



BOARD OF DIRECTORS
AGENDA LETTER

Secretary of the Board of
Directors

4699 Hollister Avenue,
Goleta, CA 93110
(805) 879-4621

For Agenda Of: March 08, 2011

Estimated Time 15 min

Continued Item: No

If Yes, date from:

TO: Board of Directors

FROM: Division: Administration
Contact Info: Matthew Anderson

SUBJECT: New Water Supply Charges – Rate Update

Legal Concurrence

As to form: Yes

Recommended Actions:

1. Consider recommended changes to the New Water Supply Charges (NWSC), per detailed calculations and technical explanations as provided by engineering consultant Camp Dresser McKee (CDM).
2. Adopt an ordinance to increase the NWSC commensurate with CDM's recommendations.

Summary Text:

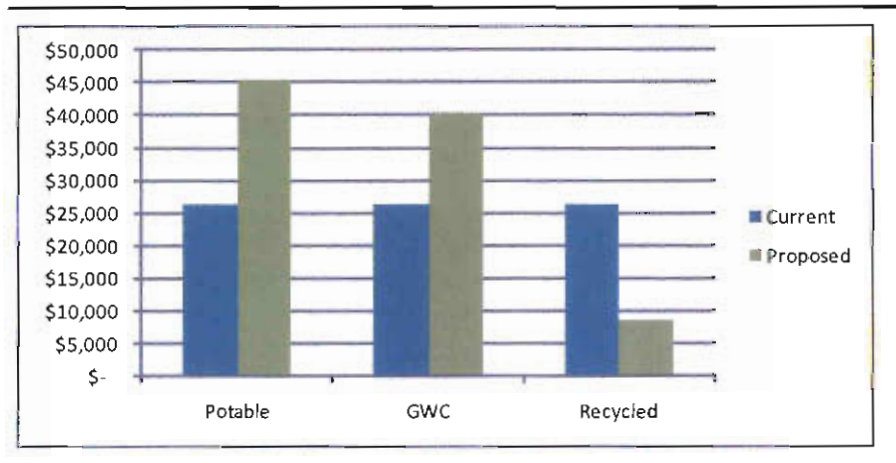
NWSC's and other so-called impact fees are addressed in California Government Codes 66000 et al (California AB1600), and are designed to recover the cost of the District's water supplies and the value of existing facilities. CDM has completed its calculations and provided key findings and recommendations in a detailed technical memorandum (Attachment 1). They updated the NWSC rate by incorporating the cost of State Water and District infrastructure to calculate the rates at which new customers should reimburse the District and existing customers for costs incurred.

The basic NWSC methodology first establishes the costs incurred by the District, both for existing facilities and for State Water. These costs are then divided by the number of AF attributable to each water supply to produce a cost per Acre Foot (AF). CDM's attached technical memorandum more fully explains their methods and discusses findings.

Whereas the District's current NWSC of \$26,240 per AF is a blended rate for Potable, Goleta West Conduit (GWC), and Recycled water systems, CDM recommends that the District create a separate rate for each system going forward. Uniquely, because the costs to develop Recycled Water were substantially less than for Potable Water, this more precise measurement may be an economic incentive

for project owners to purchase Recycled water versus Potable. CDM recommends the following new NWSC's:

NWSC - Proposed Charges per AF				
Description	Current	Proposed	\$ Increase/ (Decrease)	% Increase/ (Decrease)
Potable	\$ 26,240	\$ 45,361	\$ 19,121	73%
GWC	\$ 26,240	\$ 40,221	\$ 13,981	53%
Recycled	\$ 26,240	\$ 8,758	\$ (17,482)	(67%)



Staff and General Counsel have developed the ordinance (Attachment 2) to update the NWSC-related sections of the District Code, which would become effective 30 days subsequent to Board adoption.

Background:

In August, 2010, the Board of Directors authorized staff to retain CDM to analyze the District's cost of service and to update its rates and charges, including the NWSC rate. The Administration Committee reviewed their analysis and has recommended the Board to consider updating NWSC levels.

The current NWSC originated from a study performed by Montgomery Watson (MW) in December of 1996, which establishing the original rate of \$23,588 per AF. The Board subsequently increased the rate twice to reach the current rate of \$26,240. The calculation methodologies employed by MW were similar to those utilized by CDM, with the exception that MW excluded depreciated costs of District facilities from its calculations. CDM has included District facilities in its calculations because these assets do not operate at maximum capacity and therefore customers can "buy in" to that excess capacity.

Fiscal Analysis:

Assuming the historical average of 50 AF in new water is awarded annually (90% from potable, 10% Recycled), this updated fee increases the reimbursement value of NWSC by approximately \$770

thousand per year. This non-operating revenue would be used exclusively for state water and capital projects which accommodate future growth.

Attachments:

1. CDM Technical Memorandum regarding Goleta Water District New Water Supply Charges
2. Ordinance to Increase the New Water Supply Charge
3. Redlined Goleta Water District Water Code, Chapter 5 and Appendix A

Authored by:

M. Anderson

**Attachment 1 – CDM Technical Memorandum
regarding Goleta Water District New Water
Supply Charges**



Memorandum

To: *Matthew Anderson*
Administrative Manager/CFO
Goleta Water District

From: *Grant Hoag, P.E.*

Date: *February 18, 2011*

Subject: *Updated New Water Supply Charges*

The purpose of this technical memo is to document the assumptions, findings and conclusions of our update of the New Water Supply Charge (NWSC). The existing NWSC is \$26,240 per acre-foot per year (AFY) of delivered water; it is a blended rate for the Potable and Recycled water supplies and facilities. The current NWSC is from a 1996 study of the projected new water supply costs. These costs were primarily GWD annual payments for 3,800 AFY in State Water Project Supplies delivered to the Cachuma Reservoir by the Department of Water Resources (DWR), but also included certain costs for a reclamation project delivering a presumed 1,000 AFY.

The 1996 study included recommendations that the NWSC be updated in the future, and that the time-value of money is considered, with the use of discount rates, to identify the present value of (1) water supply costs and (2) the value of facilities. This update fulfills those recommendations; moreover, it proposes to divide the current NWSC among the three separate water systems in GWD to improve the nexus between GWD costs of serving new customers and their NWSC (updated capacity charges) for connecting to the GWD.

Findings

Using the water supply and facility capacity available for new water connections, and the existing investment in facilities, we recommend that the existing NWSC of \$26,240 per AFY be changed as follows:

- a) Potable Water System Updated Capacity Charge: \$45,361 (increase of 73%)
- b) Goleta West Conduit Updated Capacity Charge: \$40,221 (increase of 53%)
- c) Recycled Water System Updated Capacity Charge: \$8,758 (decrease of 67%)

These new capacity charges are determined from the following calculation tables. The calculations use the same methods described in the original 1996 study for the 3,800 AFY of new water supplies available to Potable Water and the West Conduit System customers. However, the calculations also include the GWD depreciated facility value of each system. The unique Recycled Water System capacity charge is based solely on the depreciated facility value, which has the capacity to produce 3,000 AFY of recycled water for landscape irrigation.

Potable Water System NWSC Update	
Description	Value
State Water Supply Contract Cost	\$151,883,738
Water Supply (AFY)	3,800
Unit Cost of Water Supply (\$/AFY)	\$39,969
GWD Potable Water System Facility Value	\$77,752,214
System Demand at Buildout (AFY)	14,422
Unit Cost of Facilities (\$/AFY)	\$5,391
Combined Unit Value of Water Supply and Facilities (\$/AFY)	
Unit Cost of Water Supply	\$39,969
Unit Cost of Potable Facilities	\$5,391
Total Updated Capacity Charge	\$45,361
Current NWSC	\$26,240
Increase	73%

The Potable Water System updated capacity charge calculations are tabulated in three elements, as shown above. The unit cost of the water supply is \$39,969 per AFY, and the unit cost of the system is \$5,391 per AFY. The sum of these unit costs is \$45,361 per AFY. The tables provided in the following sections of this memo detail the basis for each of these unit costs.

West Conduit System NWSC Update	
Description	Value
State Water Supply Contract Cost	\$151,883,738
Water Supply (AFY)	3,800
Unit Cost of Water Supply (\$/AFY)	\$39,969
West Conduit Facility Value	\$308,069
System Demand at Buildout (AFY)	1,227
Unit Cost of Facilities (\$/AFY)	\$251
Combined Unit Value of Water Supply and Facilities (\$/AFY)	
Unit Cost of Water Supply	\$39,969
Unit Cost of GWC Facilities	\$251
Total Updated Capacity Charge	\$40,221
Current NWSC	\$26,240
Increase	53%

The Goleta West Conduit System updated capacity charge calculations are tabulated in similar manner with three elements, as shown on the left. The unit cost of the water supply is also \$39,969 per AFY, but without the CDM Water Treatment Plant, well sites, reservoirs or the extensive water distribution system the unit cost of the system is only \$251 per AFY. The sum of these unit costs is \$40,221 per AFY.

Finally, the Recycled Water System updated capacity charge calculations shown below are based solely on the depreciated facility value of the Goleta Sanitary District Reclamation Plant and the GWD distribution system. As shown, the Recycled Water System updated charge is only \$8,758 per AFY, a significant 67 percent drop from the current NWSC.

