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Board of Directors
Kenneth Coates, President
Brian Goebel, Vice President
Cori Hayman, Director
Tobe Plough, Director
Floyd Wicks, Director
**General Manager and
Board Secretary**
Nick Turner

**SPECIAL MEETING
of the
BOARD OF DIRECTORS
MONTECITO WATER DISTRICT
583 SAN YSIDRO ROAD, MONTECITO, CALIFORNIA**

**WEDNESDAY, MARCH 20, 2024
9:30 A.M.**

Attend in Person or Join by Teleconference:

<https://us06web.zoom.us/j/83937452504?pwd=FSDEnam37D6c14bvM2gNbOFTOIyKrv.1>

Meeting ID: 839 3745 2504; Passcode: 931511

Tel: (669) 900 6833

AGENDA

- 1. CALL TO ORDER, ROLL CALL, DETERMINATION OF QUORUM**
- 2. PLEDGE OF ALLEGIANCE**
- 3. PUBLIC FORUM**

This portion of the agenda may be utilized by any member of the public to address and ask questions of the Board of Directors on any matter not on the agenda within the jurisdiction of the Montecito Water District. Depending upon the subject matter, the Board of Directors may be unable to respond at this time, or until the specific item is placed on the agenda at a future MWD Board meeting in accordance with the Ralph M. Brown Act.

4. DISTRICT OPERATIONS

A. INFORMATIONAL: Rate Study Workshop #2 - Review of Revised Financial Plan Options and Preliminary Rate Results

5. ADJOURNMENT

Note: Montecito Water District conducts its meeting in-person in accordance with the Brown Act and also provides alternative methods of participation which permit members of the public to observe and address public meetings telephonically and/or electronically. These methods of participation can be accessed through the internet link provided at the top of this agenda.

This agenda was posted on the District website, and at the Montecito Water District outside display case at 5:00 p.m. on March 15, 2024. 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

* Indicates attachment included for this item

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.

Agendas, agenda packets, and additional materials related to an item on this agenda submitted to the Board after distribution of the agenda packet are available on the District website.



Montecito Water District

Board Workshop #2

Five-Year Rate Study

March 20, 2024



Agenda

- 1. Revised Financial Plan Options**
- 2. Preliminary Rate Results**
 - a) Fixed Revenue Options**
 - b) Customer Bill Impacts**
 - c) Neighboring Agency Survey**

Rate Study Process

Step 1: Rate Setting Framework

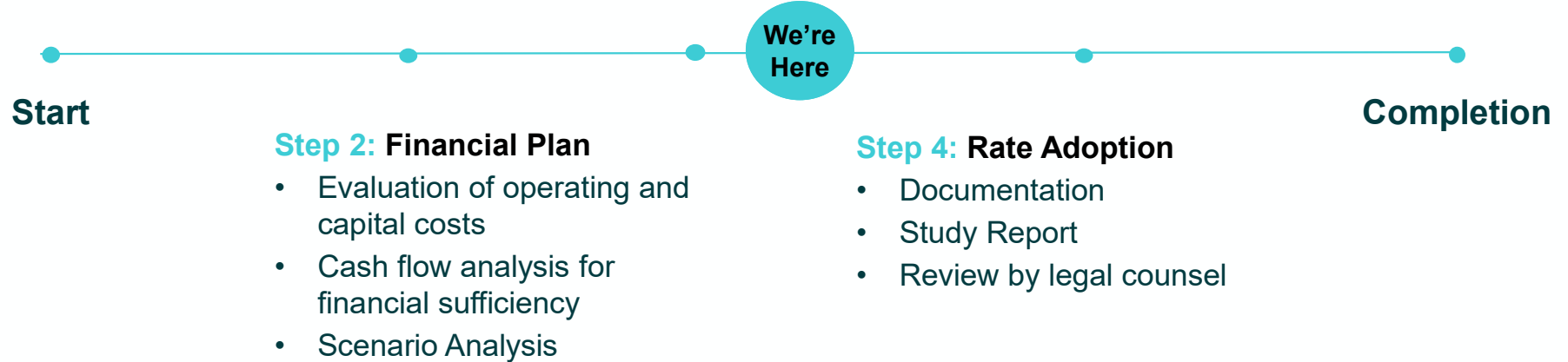
- Financial goals and policies
- Pricing objectives
- Alternative rate structures for evaluation

Step 3: Rate Design

- Cost of Service Analyses (Cost allocations)
- Alternative rates design
- Rate calculations & customer impact analyses

Step 5: Rate Adoption – 218 Procedures

- Notice to District customers
- Public Hearing



Model Changes and Updates from Prior Board Workshop

- FEMA Reimbursement timing and magnitude
- \$600k per year State Water Project (SWP) sales agreement (Homer/Atlas)
- Adjustment to non-rate revenues (additional \$150k per year)
- Modest O&M cost projection adjustments
- Future Cater Loan included in long-term cash flow (approx. \$275k/yr)
- Debt coverage calculation now includes non-recurring revenues and other non-rate revenues, except capital cost recovery fees

Homer/Atlas

Water Sales Agreement Estimate

Description	FY 2025	FY 2026	FY 2027	FY 2028
Projected Annual SWP Water for Transfer (net volume at 41% allocation and after ID1 exchange)	1,053 AFY			
Transfer Water Rate in Draft Homer Agreement	\$600	\$618	\$637	\$656
Gross Revenue from Projected Water Transfer	\$631,800	\$650,754	\$670,277	\$690,385
(Annual Deposit)	\$100,000	\$100,000	\$100,000	\$100,000
Net Annual Revenue	\$531,800	\$550,754	\$570,277	\$590,385

