FISCAL YEAR 2026-27

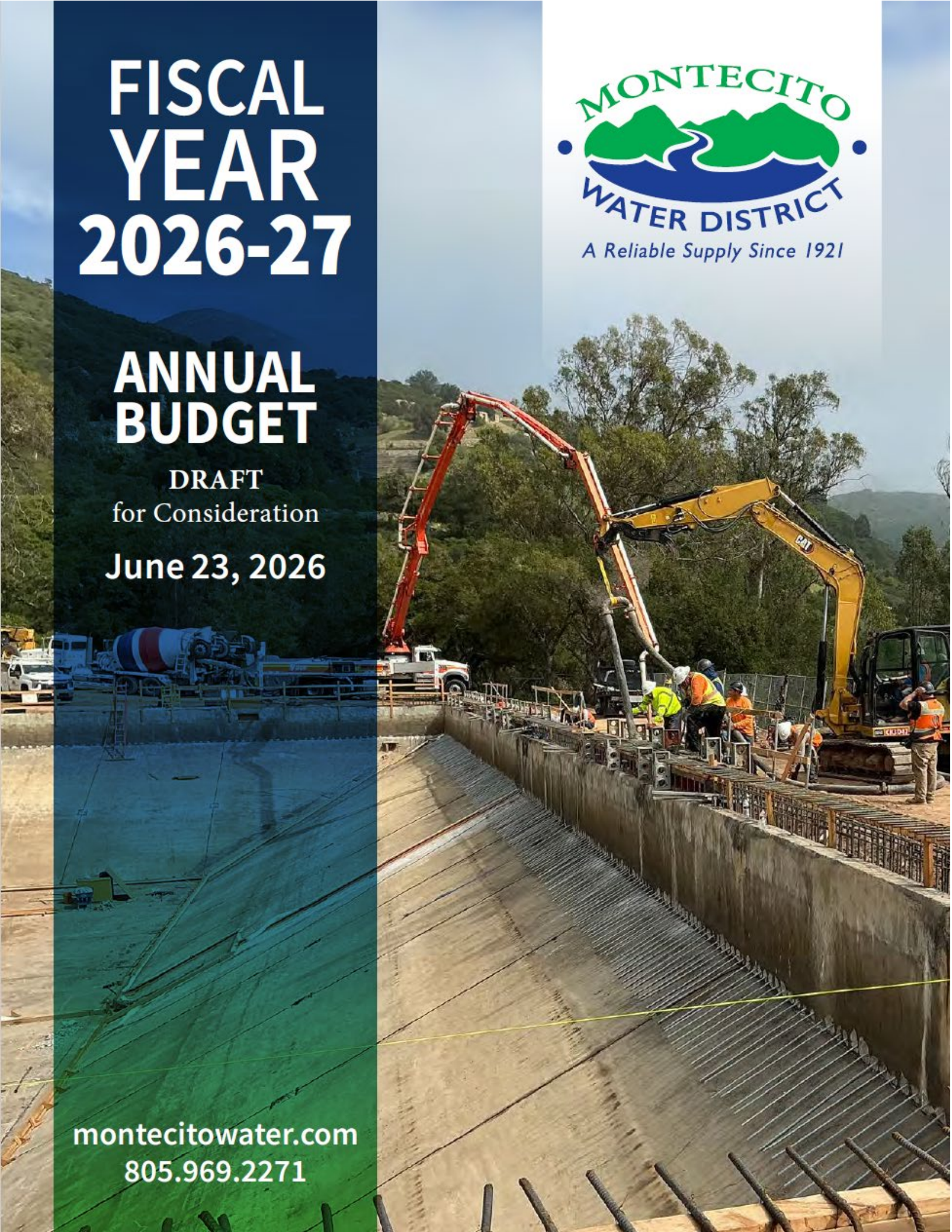
ANNUAL BUDGET

DRAFT
for Consideration

June 23, 2026

MONTECITO WATER DISTRICT

A Reliable Supply Since 1921



montecitowater.com
805.969.2271

Mission Statement

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

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

MONTECITO WATER DISTRICT

Board of Directors

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

General Manager- Board Secretary

Nicholas Turner

Executive Leadership

Adam Kanold, Assistant General Manager
Emma Godinez, Business Manager
Chad Hurshman, Treatment - Production Superintendent
Richie Romero, Distribution Superintendent

Staff Contributors

Laura Camp, Public Information Officer
Raymond Willefert, Financial Analyst
James Algert, Sr Accountant

RESOLUTION NO. 2331

RESOLUTION OF THE BOARD OF DIRECTORS OF THE MONTECITO WATER DISTRICT ADOPTING A BUDGET FOR FISCAL YEAR 2027

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

WHEREAS, the District manages water resources to deliver a safe and reliable supply of high-quality water to over 4,670 residential, commercial, institutional, agricultural and non-potable customers in the Montecito and Summerland communities; and

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

WHEREAS, District management prepared a budget for Fiscal Year 2027 (FY 2027) that estimates expenses required for funding operations, maintenance, capital improvements, debt service, prudent reserve requirements, and other expenses of the District; and the revenues from all sources to fund those expenses; and

WHEREAS, District management has determined that the activities proposed in the FY 2027 budget are consistent with the June 2024 *Water Rate Study*. District Management proposes a balanced budget for FY 2027, which if implemented will ensure that the District's revenue will be sufficient to fund all of the District's planned expenses for the budgeted period; and

WHEREAS, the proposed FY 2027 budget has been reviewed and considered by the Finance Committee, and by the Board of Directors at a Board workshop held on May 19, 2026, and feedback received at those public meetings has been incorporated into the budget; and

WHEREAS, it has been determined to be in the best interest of the District to adopt the Fiscal Year 2027 budget for the continued sound financial operation of the District;

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

1. The certain documents referred to as the "Montecito Water District Fiscal Year 2027 Budget" and all schedules, exhibits, and policies contained therein, which are incorporated herein by this reference and included as Attachment A, are hereby adopted as the annual budget of the District for the fiscal year beginning on July 1, 2026, and ending June 30, 2027.
2. That the amounts stated in the proposed budget shall become and thereafter be assigned to the departments, activities, and purposes stated therein and said monies are hereby authorized to be expended for the purposes and objects specific in said budget, subject

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

PASSED AND ADOPTED by the Board of Directors of the Montecito Water District this 23rd day of June 2026 by the following roll call vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

APPROVED:

_____

Brian Goebel, Board President

ATTEST:

_____

Nicholas Turner, Board Secretary

GOVERNMENT FINANCE OFFICERS ASSOCIATION

Distinguished Budget Presentation Award

PRESENTED TO

Montecito Water District
California

For the Fiscal Year Beginning

July 01, 2025

Christopher P. Morrill

Executive Director

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SECTION 1: BUDGET MESSAGE

General Manager's Budget Message

To the Customers, Board of Directors, and Stakeholders of the Montecito Water District:

The Montecito Water District's Adopted Budget for Fiscal Year 2027 (July 1, 2026, through June 30, 2027) reflects our continued commitment to delivering safe, reliable water service to the Montecito community while responsibly stewarding public resources and planning for long-term resilience.

The FY 2027 Budget was developed with a clear focus on water reliability, financial stability and operational excellence. A central focus of the FY 2027 Budget is the continued implementation of the District's $34.9 million Reservoir Seismic Retrofit and Replacement Project under the ASADRA Agreement with the State Water Resources Control Board. As one of the District's most significant capital investments, the project directly supports the Strategic Plan by strengthening critical infrastructure, enhancing system resiliency, and ensuring the long-term reliability of water service for the community.

The FY 2027 Budget maintains a disciplined financial approach while continuing to advance the District's core priorities. The District sustains reserve levels consistent with Board policy, maintains debt service coverage above the 1.25x bond covenant requirement, and advances critical capital investments and water supply reliability objectives while managing rate impacts as prudently as possible.

The FY 2027 Budget includes $27.1 million in operating expenditures and $22.3 million in capital investments across all funds. These investments support the full range of District services, including water treatment and delivery, infrastructure rehabilitation, water quality protection, emergency preparedness, and system reliability improvements that our customers depend on every day.

At its core, this budget represents a commitment to community value. Every dollar invested is directed toward ensuring safe drinking water, maintaining reliable service, strengthening infrastructure, and building long-term resilience for the communities we serve.

On behalf of the District, I would like to thank the Board of Directors for their continued leadership and support, and I extend my appreciation to our customers for the trust they place in us each day. The Fiscal Year 2027 Budget positions the Montecito Water District to continue delivering reliable service today while making prudent, forward-looking investments that will support the community for generations to come.

Respectfully,

General Manager
Montecito Water District

SECTION 2: BUDGET AT A GLANCE

MONTECITO WATER DISTRICT

The Budget in Pictures

FY 2027
ADOPTED BUDGET

EXECUTIVE SUMMARY

The FY 2027 Budget at a Glance

The Montecito Water District's adopted FY 2027 budget balances rising costs with strong coverage and a major capital program — most of it funded by grants and reimbursements rather than ratepayers.

$29.8M TOTAL REVENUE +9.3% over FY 2026 year-end	**$27.1M** OPERATING EXPENSE Water supply is 56%	**1.44x** DEBT COVERAGE 0.19x above 1.25x covenant
$22.3M CAPITAL PROGRAM 71% grant / reimbursement funded	**$6.4M** NET DISTRICT CAPITAL After $15.9M offset	**$15.4M** TOTAL RESERVES Restricted + Board-committed

WHAT THIS BOOK COVERS

Three Stories Behind the Numbers

71%
CAPITAL FUNDED BY OTHERS

56¢
OF EACH $1 GOES TO WATER SUPPLY

The pages that follow visualize where the District's water comes from, how the capital program is paid for, and where each operating dollar goes — the three questions ratepayers ask most.

WHAT WE PAY FOR WATER

Water Supply Costs

FY 2027
ADOPTED BUDGET

The District budgets **$15.2 million** for water supply across five sources. The chart below shows each source's **share of supply cost** — not share of water delivered. Desalination is the largest single *cost*, while State Water Project costs are driven largely by fixed charges that are owed whether or not the water is delivered or used.

Desalination (City WSA)	$7.81M	51%
State Water Project	$5.03M	33%
Cachuma Project	$1.36M	9%
Cater Treatment	$1.01M	7%
Semitropic Banking	$0.03M	0%

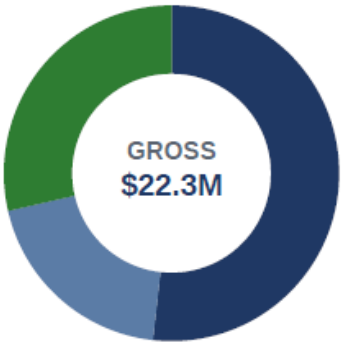
Reading this chart: These percentages are shares of **cost**, not of water delivered. On a per-acre-foot basis, State Water Project supplies are substantially more expensive than their cost share suggests, because large fixed charges (the District's share of CCWA and Department of Water Resources payments) are incurred even when that water is not available or not used. Diversifying across desalination, State Water, Cachuma, and local sources protects the community against any single source failing during drought.

HOW WE PAY FOR INFRASTRUCTURE

Capital Program Funding

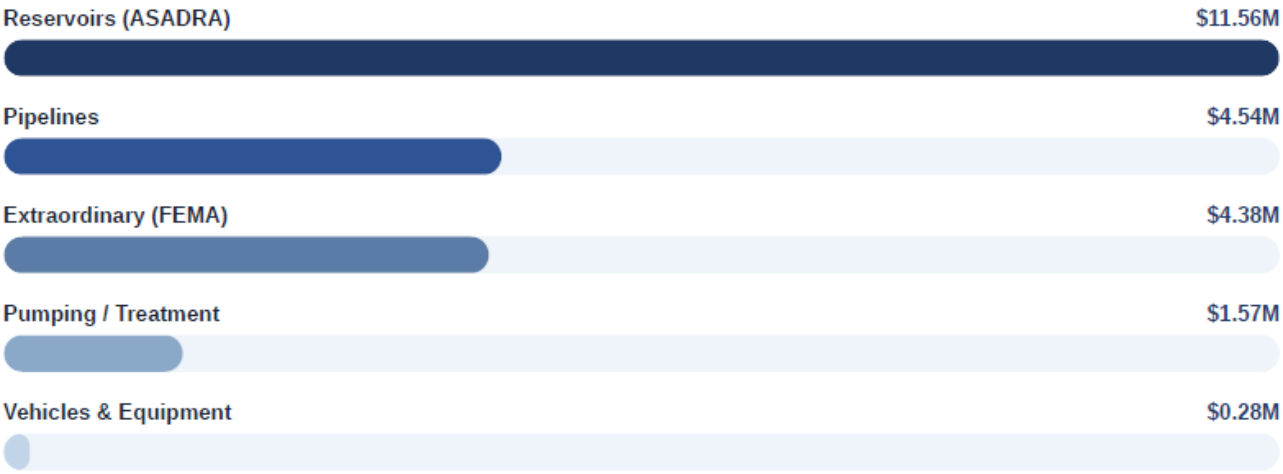
FY 2027
ADOPTED BUDGET

The **$22.3 million** capital program — led by the ASADRA reservoir seismic retrofits — is funded mostly through state financing and federal reimbursements. Only **29%** comes from rates.



ASADRA Financing	$11.56M	52%
FEMA Reimbursements	$4.38M	20%
Rate Revenue	$6.38M	29%

CAPITAL SPENDING BY CATEGORY



WHERE YOUR MONEY GOES

Your Water Dollar

FY 2027
ADOPTED BUDGET

For every dollar the District spends on operations, more than half pays for water supply costs — the cost of importing, producing, and securing a reliable supply.

The big picture: Water supply costs (56¢ of every dollar) dwarfs every other cost. Treatment, distribution, and administration together make up most of the rest, while customer service, conservation, and governance are a small share.

Montecito Water District

FY 2027 Financial Proforma — Summary

Figures in $ thousands. FY 2027 Adopted per adopted budget; the % change column compares FY 2027 to FY 2026 YE Forecast.

($ thousands)	FY 2025 Actual	FY 2026 YE Forecast	FY 2027 Proposed	% Chg YE–FY 2027
REVENUES				
Water Sales (incl. Surplus SWP)	25,156	25,636	27,891	9%
Other Operating Revenue (fees, fire lines)	846	606	673	11%
Non-Operating Revenue (rent, interest, WAC)	5,875	1,058	850	-20%
Transfer In — GSA Shared Cost Reimb.			428	
Total Revenues	**31,878**	**27,301**	**29,842**	**9%**
OPERATING EXPENDITURES — BY DEPARTMENT				
Dept 500 — Water Purchases	**13,362**	**13,970**	**15,239**	**9%**
Desalination (WSA City of Santa Barbara)	7,051	7,389	7,813	6%
State Water Project (SWP / CCWA / DWR)	4,517	4,466	5,031	13%
Cachuma Project (COMB / USBR / CCRB)	1,089	1,227	1,358	11%
Cater Treatment (City of Santa Barbara)	704	860	1,008	17%
Semitropic Groundwater Banking	0	28	30	6%
Dept 511 — Jameson Lake	513	376	425	13%
Dept 531 — Treatment Operations	1,894	2,271	2,585	14%
Dept 541 — Transmission / Distribution	1,776	2,234	2,468	11%
Dept 550 — Meter Reading / Customer Svs	645	646	681	5%
Dept 561 — Fleet	248	293	329	12%
Dept 563 — Engineering	1,457	1,543	1,554	1%
Dept 565 — Administration	2,481	2,891	3,220	11%
Dept 566 — Governing Board	37	48	56	15%
Dept 568 — Public Information	401	249	268	8%
Dept 568 — Conservation	—	345	265	-23%
Total Operating Expenditures	**22,813**	**24,867**	**27,089**	**9%**
Net Operating Revenue (before debt)	**9,065**	**2,434**	**2,753**	**13%**
DEBT SERVICE				
2020A COP Refunding Bonds — Principal	—	1,375	1,445	5%
2020A COP Refunding Bonds — Interest	—	263	192	-27%
Cater Ozone Project Loan — Principal	—	297	222	-25%
Cater Ozone Project Loan — Interest	—	59	57	-5%
Total Debt Service	**—**	**1,994**	**1,916**	**-4%**
COVERAGE & NET INCOME				
Net Income / (Deficit) after Debt Service	—		836	
Debt Service Coverage Ratio			**1.44x**	≥1.25x cov.

Capital Budget by Project Category

CAPITAL BUDGET BY PROJECT CATEGORY	FY 2027	% of Total
Reservoirs (ASADRA)	11,560	52%
Pipelines	4,540	20%
Extraordinary Projects (FEMA)	4,380	20%
Pumping / Wells / Valves / Treatment Plant	1,570	7%
Vehicles & Equipment	275	1%
Total Capital Projects	**22,325**	**100%**

CIP Funding Sources

CIP FUNDING SOURCES	FY 2027	% of Total
ASADRA Financing Proceeds	11,560	52%
FEMA Reimbursements	4,380	20%
Rate Revenue (net District-funded)	6,385	29%
Total Funding Sources	**22,325**	**100%**

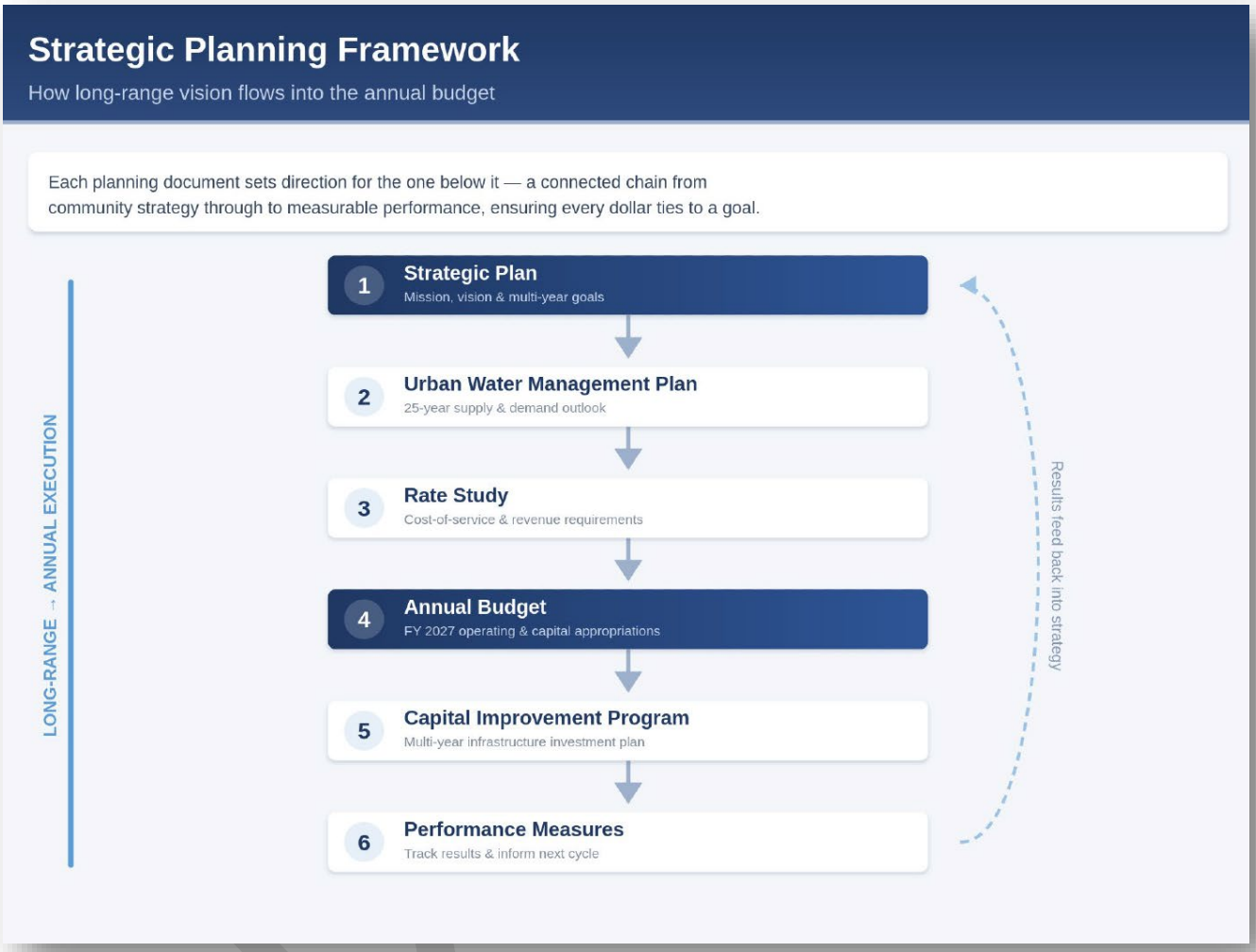
Cash Flow — Net Revenue After Debt & Reserve Draw

CASH FLOW — NET REVENUE AFTER DEBT & RESERVE DRAW	FY 2027
Net Operating Revenue (before debt)	2,753
Less: Total Debt Service	(1,916)
Net Income After Debt Service	**836**
Less: District-Funded Capital (Rate Revenue)	(6,385)
Net Cash Flow Before Reserve Draw	**(5,549)**
Less: Reserve Draw of Unrestricted Cash	(5,549)
Net Change in Unrestricted Cash (after draw)	**0**

The FY 2027 net District-funded capital ($6.385M rate revenue) exceeds net income after debt service, drawing down unrestricted cash by the difference, consistent with the planned use of accumulated reserves for the capital program.

SECTION 3: STRATEGIC PRIORITIES & BUDGET DRIVERS

Several key factors shaped the development of the FY 2027 Budget and guided the District's strategic focus areas. The priorities, programs, and investments outlined throughout this document are designed to support reliable water service delivery, responsible asset management, financial stewardship, operational readiness, and organizational excellence.



Water Supply Reliability

California's long-term hydrologic variability continues to create uncertainty regarding local and statewide water supply availability. While recent years have demonstrated dramatic swings between drought and extreme precipitation events, long-term forecasts indicate that water reliability challenges will persist and likely intensify.