Recycled Water NWSC Update	
Description	Value
Recycled Water System Facility Value	\$26,274,161
System Demand at Buildout (AFY)	3,000
Updated Capacity Charge	\$8,758
Current NWSC	\$26,240
Change	-67%

Matthew Anderson
February 18, 2011
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These updated capacity charges will reimburse existing customers for their investments in the water supplies and GWD facilities that remain available to future customers. With the updated capacity charge, which has been calculated as required by State Government Codes, any future customer growth will "pay for itself" without being a burden on existing customers. We also recommend that the capacity charges be increased periodically based on the inflationary escalations in facility construction costs, to avoid the one-time dramatic increases in charges identified in this update.

The following sections of this memo detail the analysis used in development the recommended NWSC updates.

Calculation Guidelines

California Government Code Sections 66000 - 66024 enacted by Assembly Bill 1600 are the primary regulations applicable to the development and recovery of system development (capacity) charges, and should be the basis for development of the GWD capacity charges. Capacity charges are not subject to Proposition 218's voter approval requirement, per the California Supreme Court ruling on *Richmond v. Shasta Community Services District* (2004) 32 Cal.4th 409.

Based on varying legal opinions, these codes may be applicable only to cities with statutory authority to regulate growth. As such, GWD may not be as restricted by government code for the determination of capacity charges, as are cities. For cities regulated by this code, the three key requirements are:

- There must be a nexus between the facility costs and the charge;
- The proceeds of the charge must be segregated from other funds; and
- The revenues must be "committed" to a project within five years of receipt.

Although GWD may not be legally required to comply with these codes, the calculations provided in this analysis are consistent with these methods. As such, the facilities-based calculations described below are based on the nexus between (1) GWD new capacity costs built for and available to future growth, and (2) the charges to new development.

There are fixed annual costs to GWD for State water supplies from DWR and Central Coast Water Authority (CCWA) water supply contracts. The costs are evaluated as financing pass-through mechanisms for the DWR and CCWA facilities used to deliver water to GWD. As such, the costs represent GWD's share of the capacity rights in water delivery facilities.

Calculation Methodology

There are two basic methods used for updating the capacity charges that recover the costs of making supplies and services available for new service customers. These are the Average Cost Buy-in and the Incremental Cost methods. Note the incremental cost method is the basis for the current NWSC, as prepared in 1996.

Buy-in Method. With the Average Cost Buy-in method, charges are based on the existing investment in facilities. The existing investment is the original cost of the fixed assets less the accumulated depreciation (OCLD). These capacity charges are based solely on asset book values, and always exclude operating costs. The facility investment is divided by ultimate (build-out) system capacity, to identify the average unit value of the system to its customers. In this study, the system capacity is defined in acre-foot per year (AFY) delivery units, and the unit cost of capacity is based on dollars per AFY. The Buy-in method is used for the facilities associated with each of the three separate water systems run by GWD.

Incremental Cost Method. The incremental method is appropriate for the GWD's most recent and only remaining water supply to future customers. In this method, the cost of this supply, but not the other supplies from ground or surface water sources, is divided by its volume. This analysis is complicated by the fact that the cost of the State Water Project water supply is represented by the multi-year contractual financing terms defined by the DWR, as well as the terms of the funding of the CCWA delivery facilities. These annual costs are redefined as the present value of the supply payments, and divided by the volume of this supply.

NWSC Update Development

The purpose of this section of the memo is to determine the unit facilities cost as a component of the system capacity charge to future customers; it is calculated by dividing the system value by its capacity as represented by the customer demand at buildout.

The calculations of NWSC values are presented in Tables 1 through 4, plus Appendices A and B provided at the end of this memo. Each table and calculation step is described below; the conclusions of the calculations are also summarized in tables provided above, in the Findings section of this memo.

System Use and Capacity, Supply Availability and Facility Values

In this study, the capacity of each of the three GWD systems is represented by the ultimate customer use at build out. In addition to facility capacities, the available water supply for the Potable and the Goleta West Conduit Systems is limited to the most recent new supply increment from the State Water Project (SWP), as contracted in 1996. Under the terms defined in the GWD Water Supply Ordinance amended in 1994, the SWP supplies provide a firm average

long-term yield of 3,800 AFY, while the remaining contract water is a drought buffer per the SAFE ordinance, and is not available for growth. The total supply is 4,500 AFY.

Table 1a Current & Buildout Use of Potable System Facilities

The build-out demand in 2030 is 14,422 AFY per the 2011 Water Supply Management Plan as presented to the Water Management & Long Range Planning Committee on Feb 17, 2011.

The value represents total supplies of 16,472 AF, less 1,000 AF of Recycled Water, less the 3-year average of 1,050 AF of untreated GWC water.

As shown in Table 1a, the current FY 2008-09 use of 12,903 AFY is projected to increase by 12 percent (1,519 AFY) to 14,422 AFY. As provided above, the water for these future customers will come from the remaining SWP supplies.

**Table 1a
 Current & Buildout Use of Potable System Facilities**

Description	Water Use (AFY)	Water Use (HCF/Yr)
Current Use of Potable Facilities (a)		
Single Family	4,887	2,128,737
Agricultural Other	1,970	858,201
Other Potable	6,046	2,633,701
Total	12,903	5,620,639
Build-out Use of Facilities (a)	14,422	6,282,223
Change	12%	
Growth in Use (AFY)	1,519	

AFY: Acre-foot per year The capacity of the potable system is represented by the use at build out.

a. The Build-out in 2030 is per the 2011 Water Supply Management Plan as presented to the Water Management & Long Range Planning Committee on Feb 17, 2011. The value represents total supplies of 16,472 AF, less 1,000 AF of Recycled Water, less the 3-year average of 1,050 AF of untreated GWC water.

Table 1b Current & Buildout Use of Goleta West Conduit Facilities

As shown in Table 1b, the current FY 2008-09 use of the GWC system is 1,098 AFY, including both agricultural and conveyance customers.

The use is projected to increase by 12 percent to 1,149 AFY by buildout. As provided above, the water for these future customers

**Table 1b
 Current & Buildout Use of Goleta West Conduit Facilities**

Description	Water Use (AFY)	Water Use (HCF/Yr)
Current Use of Facilities (a)	1,098	478,133
Build-out Use of Facilities	1,227	534,412
Change	12%	
Growth in Use (AFY)	129	

AFY: Acre-foot per year

The capacity of the GWC is represented by 12 percent over current use.

a. Value are for FY 2008-09, and include the conveyance customers.

will also come from the remaining SWP supplies.

Table 2a Potable Water System Fixed Asset Value

The purpose of Table 2a is to summarize the existing fixed asset value of the Potable Water System.

There are 19 different asset categories; the \$78 million sum of the original book values less depreciation total is defined as the original cost less depreciation (OCLD) value of all fixed assets in the potable system.

The new CDM water treatment plant the most significant GWD asset, with an OCLD value of \$33 million, followed by the transmission and distribution mains at \$16 million.

**Table 2a
 Potable Water System Fixed Assets**

Description	Original Cost	Depreciated Portion (a)	FY2008-09 OCLD
CDM Water Treatment Plant			
WTP Structures & Improvements	\$23,430,049	\$1,450,320	\$21,979,729
Water Treatment Equipment	\$16,676,223	\$5,553,904	\$11,122,319
Potable Distribution System			
Reservoirs & Tanks	\$13,243,549	\$3,130,625	\$10,112,924
Wells	\$8,649,878	\$1,617,724	\$7,032,154
Hydrants	\$1,922,939	\$880,246	\$1,042,693
Pumping Equipment	\$1,686,673	\$399,644	\$1,287,029
T & D Mains & Other	\$28,392,143	\$12,306,024	\$16,086,119
Meters/Serv Connections	\$5,634,975	\$3,605,965	\$2,029,010
Other GWD Fixed Assets			
Computer Equip & S/Ware	\$4,279,364	\$1,063,459	\$3,215,904
Heavy/Other Equipment	\$579,150	\$449,213	\$129,937
Laboratory Equip	\$134,677	\$87,112	\$47,565
Land & Land Rights	\$247,199		\$247,199
Mobile Communication Equip.	\$8,217	\$6,783	\$1,434
Office Furn & Equip	\$351,942	\$225,598	\$126,344
Other Gen'l Plant	\$412,536	\$117,135	\$295,401
Power Production Equip	\$426,638	\$339,569	\$87,069
Structures & Improvements	\$3,673,812	\$1,159,328	\$2,514,484
Tools, Shop & Garage Equip.	\$201,882	\$125,190	\$76,692
Trucks & Autos	\$1,235,370	\$917,164	\$318,206
Total Potable System	\$111,187,217	\$33,435,003	\$77,752,214

a. Values as of 6/30/09 per fixed asset records. The CIP contains no expansion-related projects, and is not included in this analysis.

OCLD: Original Cost Less Depreciation

Table 2b Goleta West Conduit Fixed Asset Value

Table 2b summarizes the existing fixed asset value of the GWC System, which excludes all assets assigned to the Potable Water System.

Summarized in the table are 3 different asset categories; the sum of the OCLD value of all fixed assets in the GWC system is \$308,000, with transmission and distribution mains accounting for 96 percent of the assets.