CIP Scenarios

- Base CIP: 20-year schedule based on the recent Asset Management Plan
 - › Accelerated pipe is no longer required
 - › Highline project modeled two ways
 - Cash funded option: 15-year schedule beginning FY 2027
 - Debt-financed option: 4-year schedule beginning in FY 2031
- ASADRA
 - › Up-to-date cost projection and project timing (FY 2025 through FY 2030)
 - › SRF loan repayment beginning FY 2031, one year after completion
 - › All financial plan options in this presentation include ASADRA
- Financial Plan Model excludes Recycled Water Project design costs of \$1 million based on Board direction

Financial Plan Options

Option 1:

- CIP + ASADRA
- Cash Funded Highline (Over 15 years starting in FY 2027)

Option 2:

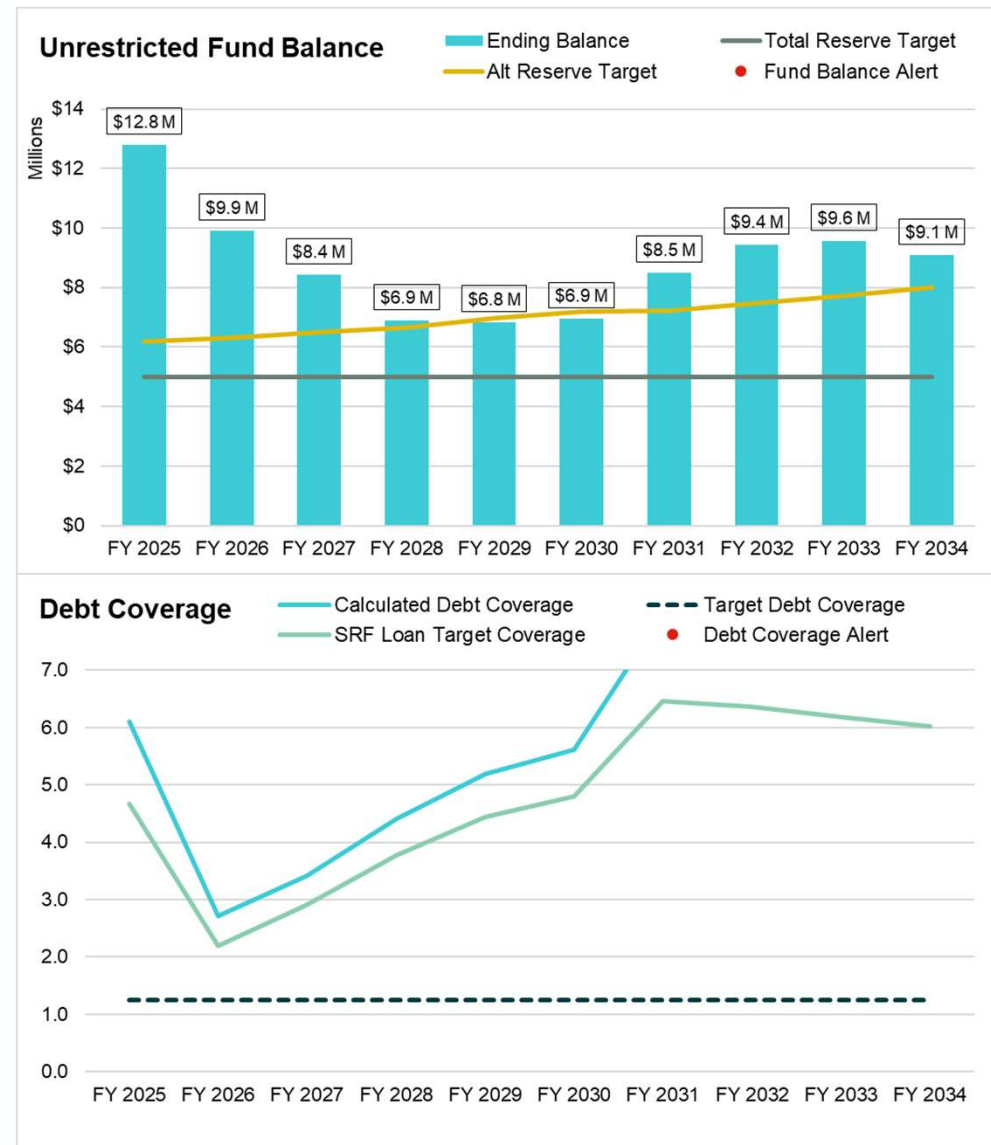
- CIP + ASADRA
- Debt Financed Highline (\$28 M debt proceeds in FY 2031 over 4 years)

Option 3:

- CIP + ASADRA
- Cash Funded Highline
- Partially Debt Financed R&R CIP (\$12 M proceeds in FY 2027 and FY 2028 to finance two years of CIP)