To address these risks, the FY 2027 Budget prioritizes investments in water supply reliability and resilience, water use efficiency and conservation initiatives, and infrastructure dependability, all aimed at maintaining reliable water service during all weather conditions and supply interruptions.

Infrastructure Maintenance And Replacement

Much of the District's water system infrastructure has been in service for decades — in some instances, a century or more — requiring ongoing rehabilitation, replacement, and modernization. Aging pipelines, reservoirs, pumping systems, control facilities, and operational equipment create increasing operational and financial risks if maintenance and renewal efforts are deferred.

The FY 2027 Capital Improvement Program (CIP) places significant emphasis on infrastructure lifecycle management, seismic resiliency enhancements, reservoir rehabilitation, pipeline replacement, and operational modernization to reduce system vulnerability and improve long-term reliability and dependability.

Rising Costs

Water costs continue to increase due to infrastructure investments, rising energy costs, regulatory compliance requirements, environmental constraints, and water supply reliability challenges.

The District’s FY 2027 Budget incorporates long-term financial planning strategies intended to stabilize rates, preserve reserve levels, and minimize sudden financial impacts on customers while maintaining essential services and critical infrastructure investments.

The District’s participation in various water supply contracts and Joint Powers Agencies for the purchase, treatment and delivery of water remains its single largest operating expense. The FY 2027 budget for Water Purchases totals $15.2 million, representing a 9 percent increase over the prior-year estimate. This increase is driven primarily by State Water Project fixed and variable charges, and desalination operations and maintenance costs. Although the District is bound to these water contracts and agencies, it has little control over the resulting costs.

Emergency Preparedness And Climate Resilience

The District operates in a region vulnerable to drought, wildfire, seismic activity, power outages, and severe weather events. Maintaining emergency operational readiness is essential to protecting public health and community safety.

The FY 2027 Budget includes investments in emergency preparedness, backup operational capabilities, water storage, cybersecurity protections, and infrastructure resilience improvements designed to strengthen the District’s ability to respond effectively during emergencies and natural disasters.

Workforce Retention And Organizational Capacity

Water utility operations require specialized expertise in treatment, distribution, engineering, technology, customer service, and finance. Competition for licensed operators and experienced utility professionals throughout the region remains significant. At the same time, the District faces succession planning as experienced employees approach retirement.

The FY 2027 Budget includes investments in employee development, succession planning, and organizational capacity to ensure the District maintains the expertise necessary to deliver safe and reliable water service well into the future.

Organizational Risks

The District considers a range of system-wide financial and operational risks as part of its annual budget development and long-term planning process.

Challenge	Description	Mitigation in FY 2027	Risk Level
Reimbursement Timing	ASADRA and FEMA reimbursements ($15.9M) lag cash outlays.	Revolving line of credit bridges the gap; reserves maintained.	**Moderate**
Water Cost Volatility	$15.2M Contracted Water Supply Costs is the most volatile expenditure category.	Local storage, water use efficiency & conservation, transferring or selling surplus SWP supplies.	**Moderate**
Capital Project Delivery	Large CIP requires schedule and contractor performance.	CIP prioritization; active project management; pay-app review.	Moderate

The FY 2027 Budget reflects a deliberate balance between meeting current operational demands and preparing for long-term challenges. Through strategic investment, prudent financial management, and continued stewardship of public resources, the District remains well-positioned to deliver reliable, high-quality water service while maintaining the trust and confidence of the communities it serves.

STRATEGIC BUDGET OVERVIEW

The FY 2027 Budget strategically allocates resources toward water supply reliability, critical infrastructure rehabilitation, seismic resiliency improvements, emergency preparedness, technology modernization, and workforce development. These investments are essential to maintaining reliable service levels while reducing long-term operational and financial risk.

At the center of this budget is a commitment to community value. Every dollar collected from ratepayers is directed toward delivering safe drinking water, maintaining emergency response capabilities, protecting water quality, replacing aging infrastructure, and ensuring the District remains resilient during droughts, natural disasters, and supply disruptions.

The District's financial strategy emphasizes disciplined reserve management, long-term capital planning, prudent debt utilization, and operational efficiency. Multi-year forecasting and scenario planning were incorporated into the FY 2027 budget process to evaluate the impacts of variable weather, inflationary pressures, and timing and cost of infrastructure maintenance and replacement.

The FY 2027 Budget also reflects the District's commitment to transparency and public engagement. Budget workshops, public meetings, Board discussions, and community outreach efforts helped shape budget priorities and ensure alignment with community expectations and long-term service needs.

FISCAL YEAR 2026 HIGHLIGHTS

Water Supply Reliability and Hydrologic Conditions

- Favorable hydrologic conditions following two consecutive wet winters, including significant atmospheric river events in November and December 2025, resulted in full reservoir conditions and spill events in both local and regional storage systems, including Jameson Reservoir and Lake Cachuma.
- Despite drier conditions after January, cumulative Water Year 2026 precipitation remained above the long-term average, supporting strong watershed response and system recharge conditions.
- Overall District water use remained approximately 6 percent below planned projections due to effective demand management and favorable hydrology.
- The District's three-year water supply outlook indicated adequate water to meet projected demand through FY 2029 under current assumptions, without anticipated shortages or reliance on imported State Water Project water.
- Completed the 2025 Urban Water Management Plan, supporting long-term water supply planning.

Water Quality and Regulatory Compliance

- Continued compliance with all Federal and State drinking water standards under the Safe Drinking Water Act and California State Water Resources Control Board requirements.
- Preparation and distribution of the Annual Drinking Water Quality Report (Consumer Confidence Report), confirming that District water quality met or exceeded all applicable regulatory standards throughout the reporting period.
- Ongoing monitoring, treatment, and operational controls ensured protection of public health and maintenance of high water quality standards.

Water Supply Management and Diversification

- Continued implementation of the Water Management Program Agreement, including the transfer of 1,000 AF of surplus State Water Project (SWP) Table A water to Homer LLC, generating $616,680 in revenue.
- Expanded participation in the Semitropic Groundwater Banking and Exchange Program, increasing stored supplies to approximately 5,802 acre-feet.
- Continued evaluation of long-term SWP Table A entitlement management strategies to reduce costs, mitigate risk, and support local water supply reliability investments.

Capital Improvement and Infrastructure Investment

- Completion of approximately $1.8 million in capital improvement projects supporting system reliability and infrastructure renewal.
- Initiation of the ASADRA Reservoir Seismic Retrofit and Replacement Program, a multi-year effort to retrofit or replace eight District reservoirs through 2031.
- Advancement of pipeline design and replacement planning in accordance with the 2024 Asset Management Plan.

Resilience, Wildfire Protection, and Emergency Preparedness

- Implementation of wildfire hardening measures across District facilities, including installation of fire hydrants at critical locations, vegetation management, and structural hardening improvements.
- Completion of a wildfire resilience analysis in coordination with the Montecito Fire Protection District to evaluate system performance under extreme fire conditions.
- Completion of the 2025 Urban Water Management Plan.
- Completion of the five-year update to the District's America's Water Infrastructure Act (AWIA) Risk and Resilience Assessment.

Environmental Stewardship and Community Partnerships

- Completion of a water-efficiency demonstration garden in partnership with Lotusland and the Montecito Community Foundation, supporting public education and long-term conservation goals.
- Continued implementation of water use efficiency programs, including customer engagement on water budgets and rebate programs promoting permanent water savings.

Financial Performance and Recognition

- Receipt of the Government Finance Officers Association (GFOA) Distinguished Budget Presentation Award for the FY 2026 budget document, marking the fourth consecutive year of recognition.
- Completion of the FY 2025 Annual Comprehensive Financial Report with an unmodified audit opinion issued by Nigro & Nigro, PC, confirming conformity with GAAP and strong internal financial controls.
- Standard & Poor's Global Ratings upgrade of the District's 2020A Water Revenue Refunding Bonds from 'A+' to 'AA-', reflecting strengthened water supply resiliency and financial stability.

FY 2027 BUDGET FRAMEWORK

The FY 2027 Budget reflects the District's commitment to providing reliable water service, strengthening infrastructure resilience, and maintaining long-term financial stability while addressing inflationary pressures and significant capital investment requirements.

Total revenue is budgeted at **$29.8 million**, an increase of **9.3%** over the FY 2026 year-end estimate. Water sales revenue is projected at approximately $27.8 million (about 93% of total operating revenue). reflecting the **5.75% water rate adjustment** effective July 1, 2026, pursuant to Resolution No. 2286 and the District's 2024 Water Rate Study.

Operating expenditures are budgeted at **$27.1 million**, approximately **9% higher** than both the FY 2026 adopted budget and projected year-end results. The increase reflects higher costs for electricity, treatment chemicals, fuel, labor, insurance, and other essential operating expenses.

The FY 2027 Capital Improvement Program includes **$22.3 million** in planned capital investments focused on water reliability, seismic resiliency, emergency storage, and renewal of aging infrastructure. After anticipated **ASADRA financing and FEMA reimbursements totaling $15.9 million**, the net District-funded capital investment is **$6.38 million**, consistent with the District's 10-Year Capital Improvement Plan and 2024 Asset Management Plan.

Debt service is budgeted at **$1.92 million**, a decrease from **$1.9 million** in FY 2026. The projected debt service coverage ratio of **1.44x** remains comfortably above the **1.25x bond covenant requirement**, preserving financial flexibility and credit strength.

The budget fully funds the District's Board-committed operating reserves at their minimum required level of **$6.3 million** and supports continued progress toward key organizational objectives, including water reliability, drought resilience, infrastructure renewal, seismic preparedness, cybersecurity, workforce development, regulatory compliance, and long-term financial sustainability.

FY 2027 BUDGET PRIORITIES

The FY 2027 Budget is guided by the following priorities:

- Protect water reliability and emergency response capability
- Advance drought and climate resilience initiatives
- Rehabilitate and replace aging infrastructure
- Improve seismic resiliency and water storage capacity
- Preserve long-term financial sustainability and reserve adequacy
- Strengthen cybersecurity and operational technology systems
- Enhance customer communication and public transparency
- Support workforce retention, recruitment, and succession planning
- Maintain regulatory compliance and water quality protection

FINANCIAL STRATEGIES SUPPORTING THE FY 2027 BUDGET

ECONOMIC CONDITIONS

The District's service area encompasses the unincorporated communities of Montecito and Summerland, together with portions of Toro Canyon and the eastern edge of the City of Santa Barbara. It is one of California's most affluent residential areas, characterized by high household incomes, exceptional property values, and a low-density, residential land-use pattern. This economic profile gives the District a stable and creditworthy ratepayer base, while also shaping its cost structure: a high-cost coastal region where imported-water costs, construction inflation, wildfire-related expenses, and competition for skilled labor exert continuous upward pressure on the budget. Purchased water alone represents roughly 57% of operating expenses, making imported-water cost trends the dominant external economic factor in the District's financial outlook.

Community economic profile. Drawing on U.S. Census Bureau American Community Survey data for the Montecito Census-Designated Place, the community reports a median household income of approximately $231,005 — more than double the California and Santa Barbara County medians — and a per-capita income of roughly $135,431. Educational attainment is exceptionally high, with about 75% of adults holding a bachelor's degree or higher. The homeownership rate is approximately 75.8%, the median age is about 50, and households average 2.29 persons. Roughly 8% of residents fall below the poverty line. These indicators describe a high-wealth, established community with substantial capacity to support the cost of reliable water service.

Housing market and property values. The District's property base is among the most valuable in the state. As of early 2026, the average Montecito home value was approximately $4.7 million (Zillow Home Value Index), with median sale prices closer to $5.7 million (Redfin). After several years of volatility, values had softened modestly — down roughly 5–7% year-over-year — reflecting a normalization of the luxury market rather than a structural decline. Inventory remains limited by geography, zoning, and California Coastal Commission oversight, while demand from affluent buyers — including wealth migration from Los Angeles, the Bay Area, and out of state — keeps the market resilient. Because Montecito functions largely as a wealth-preservation market, property demand and the District's underlying tax base are relatively insulated from interest-rate cycles and short-term price movements.

Regional economic context. The service area sits within the broader Santa Barbara County economy, which remained moderately healthy through 2025. County unemployment was approximately 4.8% at the end of 2025 — between the national and statewide rates — before edging up in early 2026 amid seasonal farm-sector declines. Total county employment grew about 1.7% in 2025 to roughly 215,000 jobs, led by government, agriculture, health care, and the leisure-and-hospitality sector that supports the region's tourism economy. While Montecito's residents are largely insulated from local wage cycles, the District competes for skilled operators and technical staff within this regional labor market, where housing costs and limited workforce housing continue to constrain recruitment.

Construction and infrastructure cost inflation. Skilled-labor shortages, elevated material prices, interest-rate-driven financing costs, and lengthy permitting timelines keep construction costs high across Santa Barbara County. For public agencies, this translates directly into higher capital-improvement costs and slower project delivery — a factor reflected in the District's capital program and in the gross cost of the ASADRA and FEMA projects.

Utility and climate-resilience costs. California utilities are increasing spending on wildfire mitigation and grid resilience, contributing to higher utility bills statewide. In Montecito these pressures intersect with water-reliability concerns, emergency-power investment, fire-resilience infrastructure, and watershed and vegetation management — costs that ultimately reach ratepayers, including those of the District.

Wildfire, insurance, and climate costs. Wildfire exposure is among the most significant economic pressures in the region. Insurance premiums across California's coastal and foothill communities have risen sharply, and some carriers have reduced coverage availability in wildfire-prone zones — raising homeowner carrying costs, increasing rebuilding expenses, and affecting real-estate transactions. For the District, these same climate pressures translate into higher costs for emergency preparedness, fire-resilience infrastructure, and the seismic and disaster-recovery work funded through the ASADRA and FEMA capital programs. Statewide wildfire-recovery activity also drives up construction labor and material costs.

Implications for the District. The service area's economic strength supports a stable, creditworthy revenue base and gives the District meaningful capacity to fund infrastructure

investment and maintain reserves — factors reflected in its AA- credit rating. At the same time, the same high-cost environment, climate exposure, and competitive labor market drive structural cost pressures that the FY 2027 budget is designed to manage through rate adequacy, reserve discipline, grant and reimbursement funding, and cost containment.

Sources: U.S. Census Bureau / American Community Survey 2024 (Montecito CDP); Zillow Home Value Index and Redfin market data (March 2026); UCSB Economic Forecast Project and California Employment Development Department (Santa Barbara County, 2025); California Department of Insurance wildfire-insurance resources; and Santa Barbara County economic-outlook reporting.

KEY ACTIONS PLANNED FOR FY 2027

FY 2027 Key Actions Planned

Planned actions and initiatives by department for Fiscal Year 2027 (July 1, 2026 – June 30, 2027).

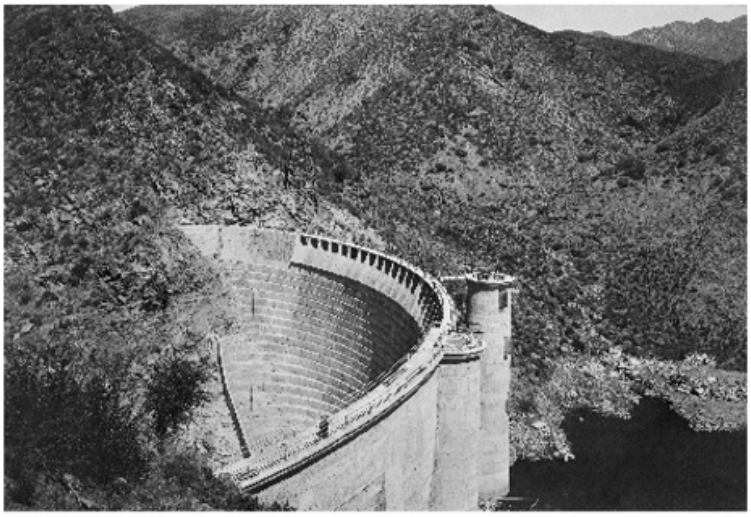
Department / Key Action	Category
511 — Jameson Lake	
✓ Operate and maintain Jameson Lake and Juncal Dam in full regulatory compliance	Operations
✓ Complete scheduled dam-safety inspections and facility maintenance projects	Infrastructure
✓ Maximize use of local surface-water storage to offset supplemental purchases	Water Supply
✓ Rehabilitation of a 36-inch emergency release valve at Juncal Dam which contains Jameson I	
531 — Treatment Operations	
✓ Meet all state and federal drinking-water quality standards	Compliance
✓ Complete Bella Vista pH-adjustment (acid addition) and Doulton softening projects	Capital
✓ Maintain reliable plant operations and water-quality monitoring	Operations
✓ Support Consumer Confidence Report and SWRCB reporting	Compliance
541 — Transmission & Distribution	
✓ Replace ~5,800 ft of aging mains (East Valley / Ladera / Lambert)	Capital
✓ Reduce water loss and main breaks through proactive repair	Operations
✓ Support fire-hydrant replacements and US 101 casing installations	Capital
✓ Maintain reliable service across 114 miles of pipeline and nine reservoirs	Operations
550 — Metering / Customer Service	
✓ Deliver accurate, timely meter reading and billing	Operations
✓ Advance meter-replacement and metering-technology improvements	Capital
✓ Provide responsive customer service and support	Customer Service
✓ Continue to advance Smart Meters real time customer water usage and leak detection	Customer Service
561 — Fleet & Equipment	
✓ Execute the FY 2027 fleet-replacement plan (five service trucks)	Capital
✓ Maintain a safe, reliable vehicle and equipment fleet	Operations
✓ Support field operations across all departments	Operations
563 — Engineering	
✓ Advance the ASADRA reservoir seismic program (Park Lane, Terminal, Bella Vista)	Capital
✓ Deliver FEMA-funded Alder Creek Flume and Highline repair projects	Capital
✓ Complete Highline Replacement Phase 1 design	Capital
✓ Maintain asset-management program and grant compliance (2 CFR Part 200)	Compliance
✓ Replacing 1.1 miles of 100 year old water mains	Capital
✓ Completion of arc flash safety reviews	Compliance
✓ Replacement of a critical diesel backup power generator	Capital
✓ $150k for the Carp ASR program investigation	Operations
✓ District wide pressure and water quality monitoring	Operations
✓ Update of the Emergency Response Plan (ERP)	Operations
✓ $40k for ongoing wildfire hardening projects	Operations
✓ Replacement of dry-barrel fire hydrants with new wet barrel hydrants and replacement of aging pressu	Operations
✓ Transfer of 900-acre feet of surplus 2025 SWP Table A allocation to Homer LLC pursuant to	Operations
✓ Implementation of various improvements to harden District facilities against wildfire.	Operations
✓ Preparation of the 5-year update of the District's Emergency Response Plan.	Operations

568 — Public Information & Conservation	
✓ Implement water-use-efficiency programs and conservation initiatives	Conservation
✓ Advance community outreach and the Lotusland demonstration garden	Outreach
✓ Support drought messaging and customer water-use education	Outreach
✓ Continued customer conservation rebate program	Conservation

565 — Administration	
✓ Maintain the District's credit rating and 1.44x debt-service coverage	Financial
✓ Complete the FY 2027 budget and pursue the GFOA Distinguished Budget Award	Financial
✓ File the Continuing Disclosure Annual Report on EMMA	Compliance
✓ Manage ASADRA / FEMA reimbursement draws and grant accounting	Financial
✓ Support Board governance and transparent reporting across all funds	Governance
✓ Maintain 2 CFR Part 200 compliance across all grant-funded programs	Financial
✓ Maintain debt-service coverage at or above 1.44x and preserve the District's credit rating	Financial
✓ Manage ASADRA and FEMA reimbursement draws to minimize cash-flow carrying cost	Financial
✓ Improve financial-reporting workflows and the monthly Finance Committee packet process	Financial
566 — Governing Board	
✓ Adopt a balanced FY 2027 budget and maintain reserve and rate policies	Governance
✓ Provide policy direction and fiscal oversight	Governance
✓ Represent the community's interests in District governance	Governance

SECTION 4: ABOUT THE DISTRICT

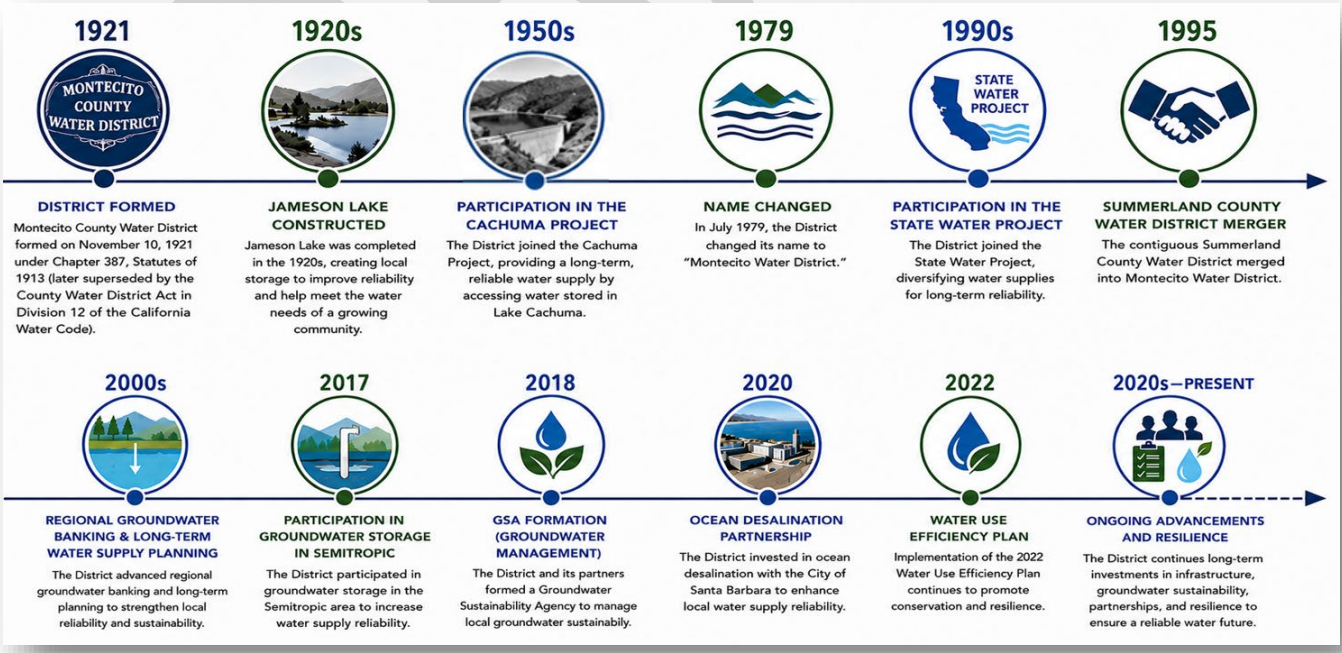
HISTORY



Juncal Dam at Jameson Lake

For over a century, the Montecito Water District has reliably delivered water that meets the highest standards while striving to be a good steward of water resources, the environment, and customer relationships. The District was formed in 1921 to address the challenge of providing sufficient water to a growing community in a semi-arid region. It was incorporated on November 10, 1921 as the Montecito County Water District under Chapter 387, Statutes of 1913, later superseded by the County Water District Act in Division 12 of the California Water Code. The District changed its name to "Montecito Water District" in July 1979, and in 1995 the contiguous Summerland County Water District merged into it.