**Table 2b
 Goleta West Conduit Fixed Assets**

Description	Original Cost	Depreciated Portion (a)	FY2008-09 OCLD
CDM Water Treatment Plant			\$0
Potable Distribution System			\$0
Other GWD Fixed Assets			\$0
Goleta West Conduit Assets			
Meters/Srv Connections	\$31,043	\$31,043	\$0
Other T & D Plant	\$96,382	\$84,816	\$11,566
T & D Mains	\$2,470,862	\$2,174,359	\$296,503
Total	\$2,598,287	\$2,290,218	\$308,069

a. Values as of 6/30/09 per fixed asset records.
 OCLD: Original Cost Less Depreciation

Table 2c Recycled Water System Fixed Asset Value

Table 2c lists the existing fixed asset value of the GWC System, in five different asset categories. Also included is the Goleta Sanitary District Water Reclamation Plant; although the facility is owned by Goleta Sanitary District, all plant deliveries are used and paid for by GWD. As such, the fixed assets of the plant are included in the Recycled Water System value in this update, just as they were in the original 1996 study. The OCLD

**Table 2c
 Recycled Water System Fixed Assets**

Description	Original Cost	Depreciated Portion (a)	FY2008-09 OCLD
Other GWD Fixed Assets			\$0
Recycled Water System (RWS) Assets			
RWS-Other Pump Plant	\$7,379	\$885	\$6,494
RWS-Pump Equip	\$43,811	\$4,492	\$39,319
RWS_Other T&D	\$23,959,674	\$7,158,611	\$16,801,063
RWS-Meters/Serv Conns	\$16,653	\$8,882	\$7,771
RWS-T&D Mains	\$315,811	\$32,439	\$283,372
Subtotal Owned by GWD	\$24,343,328	\$7,205,309	\$17,138,019
GSD Water Reclamation Plant	\$14,846,230	\$5,710,088	\$9,136,142
Subtotal RWS Assets	\$39,189,558	\$12,915,397	\$26,274,161

a. Values as of 6/30/09 per fixed asset records.
 OCLD: Original Cost Less Depreciation

value of all fixed assets in the Recycled Water System is \$26 million, including the transmission and distribution mains valued at \$17 million, and the water reclamation plant at \$9 million.

Table 3 State Water Supply Contract Charges

For both the original 1996 study of New Water Supply Charges and the current evaluation, the costs of the State Water Project (SWP) water supply contract, and the CCWD facilities funding contract, are the main basis for the water supply charges. These annual costs are redefined as the present value of the supply payments, and divided by the volume of this supply to identify the unit NWSC. In this study, the GWD facility values are also added to the water supply costs to determine the full capacity charges to new customer's connection into the systems.

The DWR contract delivers the SWP waters to the Cachuma Reservoir under contractual financing terms requiring GWD's fixed annual facilities-based payments to DWR, from 1997 through 2035. Moreover, the facilities required to convey the water from the Cachuma Reservoir to GWD (and other CCWA member agencies) are paid to CCWA under contractual financing terms requiring fixed annual facilities-based payments from 1997 through 2022.

**Table 3
 DWR State Water Supply Contract Charges to GWD**

Fiscal Yr Ending	Treasury Rates (3 Year)	Charges for 3,800 AFY Water Supply Contract (b)		
		DWR Supply Payments	CCWA Payments	Total Payments
1997	5.8%	\$2,748,369	\$1,048,557	\$3,796,926
1998	6%	\$3,260,744	\$3,054,701	\$6,315,445
1999	5%	\$3,309,206	\$3,056,948	\$6,366,154
2000	6%	\$3,240,595	\$3,059,067	\$6,299,662
2001	5%	\$3,322,346	\$3,068,498	\$6,390,844
2002	4%	\$3,304,502	\$3,070,151	\$6,374,653
2003	3%	\$3,283,823	\$3,071,813	\$6,355,636
2004	3%	\$3,377,515	\$3,073,587	\$6,451,102
2005	4%	\$3,363,003	\$3,075,341	\$6,438,344
2006	5%	\$3,377,160	\$2,797,804	\$6,174,964
2007	5%	\$3,507,815	\$3,364,607	\$6,872,422
2008	4%	\$3,361,456	\$2,742,047	\$6,103,502
Future Discount Rate				
2009		\$3,416,958	\$2,755,067	\$6,172,025
2010	4%	\$3,986,209	\$2,752,038	\$6,738,246
2011	4%	\$3,681,638	\$2,752,648	\$6,434,287
2012	5%	\$3,693,391	\$2,742,169	\$6,435,560
2013	6%	\$3,760,290	\$2,791,269	\$6,551,559
2014	7%	\$3,869,405	\$2,815,544	\$6,684,949
2015	8%	\$3,898,162	\$2,814,109	\$6,712,270
2016	9%	\$3,896,082	\$2,810,353	\$6,706,435
2017	10%	\$3,854,381	\$2,807,727	\$6,662,108
2018	10%	\$3,654,819	\$2,816,051	\$6,470,870
2019	10%	\$3,553,365	\$2,803,519	\$6,356,884
2020	10%	\$3,681,831	\$2,801,290	\$6,483,122
2021	10%	\$3,771,870	\$2,797,901	\$6,569,770
2022	10%	\$3,904,157	\$2,794,298	\$6,698,455
2023	10%	\$3,702,784		\$3,702,784
2024	10%	\$3,695,292		\$3,695,292
2025	10%	\$3,571,376		\$3,571,376
2026	10%	\$3,557,079		\$3,557,079
2027	10%	\$3,543,245		\$3,543,245
2028	10%	\$3,697,126		\$3,697,126
2029	10%	\$3,711,490		\$3,711,490
2030	10%	\$2,872,098		\$2,872,098
2031	10%	\$2,869,364		\$2,869,364
2032	10%	\$2,870,163		\$2,870,163
2033	10%	\$2,870,510		\$2,870,510
2034	10%	\$2,869,859		\$2,869,859
2035	10%	\$2,869,223		\$2,869,223
Total Payments		\$134,778,703	\$73,537,103	\$208,315,806
Increase in Est Payments from Original 1997 Report to Present:				7%
Total Projected Payments In 1996 NWSC Report		\$103,627,764	\$91,812,824	\$195,440,588
1. PV of Past Payments made to FY 2008/09 (at Treasury Rate)				\$103,468,670
2. PV of Net Discounted Future Payments made after FY 2008/09 (c)				\$48,415,068
Total FY 2008-09 Present Value (PV) of Supply Contract Payments				\$151,883,738
Annual Increase in Value from 1997 to Present:				5.0%
1997 Then Present Value (PV) of Supply Contract Payments				\$88,722,057

AFY: Acre-foot per year; PV: Present Value
 a. The projected costs and other charges are estimated by the CCWA Deputy Director. SWP Facility expenses are contracted through 2035, per the agreement duration.
 b. The New Water Supply from the SWP as defined in the GWD Water Supply Ordinance amended in 1994 provides a firm average long-term yield of 3,800 AFY. The remaining water is a drought buffer per the SAFE ordinance, and is not available for growth.
 c. The present value of the Future Payments made after FY 2008/09 includes an annual discount rate based on projected interest rate and the time value of money, and is net of the portion of future payments that will be included in the annual service charges paid by the new customers.

The sum of these contractually obligated annual fixed payments for the right to use 3,800 AFY of water deliveries from the State Water Project, when available, totals \$208 million over the 39-year period, as detailed in Appendices A and B. Based on the time value of money, with the actual three year treasury rate used for the historical payments from 1997 through 2009, and an annual discount rate of 4 to 10 percent used for the estimated future water supply payments, the FY 2008-09 present value (PV) of the cost of the new water supply is \$152 million. The projected annual payments are also net of the portion of these future payments that will be included in the annual service charges paid by the new customers.

In contrast to the current estimated total water supply payments of \$208 million, the original 1996 NWSC report estimated the then-future payments to be \$195 million, or 7 percent less than is currently projected. Moreover, the original report placed the FY 1996-97 PV of these payments at \$89 million, in contrast the current FY 2008-09 PV of \$152 million. The difference represents an annual time-value of money rate of 5 percent between the 14 years separating the two periods. For comparison, the Engineering News Record Construction Cost Index (ENRCCI) applicable for Southern California has an annual rate of 3.5 percent between the two periods. Typically, the NWSC and similar facilities-based system development charges are escalated at the rate of the ENRCCI in order to remain current with inflationary trends, in the absence of more detailed calculations.

Updated Unit Capacity Values for the GWD Systems

Tables 4 a, b and c use the new values for capacity and the facility values presented in Tables 1 to 3 to determine the updated capacity charges for each of the three GWD systems. These tables are also provided previously in the Summary section of this memo.

The updated capacity charge also uses a division of the original single GWD NWSC among the three separate water systems, and the addition of the facilities costs of the Potable and the West Conduit Systems to the charges. As such, it is recommended that the title for the charges be expanded to New Water Supply and

Table 4a
Potable System New Water Supply & System Development Charges

Description	Value
New State Water Supply Contract Cost	\$151,883,738
New Water Supply (AFY)	<u>3,800</u>
Unit Cost of Water Supply (\$/AFY)	\$39,969
Potable Water System Facilities Value	\$77,752,214
GWD System Demand at Buildout (AFY)	<u>14,422</u>
Unit Cost of Potable Facilities (\$/AFY)	\$5,391
Combined Unit Value of Water Supply and Facilities	
Unit Cost of Water Supply (\$/AFY)	\$39,969
Unit Cost of Potable Facilities (\$/AFY)	<u>\$5,391</u>
Total Unit Cost for System Capacity (\$/AFY)	\$45,361
Current NWSC	<u>\$26,240</u>
Increase	73%

System Development Charges (aka capacity charges).

