

An aerial photograph of the Montecito area, showing a dense residential neighborhood with many houses and trees, overlooking a large body of water under a clear blue sky.

Montecito Water District

Long-Range Financial Plan Review

Finance Committee Meeting

May 13, 2026

Financial Plan Model

- Model inputs and estimates:
 - › Revenues: Fiscal Year (FY) 2025-2027 projected revenues (water demands, customer accounts, other revenues)
 - › O&M Expenses: FY 2026 Projected Actuals & FY 2027 Budget
 - › CIP:10-year plan
 - › Estimated cash balance at July 1, 2026 (FY 2027)
 - › Financing terms and assumptions:
 - SRF terms for ASADRA projects remain the same as past terms
 - Planned \$12M revenue bonds for non-ASADRA capital projects
 - Previously planned for FY 2027 and FY 2028
 - › Reserve Policies:
 - Incorporates latest reserve policy / Board-adopted reserve policy minimum

Areas of Change from Rate Study

- Increased O&M Costs
 - › Average of \$1.4M more per year
- Projected annual water demand
 - › Rate study: 3,950 acre-feet per year (AFY)
 - › Update:
 - FY 2026: 3,700 AFY to align with estimated water sales revenue
 - FY 2027 and beyond: 4,000 AFY based on most recent five-year average
- ASADRA schedule is one year later than planned in the rate study
 - › Schedule is the same as last year's update

Rate Revenue Comparison

- FY 2026 based on extrapolating year to date actuals
- Increase in sales from rate study projection results in additional rate revenue each year in FY 2027 and beyond
 - › 4,000 AFY estimate now versus 3,950 AFY in the rate study

Rate Revenue	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
2024 Rate Study	\$24,745,976	\$26,222,835	\$27,787,859	\$29,446,313	\$31,203,775	\$33,066,159
2026 Update	\$25,444,454	\$25,323,964	\$28,224,042	\$29,858,217	\$31,640,769	\$33,529,769
Difference (\$)	\$698,478	(\$898,871)	\$436,183	\$411,904	\$436,994	\$463,610

Total Revenue Comparison

- FEMA reimbursement not included in FY 2026 budget
- Rate study excluded capital cost recovery fees, now included in revenue forecast (~\$160k per year)
- Total increase in revenue of approximately \$3 million from FY 2026 through FY 2030

Rate Revenue	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
2024 Rate Study	\$33,194,472	\$27,625,964	\$29,089,730	\$30,839,355	\$32,604,890	\$34,396,911
2026 Update	\$31,459,034	\$27,986,448	\$30,445,059	\$31,266,067	\$33,036,431	\$34,843,248
Difference (\$)	(\$1,735,438)	\$360,484	\$1,355,329	\$426,712	\$431,541	\$446,337

O&M Comparison

- Total increase in O&M costs of \$7.1 million from FY 2026 through FY 2030
- Average annual increase of approximately \$1.4M per year
 - › JPA, Transmission & Distribution, Treatment, Meter Reading/Customer Service, Admin & General

O&M	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
2024 Rate Study	\$23,305,944	\$23,824,953	\$24,712,412	\$25,427,798	\$26,400,825	\$27,188,405
2026 Update	\$22,407,588	\$24,827,934	\$26,752,263	\$26,734,198	\$27,760,551	\$28,603,751
Difference (\$)	(\$898,356)	\$1,002,981	\$2,039,851	\$1,306,400	\$1,359,726	\$1,415,346

JPA O&M Comparison

O&M	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
2024 Rate Study						
Cachuma	\$1,050,000	\$1,081,500	\$1,113,945	\$1,147,363	\$1,181,784	\$1,217,238
Cater Treatment	\$919,000	\$942,070	\$965,832	\$999,307	\$1,034,056	\$1,070,134
State Water	\$4,429,164	\$4,328,885	\$4,608,342	\$4,679,337	\$5,275,081	\$5,358,356
Desal	\$7,469,248	\$7,605,036	\$7,747,457	\$7,896,839	\$7,757,169	\$7,921,519
2026 Update						
Cachuma	\$1,030,550	\$1,226,611	\$1,357,650	\$1,398,380	\$1,440,331	\$1,483,541
Cater Treatment	\$1,080,830	\$860,452	\$1,007,620	\$1,041,690	\$1,077,012	\$1,113,638
State Water	\$4,517,094	\$4,465,692	\$5,031,101	\$4,679,337	\$5,275,081	\$5,358,356
Desal	\$5,756,041	\$7,388,663	\$8,109,281	\$7,896,839	\$7,757,169	\$7,921,519
Total Difference (\$)	(\$1,482,897)	(\$16,073)	\$1,070,076	\$293,400	\$301,503	\$309,807