The District's most noteworthy accomplishments include the creation of Jameson Lake in the 1920s, participation in the Cachuma Project in the 1950s, participation in the State Water Project in the 1990s, and investment in ocean desalination with the City of Santa Barbara in



2020. More recent advancements include regional groundwater banking, the 50-year Water Supply Agreement with the City of Santa Barbara, establishment of a Groundwater Sustainability Agency and its Groundwater Sustainability Plan, an extensive infrastructure replacement program, and continued implementation of the 2022 Water Use Efficiency Plan.

GOVERNANCE

The District is an independent special district — a local, nonprofit government agency — organized and existing under the County Water District Act (Division 12 of the California Water Code). It is governed by a five-member Board of Directors elected to four-year terms by registered voters residing within the District's service-area boundary.

Brian Goebel, President	Cori Hayman, Vice President	Ken Coates, Director	Tobe Plough, Director	Floyd E. Wicks, Director
Term Expires: 12/2026	Term Expires: 12/2026	Term Expires: 12/2026	Term Expires: 12/2028	Term Expires: 12/2028

Public elections are held every two years with staggered terms to ensure continuity, and terms begin and end in December. The Board is responsible for setting District policy, including water-supply policy, financial planning, infrastructure investment, and the adoption of water fees, rates, and charges. All Board meetings are open to the public and conducted in accordance with the Ralph M. Brown Act. Pursuant to Water Code Sections 30540, 30580, and 30581, management of the District is delegated to the General Manager, who reports directly to the Board. The General Counsel and the District's independent auditors also report directly to the Board to preserve oversight and accountability. In addition to its role as a retail water provider, the District serves as the Montecito Groundwater Basin Groundwater Sustainability Agency (GSA). In this capacity, the District is responsible for the sustainable management and long-term protection of the Montecito Groundwater Basin in accordance with the Sustainable Groundwater Management Act (SGMA), ensuring the continued reliability and health of this critical local water resource for future generations.

ORGANIZATIONAL STRUCTURE

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

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

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

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

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

Management oversees a staff of 28 full-time employees, including engineers, certified water treatment and distribution system operators, water conservation experts, and communications, finance, and administrative staff.

Nick Turner
General Manager & Board Secretary

Adam Kanold
Assistant General Manager & Engineering

Emma Godinez
Business Manager

Chad Hurshman
Superintendent Treatment & Production

Richie Romero
Superintendent Distribution

The District's 28 full-time positions are organized under the General Manager across three operating divisions and an engineering/specialist group reporting through the Assistant General Manager. The Board of Directors sets policy and is supported by Legal Counsel.


Board of Directors
Legal Counsel
General Manager
Assistant General / Engineering Manager
Public Info Officer
Admin / Human Resources Assistant
Business Manager
Groundwater Specialist
Water Conservation Specialist
Assistant Engineer
Treatment and Production Superintendent
Treatment Chief Operator
Treatment Plant Operator
Treatment Operator / Doulton Treatment Plant Caretaker
Control Systems Tech/ Treatment Operator
Dam Caretaker
Distribution Superintendent
Distribution Chief Operator IV
Distribution Operator III / Office Residence Caretaker
Distribution Operator III
Distribution Operator II
Distribution Operator I
Mechanic/ Disribution Operator I
Financial Analyst / IT Specialist
Sr. Office Tech / Staff Accountant
Office Tech II

STAFFING AND PERSONNEL

Position Summary Schedule, Personnel Expense Summary, and supporting narrative

Position Summary Schedule (Authorized FTE)

The District has maintained a stable authorized staffing level across the four most recent fiscal years. The FY 2027 Budget continues this structure of 27 District (Fund 01) full-time-equivalent (FTE) positions, reflecting the District's lean operating model and its reliance on deep employee tenure rather than headcount growth to meet rising operational demands. A separate position is funded by the Montecito Groundwater Sustainability Agency (Fund 02) under a cost-share agreement, as described below.

Department	FY 2024	FY 2025	FY 2026	FY 2027 Adopted
MONTECITO WATER DISTRICT — FUND 01				
Transmission & Distribution	8	8	8	8
Treatment Operations	6	6	6	6
Administration (exec, finance, support)	6	6	6	6
Engineering	3	3	3	3
Meter Reading / Customer Service	2	2	2	2
Conservation	1	1	1	1
Public Information	1	1	1	1
Subtotal — District Authorized Positions (Fund 01)	**27**	**27**	**27**	**27**
MONTECITO GSA — FUND 02 (Cost-Share Agreement)				
Groundwater Specialist (GSA-funded)	*1*	*1*	*1*	*1*
Total Personnel Managing Both Agencies	**28**	**28**	**28**	**28**

The Montecito Groundwater Sustainability Agency (GSA) is a separate agency governed by the same Board of Directors and operated by District staff. The Groundwater Specialist is budgeted and paid directly by the GSA in Fund 02 and is not a District (Fund 01) position. Under a cost-share agreement, the GSA also reimburses the District for an allocated share of management and Board time devoted to GSA activities; the FY 2027 reimbursement to Fund 01 totals $427,758. Field operations for Jameson Lake (Dept 511) and Fleet (Dept 561) are performed by Transmission & Distribution and Treatment Operations crews; those budget departments carry operating costs but no separately authorized positions. The Governing Board comprises five elected Directors (not FTE). The seasonal three-intern program supplements staff on a temporary basis and is not part of authorized FTE.

Compensation & Benefits Framework

Compensation Philosophy

The District sets salary ranges to remain competitive for licensed water operators and skilled technical staff in the Santa Barbara labor market, where competition for qualified personnel is intense. Ranges are established through the District's classification and salary schedule and are adjusted annually; the FY 2027 Budget incorporates a 5.75% market salary adjustment consistent with the District's multi-year compensation plan. The District's low turnover and average full-time tenure of approximately 11 years reflect the effectiveness of this approach.

Benefit Cost Drivers

Personnel cost growth is shaped by several benefit factors beyond base salary. The District participates in the CalPERS defined-benefit pension system, which carries both a normal employer contribution and an unfunded accrued liability (UAAL) payment that is billed as an annual lump sum. Medical premiums are budgeted with a 6% trend, and the District funds other post-employment benefits (OPEB) within the Administration department. Workers' compensation, employer payroll

taxes, and a leave-accrual factor are applied to each position. Field departments additionally budget overtime and standby pay to maintain 24-hour system coverage, which accounts for much of the above-average FY 2027 increase in Treatment Operations and Transmission & Distribution.

Montecito GSA — Cost-Share Agreement (Fund 02)

Personnel Expense Summary by Department

Total personnel cost — salaries and wages plus all benefits (vacation/leave accrual, CalPERS pension and unfunded liability, employer payroll taxes, workers' compensation, medical and disability, overtime/standby, and OPEB) — is summarized by department below. Personnel cost rises 13.0% in FY 2027, driven primarily by the 5.75% market salary adjustment, higher CalPERS and medical rates, and increased overtime/standby coverage in the field departments.

Department (Total Compensation)	FY 2026 YE	FY 2027 Adopted	% Chg
Transmission & Distribution	1,677	1,919	+14.4%
Treatment Operations	1,446	1,658	+14.6%
Administration	1,114	1,302	+16.9%
Engineering	704	761	+8.1%
Meter Reading / Customer Service	391	411	+5.2%
Fleet	208	232	+11.5%
Public Information	185	194	+5.1%
Conservation	157	174	+11.1%
Jameson Lake	150	165	+10.0%
Governing Board	32	36	+10.3%
Total Personnel Expense	**6,063**	**6,851**	**+13.0%**

Compensation by department per the FY 2027 proforma personnel sub-objects (account codes -101 through -111). The Groundwater Specialist is funded directly by the Montecito GSA in Fund 02 and is not included in Fund 01 departmental totals above; the GSA also reimburses Fund 01 for allocated management and Board time under the cost-share agreement (see below).

The Montecito Groundwater Sustainability Agency (GSA) is a separate public agency from the District, established pursuant to California's Sustainable Groundwater Management Act (SGMA). While the GSA is governed by the same Board of Directors and administered by District staff, it operates as an independent entity with its own budget and financial reporting requirements.

To ensure an equitable allocation of costs between the two agencies, the District and GSA maintain a cost-sharing agreement under which each entity bears its proportionate share of personnel and administrative expenses. The agreement consists of two components: (1) the Groundwater Specialist position, which is budgeted and paid directly by the GSA through Fund 02; and (2) an allocated share of management, administrative, and governance costs associated with GSA activities, including time spent by the General Manager, Business Manager, Human Resources Assistant, Public Information Officer, Assistant General Manager/Engineering Manager, and Board of Directors.

These shared personnel and governance costs are initially recorded in the District's operating fund (Fund 01) and subsequently reimbursed by the GSA through an interfund transfer. This approach ensures that costs are assigned to the agency benefiting from the services while preventing any duplication of personnel expenses in the District's budget. For FY 2027, the GSA cost-share reimbursement to Fund 01 is budgeted at $427,758.

Workforce Stability & Succession

A quarter of full-time staff have 20 or more years of service, including both Superintendents (25 and 26 years). To manage the concentration of institutional knowledge among long-tenured employees, the District emphasizes cross-training, process documentation, mentorship, and the seasonal intern program as a recruitment pipeline for future technical positions. Professional-development funding is maintained within each department's training line.

Recruitment & Retention

Competition for licensed water operators and skilled technical staff in the Santa Barbara region is intense. The District's workforce is notably stable: average tenure among full-time staff is approximately 11 years, and seven employees have served 20 years or more. This longevity reflects the District's retention approach, which combines a CalPERS defined-benefit pension, comprehensive health benefits, and professional-development funding maintained within each department's training line.

Years of Service	Full-Time Employees	Share
20+ years	7	25%
15–19 years	1	4%
10–14 years	5	18%
5–9 years	7	25%
0–4 years	8	29%
TOTAL	**28**	**100%**

Distribution derived from the District's employee seniority roster as of April 21, 2026.

Succession Planning

A significant portion of the District's institutional knowledge resides with long-tenured employees: a quarter of full-time staff have 20 or more years of service, including both Superintendents (26 and 25 years) and several long-serving field and operations staff. As these employees approach retirement eligibility, the District is focused on cross-training staff, documenting critical processes, developing future leaders, and ensuring continuity of operations during retirements or transitions.

Role / Cohort	Tenure	Succession Consideration
Superintendents (2)	25–26 yrs	Highest institutional-knowledge concentration; cross-train and document procedures.
20+ year field/operations staff (5)	22–26 yrs	Phased knowledge transfer; develop mid-tenure staff into lead roles.

Knowledge Transfer

Experienced employees possess valuable technical and operational expertise developed over decades of service. To preserve and transfer that expertise, the District emphasizes mentorship opportunities, process documentation, standard operating procedures, and internal training programs — ensuring that operational know-how is captured and passed to newer staff before long-tenured employees retire.

Workforce Metrics

The District tracks workforce indicators that emphasize stability and capability rather than vacancy counts. Values derived from the District's headcount and the June, 2026 seniority roster are shown;

Workforce Indicator	Value
Employees	28
Board Directors	5
Total personnel	33
Average years of service (full-time)	~11.0 years

Training & Development

The District is committed to maintaining a skilled workforce capable of supporting increasingly complex regulatory, technological, and infrastructure requirements through professional certifications, continuing education, leadership development, and technical skills training. Professional training is funded across departments, including Treatment Operations ($11,451),

Engineering ($4,800), and Administration ($13,000) in FY 2027, and the three-intern program provides structured entry-level development and a recruitment pipeline for future technical positions.

Safety & Employee Well-Being

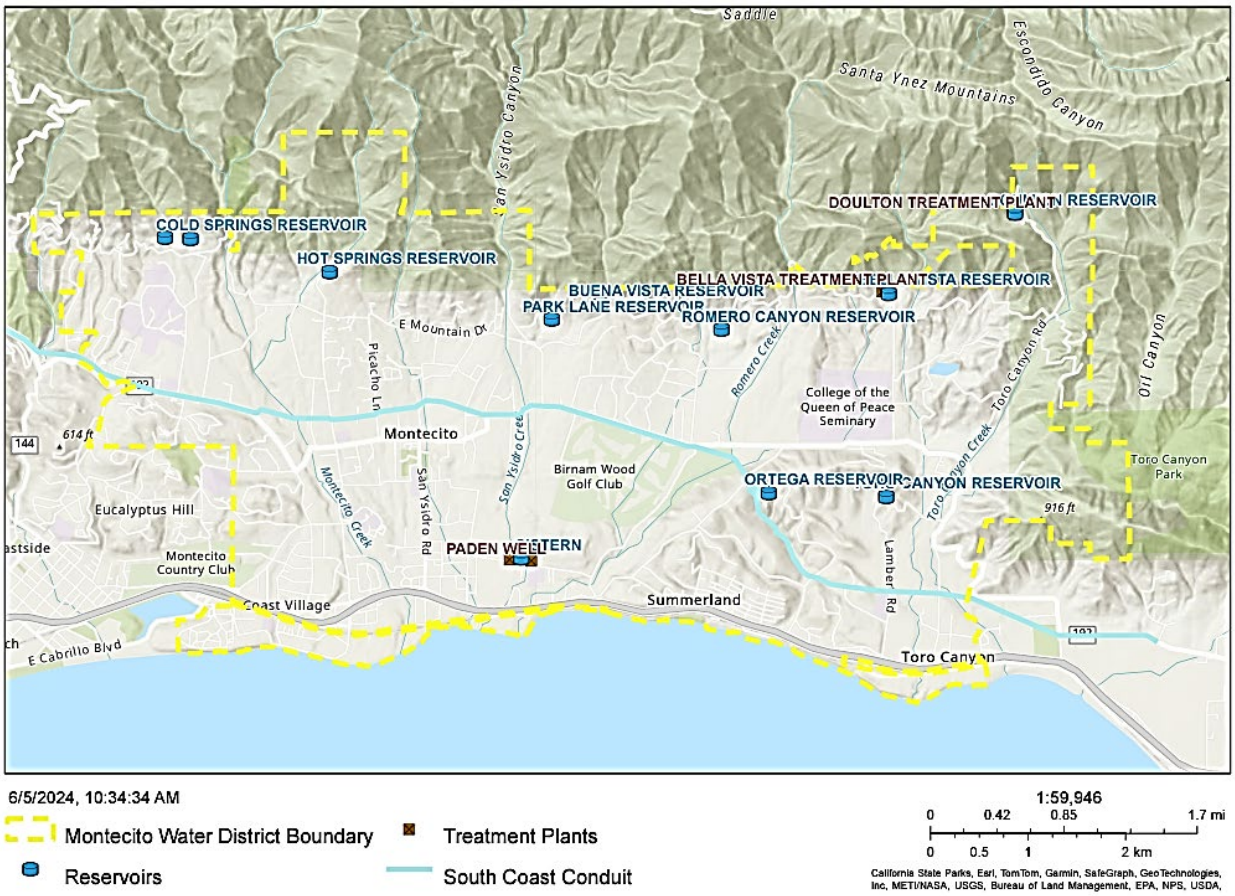
The District prioritizes employee safety and wellness through ongoing safety training, regulatory compliance programs, emergency-preparedness exercises, and risk-reduction initiatives.

Organizational Capacity

With 28 full-time employees spread across nine operating departments, the District operates lean, requiring each employee to maintain a high level of expertise. The deep tenure of its workforce — averaging about 11 years, with exceptionally low turnover — supports operational continuity, institutional knowledge, and high-quality customer service. The District's workforce strategy supports long-term organizational resilience by ensuring that staffing resources, knowledge, and leadership capacity remain aligned with future operational needs and strategic objectives. Professional-service partners supplement internal capacity: Nigro & Nigro PC (audit), Stradling Yocca Carlson & Rauth (bond counsel), and Fieldman Rolapp & Associates (financial advisory), along with contracted engineering support budgeted in Department 563.

SERVICE AREA

The District is located in the southern coastal portion of Santa Barbara County and provides service to approximately 9,888 acres (15.5 square miles), bounded by the Santa Ynez Mountains and the Pacific Ocean to the north and south and by the City of Santa Barbara and the Carpinteria Valley to the west and east. It serves the unincorporated communities of Montecito and Summerland, a small portion of the Carpinteria Valley, and a small portion of the City of Santa Barbara. The service area is primarily residential — estates on larger lots with expansive landscapes — with limited institutional and commercial uses and small areas of agriculture and open space.

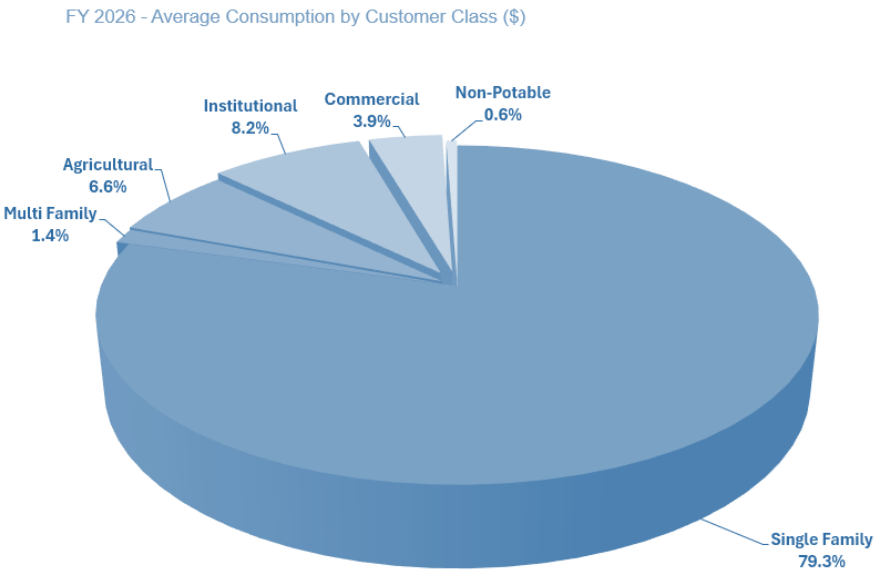


The local climate is generally characterized as Mediterranean coastal with mild, dry summers and cool winters. High temperatures average about 80 degrees while low temperatures rarely fall below 40 degrees. The area is semi-arid with average rainfall of approximately 19 inches per year, primarily occurring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

CUSTOMER DEMAND & CONSERVATION

Approximately 4,670 residential, commercial, institutional, and agricultural service connections are served by the District. About 93% of the District's total service connections are low density residential housing, with commercial/institutional and agriculture making up approximately 6% and 1% respectively. Water consumption or sales can vary significantly depending on annual rainfall and averages about 4,000 acre-feet per year. Water sales are based on the actual quantity of water delivered through a District issued water meter, measured in increments of one hundred cubic feet (HCF). One HCF equals 748 gallons.

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



Customer water use (sales) is highly dependent on several factors including weather, conservation, and economic conditions. For example, during the 2020-21 and 2021-22 winters, extreme drought conditions existed with approximately 48% and 63% of normal rainfall received, and water use increased to nearly 25% and 15% over budget, respectively. In comparison, during the 2022-23 and 2023-24 winters, between 150 to 200% of normal rainfall was received in Santa Barbara County, and water use dropped below budget by nearly 15%. During the winter of 2027, rainfall received locally was about 130% of average, with the majority of that rainfall occurring in November and December 2025. Rainfall in November and December 2025 reached historic amounts with 11.29 inches received

in November in Montecito (measured at the District office), and 16.94 inches in December at Jameson Lake. Below-average monthly rainfall persisted locally beginning in January.

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

With the institution of the District's conservation campaign over the last decade, including the development and implementation of its first Water Use Efficiency Plan (December 2022), much of the water use actions and efficiencies have become permanent such as drought tolerant landscaping and reduced waste from water leaks resulting in a reduction in overall water use District-wide. Since 2014, overall water has consistently been on average 40% under 2013 peak use. Among other actions, the Water Use Efficiency Plan instituted a water conservation rebate program that rewards water saving actions such as landscape conversations and use of efficient household appliances. The District's 2026 installation of a demonstration garden provides customers with actionable, real-world examples of water-efficient landscaping, empowering them to significantly reduce their household water use while maintaining beautiful, climate-appropriate yards. Additionally, the District's Advanced Metering Infrastructure Program and institution of Parcel Water Budgets provides customers with tools to help monitor and manage water use on individual properties to achieve efficient water use and avoid water waste.

