



**FINANCE COMMITTEE MEETING  
MONTECITO WATER DISTRICT  
583 SAN YSIDRO ROAD, MONTECITO, CALIFORNIA  
THURSDAY, SEPTEMBER 20, 2018  
AT 9:30 AM**

**AGENDA**

**1) CALL TO ORDER, DETERMINATION OF COMMITTEE QUORUM**

**2) PUBLIC FORUM**

This portion of the agenda may be utilized by any person to address the Finance Committee on any matter within the jurisdiction of the Committee. No consideration or discussion shall be undertaken by Committee members at this time on any item not appearing on this agenda except as permitted by the Ralph M. Brown Act. Discussion items receiving recommendations by the Committee, and/or items requiring action will be placed on the agenda of a future meeting of the Montecito Water District Board of Directors.

**3) ITEMS FOR COMMITTEE DISCUSSION**

- A. Review Unaudited District Monthly Financial Reports for August 2018
- B. Discuss Cash Flow Regarding Emergency Spending
- C. Discuss Additional CCWA (DWR) Charges
- D. Discuss Deficit Charges from USBR
- E. Discuss Financing Options for AMI
- F. Discuss Policies Regarding Rates for Rate Study

**4) DIRECTOR REQUESTS**

**5) ADJOURNMENT**

This agenda was posted at the Montecito Water District front counter and outside front wall at 5:00 pm, June 15, 2018. The Americans with Disabilities Act provides that no qualified individual with a disability shall be excluded from participation in, or denied the benefits of, the District's programs, services or activities because of any disability. If you need special assistance to participate in this meeting, please contact the District Office at (805) 969-2271. Notification at least twenty-four (24) hours prior to the meeting will enable the District to make appropriate arrangements. Materials related to an item on this agenda submitted to the Committee after distribution of the agenda packet are available for public inspection in the Montecito Water District offices located at 583 San Ysidro Road, Montecito, CA during normal business hours.



**MONTECITO WATER DISTRICT  
MEMORANDUM**

**SECTION: 3-A**

**DATE: SEPTEMBER 20, 2018**

**TO: FINANCE COMMITTEE**

**FROM: BUSINESS MANAGER**

**SUBJECT: AUGUST 2018 FINANCIAL REPORTS**

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**RECOMMENDATION:**

For information and discussion only.

**BACKGROUND:**

Each month, staff prepares a financial package that contains information comparing actual results against the budget, historical activity and other statistical data in order to identify potential fluctuations and/or trends. The information is reported to the Finance Committee and then to the Board of Directors, on a timely basis, for further discussion and appropriate Board action, if applicable.

Included in this financial package are the **Monthly Financial Statements** which include the Statement of Revenue and Expenditures and accompanying footnotes, the Statement of Net Position and the Statement of Cash Flows. These reports are prepared on an accrual basis and formatted much the same as the Annual Audited Financial Statements. These reports are prepared to provide the District's Board of Directors and customers with information about the activities and performance of the District during the month using accounting methods similar to those used by private sector companies and consistent with generally accepted accounting principles.

The financial package also includes **Dashboard Reports** which graphically depict various water sales data including water sales by classification, water sales for trailing 12, 24 and 36 months, water sales by tier and several other key trend indicators. The **Water Sales Analysis** and the **Metered Water Sales Report** track current year activity in both units of water sold (acre feet) and metered water sales.

**ANALYSIS:**

**1. WATER SALES ANALYSIS – AUGUST 2018**

| <b>MONTH TO DATE WATER SALES (AF)</b> |               |               |                 |                |
|---------------------------------------|---------------|---------------|-----------------|----------------|
| <b>CLASSIFICATION</b>                 | <b>ACTUAL</b> | <b>BUDGET</b> | <b>VARIANCE</b> |                |
|                                       |               |               | <b>AF</b>       | <b>%</b>       |
| <b>Single Family</b>                  | <b>352.50</b> | <b>334.53</b> | <b>17.97</b>    | <b>5.4%</b>    |
| <b>Multi Family</b>                   | <b>6.36</b>   | <b>7.29</b>   | <b>(0.92)</b>   | <b>(12.7%)</b> |
| <b>Agricultural</b>                   | <b>46.85</b>  | <b>39.93</b>  | <b>6.92</b>     | <b>17.3%</b>   |
| <b>Institutional</b>                  | <b>46.01</b>  | <b>31.31</b>  | <b>14.70</b>    | <b>46.9%</b>   |
| <b>Commercial</b>                     | <b>23.77</b>  | <b>28.65</b>  | <b>(4.88)</b>   | <b>(17.0%)</b> |
| <b>Non-Potable</b>                    | <b>19.22</b>  | <b>18.19</b>  | <b>1.04</b>     | <b>5.7%</b>    |
| <b>Monthly Total</b>                  | <b>494.72</b> | <b>459.90</b> | <b>34.82</b>    | <b>7.6%</b>    |

| <b>YEAR TO DATE WATER SALES (AF)</b> |               |               |                 |                |
|--------------------------------------|---------------|---------------|-----------------|----------------|
| <b>CLASSIFICATION</b>                | <b>ACTUAL</b> | <b>BUDGET</b> | <b>VARIANCE</b> |                |
|                                      |               |               | <b>AF</b>       | <b>%</b>       |
| <b>Single Family</b>                 | <b>654.80</b> | <b>672.78</b> | <b>(17.99)</b>  | <b>(2.7%)</b>  |
| <b>Multi Family</b>                  | <b>11.87</b>  | <b>14.81</b>  | <b>(2.94)</b>   | <b>(19.8%)</b> |
| <b>Agricultural</b>                  | <b>86.63</b>  | <b>79.86</b>  | <b>6.77</b>     | <b>8.5%</b>    |
| <b>Institutional</b>                 | <b>78.68</b>  | <b>62.96</b>  | <b>15.72</b>    | <b>25.0%</b>   |
| <b>Commercial</b>                    | <b>44.39</b>  | <b>58.31</b>  | <b>(13.92)</b>  | <b>(23.9%)</b> |
| <b>Non-Potable</b>                   | <b>39.87</b>  | <b>46.38</b>  | <b>(6.51)</b>   | <b>(14.0%)</b> |
| <b>Yearly Total</b>                  | <b>916.24</b> | <b>935.10</b> | <b>(18.86)</b>  | <b>(2.0%)</b>  |

**A. Water Sales in Acre Feet (AF)**

During the month of August 2018, MWD sold 494.7 AF of water to its customers compared to a budgeted amount of 459.9 AF which translates to a budget variance of 34.8 AF or 7.6%. The primary reason for the variance has to do with warmer weather.

## B. Sales by Classification

| YEAR TO DATE WATER SALES (\$) |              |              |           |         |
|-------------------------------|--------------|--------------|-----------|---------|
| CLASSIFICATION                | CURRENT YTD  | BUDGET YTD   | VARIANCE  |         |
|                               |              |              | \$        | %       |
| Single Family                 | \$ 1,732,269 | \$ 1,721,288 | \$ 10,981 | 0.6%    |
| Multi Family                  | 27,923       | 34,794       | (6,871)   | (19.7%) |
| Agricultural                  | 118,238      | 110,617      | 7,621     | 6.9%    |
| Institutional                 | 207,581      | 166,310      | 41,271    | 24.8%   |
| Commercial                    | 117,343      | 156,877      | (39,534)  | (25.2%) |
| Non-Potable                   | 24,314       | 28,287       | (3,973)   | (14.0%) |
| Adjustments                   | -            | -            | -         | 0.0%    |
| Monthly Total                 | \$ 2,227,668 | \$ 2,218,173 | \$ 9,495  | 0.4%    |

## 2. STATEMENT OF REVENUE AND EXPENDITURES – AUGUST 2018

### A. Revenues

Total Revenue YTD as of August 31, 2018 is \$4,427,900 compared to the YTD Budget of \$4,337,206 for a budget variance of \$90,694 or 2.1%.

| REVENUE                    | YTD ACTUAL   | YTD BUDGET   | FAVORABLE (UNFAVORABLE) |
|----------------------------|--------------|--------------|-------------------------|
| WATER SALES                | 2,227,667    | 2,218,174    | 9,493                   |
| WSE SURCHARGE              | 1,309,662    | 1,335,581    | (25,919)                |
| SERVICE CHARGES            | 709,826      | 707,575      | 2,251                   |
| WATER AVAILABILITY CHARGE  | -            | -            | -                       |
| PRIVATE FIRE HYDRANT       | 11,959       | 11,860       | 99                      |
| LATE CHARGES               | 13,418       | 11,212       | 2,206                   |
| SERVICE CONNECTION FEES    | 14,648       | 3,638        | 11,010                  |
| CAPITAL COST RECOVERY FEES | 94,840       | -            | 94,840                  |
| INTEREST REVENUE - GENERAL | 29,940       | 33,333       | (3,393)                 |
| OTHER REVENUE (LOSS)       | 11,510       | 11,833       | (323)                   |
| REIMBURSEMENTS             | 4,431        | 4,000        | 431                     |
| TOTAL REVENUE              | \$ 4,427,900 | \$ 4,337,206 | \$ 90,694               |

## **B. Expenses:**

### **1. JPA Expenses**

Total JPA Expenses YTD through August 31, 2018 are \$1,416,495 compared to the YTD budget of \$1,411,766 which is above budget by \$4,729. This variance is due mainly as a result of the COMB budget increasing after the MWD budget was completed.

### **2. MWD Expenses**

Total MWD Expenses YTD as of August 31, 2018 are \$1,227,165 compared to the YTD budget of \$1,267,953 which is below budget by \$40,788. This variance is primarily due to the following factors – **Engineering**, SGMA Study has not incurred expected costs (\$22k), anticipated Professional Services have not yet been incurred (\$17k) as well as other combined variances (-\$20k); **Administration**, Legal expenses were lower than anticipated (\$20k), Rate Study costs have not been incurred (\$10k), local water supply negotiations have not been as costly as anticipated (\$46k) as well as other combined variances of (-\$2k).

## **ATTACHMENTS:**

- 1) Financial Package – August 2018



**FINANCIAL REPORTS**  
**FINANCE COMMITTEE MEETING**  
**For the Month of August 2018**  
**September 20, 2018**

**MONTECITO WATER DISTRICT**  
**STATEMENT OF REVENUE AND EXPENDITURES**  
 August 31, 2018

| REVENUE                                     | MTD<br>ACTUAL       | MTD<br>BUDGET       | FAVORABLE<br>(UNFAVORABLE) | YTD<br>ACTUAL       | YTD<br>BUDGET       | FAVORABLE<br>(UNFAVORABLE) | Footnote |
|---|---------------------|---------------------|----------------------------|---------------------|---------------------|----------------------------|----------|
| WATER SALES                                 | 1,212,868           | 1,102,283           | 110,584                    | 2,227,667           | 2,218,174           | 9,493                      | (1)      |
| WSE SURCHARGE                               | 711,645             | 663,817             | 47,828                     | 1,309,662           | 1,335,581           | (25,919)                   | (1)      |
| SERVICE CHARGES                             | 355,100             | 353,787             | 1,312                      | 709,826             | 707,575             | 2,251                      |          |
| WATER AVAILABILITY CHARGE                   | -                   | -                   | -                          | -                   | -                   | -                          |          |
| PRIVATE FIRE HYDRANT                        | 5,979               | 5,930               | 49                         | 11,959              | 11,860              | 99                         |          |
| LATE CHARGES                                | 8,940               | 5,606               | 3,334                      | 13,418              | 11,212              | 2,206                      |          |
| SERVICE CONNECTION FEES                     | 9,876               | 3,638               | 6,238                      | 14,648              | 3,638               | 11,010                     | (2)      |
| CAPITAL COST RECOVERY FEES                  | 71,130              | -                   | 71,130                     | 94,840              | -                   | 94,840                     | (3)      |
| INTEREST REVENUE - GENERAL                  | 13,838              | 16,667              | (2,829)                    | 29,940              | 33,333              | (3,393)                    |          |
| OTHER REVENUE (LOSS)                        | 3,718               | 5,917               | (2,198)                    | 11,510              | 11,833              | (323)                      |          |
| REIMBURSEMENTS                              | 4,431               | 2,000               | 2,431                      | 4,431               | 4,000               | 431                        |          |
| <b>TOTAL REVENUE</b>                        | <b>\$ 2,397,524</b> | <b>\$ 2,159,645</b> | <b>\$ 237,879</b>          | <b>\$ 4,427,900</b> | <b>\$ 4,337,206</b> | <b>\$ 90,694</b>           |          |
| <b>OPERATING EXPENSE</b>                    |                     |                     |                            |                     |                     |                            |          |
| <b>DIRECT EXPENSE</b>                       |                     |                     |                            |                     |                     |                            |          |
| <b>JPA OPERATING EXPENSE</b>                |                     |                     |                            |                     |                     |                            |          |
| CACHUMA OPERATIONS & MAINT BOARD (COMB)     | 51,028              | 48,661              | (2,367)                    | 102,056             | 97,323              | (4,734)                    | (4)      |
| CACHUMA CONSERVATION & RELEASE BOARD (CCRB) | 11,588              | 11,589              | 0                          | 23,177              | 23,177              | 0                          |          |
| US BUREAU OF RECLAMATION (USBR)             | 25,576              | 25,576              | -                          | 51,152              | 51,152              | -                          |          |
| CATER WATER TREATMENT PLANT                 | 105,000             | 105,000             | -                          | 210,000             | 210,000             | -                          |          |
| STATE WATER PROJECT (SWP) - FIXED           | 430,011             | 430,012             | 1                          | 860,020             | 860,023             | 3                          |          |
| STATE WATER PROJECT (SWP) - VARIABLE        | 85,045              | 85,046              | 1                          | 170,090             | 170,091             | 1                          |          |
| SUPPLEMENTAL WATER PURCHASE                 | -                   | -                   | -                          | -                   | -                   | -                          |          |
| <b>TOTAL JPA OPERATING EXPENSE</b>          | <b>\$ 708,248</b>   | <b>\$ 705,883</b>   | <b>(\$ 2,366)</b>          | <b>\$ 1,416,495</b> | <b>\$ 1,411,766</b> | <b>(\$ 4,729)</b>          |          |
| <b>MWD DIRECT EXPENSE</b>                   |                     |                     |                            |                     |                     |                            |          |
| JAMESON                                     | 13,502              | 13,936              | 434                        | 21,306              | 23,583              | 2,277                      |          |
| TRANSMISSION & DISTRIBUTION                 | 148,277             | 124,551             | (23,726)                   | 272,471             | 245,675             | (26,796)                   | (5)      |
| TREATMENT                                   | 136,733             | 100,896             | (35,837)                   | 224,099             | 195,713             | (28,386)                   | (6)      |
| <b>TOTAL MWD DIRECT EXPENSE</b>             | <b>\$ 298,512</b>   | <b>\$ 239,384</b>   | <b>(\$ 59,128)</b>         | <b>\$ 517,876</b>   | <b>\$ 464,970</b>   | <b>(\$ 52,906)</b>         |          |
| <b>MWD INDIRECT EXPENSE</b>                 |                     |                     |                            |                     |                     |                            |          |
| ENGINEERING                                 | 76,885              | 64,383              | (12,502)                   | 107,516             | 126,915             | 19,399                     | (7)      |
| CUSTOMER SERVICE                            | 38,920              | 33,755              | (5,165)                    | 68,756              | 65,967              | (2,789)                    |          |
| PUBLIC INFORMATION / CONSERVATION           | 11,239              | 10,731              | (508)                      | 20,307              | 20,926              | 619                        |          |
| FLEET                                       | 19,196              | 17,788              | (1,407)                    | 33,333              | 34,957              | 1,624                      |          |
| ADMINISTRATION (incl Depreciation)          | 273,077             | 319,639             | 46,563                     | 479,377             | 554,217             | 74,841                     | (8)      |
| <b>TOTAL MWD INDIRECT EXPENSE</b>           | <b>\$ 419,316</b>   | <b>\$ 446,296</b>   | <b>\$ 26,980</b>           | <b>\$ 709,289</b>   | <b>\$ 802,983</b>   | <b>\$ 93,694</b>           |          |

|                                   | MTD<br>ACTUAL | MTD<br>BUDGET | FAVORABLE<br>(UNFAVORABLE) |
|-----------------------------------|---------------|---------------|----------------------------|
| TOTAL MWD EXPENSE                 | \$ 717,828    | \$ 685,680    | (\$ 32,148)                |
| TOTAL OPERATING EXPENSE           | \$ 1,426,077  | \$ 1,391,563  | (\$ 93,642)                |
| NET OPERATING SURPLUS / (DEFICIT) | \$ 971,447    | \$ 768,082    | \$ 203,365                 |
| NON OPERATING EXPENSE             |               |               |                            |
| 2004 DWR ORTEGA LOAN              | -             | -             | -                          |
| BOND INTEREST EXPENSE             | -             | -             | -                          |
| CATER DWR LOAN                    | -             | -             | -                          |
| CATER CAPITAL                     | -             | -             | -                          |
| CATER OZONE                       | -             | -             | -                          |
| TOTAL NON OPERATING EXPENSE       | \$ -          | \$ -          | \$ -                       |
| NET OPERATING SURPLUS / (DEFICIT) | \$ 971,447    | \$ 768,082    | \$ 203,365                 |
| NET POSITION, BEGINNING OF PERIOD | \$ 32,754,930 | \$ 32,714,798 | \$ 40,133                  |
| NET POSITION, END OF PERIOD       | \$ 33,726,378 | \$ 33,482,880 | \$ 243,497                 |

|                                   | YTD<br>ACTUAL | YTD<br>BUDGET | FAVORABLE<br>(UNFAVORABLE) |
|-----------------------------------|---------------|---------------|----------------------------|
| TOTAL MWD EXPENSE                 | \$ 1,227,165  | \$ 1,267,953  | \$ 40,788                  |
| TOTAL OPERATING EXPENSE           | \$ 2,643,660  | \$ 2,679,718  | (\$ 16,847)                |
| NET OPERATING SURPLUS / (DEFICIT) | \$ 1,784,241  | \$ 1,657,488  | \$ 126,753                 |
| NON OPERATING EXPENSE             |               |               |                            |
| 2004 DWR ORTEGA LOAN              | -             | -             | -                          |
| BOND INTEREST EXPENSE             | -             | -             | -                          |
| CATER DWR LOAN                    | -             | -             | -                          |
| CATER CAPITAL                     | -             | -             | -                          |
| CATER OZONE                       | -             | -             | -                          |
| TOTAL NON OPERATING EXPENSE       | \$ -          | \$ -          | \$ -                       |
| NET OPERATING SURPLUS / (DEFICIT) | \$ 1,784,241  | \$ 1,657,488  | \$ 126,753                 |
| NET POSITION, BEGINNING OF PERIOD | \$ 31,942,137 | \$ 31,903,426 | \$ 38,711                  |
| NET POSITION, END OF PERIOD       | \$ 33,726,377 | \$ 33,560,913 | \$ 165,464                 |