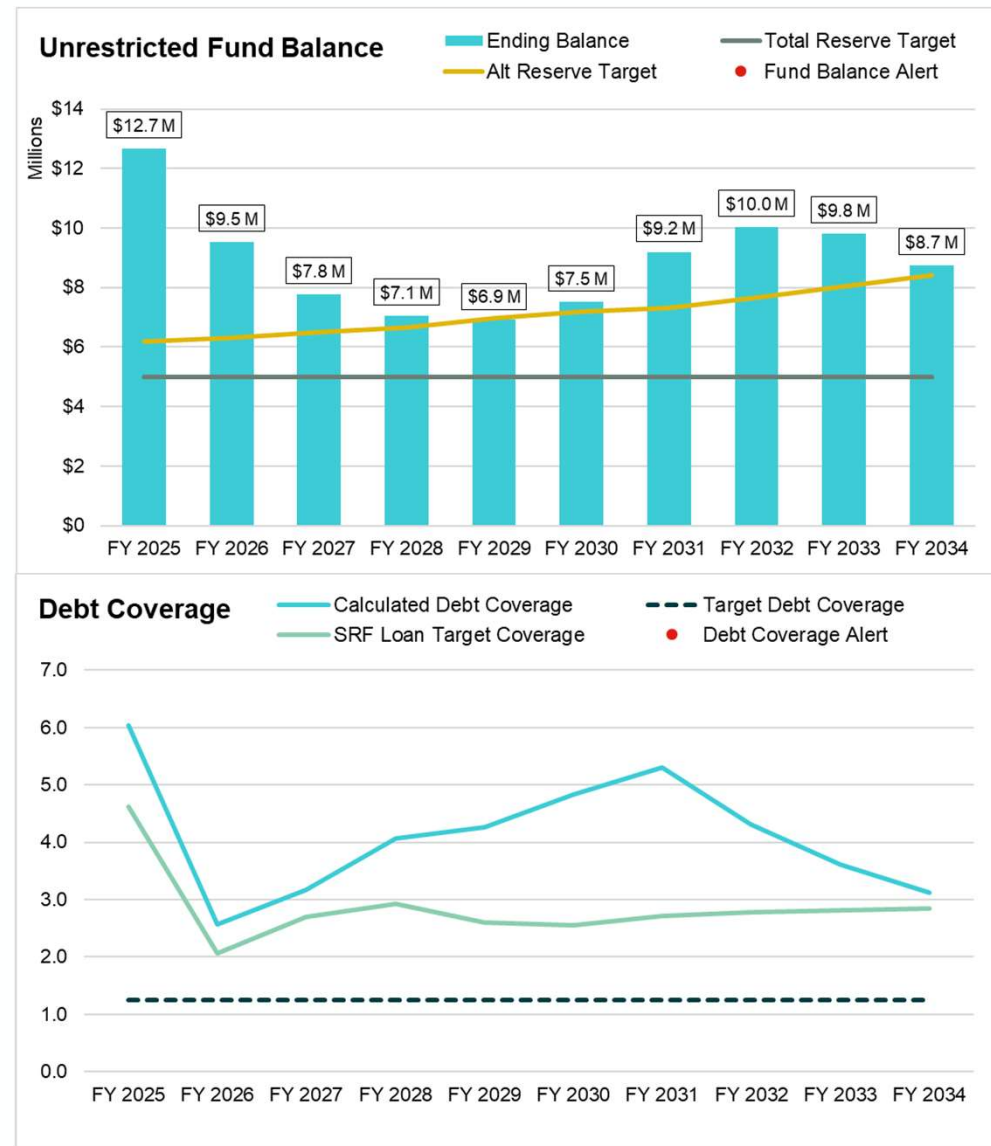
Option 1

Fiscal Year	Revenue Adjustments	Bond Proceeds
FY 2025	8%	\$0
FY 2026	8%	\$0
FY 2027	8%	\$0
FY 2028	8%	\$0
FY 2029	8%	\$0
FY 2030	4%	\$0
FY 2031	2%	\$0
FY 2032	2%	\$0
FY 2033	2%	\$0
FY 2034	2%	\$0