WATER SYSTEM

District terrain is relatively steep, ranging from sea level to about 1,800 feet in the coastal foothills. The water system is primarily gravity-fed from a series of reservoirs across numerous pressure zones, controlled by pumps and pressure-regulating stations, with water delivered directly from Jameson Lake, Doulton Tunnel, and groundwater wells. Cachuma Project, State Water Project, supplemental water (if needed), and ocean-desalinated water from the City of Santa Barbara are delivered through turnouts along the Cachuma Project South Coast Conduit and then pumped to District storage reservoirs. Operations are organized into the budget's department structure, Departments 500 through 568.

The District's water supply treatment, storage and distribution system is comprised of two water treatment plants, Bella Vista and Doulton, nine potable water reservoirs totaling 11.56 million gallons (MG), over 114 miles of pipeline, 12 active groundwater wells, and 9 pump stations. All District water is treated by the District or the City of Santa Barbara to meet all federal and state drinking water standards. All water delivered from Lake Cachuma, whether SWP, supplemental, and/or Cachuma Project water, is treated at the City of Santa Barbara's regional Cater Water Treatment Plant and subsequently delivered to the District through nine metered turnouts on the South Coast Conduit.

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

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

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

WATER SUPPLY OUTLOOK

The District's 3-year water supply outlook remains favorable, particularly with the historic rainfall received during the first quarter of the water year, beginning October 1, 2025. The region experienced two atmospheric river storm events in November and December 2025 that brought significant rainfall locally. Historic rainfall in parts of Santa Barbara County, including the Santa Ynez River watershed, resulted in filling and spilling at Jameson Lake and the Cachuma Project in December 2025 for the third time in the last four years. These two water supplies are critical to the District's water security, providing over half of the District's water supply in most years. While northern California experienced less favorable hydrologic conditions this last winter, which supplies the State Water Project, the District does not project a need for these supplies near term.

Despite the severe weather swings that continue to impact water supply availability across the State, the District remains well positioned to respond. District actions over the past decade, such as the Water Supply Agreement (WSA) with the City of Santa Barbara for ocean desalination, local groundwater management for the Montecito Groundwater Basin, regional groundwater banking in Semitropic, and enhanced management of customer water use have significantly improved long-term water supply reliability. The WSA delivers approximately one-third of the District's annual water supply needs irrespective of rainfall. Additionally, the District has over 5,800-AF of water stored in Semitropic as of the end of FY 2026, which is about four years of maximum guaranteed recovery supply that is available for future use.

As of April 14, 2026, the US Drought Monitor indicates about 60% of the state, primarily in Northern California, has returned to drought conditions after being drought-free as recently as January 2026.

Santa Barbara County remains free of drought conditions. Local rainfall totals through April 2026 are approximately 130% of the normal-to-date average.

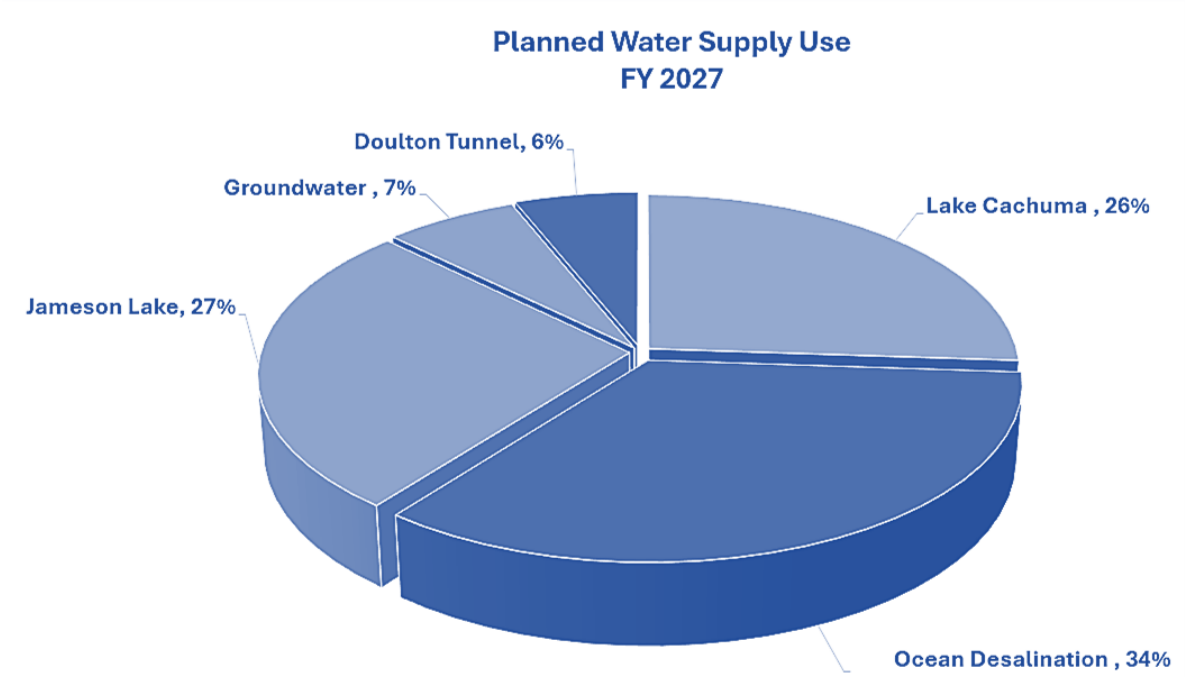
The District's water supply outlook indicates adequate water supply to meet projected customer demand through FY 2029 with no anticipated water shortages and no need for imported water. Water sales and production for FY 2027 are projected to be approximately 4,000 AF and 4,300 AF respectively, which is the 5-year rolling average. Sources of water supplies to be used to meet customer demands in FY 2027 are local, including the City of Santa Barbara (ocean desalination), Jameson Lake and Cachuma Project (surface water), and Doulton Tunnel and groundwater (groundwater).

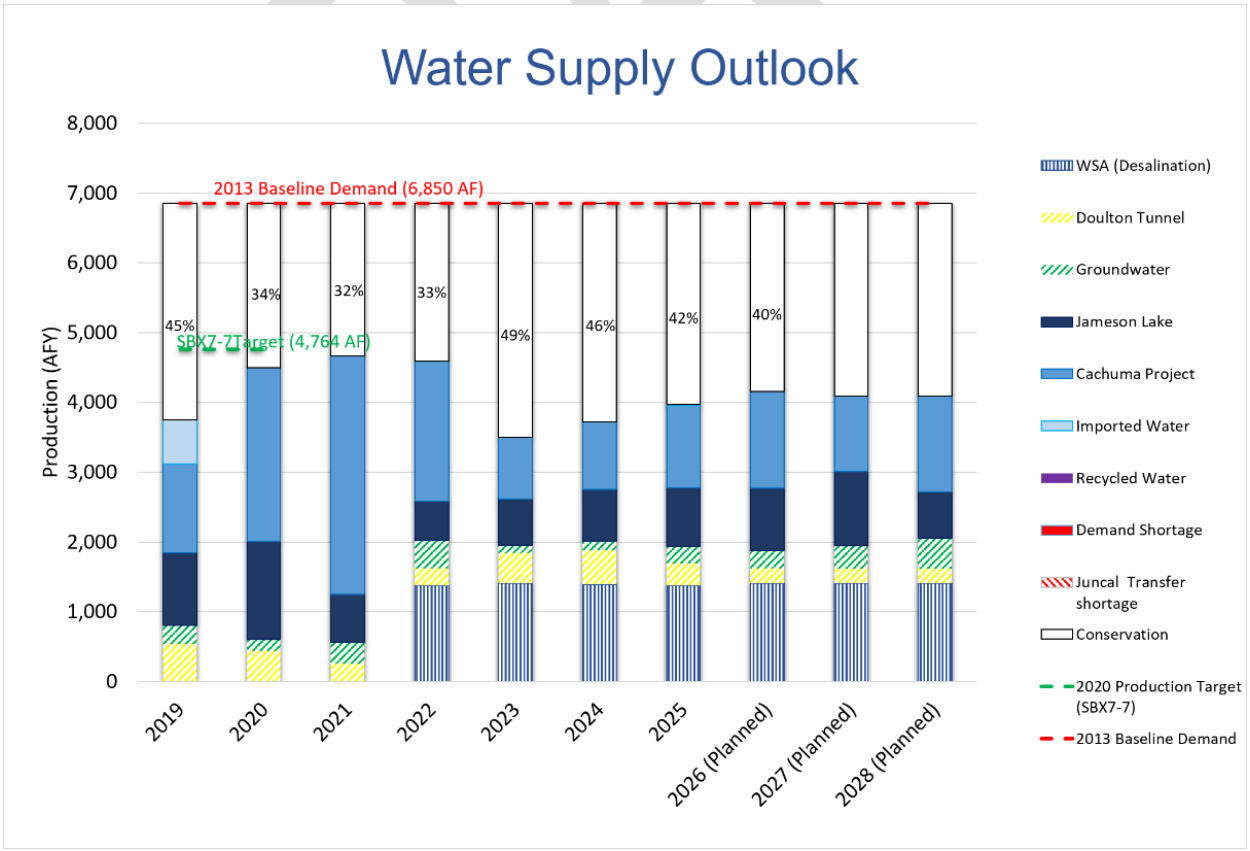
Despite favorable water supply outlook, efficient water use remains necessary to extend the availability of the District's limited surface water supplies and to bolster long-term water supply reliability. The District's ongoing water use efficiency related initiatives continue, including implementation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

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

Figure 0-1 shows the distribution of planned water use by source for FY 2027. Desalinated water is the greatest use at 34% of total supply followed by Lake Cachuma at 28% and Jameson Lake at 26%. It is notable that local water sources collectively account for 100% of the planned water supply use in FY 2027. Figure 0-1 also includes the District's latest Water Supply Outlook.

Figure 0-1: Planned Water Supply Use and Outlook





STRATEGIC PLANNING

PLANNING FOR THE FUTURE

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

- 2022 Water Use Efficiency Plan
- 2022 5-year Strategic Plan
- 2024 5-year Water Rate Study
- 2024 Asset Management Plan
- 2024 Climate Action and Adaptation Plan
- 2025 Future Demand and Water Supply Options Report
- 2025 Urban Water Management Plan & Water Shortage Contingency Plan

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

2022 5-YEAR STRATEGIC PLAN

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

The plan identifies strategic goals and objectives to be pursued over the next 5 years in support of the District's mission to provide an adequate and reliable supply of high-quality water to the residents of Montecito and Summerland, at the most reasonable cost. Through numerous public workshops, priorities, goals and specific initiatives were identified to address various anticipated future challenges including a projected water shortage, aging infrastructure/facilities and workforce, the need for employee development, impacts of water policy, efficient management of water supplies and implementation of water reuse.

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

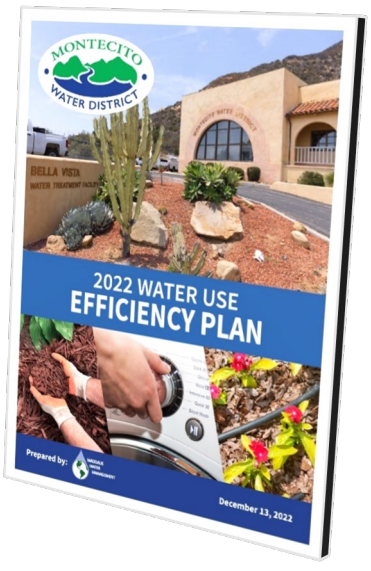
1. Bolster water supply reliability through additional diversification.
2. Enhance infrastructure dependability through enhanced replacement/rehabilitation.
3. Achieve operational excellence through improved planning and investment in qualified personnel.
4. Be included in the development of water policy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

Strategic Goals

Adopted Strategic Goals & FY 2027 Budget Linkage

Goal	Description	FY 2027 Budget Linkage
Water Supply Reliability	Bolster through diversification: (A) increase local reuse/recycling; (B) maximize groundwater banking; (C) manage demand via conservation partnership.	$15.2M purchased-water portfolio; ASADRA reservoir capital; conservation programs
Infrastructure Dependability	Enhance through replacement/rehabilitation: (A) prioritize distribution pipeline replacements; (B) ensure effective operating facilities.	$22.3M gross CIP; $11.56M reservoirs; $4.54M pipelines
Operational Excellence	Improve through planning and investment in qualified personnel: (A) succession planning; (B) continued employee development through training.	1.44x DSCR; $6.31M required reserves; department personnel & training budgets
Water Policy Inclusion	Represent the community's unique needs: (A) state advocacy on urban water-use limits; (B) county engagement on SWP transfers; (C) local special-district coordination.	Public outreach, GSA/regional coordination, and budget-transparency activities

2022 WATER USE EFFICIENCY PLAN



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

The District has historically taken steps to achieve water conservation such as performing free onsite water conservation audits, participating in the County of Santa Barbara's Regional Water Efficiency Program (RWEP), and performing public outreach. In 2022, the District took its management of customer water use to a new level with the development and implementation of a *Water Use Efficiency Plan*. This long-term plan targets changing the way customers view water use, consistent with the State's

goal of *Making Conservation a Way of Life*. The plan encompasses water use efficiency goals, forecasted budget spending for water use efficiency programs such as rebates, analyses of demand forecasts, and the identification of new actions and associated water savings. The plan supports the District's efforts to comply with the States UWUO regulations.

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

2024 WATER RATE STUDY

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

The study encompasses a five-year financial planning period from Fiscal Year (FY) 2025, to FY 2029 and five years of proposed rates for adoption beginning July 2024 and in July of every year thereafter. The proposed rates were adopted by the Board of Directors on June 25, 2024, and are provided in Figure . The complete *2024 Water Rate Study* is available on the District's website, www.montecitowater.com.

Figure X: Water Rates ($/HCF) Adopted June 2027

Water Usage Rate ($/HCF)	Monthly Tiers (HCF)	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Residential Tier 1	(0-9 HCF)	$6.09	$6.45	**$6.83**	$7.23	$7.65
Residential Tier 2	(10-35 HCF)	$13.01	$13.76	**$14.56**	$15.40	$16.29
Residential Tier 3	(35+ HCF)	$15.38	$16.27	**$17.21**	$18.20	$19.25
Commercial		$11.15	$11.80	**$12.48**	$13.20	$13.96
Institutional		$11.76	$12.44	**$13.16**	$13.92	$14.73
Agriculture		$5.46	$5.78	**$6.12**	$6.48	$6.86
Non-Potable		$2.00	$2.12	**$2.25**	$2.38	$2.52

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

The main objectives that informed the study include:

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

In preparation for the planned annual rate adjustments, the District engages Raftelis to prepare an updated financial plan to ensure the approved rate increases remain necessary. For FY 2027, the financial plan update was prepared by Raftelis in May 2026 and presented to the Board on May 19, 2026. The updated financial Plan demonstrated that the third annual rate increase of 5.75%, scheduled to become effective on July 1, 2026, is necessary to comply with debt coverage requirements, to maintain Board allocated reserves and to maintain cash on hand over a ten-year horizon.

2024 ASSET MANAGEMENT PLAN

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

The plan found the majority of District assets to be in good to excellent condition. For those assets in a poorer condition, the plan prioritizes projects and funding requirements to ensure the best use of District funds over the planning period. The plan calculates a 50-year average spending requirement of $5.1M per year. This spending requirement has been incorporated into the District's 10-year capital improvement program, *2024 Water Rate Study*, and this FY 2027 Budget.

2024 CLIMATE ACTION & ADAPTATION PLAN

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

2025 FUTURE DEMAND AND WATER SUPPLY OPTIONS REPORT

In early 2025, the District finalized the update of its Future Demand and Water Supply Options Report. This report is one of the District's long-range water supply planning tools, and projects future customer water demand and water supply availability by source over the next 20 years to evaluate whether water shortages may exist in the future. The report also considers various water supply strategies, such as participation in a local groundwater banking program and a permanent sale of a portion of the District's State Water Project allocation/conveyance capacity, to evaluate the impact of these actions on the District's long term water supply reliability and inform future decisions.

2025 URBAN WATER MANAGEMENT PLAN

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

Subsequent legislation has been passed that updates and provides for additional requirements for UWMPs and water management. Senate Bill X7-7 Water Conservation, known as 20x2020, required the State to achieve a 20% reduction in urban per capita water use by December 31, 2020. Senate Bill 606 and Assembly Bill 1668 establish a new framework for long-term improvements in urban water use efficiency and drought planning. Urban retail water suppliers are required to calculate an Urban Water Use Objective (UWUO), assess whether their actual water use met the UWUO, and report the

outcome and supporting information in their Annual Water Use Report to the DWR by January 1 of each year, beginning in 2024.

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

The District's 2025 UWMP, adopted June 23, 2026 demonstrates full compliance with the targeted reduction in per-capita (per-person) urban water consumption. The Plan anticipates a reliable source of supply to meet expected demands under various circumstances for the foreseeable future. Under normal conditions, the District projects a need for approximately 4,800 acre-feet (AF) to meet expected demands in 2045. To meet this demand, the District has developed new reliable supplies, including an ocean desalinated water purchase agreement with the City of Santa Barbara and a contract for long-term water storage at Semitropic Groundwater Banking and Exchange Program (Semitropic). These newly obtained supplies have made the District less reliant on imported water and rainfall-dependent sources of supply.

The District anticipates full compliance with its newly mandated UWUO, which limits urban consumption for residential, commercial and institutional customer classes. The FY2024 Urban Water Use Objective (UWUO) for these categories of water use was 3,940 acre-feet. Actual District water use for these categories totaled 2,629 acre-feet, which was 1,311 acre-feet below the UWUO, demonstrating compliance with the State's urban water use efficiency requirements.

BUDGET OVERVIEW

BUDGET BASIS AND METHODOLOGY

The District develops its annual budget using an incremental budgeting approach informed by long-term financial planning. Existing programs, services, and operational requirements are evaluated annually, with adjustments made to reflect anticipated changes in revenues, expenditures, staffing, regulatory requirements, and strategic priorities.

Budget development is guided by multi-year financial forecasts, the adopted rate structure, reserve policies, debt obligations, and the Capital Improvement Program (CIP). Capital projects are prioritized based on infrastructure condition, regulatory compliance, risk mitigation, operational reliability, and service needs.

As an enterprise fund, the District prepares its budget using the full-accrual basis of accounting, recognizing revenues when earned and expenses when incurred. Using the same accounting basis for both budgeting and financial reporting promotes consistency, transparency, and informed financial decision-making.

Enterprise Fund Structure

The District operates as a single enterprise fund. Under this structure, the costs of providing water service including operations, maintenance, capital improvements, debt service, and reserve funding are primarily recovered through customer rates, charges, and other service-related revenues.

The enterprise fund model is designed to be self-supporting, ensuring that the costs of service are funded by those who benefit from the District's water system rather than through general taxation. This framework supports long-term financial sustainability, capital investment planning, reserve management, and fiscal accountability.

The District's annual budget is developed and monitored within this enterprise fund framework to ensure sufficient resources are available to support reliable operations, maintain critical infrastructure, enhance emergency preparedness, and meet future water supply needs.

BUDGET DEVELOPMENT PROCESS

The District's annual budget is developed through a collaborative and transparent process that incorporates departmental planning, long-range financial forecasting, public review, and Board oversight. The process is designed to ensure alignment with the District's strategic priorities, reserve policies, capital improvement program, and adopted rate structure.

BUDGET DEVELOPMENT TIMELINE (FY 2027)

Date / Period	Process Description
January – April	Staff develops departmental operating budgets, capital improvement program budgets, staffing plans, revenue projections, reserve funding requirements, and multi-year financial forecasts.
May 13, 2026	Proposed FY 2027 Budget presented to the Finance Committee for public review. The Committee evaluated budget assumptions, operating and capital expenditures, reserve levels, and financial projections, providing feedback and recommendations. The meeting was open to the public and no public comments were received.
May 19, 2026	Revised budget presented to the Board of Directors at a public meeting for review, policy discussion, and public input. Board direction was incorporated into the proposed budget. No public comments were received.
June 16, 2026	Finance Committee Budget Workshop conducted to review revisions, evaluate financial priorities, and confirm alignment with the District's

Date / Period	Process Description
	long-term financial plan and adopted policies. The meeting was open to the public and no public comments were received.
June 23, 2026	Final FY 2027 Budget presented to the Board of Directors for public consideration and adoption. Upon adoption, the budget authorizes operating expenditures, capital appropriations, reserve funding, and revenue assumptions for the fiscal year.

BUDGET INITIATION AND PLANNING

The budget process begins in mid–fiscal year with the development of assumptions and planning parameters. These include projected water demand, inflation factors, labor and benefit cost estimates, capital improvement needs, debt service obligations, and regulatory requirements.

District staff also incorporate long-range planning considerations such as infrastructure renewal, emergency preparedness, water supply reliability, and reserve funding targets.

DEPARTMENTAL BUDGET DEVELOPMENT

Each department prepares its operating and capital budget requests, including:

- Staffing and personnel costs
- Operations and maintenance expenses
- Capital improvement project requests
- Equipment replacement and lifecycle needs
- Program-specific initiatives

Departmental submissions are reviewed by executive management to ensure alignment with District priorities and financial constraints.

EXECUTIVE REVIEW AND CONSOLIDATION

The Business Manager and General Manager review departmental submissions and consolidate them into a draft District-wide budget. This stage includes:

- Validation of revenue projections (water sales, property taxes, fees, and other income)
- Evaluation of operating versus capital funding needs
- Review of reserve contributions and policy compliance
- Assessment of rate impacts and long-term financial sustainability

Adjustments are made to align expenditures with projected revenues and Board-directed priorities.

COMMITTEE REVIEW

The draft budget is presented to the Finance Committee for detailed review of fiscal assumptions, reserve levels, capital planning alignment, rate implications, and cash flow considerations. Committee feedback is incorporated into subsequent revisions.

In addition, the Capital Improvement Program (CIP) budget was presented to the Operations and Customer Relations Committee on April 20, 2026, and resulting feedback was incorporated into the refined capital plan.