**August 31, 2018**

**FOOTNOTES**

- (1) **WATER SALES (in AF)** - MTD OVER Actual 494.7 and Budget 459.9 = Variance 34.8; **YTD UNDER** Actual 916.2 and Budget 935.1 = Variance -18.9;
- (2) **SERVICE CONNECTION FEES** - MTD OVER by \$6k & YTD OVER by \$11k - Unanticipated connection and relocation during the month
- (3) **CAPITAL COST RECOVERY** - MTD OVER by \$71k & YTD OVER by \$95k - Unanticipated new meter installation during the month
- (4) **COMB** - MTD OVER by \$2k & YTD OVER by \$4k - Will continue to grow as MWD budget was based on a preliminary COMB budget
- (5) **TRANSMISSION & DISTRIBUTION** - MTD OVER by \$24k - Repairs and Maintenance \$10k (inventory), Utilities \$9k  
YTD OVER by \$27k - Supplies (UNDER) (-\$5k), Repairs and Maint \$20k (inventory), Utilities \$14k
- (6) **TREATMENT** - MTD OVER by \$35k - Laboratory Services \$8k Supplies \$4k, Chemicals \$7k (2 months); Utilities \$9k  
YTD OVER by \$28k - Utilities \$11k, Chemicals \$6k, and Laboratory Services \$8k
- (7) **ENGINEERING** - MTD OVER by \$12k - Recycled Water Feasibility Study (timing) - \$12k;  
YTD UNDER by \$19k - SGMA (timing) (\$22k), Professional Services (\$17k), Salaries \$8k and Recycled Water Feasibility Study (timing) \$9k
- (8) **ADMINISTRATION** - MTD UNDER by \$46k -Local Water Supply Negotiations (timing) \$46k  
YTD UNDER by \$75k - Legal (-\$20k), Local Water Supply Negotiations (timing) (-\$46k) and Rate Study(timing) (-\$10k)

**MONTECITO WATER DISTRICT**  
**STATEMENT OF NET POSITION - UNAUDITED**  
**August 31, 2018**

**ASSETS**

**Current:**

**Cash and investments**

Operating accounts

Board reserves:

|                                    |              |  |
|------------------------------------|--------------|--|
| Reserve for Operations             | \$ 3,400,000 |  |
| Reserve for Emergencies            | \$ 1,000,000 |  |
| Reserve for Unanticipated Projects | \$ 1,000,000 |  |
|                                    | \$ 5,400,000 |  |

|                 |              |  |
|-----------------|--------------|--|
| Unreserved Cash | \$ 4,625,957 |  |
|-----------------|--------------|--|

|   |               |  |
|---|---------------|--|
| Total unrestricted cash and investments | \$ 10,025,957 |  |
|---|---------------|--|

|                                   |              |  |
|-----------------------------------|--------------|--|
| Restricted - cash and investments | \$ 3,484,109 |  |
|-----------------------------------|--------------|--|

|  |  |               |
|--|--|---------------|
| Total Cash (unrestricted & restricted) |  | \$ 13,510,065 |
|--|--|---------------|

|                                       |            |            |
|---------------------------------------|------------|------------|
| Other Investments - Semitropic Shares | \$ 630,000 | \$ 630,000 |
|---------------------------------------|------------|------------|

**Receivables:**

|   |              |  |
|---|--------------|--|
| Accounts receivable - water sales & services, net | \$ 2,421,914 |  |
|---|--------------|--|

|                             |          |  |
|-----------------------------|----------|--|
| Accounts receivable - other | \$ 4,413 |  |
|-----------------------------|----------|--|

|                  |           |  |
|------------------|-----------|--|
| Accrued Interest | \$ 22,595 |  |
|------------------|-----------|--|

|                   |            |  |
|-------------------|------------|--|
| FEMA Reimbursable | \$ 561,013 |  |
|-------------------|------------|--|

|                      |              |  |
|----------------------|--------------|--|
| ACWA/JPIA receivable | \$ (216,803) |  |
|----------------------|--------------|--|

|                                  |            |  |
|----------------------------------|------------|--|
| Materials and supplies inventory | \$ 302,893 |  |
|----------------------------------|------------|--|

|   |              |  |
|---|--------------|--|
| Prepaid water charges (SWP and other prepaid water) | \$ 7,526,608 |  |
|---|--------------|--|

|                                     |            |  |
|-------------------------------------|------------|--|
| Prepaid expenses and other deposits | \$ 319,386 |  |
|-------------------------------------|------------|--|

|                      |  |               |
|----------------------|--|---------------|
| Total Current Assets |  | \$ 10,942,019 |
|----------------------|--|---------------|

**Noncurrent:**

|  |              |  |
|--|--------------|--|
| Capital assets - not being depreciated | \$ 1,391,952 |  |
|--|--------------|--|

|   |               |  |
|---|---------------|--|
| Capital assets - being depreciated, net | \$ 31,031,774 |  |
|---|---------------|--|

|                         |  |               |
|-------------------------|--|---------------|
| Total Noncurrent Assets |  | \$ 32,423,726 |
|-------------------------|--|---------------|

**DEFERRED OUTFLOWS OF RESOURCES**

|                   |              |  |
|-------------------|--------------|--|
| Deferred pensions | \$ 1,116,776 |  |
|-------------------|--------------|--|

|                                      |  |              |
|--------------------------------------|--|--------------|
| Total Deferred Outflows of Resources |  | \$ 1,116,776 |
|--------------------------------------|--|--------------|

**TOTAL COMBINED ASSETS:**

|               |
|---------------|
| \$ 58,622,587 |
|---------------|

**MONTECITO WATER DISTRICT  
STATEMENT OF NET POSITION - UNAUDITED  
August 31, 2018 (Continued)**

**LIABILITIES**

**Current:**

|  |    |         |         |
|--|----|---------|---------|
| Accounts payable and accrued expenses        | \$ | 8,990   |         |
| Accrued wages and related payables           | \$ | 10,896  |         |
| Unearned revenue and other deposits          | \$ | 87,512  |         |
| Accrued interest payable                     | \$ | -       |         |
| Long-term liabilities - due within one year: |    |         |         |
| Accrued compensated absences                 |    |         |         |
| Bonds Payable                                | \$ | -       |         |
| Loan Payable                                 | \$ | 635,016 |         |
| Total Current Liabilities                    |    | \$      | 742,414 |

**Noncurrent:**

|  |    |            |            |
|--|----|------------|------------|
| Accrued compensated absences           | \$ | 381,885    |            |
| Accrued water exchange transfer        | \$ | -          |            |
| Bonds payable                          | \$ | 13,360,000 |            |
| Loan payable                           | \$ | 5,864,989  |            |
| Legal settlement payable               | \$ | -          |            |
| Other post-employment benefits payable | \$ | 780,930    |            |
| Net pension liability                  | \$ | 3,797,410  |            |
| Total Noncurrent Liabilities           |    | \$         | 24,185,215 |
| Total Liabilities                      |    | \$         | 24,927,628 |

**DEFERRED INFLOWS OF RESOURCES**

|                                     |    |         |         |
|-------------------------------------|----|---------|---------|
| Deferred pensions                   | \$ | 523,384 |         |
| Total Deferred Inflows of Resources |    | \$      | 523,384 |

**NET POSITION**

|                                  |    |            |            |
|----------------------------------|----|------------|------------|
| Net investment in capital assets | \$ | 12,072,809 |            |
| Restricted                       | \$ | 3,484,109  |            |
| Unrestricted                     | \$ | 17,614,657 |            |
| Total Net Position               |    | \$         | 33,171,575 |

**TOTAL COMBINED LIABILITIES, DEFERRALS AND NET POSITION:**

**\$ 58,622,587**

**MONTECITO WATER DISTRICT  
STATEMENT OF CASH FLOWS - UNAUDITED  
August 31, 2018**

**CASH FLOWS FROM OPERATING ACTIVITIES**

|   | MTD        | YTD          |
|---|------------|--------------|
| Operating Income (loss)   | \$ 957,609 | \$ 1,754,300 |
| Adjustments to reconcile operating (loss) to net cash provided by operating activities:           |            |              |
| Depreciation  | 101,548    | 199,660      |
| Change in assets, deferred outflows of resources, liabilities, and deferred inflows of resources: |            |              |
| Accounts receivable   | (656,963)  | (129,219)    |
| Materials and supplies inventory  | 54,780     | 60,036       |
| Prepaid water charges   | 580,910    | 1,289,157    |
| Prepaid expenses and other deposits   | 3,288      | (206,128)    |
| Litigation Liability  | -          | -            |
| Accounts payable  | (946,439)  | (898,213)    |
| Accrued wages and related payables  | (34,812)   | (43,357)     |
| Unearned revenue and other deposits   | (2,116)    | (116)        |
| Accrued water exchange transfer   | -          | -            |
| Compensated absences  | 13,950     | 12,679       |
| Net cash provided (used) by operating activities  | \$ 71,755  | \$ 2,038,799 |

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

|  |      |             |
|--|------|-------------|
| Acquisition and construction of capital assets                       | -    | \$ (95,167) |
| Interest Payable   | -    | -           |
| Net cash provided (used) by capital financing and related activities | \$ - | \$ (95,167) |

**MONTECITO WATER DISTRICT  
STATEMENT OF CASH FLOWS - UNAUDITED  
August 31, 2018 (Continued)**

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

|   | MTD  | YTD  |
|---|------|------|
| Ortega Interest   | \$ - | \$ - |
| Bond Interest   | -    | -    |
| Cater DWR Loan  | -    | -    |
| Cater Capital   | -    | -    |
| Cater Ozone   | -    | -    |
|   | -    | -    |
| Net cash provided (used) by noncapital financing activities | \$ - | \$ - |

**CASH FLOWS FROM INVESTING ACTIVITIES**

|   |           |           |
|---|-----------|-----------|
| Interest earnings                                   | \$ 13,838 | \$ 29,939 |
| Purchase of underground water banking shares        | \$ -      | \$ -      |
|   | -         | -         |
| Net cash provided by (used) by investing activities | \$ 13,838 | \$ 29,939 |

**NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS**

\$ 85,593                      \$ 1,916,137

|  |               |               |
|--|---------------|---------------|
| Cash and cash equivalents, beginning of period | \$ 13,424,472 | \$ 11,593,928 |
| Cash and cash equivalents, end of period       | \$ 13,510,065 | \$ 13,510,065 |

**RECONCILIATION TO STATEMENT OF NET POSITION:**

|  |               |               |
|--|---------------|---------------|
| Cash and investments - cash equivalents            | \$ 10,025,957 | \$ 10,025,957 |
| Restricted cash and investments - cash equivalents | 3,484,109     | 3,484,109     |
|  | -             | -             |
|  | \$ 13,510,065 | \$ 13,510,065 |



## DASHBOARD REPORT WATER SALES (AF)

8/31/2018

| MONTH TO DATE WATER SALES (AF) |        |        |          |         |
|--------------------------------|--------|--------|----------|---------|
| CLASSIFICATION                 | ACTUAL | BUDGET | VARIANCE |         |
|                                |        |        | AF       | %       |
| Single Family                  | 352.50 | 334.53 | 17.97    | 5.4%    |
| Multi Family                   | 6.36   | 7.29   | (0.92)   | (12.7%) |
| Agricultural                   | 46.85  | 39.93  | 6.92     | 17.3%   |
| Institutional                  | 46.01  | 31.31  | 14.70    | 46.9%   |
| Commercial                     | 23.77  | 28.65  | (4.88)   | (17.0%) |
| Non-Potable                    | 19.22  | 18.19  | 1.04     | 5.7%    |
| Monthly Total                  | 494.72 | 459.90 | 34.82    | 7.6%    |

| YEAR TO DATE WATER SALES (AF) |        |        |          |         |
|-------------------------------|--------|--------|----------|---------|
| CLASSIFICATION                | ACTUAL | BUDGET | VARIANCE |         |
|                               |        |        | AF       | %       |
| Single Family                 | 654.80 | 672.78 | (17.99)  | (2.7%)  |
| Multi Family                  | 11.87  | 14.81  | (2.94)   | (19.8%) |
| Agricultural                  | 86.63  | 79.86  | 6.77     | 8.5%    |
| Institutional                 | 78.68  | 62.96  | 15.72    | 25.0%   |
| Commercial                    | 44.39  | 58.31  | (13.92)  | (23.9%) |
| Non-Potable                   | 39.87  | 46.38  | (6.51)   | (14.0%) |
| Yearly Total                  | 916.24 | 935.10 | (18.86)  | (2.0%)  |

Fiscal Year = July thru June



## DASHBOARD REPORT WATER SALES (\$)

| MONTH TO DATE WATER SALES (\$) |                     |                     |                   |              |
|--------------------------------|---------------------|---------------------|-------------------|--------------|
| CLASSIFICATION                 | CURRENT MONTH       | BUDGET MONTH        | VARIANCE          |              |
|                                |                     |                     | \$                | %            |
| Single Family                  | \$ 938,539          | \$ 858,559          | \$ 79,980         | 9.3%         |
| Multi Family                   | 14,963              | 17,107              | (2,144)           | (12.5%)      |
| Agricultural                   | 63,818              | 55,163              | 8,655             | 15.7%        |
| Institutional                  | 120,187             | 83,416              | 36,771            | 44.1%        |
| Commercial                     | 63,637              | 76,947              | (13,310)          | (17.3%)      |
| Non-Potable                    | 11,724              | 11,090              | 634               | 5.7%         |
| Adjustments                    | -                   | -                   | -                 | 0.0%         |
| <b>Monthly Total</b>           | <b>\$ 1,212,868</b> | <b>\$ 1,102,282</b> | <b>\$ 110,586</b> | <b>10.0%</b> |

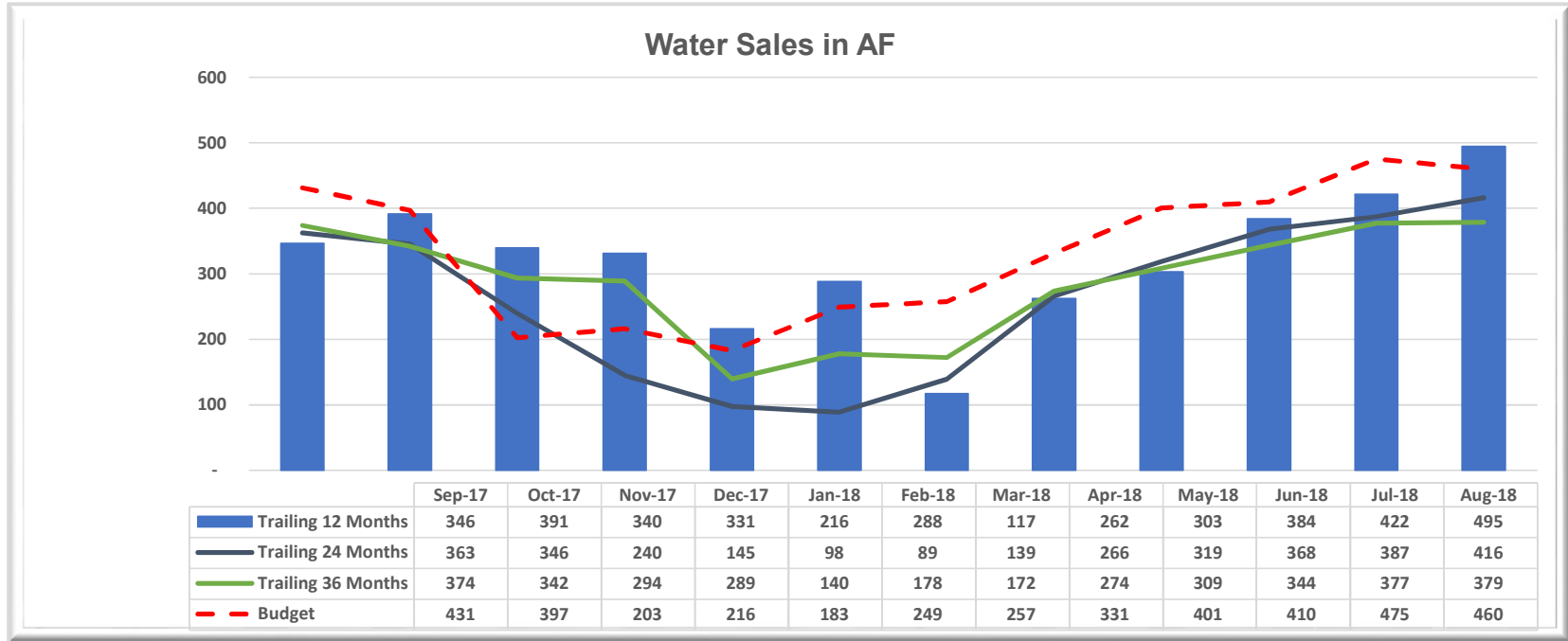
| YEAR TO DATE WATER SALES (\$) |                     |                     |                 |             |
|-------------------------------|---------------------|---------------------|-----------------|-------------|
| CLASSIFICATION                | CURRENT YTD         | BUDGET YTD          | VARIANCE        |             |
|                               |                     |                     | \$              | %           |
| Single Family                 | \$ 1,732,269        | \$ 1,721,288        | \$ 10,981       | 0.6%        |
| Multi Family                  | 27,923              | 34,794              | (6,871)         | (19.7%)     |
| Agricultural                  | 118,238             | 110,617             | 7,621           | 6.9%        |
| Institutional                 | 207,581             | 166,310             | 41,271          | 24.8%       |
| Commercial                    | 117,343             | 156,877             | (39,534)        | (25.2%)     |
| Non-Potable                   | 24,314              | 28,287              | (3,973)         | (14.0%)     |
| Adjustments                   | -                   | -                   | -               | 0.0%        |
| <b>Monthly Total</b>          | <b>\$ 2,227,668</b> | <b>\$ 2,218,173</b> | <b>\$ 9,495</b> | <b>0.4%</b> |