Table 4a Potable System New Water Supply & System Development Charges

The purpose of Table 4a, as provided on the prior page, is tabulate the updated NWSC by combining the capacities and values of the Potable Water System and its water supply. As shown, the unit cost of the water supply is based on the most recent increment of available supply, while the unit cost of the potable water system uses the buy-in approach of the total system value and deliveries, at buildout. The two unit values in dollars per AFY of demand are added together to determine the new potable system development charge.

Table 4b Unit Value of GWC New Water Supply & Facility Charges

The purpose of Table 4b is to combine the capacities and values of the West Conduit System and water supply, as identified in the prior tables. As shown, the unit cost of the water supply is based on the most recent increment of available supply, while the unit cost of the West Conduit system uses buy-in approach of the total system value and deliveries, at buildout. The two unit values in dollars per AFY of demand are added together to determine the new West Conduit system development charge.

**Table 4b
 Unit Value of GWC New Water Supply & Facility Charge**

Description	Value
New State Water Supply Contract Cost	\$151,883,738
New Water Supply (AFY, a)	<u>3,800</u>
Unit Cost of Water Supply (\$/AFY)	\$39,969
Goleta West Conduit Facilities Value	\$308,069
Build-out Use of Facilities	<u>1,227</u>
Unit Cost of GWC Facilities (\$/AFY)	\$251
Combined Unit Value of Water Supply and Facilities	
Unit Cost of Water Supply (\$/AFY)	\$39,969
Unit Cost of GWC Facilities (\$/AFY)	<u>\$251</u>
Total Unit Cost for System Capacity (\$/AFY)	\$40,221
Current NWSC	<u>\$26,240</u>
Increase	53%

Table 4c Unit Value of Recycled Water New Water Supply & Facility Charge

The purpose of Table 4c is to identify the capacities and values of the Recycled Water System. Unlike the other GWD systems, the raw water supply of this system is Goleta Sanitary District

**Table 4c
 Unit Value of Recycled Water New Water Supply & Facility Charge**

Description	Value
Recycled Water System Facilities Value	\$26,274,161
Recycled Facility Capacity (AFY)	<u>3,800</u>
Total Unit Cost for System Capacity (\$/AFY)	\$8,758
Current NWSC	\$26,240
Change	-67%

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wastewater effluent, provided without charge. As such, the unit cost of the Recycled Water System uses only the buy-in approach of the total system value and deliveries, at buildout. The system deliveries at buildout, and the system capacity, are 3,000 AFY. In contrast, the current deliveries are 1,000 AFY.

Currently new recycled water customers must pay the existing blended NWSC of \$26,240. With the division of the fee among the systems, the unit charge for system capacity increases significantly in the potable and recycled systems, but decreases in the Recycled Water System.

Updating of System Development and Other Charges for Inflation

In the 14 years since the NWSC was created it has been increased twice, in 2005 and 2006. As a result, the currently proposed changes to the charge are substantial. As an alternative, GWD may consider smaller but more frequent changes to the charge, for up to five years. The semi-annual changes can be based on an inflationary index for escalations in facilities costs, rather than a full recalculation of the charges. This will simplify periodic updating of the system development charge, without having to modify the table itself.

Periodic escalations in all miscellaneous charges and system development charges for a period of up to five years will assure a full cost recovery on special services to existing and new customers. A resolution providing these updates could be written as:

This resolution shall be updated annually on or about the first day of January by an adjustment of all fees contained herein, as set forth below. Said annual adjustment shall, at a minimum, be made by multiplying each fee included in this ordinance by the ratio of the ENR construction Cost Index of Los Angeles of the current October, as reported by Engineering News-Record, the McGraw-Hill Construction Weekly. The result of said multiplications shall be rounded to the nearest five dollar (\$5.00) increment to become the fee amounts for the ensuing year, effective sixty (60) days after adoption of the revised fee amounts. Additional increases in the system development charges necessary to recover costs of projected capital improvements shall be at the discretion of the Board of Directors. Notwithstanding the foregoing, this section shall not preclude the Board of Directors from time-to-time changing the ordinance or adopting fees other than those as provided herein to be effective on any other date.

Close

If you have any questions regarding this memo, or would like a copy of the analysis model, please contact me.