CIP Comparison

- Total CIP is slightly lower from FY 2025 through FY 2030
 - › \$33.8M in 2024 Rate Study vs \$30.9M in 2026 Update
 - › Increase from \$39.8M to \$46M from FY 2031 to FY 2036
- Updates to costs and timing of water main replacement projects and Highline Replacement project (\$65.9M FY 2027 through FY 2036)

Base CIP	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
2024 Rate Study	\$4,035,050	\$5,060,358	\$4,906,408	\$6,585,087	\$6,373,816	\$6,887,927
2026 Update	\$2,437,500	\$3,905,650	\$6,122,865	\$5,332,658	\$6,682,987	\$6,476,737
Difference (\$)	(\$1,597,550)	(\$1,154,708)	\$1,216,457	(\$1,252,429)	\$309,171	(\$411,190)

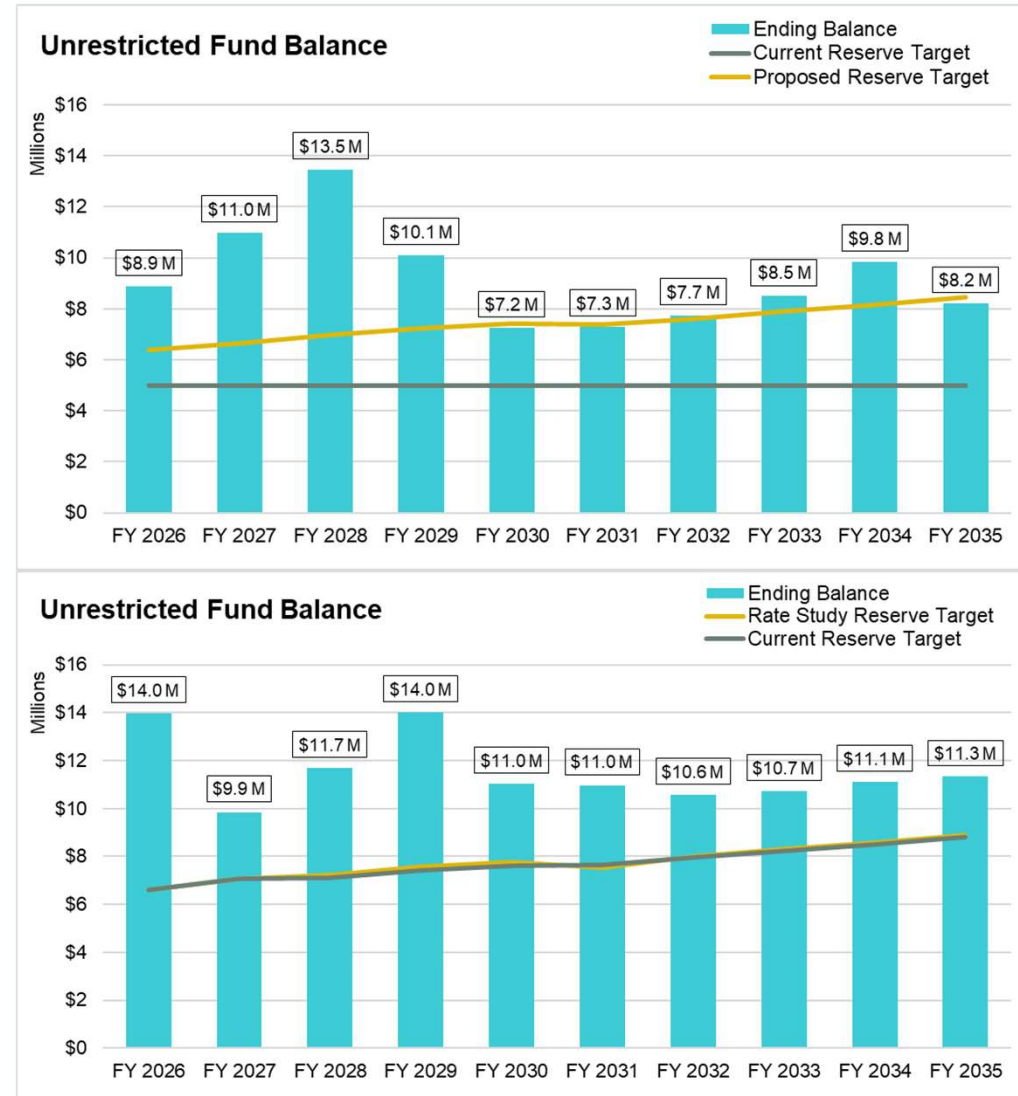
Reserve Policies

- **Rate Study**
 - › 90 days annual O&M + Debt Service
 - › Translates into approximately \$6.6 M in FY 2026