*Fiscal Year = July thru June*

**MONTH ENDING**

**8/31/2018**

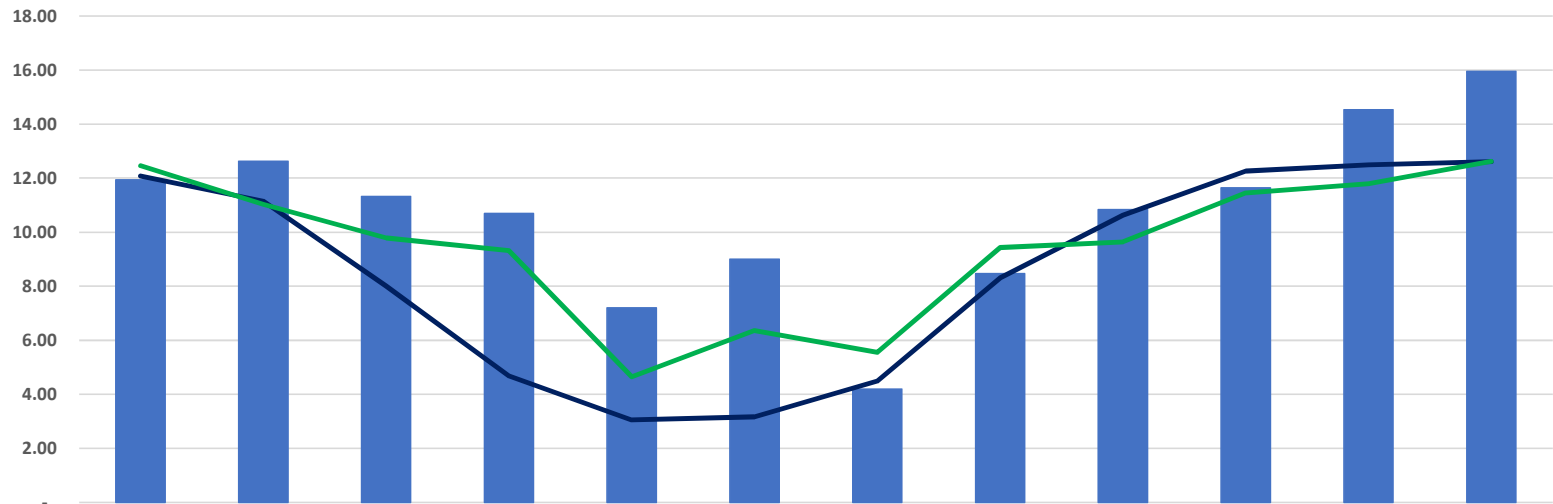
*(Select Date From Drop Down Arrow)*





8/31/2018

Average Daily Water Sales Per Month (AF)



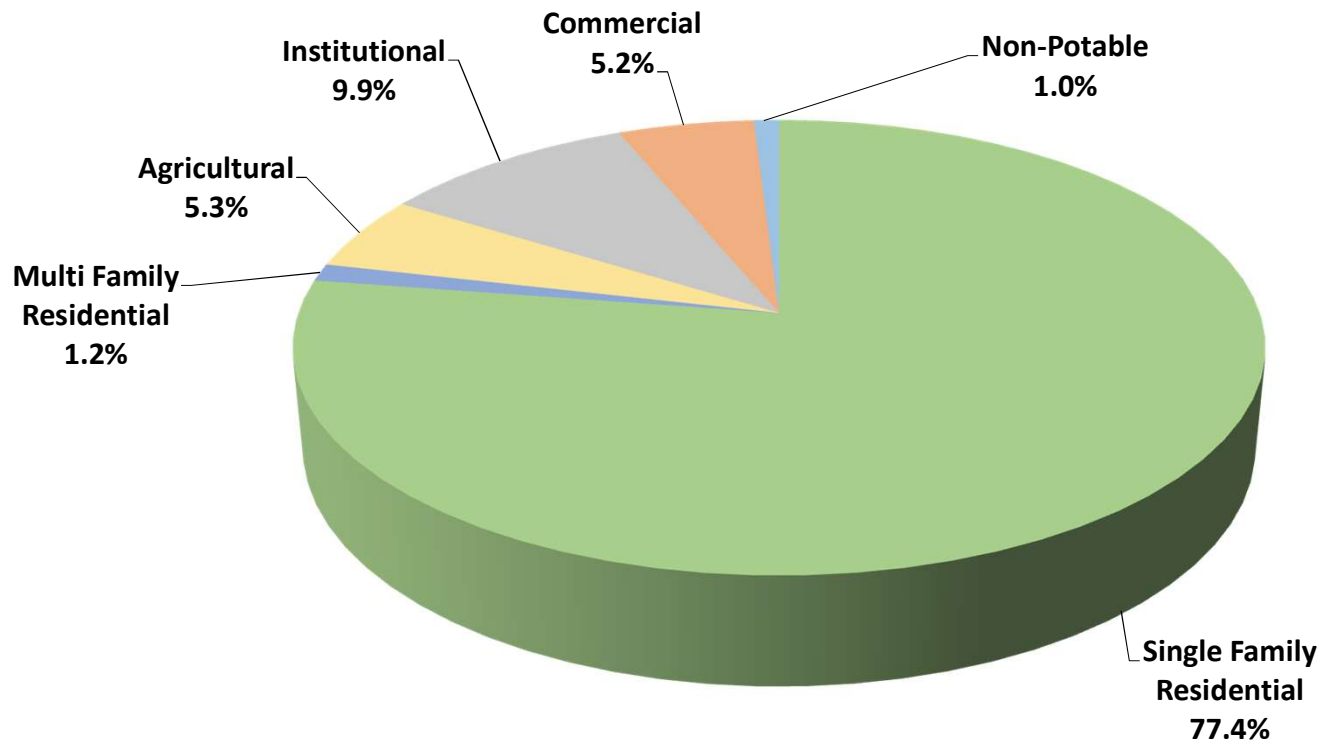
|                    | Sep-17 | Oct-17 | Nov-17 | Dec-17 | Jan-18 | Feb-18 | Mar-18 | Apr-18 | May-18 | Jun-18 | Jul-18 | Aug-18 |
|--------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Trailing 12 Months | 11.94  | 12.63  | 11.32  | 10.69  | 7.20   | 9.00   | 4.19   | 8.46   | 10.83  | 11.64  | 14.54  | 15.96  |
| Trailing 24 Months | 12.08  | 11.15  | 8.00   | 4.68   | 3.05   | 3.17   | 4.49   | 8.31   | 10.63  | 12.26  | 12.49  | 12.61  |
| Trailing 36 Months | 12.46  | 11.03  | 9.79   | 9.32   | 4.65   | 6.36   | 5.56   | 9.43   | 9.64   | 11.46  | 11.79  | 12.62  |

**MONTH ENDING**

**8/31/2018**

*(Select Date From Drop Down Arrow)*

### Water Sales by Classification - August 31, 2018

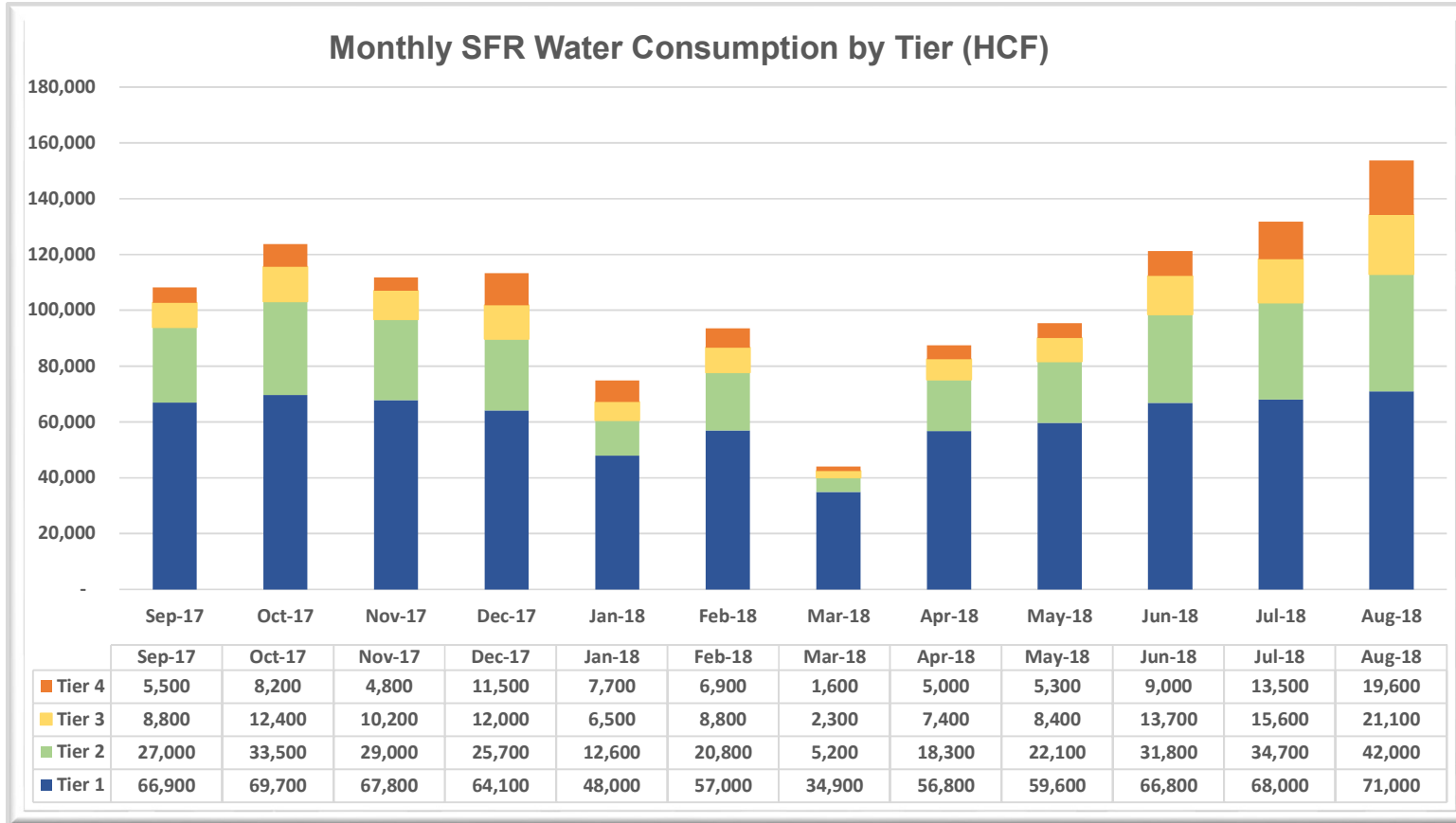




**DASHBOARD REPORT  
SFR CONSUMPTION TRENDS**

**MONTH ENDING**

**8/31/2018**

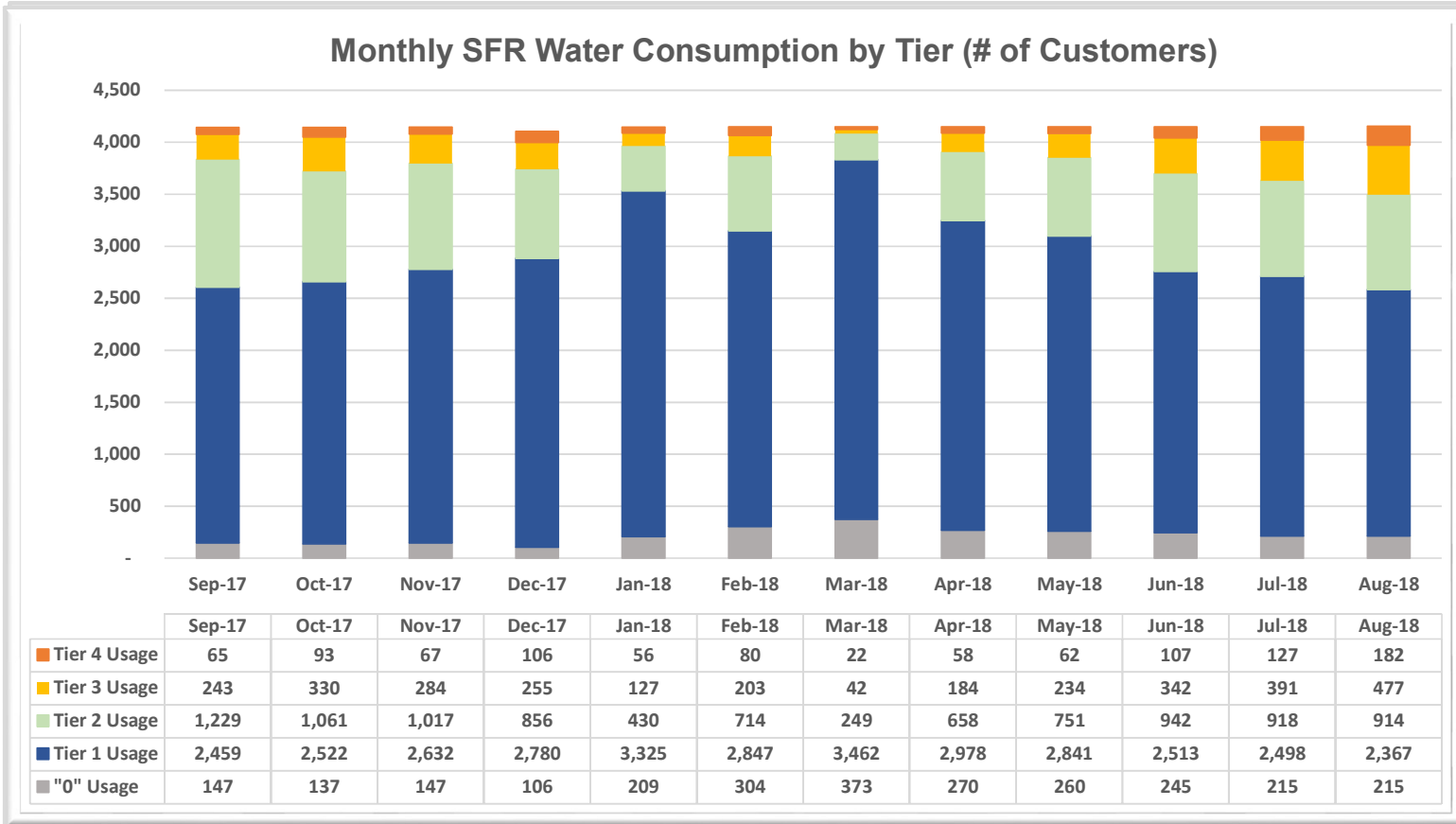




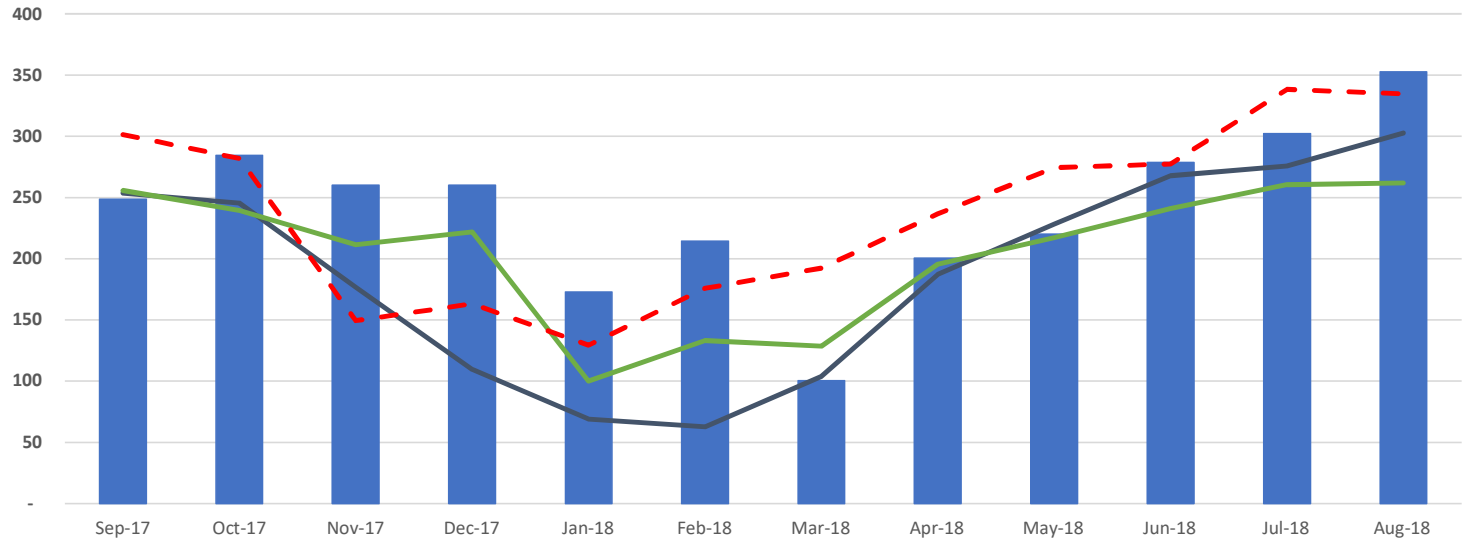
**DASHBOARD REPORT  
SFR CONSUMPTION TRENDS**

