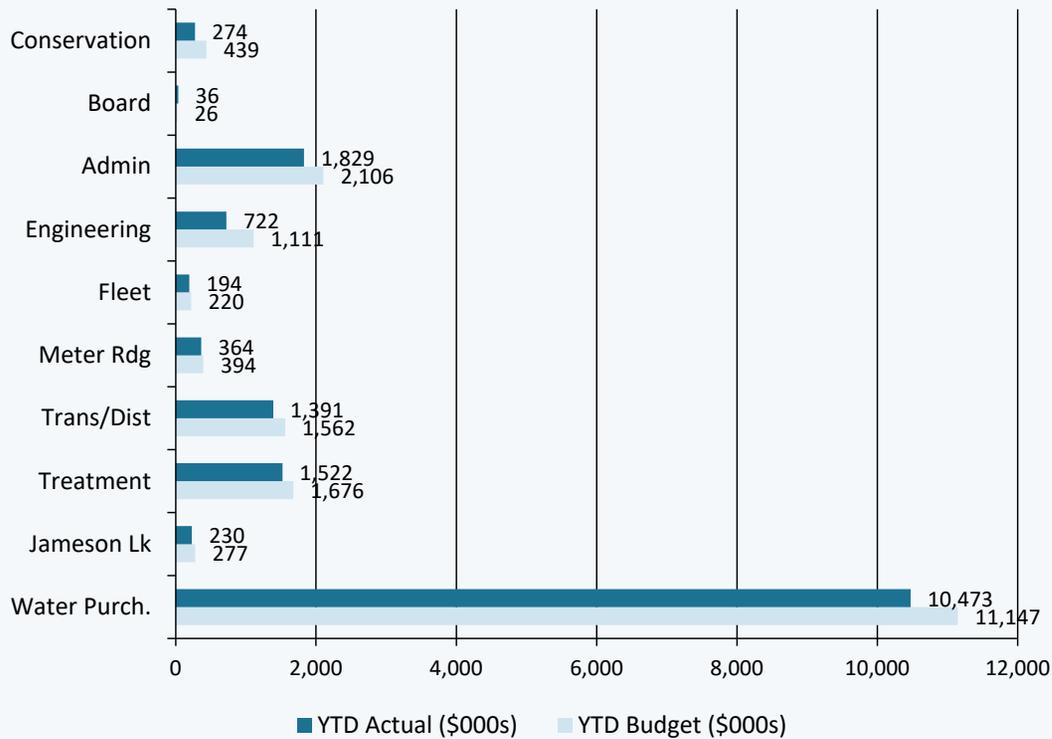
- ▼ SF Water Sales -\$1.7M (wet weather)
- ▼ FEMA Reimb. -\$816K (timing delay)
- ▼ Capital Grants -\$631K (timing delay)
- ▲ Interest Revenue +\$86K (favorable)

WATER SALES DETAIL | By Customer Class – YTD February 28, 2026

Description	Feb Budget	Feb Actual	Feb Var	YTD Budget	YTD Actual	YTD Var \$	YTD Var %
Water Sales – Single Family	\$786,169	\$634,256	\$(151,913)	\$10,965,181	\$9,269,700	\$(1,695,481)	-15%
Water Sales – Multi Family	\$16,126	\$14,454	\$(1,672)	\$229,599	\$174,918	\$(54,681)	-24%
Water Sales – Commercial	\$80,146	\$79,198	\$(948)	\$783,007	\$804,270	+\$21,263	+3%
Water Sales – Institutional	\$65,335	\$66,691	+\$1,356	\$1,029,978	\$1,045,371	+\$15,393	+1%
Water Sales – Agricultural	\$31,719	\$38,947	+\$7,228	\$485,956	\$450,348	\$(35,608)	-7%
Water Sales – NonPotable	\$3,580	\$3,051	\$(529)	\$77,063	\$70,766	\$(6,297)	-8%
Water Sales – Const/Other	\$3,000	\$4,081	+\$1,081	\$59,000	\$28,415	\$(30,585)	-52%
Surplus SWP Sales	\$0	\$0	—	\$600,000	\$616,680	+\$16,680	+3%
Monthly Meter Charges	\$546,542	\$549,760	+\$3,218	\$4,372,336	\$4,397,419	+\$25,083	+1%
TOTAL WATER SALES	\$1,532,617	\$1,390,438	\$(142,179)	\$18,602,120	\$16,857,887	\$(1,744,233)	-9%