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Appendix A

DWR Fixed Payments by GWD to Central Coast Water Authority

Calendar Year	Transportation Capital			Coastal Branch Extension			Delta Water Interest	Water System Revenue Bond			Total Breakout by Cost Type				
	Principal	Interest	Total	Principal	Interest	Bond Cover		Total	Cover	Interest	Principal	Interest	Cover	TOTAL	
1997	\$389,883	\$2,129,234	\$2,519,117	\$0	\$0	\$0	\$0	\$168,713	\$102,610	(\$42,070)	\$60,540	\$389,883	\$2,400,557	(\$42,070)	\$2,748,369
1998	\$451,199	\$2,240,462	\$2,691,661	\$0	\$292,233	\$73,058	\$365,291	\$145,579	\$98,667	(\$40,454)	\$58,214	\$451,199	\$2,776,941	\$32,605	\$3,260,744
1999	\$484,546	\$2,207,507	\$2,692,052	\$0	\$288,894	\$72,224	\$361,118	\$175,653	\$136,242	(\$55,859)	\$80,383	\$484,546	\$2,808,296	\$16,364	\$3,309,206
2000	\$519,385	\$2,084,134	\$2,603,518	\$0	\$288,894	\$72,224	\$361,118	\$178,420	\$165,319	(\$67,781)	\$97,538	\$519,385	\$2,716,767	\$4,443	\$3,240,595
2001	\$551,016	\$2,135,767	\$2,686,783	\$0	\$288,894	\$72,224	\$361,118	\$178,459	\$162,687	(\$66,702)	\$95,985	\$551,016	\$2,765,808	\$5,522	\$3,322,346
2002	\$577,202	\$1,918,619	\$2,495,821	\$53,533	\$369,362	\$105,724	\$528,618	\$181,120	\$167,700	(\$68,757)	\$98,943	\$630,735	\$2,636,800	\$36,967	\$3,304,502
2003	\$604,387	\$1,888,654	\$2,493,041	\$39,151	\$369,206	\$102,089	\$510,446	\$177,308	\$174,623	(\$71,595)	\$103,027	\$643,538	\$2,609,791	\$30,494	\$3,283,823
2004	\$632,365	\$1,963,356	\$2,595,721	\$35,156	\$367,276	\$100,608	\$503,040	\$175,622	\$174,801	(\$71,668)	\$103,133	\$667,521	\$2,681,055	\$28,940	\$3,377,515
2005	\$661,586	\$1,928,377	\$2,589,963	\$48,727	\$345,887	\$98,653	\$493,267	\$182,409	\$165,025	(\$67,660)	\$97,365	\$710,312	\$2,621,698	\$30,993	\$3,363,003
2006	\$691,743	\$1,900,822	\$2,592,565	\$38,352	\$357,183	\$98,884	\$494,419	\$184,818	\$178,574	(\$73,215)	\$105,359	\$730,095	\$2,621,397	\$25,668	\$3,377,160
2007	\$723,738	\$1,863,832	\$2,587,570	\$162,197	\$355,649	\$129,461	\$647,308	\$203,154	\$118,276	(\$48,493)	\$69,783	\$885,935	\$2,540,911	\$80,968	\$3,507,815
2008	\$757,261	\$1,829,391	\$2,586,652	\$28,561	\$346,666	\$93,807	\$469,034	\$207,811	\$166,031	(\$68,073)	\$97,958	\$785,822	\$2,549,899	\$25,734	\$3,361,456
2009	\$792,347	\$1,819,582	\$2,611,929	\$29,541	\$345,096	\$93,659	\$468,295	\$227,109	\$185,806	(\$76,180)	\$109,625	\$821,888	\$2,577,592	\$17,479	\$3,416,958
2010	\$829,040	\$1,705,036	\$2,534,076	\$445,794	\$343,471	\$197,316	\$986,581	\$283,785	\$308,078	(\$126,312)	\$181,766	\$1,274,834	\$2,640,370	\$71,004	\$3,986,209
2011	\$870,094	\$1,654,795	\$2,524,889	\$197,637	\$325,172	\$130,702	\$653,512	\$309,361	\$328,604	(\$134,728)	\$193,877	\$1,067,731	\$2,617,933	(\$4,025)	\$3,681,638
2012	\$913,989	\$1,621,981	\$2,535,971	\$206,633	\$316,546	\$130,795	\$653,974	\$309,361	\$328,960	(\$134,873)	\$194,086	\$1,120,622	\$2,576,848	(\$4,079)	\$3,693,391
2013	\$960,089	\$1,586,981	\$2,547,070	\$253,462	\$306,894	\$140,089	\$700,445	\$309,361	\$344,771	(\$141,356)	\$203,415	\$1,213,551	\$2,548,006	(\$1,267)	\$3,760,290
2014	\$1,006,039	\$1,549,841	\$2,555,880	\$340,344	\$294,479	\$158,706	\$793,529	\$309,361	\$357,010	(\$146,374)	\$210,636	\$1,346,383	\$2,510,691	\$12,332	\$3,869,405
2015	\$1,055,000	\$1,510,131	\$2,565,131	\$364,357	\$278,172	\$160,632	\$803,162	\$309,361	\$373,743	(\$153,234)	\$220,508	\$1,419,357	\$2,471,407	\$7,398	\$3,898,162
2016	\$1,104,465	\$1,467,030	\$2,571,494	\$374,494	\$259,679	\$158,543	\$792,716	\$309,361	\$377,138	(\$154,626)	\$222,511	\$1,478,959	\$2,413,207	\$3,917	\$3,896,082
2017	\$1,152,775	\$1,421,641	\$2,574,416	\$360,205	\$240,664	\$150,217	\$751,087	\$309,361	\$372,064	(\$152,546)	\$219,517	\$1,512,980	\$2,343,729	(\$2,329)	\$3,854,381
2018	\$1,199,796	\$1,374,065	\$2,573,862	\$238,315	\$222,111	\$115,106	\$575,532	\$309,361	\$332,312	(\$136,248)	\$196,064	\$1,438,111	\$2,237,849	(\$21,141)	\$3,654,819
2019	\$1,251,050	\$1,318,824	\$2,569,874	\$161,829	\$209,776	\$92,901	\$464,506	\$309,361	\$355,296	(\$145,671)	\$209,625	\$1,412,879	\$2,193,256	(\$52,770)	\$3,553,365
2020	\$1,307,715	\$1,261,187	\$2,568,902	\$286,214	\$201,434	\$121,912	\$609,559	\$309,361	\$328,829	(\$134,820)	\$194,009	\$1,593,929	\$2,100,811	(\$12,908)	\$3,681,831
2021	\$1,367,322	\$1,200,935	\$2,568,257	\$372,144	\$186,893	\$139,759	\$698,796	\$309,361	\$331,281	(\$135,825)	\$195,456	\$1,739,466	\$2,028,469	\$3,934	\$3,771,870
2022	\$1,429,846	\$1,137,934	\$2,567,780	\$501,954	\$168,041	\$167,499	\$837,494	\$309,361	\$321,225	(\$131,702)	\$189,523	\$1,931,800	\$1,936,561	\$35,796	\$3,904,157
2023	\$1,495,433	\$1,072,050	\$2,567,483	\$368,048	\$142,274	\$127,580	\$637,902	\$309,361	\$318,708	(\$130,670)	\$188,038	\$1,863,482	\$1,842,393	(\$3,090)	\$3,702,784
2024	\$1,564,007	\$1,003,144	\$2,567,152	\$386,719	\$123,278	\$127,499	\$637,496	\$309,361	\$307,261	(\$125,977)	\$181,284	\$1,950,726	\$1,743,044	\$1,522	\$3,695,292
2025	\$1,635,710	\$931,079	\$2,566,789	\$320,763	\$103,318	\$106,020	\$530,100	\$309,361	\$279,874	(\$114,749)	\$165,126	\$1,956,473	\$1,623,632	(\$8,728)	\$3,571,376
2026	\$1,710,717	\$855,710	\$2,566,426	\$338,020	\$86,620	\$106,160	\$530,800	\$309,361	\$255,072	(\$104,579)	\$150,492	\$2,048,737	\$1,506,762	\$1,581	\$3,557,079
2027	\$1,788,767	\$776,889	\$2,565,656	\$333,113	\$69,024	\$100,534	\$502,672	\$309,361	\$280,605	(\$115,048)	\$165,557	\$2,121,881	\$1,435,878	(\$14,514)	\$3,543,245
2028	\$1,869,613	\$694,480	\$2,564,093	\$504,968	\$52,231	\$139,300	\$696,498	\$309,361	\$215,550	(\$88,375)	\$127,174	\$2,374,581	\$1,271,621	\$50,924	\$3,697,126
2029	\$1,955,144	\$608,335	\$2,563,479	\$533,732	\$26,838	\$140,143	\$700,713	\$309,361	\$233,792	(\$95,855)	\$137,937	\$2,488,876	\$1,178,326	\$44,288	\$3,711,490
2030	\$2,044,487	\$518,251	\$2,562,737					\$309,361				\$2,044,487	\$827,611	\$0	\$2,872,098
2031	\$2,135,932	\$424,072	\$2,560,003					\$309,361				\$2,135,932	\$733,432	\$0	\$2,869,364
2032	\$2,235,163	\$325,639	\$2,560,802					\$309,361				\$2,235,163	\$635,000	\$0	\$2,870,163
2033	\$2,338,511	\$222,639	\$2,561,150					\$309,361				\$2,338,511	\$531,999	\$0	\$2,870,510
2034	\$2,445,611	\$114,888	\$2,560,499					\$309,361				\$2,445,611	\$424,248	\$0	\$2,869,859
2035	\$2,557,661	\$2,201	\$2,559,862					\$309,361				\$2,557,661	\$311,562	\$0	\$2,869,223

Source: DWR 2011 Statement of Charges-November 2010 Version

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Appendix B
Fixed Payments by GWD to CCWA

Calendar Year	Bonds		TOTAL
	Principal	Interest	
1997		\$1,048,557	\$1,048,557
1998	\$1,322,828	\$1,731,873	\$3,054,701
1999	\$1,247,951	\$1,808,997	\$3,056,948
2000	\$1,177,312	\$1,881,755	\$3,059,067
2001	\$1,125,537	\$1,942,961	\$3,068,498
2002	\$1,077,069	\$1,993,082	\$3,070,151
2003	\$1,031,923	\$2,039,890	\$3,071,813
2004	\$990,326	\$2,083,261	\$3,073,587
2005	\$952,239	\$2,123,102	\$3,075,341
2006	\$642,801	\$2,155,003	\$2,797,804
2007	\$1,022,408	\$2,342,199	\$3,364,607
2008	\$1,440,020	\$1,302,027	\$2,742,047
2009	\$1,512,082	\$1,242,985	\$2,755,067
2010	\$1,570,709	\$1,181,329	\$2,752,038
2011	\$1,635,442	\$1,117,206	\$2,752,648
2012	\$1,700,176	\$1,041,993	\$2,742,169
2013	\$1,791,780	\$999,488	\$2,791,269
2014	\$1,862,621	\$952,923	\$2,815,544
2015	\$1,956,668	\$857,441	\$2,814,109
2016	\$2,053,158	\$757,195	\$2,810,353
2017	\$2,155,755	\$651,972	\$2,807,727
2018	\$2,263,237	\$552,814	\$2,816,051
2019	\$2,354,841	\$448,678	\$2,803,519
2020	\$2,473,316	\$327,974	\$2,801,290
2021	\$2,596,677	\$201,224	\$2,797,901
2022	\$2,726,144	\$68,154	\$2,794,298

Source: CCWA

**Attachment 2 – Ordinance to Increase the New
Water Supply Charge**

ORDINANCE NO. 2011 -

AN ORDINANCE OF THE GOLETA WATER DISTRICT BOARD OF DIRECTORS AMENDING SECTION 5.04.010, SECTION 5.16.040, SECTION 5.20.020 AND APPENDIX A-12 OF THE GOLETA WATER DISTRICT CODE WITH RESPECT TO THE NEW WATER SUPPLY CHARGE

FINDINGS

1. The Board of Directors established the procedures to provide new water service subject to the terms of the Safe Water Supplies Ordinance (SAFE) on December 17, 1996.
2. The New Water Supply Charge is based on the System Development Fees Report prepared by Montgomery Watson Consultants dated December 17, 1996.
3. The purpose of the New Water Supply Charge is to recover, in part, the costs of the supplemental water supplies that include the State Water Project and the Recycled Water Project, as well as the value of the District's existing facilities.
4. The New Water Supply Charge is based on a per acre foot cost of water originally calculated at \$23,588. It has been raised twice since 1996 and is currently \$26,240 per acre foot.
5. Camp Dresser McKee (CDM) prepared a Technical Memorandum dated February 17, 2011 to document the assumptions, findings and conclusions for updating the New Water Supply Charge.
6. CDM recommends changing the New Water Supply Charge into three categories: Potable Water System, Goleta West Conduit non-Potable Water System, and Recycled Water System.
7. This ordinance does not constitute a project under the California Environmental Quality Act (CEQA) Guidelines as set forth in Title 14, Section §15378, because it amends a government funding mechanism which does not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment (§15378(b) (4)) and is an administrative activity of government that will not result in direct or indirect physical changes in the environment (§15378(b) (5)).

NOW THEREFORE BE IT ORDAINED BY THE BOARD OF DIRECTORS OF THE GOLETA WATER DISTRICT AS FOLLOWS:

1. Section 5.04.010-D of the Goleta Water District Code is amended to read as follows:

“5.04.010 Definitions.

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D. "New Water Supply Charge" means a fee charged by the District to an applicant for new water service, to recover a portion of the costs of the District's existing facilities and developing new water supplies necessary to provide such service. See Appendix A, No. 12."