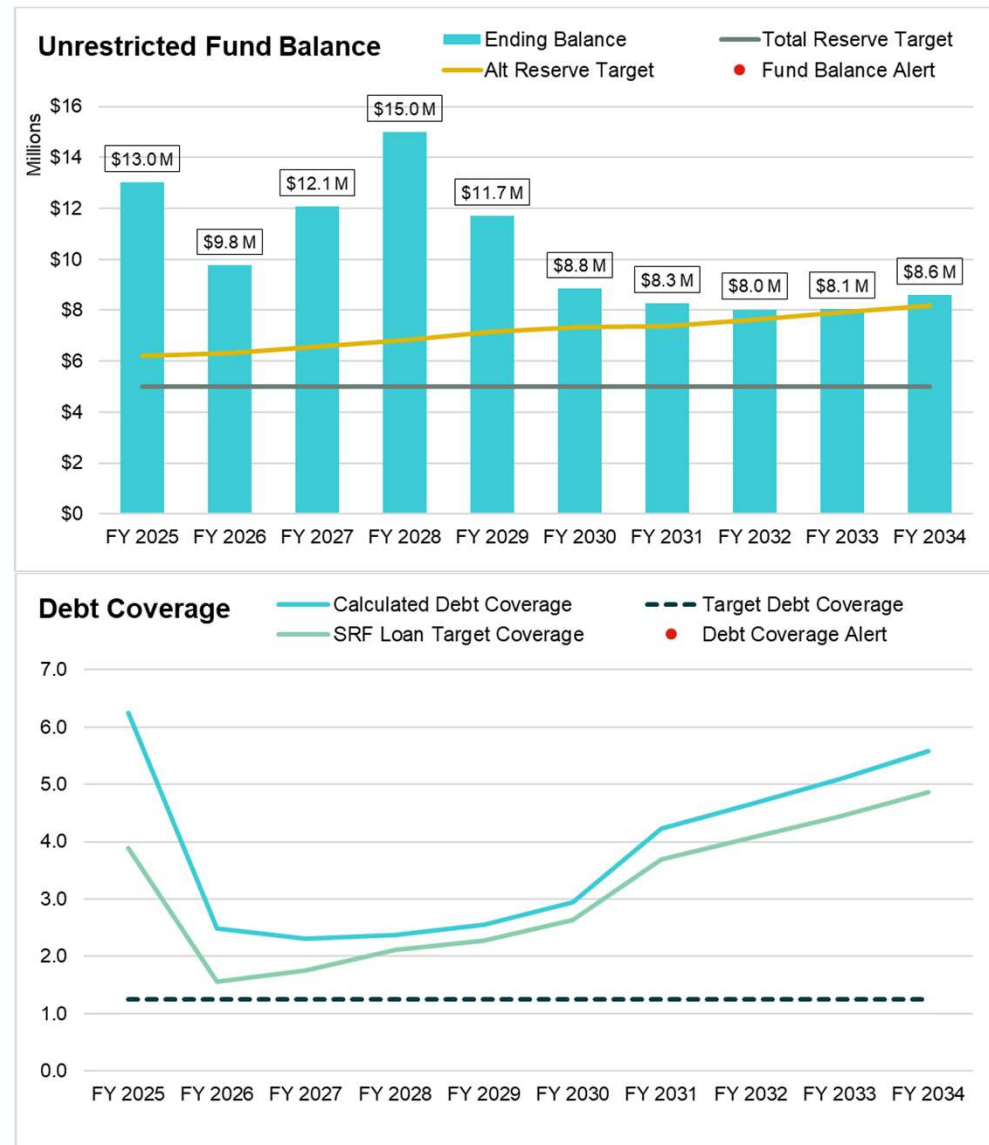
Option 2

Fiscal Year	Revenue Adjustments	Bond Proceeds
FY 2025	7.5%	\$0
FY 2026	7.5%	\$0
FY 2027	7.5%	\$0
FY 2028	7.5%	\$0
FY 2029	5%	\$0
FY 2030	5%	\$0
FY 2031	3%	\$7,000,000
FY 2032	3%	\$7,000,000
FY 2033	3%	\$7,000,000
FY 2034	3%	\$7,000,000



Option 3

Fiscal Year	Revenue Adjustments	Bond Proceeds
FY 2025	9.5%	\$0
FY 2026	5.5%	\$0
FY 2027	5.5%	\$6,000,000
FY 2028	5.5%	\$6,000,000
FY 2029	5.5%	\$0
FY 2030	5.5%	\$0
FY 2031	5%	\$0
FY 2032	5%	\$0
FY 2033	5%	\$0
FY 2034	5%	\$0



Financial Plan (FP) Options Comparison

Assuming 100% of water sales agreement revenue

	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034
Option 1	8.0%	8.0%	8.0%	8.0%	8.0%	4.0%	2.0%	2.0%	2.0%	2.0%
Option 2	7.5%	7.5%	7.5%	7.5%	5.0%	5.0%	3.0%	3.0%	3.0%	3.0%
Option 3	9.0%	5.5%	5.5%	5.5%	5.5%	5.5%	5.0%	5.0%	5.0%	5.0%
AWWA National Rate Survey (1996-2018)	5.1% per year									

Financial Plan (FP) Options Comparison

Assuming 50% of water sales agreement revenue

	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	<i>FY</i> 2030	<i>FY</i> 2031	<i>FY</i> 2032	<i>FY</i> 2033	<i>FY</i> 2034
Option 1	8.5%	8.5%	8.5%	8.5%	8.0%	2.5%	2.0%	2.0%	2.0%	2.0%
Option 2	8.0%	8.0%	8.0%	8.0%	4.0%	4.0%	3.5%	3.5%	3.5%	3.5%
Option 3	9.0%	5.8%	5.8%	5.8%	5.8%	5.8%	5.8%	5.8%	4.0%	4.0%
AWWA National Rate Survey (1996-2018)	5.1% per year									

Long-Range Financial Results Sensitivities (Climate Extremes)

- Climatic extremes:
 - › Projected baseline demand is 4,000 AF per year
 - › Wet years reduce water sales revenues
 - FY 2023 demand 3,465 AF (revenue loss estimated at \$1.9 million)
 - › Dry years increase water sales revenues
 - FY 2021 demand 4,571 AF (revenue gain estimated at \$2.8 million)
 - › Recent history shows the District at least breaking-even between these swings

- › At current rates, every 100 AF of sales represents \$438k in gross rate revenues

Long-Range Financial Results Sensitivities

WSA Costs

- WSA cost projections:
 - › Significant increases from prior study which are not projected to continue but are always possible
 - › 3% additional increase on current projected costs would result in a cumulative \$2.2M cash difference over 10 years

	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
WSA Cost Projections (Operating + Capital)	\$7,172,892	\$7,308,680	\$7,451,101	\$7,600,483	\$7,757,169

Long-Range Financial Results Sensitivities

Homer/Atlas Water Sales Agreement

- › District revenues from the agreement are dependent on individual year SWP allocations and the associated sales price
- › A 41% allocation factor is a long-term average but is subject to large individual year fluctuations (recent history of extremes at 5% and 70%)
- › Reducing the assumption by half represents a \$3 million swing in cash over 10 years (approximately \$350k annually vs \$600k)

Description	FY 2025	FY 2026	FY 2027	FY 2028
Projected Annual SWP Water for Transfer (net volume at 20% allocation and after ID1 exchange)	1,053 AFY			
Transfer Water Rate in Draft Homer Agreement	\$1,100	\$1,133	\$1,167	\$1,202
Gross Revenue from Projected Water Transfer	\$414,150	\$426,575	\$439,372	\$452,553
(Annual Deposit)	\$100,000	\$100,000	\$100,000	\$100,000
Net Annual Revenue	\$314,150	\$326,575	\$339,372	\$352,553

Financial Plan Options Discussion

- Inclusion of one-time and non-rate revenues in debt service coverage mitigates the prior concern over coverage in FY 2025 and a lesser degree FY 2026
 - › Allows for single-digit revenue increase in year one of the study
- Options 1 and 2 require similar near-term increases to execute a new, higher level of annual cash-funded capital
- Option 2 requires modestly higher increases in years 6-10 because of future debt service for an expedited Highline project
- Option 3 utilizes a one-time larger increase and near-term capital financing to smooth long-term increases at roughly 5.5% per year
- ASADRA projects have a modest effect on the 10-yr financial outlook, with repayment occurring at the same time other debt is retired in FY 2031

Water Rates



Disclaimer

All rates shown in this presentation are subject to final review by:



RAFTELIS



District Staff



Legal Counsel

Proposed Water Rates

- Assumes Financial Plan Option 3 (9% overall increase in year one)
- Cost component recovery and Fixed Charge Options:
 - › Current fixed recovery (22.5%): 50% of peak to Meter
 - › 30% fixed recovery: 100% of peak to Meter
 - › 35% fixed recovery: 100% of peak and 20% of base to Meter
- Relies on existing fire flow requirements for all classes
- Desal/WSA: excluded from Tier 1 Residential and Agriculture customers
- SWP: excluded from Agriculture customers