BOARD WORKSHOPS AND PUBLIC REVIEW

The revised budget is presented to the Board of Directors in one or more public workshops, providing an opportunity for:

- Detailed review of operating and capital budgets
- Discussion of strategic priorities and tradeoffs
- Public transparency and input
- Refinement of policy direction

All meetings are conducted in accordance with the Ralph M. Brown Act to ensure open access and accountability.

FINAL BUDGET ADOPTION

Following Board review and final revisions, the budget is formally adopted prior to the start of the fiscal year. The adopted budget establishes:

- Authorized expenditures by fund and program
- Approved Capital Improvement Program allocations
- Revenue requirements and rate assumptions
- Reserve contributions and financial policy compliance

BUDGET IMPLEMENTATION AND MONITORING

Following adoption, the budget is implemented by District staff and monitored throughout the year through:

- Monthly financial reporting
- Budget-to-actual variance analysis
- Quarterly updates to the Board and Finance Committee
- Mid-year forecasting and adjustments as needed

- Adjustments may be recommended to address changing conditions such as emergency expenditures, revenue fluctuations, or capital project timing shifts.

AUDIT AND YEAR-END REVIEW

At fiscal year-end, the District undergoes an independent financial audit. Results are presented to the Board and used to evaluate budget accuracy, internal controls, and overall financial performance. Findings are incorporated into subsequent budget cycles to strengthen planning, forecasting, and fiscal management.

PERFORMANCE MEASURES — FIVE-YEAR TREND

Key measures shown across five fiscal years with FY 2027 targets

The District reports the following priority measures over a five-year horizon to demonstrate trends in financial health, infrastructure investment, and water quality. Shaded cells require values from the District's records (FY 2023–FY 2024 actuals and operational metrics) to complete the trend before publication.

Financial Stewardship

Performance Measure	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027 Target
FINANCIAL HEALTH & STABILITY					
Reserve Funding Level (vs. policy min.)	—	—	—	—	≥ 100%
Operating Budget Variance	—	—	—	—	within ±5%
Revenue Forecast Accuracy	—	—	—	—	within ±3%
Collection Rate	—	—	—	—	≥ 98%

FY 2025 DSCR (~5.25x) reflects the pre-2020A debt-service structure and elevated one-time FY 2025 revenue; FY 2026 (1.22x) and the 1.44x FY 2027 budget reflect the current 2020A + Cater obligations. Operating ratios are computed from the adopted proforma (operating revenue ÷ operating expenditures). FY 2023–FY 2024 values and the cash/variance/collection metrics come from Tyler ERP year-end data.

Infrastructure Investment

Performance Measure	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027 Target
CAPITAL & SYSTEM RENEWAL					
Pipeline Replacement Rate (% of system/yr)	—	—	—	—	≥ 0.5%
Miles of Pipeline Replaced	—	—	—	—	set target
Planned Capital Delivered (expended ÷ budget)	—	—	—	—	≥ 85%
CIP Investment ($ millions)	—	—	—	—	$22.3M

FY 2027 CIP budget is $22.3M (gross), including $4.54M in pipeline replacement and $11.56M in ASADRA reservoir retrofits. Pipeline replacement rate requires total system pipeline mileage to compute; the District's asset register (per the 2024 Asset Management Plan) provides the denominator. A ~1%/yr replacement rate is the industry renewal benchmark; 0.5% is a reasonable interim target given the ASADRA-weighted FY 2027 program.

Water Quality & Compliance

Performance Measure	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027 Target
PUBLIC HEALTH & REGULATORY					
Drinking Water Standards Met	100%	100%	100%	100%	100%
Water Quality Violations (per year)	0	0	0	0	0
Health-Based Violations	0	0	0	0	0
Regulatory Reports Submitted On Time	—	—	—	—	100%

Drinking-water compliance reflects the District's record of meeting all state and federal maximum contaminant levels (MCLs) with no violations. Confirm the five-year run against the District's annual Consumer Confidence Reports before publication; the values shown assume the District's sustained full-compliance record.

Customer & Community

Performance Measure	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027 Target
SERVICE & ENGAGEMENT					
Billing Accuracy (bills without adjustment)	—	—	—	—	≥ 99%
Customer Service Response Time (within target)	—	—	—	—	≥ 95%
Conservation Program Participation (rebates/yr)	—	—	—	—	set target
Public Outreach Reach (notices, mtgs, mailings/yr)	—	—	—	—	set target

Customer measures support the District's public-outreach and conservation objectives. Billing accuracy and response time come from the utility billing (UB) module and customer-service logs; conservation participation from the rebate/water-budget program; outreach reach from the Public Information department's activity records. Set the FY 2027 targets the Board will track, then report actuals against them annually.

Workforce — Safety & Training

Performance Measure	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027 Target
SAFETY & PROFESSIONAL DEVELOPMENT					
OSHA Recordable Incidents (per year)	—	—	—	—	0
Lost-Time Injuries (per year)	—	—	—	—	0
Days Without Lost-Time Injury	—	—	—	—	increase
Safety Trainings / Tailgate Meetings Held	—	—	—	—	≥ 12/yr
Required Certifications Current (operators)	—	—	—	—	100%
Professional Training Hours per Employee	—	—	—	—	set target
Employee Satisfaction					

The District funds professional training across departments — including Treatment Operations ($11,451), Engineering ($4,800), and Administration ($13,000) in FY 2027 — supporting state-required water-treatment and distribution operator certifications. Safety performance (recordable and lost-time incidents, days without injury, tailgate/safety meetings) should be drawn from the District's injury-and-illness prevention program (IIPP) and workers' compensation records. Certification currency comes from the operator licensing roster. A zero-incident target reflects the District's safety-first commitment; the training-hours target can be set per the workforce-development objectives in the Strategic Plan.

BUDGET SUMMARY

The District adopts two distinct budgets. The Operating Budget funds day-to-day water utility operations and is balanced on recurring operating revenue (water sales, charges, and fees). The Capital Budget funds the multi-year capital improvement program and is financed primarily by external sources — ASADRA loan proceeds, FEMA reimbursements, and grants — supplemented by rate revenue and accumulated reserves. The two are presented separately below because they are funded on fundamentally different bases.

Operating Budget — Balanced on Operating Revenue

($ thousands)	FY 2025 Actual	FY 2026 YE Forecast	FY 2027 Adopted	% Chg YE–FY27
Operating & Non-Operating Revenue	31,878	27,301	29,842	9.3%
Operating Expenditures	22,813	24,867	27,089	8.9%
Debt Service	—	1,994	1,916	(3.9%)
Net Operating Income / (Deficit)	**9,065**	**440**	**836**	
Debt Service Coverage Ratio			**1.44x**	**≥1.25x**

The Operating Budget is structurally balanced: recurring revenue covers operating expenditures and debt service, producing net income of $0.84M in FY 2027 and debt service coverage of 1.44x, above the 1.25x covenant.

Capital Budget — Funded by Financing, Grants & Reserves

FY 2027 CAPITAL BUDGET	Amount	% of Total
Capital Funding Sources		
ASADRA Financing Proceeds	11,560	52%
FEMA Reimbursements	4,380	20%
Rate Revenue (incl. reserve draw)	6,385	29%
Total Capital Funding	**22,325**	**100%**
Capital Uses by Category		
Reservoirs (ASADRA)	11,560	52%
Pipelines	4,540	20%
Extraordinary Projects (FEMA)	4,380	20%
Pumping / Wells / Valves / Treatment	1,570	7%
Vehicles & Equipment	275	1%
Total Capital Program	**22,325**	**100%**

The Capital Budget is funded $15.94M (71%) from external sources — ASADRA financing $11.56M and FEMA reimbursements $4.38M — with the remaining $6.385M from rate revenue, which includes a planned draw on accumulated unrestricted reserves consistent with the adopted Reserve Policy (Reso 2327). Unlike the Operating Budget, the Capital Budget is not balanced on annual operating revenue; it deploys multi-year financing and reserves against multi-year assets.

Consolidated All-Funds Summary — FY 2027

CONSOLIDATED SOURCES & USES (ALL FUNDS)	FY 2027
Total Sources	
Operating & Non-Operating Revenue	29,842
ASADRA Financing Proceeds	11,560
FEMA Reimbursements	4,380
Draw on Unrestricted Reserves	5,549
Total Sources	**51,330**
Total Uses	
Operating Expenditures	27,089
Debt Service	1,916
Capital Improvement Program	22,325
Total Uses	**51,330**
Net Change in Fund Balance	**0**

The consolidated view ties the two budgets together. Total sources include $15.94M of external capital financing (ASADRA + FEMA) and a planned draw on accumulated unrestricted reserves; total uses include operating, debt service, and the full capital program. The reserve draw is the bridge between recurring revenue and total uses — the District is intentionally deploying reserves built up in prior years against the FY 2027 capital program, leaving the all-funds budget balanced.

OPERATING REVENUE BY SOURCE —THREE-YEAR COMPARISON

Operating Revenue Detail

($ thousands)	FY 2025 Actual	FY 2026 YE Forecast	FY 2027 Adopted	% Chg YE–FY27
Water Sales — Single Family	14,762	14,636	16,291	11.3%
Water Sales — Multi Family	253	270	302	11.7%
Water Sales — Commercial	1,189	1,207	1,246	3.2%
Water Sales — Institutional / Public	1,712	1,502	1,651	9.9%
Water Sales — Agricultural	744	690	727	5.3%
Water Sales — Non-Potable	113	114	122	7.9%
Water Sales — Construction / Other	86	43	45	5.7%
Water Sales — Surplus SWP	—	617	571	(7.3%)
Monthly Meter Charges	6,296	6,558	6,936	5.7%
Subtotal — Water Sales Revenue	**25,156**	**25,636**	**27,891**	**8.8%**
OTHER OPERATING REVENUE				
Late Charges	37	26	26	0.1%
Door Tag / Cutoff / Returned Check / After-Hours	13	14	15	5.8%
Private Fire Line Service Charge	288	304	352	15.6%
CWSA / Hydrant Flow Test Fees	56	60	60	0.0%
Service Connection Fees	118	57	60	5.0%
Capital Cost Recovery Fees	335	145	160	10.4%
Subtotal — Other Operating Revenue	**846**	**606**	**673**	**10.9%**
NON-OPERATING REVENUE				
Rent Revenue	51	96	100	4.3%
Interest Revenue	11	360	300	(16.7%)
Investment Gains / (Loss)	0	9	0	
Federal Reimbursements	3,495	75	0	
State Reimbursements	971	0	0	
Reimbursements (Other)	202	177	150	(15.4%)
FEMA Reimbursements	34	0	0	
Water Availability Charge	307	300	300	0.0%
Capital Grants & Reimbursements	477	0	0	
Other Income	11	37	0	
Gain — Sale of Assets	7	3	0	
Interest Revenue — General	194	0	0	
Investment Gains / (Loss) — General	114	0	0	
Subtotal — Non-Operating Revenue	**5,875**	**1,058**	**850**	**(19.7%)**
Fund 02 GSA Shared-Cost Transfer-In	0	0	428	
Total Revenue	**31,878**	**27,301**	**29,842**	**9.3%**

FY 2025 non-operating revenue is elevated by one-time disaster-recovery reimbursements (federal $3.50M, state $0.97M, FEMA $34K) and capital grants ($0.48M) that do not recur; excluding these, FY 2025 recurring revenue is comparable to FY 2027. Totals may not sum precisely due to independent rounding.

SECTION 5: OPERATING REVENUES

The District receives 98% of its Total Operating Revenues from customer Water Sales (73%), Surplus SWP water sales (2%) and Monthly Meter Charges (25%). Customer Water Sales, or consumption-based charges, are variable and based on the actual water delivered to each customer. Surplus SWP water sales are based on numerous factors including the District's water supply outlook and the SWP water availability, and are made pursuant to a Water Management Program Agreement with Homer LLC. Monthly Meter Charges are fixed and represent a percentage of each customer's portion of the District's fixed costs associated with operating and maintaining the water distribution system. Other sources of revenue include Private Fire Lines Charges, the Water Availability Charge, Interest Revenue and Connection & Capital Cost Recovery Fees from new connections.

Total Operating Revenue for FY 2027 is expected to increase by 6.5% over FY 2026, primarily a result of an increase in year over year customer Water Sales, and the approved and planned 5.75% annual increase in water rates and charges that become effective July 1, 2026.

Figure 2-1: Operating Revenue

Montecito Water District

FY 2027 Financial Proforma — Summary

Figures in $ thousands. FY 2027 Adopted per adopted budget; the % change column compares FY 2027 to FY 2026 YE Forecast.

($ thousands)	FY 2025 Actual	FY 2026 YE Forecast	FY 2027 Proposed	% Chg YE–FY 2027
REVENUES				
Water Sales (incl. Surplus SWP)	25,156	25,636	27,891	9%
Other Operating Revenue (fees, fire lines)	846	606	673	11%
Non-Operating Revenue (rent, interest, WAC)	5,875	1,058	850	-20%
Transfer In — GSA Shared Cost Reimb.			428	
Total Revenues	**31,878**	**27,301**	**29,842**	**9%**

WATER SALES

Revenue from water sales is a function of the total volume of water sold, the number of active service connections and the corresponding customer classifications, and water rates. The rates for each customer classification are based on the cost of providing service to each customer classification and the amount of water each customer uses. Water rates for residential customers, including single family and multifamily are tiered and fixed for all other customer classifications. Water Sales Revenue is projected to be approximately 73% of the District's Total Operating Revenue for FY 2027.

The third of five adopted and planned increases in water rates and charges of 5.75% becomes effective on July 1, 2026, consistent with Resolution No. 2286. On June 25, 2024, the Board of Directors adopted Resolution No. 2286 adopting water rates and charges based on the *2024 5-year Water Rate Study* prepared by Raftelis Financial Consultants, Inc., dated May 1, 2024. The study covers the period of FY 2025 through FY 2029 and plans a 9.0% increase in water rates for FY 2025, followed by 5.75% each fiscal year thereafter through FY 2029.

Figure 2-2: Water Usage Rates

Water Usage Rates ($/HCF) Customer Class / Tier	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Residential Tier 1 (0-9 HCF)	$6.09	$6.45	$6.83	$7.23	$7.65
Residential Tier 2 (10-35 HCF)	$13.01	$13.76	$14.56	$15.40	$16.29
Residential Tier 3 (35+ HCF)	$15.38	$16.27	$17.21	$18.20	$19.25
Commercial	$11.15	$11.80	$12.48	$13.20	$13.96
Institutional	$11.76	$12.44	$13.16	$13.92	$14.73
Agriculture	$5.46	$5.78	$6.12	$6.48	$6.86
Non-Potable	$2.00	$2.12	$2.25	$2.38	$2.52

Projected water sales or consumption for FY 2027 is 4,000 AF (or approx. 4,300 AF total production). The FY 2027 water sales projections are 5% higher than FY 2026 water sales forecast. Projections of water sales for FY 2027 were developed using a customer demand analysis of water use trends for the period of January 2021 through December 2025. The analysis considers five-year average water use by customer by water use tier, where applicable. The January 2021 through December 2025 period encompasses wet, dry, and average conditions. The District's demand projections are periodically updated with the latest data, but there is an inherent high degree of uncertainty due to weather fluctuations.

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

- *Weather Variability*: FY 2026 ended with below average rainfall totals, primarily attributable to the historic rainfall totals experienced in November and December 2025. . According to the US Drought Monitor, as of June 1,2026, about 60% of the State is experiencing abnormally dry conditions, but Santa Barbara County remains free of drought conditions. After having received about 130% of normal rainfall locally this past winter, demands are anticipated to be 5-10% under the FY 2026 budget. .
- *Conservation:* Common sense conservation actions remain in effect and efficient water use is essential. Enhanced water use efficiency remains a top priority to extend the longevity of the District's limited surface water supplies.

Water sales vary widely across customer classes and can vary significantly month to month depending upon weather conditions. Residential customers, which include single and multi-family residential customers, make up approximately 92% of the District's customer base and are responsible for about 80% of total water sales. Of this use, an estimated 80% is used for irrigation of landscapes with the remaining being indoor use, such as: showering, toilet flushing, clothes-washing, and dishwashing. As a result, water sales often increase significantly during warm and/or dry periods and decrease significantly during cooler and/or wet periods consistent with irrigation needs. Monthly water use can vary by about five times between summer and winter months. Additionally, water use in a particular month can vary by as much as four times depending upon rainfall conditions. This variability can make projecting customer water demand challenging.

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

Figure 2-3: Projected Consumption by Customer Classification

Class / Tier	FY 2027 Rate ($/HCF)	Acre-Feet	Revenue
Residential			
Tier 1 (0-9 HCF)	$6.83	918	$2,731,678
Tier 2 (10-35 HCF)	$14.56	1,112	$7,049,687
Tier 3 (36+ HCF)	$17.21	909	$6,811,415
Commercial	$12.48	229	$1,246,243
Institutional	$13.16	288	$1,651,154
Agriculture	$6.12	273	$726,514
Non-Potable	$2.25	125	$122,474
TOTAL		**3,853**	**$20,339,164**

Figure 2-4: Comparison of Water Sales

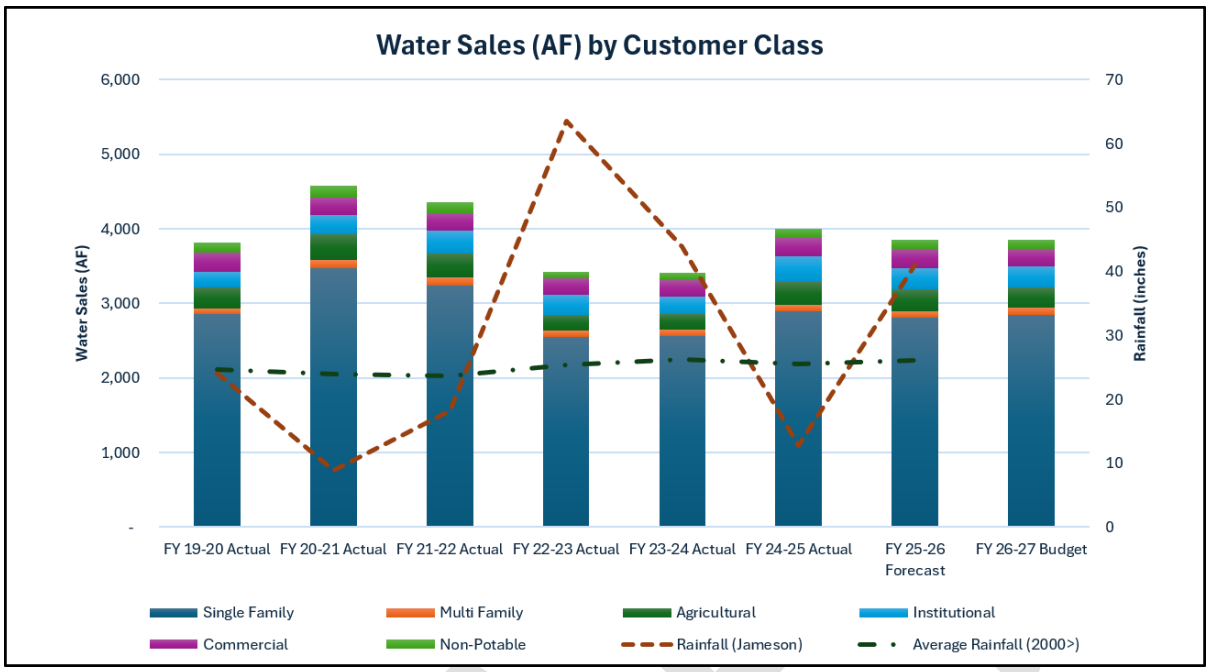
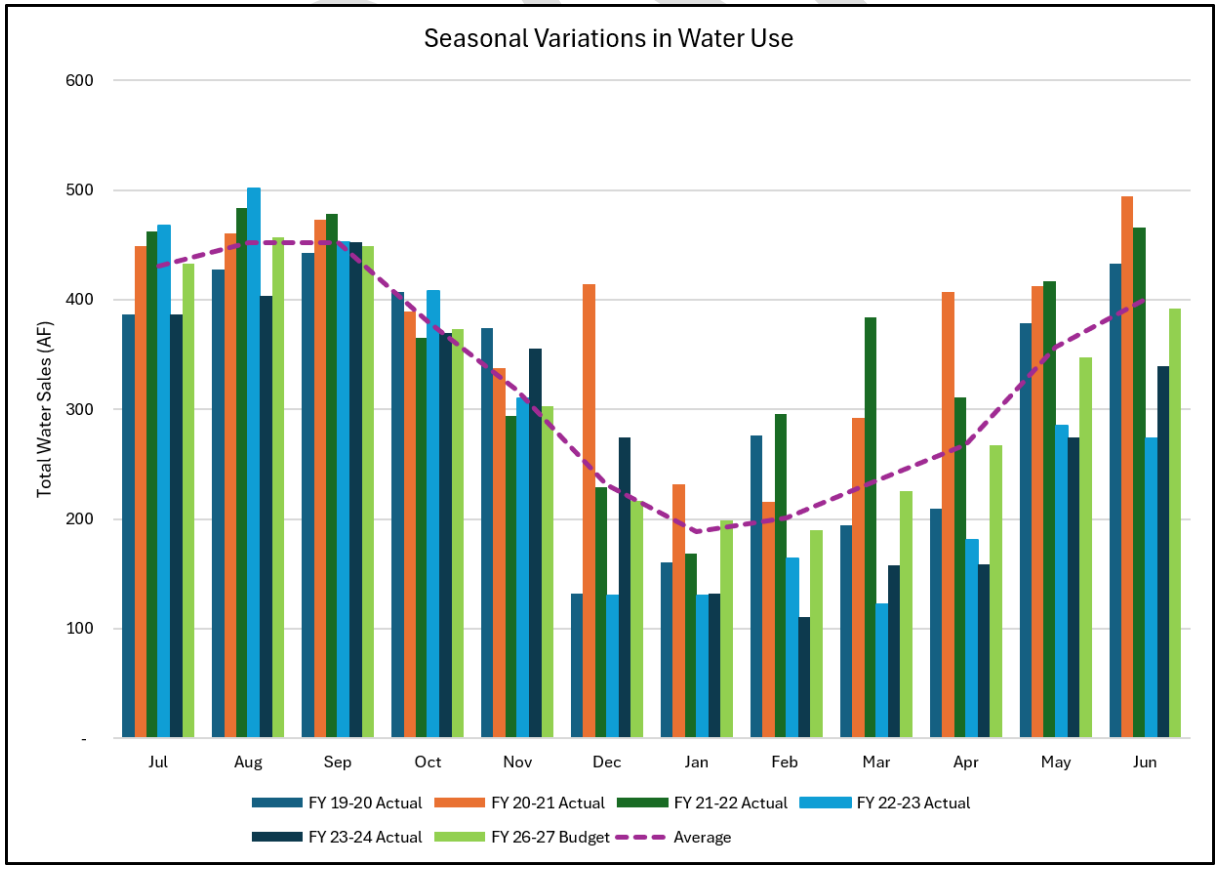


Figure 2-5: Comparison of Seasonal Water Use Variations



SURPLUS SWP WATER SALES

Pursuant to the Water Management Program Agreement between the District and Homer LLC dated June 2024, the District plans to sell 900 AF of its 2026 SWP Table A water to Homer in the first or second quarter of FY 2027. This agreement stipulates the unit purchase price based on SWP allocation. Based on the 2026 SWP allocation of 45%, the District's 900 AF of surplus water would be sold to Homer at a unit price of $634.92/AF, which incorporates an annual escalation using CPI beginning in June 2024.