2. Section 5.16.040 of the Goleta Water District Code is amended to read as follows:

"5.16.040 Computation of Charges.

The estimated annual new water service demand, regardless of type, shall be calculated by a District-approved licensed engineer or other licensed professional, according to District Standards & Specifications, with the District providing a final determination. The project's new water service demand will be multiplied by the applicable New Water Supply Charge for Potable Water, Goleta West Conduit non-Potable Water, and/or Recycled Water. (See Appendix A to this Code, No. 12, under New Water Supply Charge.)"

3. Section 5.20.020-B-2 of the Goleta Water District Code is amended to read as follows:

"5.20.020 Classification of Users.

B. New Users of District Reclaimed Water Service.

12. New Water Supply Charges.

A fee is imposed. The standard anticipated customer in this class will require both potable and reclaimed water. There is a distinct charge for reclaimed water service. Determination of the charges is found in Appendix A to the Code, No. 12, under New Water Supply Charge."

4. Appendix A-12 of the Goleta Water District Code is amended to read as follows:

"Appendix: A Schedule of Charges.

12. New Water Supply Charge.

The District will determine the charge for one acre foot of water each year. The New Water Supply Charge will apply to Potable, Goleta West Conduit non-Potable and Recycled water applicants as described in Chapter 5.16. The District will determine the required new water service demand for each project as described in Chapter 5.16

The New Water Supply Charge assessed to new service applicants will be calculated by multiplying the annual new water service demand associated with the project by the unit cost for the New Water Supply Charge. Beginning with the effective date of this ordinance, the unit cost per acre foot is:

Potable Water - \$45,361
Goleta West Conduit non-Potable Water - \$40,221
Recycled Water - \$8,758”

The New Water Supply charge will be adjusted annually, pursuant to Section 5 below.

5. The New Water Supply Charge shall be adjusted on June 1st of each year beginning June 1, 2012, to include the annual increase or decrease of the April Consumer Price Index (CPI), all items for Los Angeles-Riverside-Orange County, as promulgated by the U. S. Department of Labor, Bureau of Labor Statistics. The Board of Directors shall adopt a resolution annually reflecting the adjustment.

6. This ordinance shall be given effect at 12:01 a.m. on thirty days following adoption.

7. If any subdivision, sentence, clause, or phrase of this ordinance is, for any reason, held to be invalid or unenforceable by a court of competent jurisdiction, such invalidity or unenforceability shall not affect the validity or enforcement of the remaining portions of this ordinance or of any other provisions of the Goleta Water District Code. It is the District’s express intent that each remaining portion would have been adopted irrespective of the fact that one or more subdivisions, paragraphs, sentences, clauses, or phrases be declared invalid or unenforceable.

PASSED AND ADOPTED by the Board of Directors of the Goleta Water District this 8th day of March, 2011 by the following vote:

AYE:

NAY:

ABSENT:

ABSTAIN:

ATTEST:

**JOHN D. MCINNES, GENERAL MANAGER
DISTRICT SECRETARY**

**WILLIAM C. ROSEN, PRESIDENT
BOARD OF DIRECTORS**

***** No change from current Code.**

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**Attachment 3 – Redlined Goleta Water District
Code, Chapter 5 and Appendix A**

Title 5

NEW WATER SUPPLY AND SERVICE

Chapters:

- 5.04 General Provisions**
- 5.08 Procedures for New Water Service**
- 5.12 Repealed by Ordinance 2007-02**
- 5.16 New Water Supply Charge**
- 5.20 Reclaimed Water Service**
- 5.24 Water System Improvements, Main Extensions
and Benefited Property Charges**

Chapter 5.04

GENERAL PROVISIONS

Sections:

5.04.010 Definitions.

5.04.010 Definitions.

The following definitions shall apply to the terms set forth in this title:

A. "Active service connection" means a connection to the district's water distribution system for service to a property, with an annual water use greater than zero and/or the customer has continuously paid a meter charge to the district. Reclaimable meters are also categorized as an active service connection for purposes of this title.

B. "Can and will serve letter" means a written document issued by the district for the purpose of stating that the district will serve the applicant's property or project.

C. "New development" means any change to unimproved or improved real property, including but not limited to, replacement, expansion, construction, reconstruction, or alteration of buildings or structures, which requires the issuance of a land use permit and/or building permit.

D. "New water supply charge" means a fee charged by the district to an applicant for new water service, to recover a portion of the costs to the district of developing new water supplies necessary to provide such service. See Appendix A, No. ~~14~~12.

E. "Property Subject to Service by an Active Service Connection." An active service connection may only be used to serve a parcel of land that was served by that active service connection prior to June 4, 1991, or the property specifically approved for water service, after that date. If, subsequent to June 4, 1991, or the date that water service to the property was first approved, whichever date is later, the configuration of the parcel of land has been

changed by way of lot line adjustment, division of land or otherwise, the property entitled to water service from the existing active service connection shall be those parcels of land which are completely within the boundary of the parcel of land served by the active service connection, prior to the change in configuration. Any property outside that parcel boundary or any part of that boundary, shall be subject to the new water service procedures, including payment of the new water supply charge, if applicable, as provided in Chapter 5.08.

F. "Reclaimable meter" means water service available to a property that has previously been served potable water through a district meter and that meter has been removed from the property by the district. (Ord. 02-1; Added during the 1999 codification)

5.08.010

Chapter 5.08

PROCEDURES FOR NEW WATER SERVICE

Sections:

- 5.08.010 Statement of purpose.**
- 5.08.020 Application procedures.**
- 5.08.030 Approval of new water service.**
- 5.08.040 Compliance with district rules and regulations.**
- 5.08.050 Disclaimer regarding existing vested rights to water service.**

5.08.010 Statement of purpose.

The purpose of this chapter is to set forth the procedures for application and approval of new water service. These procedures apply to new water service for new development, as well as new water service for other uses, including but not limited to expanded water service on property with an existing active service connection. (Ord. 02-1 § 6)

5.08.020 Application procedures.

A. Any request for water service subject to the terms of this chapter shall be submitted to the district in a written application on the form provided by the district.

B. The district application shall be submitted after initiation of any application process required by the city of Goleta or the county for new development.

C. An application for new water service for new development shall include all necessary information from the city of Goleta or county application file for the new development, including but not limited to the identification of the property to be served, and the use of the water service requested.

D. The district application for all other new water service, not associated with new development, shall include the identification of the property to be served, the use of the water service requested, and information necessary to calculate the estimated amount of water required annually for the new water service.

E. Within ten (10) working days after the submission of the district application, district staff shall inform the applicant whether the application is complete. If the application is deemed not complete, district staff shall state in writing the information necessary to make the application complete.

F. After the application has been deemed complete, district staff shall, within twenty (20) working days, determine the conditions for approval of the new water service, and shall issue a letter to the applicant stating those conditions. (Ord. 02-1 § 6)

5.08.030 Approval of new water service.

Upon completion of the application process set forth in this chapter, and compliance with all district conditions for approval stated in the conditions letter issued pursuant to Section 5.08.020(F) above including payment of fees, district staff shall provide a report to the general manager, who shall review the report and approve or reject such report. If the general manager shall reject the report's recommendation, the general manager shall state his reasons therefore and the determination shall be served on the applicant. If the general manager shall approve the report, the general manager shall approve the new water service and issue a "can and will serve letter", if required. The general manager may adopt such regulations related to the issuance of "can and will serve letters" as shall be consistent with this code. (Res. 10-32)

(Goleta Water District 11-9-10)

5.08.040 Compliance with district rules and regulations.

In addition to the terms of this chapter, the applicant shall comply with all district rules and regulations, including but not limited to payment of all applicable fees including the fee required by Chapter 5.16. (Ord. 02-1 § 6)

5.08.050 Disclaimer regarding existing vested rights to water service.

This chapter is not intended to affect the rights of any parties nor the obligations of the district pursuant to the judgment in the action known as Wright vs. Goleta Water District, Santa Barbara superior court case No. SM57969. This chapter is not intended to affect any rights held under any existing water service agreements, nor any other vested right to water service held by any persons. (Ord. 02-1 § 6)

5.08.010

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Chapter 5.16

NEW WATER SUPPLY CHARGE

Sections:

- 5.16.010 Statement of purpose.
- 5.16.020 Reference.
- 5.16.030 Applicability.
- 5.16.040 Computation of charges.
- 5.16.050 Payment date.