Fixed Charge Components

- **Meter:** meter servicing, meter maintenance, public fire protection, and a share of extra-capacity (peaking)
- **Customer Billing**

Meter Size	Meter Count	Capacity Ratio	Meters	Customer	Proposed Charge
3/4-inch	2,288	1.00	\$50.69	\$7.06	\$57.76
1-inch	1,611	1.72	\$87.13	\$7.06	\$94.20
1 1/2-inch	520	3.13	\$158.42	\$7.06	\$165.49
2-inch	211	5.00	\$253.47	\$7.06	\$260.54
3-inch	15	17.50	\$887.14	\$7.06	\$894.21
4-inch	2	34.38	\$1,742.60	\$7.06	\$1,749.67
6-inch	5	78.13	\$3,960.45	\$7.06	\$3,967.52

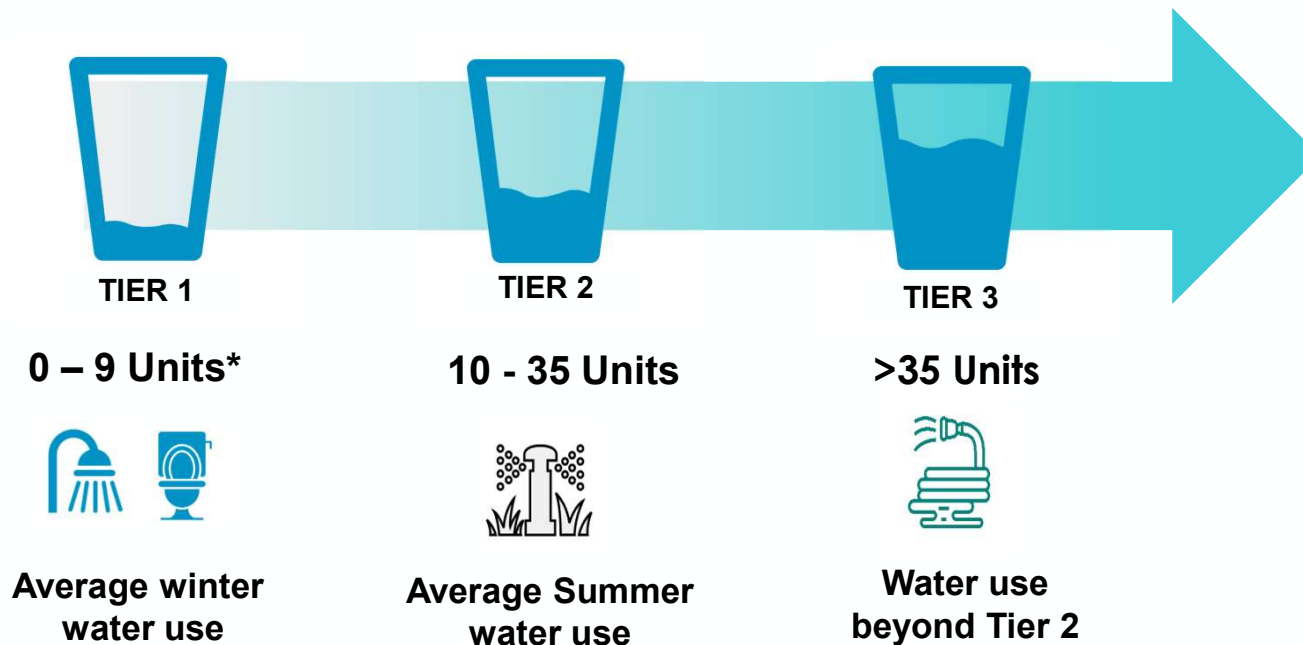
Proposed Monthly Service Charges (Varying Levels of Fixed Revenue Recovery)

- Proposed Service Charges at 23% / 25% / 32% / 35% Fixed Revenue

Meter Size	Meter Count	Capacity Ratio	Current	Proposed 23%	Proposed 25%	Proposed 32%	Proposed 35%
3/4-inch	2,288	1.00	\$50.92	\$57.76	\$61.89	\$78.39	\$85.73
1-inch	1,611	1.72	\$83.32	\$94.20	\$101.29	\$129.65	\$142.26
1 1/2-inch	520	3.13	\$146.72	\$165.49	\$178.38	\$229.94	\$252.87
2-inch	211	5.00	\$231.22	\$260.54	\$281.16	\$363.66	\$400.36
3-inch	15	17.50	\$794.69	\$894.21	\$966.40	\$1,255.15	\$1,383.57
4-inch	2	34.38	\$1,555.34	\$1,749.67	\$1,891.46	\$2,458.65	\$2,710.92
6-inch	5	78.13	\$3,527.44	\$3,967.52	\$4,289.79	\$5,578.85	\$6,152.18

RESIDENTIAL (SFR & MFR)

Tiered Water Use Rates



***1 Unit = Hundred Cubic Foot (HCF) 748 gallons or approximately 15 bathtubs**

SFR = Single Family Residential / MFR = Multi-Family Residential; tiers are per dwelling unit for MFR connections

Commodity Rate Components

(Illustration at Current Fixed Revenue)