**MONTH ENDING**

**8/31/2018**



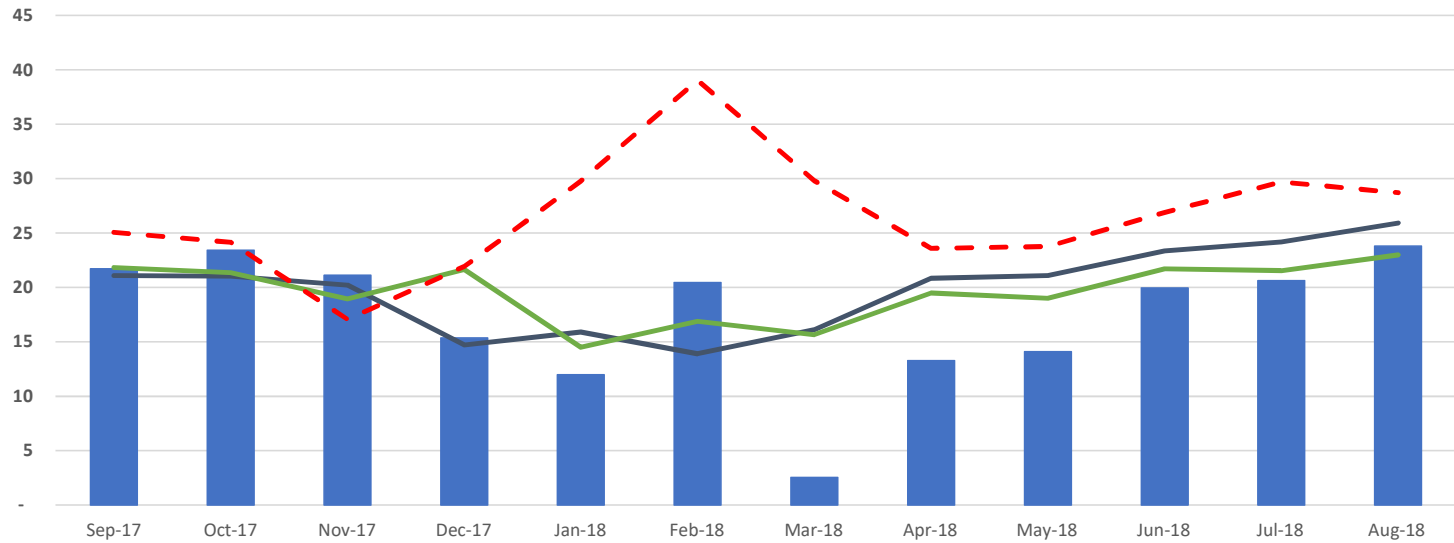
### Water Sales by Month (AF) SINGLE FAMILY RESIDENTIAL



|                    | Sep-17 | Oct-17 | Nov-17 | Dec-17 | Jan-18 | Feb-18 | Mar-18 | Apr-18 | May-18 | Jun-18 | Jul-18 | Aug-18 |
|--------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Trailing 12 Months | 249    | 284    | 260    | 260    | 173    | 214    | 100    | 200    | 220    | 279    | 302    | 353    |
| Trailing 24 Months | 253    | 245    | 177    | 109    | 69     | 63     | 104    | 187    | 228    | 268    | 276    | 303    |
| Trailing 36 Months | 256    | 239    | 211    | 222    | 100    | 133    | 129    | 195    | 217    | 241    | 260    | 262    |
| Budget             | 301    | 282    | 149    | 163    | 129    | 176    | 192    | 237    | 274    | 277    | 338    | 335    |

|   |   |          |
|---|---|----------|
| <span style="color: blue;">■</span>     | Trailing 12 Months(SINGLE FAMILY RESIDENTIAL) | 2,894 AF |
| <span style="color: darkblue;">■</span> | Trailing 24 Months(SINGLE FAMILY RESIDENTIAL) | 2,282 AF |
| <span style="color: green;">■</span>    | Trailing 36 Months(SINGLE FAMILY RESIDENTIAL) | 2,466 AF |
| <span style="color: red;">■</span>      | Budget(SINGLE FAMILY RESIDENTIAL)             | 3,168 AF |
|   | Trailing 12 Months vs. Trailing 24 Months:    | 26.8%    |
|   | Trailing 12 Months vs. Trailing 36 Months:    | 17.4%    |
|   | Trailing 12 Months vs. Budget                 | (8.6%)   |

### Water Sales by Month (AF) COMMERCIAL

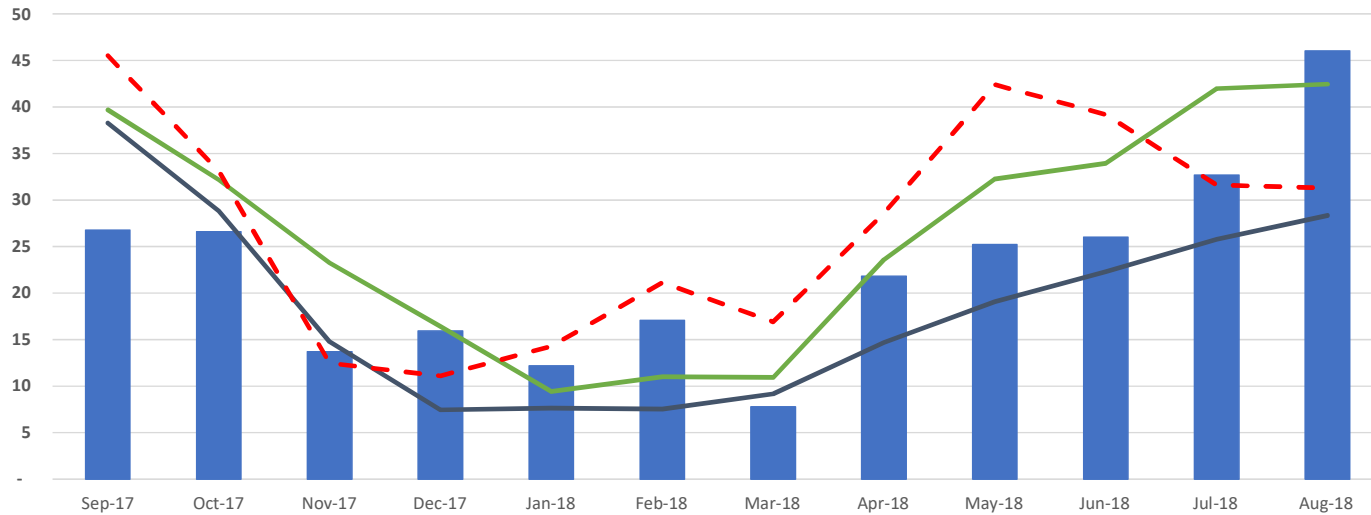


|                    | Sep-17 | Oct-17 | Nov-17 | Dec-17 | Jan-18 | Feb-18 | Mar-18 | Apr-18 | May-18 | Jun-18 | Jul-18 | Aug-18 |
|--------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Trailing 12 Months | 22     | 23     | 21     | 15     | 12     | 20     | 3      | 13     | 14     | 20     | 21     | 24     |
| Trailing 24 Months | 21     | 21     | 20     | 15     | 16     | 14     | 16     | 21     | 21     | 23     | 24     | 26     |
| Trailing 36 Months | 22     | 21     | 19     | 22     | 14     | 17     | 16     | 20     | 19     | 22     | 22     | 23     |
| Budget             | 25     | 24     | 17     | 22     | 30     | 39     | 30     | 24     | 24     | 27     | 30     | 29     |

|  |                                 |        |
|--|---------------------------------|--------|
|  | Trailing 12 Months (COMMERCIAL) | 208 AF |
|  | Trailing 24 Months (COMMERCIAL) | 238 AF |
|  | Trailing 36 Months (COMMERCIAL) | 236 AF |
|  | Budget (COMMERCIAL)             | 347 AF |

|  |         |
|--|---------|
| Trailing 12 Months vs. Trailing 24 Months: | (12.6%) |
| Trailing 12 Months vs. Trailing 36 Months: | (11.6%) |
| Trailing 12 Months vs. Budget              | (40.0%) |

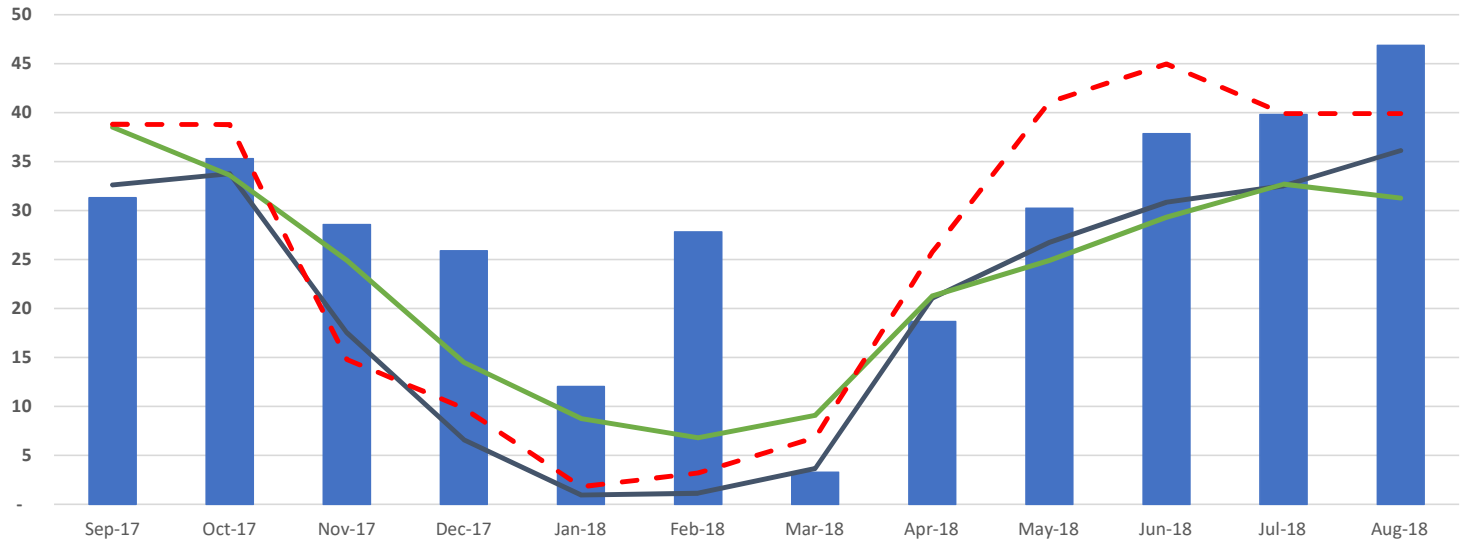
### Water Sales by Month (AF) INSTITUTIONAL



|                    | Sep-17 | Oct-17 | Nov-17 | Dec-17 | Jan-18 | Feb-18 | Mar-18 | Apr-18 | May-18 | Jun-18 | Jul-18 | Aug-18 |
|--------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Trailing 12 Months | 27     | 27     | 14     | 16     | 12     | 17     | 8      | 22     | 25     | 26     | 33     | 46     |
| Trailing 24 Months | 38     | 29     | 15     | 7      | 8      | 8      | 9      | 15     | 19     | 22     | 26     | 28     |
| Trailing 36 Months | 40     | 32     | 23     | 16     | 9      | 11     | 11     | 24     | 32     | 34     | 42     | 42     |
| Budget             | 46     | 33     | 12     | 11     | 14     | 21     | 17     | 29     | 42     | 39     | 32     | 31     |

|   |  |         |
|---|--|---------|
| <span style="color: blue;">■</span>     | Trailing 12 Months (INSTITUTIONAL)         | 272 AF  |
| <span style="color: darkblue;">■</span> | Trailing 24 Months (INSTITUTIONAL)         | 224 AF  |
| <span style="color: green;">■</span>    | Trailing 36 Months (INSTITUTIONAL)         | 317 AF  |
| <span style="color: red;">■</span>      | Budget (INSTITUTIONAL)                     | 378 AF  |
|   | Trailing 12 Months vs. Trailing 24 Months: | 21.4%   |
|   | Trailing 12 Months vs. Trailing 36 Months: | (14.3%) |
|   | Trailing 12 Months vs. Budget              | (28.2%) |

### Water Sales by Month (AF) AGRICULTURE



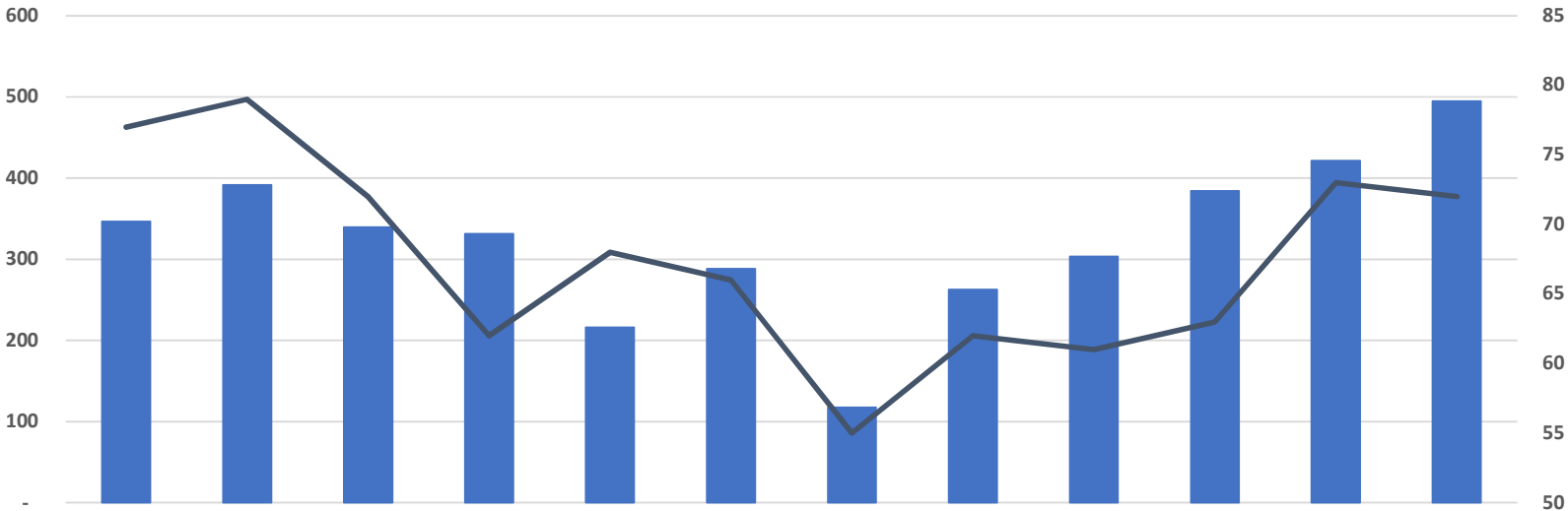
|                    | Sep-17 | Oct-17 | Nov-17 | Dec-17 | Jan-18 | Feb-18 | Mar-18 | Apr-18 | May-18 | Jun-18 | Jul-18 | Aug-18 |
|--------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Trailing 12 Months | 31     | 35     | 29     | 26     | 12     | 28     | 3      | 19     | 30     | 38     | 40     | 47     |
| Trailing 24 Months | 33     | 34     | 18     | 7      | 1      | 1      | 4      | 21     | 27     | 31     | 33     | 36     |
| Trailing 36 Months | 39     | 34     | 25     | 14     | 9      | 7      | 9      | 21     | 25     | 29     | 33     | 31     |
| Budget             | 39     | 39     | 15     | 10     | 2      | 3      | 7      | 26     | 41     | 45     | 40     | 40     |

|   |  |        |
|---|--|--------|
| <span style="color: blue;">■</span>     | Trailing 12 Months (AGRICULTURE)           | 338 AF |
| <span style="color: darkblue;">■</span> | Trailing 24 Months (AGRICULTURE)           | 244 AF |
| <span style="color: green;">■</span>    | Trailing 36 Months (AGRICULTURE)           | 276 AF |
| <span style="color: red;">■</span>      | Budget(AGRICULTURE)                        | 343 AF |
|   | Trailing 12 Months vs. Trailing 24 Months: | 38.6%  |
|   | Trailing 12 Months vs. Trailing 36 Months: | 22.5%  |
|   | Trailing 12 Months vs. Budget              | (1.6%) |



8/31/2018

Sales (AF) / Average Temperature (°F)

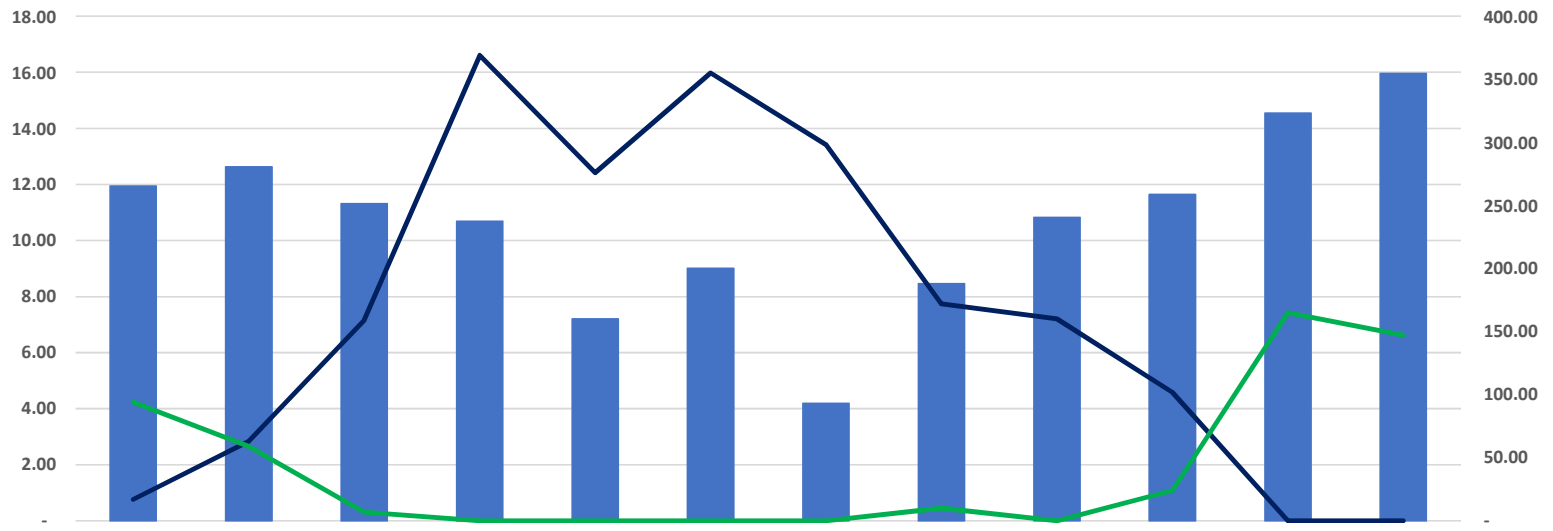


|              | Sep-17 | Oct-17 | Nov-17 | Dec-17 | Jan-18 | Feb-18 | Mar-18 | Apr-18 | May-18 | Jun-18 | Jul-18 | Aug-18 |
|--------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Sales (AF)   | 346    | 391    | 340    | 331    | 216    | 288    | 117    | 262    | 303    | 384    | 422    | 495    |
| Average Temp | 77     | 79     | 72     | 62     | 68     | 66     | 55     | 62     | 61     | 63     | 73     | 72     |