5.16.010 Statement of purpose.

The purpose of the new water supply charge is to recover a portion of the costs to the district for developing additional new water supplies necessary to provide such additional service. (Ord. 02-1 § 8 (part); Amended during 1999 codification; Rule No. 36(A)(part))

5.16.020 Reference.

The charge or fee imposed hereunder shall be known and referred to as the "New Water Supply Charge" and is to be distinguished from the oversizing requirements and charges therefore contained in Chapter 5.24 of this code. (Ord. 02-1 § 8 (part); Amended during 1999 codification; Rule No. 36(A)(part))

5.16.030 Applicability.

New water service shall be subject to the new water supply charge. The conditions letter issued by the district to the applicant pursuant to Section 5.08.020(F) shall include the amount of the new water supply charge for the new service. (Ord. 02-1 § 8 (part); Amended during 1999 codification; Rule No. 36(A)(part))

5.16.040 Computation of charges.

The estimated annual new water service demand, regardless of type, shall be calculated by a District-approved licensed engi-

neer or other licensed professional, according to District Standards & Specifications, with the District providing a final determination.. The project's new water service demand will be multiplied by the applicable New Water Supply Charge for Potable Water, Goleta West Conduit Non-Potable Water, and/or Recycled Water. (See Appendix A to this Code, No. 12, under New Water Supply Charge.)"
~~The formula for determining this charge is found in the schedule of charges in Appendix A to this code, No. 14, under new water supply charge. (Ord. 02-1 § 8 (part); Amended during 1999 codification; Rule No. 36(B))~~

5.16.050 Payment date.

The new water supply charge shall be paid prior to issuance of a can and will serve letter or application approval. (Ord. 02-1 § 8 (part); Amended during 1999 codification; Rule No. 36(C))

Chapter 5.20

RECLAIMED WATER SERVICE

Sections:

- 5.20.010 Statement of purpose.**
- 5.20.020 Classification of users.**
- 5.20.030 Application procedures.**
- 5.20.040 Issuance of can and will serve letter.**
- 5.20.050 Can and will serve letters not transferable.**
- 5.20.060 User agreement.**
- 5.20.070 Compliance with district rules and regulations.**
- 5.20.080 Regional Water Quality Control Board.**
- 5.20.090 Disclaimer regarding existing vested rights to water service.**

5.20.010 Statement of purpose.

The purpose of this chapter is to establish the class of customers and procedures to provide reclaimed water service. (Added during 1999 codification)

5.20.020 Classification of users.

A. Existing Potable Water Customers That Substitute for Reclaimed Water Use.

1. Customer Description. An existing District potable water customer that substitutes an existing use of potable water for reclaimed water.

2. New Water Supply Charges. No fee is imposed.

3. On-Site Facilities. Customer pays the cost of all necessary on-site facilities.

4. Off-Site Facilities. For the customer whose property abuts the district's reclaimed water distribution facilities, there is no charge for connection facilities. The district pays the cost of the meter and the main connection.

5. Water Rate. The water rate for reclaimed water shall be the actual cost of service water rate established by the Board of Directors from time to time, not to exceed the Urban potable water rate.

B. New Uses of District Reclaimed Water Service.

1. Customer Description. A new customer proposing a new project that may use District reclaimed water or an existing customer that proposes a new use of district reclaimed water service.

2. New Water Supply Charges. A fee is imposed. The standard anticipated customer in this class will require both potable water and reclaimed water. There is ~~a no~~ distinct ~~charge fee~~ for reclaimed water service ~~per se. The fee pays for water service for a new project whether that project requires potable and/or reclaimed water~~. Determination of the charges is found in Appendix A to the Code, No. 12, under New Water Supply Charge.

3. On-Site Facilities. Customer pays the cost of all required on-site facilities.

4. Off-Site Facilities. Customer pays for any required new off-site facilities.

5. Water Rate. Cost of service not to exceed the urban potable water rate.

C. Low Impact Reclamation Customer.

1. Customer Description. A new project that may be served with district reclaimed water. The low impact reclamation customer ("LIRC") policy is an alternative to the new customer policy described in subsection B of this section.

2. New Water Supply Charges. As an alternative to the payment of new water supply charges, the LIRC pays a pro rata share of the capital cost of the reclaimed water project facilities and makes a contribution of a permanent source of potable water to the district for peaking requirements. Appendix C, which is made a part of this statement, is entitled "Service Policies for Low Impact Reclamation Customers of

the Goleta Reclamation Project." Appendix C further describes the LIRC policy.

3. On-Site Facilities. The LIRC pays the cost of all required on-site facilities.

4. Off-Site Facilities. The LIRC pays the costs of any new main extensions and any other new facilities necessary to provide reclaimed water to the property. As described in subsection (C)(2) of this section, the LIRC also pays a pro rata share of the capital cost of all reclaimed water project facilities.

5. Water Rate. Cost of service not to exceed the urban potable water rate. (Amended during 1999 codification: Reclaimed Water Service Policy)

5.20.030 Application procedures.

A. Any request for water service subject to the terms of this chapter shall be submitted to the district in a written application on the form provided by the district.

B. That application shall be submitted after initiation of any application process required by the city of Goleta or county of Santa Barbara for new development.

C. The district application shall include all necessary information from the city of Goleta or county application file for the new development, including but not limited to the identification of the property to be served, the use of the water service requested, and all information necessary to calculate a water duty factor for the use requested.

D. Within ten (10) working days after the submission of the district application, district staff shall inform the applicant whether the application is complete. If the application is deemed not complete, district staff shall state in writing the information necessary to make the application complete.

E. After the application has been deemed complete, district staff shall, within twenty (20) working days, determine the conditions for issuance of a can and will

serve letter, and shall issue a letter to the applicant stating those conditions. (Amended during 1999 codification: Ord. 98-1 § 3(part))

5.20.040 Issuance of a can and will serve letter.

Upon completion of the application process set forth in this chapter, and compliance with all district conditions for issuance of a can and will serve letter, including the payment of fees, the district shall issue a can and will serve letter to the applicant. (Amended during 1999 codification: Ord. 98-1 § 5 (part))

5.20.050 Can and will serve letters not transferable.

Can and will serve letters issued by the district for a specific property may not be transferred to another property. Can and will serve letters issued for a specific project and water use, may not be used for a different project or water use, without prior approval of the district. (Ord. 98-1 § 6 (part))

5.20.060 User agreement.

Reclaimed water service shall be the subject of a standard form user agreement. (Res. 97-21 § 7)

5.20.070 Compliance with district rules and regulations.

In addition to the terms of this chapter, the applicant shall comply with all district rules and regulations, including but not limited to payment of all applicable fees including the fee required by Title 7 of this code and the reclaimed water user manual. (Amended during 1999 codification; Ord. 98-1 § 4 (part))

5.20.080

5.20.080 Regional Water Quality Control Board.

Reclaimed water service provided by the district is subject to California Regional Water Quality Control Board Order No. 97-06. (Res. 97-21 § 6)

5.20.090 Disclaimer regarding existing vested rights to water service.

This chapter is not intended to affect the rights of any parties nor the obligations of the district pursuant to the judgment in the action known as Wright vs. Goleta Water District, Santa Barbara superior court case No. SM57969. This chapter is not intended to affect any rights held under any existing water service agreements, nor any other vested right to water service held by any persons. (Ord. 98-1 § 7 (part))

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Chapter 5.24**WATER SYSTEM IMPROVEMENTS,
MAIN EXTENSIONS AND BENEFITED
PROPERTY CHARGES****Sections:**

- 5.24.010 Purpose.**
- 5.24.020 Benefited property defined.**
- 5.24.030 Determination of need and benefit.**
- 5.24.040 Application.**
- 5.24.050 Application--Cost.**
- 5.24.060 District participation.**
- 5.24.070 Dedication of facilities.**
- 5.24.080 Construction of facilities.**
- 5.24.090 Benefited property charge.**
- 5.24.100 Computation and payment of charge.**
- 5.24.110 Determination of refund.**
- 5.24.120 Refund to applicants.**
- 5.24.130 Time and amount limitation.**
- 5.24.140 Applicability.**

5.24.010 Purpose.

The purpose of this chapter is to:

- A. Provide for the orderly and reasonable development of the district's distribution system.
- B. Ensure that the district's system can supply sufficient pressures and flows for fire protection and customer use.
- C. Ensure that the district's system can be economically and efficiently maintained.
- D. Provide a method for distributing and collecting the cost of main extensions from those properties that are benefited therefrom. (Added during 1999 codification)

5.24.020 Benefited property defined.

"Benefited property" is defined as any property which may be served from any

main water line installed or contracted for and paid for by an applicant or by the district under these rules and regulations. (Amended during 1999 codification: Rule No. 37 (part))

5.24.030 Determination of need and benefit.

The district reserves the right to determine:

- A. The need for any main extension or other water system improvements.
- B. The property or properties benefited by any main extension.
- C. The prorated cost benefit between multiple benefited properties.
- D. The number and size of reservoirs, pumping plants and/or hydro-pneumatic pumping units shall be constructed as a part of the distribution extension at the applicant's sole cost. (Amended during 1999 codification: Rule No. 8 (part))

5.24.040 Application.

The district's water distribution system may be extended and/or improved inside the district boundaries to serve water to those making written application therefor upon the terms and conditions in this chapter. (Amended during 1999 codification: Rule No. 8 (part))

5.24.050 Application--Cost.

A. The applicant for an extension must agree, except as hereinafter provided to construct said water system improvements and/or extension at applicant's sole cost. The applicant must also agree to pay minimum charges and regular rates for water service as prescribed by these rules and regulations and must agree to be bound and abide by the rules and regulations of the district as they now or may hereafter exist.

B. Prior to the start of construction of improvements or an extension, the applicant

must first grant to the district, without cost to the district, all necessary easements and rights-of-way for said extension or improvements.

C. The applicant must deposit with the district the entire estimated amount of all district costs resulting from said extension together with a guarantee or bond in a form satisfactory to the district for the satisfactory installation of said extension or improvements.