MONTHLY METER CHARGE

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

Based on the District's 2024 *Water Rate Study* and water use projections for FY 2027, approximately 24% of Total Operating Revenue will come from the fixed Monthly Meter Charge. Approximately 83% of District connections are ¾ inch or 1-inch meters, which have the smallest capacities and are charged the lowest Monthly Meter Charges. The District offers water meters ranging from ¾-inch to 6-inch in size which are selected based on the customer's actual water needs.

In accordance with the 2024 Water Rate Study and Resolution No. 2286 adopted by the Board of Directors on June 25, 2024, the Monthly Meter Charges for FY 2027 are shown in Figure **2-6**.

Figure 2-6: Monthly Meter Charges

Monthly Meter Charges

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

MONTHLY PRIVATE FIRE LINE CHARGE

The monthly private fire line charge is a fixed amount based on fire line capacities, and is billed monthly only to customers with dedicated fire lines serving their property. Private fire line revenue is anticipated to be $351,684 based on the current number of private fire lines. The District has approximately 127 private fire lines.

The monthly private fire line charges for FY 2027 are shown in Figure **2-7**.

Figure 2-7: Monthly Private Fire Line Charges

Monthly Private Fire Line Charges

Fire Line Diameter	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
2-inch	$22.23	$23.51	$24.87	$26.31	$27.83
4-inch	$101.41	$107.25	$113.42	$119.95	$126.85
6-inch	$281.28	$297.46	$314.57	$332.66	$351.79
8-inch	$591.52	$625.54	$661.51	$699.55	$739.78

WATER AVAILABILITY CHARGE (WAC)

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

The District held the annual public hearing for the WAC at its regular Board meeting on June 24, 2025, and the charge was continued for FY 2026 via Resolution No. 2298 and is expected to provide approximately $300,000.

CAPITAL COST RECOVERY AND CONNECTION FEES

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

The Capital Cost Recovery and Connection Fees for new water service are adjusted annually at the beginning of each fiscal year, on or before July 1, and were last updated in June 2026 with the Board of Directors' adoption of Resolution No. 2325.

Capital Cost Recovery and Connection Fees

Meter Size	Connection Fee	Capital Cost Recovery Fee
3/4"	$11,645	$23,808
1"	$11,720	$40,920
1.5"	$13,804	$74,400
2"	$15,242	$119,040
3"-6	*	**

* Conditions typically vary widely for larger size meters. Connection fee is determined on a case-by-case basis based on time & materials including

(1) actual cost of direct labor and

(2) actual cost of materials and equipment usage.

** Contact the District for a determination of Capital Cost Recovery Fees for 3-inch and larger meters.

SECTION 6: OPERATING EXPENDITURES

Operating Expenditures are comprised of costs associated with delivering water to customers and account for 91% of the District's Total Expenditures.

Figure 3-1: Operating Expenses

Operating Expenditures by Department

($ thousands)	FY 2025 Actual	FY 2026 YE Forecast	FY 2027 Adopted	% Chg YE–FY27
Dept 500 — Water Purchases	**13,362**	**13,970**	**15,239**	**9.1%**
Desalination	7,051	7,389	7,813	6%
State Water Project	4,517	4,466	5,031	13%
Cachuma Project	1,089	1,227	1,358	11%
Cater Treatment	704	860	1,008	17%
Semitropic Banking	0	28	30	6%
Dept 511 — Jameson Lake	513	376	425	13.2%
Dept 531 — Treatment Operations	1,894	2,271	2,585	13.8%
Dept 541 — Transmission / Distribution	1,776	2,234	2,468	10.5%
Dept 550 — Meter Reading /Customer Ser	645	646	681	5.3%
Dept 561 — Fleet	248	293	329	12.4%
Dept 563 — Engineering	1,457	1,543	1,554	0.7%
Dept 565 — Administration	2,481	2,891	3,220	11.4%
Dept 566 — Governing Board	37	48	56	15.2%
Dept 568 — Public Information	401	249	268	7.6%
Dept 568 — Conservation	—	345	265	(23.2%)
Total Operating Expenditures	**22,813**	**24,867**	**27,089**	**8.9%**

WATER SUPPLY CONTRACTS

Water Supply Expenditures, which include Joint Powers Authority (JPA) operating expenses (fixed and variable costs associated with COMB, CCRB, CATER, and CCWA), the WSA with the City of Santa Barbara and groundwater banking, account for about 56% of Total Expenditures.

OPERATING DEPARTMENT · 500

Water Supply

FY 2027
ADOPTED BUDGET

Water Supply (Department 500) accounts for the District's water supply costs across all sources — desalination through the City of Santa Barbara, State Water Project, Cachuma Project, Cater treatment, and Semitropic banking. It is the single largest component of the operating budget.

$15,239,296	56.3%	5
FY 2027 BUDGET	SHARE OF OPERATING	SUPPLY SOURCES

FY 2027 WATER SUPPLY COSTS BY SOURCE

Source / Component	FY 2027	Share
Desalination (City of Santa Barbara WSA)	$7,812,925	51%
State Water Project	$5,031,101	33%
Cachuma Project	$1,357,650	9%
Cater Treatment	$1,007,620	7%
Semitropic Banking	$30,000	0%

These figures are shares of supply cost, not of water delivered. State Water Project costs include large fixed charges owed regardless of whether the water is available or used, so its per-acre-foot cost is substantially higher than its cost share implies.

DEPARTMENT 500 · SUPPLY SOURCE 01

Desalination

FY 2027
Adopted Budget

Under the 50-year Water Supply Agreement with the City of Santa Barbara, the District purchases a guaranteed **1,430 acre-feet per year** (net of a 1.5% contract loss) of desalinated potable water. The FY 2027 cost is built from seven distinct WSA charge components — plant capital, fixed and variable O&M, administrative, a water-supply development fee, and pay-go capital maintenance.

$7,812,925	1,430	$5,464	51.3%
FY 2027 COST	AF COMMITTED	COST / AF	OF DEPT 500

WHAT THE DISTRICT PAYS FOR — WSA CHARGE COMPONENTS

WSA charge component	Type	FY 2027	$ / AF	$ / HCF	Share
Plant Capital Charge (Appendix 1, Table 1)	CAPITAL	$2,323,594	$1,625	$3.73	29.7%
Fixed O&M Charge (IDE)	FIXED	$2,448,160	$1,712	$3.93	31.3%
Fixed O&M Charge (City)	FIXED	$289,661	$203	$0.47	3.7%
Variable O&M Charge (power, chemicals)	VARIABLE	$1,244,672	$870	$2.00	15.9%
Administrative Charge	FIXED	$424,441	$297	$0.68	5.4%
Water Supply Development Fee (Appendix 1, Table 5)	FIXED	$275,328	$193	$0.44	3.5%
Plant Capital Maint — Pay-Go (R&R)	CAPITAL	$807,069	$564	$1.30	10.3%
Total Desalination		**$7,812,925**	**$5,464**	**$12.54**	**100%**

*All components tie to the FY 2027 proforma (City figures dated 3-20-26). Unit costs on the 1,430 AF commitment. The Pay-Go line is the District's **45.76% share** of $1,763,700 in FY 2027 plant repair & replacement (new intake pumps, micro-filter replacement, VFDs, and more).*

SEPARATE WSA RESERVE DEPOSITS

Debt Service Coverage Deposit	**$481,579**
Debt Service Reserve Deposit	**$296,357**

Annual WSA deposits (Appendix 2) — refunded/funded annually, tracked separately from the Dept 500 purchase budget.

AGREEMENT TERMS

Term	**50 yr (to 2072)**
Committed volume	**1,430 AFY**
Contract loss	**1.5%**
Pay-Go MWD share	**45.76%**

COST HISTORY — DESALINATION (PURCHASE BUDGET)

FY 2027 rises ~$0.79M, driven by higher Fixed O&M (IDE, +$313K with full staffing) and a larger Pay-Go capital maintenance program (+$746K). Prior-year bars are the WSA purchase subtotals from the proforma history.

DEPARTMENT 500

State Water Project

FY 2027
Adopted Budget

The District receives imported State Water through the Central Coast Water Authority (CCWA), which conveys the District's **3,300 AF of Table A** entitlement and passes through Department of Water Resources (DWR) charges. The FY 2027 budget reflects the CCWA Budget adopted April 23, 2026. Most cost is fixed transportation and debt service and does not vary with deliveries.

$5,031,101	45%	7.68%	33.0%
FY 2027 COST	TABLE A ALLOCATION FOR 2026	CCWA SHARE	OF DEPT 500

WHAT THE DISTRICT PAYS FOR — BY CHARGE GROUP

Charge component	Type	FY 2027	$ / AF	Share
CCWA Fixed Operating — $1,020,737				
Unadjusted Fixed CCWA Operating	FIXED	$1,414,449		
Exchange & Regional WTP adjustments / credits	CREDIT	($387,582)		
Variable operating & CCWA credits	NET	($6,130)		
DWR Fixed — $3,630,278				
Transportation Capital (Reach 35 / 37 / 38)	FIXED	$2,134,214	$647	42.4%
Transportation Minimum OMP&R	FIXED	$1,114,427	$338	22.2%
Water System Revenue Bond	FIXED	$133,615	$40	2.7%
Delta Water Charges	FIXED	$349,074	$106	6.9%
DWR Interest Income	CREDIT	($101,052)		
DWR Variable — $380,086				

Charge component	Type	FY 2027	$ / AF	Share
Off-Aqueduct Charges	VARIABLE	$387	$0.12	0.0%
Variable OMP&R (power)	VARIABLE	$379,699	$115	7.5%
Total State Water Project		**$5,031,101**	**$1,525**	**100%**

FIXED VS. VARIABLE

FIXED CHARGES

$4,651,015

92% — owed regardless of delivery

VARIABLE CHARGES

$380,086

8% — scales with water taken

COST PER AF TABLE A

$3,388

On 1,485 AF allocation for 2026

RELATED — HOMER WATER TRANSFER REVENUE **$571,428**

FY 2027 transfer revenue (900 AF surplus)

*The District sells its surplus Table A water to Homer LLC pursuant to the 2024 Water Management Program Agreement. Tracked separately (see the **Water Transfer · Homer** page) and **not** netted against the SWP cost above — SWP cost is presented gross. On May 19, 2026, the Board declared 900 AF of the District's 2026 Table A allocation surplus and directed its transfer to Homer — generating $571,428 in FY 2027 revenue that offsets the District's fixed SWP charges.*

DEPARTMENT 500

Cachuma Project

FY 2027
Adopted Budget

The District holds a **2,651 acre-foot** entitlement (10.31% Cachuma Project share) to local surface water from Lake Cachuma, delivered through the Cachuma Operation & Maintenance Board (COMB) and the U.S. Bureau of Reclamation (USBR). FY 2027 cost includes the District's share of reservoir operations, dam-safety obligations, federal water rates, and Cachuma Conservation Release Board (CCRB) assessments.

$1,357,650	2,651	10.31%	8.9%
FY 2027 COST	AF FULL ENTITLEMENT	PROJECT SHARE	OF DEPT 500

WHAT THE DISTRICT PAYS FOR — FY 2027

Cost component	Billing	FY 2027	$ / AF	Share
COMB — $948,025				
COMB Net Operating Budget	Quarterly	$778,527	$294	57.3%
Lauro Reservoir Intake Assessment/Repair	Mar/Apr	$99,325	$37	7.3%
Bradbury Dam SOD Act	Oct 1	$26,976	$10	2.0%
Cachuma Project Renewal Fund	Oct 1	$24,809	$9	1.8%
SWRCB Water Rights Fee	Jan 31	$9,080	$3	0.7%
Lauro Dam SOD Act	Oct 1	$5,449	$2	0.4%
DDW D3 Permit Fee	Jan 31	$3,859	$1	0.3%
USBR & CCRB				
USBR Water Rates	Oct 1 / Apr 1	$247,440	$93	18.2%

Cost component	Billing	FY 2027	$ / AF	Share
CCRB Water Rights — Quarterly Assessments	Quarterly	$162,185	$61	11.9%
Total Cachuma — Dept 500		**$1,357,650**	**$512**	**100%**

Figures tie to the proforma COMB-USBR and CCRB detail (COMB draft 3-19-26, adopted budget 5-21-26; CCRB ratified by MWD Board 5-19-26). Unit costs on the 2,651 AF entitlement. COMB operating is the largest piece at 57% of Cachuma Project cost.

YEAR-OVER-YEAR

FY 2026 budget was ~$1.23M (USBR $226,820 + COMB $809,331 + CCRB $190,460); FY 2027 rises mainly on the COMB operating budget and the Lauro Reservoir intake work.

DEPARTMENT 500 · SUPPLY SOURCE 04 · TREATMENT SERVICE

Cater Treatment

FY 2027
Adopted Budget

The District purchases water treatment at the City of Santa Barbara's Cater Water Treatment Plant under a joint-powers cost-sharing arrangement. Most Cater O&M is allocated by proportionate share of total deliveries; the District's projected **1,100 AF** of deliveries is **27%** of the JPA portion. The District also funds its share of Cater capital, including the Cater Reservoir Resiliency Project (CRRP).

$1,007,620	1,100	27%	6.6%
FY 2027 COST	AF MWD DELIVERIES	JPA O&M SHARE	OF DEPT 500

WHAT THE DISTRICT PAYS FOR — FY 2027

Cost component	Basis	Type	FY 2027	Share
Cater Treatment Operations (O&M)	27% of JPA "Total Operations"	SERVICE	$879,590	87.3%
Cater Equipment Rehab	MWD 50% share	CAPITAL	$84,625	8.4%
CRRP — Interest Payment During Construction	MWD 50% share	CAPITAL	$43,405	4.3%
Total Cater — Dept 500			**$1,007,620**	**100%**

Figures tie to the proforma Cater Detail (JPA budget FY 2026/27, March 20, 2026 budget meeting). O&M is the District's 27% share of the $3,278,473 JPA "Total Operations." Capital is the District's 50% share of $256,060 in FY 2027 Cater CIP ($128,030 total). The Treatment O&M line is delivery-weighted, so it bills unevenly across the year.

CATER DELIVERIES (FY 2027 PROJECTED)

City of Santa Barbara	**9,500 AF**
CVWD	**3,000 AF**
Montecito (MWD)	**1,100 AF**
Total through Cater	**13,600 AF**

FY 2027 CATER CAPITAL (MWD 50%)

Equipment Rehab	**$84,625**
CRRP interest (during constr.)	**$43,405**
MWD capital total	**$128,030**

YEAR-OVER-YEAR

FY 2026 budget was ~$860K (O&M $779,998 + capital $80,454); FY 2027 rises on higher JPA operations and the CRRP interest entering the budget during construction.

DEPARTMENT 500 · SUPPLY SOURCE 05 · STORAGE

Semitropic Banking

FY 2027
Adopted Budget

The District holds **1,500 shares** of recharge/recovery capacity in Semitropic's groundwater bank, with a guaranteed right to recover up to **1,500 AFY** and store up to **4,500 AF**. As of May 2026 the District has **5,802 AF** stored — about 1.5 years of total demand. Because storage is already maximized and no shortage is projected through WY 2028, FY 2027 carries only fixed standby fees, with **no recharge or recovery planned**.

$25,080	5,802	1,500	0.2%
FY 2027 STANDBY COST	AF STORED (MAY 2026)	AFY RECOVERY RIGHT	OF DEPT 500

WHAT THE DISTRICT PAYS FOR — FIXED VS. ACTIVITY-BASED

Fee component	Basis	Type	FY 2027 Rate	In FY 2027
Fixed / Standby — budgeted in Dept 500				
Annual Management Fee	1,500 shares × $8.72	FIXED	$8.72 / share	$13,080
Maintenance Fee	1,500 shares × $8.00	FIXED	$8.00 / share	$12,000
Activity-Based — only if water moves (none planned FY 2027)				
Recharge / Delivery Fee	Per AF stored	VARIABLE	$17.44 / AF	$0
Recovery Fee	Per AF withdrawn	VARIABLE	$122.05 / AF	$0
Recovery Energy Charge (est.)	Per AF withdrawn	VARIABLE	$250.00 / AF	$0
Recovery Treatment Charge (est.)	Per AF withdrawn	VARIABLE	$40.00 / AF	$0
KCWA TRF Handling Fee	Flat, only if recharge/recovery	VARIABLE	$3,000	$0
FY 2027 Semitropic — Dept 500				**$25,080**

Rates are Semitropic's FY 2026/27 fee schedule. FY 2027 assumes no recharge/recovery — only the fixed management and maintenance fees on the District's 1,500 shares are budgeted. Recovery is costly per AF (~$412 all-in: recovery + energy + treatment) but triggers only in a draw year.

STORAGE POSITION (MAY 2026)

Stored & available	**5,802 AF**
≈ District annual demand	**~1.5 years**
≈ Guaranteed extractions	**~4 years @ 1,500 AFY**
Storage right	**up to 4,500 AF**

ALL-IN RECOVERY COST (IF TRIGGERED)

Recovery fee	**$122.05 / AF**
Energy (est.)	**$250.00 / AF**
Treatment (est.)	**$40.00 / AF**
Approx. total	**$412 / AF**

Recharge to store is only $17.44/AF — cheap to fill, costlier to draw.

ROLE IN THE SUPPLY PORTFOLIO

FUNCTION
Dry-year reserve
Stored surplus from wet years

STANDBY COST
$25,080
Lowest line in Dept 500

FY 2027 SURPLUS
→ Homer sale
Storage maxed; surplus sold instead

With Semitropic storage already maximized and no projected shortage, the District's 2026 surplus is being sold to Homer rather than banked — the two programs work together to put surplus SWP water to its best use each year.

DEPARTMENT BUDGETS

Operating Expenses, which include operations & maintenance expenses associated with providing water service to District customers, represent 44% of Total Expenditures and include costs related to management of District-owned Jameson Lake, water treatment, and distribution, fleet, engineering services, administrative services including finance and legal, public information, and conservation and other services.

EXPENDITURES

FY 2027

Operating Expenses by Department

Department	FY 2026 YE	FY 2027 Adopted
500 Water Supply	$13,969,853	$15,239,296
531 Treatment Operations	$2,270,982	$2,584,552
541 Transmission & Distribution	$2,233,830	$2,467,800
565 Administration	$2,891,379	$3,219,870
563 Engineering	$1,543,436	$1,554,087
550 Metering / Customer Service	$646,400	$680,573
568 Public Info & Conservation	$594,086	$533,020
511 Jameson Lake	$375,769	$425,241
561 Fleet & Equipment	$292,561	$328,967
566 Governing Board	$48,449	$55,795
TOTAL OPERATING EXPENDITURES	**$24,866,745**	**$27,089,200**

OPERATING DEPARTMENT · 511

Jameson Lake

FY 2027
ADOPTED BUDGET

Jameson Lake covers operations and maintenance of the District's Jameson Lake reservoir and Juncal Dam — a local surface-water supply and storage asset that feeds the District through the Doulton Tunnel.

$425,241	1	$91,757
FY 2027 BUDGET	STAFF (FTE)	SALARIES & WAGES

FY 2027 OBJECTIVES

- [x] Operate and maintain Jameson Lake and Juncal Dam safely and in regulatory compliance.
- [x] Complete dam-safety and facility maintenance projects.
- [x] Maximize the value of local surface-water storage.

Treatment operations are primarily based at the Bella Vista Water Treatment Plant and Doulton facilities, with a full-time caretaker stationed at Jameson Lake. The department is led by the Treatment Superintendent and includes a Chief Operator, Plant Operators, a Control Systems Operator, and the Jameson Lake Dam Caretaker.

Staff are responsible for operating, monitoring, testing, and treating water from the District's surface water and groundwater sources to ensure compliance with all drinking water quality requirements. The Jameson Lake Dam Caretaker resides on-site year-round and oversees dam and reservoir operations.

OPERATING DEPARTMENT · 541

Transmission & Distribution

FY 2027
ADOPTED BUDGET

Transmission & Distribution maintains the District's pipeline network, reservoirs, pump stations, valves, and hydrants — operating and repairing the infrastructure that delivers water throughout the service area.

$2,467,800	7	$835,932
FY 2027 BUDGET	STAFF (FTE)	SALARIES & WAGES

FY 2027 OBJECTIVES

- [x] Maintain reliable distribution across 114 miles of pipeline and nine reservoirs.
- [x] Reduce water loss and main breaks through proactive replacement and repair.
- [x] Support the capital pipeline-replacement program in the field.