EXPENSE PERFORMANCE | YTD through February 28, 2026

Expenses by Department \$ – YTD Budget vs Actual



Department	YTD Budget	YTD Actual	Variance \$	Var %
Water Purchases	\$11.1M	\$10.4M	+\$674K	+6%
Jameson Lake	\$277K	\$230K	+\$46K	+17%
Treatment Ops	\$1.6M	\$1.5M	+\$155K	+9%
Trans/Distribution	\$1.5M	\$1.3M	+\$171K	+11%
Meter Reading	\$394K	\$364K	+\$30K	+8%
Fleet	\$220K	\$194K	+\$26K	+12%
Engineering	\$1.1M	\$722K	+\$390K	+35%
Administration	\$2.1M	\$1.8M	+\$277K	+13%
Board Admin	\$26K	\$36K	\$(9K)	-35%
Conservation	\$439K	\$274K	+\$165K	+38%
Interest + Other Cmts	\$179K	\$208K	\$(29K)	-16%
TOTAL EXPENSE	\$19.1M	\$17.2M	+\$1.8M	+10%

EXPENSE VARIANCE DETAIL | Items > \$25,000 – YTD February 28, 2026

Dept	Line Item	YTD Budget	YTD Actual	Variance \$	Var %	Notes
Water Purchase	USBR – Cachuma	226,820	-	226,820	100%	Assessment not yet billed
Water Purchase	DWR Variable Costs	147,418	-	147,418	100%	No variable costs incurred
Water Purchase	DESAL Paygo Capital	366,080	-	366,080	100%	WSA PAYGO not incurred
Water Purchase	CATER Treatment Operations	477,550	423,015	54,535	11%	Driven by reduced usage
Water Purchase	DESAL Fixed O&M – City	257,016	296,528	(39,512)	-15%	City proposed versus adopted budget varied by \$59.3K
Water Purchase	Water Marketing & Storage	94,705	133,844	(39,139)	-41%	Costs associated with Solomon Hills are overbudget \$20K; SWP Sale/Homer Success Fee under budgeted \$(35K)
Water Purchase	COMB Cachuma	651,487	680,687	(29,200)	-4%	A reclassification is needed to move out USBR costs; expenses are under budget by \$51K due to the postponement of the Lauro Reservoir Bypass Channel Project.
Engineering	Outside Services	591,900	290,758	301,142	51%	ERP \$150K, UWMP \$150K, paving \$40K – timing
Engineering	Salaries/Wages	311,431	229,059	82,372	26%	Staff time allocated to CIP
Admin	General Liability Insurance	487,398	415,814	71,584	15%	Favorable premium
Admin	Legal Expense	160,000	95,965	64,035	40%	Low activity YTD
Admin	Salaries/Wages	518,396	467,755	50,641	10%	Short-term vacancy
Admin	Computer Equipment	33,400	61,465	(28,065)	-84%	Cost allocation to departments pending
Conservation	Outside Services	143,700	27,090	116,610	81%	Office DemoGarden – delayed start, now underway
Other Cmts	CATER Ozone Project Loan	30,415	59,482	(29,067)	-96%	Per debt schedule – City modified billing cycle timing

STATEMENT OF NET POSITION | February 28, 2026 (Unaudited)