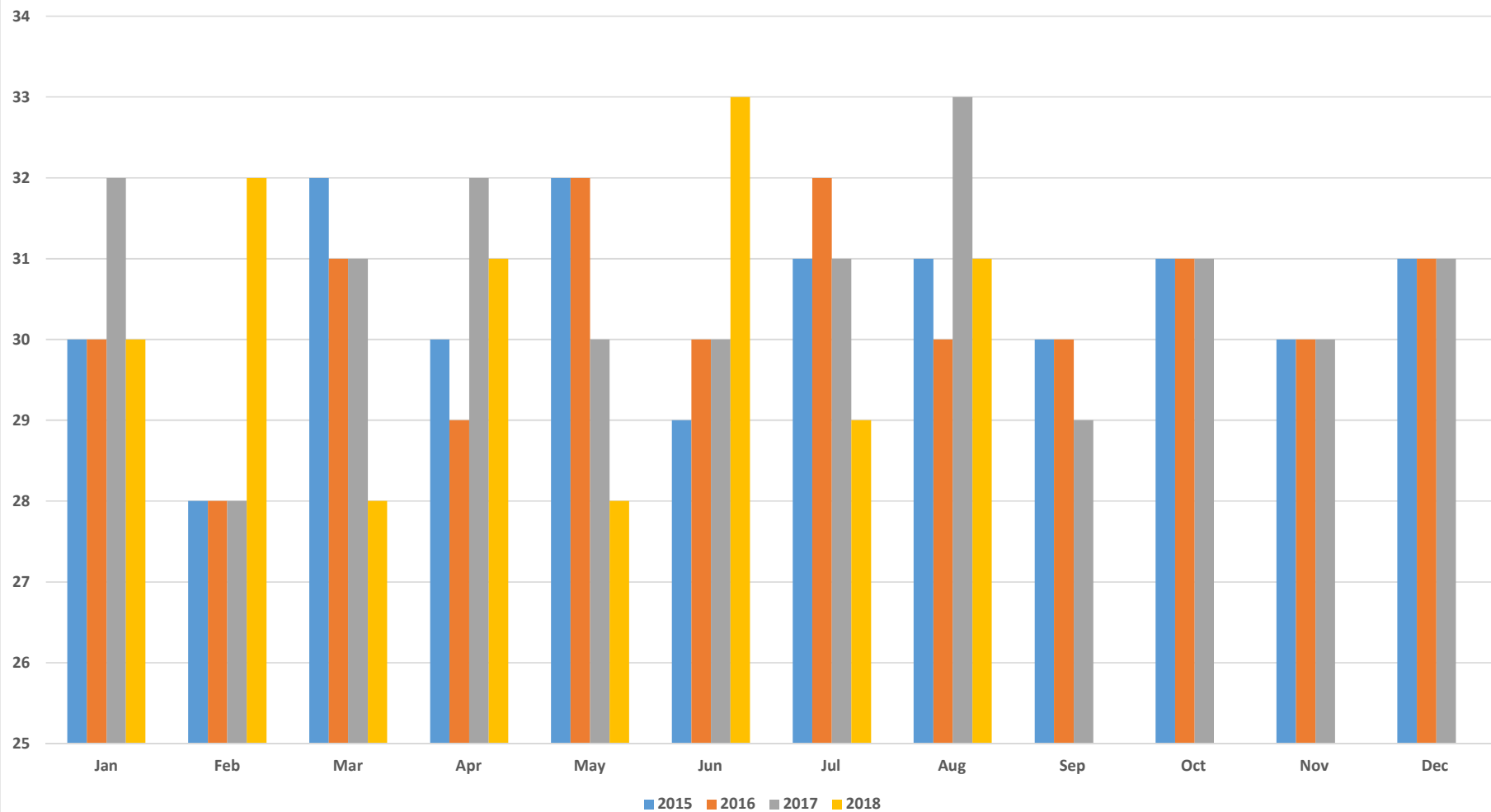
8/31/2018

Average Daily Sales (AF) - Degree Days (Base 65)



|                     | Sep-17 | Oct-17 | Nov-17 | Dec-17 | Jan-18 | Feb-18 | Mar-18 | Apr-18 | May-18 | Jun-18 | Jul-18 | Aug-18 |
|---------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Average Daily Sales | 11.94  | 12.63  | 11.32  | 10.69  | 7.20   | 9.00   | 4.19   | 8.46   | 10.83  | 11.64  | 14.54  | 15.96  |
| Heating Degree Days | 17.00  | 63.00  | 159.00 | 369.00 | 276.00 | 355.00 | 298.00 | 172.00 | 160.00 | 102.00 | -      | -      |
| Cooling Degree Days | 94.00  | 59.00  | 7.00   | -      | -      | -      | -      | 10.00  | -      | 24.00  | 165.00 | 147.00 |

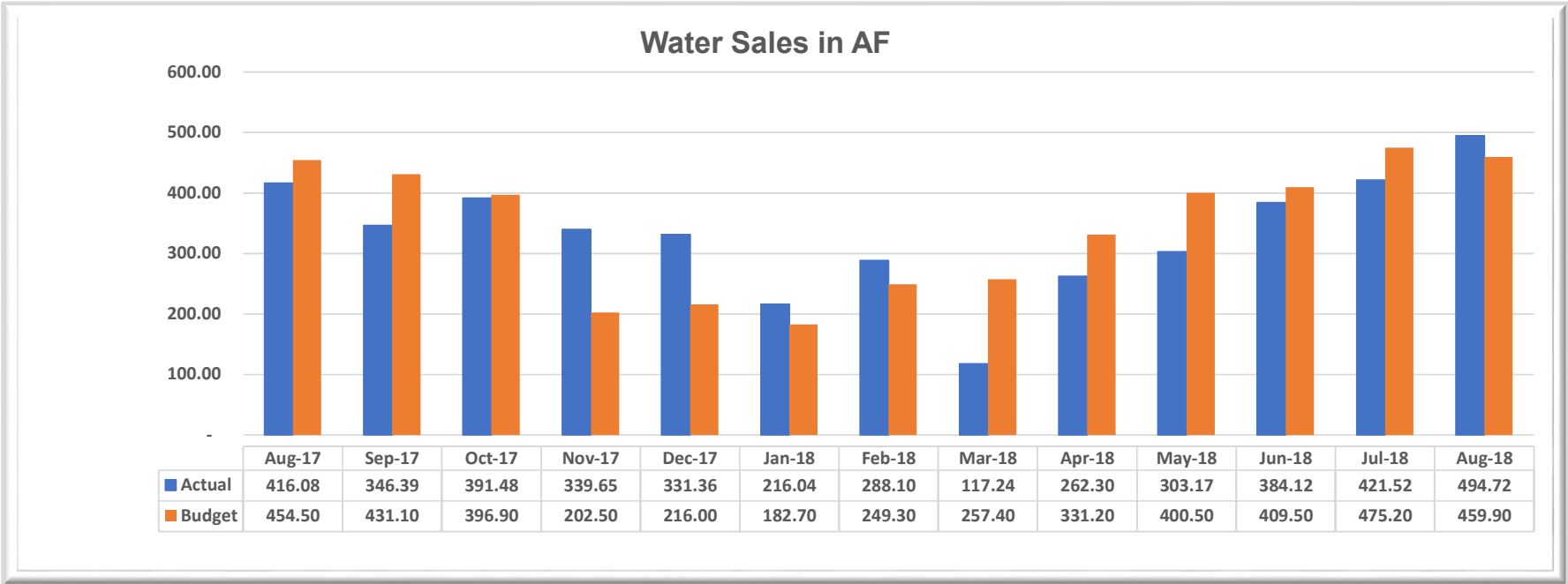
Billing Days per Month





# DASHBOARD REPORT WATER SALES (AF)

8/31/2018



**MONTECITO WATER DISTRICT  
WATER SALES ANALYSIS  
FOR FISCAL YEAR 2018/19**

| MONTH        | % SALES BREAKDOWN | 2017/18 ACTUAL SALES (*) |                  | 2018/19 BUDGET SALES |                    | 2018/19 ACTUAL SALES (*) |                    | YTD VARIANCE PRIOR YEAR VS. CURRENT YEAR |              |                  |              | YTD VARIANCE BUDGET VS. ACTUAL |               |                |             |
|--------------|-------------------|--------------------------|------------------|----------------------|--------------------|--------------------------|--------------------|--|--------------|------------------|--------------|--------------------------------|---------------|----------------|-------------|
|              |                   | AF                       | \$               | AF                   | \$                 | AF                       | SALES              | AF                                       | %            | \$               | %            | AF                             | %             | \$             | %           |
| JUL          | 11.8%             | 387.1                    | 909,119          | 475.2                | \$1,115,891        | 421.5                    | \$1,014,800        | 34.4                                     | 8.9%         | \$105,681        | 11.6%        | (53.7)                         | (11.3%)       | (101,091)      | (9.1%)      |
| AUG          | 11.6%             | 416.1                    | 997,265          | 459.9                | \$1,102,283        | 494.7                    | \$1,212,868        | 78.6                                     | 18.9%        | \$215,603        | 21.6%        | 34.8                           | 7.6%          | 110,584        | 10.0%       |
| SEP          | 11.0%             | 346.4                    | 828,165          | 434.7                | \$1,039,311        | 0.0                      | \$0                | 0.0                                      | 0.0%         | \$0              | 0.0%         | 0.0                            | 0.0%          | \$0            | 0.0%        |
| OCT          | 10.0%             | 391.5                    | 933,549          | 396.9                | \$946,478          | 0.0                      | \$0                | 0.0                                      | 0.0%         | \$0              | 0.0%         | 0.0                            | 0.0%          | \$0            | 0.0%        |
| NOV          | 7.2%              | 339.6                    | 815,859          | 283.5                | \$680,991          | 0.0                      | \$0                | 0.0                                      | 0.0%         | \$0              | 0.0%         | 0.0                            | 0.0%          | \$0            | 0.0%        |
| DEC          | 5.1%              | 331.4                    | 799,566          | 200.7                | \$484,287          | 0.0                      | \$0                | 0.0                                      | 0.0%         | \$0              | 0.0%         | 0.0                            | 0.0%          | \$0            | 0.0%        |
| JAN          | 3.1%              | 216.0                    | 400,615          | 160.2                | \$297,067          | 0.0                      | \$0                | 0.0                                      | 0.0%         | \$0              | 0.0%         | 0.0                            | 0.0%          | \$0            | 0.0%        |
| FEB          | 5.6%              | 288.1                    | 657,160          | 233.0                | \$531,382          | 0.0                      | \$0                | 0.0                                      | 0.0%         | \$0              | 0.0%         | 0.0                            | 0.0%          | \$0            | 0.0%        |
| MAR          | 5.8%              | 117.2                    | 266,987          | 242.1                | \$551,244          | 0.0                      | \$0                | 0.0                                      | 0.0%         | \$0              | 0.0%         | 0.0                            | 0.0%          | \$0            | 0.0%        |
| APR          | 8.1%              | 262.3                    | 628,625          | 321.2                | \$769,848          | 0.0                      | \$0                | 0.0                                      | 0.0%         | \$0              | 0.0%         | 0.0                            | 0.0%          | \$0            | 0.0%        |
| MAY          | 10.6%             | 303.2                    | 719,008          | 398.6                | \$1,008,415        | 0.0                      | \$0                | 0.0                                      | 0.0%         | \$0              | 0.0%         | 0.0                            | 0.0%          | \$0            | 0.0%        |
| JUN          | 10.1%             | 384.1                    | 918,746          | 409.5                | \$955,734          | 0.0                      | \$0                | 0.0                                      | 0.0%         | \$0              | 0.0%         | 0.0                            | 0.0%          | \$0            | 0.0%        |
| <b>TOTAL</b> | <b>100.0%</b>     | <b>3,783.0</b>           | <b>8,874,664</b> | <b>4,015.4</b>       | <b>\$9,482,932</b> | <b>916.2</b>             | <b>\$2,227,668</b> | <b>113.0</b>                             | <b>14.1%</b> | <b>\$321,284</b> | <b>16.9%</b> | <b>(18.9)</b>                  | <b>(2.0%)</b> | <b>\$9,493</b> | <b>0.4%</b> |

**YTD ACTUAL WATER SALES COMPARISON  
FOR FISCAL YEAR 2018/19**

|                          | 2017/18 ACTUAL SALES (YTD) |                  | 2018/19 BUDGET SALES (YTD) |                    | 2018/19 ACTUAL SALES (YTD) |                    | YTD VARIANCE PRIOR YEAR VS. CURRENT YEAR |              |                  |              | YTD VARIANCE BUDGET VS. ACTUAL |               |                |             |
|--------------------------|----------------------------|------------------|----------------------------|--------------------|----------------------------|--------------------|--|--------------|------------------|--------------|--------------------------------|---------------|----------------|-------------|
|                          | AF                         | \$               | AF                         | \$                 | AF                         | \$                 | AF                                       | %            | \$               | %            | AF                             | %             | \$             | %           |
| <b>Cummulative (YTD)</b> | <b>803.2</b>               | <b>1,906,383</b> | <b>935.1</b>               | <b>\$2,218,174</b> | <b>916.2</b>               | <b>\$2,227,667</b> | <b>113.0</b>                             | <b>14.1%</b> | <b>\$321,284</b> | <b>16.9%</b> | <b>(18.9)</b>                  | <b>(2.0%)</b> | <b>\$9,493</b> | <b>0.4%</b> |

**QUARTERLY COMPARISON - ACTUALS THROUGH AUGUST 2018 (\*)**

|                         | 2017/18 ACTUAL SALES |                    | 2018/19 BUDGET SALES |                    | 2018/19 ACTUAL SALES (*) |                    | VARIANCE PRIOR YEAR VS. CURRENT YEAR |                |                    |                | VARIANCE BUDGET VS. ACTUAL |                |                      |                |
|-------------------------|----------------------|--------------------|----------------------|--------------------|--------------------------|--------------------|--------------------------------------|----------------|--------------------|----------------|----------------------------|----------------|----------------------|----------------|
|                         | AF                   | \$                 | AF                   | \$                 | AF                       | \$                 | AF                                   | %              | \$                 | %              | AF                         | %              | \$                   | %              |
| <b>Jul-Sep (Actual)</b> | <b>1,149.6</b>       | <b>\$2,734,549</b> | <b>1,369.8</b>       | <b>\$3,257,486</b> | <b>916.2</b>             | <b>\$2,227,667</b> | <b>(233.4)</b>                       | <b>(20.3%)</b> | <b>(\$506,881)</b> | <b>(18.5%)</b> | <b>(453.6)</b>             | <b>(33.1%)</b> | <b>(\$1,029,818)</b> | <b>(31.6%)</b> |
| <b>Oct-Dec (Actual)</b> | <b>1,062.5</b>       | <b>2,548,974</b>   | <b>881.1</b>         | <b>2,111,756</b>   | <b>0.0</b>               | <b>\$0</b>         | <b>0.0</b>                           | <b>0.0%</b>    | <b>\$0</b>         | <b>0.0%</b>    | <b>0.0</b>                 | <b>0.0%</b>    | <b>\$0</b>           | <b>0.0%</b>    |
| <b>Jan-Mar (Actual)</b> | <b>621.3</b>         | <b>1,324,762</b>   | <b>635.2</b>         | <b>1,379,694</b>   | <b>0.0</b>               | <b>\$0</b>         | <b>0.0</b>                           | <b>0.0%</b>    | <b>\$0</b>         | <b>0.0%</b>    | <b>0.0</b>                 | <b>0.0%</b>    | <b>\$0</b>           | <b>0.0%</b>    |
| <b>Apr-Jun (Actual)</b> | <b>949.6</b>         | <b>2,266,379</b>   | <b>1,129.3</b>       | <b>2,733,997</b>   | <b>0.0</b>               | <b>\$0</b>         | <b>0.0</b>                           | <b>0.0%</b>    | <b>\$0</b>         | <b>0.0%</b>    | <b>0.0</b>                 | <b>0.0%</b>    | <b>\$0</b>           | <b>0.0%</b>    |
| <b>Total (Actual)</b>   | <b>3,783.0</b>       | <b>\$8,874,664</b> | <b>4,015.4</b>       | <b>\$9,482,932</b> | <b>917.0</b>             | <b>\$2,227,668</b> | <b>(233.4)</b>                       | <b>14.1%</b>   | <b>(\$506,881)</b> | <b>16.9%</b>   | <b>(453.6)</b>             | <b>(2.0%)</b>  | <b>(\$1,029,818)</b> | <b>0.4%</b>    |

(\*) Sales figures reported are as of the close of billing for that period and do not reflect final financial amounts. Budgeted amounts are used prior to actual figures being available for comparative purposes