Transmission and Distribution staff are headquartered at the District's administrative and maintenance facilities and are led by the Distribution Superintendent. The team is responsible for maintaining, repairing, and operating the infrastructure required to deliver reliable water service to approximately 4,660 customer connections. Responsibilities include operation and maintenance of pipelines, valves, hydrants, reservoirs, pump stations, and fleet equipment.

OPERATING DEPARTMENT · 550

Metering / Customer Service

FY 2027
ADOPTED BUDGET

> Metering and Customer Service handles meter reading, billing support, and direct customer assistance — the District's primary point of contact with ratepayers.

$680,573	2	$286,578
FY 2027 BUDGET	STAFF (FTE)	SALARIES & WAGES

FY 2027 OBJECTIVES

- ☑ Deliver accurate, timely meter reading and billing.
- ☑ Provide responsive customer service and support.
- ☑ Support meter-replacement and metering-technology improvements.

Customer Service staff support utility billing, payment processing, account management, and customer inquiries. Staff coordinate with Distribution, Conservation, Engineering, and Administrative personnel to address service requests and provide assistance to customers.

OPERATING DEPARTMENT · 561

Fleet & Equipment

FY 2027
ADOPTED BUDGET

Fleet & Equipment maintains the District's vehicles and operational equipment, supporting field operations across all departments.

$328,967	1	$106,533
FY 2027 BUDGET	STAFF (FTE)	SALARIES & WAGES

FY 2027 OBJECTIVES

- [x] Maintain a safe, reliable vehicle and equipment fleet.
- [x] Execute the FY 2027 fleet-replacement plan.
- [x] Support field operations across all departments.

OPERATING DEPARTMENT · 565

Administration

FY 2027
ADOPTED BUDGET

Administration provides executive management, financial management, legal counsel, insurance, information technology, and Board support. It houses the Finance function (budget development, debt compliance, capital project accounting, grant administration, and financial reporting) and Information Technology, both managed under the Business Manager.

$3,219,870	5	$921,428
FY 2027 BUDGET	STAFF (FTE)	SALARIES & WAGES

FY 2027 OBJECTIVES

- [x] Maintain the District's AA- credit rating and 1.44x debt-service coverage through disciplined financial management.
- [x] Complete the FY 2027 budget and continuing-disclosure cycle on schedule, sustaining GFOA budget-award recognition.
- [x] Support Board governance, public engagement, and transparent reporting across all funds.

The Business Department provides financial management, budgeting, accounting, payroll, human resources, procurement, information technology, risk management, customer billing, and administrative support services. The department is responsible for maintaining sound financial practices, internal controls, regulatory compliance, and organizational support functions necessary for District operations.

OPERATING DEPARTMENT · 563

Engineering

FY 2027 ADOPTED BUDGET

Engineering manages the District's capital improvement program, development review, asset management, and ASADRA/FEMA grant administration. The department leads the multi-year reservoir seismic retrofit program and pipeline replacement projects.

$1,554,087	4	$527,150
FY 2027 BUDGET	STAFF (FTE)	SALARIES & WAGES

FY 2027 OBJECTIVES

- [x] Advance the ASADRA reservoir seismic program across its active sites on schedule and within budget.
- [x] Deliver priority pipeline replacements and FEMA-funded repair projects (Alder Creek, Highline).
- [x] Maintain the asset-management program and administer grant compliance under 2 CFR Part 200.

The Engineering Department is directed by the Assistant General Manager/Engineering Manager and is responsible for planning, design, regulatory compliance, asset management, and oversight of the District's Capital Improvement Program.

Engineering staff oversee the operation, maintenance, and long-term planning of major District facilities, including Jameson Lake and Juncal Dam, the Doulton Tunnel, two surface water treatment plants, pump stations, reservoirs, groundwater wells, and the water distribution system. The department also manages implementation and maintenance of the District's advanced metering infrastructure and smart meter program.

OPERATING DEPARTMENT · 568

Public Information & Conservation

FY 2027
ADOPTED BUDGET

Public Information and Water Conservation deliver community outreach, public communications, and the District's water-use-efficiency programs — including conservation education, customer water-use support, and a water-efficiency demonstration garden developed in partnership with Lotusland.

$533,020	2	$251,973
FY 2027 BUDGET	STAFF (FTE)	SALARIES & WAGES

FY 2027 OBJECTIVES

- ☑ Implement the District's water-use-efficiency programs and conservation initiatives.
- ☑ Advance community outreach and the Lotusland water-efficiency demonstration garden.
- ☑ Support drought messaging and customer water-use education.

The Conservation and Public Information functions support the District's commitment to water-use efficiency, customer engagement, and community outreach.

The Water Conservation Specialist administers the District's water conservation programs, conducts water-use evaluations, assists customers with efficiency improvements, coordinates conservation initiatives, and supports regulatory reporting requirements.

The Public Information Officer manages District communications, public outreach, media relations, website content, and stakeholder engagement activities. The position also supports emergency communications and public notification efforts, ensuring timely and accurate information is provided during emergencies and other significant events.

OPERATING DEPARTMENT · 566

Governing Board

FY 2027
ADOPTED BUDGET

The Governing Board comprises five elected Directors who set District policy, adopt the budget, establish rates, and provide governance and oversight on behalf of the community.

$55,795	5	4-yr
FY 2027 BUDGET	ELECTED DIRECTORS	STAGGERED TERMS

FY 2027 OBJECTIVES

- [x] Provide policy direction and fiscal oversight.
- [x] Adopt a balanced budget and maintain reserve and rate policies.
- [x] Represent the community's interests in District governance.

The District is governed by a five-member Board of Directors elected by the public. Directors serve staggered four-year terms, providing policy direction and strategic oversight for District operations.

The Board meets regularly to establish policies, adopt budgets, approve capital projects, and ensure the District's long-term financial and operational sustainability. Directors also represent the District on regional committees and at interagency meetings as appropriate.

PERSONNEL EXPENSES

Personnel Costs — Total Outflows Dashboard

FY 2027 Adopted Budget · Fund 01 Operating Departments

TOTAL PERSONNEL OUTFLOWS	SALARIES & WAGES	BENEFITS & OTHER
$6,850,964	**$3,794,970**	**$3,055,994**
+13.0% vs FY 2026 YE	55.4% of total	44.6% of total

Outflows by Cost Category

Cost Category	FY 2027	%	Share
Salaries & Wages	**$3,794,970**	55.4%	
Medical / Disability	$731,580	10.7%	
CalPERS UAAL	$684,022	10.0%	
Vacation / Sick / Leave	$546,212	8.0%	
Overtime & Standby	$340,405	5.0%	
CalPERS ER Contribution	$339,829	5.0%	
ER Payroll Taxes	$277,223	4.0%	
OPEB	$76,800	1.1%	
Workers' Compensation	$59,923	0.9%	
Total Personnel Outflows	**$6,850,964**	**100%**	

Salaries account for 55% of personnel outflows; benefits (medical, CalPERS pension and unfunded liability, leave, payroll taxes, OPEB, and workers' comp) make up the remaining 45%.

Outflows by Department

Department	FY 2027	%	Relative Size
Transmission & Distribution	$1,918,599	28.0%	
Treatment Operations	$1,657,505	24.2%	
Administration	$1,302,368	19.0%	
Engineering	$760,988	11.1%	
Meter Reading / Customer Service	$411,373	6.0%	
Fleet	$231,728	3.4%	
Public Information	$193,905	2.8%	
Conservation	$173,884	2.5%	
Jameson Lake	$164,819	2.4%	
Governing Board	$35,795	0.5%	
Total (Fund 01)	**$6,850,964**	**100%**	

Field departments (Transmission & Distribution, Treatment Operations) carry the largest personnel outflows, reflecting 24-hour system coverage and the overtime/standby required to maintain it.

Excludes the Groundwater Specialist, funded directly by the Montecito GSA (Fund 02) under the cost-share agreement. Source: FY 2027 Adopted Budget proforma, personnel sub-objects (account codes -101 through -111).

Figure 3-2: FY 2027 Personnel Costs

SECTION 7: DEBT MANAGEMENT

OVERVIEW

The District maintains a prudent long-term debt portfolio that supports critical water system infrastructure while preserving financial stability and affordability for ratepayers. As of June 30, 2026, outstanding debt consists of the 2020 Certificates of Participation (COP) Refunding Bonds, the Cater Ozone Project Loan, and financing associated with the Water Resilience Project.

2020A CERTIFICATES OF PARTICIPATION REFUNDING BONDS

The District issued the 2020A COP Refunding Bonds to refinance prior debt at favorable interest rates, reducing overall borrowing costs. The bonds are secured by a first-priority lien on the District's net revenues and mature in July 2030. As of June 30, 2026, the outstanding principal balance was $4.5 million, with annual debt service payments averaging approximately $1.6 million through maturity.

CATER OZONE PROJECT LOAN

The District entered into a financing agreement with the City of Santa Barbara on June 28, 2011, under which it is responsible for 24.63% of a California Drinking Water State Revolving Fund loan used to finance ozone treatment and related improvements at the Cater Water Treatment Plant. The project was completed in 2015, and the District's share of the financing totaled $4.33 million. The loan matures on July 1, 2035, bears an interest rate of approximately 2.50%, and requires semiannual payments of $138,173 due each January 1 and July 1. As of June 30, 2026, the outstanding balance was $2.2 million.

WATER RESILIENCE PROJECT (ASADRA FINANCING)

In December 2024, the District entered into a financing agreement with the California State Water Resources Control Board through the Additional Supplemental Appropriation for Disaster Relief Act (ASADRA) program to find the Montecito Water Resilience Project. The agreement provides up to $34.9 million for the seismic retrofit and replacement of eight water storage reservoirs, including up to $10.5 million in principal forgiveness (30% of eligible costs). The loan carries a 0% interest rate and is reimbursed based on eligible project expenditures. Repayment is deferred until one year following project completion, which is anticipated to occur in 2031. As of June 1, 2026, approximately $2.6 million had been drawn/received under the loan.

FY 2027 DEBT SERVICE BUDGET

Total FY 2027 debt service requirements are budgeted at approximately $1.9 million and are fully supported through the District's operating revenues. The District remains in compliance with all debt covenants and maintains reserve levels and financial policies designed to support long-term debt repayment while continuing to invest in critical infrastructure improvements.

Figure xx: Debt Service

The debt schedule for the 2020A COP Refunding bonds and Cater Ozone Project Loan is provided in Appendix D.

FY 2027 Debt Service Schedule

Obligation	FY 2026 YE	FY 2027 Adopted	% Chg
2020A COP Refunding Bonds — Principal	1,375	1,445	5.1%
2020A COP Refunding Bonds — Interest	263	192	(26.8%)
Cater Ozone Project Loan — Principal	297	222	(25.1%)
Cater Ozone Project Loan — Interest	59	57	(4.6%)
Total Debt Service	**1,994**	**1,916**	**(3.9%)**
Net Revenue Available for Debt Service		2,753	
Debt Service Coverage Ratio		**1.44x**	**≥1.25x**

Coverage of 1.44x exceeds the 1.25x bond covenant by 0.19x. ASADRA financing debt service begins in FY 2029; the Water Resilience Project carries 0% interest with up to $10.5M (30%) principal forgiveness.

SECTION 8: CAPITAL IMPROVEMENT PROGRAM

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

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

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

Asset lives are governed by the District's Capitalization Policy, adopted on June 23, 2026, via Resolution No. 2329 and the government code.

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

FY 2027 CAPITAL IMPROVEMENT PROGRAM

MONTECITO WATER DISTRICT

Capital Improvement Plan

FY 2027
ADOPTED BUDGET

$22,324,797	5	10-Yr
FY 2027 CAPITAL PROGRAM	CAPITAL PROGRAMS	PLANNING HORIZON (AMP)

FY 2027 CAPITAL PROGRAMS & PROJECTS

ASADRA Reservoir Seismic Program — $11,559,797 — FY 2025–FY 2029 · Active · SRF (State Revolving Fund)

Multi-year seismic retrofit/replacement of District reservoirs.

Park Lane Reservoir Retrofit / Replacement	Active through FY 2027	$4,754,750
Terminal Reservoir Retrofit / Replacement	Completing FY 2027	$3,585,047
Bella Vista Reservoir Retrofit / Replacement	Ramps up FY 2027, continues FY 2028	$3,220,000

Water Main Replacement Program — $4,540,000 — Ongoing — ~1.1 mi/yr target · Ongoing Rates + $12M planned revenue bonds

Risk-based pipeline replacement per the 2024 Asset Management Plan; ~1.1 miles annually.

East Valley, Ladera & Lambert Water Mains	FY 2027	$3,780,000
US 101 Crossings at Danielson & Miramar	FY 2027	$460,000
Highline Replacement Phase 1 (Design)	FY 2027 design; multi-year build (~8 yrs)	$150,000
Fire Hydrant Replacement Project	FY 2027	$150,000

FEMA Disaster-Recovery Program — $4,380,000 — FY 2025–FY 2027 · Completing · FEMA PA + State reimbursement

Storm-damage repairs under disaster declaration DR-4353.

Alder Creek Flume Reconstruction	Completing FY 2027	$3,100,000
Highline Repair Project	Completing FY 2027	$1,280,000

Treatment, Pumping & Facilities — $1,570,000 — FY 2027 + ongoing · Active · Rates

Treatment-plant, pump-station, and pressure-control improvements.

Bella Vista & Doulton TP Acid Addition	FY 2027	$900,000
Toro Canyon Pressure Regulator Vault	FY 2027	$200,000
Ortega PS Backup Generator Replacement	FY 2027	$180,000
Coyote Rd Pressure Regulator + Doulton items	FY 2027	$290,000

Fleet & Equipment — $275,000 — Annual replacement cycle · Ongoing · Rates

Scheduled vehicle and equipment replacement.

Fleet Replacement (5 vehicles)	FY 2027	$275,000

BASE CAPITAL PROGRAM — MULTI-YEAR (RAFTELIS 2026 PLAN)

Base Capital Program	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Rate-funded capital	$2.4M	$3.9M	$6.1M	$5.3M	$6.7M	$6.5M

Ten-Year Capital Outlook. The District maintains a ten-year capital plan informed by the 2024 Asset Management Plan, prioritizing projects by asset condition, risk, and consequence of failure. Base (rate-funded) capital totals approximately $30.9M across FY 2025–FY 2030, rising to $39.8M–$46M over FY 2031–FY 2036 as the water-main replacement program accelerates; the Highline Replacement program alone represents about $65.9M of investment from FY 2027 through FY 2036. The ASADRA reservoir program is financed through the State Revolving Fund, and approximately $12M in revenue bonds is planned for non-ASADRA capital. Priorities are reprioritized annually as projects complete and conditions change.

SYSTEM PROJECTS

The FY 2027 budget includes $22.3M in infrastructure improvements. FY 2027 projects include approximately $4.5M in replacement of aging pipelines, $11.5M in replacement or rehabilitation of reservoirs, approximately $5.9M in treatment plant improvements, and extraordinary projects.

The FY 2027 Capital Improvement Program (CIP) totals $22.3 million in planned expenditures. Of this amount, approximately $15.9 million (71%) will be funded through ASADRA financing and FEMA Public Assistance reimbursements, reducing the District's net capital funding responsibility to $6.4 million (29%).

The District-funded portion of $6.4 million is supported primarily by water rate revenues. In addition, the District's Water Availability Charge, a dedicated capital assessment collected through the County property tax roll since 1996, is projected to contribute approximately $300,000 toward capital improvements, with the remaining balance funded through water rates.

Figure 5-1: FY 2027 Total Capital Improvement Funding

CAPITAL PROGRAM — $22.3M GROSS

Funding Source	FY 2027
ASADRA Financing Proceeds	$11,559,797
FEMA Reimbursements	$4,380,000
RESERVES (incl. WAC ~$300K)	$6,385,000
Total Capital Funding	**$22,324,797**

Note: category percentages are stated as a share of gross capital expenditures and overlap because reimbursements offset specific reservoir and extraordinary projects; they are presented as in the adopted CIP summary.

The FY 2027 program is presented here in detail. A full five-year capital plan extends these categories across FY 2028–FY 2031, scaled to ASADRA construction schedules and reimbursement timing.

PIPELINE REPLACEMENTS

The proposed work ($4.5M) for FY 2027 includes replacement of approximately 5,800 feet of aging water mains and design of the Highline water main replacements in subsequent Fiscal Years and installation of two 8-inch water mains inside casings previously installed beneath the US 101 as part of the Highway Widening Project.

HIGHLINE REPLACEMENT PROJECT PHASE 1 DESIGN

This project includes design of Phase 1 of the Highline Replacement Project ($150K). The Highline is a 7-mile-long transmission main with over 4 miles constructed between 1924 and 1940. This project will prepare design plans and specifications for construction of the Phase 1 Highline Replacement project in subsequent Fiscal Years.

EAST VALLEY RD., LADERA LN. AND LAMBERT RD. WATER MAIN REPLACEMENT

This project ($3.7M) will replace approximately 5,800 feet of the existing 1923 to 1946 10-inch and 12-inch steel and cast-iron water mains with new 12-inch ductile iron pipe. These water mains have experienced significant water main breaks in the last 10 years and were identified as high-risk pipelines in the 2024 Asset Management Plan. The project also includes the replacement of one pressure regulator and vault, nine fire hydrants and 50 service lines.

FIRE HYDRANT REPLACEMENTS

This project ($150K) includes installation of eight new fire hydrants, hydrant valves, and hydrant laterals to replace existing dry barrel and undersized hydrant laterals identified in the Asset Management Plan.

US 101 PIPING INSTALLATIONS AT DANIELSON AND MIRAMAR

This project ($460K) includes installation of two new 36-inch casings underneath the US 101 as part of the US 101 Highway Widening Project. The work will be completed by the Highway Widening Project contractor and inspected by District staff and welding inspector. The new 8-inch pipelines inside the casing will be installed in the subsequent Fiscal Year.

RESERVOIR RETROFIT/REPLACEMENTS

ASADRA - PARK LANE RESERVOIR REPLACEMENT PROJECT

This project ($4.8M) will replace the 100-year-old Park Lane Reservoir with a new reinforced concrete reservoir to be installed inside the existing reservoir floor and walls. The project will bring the reservoir up to the current seismic design code and includes upgrading the roof from wood & steel to concrete to withstand future natural disasters. This project is funded by the ASADRA program which provides 30% principal forgiveness and 0% interest loans for the remaining 70% of project costs.

ASADRA - TERMINAL RESERVOIR REPLACEMENT PROJECT

This project ($3.58M) will retrofit the 80-year-old Terminal Reservoir by strengthening the walls, footings, floor, and roof of the existing reservoir. The project will bring the reservoir up to the current seismic design code and includes upgrading the roof from wood & steel to concrete to withstand future natural disasters. This project is funded by the ASADRA program which provides 30% principal forgiveness and 0% interest loans for the remaining 70% of project costs.

ASADRA - BELLA VISTA RESERVOIR RETROFIT PROJECT

This project ($3.2M) will retrofit the Bella Vista Reservoir with additional reinforced concrete footings and walls. The project will bring the reservoir up to the current seismic design code and includes the use of temporary storage tanks and pumping system on site to ensure consistent water service to customers throughout construction. This project is funded by the ASADRA program which provides 30% principal forgiveness and 0% interest loans for the remaining 70% of project costs.

PUMPING/WELLS/VALVES & TREATMENT

BELLA VISTA TREATMENT PLANT PH ADJUSTMENT SYSTEM ADDITION

This project ($900K) includes the addition of an acid to the raw water influent at the Bella Vista Treatment Plant. Water quality from Doulton Tunnel has created significant calcium buildup in the filters, piping, and other infrastructure at the Bella Vista Treatment Plant. This project will slightly lower the pH of the influent water to reduce the potential for calcium precipitation. The project includes the installation and commissioning of the acid addition system including acid storage tank, pumps, electrical and SCADA communications.

BELLA VISTA RESERVOIR BLOWER UPGRADES

This project ($60K) is required by the County of Santa Barbara Air Pollution Control District (APCD). The Bella Vista Reservoir uses an aeration system during times of elevated organic levels, to reduce the potential for the formation of disinfection by products. The system exhausts to atmosphere above the reservoir and is operated under a permit from the APCD. The permit requires the District to measure air flow rate and air quality. This project proposes adding a flow meter and the intake to the blower system and installing associated ducting and electrical connections.

DOULTON TREATMENT PLANT SOFTENING SYSTEM INSTALLATION

Water quality ($90K) from Doulton Tunnel has created significant calcium buildup in the filters, piping, and other infrastructure at the Doulton Treatment Plant. The Doulton Treatment Plant is smaller than the Bella Vista Treatment Plant. Instead of using acid addition, the flows in Doulton can be softened using a water softening system. This project will install and commission the water softening system at the Doulton Treatment Plant.

ORTEGA PUMP STATION BACKUP GENERATOR REPLACEMENT

The District owns and operates nine pump stations including the Ortega Pump Station. The backup generator has reached the end of its useful life and requires replacement which will occur over a two-year period. This project ($180K) will install a new generator on top of the concrete pad and electrical conduits installed in the prior Fiscal Year.

COYOTE ROAD REGULATOR VAULT INSTALLATION

The furthest northwest area of the District serves customers from the Terminal Pump Station using dual centrifugal pumps to pressurize the water mains and customer service lines. This area has continued to develop in recent years with many homes built far above the District water mains but still inside the District service area. This project ($90K) would allow the District to provide higher pressure and flow to this area, by protecting the homes on Coyote Road using pressure regulating valve and vault. The project would install a new regulator and vault near the intersection of Coyote Road and East Mountain Drive.

PRESSURE REGULATOR VAULT REPAIRS

The District operates over 40 pressure regulating stations, which control pressure across the service area caused by the steep topography. The pressure regulators are housed inside concrete vaults with steel or cast-iron lids. Many of these vaults and lids exist within the traveled roadway, resulting in significant wear and tear on the vault lids caused by traffic. This project ($200K) will replace the top concrete ring and install new traffic rated, spring loaded lids in four locations across the District – Ortega Hill Road, Pimiento Lane, Upper Sycamore Canyon and Toro Canyon. These locations were identified as the top priority vaults for replacement given their location in high traffic areas.

