MONTECITO WATER DISTRICT

FY 2027 Budget Adoption

Resolution No. 2331

Board of Directors | June 23, 2026 | Section 6-B

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RECOMMENDATION

Adopt the FY 2027 Budget & CIP

Adopt Resolution No. 2331 adopting the FY 2027 Operating Budget and Capital Improvement Program Budget

1

Operating Budget

Appropriates $27,089,200 in expenditures against $29,841,877 in anticipated revenues — a balanced plan that maintains current service levels.

2

Capital Improvement Program

Appropriates $22,324,797 in project expenditures across reservoirs, pipelines, extraordinary projects, and plant — funded by ASADRA financing, FEMA, and reserves.

3

Coverage & Reserves

Debt service coverage of 1.44x clears the 1.25x covenant, with all Board-required reserve minimums funded under Resolution No. 2327.

GROSS CIP

$22.32M

Total capital projects

OPERATING EXPENSES

$27.09M

Total operating expenditures

OPERATING REVENUE

$29.84M

Total anticipated revenues

DEBT COVERAGE

1.44x vs. 1.25x cov.

Debt service coverage ratio

NET INCOME AFTER DEBT SERVICE

$0.84M net income on a balanced budget

OPERATING BUDGET

Operating — May Draft vs. Revised

Specific revenue and expense changes since the May draft — the GSA reimbursement offsets most of the added cost

Operating Line	Draft	Revised	Change
Operating Revenue	$29.08M	**$29.84M**	+$0.76M
Surplus SWP Sales	$0.24M	$0.57M	+$0.33M
GSA transfer-in	—	$0.43M	+$0.43M
Operating Expense	$26.51M	**$27.24M**	+$0.73M
General/Special Counsel	$0.25M	$0.45M	+$0.20M
Engineering	$0.55M	$0.70M	+$0.15M
CalPERS UAAL (all depts)	—	—	+$0.38M
Operating Surplus	$2.60M	**$2.60M**	$0.00M

KEY DRIVERS SINCE THE MAY DRAFT

Surplus SWP Sales +$0.33M

Revised to $571,428 — up from $240K in the draft as supply conditions firmed.

GSA Fund reimbursement +$0.43M

$427,758 shared-cost transfer-in now recognized as revenue.

General/Special Counsel +$0.20M

Raised to $450,000 — up from $250K SWP water marketing and General Counsel rate adjustment.

Engineering +$0.15M

Raised to by $701,300: up from $551,300 valuation of feasibility of physically recovering water from Carpinteria Valley (Future regional ASR Program).

CalPERS Unfunded Liability +$0.38M

District-wide UAAL true-up across all departments.

OPERATING BUDGET

Operating Budget — FY 2027 Adopted

Three-year view by major category — a balanced plan with revenues exceeding expenditures and net income after debt service

Operating Line	FY 2025 Actual	FY 2026 YE	FY 2027 Adopted
Operating Revenue	$31.88M	**$27.30M**	**$29.84M**
Water Sales	$25.16M	25.64M	**$27.89M**
Non-Op. & Other	—	1.66M	**$1.52M**
Operating Expense	$22.81M	**$24.87M**	**$27.09M**
Water Purchases	$13.36M	13.97M	**$15.24M**
All Other Departments	$9.45M	10.90M	**$11.85M**
Total Debt Service	—	1.99M	**$1.92M**
Net Op. Revenue (pre-debt)	$9.07M	**$2.43M**	**$2.75M**

SINCE THE MAY DRAFT

- **Bella Vista pulled forward** — **+$1.47M**
  Terminal Reservoir finishing ~5 months early advanced Bella Vista into FY 2027, lifting gross CIP to $22.32M.
- **Debt service coverage** — **1.34x → 1.44x**
  ASADRA financing and the GSA reimbursement strengthened coverage above the 1.25x covenant.
- **Lower rate burden** — **−$1.52M**
  Net rate-to $5.549M as more of the plan shifted to ASADRA financing and FEMA.

CAPITAL IMPROVEMENT PROGRAM

Capital Improvement Program — FY 2027

$22.32M capital plan, with 72% covered by ASADRA financing and FEMA and a $5.549M draw from unrestricted cash

Project Category	FY 2027	% of Total
Reservoirs (ASADRA)	$11.56M	**52%**
Pipelines	$4.54M	**20%**
Extraordinary (FEMA)	$4.38M	**20%**
Pumping / Wells / Valves / TP	$1.57M	**7%**
Vehicles & Equipment	$0.28M	**1%**
Total Capital Projects	$22.32M	**100%**
Externally Funded	$15.94M	**72%**
Reserve / Rate-Funded	$6.39M	**29%**

CIP FUNDING SOURCES

ASADRA Financing Proceeds

$11.56M (52% of gross CIP)

FEMA Reimbursements

$4.38M (20% of gross CIP)

Reserve / Rate Revenue (District)

$6.39M (29% of gross CIP)

The District-funded share is met by a $5.549M draw from unrestricted cash, consistent with the planned use of accumulated reserves for the capital program.

RECOMMENDED ACTION

Adopt Resolution No. 2331

NET INCOME	DEBT COVERAGE	EXTERNAL CIP FUNDING	DRAW FROM UNRESTRICTED CASH
$0.84M	**1.44x**	**72%**	**$5.55M**
On a balanced budget	vs. 1.25x covenant	ASADRA + FEMA of $22.32M	Funds District capital share

- The FY 2027 Operating Budget is balanced: $29.84M in revenues funds $27.09M in expenditures with $0.84M of net income after debt service.
- The $22.32M capital program is 72% funded by ASADRA financing and FEMA; the District-funded share is met by a $5.549M draw from unrestricted cash.
- Debt service coverage of 1.44x clears the 1.25x covenant, and all reserve minimums are funded under Resolution No. 2327.