**MONTECITO WATER DISTRICT  
METERED WATER SALES - ACRE FEET  
ACTUALS THROUGH AUGUST 2018 (\*)**

| MONTH                     | JUL           | AUG           | SEP           | OCT           | NOV           | DEC           | JAN           | FEB           | MAR           | APR           | MAY           | JUN           | YR TOTAL       |
|---------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|----------------|
| 1996-97                   | 541.74        | 608.10        | 490.40        | 441.30        | 240.80        | 167.50        | 146.40        | 253.70        | 405.00        | 527.50        | 616.60        | 535.40        | 4974.44        |
| 1997-98                   | 627.20        | 629.90        | 624.60        | 590.00        | 235.40        | 179.90        | 159.40        | 128.70        | 186.06        | 242.03        | <b>290.00</b> | 415.40        | 4308.59        |
| 1998-99                   | 567.80        | 566.30        | 447.60        | 548.00        | 352.67        | 297.30        | 279.40        | 202.90        | 252.80        | 310.00        | 440.10        | 547.97        | 4812.84        |
| 1999-00                   | 656.44        | 621.80        | 542.90        | 541.00        | 341.90        | <b>501.30</b> | 285.90        | 146.30        | 288.20        | 329.59        | 529.63        | 556.20        | 5341.16        |
| 2000-01                   | 574.40        | 719.30        | 568.50        | 368.20        | 381.30        | 364.00        | 224.90        | 162.00        | 257.00        | 318.60        | 438.00        | 534.20        | 4910.40        |
| 2001-02                   | 571.70        | 631.20        | 501.40        | 436.70        | <b>214.10</b> | 191.70        | 235.20        | 331.20        | 378.90        | 499.80        | 655.70        | 586.40        | 5234.00        |
| 2002-03                   | 714.96        | 691.72        | 572.91        | 543.09        | 316.16        | 228.56        | 323.44        | 236.50        | 312.70        | 372.00        | 423.10        | 458.72        | 5193.86        |
| 2003-04                   | 707.18        | 677.68        | 675.26        | 528.96        | 286.21        | 320.92        | 275.41        | 267.97        | 398.04        | 624.78        | 623.60        | 668.60        | 6054.61        |
| 2004-05                   | 693.71        | 763.52        | <b>753.31</b> | 408.50        | 367.50        | 301.60        | 158.00        | 195.30        | 189.00        | 516.50        | 493.40        | 607.50        | 5447.84        |
| 2005-06                   | 659.00        | 695.60        | 656.00        | 413.00        | 372.00        | 294.80        | 265.08        | 345.20        | 180.50        | <b>203.40</b> | 357.30        | 623.30        | 5065.18        |
| 2006-07                   | 681.40        | 707.50        | 606.70        | 540.80        | <b>530.70</b> | 359.80        | 415.50        | 201.10        | 462.90        | 469.10        | <b>703.00</b> | 655.00        | 6333.50        |
| 2007-08                   | 739.40        | <b>832.60</b> | 642.00        | 594.20        | 509.30        | 328.80        | 188.00        | 212.00        | <b>474.10</b> | <b>629.00</b> | 694.00        | <b>675.00</b> | <b>6518.40</b> |
| 2008-09                   | <b>798.00</b> | 724.64        | 633.87        | <b>674.67</b> | 384.67        | 225.41        | 325.87        | 159.67        | 370.15        | 504.98        | 596.33        | 566.11        | 5964.37        |
| 2009/10                   | 742.30        | 631.10        | 657.00        | 458.30        | 445.12        | 227.74        | 190.35        | 139.34        | 294.99        | 348.93        | 571.75        | 538.61        | 5245.53        |
| 2010/11                   | 538.41        | 727.65        | 548.36        | 380.37        | 305.68        | 190.81        | 200.96        | 261.47        | 203.60        | 366.94        | 544.19        | 447.14        | 4715.58        |
| 2011/12                   | 617.27        | 555.95        | 610.01        | 446.47        | 294.66        | 316.66        | 337.17        | <b>394.72</b> | 371.30        | 271.33        | 504.24        | 582.64        | 5302.42        |
| 2012/13                   | 638.77        | 712.13        | 681.09        | 650.89        | 415.54        | 149.43        | 240.86        | 311.99        | 388.90        | 536.67        | 601.32        | 617.82        | 5945.40        |
| 2013/14                   | 697.66        | 730.90        | 684.30        | 662.58        | 496.06        | 378.50        | <b>530.73</b> | 357.85        | 206.59        | 305.52        | 373.14        | 352.27        | 5776.10        |
| 2014/15                   | 362.48        | <b>360.73</b> | 368.36        | 345.56        | 233.41        | 166.23        | 158.11        | 188.53        | 227.57        | 308.96        | 300.16        | <b>311.07</b> | 3331.17        |
| 2015/16                   | <b>353.90</b> | 371.40        | 373.74        | <b>342.06</b> | 293.71        | 289.17        | 139.62        | 178.14        | 172.29        | 273.55        | 308.50        | 343.65        | 3439.73        |
| 2016/17                   | 377.38        | 378.68        | 362.54        | 345.53        | 239.92        | <b>145.00</b> | <b>97.59</b>  | <b>88.78</b>  | 139.09        | 266.01        | 318.90        | 367.79        | <b>3127.21</b> |
| 2017/18                   | 387.15        | 416.08        | <b>346.39</b> | 391.48        | 339.65        | 331.36        | 216.04        | 288.10        | <b>117.24</b> | 262.30        | 303.20        | 384.10        | 3783.09        |
| 2018/19                   | 440.10        | 494.70        |               |               |               |               |               |               |               |               |               |               | 934.80         |
| <b>AVERAGE</b>            | <b>595.15</b> | <b>619.53</b> | <b>561.24</b> | <b>484.17</b> | <b>345.29</b> | <b>270.75</b> | <b>245.18</b> | <b>229.61</b> | <b>285.31</b> | <b>385.79</b> | <b>485.73</b> | <b>517.04</b> | <b>4859.14</b> |
| <b>MAXIMUM</b>            | <b>798.00</b> | <b>832.60</b> | <b>753.31</b> | <b>674.67</b> | <b>530.70</b> | <b>501.30</b> | <b>530.73</b> | <b>394.72</b> | <b>474.10</b> | <b>629.00</b> | <b>703.00</b> | <b>675.00</b> | <b>6518.40</b> |
| <b>MINIMUM</b>            | <b>353.90</b> | <b>360.73</b> | <b>346.39</b> | <b>342.06</b> | <b>214.10</b> | <b>145.00</b> | <b>97.59</b>  | <b>88.78</b>  | <b>117.24</b> | <b>203.40</b> | <b>290.00</b> | <b>311.07</b> | <b>934.80</b>  |
| <b>18/19 % VS AVERAGE</b> | <b>74%</b>    | <b>80%</b>    | <b>0%</b>     | <b>0%</b>     | <b>0%</b>     | <b>0%</b>     | <b>0%</b>     | <b>0%</b>     | <b>0%</b>     | <b>0%</b>     | <b>0%</b>     | <b>0%</b>     | <b>19%</b>     |
| <b>17/18 % VS MAXIMUM</b> | <b>55%</b>    | <b>59%</b>    | <b>0%</b>     | <b>0%</b>     | <b>0%</b>     | <b>0%</b>     | <b>0%</b>     | <b>0%</b>     | <b>0%</b>     | <b>0%</b>     | <b>0%</b>     | <b>0%</b>     | <b>14%</b>     |

Total METER Connections = **4,605**

Total OFF Connections = **47**

Total ACTIVE METER Connections = **4,558**



**MONTECITO WATER DISTRICT  
MEMORANDUM**

**SECTION: 3-B**

**DATE: SEPTEMBER 20, 2018**

**TO: FINANCE COMMITTEE**

**FROM: BUSINESS MANAGER**

**SUBJECT: PROJECTED CASH FLOWS REGARDING EMERGENCY SPENDING**

---

**RECOMMENDATION:**

For information and discussion only.

**BACKGROUND:**

As a result of the catastrophic debris flow that occurred on Jan 9, 2018, the District has been experiencing non-budgeted expenses and the possibility of needing additional cash. With the January billing postponed and reduced due to the Board's decision to waive the monthly meter service charge and the District incurring additional expenses as a result of emergency repairs and subcontract work necessary to get the system back to an operational level, cash management is crucial.

**DISCUSSION**

At the end of August, the Operating Cash is approximately \$4.9M with approximately \$2.2M in Wells Fargo and \$2.7M in American Riviera. The District experienced a dramatic increase in operating and emergency expenses in January, and there was concern that the District would experience a strain on cash. Approximately one-quarter of the invoices for these emergency expenses were received and payable in February, an additional quarter in March and April, and the District believes the remainder was received and payable in May. The concern that the District had in regards to borrowing money or liquidating investments to cover the additional expenses has greatly diminished as advances from FEMA/CalOES and ACWA/JPIA were received in June and July. Based on a current estimated cash flow analysis, it appears that the District has sufficient cash on hand available through September without the need to borrow money or liquidate investments for operations.

**ATTACHMENTS**

1) Estimated Cash Flow

**Cash Flow****July**

|                                       |    | Forecast    |    | Actual      |                            |
|---------------------------------------|----|-------------|----|-------------|----------------------------|
| Operating Cash Beginning              | \$ | 4,288,621   | \$ | 2,727,523   |                            |
| Revenue                               | \$ | 2,198,678   | \$ | 2,030,377   | Actual as of 7/31/2018     |
| Expenses                              | \$ | (1,186,128) | \$ | (1,217,583) | Actual as of 7/31/2018     |
| Emergency - Construction              |    |             |    |             | Assume rec'd final in May  |
| Emergency - Consultants               |    |             |    |             | Assume rec'd final in May  |
| Emergency - Mutual Aid                |    |             |    |             | Assume rec'd final in May  |
| Other Asset & Liability Fluctuations* | \$ | 1,045,982   | \$ | 1,045,982   | ACWA JPIA Advance - \$750K |
| Increase in A/R                       | \$ | (152,671)   | \$ | (152,671)   |                            |
| Depreciation                          | \$ | 98,112      | \$ | 98,112      |                            |
| Cash Flows From Operations            | \$ | 2,003,973   | \$ | 1,804,216   |                            |
| Ending Operating Cash                 | \$ | 6,292,594   | \$ | 4,531,739   | Actual as of 7/31/2018     |

**August**

|                                       |    | Forecast    |    | Actual       |                        |
|---------------------------------------|----|-------------|----|--------------|------------------------|
| Operating Cash Beginning              | \$ | 6,292,594   | \$ | 4,531,739    |                        |
| Revenue                               | \$ | 2,397,524   | \$ | 2,397,524    | Actual as of 8/31/2018 |
| Expenses                              | \$ | (1,426,077) | \$ | (1,426,077)  | Actual as of 8/31/2018 |
| Other Asset & Liability Fluctuations* |    |             | \$ | (230,640)    |                        |
| Increase in A/R                       | \$ | (437,927)   | \$ | (437,927.00) |                        |
| Depreciation                          | \$ | 101,548     | \$ | 101,548      |                        |
| Cash Flows From Operations            | \$ | 635,068     | \$ | 404,428      |                        |
| Ending Operating Cash                 | \$ | 6,927,661   | \$ | 4,936,167    | Actual as of 8/31/2018 |

| <b><u>September</u></b>               |    | Forecast    |    | Estimate    |                 |
|---------------------------------------|----|-------------|----|-------------|-----------------|
| Operating Cash Beginning              | \$ | 6,927,661   | \$ | 4,936,167   |                 |
| Revenue                               | \$ | 2,075,314   | \$ | 2,075,314   | Budgeted amount |
| Expenses                              | \$ | (1,337,026) | \$ | (1,337,026) | Budgeted amount |
| Other Asset & Liability Fluctuations* |    |             |    |             |                 |
| Decrease in A/R                       | \$ | 202,334     | \$ | 202,334     |                 |
| Depreciation                          | \$ | 101,548     | \$ | 101,548     |                 |
| Cash Flows From Operations            | \$ | 1,042,170   | \$ | 1,042,170   |                 |
| Ending Operating Cash                 | \$ | 7,969,831   | \$ | 5,978,336   |                 |

**Assumptions**

1. Cash collections in August were slightly higher than anticipated
2. Non-emergency AP no longer exists
3. Although the operating cash balance is anticipated to be high, it is also anticipated that the District will make the final payment of \$1.2M to Semitropic in October 2018, and it will be made from the operating cash
4. It is anticipated that the District will also need to make a payment of approximately \$517K in late December 2018 for DWR charges.

Actual/Estimated fluctuations in A/R

July

|    |                |                           |         |                        |
|----|----------------|---------------------------|---------|------------------------|
| \$ | 1,831,316.00   | Beginning A/R             |         |                        |
| \$ | 2,030,376.65   | July Billing - Add to A/R |         |                        |
| \$ | (1,877,705.65) | June Payments Rec'd       |         | Anticipated \$1.739M   |
| \$ | 1,983,987.00   | Ending A/R                |         | Actual as of 7/31/2018 |
|    |                | \$                        | 152,671 | Increase in A/R        |

August

|    |                |                             |         |                        |
|----|----------------|-----------------------------|---------|------------------------|
| \$ | 1,983,987.00   | Beginning A/R               |         |                        |
| \$ | 2,397,524.00   | August Billing - Add to A/R |         |                        |
| \$ | (1,959,597.00) | July Payments Rec'd         |         | Anticipated \$1.928    |
| \$ | 2,421,914.00   | Ending A/R                  |         | Actual as of 8/31/2018 |
|    |                | \$                          | 437,927 | Increase in A/R        |

September

|    |                |                                |           |                 |
|----|----------------|--------------------------------|-----------|-----------------|
| \$ | 2,421,914.00   | Beginning A/R                  |           |                 |
| \$ | 2,075,314.00   | September Billing - Add to A/R |           |                 |
| \$ | (2,277,647.80) | August Payments Rec'd @ 95%    |           |                 |
| \$ | 2,219,580.20   | Ending A/R                     |           |                 |
|    |                | \$                             | (202,334) | Decrease in A/R |

**MONTECITO WATER DISTRICT  
MEMORANDUM**

**SECTION: 3-C**

**DATE: SEPTEMBER 20, 2018**

**TO: FINANCE COMMITTEE**

**FROM: BUSINESS MANAGER**

**SUBJECT: INCREASE IN SWP CHARGES FOR FY18/19**

---

**RECOMMENDATION:**

For information and discussion only.

**BACKGROUND:**

In June 2018, Ray Stokes, executive director of CCWA, notified all CCWA project participants that the DWR Transportation Minimum OMP&R (operations, maintenance, power, & replacement) charges associated with the State Water Project for calendar year 2019 had a significant increase over actual expenses from previous years and the amount used by CCWA to prepare the 2018/19 budget. CCWA requested that the State Water Contractors (SWC) finance staff access DWR's accounting records to conduct a high-level audit to determine the reasons for the large increase. The SWC finance staff concluded that nearly the entire increase is associated with Reach 33A, this being the financial reach directly upstream of the CCWA Polonio Pass Water Treatment Plant which includes three DWR pumping plants (Devil's Den, Bluestone and Polonio Pass). Approx. 70% of the increase are indirect costs associated with the allocation of SWP costs in proportion to staff time spent in Reach 33A.

CCWA is having Ernst and Young perform an additional audit of the charges being allocated to Reach 33A to determine if the charges are correct and determine the reason(s) for the large increase in these charges.

**DISCUSSION**

According to CCWA, the District's portion of the increase in DWR Transportation Minimum OMP&R charges is approx. \$1.035M, with \$517,700 (half) due prior to January 1, 2019 and the second half due prior to June 30, 2019. CCWA is exploring several repayment options as described below.

1. Use District revenues or reserves to pay the amounts due. Alternatively, the District could attain financing for the charges.

2. CCWA has discussed financing options with Montecito Bank and Trust (MB&T) for some or all of the CCWA project participants. The District would be able to use its existing CCWA rate coverage reserves as collateral. These reserves would be placed in an interest bearing CD, effectively lowering the underlying interest rate.
3. CCWA is in discussions with DWR to consider an extended repayment period. Details on the repayment options are unknown at this time but will be provided as the information becomes available.

District Staff recommends waiting until the specifics on Option 2 and 3 are known before deciding on the repayment method. The District is expecting several large cash expenditures in the coming months and may wish to consider Options 2 or 3 if the terms are favorable.

District Staff has responded to CCWA indicating an interest in having CCWA continue to explore all repayment options. This item will be brought back to the Finance Committee prior to January 1, 2019 as more information becomes available.

## **ATTACHMENTS**

- 1) Memorandum from Ray Stokes dated September 6, 2018



## CENTRAL COAST WATER AUTHORITY

### MEMORANDUM

September 6, 2018

**TO:** CCWA Project Participants

**FROM:** Ray A. Stokes  
Executive Director 

**SUBJECT:** DWR 2019 Transportation Minimum OMP&R Update and Payment Options

#### SUMMARY

This report will provide an update on findings on the large increase in the DWR calendar year 2019 Transportation Minimum OMP&R charges and request feedback from each participant regarding potential options for paying the additional amounts due if it is determined the charges are appropriate and a supplemental payment is necessary.

#### DISCUSSION

In June 2019, I sent the attached report to all CCWA project participants to alert you on a large increase in the DWR Transportation Minimum OMP&R charges for calendar year 2019 compared to the estimate of charges CCWA used in preparing the FY 2018/19 Budget (*note: the attached memo has been updated to reflect the actual 2019 Statement of Charges received on July 1, 2018*).

As stated in the attached report, I had requested that the State Water Contractors (SWC) finance staff access DWR's accounting records to determine the reason for the large increases at a high level so that we can better determine the next steps in auditing these charges from DWR.

SWC staff have completed their analysis and found the following:

1. The large increases are almost entirely due to increases in Reach 33A. This is the financial reach directly upstream of the CCWA Polonio Pass Water Treatment Plant that includes the three DWR pumping plants, Devil's Den, Bluestone and Polonio Pass.
2. Of the costs allocated to Reach 33A, approximately 70% of the costs are not directly related to work actually performed in Reach 33A, but are instead, indirect costs associated with the allocation of state-wide costs or system-wide costs that are allocated in proportion to actual staff time in Reach 33A as well as other indirect cost allocation methodologies.
3. Only 30% of the costs charged to Reach 33A are direct costs associated with work done on the facilities in that reach.

## Next Audit Steps

As a result of the audit work done by the SWC financial staff, we are working with our Statement of Charges auditors, Ernst & Young, to further audit the actual charges allocated to Reach 33A to determine if the charges allocated are correct, and the primary reason for the large increases in the charges. Once this audit process is complete, we will request an audit report from Ernst & Young detailing the findings.

## Repayment Options

If it is determined that the charges calculated by DWR for calendar year 2019 are correct, CCWA will need to issue a supplemental assessment to collect one-half of the additional amount due by January 1, 2019, with the other half due on June 1, 2019 as part of the CCWA FY 2019/20 Fixed Assessment. However, CCWA staff have explored some repayment options described below.