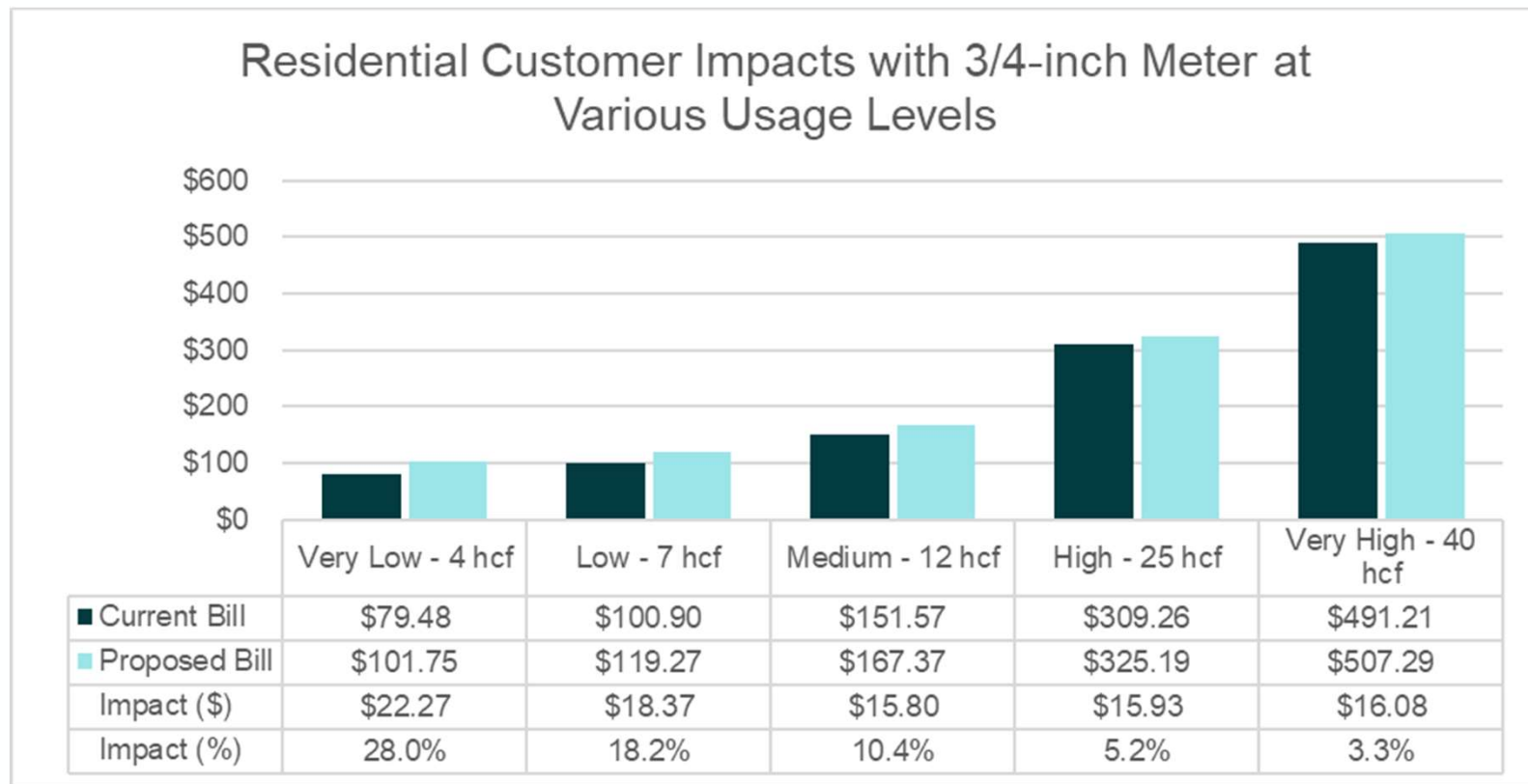
Customer Class	Monthly Tier (hcf)	Base	Peaking	Desal	SWP	Local Supply	Conservation	Proposed Charge
Residential								
Tier 1	9	\$3.01	\$0.45	\$0.00	\$2.41	\$0.43	\$0.00	\$6.30
Tier 2	35	\$3.01	\$1.15	\$5.81	\$2.41	\$0.91	\$0.00	\$13.28
Tier 3	35+	\$3.01	\$2.14	\$5.81	\$2.41	\$1.90	\$0.74	\$16.00
Commercial		\$3.01	\$0.77	\$3.89	\$2.41	\$1.05	\$0.23	\$11.37
Institutional		\$3.01	\$1.66	\$3.89	\$2.41	\$1.05	\$0.23	\$12.26
Agriculture		\$3.01	\$1.78	\$0.00	\$0.00	\$1.05	\$0.23	\$6.07
Non-Potable								\$2.03

Proposed Water Use Rates

Customer Class	Monthly Tier (hcf)	Current	Proposed 23%	Proposed 25%	Proposed 32%	Proposed 35%
Residential						
Tier 1	9	\$7.14	\$6.30	\$6.21	\$5.84	\$5.39
Tier 2	35	\$12.13	\$13.28	\$13.05	\$12.14	\$11.68
Tier 3	35+	\$13.39	\$16.00	\$15.57	\$13.86	\$13.41
Commercial		\$10.47	\$11.37	\$11.21	\$10.59	\$10.14
Institutional		\$11.51	\$12.26	\$11.92	\$10.59	\$10.14
Agriculture		\$5.99	\$6.07	\$5.71	\$4.29	\$3.84
Non-Potable		\$1.98	\$2.03	\$2.03	\$2.03	\$2.03