- **Board-Approved Policy (Minimum)**
 - › O&M: Minimum of 14% annual operating costs
 - › Capital & Emergency Reserve: \$500k
 - › Rate Stabilization: Approximately 8% of annual operating costs + debt service
 - › Translates into approximately \$6.6 M in FY 2026

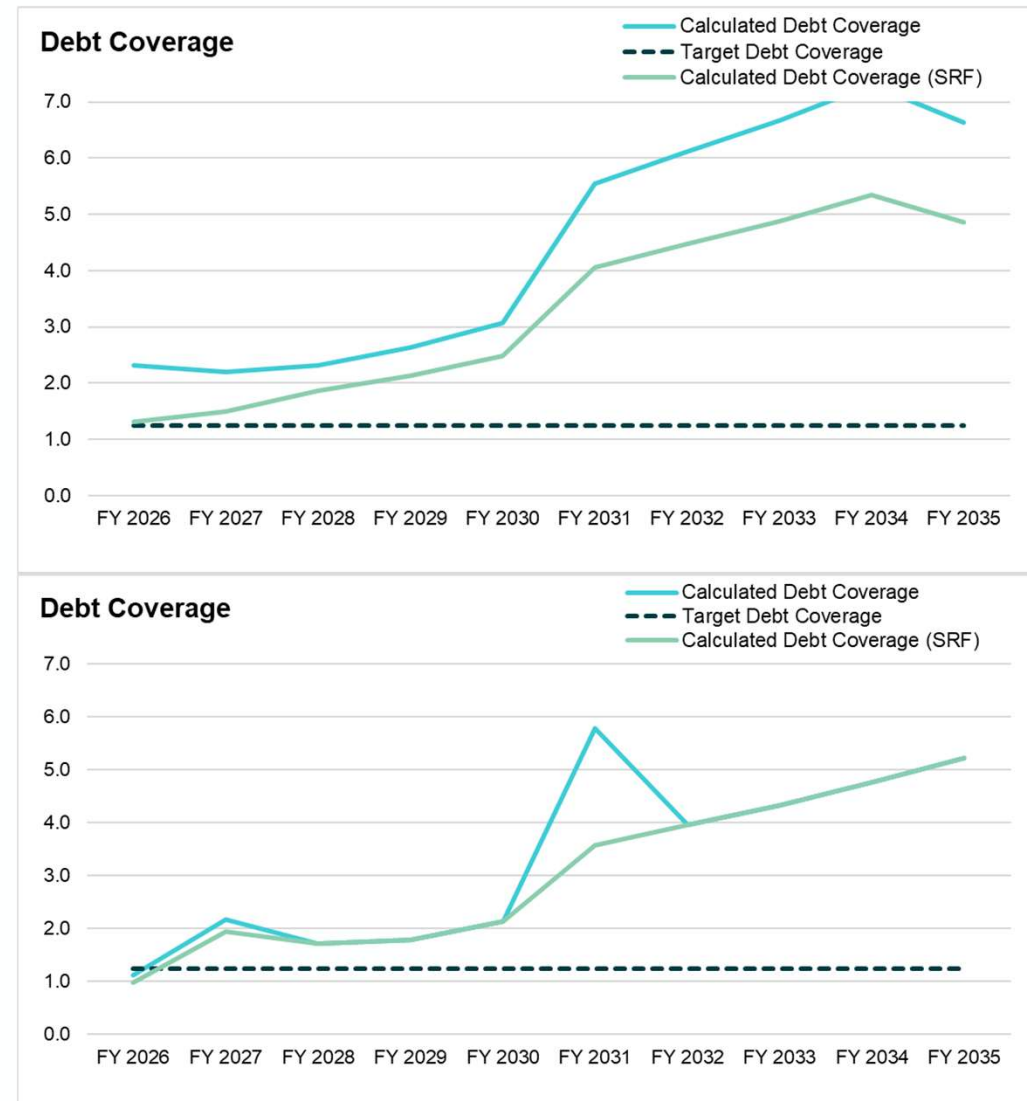
Projected Cash Balance Comparison

- Top Chart: 2024 Rate Study
- Bottom Chart: 2026 Update
- **Estimated beginning FY 2027 cash at \$14M (MWD Estimate as of 5/12)**