1. Pay the amounts due on January 1, 2019 and June 1, 2019 from your individual agency reserves and/or revenues. Alternatively, you may choose to pursue your own financing options directly with your individual financial institution.
2. Bank Loan

CCWA has had discussions with Montecito Bank & Trust (MB&T) about the possibility of obtaining a bank loan for all or some of the CCWA project participants to pay the additional amount due over time. While not specifically approving a loan at this time, MB&T stated that it is a possibility, especially if existing CCWA reserves were used to collateralize the loan. Therefore, if your agency has cash deposits with CCWA in the rate coverage reserve fund, O&M reserve fund and/or escrow deposits, these could be used as collateral for your share of a bank loan.

If a loan were obtained from MB&T, the reserve funds would be placed in an interest bearing CD which would then reduce the interest rate on the underlying loan. Please contact CCWA Controller, Laura Matthews at [ljm@ccwa.com](mailto:ljm@ccwa.com) to determine your cash deposit balances if you are interested in this option.

3. Payment over Time to DWR

I had previously thought that the provision that allows the payment of large changes in the bills from DWR over time applied to the Transportation Minimum OMP&R component. However, that provision only applies to the Transportation Capital component.

I discussed this issue with DWR and they are willing to consider a longer repayment period even though it is not specifically called out in the contract. I don't yet know the specifics on term or interest costs, but DWR has committed to working with us if there is an interest in this option.

**RESPONSE REQUESTED: Please respond to this email indicating which of the three options, or combination thereof, your agency prefers.** If all participants elect to pay the amounts as they become due, I will not pursue the other two. However, if there is an interest in either of the other two, I will continue to explore those options.

Please let me know if you have any questions. This will also be discussed in detail at the September 27, 2019 CCWA of Directors meeting, as well as the October 11, 2018 Operating Committee meeting.

RAS

Attachment



## CENTRAL COAST WATER AUTHORITY

### MEMORANDUM

June 7, 2018

**TO:** CCWA Board of Directors

**FROM:** Ray A. Stokes  
Executive Director

A handwritten signature in blue ink, appearing to read "RAS", is written over the name "Ray A. Stokes" in the "FROM:" field.

**SUBJECT:** DWR Calendar Year 2019 Transportation Minimum OMP&R Cost Estimates

---

#### SUMMARY

**NOTE: THIS REPORT HAS BEEN UPDATED TO REFLECT THE AMOUNTS FROM THE ACTUAL CALENDAR YEAR 2019 STATEMENT OF CHARGES.**

CCWA has received the DWR Statement of Charges for calendar year 2019 which shows a large increase in the DWR Transportation Minimum OMP&R charges for calendar year 2019. This report will explain the potential impact to both the FY 2018/19 budget and outline efforts CCWA is taking to ensure the costs being allocated to CCWA are correct and appropriate.

#### DISCUSSION

##### CCWA Budget Preparation and DWR Cost Estimation

CCWA prepares its budget on a July to June fiscal year basis, while DWR prepares its "Statement of Charges" (SOC) on a calendar year basis (the Statement of Charges is the invoice from the State of California for the State water project charges each calendar year).

In order to prepare the DWR portion of the CCWA budget, which in turn, forms the basis of the bills from CCWA to each of its project participants, CCWA uses the actual DWR SOC for the current calendar year for the first half of the fiscal year and estimates what the DWR charges will be for the second half of the fiscal year for the budget being prepared. Then, when DWR distributes the calendar year SOC in July of each year, a reconciliation is prepared comparing the estimates used to prepare the CCWA fiscal year budget and the actual charges from DWR for the following calendar year.

Historically, any difference between the estimates used in the fiscal year budget and the actual SOC from DWR for the following calendar year have been closed with existing credits in other parts of the CCWA budget.

In preparing the estimates for the following year DWR Transportation Minimum charges, CCWA staff typically takes DWR's estimates and adds additional amounts because the actual charges have been increasing over what DWR estimates. For example, for calendar year 2019, DWR estimated that the charges would be around \$7.8 million. For budgeting purposes, CCWA staff used an estimate of \$9.8 million (before the latest estimate was received).

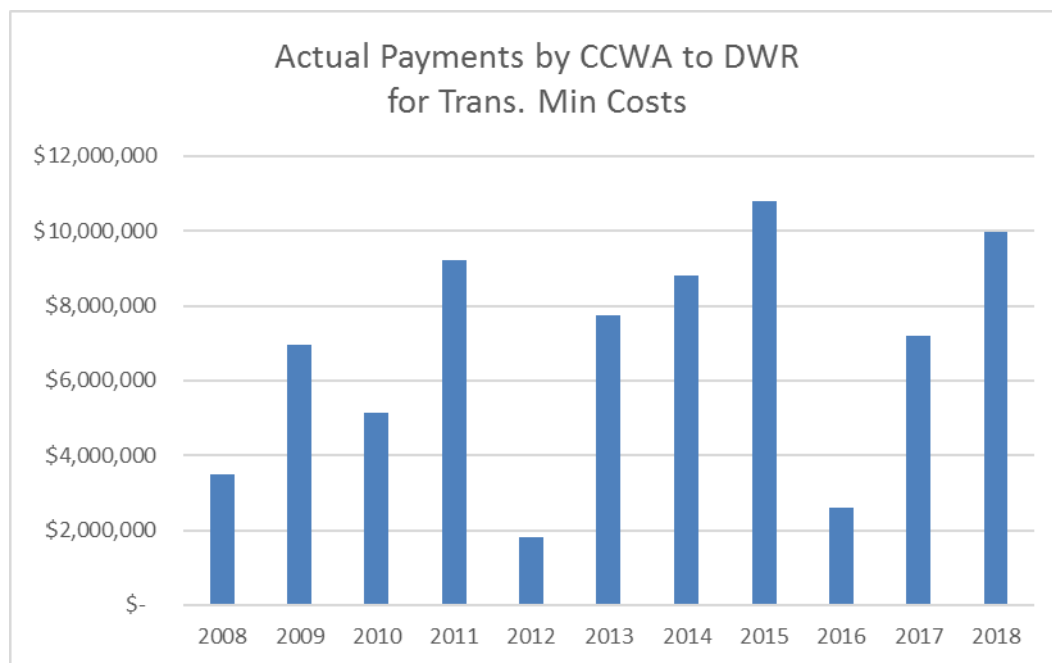
##### DWR Statement of Charges Process

By contract, DWR is required to distribute the SOC for the following calendar year by July 1<sup>st</sup> each year. As DWR prepares the SOC, it prepares a “dry-run” in May called the “May Estimate.” This is then sent to each of the 29 State Water Project Contractors as a preview of the expected SOC to be released by July 1<sup>st</sup> each year. In the time between release of the May Estimate and the July 1<sup>st</sup> SOC, DWR continues to refine the charges, but typically there are only minor differences between the May Estimate and the July 1<sup>st</sup> SOC.

DWR Transportation Minimum OMP&R Costs

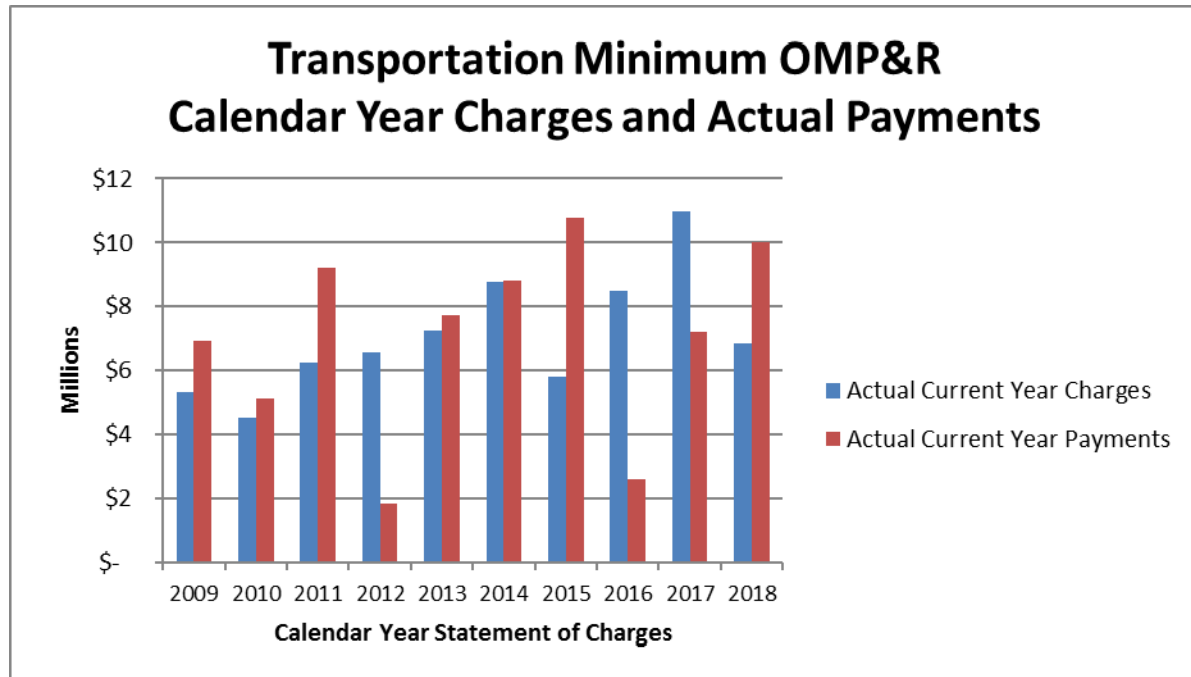
DWR divides up the calendar year SOC by “cost component.” Cost components are essentially different types of costs, with the major cost components being “capital costs” (costs for the repayment of capital cost construction of facilities); “minimum costs, both fixed and variable,” which are operations and maintenance and power costs. Transportation Minimum costs are fixed O&M costs related to the O&M of the SWP facilities which do not vary with the quantity of water delivered to the 29 SWP Contractors.

Historically, the Transportation Minimum cost component of the DWR SOC has been the most volatile DWR charge for CCWA as can be seen in the following graph showing the actual payments to DWR for Transportation Minimum costs since 2008.



The volatility shown above is partly based on DWR’s SOC being based on estimates and then reconciling or preparing a “true-up” based on the actual charges incurred. Therefore, if DWR estimates CCWA’s Transportation Minimum charges in one year are \$7 million and the actual charges for the year are \$10 million, DWR will add the additional \$3 million due from CCWA to the bill for the following year, plus interest at a rate of 4.610% (the project interest rate pursuant to the DWR SWP Contract). This issue of adjusting the current year Transportation Minimum charges for the “true-up” in prior years is illustrated in the following graph, whereby the blue bars represent DWR’s estimate of the actual costs to be incurred that calendar year

and the red bar represent the actual payments from CCWA taking into account the over or under-collections from prior calendar years.



Additionally, because there are only two SWP Contractors on the coastal branch of the SWP, Santa Barbara County (90%) and San Luis Obispo County (10%), any changes, up or down, are allocated to only these two counties, further amplifying the variances. This is especially relevant for one particular portion of the coastal branch facilities called “Reach 33A” where three different pumping plants are located just upstream of the CCWA Polonio Pass Water Treatment Plant. This one financial reach tends to create the most volatility from year-to-year because of work done by DWR on the facilities in Reach 33A.

Calendar Year 2019 Transportation Minimum Cost Estimates

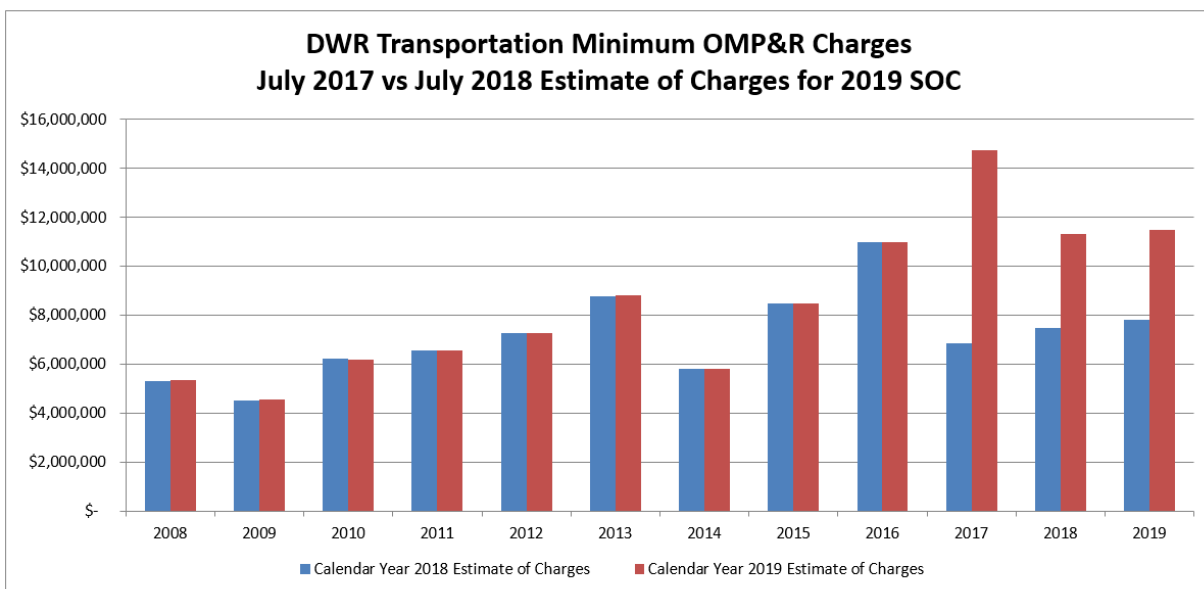
In the calendar year 2018 SOC, DWR showed an estimated calendar year 2019 Transportation Minimum cost estimate of \$7.8 million. For purposes of preparing the CCWA FY 2018/19 budget, CCWA added an additional \$2 million above the DWR estimate for a total of \$9.8 million. **The actual Statement of Charges for the calendar year 2019 Transportation Minimum from DWR is \$24.3 million, a \$15.5 million increase over the amount used to prepare the FY 2018/19 budget, one-half of which would be due by January 1<sup>st</sup>, 2019.**

The following table shows the estimate of the Transportation Minimum charges from the 2018 SOC in column B and the updated estimate of charges from the calendar year 2019 Statement of Charges in column C. Note, that in the 2018 SOC, DWR estimated the actual 2017 charges were \$6.8 million. In the 2019 SOC, DWR is estimating the actual 2017 charges are \$14.7 million, a 115% increase.

| A  | B                                      | C                                      | D                    | E                           |
|--|--|--|----------------------|-----------------------------|
| <i>Transportation Minimum OMP&amp;R Charges</i>    |  |  |                      |                             |
| Calendar Year                                      | Calendar Year 2018 Estimate of Charges | Calendar Year 2019 Estimate of Charges | Difference           | % Change from 2018 Estimate |
| 2008   | \$ 5,313,108                           | \$ 5,329,868                           | \$ 16,760            | 0%                          |
| 2009   | 4,522,550                              | 4,541,851                              | 19,301               | 0%                          |
| 2010   | 6,235,197                              | 6,199,923                              | (35,274)             | -1%                         |
| 2011   | 6,560,138                              | 6,561,645                              | 1,507                | 0%                          |
| 2012   | 7,246,134                              | 7,248,718                              | 2,584                | 0%                          |
| 2013   | 8,777,136                              | 8,792,406                              | 15,270               | 0%                          |
| 2014   | 5,826,654                              | 5,814,382                              | (12,272)             | 0%                          |
| 2015   | 8,477,187                              | 8,471,279                              | (5,908)              | 0%                          |
| 2016   | 10,986,277                             | 10,989,575                             | 3,298                | 0%                          |
| <b>2017</b>  | <b>6,841,790</b>                       | <b>14,733,032</b>                      | <b>7,891,242</b>     | <b>115%</b>                 |
| 2018   | 7,473,002                              | 11,331,753                             | 3,858,751            | 52%                         |
| 2019   | 7,825,214                              | 11,472,738                             | 3,647,524            | 47%                         |
| <b>TOTAL DUE WITH OVER/UNDER AMOUNTS FOR 2019:</b> |  |  | <b>\$ 24,307,245</b> |                             |

DWR also estimates that the annual costs will increase to around \$11.5 million per year for 2018 and 2019, or around 50% higher than the estimates provided last year. On average, CCWA's Transportation Minimum costs have been increasing by around 10% per year since 2008.

The following graph shows the comparison of the 2019 estimate of charges from the 2018 SOC and the 2019 SOC.



## Action Plan

I met with DWR staff to discuss these increases and try to identify reasons the costs are increasing by such a large amount. DWR was unable to provide an explanation. However, it did commit to researching the reason for the cost increases after the July 1, 2018 SOC has been distributed.

The following is an initial action plan to identify the reason for the cost increases and possible payment options.

1. I have asked State Water Contractors (SWC) accounting staff to access the DWR accounting records and try to analyze the reason for the large cost increases. SWC staff believes they will be able to provide this analysis within the next few weeks to provide an initial explanation and analysis.
2. We have discussed this issue with our DWR SOC auditors, Ernst & Young. After SWC staff have completed their initial analysis, we will determine the steps for Ernst & Young to further examine the DWR accounting records to ensure costs that are being charged to CCWA are correct and accurate. The FY 2018/19 Budget includes funds for the Ernst & Young SOC audit.
3. DWR staff has committed to trying to provide additional clarification after the July 1, 2019 SOC has been distributed.
4. I discussed this issue with the Director of DWR and impressed upon her the importance of this issue to CCWA. She agreed to contact her staff and make this a priority.
5. There is a provision in the SWP contract that allows for the large cost increases of 40% or more to be paid over five years. However, interest is charged at a rate of 4.610%. I will continue to explore this option with DWR, and it may be an option for those CCWA project participants that wish to utilize this provision.