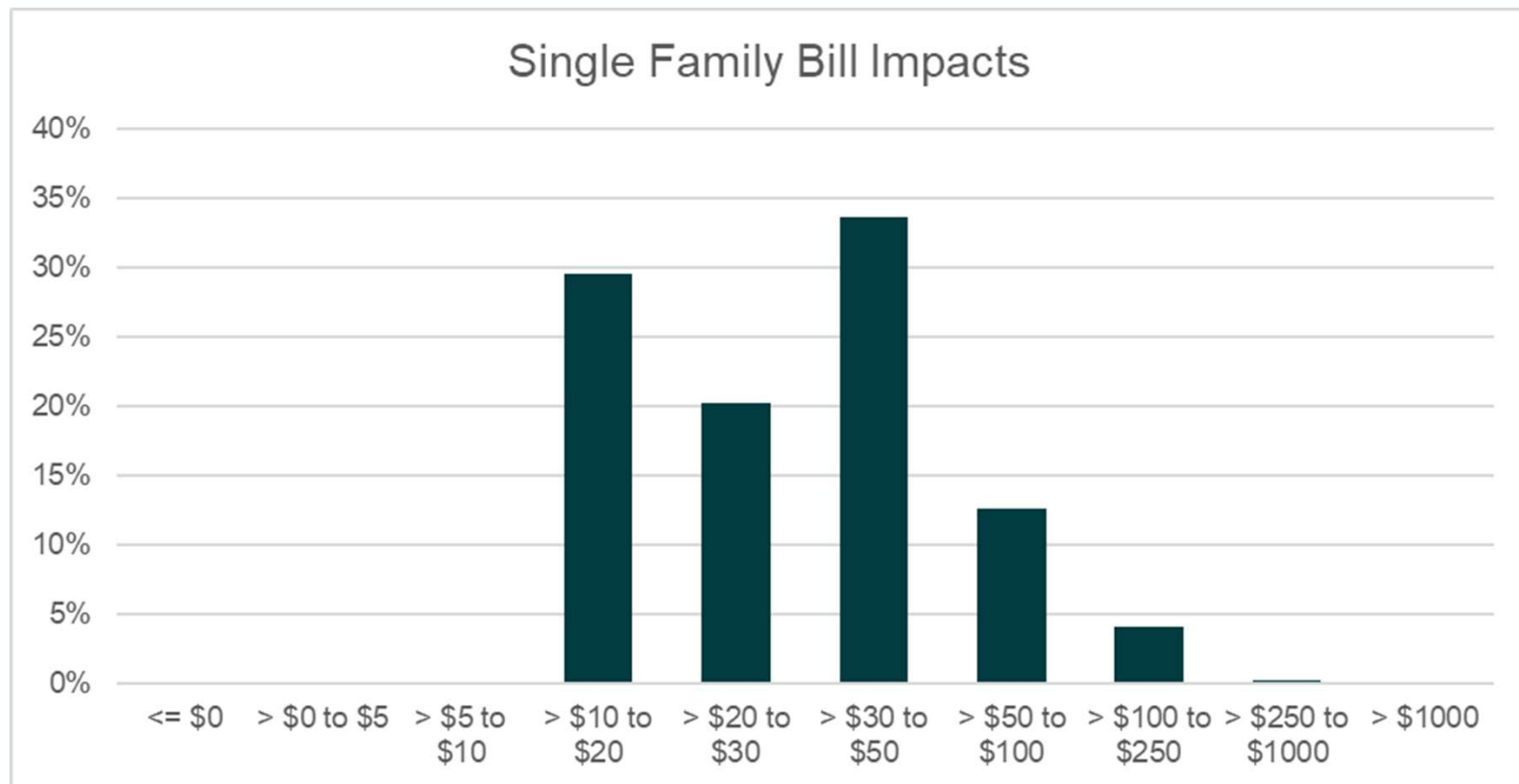
Bill Impact Analysis

Example SFR Bills at 32% Fixed Revenue



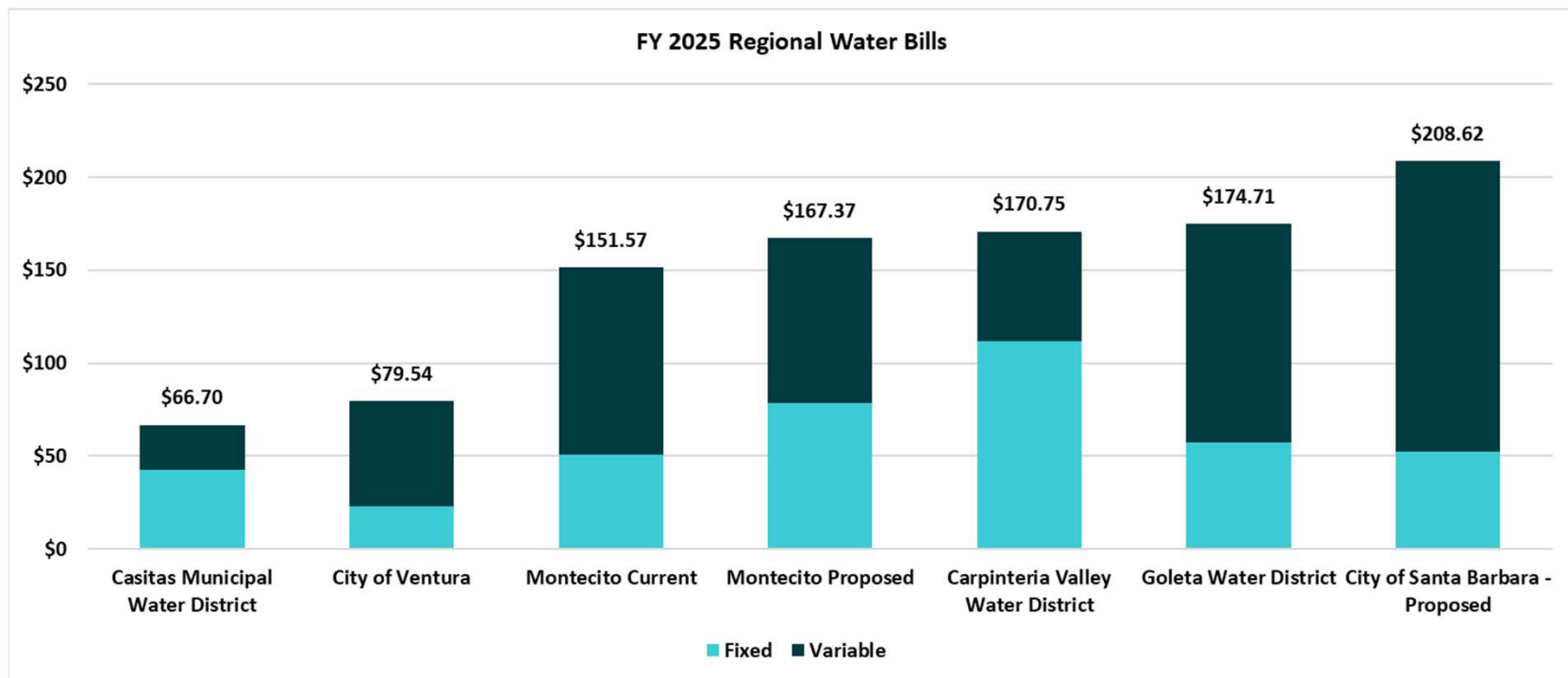
Bill Impact Analysis

SFR Class (32% Fixed Revenue Recovery)