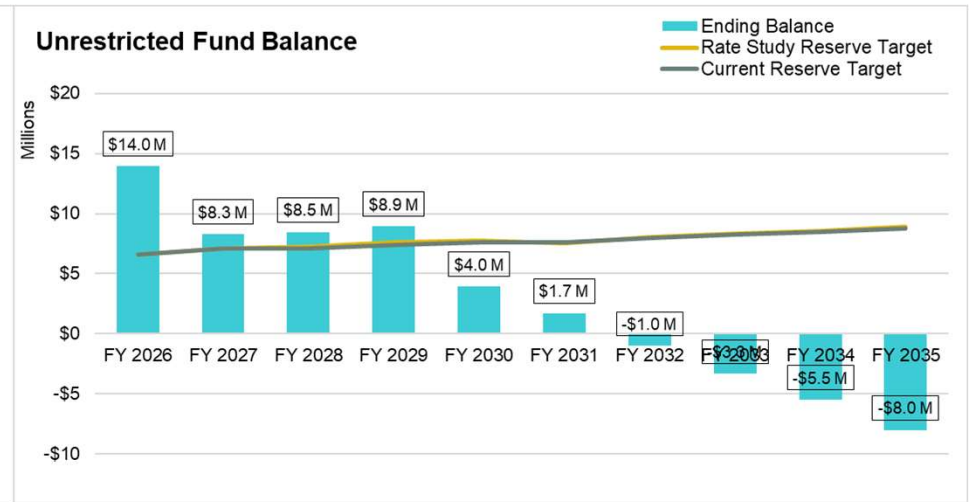
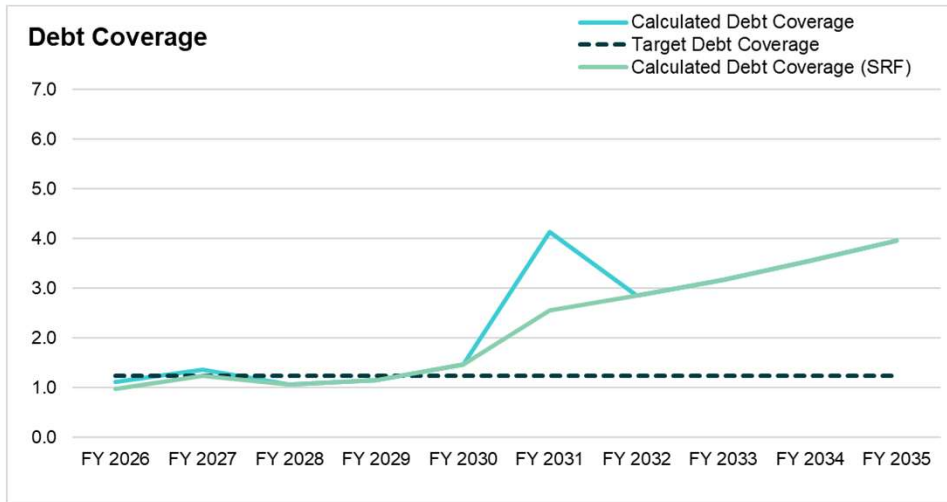
Projected Debt Coverage Comparison

- Top Chart: 2024 Rate Study
- Bottom Chart: 2026 Update
- Minimum coverage required is 1.25
- Dip in FY 2026 SRF coverage is result of reduced variable rate revenue, exclusion of FEMA reimbursement, and increased O&M



Projections w/out Year Three Rate Increase

Option	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034
Revenue Increase	0%	5.75%	5.75%	5.75%	5.75%	5%	5%	5%



Financial Plan Update Discussion

- Though O&M is higher than planned in the Rate Study, increases in rate and non-rate revenues offset the difference
- Debt coverage decreases in FY 2026 but then returns to levels similar to the 2024 rate study
- Cash balance projections are higher than the rate study
- Forgoing the year three rate increase would
 - › Reduce debt coverage below minimums in FY 2027 to FY 2029
 - › Change the trajectory of projected cash balances towards \$0 by FY 2030

Recommendation

- Implement the adopted 5.75% rate increase for FY 2027



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