## Possible Supplemental Assessment

If it is determined the costs are correct, CCWA will need to submit a supplemental assessment to all CCWA project participants for their share of the increased costs. The following table shows an estimate of the amount that would be due from each project participant prior to January 1, 2019.

| Project Participant | Projected FY 2018/19 Yearend Credits (Amount Due) |                                   |                                       |                                   |   | Estimated Additional Due Through 6-30-19 |
|---------------------|---|-----------------------------------|---------------------------------------|-----------------------------------|---|--|
|                     | WSRB <sup>(1)</sup>                               | Delta Water Charge <sup>(5)</sup> | Transportation Minimum <sup>(4)</sup> | Coastal Branch <sup>(1) (2)</sup> | Transportation Capital <sup>(2) (3)</sup> |  |
| Guadalupe           | \$ 300  | \$ 2,851                          | \$ (100,777)                          | \$ -                              | \$ 4,778                                  | \$ (92,848)                              |
| Santa Maria         | 8,309   | 83,819                            | (2,961,165)                           | (31,071)                          | 167,926                                   | (2,732,181)                              |
| Golden St. Wtr      | 174   | 2,565                             | (90,992)                              | (885)                             | 4,694                                     | (84,445)                                 |
| VAFB <sup>(4)</sup> | 2,780   | 28,513                            | (1,006,054)                           | (28,177)                          | 57,429                                    | (945,508)                                |
| Buellton            | 320   | 2,941                             | (105,776)                             | (2,860)                           | 5,365                                     | (100,011)                                |
| Solvang             | 812   | 7,452                             | (266,389)                             | (7,711)                           | 14,495                                    | (251,340)                                |
| Santa Ynez          | 408   | 2,348                             | (99,293)                              | (2,667)                           | 6,213                                     | (92,991)                                 |
| Goleta              | 2,598   | 35,014                            | (918,651)                             | (22,842)                          | 51,269                                    | (852,612)                                |
| Morehart            | 305   | 1,147                             | (35,711)                              | (1,009)                           | 2,264                                     | (33,003)                                 |
| La Cumbre           | 692   | 5,129                             | (181,983)                             | (5,044)                           | 9,389                                     | (171,818)                                |
| Raytheon            | (55)  | 287                               | (9,785)                               | (325)                             | 83  | (9,795)                                  |
| Santa Barbara       | 1,386   | 15,691                            | (549,380)                             | (15,422)                          | 30,096                                    | (517,629)                                |
| Montecito           | 1,386   | 15,691                            | (549,380)                             | (15,422)                          | 30,096                                    | (517,629)                                |
| Carpinteria         | 1,114   | 10,258                            | (365,682)                             | (10,088)                          | 20,708                                    | (343,690)                                |
| <b>TOTAL:</b>       | <b>\$ 20,529</b>                                  | <b>\$ 213,706</b>                 | <b>\$ (7,241,019)</b>                 | <b>\$ (143,522)</b>               | <b>\$ 404,806</b>                         | <b>\$ (6,745,500)</b>                    |

### Updated Cost Projections

We have updated the Ten-Year Cost Projections with these higher Transportation Minimum costs, which are attached to this report. To be more in line with the cost increases from DWR on an annual basis, we have escalated the Transportation Minimum costs in future years by 5% each year. These are just estimates, but we wanted to get this information out to you for planning purposes, especially for FY 2019/20, which will also be significantly higher due to the additional amount due for calendar year 2019.

I will discuss this issue in depth at the June 28, 2018 CCWA Board meeting.

RAS

Attachments



**MONTECITO WATER DISTRICT  
MEMORANDUM**

**SECTION: 3-D**

**DATE: SEPTEMBER 20, 2018**

**TO: FINANCE COMMITTEE**

**FROM: BUSINESS MANAGER**

**SUBJECT: USBR PRIOR YEARS DEFICIT CHARGES**

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**RECOMMENDATION:**

For information and discussion only.

**DISCUSSION:**

In March 2018, while preparing its FY 2019 budget, the Cachuma Operations & Maintenance Board (COMB) was informed by the United States Bureau of Reclamation (USBR) that financial deficits existed for the Cachuma Project for the period of FY 2015 through FY 2017. These deficits, including applicable interest to date, total \$1,799,140, of which the District's portion is \$164,788 (11.5%). At that time, minimal details were provided regarding repayment, including whether interest on the deficits would be applied. USBR preliminarily agreed to allow repayment over three years and, therefore, the District budgeted accordingly.

On September 10, 2018, the Cachuma member agencies met again with USBR to review the deficits. The deficits now include interest ranging from 2.375% to 3.25%. In addition, USBR is providing an option to repay the deficits over a five-year period. The current FY 2015 and 2016 deficits total \$142,900 which includes two years of interest totaling \$8,045. The current FY 2017 deficit totals \$29,933 and will not include interest if paid in full by October 10, 2018. If paid over five years, \$1,075 of interest will roll into the five-year amortization calculation. The total interest if financing the FY 2015, 2016 and 2017 deficits is estimated to be \$24,200 over the five-year repayment period. If the District opts to pay the FY 2017 deficit prior to October 10, 2018, the interest savings is estimated to be \$3,317 over the five years.

**ATTACHMENTS**

- 1) Cachuma Project Schedule of Deficit Per Member Unit

**CACHUMA PROJECT  
SCHEDULE OF DEFICIT PER MEMBER UNIT**

*Fiscal Year and Water Year 2015 - 2017*

| <i>District</i>             | <b>GWD</b>        | <b>City of SB</b> | <b>CVWD</b>       | <b>MWD</b>        | <b>SYRWCD ID NO.1</b> | <b>Totals</b>       | <b>Footnote / Assumption</b> |
|-----------------------------|-------------------|-------------------|-------------------|-------------------|-----------------------|---------------------|------------------------------|
| FY 2015 - Deficit           | \$ 152,255        | \$ 83,541         | \$ 64,248         | \$ 23,175         | \$ 90,100             | \$ 413,319          | 1                            |
| FY 2015 - Interest @ 3.25%  | \$ 10,057         | \$ 5,518          | \$ 4,244          | \$ 1,531          | \$ 5,952              | \$ 27,302           | 2                            |
| FY 2016 - Deficit           | \$ 392,855        | \$ 348,858        | \$ 118,696        | \$ 111,680        | \$ 111,681            | \$ 1,083,770        | 1                            |
| FY 2016 - Interest @ 2.875% | \$ 22,914         | \$ 20,348         | \$ 6,923          | \$ 6,514          | \$ 6,514              | \$ 63,213           | 3                            |
| FY 2017 - Deficit           | \$ 114,842        | \$ 90,966         | \$ 37,189         | \$ 29,933         | \$ 29,121             | \$ 302,051          | 1                            |
| FY 2017 - Interest @ 2.375% | \$ 4,124          | \$ 3,266          | \$ 1,335          | \$ 1,075          | \$ 1,046              | \$ 10,846           | 4                            |
| <b>Total</b>                | <b>\$ 697,047</b> | <b>\$ 552,497</b> | <b>\$ 232,635</b> | <b>\$ 173,908</b> | <b>\$ 244,414</b>     | <b>\$ 1,900,501</b> |                              |

**Memo:**

**So. Coast Percentage**

|  |            |            |            |            |       |              |   |
|--|------------|------------|------------|------------|-------|--------------|---|
|  | 40.42%     | 35.89%     | 12.20%     | 11.50%     | 0.00% | 100.00%      |   |
| Projected COMB EPFP<br>(if mobilized in Spring 2019) | \$ 673,499 | \$ 598,067 | \$ 203,257 | \$ 191,552 | \$ -  | \$ 1,666,375 | 5 |

**Assumptions**

- (1) Per schedule #4B - Schedule of Deficit Per Member Unit (FY 2015 Through FY 2017) distributed by Reclamation staff at meeting on September 10, 2018.
- (2) Based on US Treasury Rate for 2015. Calculated thru September 30, 2018.
- (3) Based on US Treasury Rate for 2016. Calculated thru September 30, 2018.
- (4) Based on US Treasury Rate for 2017, Interest will not be charged on FY 2017 Deficit if balance is paid in-full within thirty days of September 10, 2018 mtg.
- (5) Exact timing of EPFP remobilization is dependent on certain factors including, but not limited to, future rainfall, lake elevation, member unit demands.

**MONTECITO WATER DISTRICT  
MEMORANDUM**

**SECTION: 3-E**

**DATE: SEPTEMBER 20, 2018**

**TO: FINANCE COMMITTEE**

**FROM: BUSINESS MANAGER**

**SUBJECT: FINANCING OPTIONS FOR SMART METERING PROGRAM**

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**RECOMMENDATION:**

That the Finance Committee recommend the Board of Directors obtain financing for the implementation of its Smart Meter Program through Holman Capital Corporation.

**DISCUSSION :**

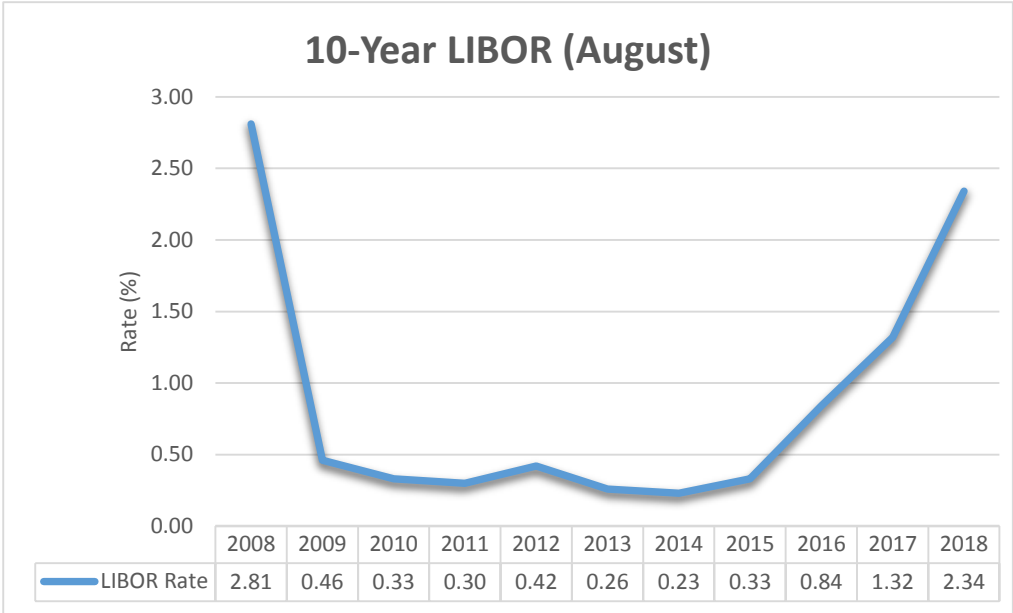
On August 28, 2018, following over a year of evaluation by District Staff and the District's Operations Committee, the District's Board of Director unanimously voted in support of moving forward with the implementation of a Smart Metering Program. The implementation of the program includes the replacement of 4,605 customer meters with ultrasonic smart meters manufactured by Badger and fixed base network of automated metering reading infrastructure manufactured by Itron. The total project is estimated to cost approx. \$3,000,000. The Board of Directors' August 28, 2018 approval of the program is subject to review of the financing options by the Finance Committee.

Staff has researched several options for financing the capital cost associated with the Smart Metering Program. The three options considered include Charles Schwab, American Riviera Bank and Holman Capital Corporation. The financing terms of each are summarized below.

*Charles Schwab*

Charles Schwab (Schwab) currently maintains the District's investment accounts and is offering a margin loan based upon the 90-day London Interbank Offered Rate (LIBOR), currently 2.35% plus a spread of 1.25% for a total annual rate of 3.60%. The loan would be renewed annually and subject to change based upon LIBOR fluctuations. **Figure 1** shows significant fluctuations in the LIBOR over the past 10 years. Since 1986, the LIBOR has been as high as 10.31% (1989) and as low as 0.23% (2014). Since 2015, LIBOR has been on a steady upward trend, with this trend forecasted to continue over the next several years. Schwab will issue a loan up to 80% of the balance on deposit. Based on a projected capital cost of \$3,000,000, the District would be required to maintain a balance of \$3,750,000 in its investment accounts with Schwab. Assuming an annual increase in the LIBOR of 0.25%, the District's annual payment is estimated to be

\$373,151. It should be noted that the District is not required to repay the loan amount during the course of the year, instead, the District would have the option of making interest-only payments.



**Figure 1 – 10 Year August LIBOR rate**

*American Riviera Bank*

An option for financing the proposed Smart Meter Program is with American Riviera Bank (ARB). ARB is offering a 10-year, 4.25% fixed interest loan with no pre-payment penalties and an option of one year interest-only payments during the draw down period. If the District chooses the interest-only option for the first year, the outstanding balance would then be amortized over the remaining nine years of the agreement. Assuming full payments are made in year one, the District’s annual payment is estimated to be \$371,382. Collateral for this loan is a pledge against net revenues.

*Holman Capital Corporation*

The third option for financing the proposed Smart Meter Program is through Holman Capital Corporation (Holman). Holman is offering a 10-year, 3.95% fixed interest loan. This option includes a pre-payment penalty. The pre-payment penalty is the option to call the debt on any payment date with a 3.0% purchase price. The prepayment penalty could range from \$5,400 - \$82,482 depending upon when the District decides to call the loan. The Holman option is estimated to have an annual payment of \$366,056 and is collateralized by a pledge against net revenues. The interest savings on the Holman option would be negated if the District decided to call the loan at any time prior to the first payment of the fifth year.

**Table 1 – 10 Year Amortization Schedule**

| <b>American Riviera Bank</b> |                       |                        | <b>HolmanCapital</b>  |                        | <b>Schwab*</b>        |                        |
|------------------------------|-----------------------|------------------------|-----------------------|------------------------|-----------------------|------------------------|
| Payment No. & Date           | Monthly Payment       | Acct Principal Balance | Monthly Payment       | Acct Principal Balance | Monthly Payment       | Acct Principal Balance |
|                              |                       | \$3,000,000.00         |                       | \$3,000,000.00         |                       | \$3,000,000.00         |
| February 1, 2019             | \$185,690.76          | \$2,878,059.24         | \$183,027.82          | \$2,876,222.18         | \$179,948.18          | \$2,874,051.82         |
| August 1, 2019               | \$185,690.76          | \$2,753,527.23         | \$183,027.82          | \$2,749,999.75         | \$179,948.18          | \$2,745,836.57         |
| February 1, 2020             | \$185,690.76          | \$2,626,348.92         | \$183,027.82          | \$2,621,284.44         | \$181,947.54          | \$2,616,746.38         |
| August 1, 2020               | \$185,690.76          | \$2,496,468.06         | \$183,027.82          | \$2,490,026.99         | \$181,947.54          | \$2,485,171.21         |
| February 1, 2027             | \$185,690.76          | \$534,209.26           | \$183,027.82          | \$528,088.02           | \$190,375.96          | \$540,576.93           |
| August 1, 2027               | \$185,690.76          | \$359,870.45           | \$183,027.82          | \$355,489.94           | \$190,375.96          | \$365,337.13           |
| February 1, 2028             | \$185,690.76          | \$181,826.94           | \$183,027.82          | \$179,483.05           | \$190,721.65          | \$185,301.58           |
| August 1, 2028               | \$185,690.75          | \$0.00                 | \$183,027.84          | \$0.00                 | \$190,721.65          | (\$0.00)               |
|                              | <u>\$3,713,815.28</u> |                        | <u>\$3,660,556.38</u> |                        | <u>\$3,731,511.93</u> |                        |

\* Assumes a 0.25% interest rate increase per year

**Debt Coverage Ratio**

Both ARB and Holman require the District maintain a debt coverage ratio of 1.25% during the term of the loan, which is consistent with the District’s existing debt. Based on an assessment of the District’s projected annual revenues assuming 3% growth rate resulting from increased metering accuracy and its existing debt service, adding the proposed debt of approx. \$3.0M for the Smart Metering Program will reduce the current projected debt coverage ratio of 3.29% to 2.58%, well above the required 1.25%. If the District chooses to borrow from Schwab, the debt coverage ratio will not be affected as this is not considered debt. Rather the District would be borrowing at 80% against its own investments that are used as the collateral.

**Loan Origination Fees**

If the District borrows from Schwab, there is no loan origination fee as the District already banks with Schwab. Borrowing from Holman, will have loan origination fees of approx. \$5,000, covering all legal and documentation fees for the loan. ARB charges a 0.50% loan fee which equates to approx. \$15,000 and requires the District obtain an Opinion Letter from bond counsel and pay for all other out-of-pocket legal and documentation fees associated with funding the transaction.

**Table 2– Financing Options Comparison**

| LOAN OPTIONS            | ARB  | Schwab                          | Holman*          | Comments   |
|-------------------------|--|---------------------------------|------------------|--|
| Interest Rate           | 4.25% Fixed  | LIBOR + 1.25%<br>reset annually | 3.95% Fixed      | Holman's interest rate is lower due to the prepayment penalty that they structure into the loan. Schwab is more risky as it resets annually based on the 90-day LIBOR, which is currently at 2.35%   |
| Prepayment Penalty      | \$0  | \$0                             | \$3,400-\$82,482 | ARB offers a stated no prepayment penalty. Schwab has no prepayment penalty as we are borrowing against margin and can pay the principle at our convenience. Holman offers a callable loan with a 3% purchase price to call the remaining balance*.                          |
| Annual Cost             | \$371,382  | \$370,203**                     | \$366,056        | The annual cost savings of Holman over ARB is strictly due to a lower interest rate. The cost savings of Schwab over ARB and Holman is only guaranteed at for the first year, and are likely to diminish or even disappear over time.  |
| Loan Fees & Other Costs | \$15,000 + cost of bond counsel Opinion Letter + documentation costs | \$0                             | \$5,000          | For ARB it is estimated that the costs of the loan will likely be \$15,000 - \$20,000 for legal and documentation in addition to the \$15,000 loan fee. Holman has a standard fee, in this case it would be \$5,000 for the proposed offer. Schwab would have no loan costs. |
| Collateral              | Net Revenues   | Existing Investments            | Net Revenues     |  |

\* Holman Capital offers many choices for financing. The standard arrangement is what is presented. No pre-payment penalty options are available, but not with these terms and interest rate.

\*\*The annual cost of the Schwab loan is based on an annual increase of 0.25% on the LIBOR, amortized with monthly payments. The District could make only interest payments each month and then pay the \$3,000,000 at the end of 10 years if it chose, provided that the value of the collateralized investments remained at or above \$3.75M

**Staff recommends financing the Smart Metering Program through Holman Capital Corporation.** With the lowest fixed interest rate, it allows the District to maintain a constant debt coverage ratio. Although there is a pre-payment penalty, District staff has received information from various financial institutions indicating that interest rates are rising, and therefore it would be difficult to find an alternate source of funding having a lower rate, making the need to refinance the loan unlikely.