Neighboring Agency Survey

SFR ¾” Meter at 12 HCF (32% Fixed Option)



Fire Protection Cost Allocations

Revenue Requirement	Base	Max Day	Max Hour	Meters	Private Fire
Operating Expenses	\$2,391,978	\$1,913,582	\$1,483,080	\$140,968	\$0
Capital Expenses	\$2,382,645	\$1,906,116	\$1,775,905	\$6,589	\$0
Total - Cost of Service	\$4,774,622	\$3,819,698	\$3,258,985	\$147,557	\$0
Allocation of Public Fire Costs		(\$1,170,481)	(\$1,616,425)	\$2,786,906	
Allocation of Private Fire Costs		(\$111,756)	(\$154,334)		\$266,090
Total - Adjusted Cost of Service	\$4,774,622	\$2,537,461	\$1,488,227	\$2,934,463	\$266,090

- Public and private fire costs are captured in the extra-capacity components
- Then, those costs are reallocated to meter and private fire, respectively

Private Fire Service

Montecito Water District | Reservoir Storage Evaluation
April 9, 2021

Table 2 – Required Fire Flow Storage

Reservoir Name	Pressure Zones	Service Area Land Use	Fire Flow Requirement	Duration	Required Fire Flow Storage
	(HGL)		(GPM)	Hours	(MG)
Terminal**	1022, 866, 582	School	1,500	2	0.18
Cold Springs*					
Hot Springs	798, 579	Commercial	1,500	2	0.18
Park Lane*	540, 328, 291	School	1,500	2	0.18
Romero**					
Buena Vista	745	Residential	750	2	0.09
Bella Vista*	1270, 1249, 1074, 1058, 873, 550	Residential	750	2	0.09
Toro Canyon	496	Residential	750	2	0.09
Doulton	1820, 1529	Residential	750	2	0.09
Ortega**	710, 590, 497, 403	Commercial	1,500	2	0.18
SCC Turnouts***	455, 379, 350	Commercial	1,500	2	0.18

* Indicates rectangular reservoir.

** Indicates non-symmetrical reservoir. Volumes determined from stage vs. storage curve for reservoir.

***Turnouts do not have storage.

Private Fire Allocation Comparison (Current versus Class Based)

Fire Line Size - Uniform Charge	Fireline Count	Fire Ratio	Private Fire	Customer	Proposed Charge	Current Charge	Difference (\$)	Difference (%)
2-inch	16	0.06	\$15.35	\$7.06	\$22.42	\$21.04	\$1.38	6.6%
4-inch	62	0.34	\$95.03	\$7.06	\$102.10	\$99.84	\$2.26	2.3%
6-inch	40	1.00	\$276.06	\$7.06	\$283.12	\$278.88	\$4.24	1.5%
8-inch	10	2.13	\$588.28	\$7.06	\$595.35	\$587.70	\$7.65	1.3%

Fire Line Size - Residential	Fireline Count	Fire Ratio	Private Fire	Customer	Proposed Charge	Current Charge	Difference (\$)	Difference (%)
2-inch	2	0.06	\$7.12	\$7.06	\$14.19	\$21.04	(\$6.85)	-32.6%
4-inch	10	0.34	\$44.06	\$7.06	\$51.13	\$99.84	(\$48.71)	-48.8%
6-inch	26	1.00	\$128.00	\$7.06	\$135.07	\$278.88	(\$143.81)	-51.6%
8-inch	4	2.13	\$272.77	\$7.06	\$279.84	\$587.70	(\$307.86)	-52.4%

Fire Line Size - Non-Residential	Fireline Count	Fire Ratio	Private Fire	Customer	Proposed Charge	Current Charge	Difference (\$)	Difference (%)
2-inch	3	0.06	\$3.56	\$7.06	\$10.63	\$21.04	(\$10.41)	-49.5%
4-inch	28	0.34	\$22.03	\$7.06	\$29.10	\$99.84	(\$70.74)	-70.9%
6-inch	6	1.00	\$64.00	\$7.06	\$71.07	\$278.88	(\$207.81)	-74.5%
8-inch	4	2.13	\$136.39	\$7.06	\$143.45	\$587.70	(\$444.25)	-75.6%

Next Steps – Study Schedule (Tentative)

Task	Description	Date
Board Workshop #2	Preliminary Rates	March 20, 2024
Draft Report	To MWD & Legal	April 10, 2024
Draft Report	Completed Legal Review	April 19, 2024
Final Study Report	Raftelis to Finalize Report	April 25, 2024
Special Board Meeting	Notice of Intent to Adopt Rate Resolution	April 29 - May 3, 2024
Notice Postmark Date	45-day Protest Period Start Date	May 6, 2024
Regular Board Meeting	Ordinance 1st Read	May 21, 2024
Regular Board Meeting	Public Hearing, Ordinance 2 nd Read & Possible Rate Adoption by Resolution & Ordinance	June 25, 2024
Rate Implementation	Effective via Resolution	June 25, 2024
Rate Implementation	Effective via Ordinance	July 25, 2024



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