ASSETS	Amount
CURRENT ASSETS	
Rate Stabilization Fund	11,538,433
Operating Reserve	3,697,118
Capital & Emergency Reserve	500,000
FEMA Advance – Highline Repair	3,151,622
Thomas Fire/Debris Flow Holdback	1,514,874
CCWA Rate Coverage Reserve (held by others)	1,495,258
WSA Debt Service Deposits (held by others)	1,555,863
Accounts Receivable	1,716,336
Inventory	967,670
Prepaid Expenses & Other Deposits	1,935,564
NONCURRENT ASSETS	
Capital Assets – not depreciated	6,258,707
Capital Assets – being depreciated	51,662,153
Deferred Outflows of Resources	2,342,180
TOTAL ASSETS + DEFERRED OUTFLOWS	88,335,778

LIABILITIES & NET POSITION	Amount
CURRENT LIABILITIES	
Accounts Payable & Accrued Expenses	3,624,297
Unearned Revenue & Other Deposits	176,851
FEMA Advance – Highline Replacement	3,151,622
Thomas Fire/Debris Flow Holdback	1,514,874
NONCURRENT LIABILITIES	
Accrued Compensated Absences	826,738
CATER Ozone Project Loan	2,214,677
ASADRA Loan Payable	1,043,448
2020 COP Refunding Bonds	5,940,000
2020 COP Premium Prepaid Interest	1,004,780
OPEB (Other Post-Employment Benefits)	1,998,290
Pension Liability	6,735,016
NET POSITION	
Net Investment in Capital Assets	51,662,153
Board Committed Funds	6,288,283
Unreserved Fund Balance	1,942,983
Change in Net Position (YTD)	(649,824)
TOTAL LIABILITIES + DEFERRED + NET POS.	88,335,778