DOULTON TREATMENT PLANT ROOF INSTALLATION

Improvements have been installed at the Doulton Treatment Plant in recent years including two new pumps to feed the properties above the treatment plant, and a new generator. These facilities were installed outside of the treatment plant and need a roof to protect them from weather. This project ($50K) will install a new steel roof over these facilities.

EXTRAORDINARY PROJECTS

FEMA ALDER CREEK FLUME RECONSTRUCTION

The Alder Creek Flume Repair is an ongoing project ($3.1M) using 94% FEMA funding to repair damaged portions of the Alder Creek Flume following the 2017 Thomas Fire and subsequent debris flow. The fiscal year budget includes completion of the permitting process with the United States Forest Service. Construction is expected in the subsequent fiscal years. This project is 93.75% reimbursable by FEMA.

FEMA HIGHLINE REPAIR PROJECT

This project ($1.2M) involves the reconstruction of two segments of the District's Highline pipeline located in ravines that were damaged during a 2023 storm event. The project includes replacing the two pipe sections with new ductile iron piping and fittings. This project is 94% reimbursable by FEMA.

Figure 5-2: FY 2027 CIP

EQUIPMENT

The FY 2027 budget includes $275,000 in equipment capital expenditures. The budgeted equipment includes five service trucks to replace aging vehicles used by District staff to perform critical daily operations.

EXTERNAL CIP FUNDING SOURCES

ASADRA FINANCING

The Montecito Water District's ASADRA program utilizes federal disaster relief funds administered by the State Water Board to seismically retrofit and replace eight aging water reservoirs. The funding features heavily subsidized loans and significant principal forgiveness, providing the District with critical financial leverage to upgrade infrastructure against future disasters.

The Background: Additional Supplemental Appropriations for Disaster Relief Act (ASADRA) funding is an exclusive program provided by the Federal EPA, managed via the State Water Board, and specifically aimed at agencies impacted by the 2017 Thomas Fire and subsequent debris flows.

The Project: Montecito Water District is using these funds for its Reservoir Seismic Retrofit and Replacement Project, which involves upgrading or replacing 8 key water storage reservoirs to ensure operational flexibility and structural resilience. Construction began on the first of these (the Terminal Reservoir).

Financial Structure: ASADRA funds are distributed via a highly favorable, near zero-interest State Revolving Fund (SRF) loan, which includes significant principal forgiveness. This structure minimizes the impact of massive construction costs on local water rates.

Timeline Adjustments: State guidelines require construction to be completed quickly, forcing the District to shorten its initial 6-year improvement window. While this compressed schedule slightly limits the total number of reservoirs eligible for the grant, it accelerates crucial earthquake-resilience upgrades.

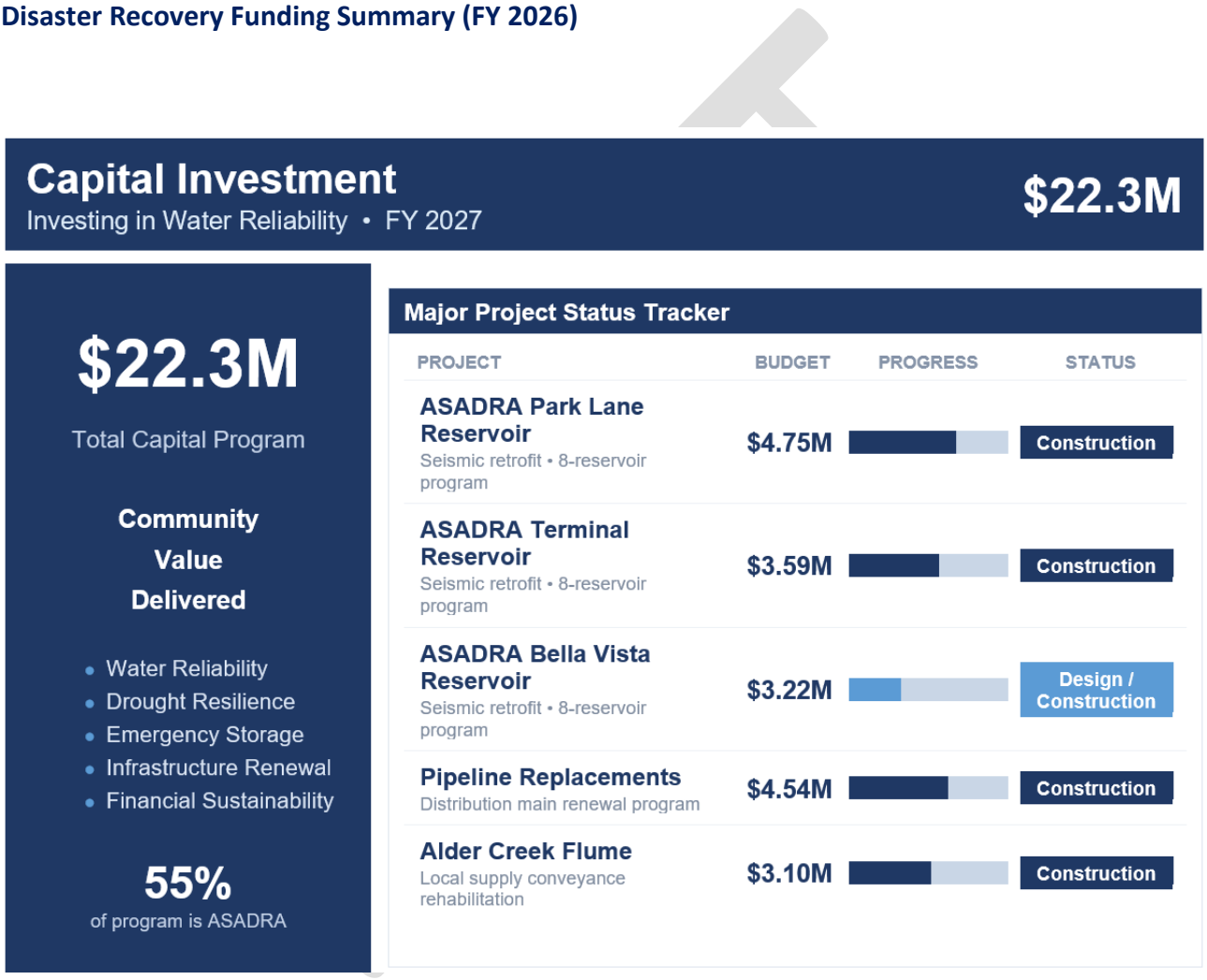
FEMA REIMBURSEMENTS

The District utilizes the FEMA Public Assistance program to fund critical disaster recovery and infrastructure resilience projects. Through this program, 75% of eligible project costs are federally

funded by FEMA, while the California Governor's Office of Emergency Services (CalOES) provides an 18.75% match, leaving the District responsible for the remaining 6.25%

As of FY 2026, the District has incurred approximately $6.8 million in capital costs for FEMA-eligible disaster recovery projects. These expenditures primarily relate to the repair and restoration of storm-damaged critical infrastructure, including the Juncal Pipeline, Highline Pipeline, Ashley Road Bridge, and Alder Creek Flume. To date, the District has received approximately $5.3 million in FEMA reimbursements associated with these projects.

Disaster Recovery Funding Summary (FY 2026)



TEN-YEAR CAPITAL IMPROVEMET PLAN

MONTECITO WATER DISTRICT

Ten-Year Capital Improvement Plan

FY 2027
ADOPTED BUDGET

$22.3M	$107M	8	~1.1 mi
FY 2027 GROSS CIP	10-YEAR TOTAL (FY27–FY36)	PROJECT CATEGORIES	PIPELINE / YEAR TARGET

CAPITAL PLAN BY CATEGORY — FY 2027 (GROSS) THROUGH FY 2036

Category	FY 27 *	FY 28	FY 29	FY 30	FY 31	FY 32	FY 33	FY 34	FY 35	FY 36	10-Yr Total
Reservoirs (ASADRA)	11.6M	7.8M	5.9M	5.3M	—	1.2M	—	—	—	—	31.8M
Pipelines	4.5M	5.0M	6.0M	6.1M	5.8M	6.3M	6.9M	7.4M	8.8M	9.7M	66.5M
Extraordinary (FEMA)	4.4M	—	—	—	—	—	—	—	—	—	4.4M
Pumping / Wells / Treatment	1.6M	—	—	—	150K	—	—	—	—	—	1.7M
Generators	—	75K	250K	180K	80K	165K	—	—	—	—	750K
Water Meter Enhancements	—	—	20K	—	23K	—	25K	—	28K	—	96K
Vehicles & Equipment	275K	110K	300K	150K	250K	200K	—	200K	—	—	1.5M
Other Projects	—	139K	147K	85K	90K	—	—	—	—	—	461K
TOTAL CIP	**22.3M**	**13.1M**	**12.6M**	**11.8M**	**6.4M**	**7.9M**	**6.9M**	**7.6M**	**8.8M**	**9.7M**	**107.1M**

** **FY 2027 is shown gross** (total capital expenditure of $22,324,797, including ASADRA reservoir and FEMA projects), per the FY 2027 Adopted Capital Budget; approximately $15.9M of the FY 2027 program is funded by ASADRA financing and FEMA/grant reimbursements and $6.4M from District rates. The ASADRA reservoir seismic program continues through FY 2032. **Pipeline, pumping, generator, meter, vehicle, and other categories for FY 2028–FY 2036 reflect the District's base (rate- and debt-funded) capital program** from the 10-Year Capital Improvement Plan, informed by the 2024 Asset Management Plan; FEMA disaster-recovery costs are not allocated beyond FY 2027. Pipeline replacement is the dominant ongoing program, targeting approximately 1.1 miles per year including the Highline Transmission Main. Figures are planning estimates subject to annual reprioritization. Totals may not sum precisely due to rounding. Values in thousands (K)/millions (M).*

SECTION 9: RESERVES

The District maintains reserves in accordance with its Reserve Policy, adopted by the Board of Directors on June 24, 2025, through Resolution No. 2305. The policy establishes reserve requirements to support operating, capital, debt service, and emergency needs, and to promote long-term financial stability and resilience.

Board-Required Reserves

BOARD-REQUIRED RESERVES (POLICY MINIMUMS)	FY 2027
Operating Reserve	2,300
Rate Stabilization	3,800
Capital Emergency Reserve	500
Total Required Reserves	**6,310**

For financial reporting purposes, fund balances are classified as restricted when constrained by external parties, including debt agreements, grant requirements, or regulatory obligations, and committed when established by formal Board action. Reserve levels are reviewed annually as part of the budget and financial planning process and are reported to the Board on a regular basis. Minimum and target reserve levels are presented in Figure 7-1.

RESTRICTED FUND BALANCES

RESERVE POLICY — FY 2027 (RESOLUTION NO. 2327)	FY 2027
Restricted Reserves	
CCWA Rate Coverage Reserve	1,115
WSA Debt Service Coverage Deposit	482
WSA Debt Service Reserve Deposit	1,630
Thomas Fire / Debris Flow CalOES-FEMA Holdback	137
Subtotal — Restricted Reserves	**3,363**

Restricted reserves are subject to external legal, contractual, or regulatory constraints governing their use.

Central Coast Water Authority (CCWA) Rate Coverage Reserve

This reserve is held by the Central Coast Water Authority on behalf of the District and is maintained to support State Water Project (SWP) payment obligations, including administrative costs. It provides a financial safeguard to ensure coverage of annual SWP-related charges.

Water Supply Agreement (WSA) Debt Service Coverage & Reserve

This reserve is held by the City of Santa Barbara and represents the District's share of debt service coverage requirements associated with State Water Financing Authority loan

obligations for the Charles E. Meyer Desalination Plant. Funds are restricted for debt service coverage and related contractual requirements.

Thomas Fire / Debris Flow Settlement Reserve

This reserve represents remaining settlement proceeds from the Thomas Fire and debris flow litigation, pending final reconciliation with the California Office of Emergency Services (Cal OES). Remaining funds are restricted for repayment obligations and are held until formally disbursed.

COMMITTED FUND BALANCES

Committed reserves are established by Board action to support operational, capital, and financial risk management needs. These reserves remain available for District use consistent with Board policy.

Unrestricted Reserves — Board Committed (Minimums)	
Operating Reserve Minimum	3,800
Rate Stabilization Fund Minimum	2,300
Capital & Emergency Reserve Minimum	500
SWP Prefunding Reserve (budgeted fixed payment)	4,651
Subtotal — Unrestricted Reserves	**11,251**
Total Reserves	**14,614**

Rate Stabilization Reserve

This reserve is used to mitigate fluctuations in operating costs, debt service, and capital expenditures, supporting rate stability and debt service coverage. It may be used, when designated, in debt service coverage calculations and is funded in accordance with Board policy and financial planning objectives.

Operating Reserve

This reserve provides liquidity for routine operations, cash flow timing differences, and unanticipated operating costs. Withdrawals are used for operating expenses but are excluded from debt service coverage calculations.

Capital and Emergency Reserve

This reserve supports capital asset replacement and infrastructure improvements, as well as emergency response needs arising from system damage or unplanned events. It is used in alignment with the District's capital improvement program and adopted budget.

State Water Project (SWP) Prefunding Reserve

This reserve is used to pre-fund the District's annual SWP fixed charges, including its share of Central Coast Water Authority and California Department of Water Resources obligations. Funding is collected monthly in advance of the subsequent fiscal year's payment requirement.

APPENDIX A: DISTRICT RECOGNITION

Distinguished Budget Presentation Award

GOVERNMENT FINANCE OFFICERS ASSOCIATION

Distinguished Budget Presentation Award

PRESENTED TO

Montecito Water District
California

For the Fiscal Year Beginning

July 01, 2025

Christopher P. Morrill

Executive Director

The Distinguished Budget Presentation Award is granted by the Government Finance Officers Association of the United States and Canada (GFOA). To receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device. This award represents a significant achievement and reflects the commitment of Montecito Water District's Board of Directors, management, and staff in meeting the highest principles of governmental budgeting.

The Distinguished Budget Presentation Award for Fiscal Year 2026 is the District's 4th consecutive recognition received from GFOA.

DISTRICT TRANSPARENCY CERTIFICATE OF EXCELLENCE

District Transparency Certificate of Excellence

December 2024 – December 2027

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

Montecito Water District

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

Sandy Seifert Raffelson, SDLF Board President

Neil McCormick, SDLF Chief Executive Officer

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

GREEN BUSINESS CERTIFICATION, INNOVATOR STATUS

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

APPENDIX B: GLOSSARY

TERMINOLOGY & DEFINITIONS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ACRONYMS & ABBREVIATIONS

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

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

APPENDIX C: FINANCIAL POLICIES

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

Attached are the following financial policies.

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

CAPITALIZATION POLICY

DEBT MANAGEMENT POLICY

EMPLOYEE CLASSIFICATION AND SALARY RANGE SCHEDULE

FIXED ASSET DISPOSAL POLICY

INVESTMENT POLICY

PROCUREMENT POLICY

RESERVE POLICY

SCHEDULE OF MISCELLANEOUS FEES AND CHARGES

WATER RATES AND CHARGES

APPENDIX D: OTHERS

Montecito Water District Portion of
2011 Safe Drinking Water Loan

24.63% of Cater Portion

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

BOND DEBT SERVICE

Refunding Revenue Bonds, Series 2020A
Montecito Water District

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

Capital Improvement Plan	FY 25-26	FY 26-27	FY 27-28	FY 28-29	FY 29-30	FY 30-31	FY 31-32	FY 32-33	FY 33-34	FY 34-35	FY 35-36
PIPELINE REPLACEMENTS	**2,760,000**	**8,035,381**	**5,928,781**	**5,741,122**	**6,383,762**	**6,080,305**	**6,680,535**	**7,108,863**	**7,597,313**	**9,494,922**	**3,310,378**
Las Tunas Water Main Replacement	1,000,000	-	-	-	-	-	-	-	-	-	-
Freehaven Water Main Replacement	1,100,000	-	-	-	-	-	-	-	-	-	-
East Valley, Ladera and Lambert Water Main Replacements	190,000	3,780,000	-	-	-	-	-	-	-	-	-
Fairway, Butterfly, High, & Miramonte Water Main Replacements	150,000	3,457,400	-	-	-	-	-	-	-	-	-
Cold Springs and Dawlish Water Main Replacements	-	178,652	4,352,263	-	-	-	-	-	-	-	-
Sheffield, Toro Canyon and Edgecliff Water Main Replacements	-	-	189,372	4,108,486	-	-	-	-	-	-	-
East Valley and El Bosque Water Main Replacements	-	-	-	200,734	4,404,927	-	-	-	-	-	-
East Valley (Orchard to Park Lane) Water Main Replacement	-	-	-	-	212,778	4,693,206	-	-	-	-	-
Lateral 1, Cota Lane, and Pepper Lane Water Main Replacements	-	-	-	-	-	225,545	5,030,902	-	-	-	-
Parra Grande, Oak Road, and Hidden Valley Water Main Replacements	-	-	-	-	-	-	239,077	5,200,808	-	-	-
Toro Canyon, Knapp, and Arcady Water Main Replacements	-	-	-	-	-	-	-	253,422	5,378,901	-	-
Toro Canyon and Mesa Road Water Main Replacements	-	-	-	-	-	-	-	-	268,627	6,371,924	-
Highline Transmission Main Replacements (Cash funded long-term)	-	142,922	1,387,147	1,431,901	1,766,056	1,161,554	1,410,556	1,654,633	1,949,785	3,122,998	3,310,378
Other US101 Crossing at Danielson - Open cut	160,000	238,203	-	-	-	-	-	-	-	-	-
Other US101 Crossing at Mirmar - Open cut	160,000	238,203	-	-	-	-	-	-	-	-	-
Highline Transmission Main Replacements (Debt Financed)	-	-	-	-	-	-	-	-	-	-	-
RESERVOIR REPLACEMENTS	**8,783,500**	**8,984,962**	**7,135,567**	**9,248,018**	**3,155,158**	**-**	**-**	**-**	**-**	**-**	**-**
ASADRA Reservoir Retrofit and Replacement Project	8,783,500	8,984,962	7,135,567	9,248,018	3,155,158						
PUMPING/WELLS/VALVING/TREATMENT	**350,000**	**83,371**	**176,747**	**66,911**	**85,111**	**105,254**	**95,631**	**185,843**	**107,451**	**132,881**	**120,732**
Groundwater Well - Pump and Motor Replacement	-	35,730	-	40,147	-	45,109	-	50,684	-	56,949	-
Groundwater Well - Treatment System Media Replacement	-	47,641	-	-	-	60,145	-	-	-	75,932	-
Pump Station - Pump and Motor Replacement	-	-	37,874	-	42,556	-	47,815	-	53,725	-	60,366
Pump Station - Variable Freq Drive Replacement	-	-	37,874	-	42,556	-	47,815	-	53,725	-	60,366
Bella Vista Treatment Plant Media Replacement	140,000	-	100,998	-	-	-	-	135,158	-	-	-
Doulton Treatment Plant Media Replacement	-	-	-	26,765	-	-	-	-	-	-	-
Ennisbrook 2 Building Roof Addition	50,000	-	-	-	-	-	-	-	-	-	-
Bella Vista Reclaim Basin Improvements	160,000	-	-	-	-	-	-	-	-	-	-
GENERATORS	**70,000**	**180,000**	**75,000**	**250,000**	**180,000**	**80,000**	**165,000**	**-**	**-**	**-**	**-**
Replace Ortega Pump Station Generator	70,000	180,000	-	-	-	-	-	-	-	-	-
Replace Bella Vista Generator	-	-	-	-	-	80,000	165,000	-	-	-	-
Replace East Valley Pump Station Generator	-	-	75,000	170,000	-	-	-	-	-	-	-
Replace Mountain Drive Pump Station Generator	-	-	-	80,000	180,000	-	-	-	-	-	-
LARGE EQUIPMENT/VEHICLES	**240,000**	**371,461**	**130,000**	**347,939**	**354,630**	**-**	**-**	**-**	**-**	**-**	**-**
Backhoe Replacement (compliance)	-	-	-	347,939	-	-	-	-	-	-	-
Backhoe Rock Breaker	15,000	-	-	-	-	-	-	-	-	-	-
Mini Excavator	80,000	-	-	-	-	-	-	-	-	-	-
Dump Truck (Transmission & Distribution Dept.)	-	-	-	-	354,630	-	-	-	-	-	-
Vehicle Replacement (Transmission & Distribution Dept.)	70,000	300,000	70,000	-	-	-	-	-	-	-	-
Vehicle Replacement (Treatment Dept.)	75,000	71,461	-	-	-	-	-	-	-	-	-
Vehicle Replacement (Engineering Dept.)	-	-	60,000	-	-	-	-	-	-	-	-
OTHER	**1,430,000**	**379,012**	**265,120**	**147,205**	**85,111**	**90,218**	**-**	**-**	**-**	**-**	**-**
Fire Hydrant Improvements	140,000	-	-	-	-	-	-	-	-	-	-
MWD 6.25% FEMA/CalOES Match - Thomas Incident (Alder Flume)	150,000	198,000	63,124	66,911	-	-	-	-	-	-	-
FEMA Highline Replacement Project	275,000										
Asphalt Replacement Projects (Bella Vista, Buell, etc)	85,000	59,551	126,248	-	-	-	-	-	-	-	-
Pressure Regulator Repairs	300,000	71,461	75,749	80,294	85,111	90,218	-	-	-	-	-
Jameson Boat Dock	-	50,000	-	-	-	-	-	-	-	-	-
Juncal Dam Arch Drain Repairs	250,000	-	-	-	-	-	-	-	-	-	-
Juncal Dam Emergency Release Valve Modifications	230,000	-	-	-	-	-	-	-	-	-	-
Total Capital Improvements	**13,633,500**	**18,034,187**	**13,711,216**	**15,801,195**	**10,243,771**	**6,355,777**	**6,941,165**	**7,294,706**	**7,704,764**	**9,627,802**	**3,431,109**