CAPITAL PROJECT ACTIVITY | July 2025 – February 2026

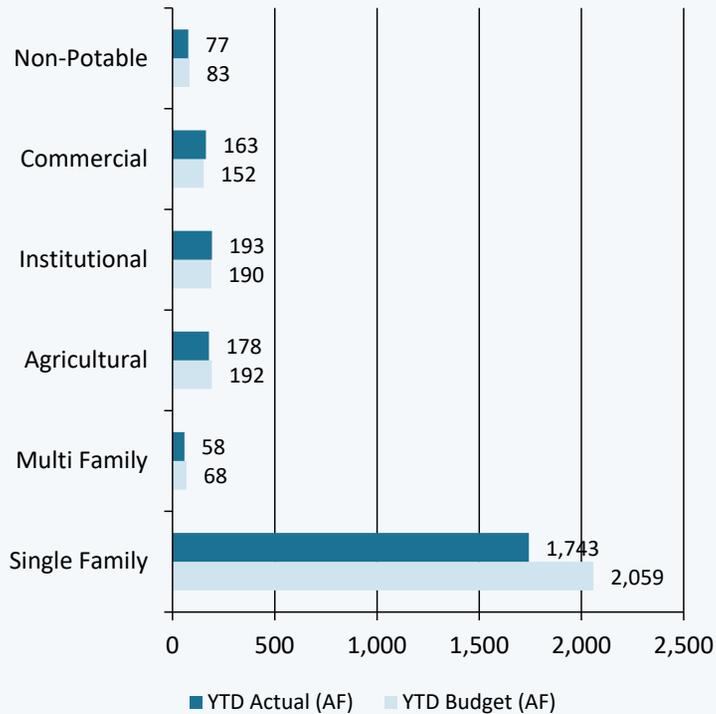
\$2.68M

Total YTD CIP Spend

Project #	Project Name	YTD Spend
P133	ASADRA Terminal Reservoir	1,056,721
P098	Freehaven Water Main Replace	677,660
P143	Fire Hydrant Replacements FY 2025-26	189,615
F025	Highline Pipeline Repair – Jan 2023 Storm (FEMA)	151,762
P132	ASADRA Park Lane Reservoir	104,022
A1	Alder Creek Flume Repairs (FEMA)	71,316
P147	BVTP Filter #1 Media Replace & Coating	72,286
P145	Ortega Backup Generator Pad & Electrical	69,748
P148	Ennisbrook 2 Well Roof Install	49,866
P115	E. Valley, Ladera, Lambert Water Main (Design)	49,825
P141	Fairway, Butterfly, Miramonte Main Replace (Design)	42,699
P150	East Valley Pump Station Roof Install	41,610
P122	Doulton Treatment Plant Road Replacement	54,963
P125	Juncal Dam Arch Drain Replacement	20,015
P099	Highline Water Main Replace (Design)	19,675
P142	US101 Casing Installations – Danielson & Miramar	3,904
P146	BVTP Reclaim Basin Repair & Coating	2,335
P095	Las Tunas Rd Water Main Replace	5,815
	PROJECT TOTALS	2,683,836

WATER SALES ANALYSIS | Volume & Revenue by Customer Class

YTD Water Sales Volume by Class (Acre-Feet)



Customer Class	YTD Budget AF	YTD Actual AF	AF Var	YTD Budget \$	YTD Actual \$	\$ Var	Var %
Single Family	2,059	1,743	(316)	\$10,965K	\$9,270K	\$(1,695K)	-15%
Multi Family	68	58	(10)	\$230K	\$175K	\$(55K)	-24%
Agricultural	192	178	(14)	\$486K	\$450K	\$(36K)	-7%
Institutional	190	193	+3	\$1,030K	\$1,045K	+\$15K	+1%
Commercial	152	163	+11	\$783K	\$804K	+\$21K	+3%
Non-Potable	83	77	(6)	\$77K	\$71K	\$(6K)	-8%
Meter Charges	N/A	N/A	—	\$4,372K	\$4,397K	+\$25K	+1%
Surplus SWP	N/A	N/A	—	\$600K	\$617K	+\$17K	+3%
TOTAL	2,745	2,412	(333)	\$18,602K	\$16,858K	\$(1,744K)	-9%

FEBRUARY MTD

Total: 188 AF actual vs 216 AF budget (-13%)

Single Family: 136 AF vs 166 AF (-18%)

Agricultural: 15 AF vs 12 AF (+23%)

Commercial: 16 AF vs 16 AF (flat)

Trailing 12-Month Avg:

85 AF/month actual vs 97 AF/month budget

-12.6% vs budget

FINANCIAL WATCH ITEMS & OUTLOOK

⚠️ RISKS & WATCH ITEMS

Risk Item	Detail
Water Sales Shortfall	AF sales –\$1.7M YTD; Is weather dependent and may widen thru winter/spring
DESAL City O&M	\$(40K) unfavorable YTD; further cost increases possible
SWP Supplemental Bills	Annual DWR costs true ups; subsidence and Golden Mussel mitigation
FEMA Permit Denial	\$350K Alder Creek Flume funds could require repayment if permits denied
Construction Costs	Increases in construction costs for CIP, i.e., pipeline replacements, and reservoir retrofit/replacements.

✓ OPPORTUNITIES & CUSHIONS

Opportunity	Detail
FEMA Retention \$649K	Juncal Pipeline Repair — expected upon project completion & close-out
FEMA DAC 2018 \$287K	FEMA-approved Direct Admin Cost reimbursement — pending claim submission
FEMA DAC 2023 \$276K	FEMA-approved Direct Admin Cost reimbursement — pending claim submission
Revolving Line of Credit	Provides short-term liquidity to bridge timing differences in State reimbursements.

SUMMARY & QUESTIONS

- ▶ Revenue \$17.9M (–14% unfavorable)
Wet weather + timing delays (FEMA/grants –\$1.4M)
- ▶ Expenses \$17.2M (+10% favorable)
Primarily timing-based — costs expected in Q3/Q4
- ▶ Net position \$59.2M — stable; no structural overruns
- ▶ Capital projects \$2.68M YTD — 17 active projects
- ▶ Key watch: water sales recovery + FEMA/grant reimbursements

Open for Committee Questions