D. Except as provided otherwise, the applicant shall pay all costs associated with the installation of new improvements, including but not limited to engineering, construction, inspection, permits, administrative, accounting and other agency fees.

E. Applicant shall remain responsible for the operation and maintenance of said line and the completion thereof until the applicant has made a formal offer of dedication and the district has accepted the same.

F. Immediately after the completion of the installation of the water improvements and/or main extension, the applicant will furnish the district a written statement of the actual cost to the applicant of making the extension, said statement to separately identify the actual costs of water mains, reservoirs, pumping plants, hydro-pneumatic units, fire hydrants, and stub water service connections.

G. The district shall have final authority for determination of acceptability of costs for district purposes. (Amended during 1999 codification; Rule No. 8 (part))

5.24.060 District participation.

A. In the event that the district requires that the extension be of a pipe size larger than necessary to serve the property of the applicant, the cost on account of installing a pipe larger than necessary shall be borne by the district, and shall be determined by the district. The amount of this cost will be paid to the applicant within thirty (30) days after

acceptance by the district of the statement of costs hereinafter provided for.

B. The district may at any time add additional extensions to any main extension without securing the consent of previous applicant.

C. When in the opinion of the district, any portion of the main extension is sufficiently completed so as to be of service, district may, upon giving written notice to the applicant, use said portion so completed for any district purpose. Said use by district prior to a formal offer of dedication by applicant shall not constitute an acceptance by the district of said extension or of any portion thereof. (Amended during 1999 codification: Rule No. 8 (part))

5.24.070 Dedication of facilities.

A. The applicant shall provide the district, without cost to the district, all necessary reservoir sites, easements and rights-of-way for said reservoirs, pumping plants and/or hydro-pneumatic units, including rights-of-way for necessary roads, power and communication.

B. In the event that necessary sites, right-of-way or easements are on property other than that owned by the applicant, and the applicant is unable to acquire said sites, rights-of-way or easements by negotiation, the district may use its power of eminent domain to acquire said sites, rights-of-way or easements after the applicant has first deposited with the district the total estimated cost of said acquisition. Any difference between the amount deposited and the actual total cost of acquisition shall be refunded to the applicant or the applicant shall make an additional payment to the district, as the case may be.

C. No permanent water service will be permitted until the main extension is dedicated and accepted by the district. (Amended during 1999 codification: Rule No. 8 (part))

5.24.080 Construction of facilities.

A. No water mains shall be laid in streets or roads not formally dedicated to public use.

B. All water system improvements including extensions of water mains, reservoirs, pumping plants, hydro-pneumatic units, fire hydrant, and stub water service connections, shall be engineered and constructed in accordance with the plans and specifications of the district.

C. The district will determine the size of the installation required. (Amended during 1999 codification: Rule No. 8 (part))

5.24.090 Benefited property charge.

A. The costs so prorated as to parcels of real property not owned by the applicant or any of them if there are more than one, as of the date of the acceptance of the extension shall be known as the "benefited property charge."

B. Prior to the service of water to any parcel of real property for which parcel there has been allocated a benefited property charge, the application for water service to said parcel shall pay to the district said charge which payment shall be in addition to any other required by these rules and regulations on account of water service connections. (Amended during 1999 codification: Rule No. 8 (part))

5.24.100 Computation and payment of charge.

A. Computation of Charge. The district will determine the benefited property charge based on the actual cost of the line necessary to serve the property in the area in

which it is located. In the event the main installed is larger than the main required to service the immediate benefited area, only that proportionate amount of the total cost that is attributable to a size main required to service said area will be used to determine the benefited property charge.

B. Payment of Charge. The charge as computed by the district will be due at the time application is made for service from a line which the district determines benefits the property for which service is sought.

C. Benefited property charges shall not be applied more than once to any parcel or part thereof.

D. If a parcel of land is already receiving service from an existing line, the benefited property charges on account of any new line which benefits the property shall not be due until application is made for service from said new line. (Amended during 1999 codification: Rule No. 37 (part))

5.24.110 Determination of refund.

A. Upon completion and acceptance of the extension, the actual costs of said extension exclusive of hydrants and stubs which are attributable to the applicant, as determined by the district, shall be prorated to all parcels as will be, or may in the future be, benefited by water service connections from said extension.

B. The amount of benefit to each parcel shall be determined by the district in writing and a copy thereof furnished to each applicant. Such determination of benefits shall be conclusive as to all concerned.

C. In determining the amount of benefit to each parcel on an area basis, the district shall, among other things take into consideration the water service available to, or used by, each parcel prior to the start or completion of said extension. (Amended during 1999 codification: Rule No. 8 (part))

5.24.110

5.24.120 Refund to applicants.

For a period of ten (10) years commencing with the date of acceptance by the district of the extension, the district will refund to the applicant, all money which the district may collect on account of the "benefited property charges" accruing during said ten (10) year period as said charges are hereinafter defined.

It is understood however, that except as may be otherwise provided herein, the district shall be under no obligation to take legal action to enforce collection of said "benefited property charges." (Rule No. 8 (part))

5.24.130 Time and amount limitation.

In no event shall the total amount refunded to applicant exceed the total cost of the extension attributable to the applicant and no refund shall be made after said ten (10) year period even though the district, for its own benefit, may still continue to collect all charges allocated to each party benefited. (Rule No. 8 (part))

5.24.140 Applicability.

All of the foregoing provisions of this section which are applicable to main extensions shall be equally applicable to reservoirs, pumping plants and/or hydro-pneumatic units except that in no event will the district be obligated to pay any costs on account of installing a reservoir, pumping plant and/or hydro-pneumatic unit larger than necessary to serve the property of the applicant. (Rule No. 8 (part))

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APPENDIX A

SCHEDULE OF CHARGES

1. Water Rates and Meter Charges
 - a. Urban
 - a.1 Urban Conservation \leq 4 hcf
 - b. Agricultural
 - c. Recreation
 - d. Reclaimed
 - e. Meter Charges

(Note: Certain customers receive special rates based on agreements and/or the judgment in Wright vs. Goleta Water District)

2. Service Initiation Charges
 3. Deposits
 4. Delinquent Payment Charge
 5. Bad Check Charge
 6. Reconnection Charge
 7. Duplicate Bill Charge
 8. Meter Test Deposit
 9. Temporary Meters
 10. Fire Protection Service Charges
 11. Backflow Prevention Device Charge
 12. New Water Supply Charge
 13. Benefited Property Charges
 14. Application Fees
 15. Plan Check Fees
 16. Inspection Fees
-

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Appendix A

SCHEDULE OF CHARGES

1. WATER RATES AND METER CHARGES

See Section 1.04.020 Water Service

Classifications

a. Urban	\$3.71
per hcf	
a.1 Urban Conservation ≤ 4 hcf	\$3.55 per hcf
b. Agricultural	\$1.00 per hcf
c. Recreation	\$2.68 per hcf
d. Reclaimed	\$2.17 per hcf
e. Meter Charges, per month	
5/8" – 3/4" (4 or less hcf)	\$9.21
5/8" – 3/4" (between 5 hcf and 8 hcf)	\$18.42
5/8" – 3/4"	\$27.63
1"	\$46.06
1 1/2"	\$92.10
2"	\$147.38
3"	\$276.33
4"	\$460.55
6"	\$921.09
8"	\$1,473.76
10"	\$3,500.72

Note: Certain customers receive special rates based on agreements and/or the judgment in Wright vs. Goleta Water District.

2. SERVICE INITIATION CHARGES.

A charge of twenty-five dollars (\$25.00) shall be assessed to each new potable or reclaimed customer. This charge shall not apply to initial water service to properties that were required to pay New Water Supply Charges.

3. DEPOSITS.

Deposits for establishment and re-establishment of credit with the district shall be an amount from the following table or an

amount equal to the highest of the previous twelve monthly billing periods, computed at current water rates, whichever amount is greater.

Meter Size

5/8 × 3/4"	\$ 28.00
3/4"	28.00
1"	28.00
1 1/2"	28.00
2"	28.00
3"	33.00
4"	44.00
6"	66.00
8"	88.00
10"	110.00

4. DELINQUENT PAYMENT CHARGE

The greater of \$5 or 1.5% of the unpaid amount due for each month or part thereof for which payment is past due. (Res. 09-25)

5. BAD CHECK CHARGE

- a. Insufficient funds check was paid to district for anything other than a shut-off door tag \$20.00
- b. Insufficient funds check was paid to district for a shut-off door tag \$24.00

6. RECONNECTION CHARGE \$48.00

Tag door	16.00
Lock, unlock turn on	32.00
Broken lock	30.00

7. DUPLICATE BILL CHARGE

\$1.10 per duplicate per billing period

8. METER TEST DEPOSIT \$55.00

9. TEMPORARY METERS

Refundable deposit	\$468.00
Installation/administration charge	110.00
Water commodity charge	Applicable water rate plus 50%

10. FIRE PROTECTION SERVICE CHARGES

Metered Fire Service. In addition to the regular monthly charges for water service as set forth elsewhere in these rules and regulations, a consumer with a metered fire-line shall pay a base monthly charge of two dollars (\$2.00) for each fire hydrant served from said line, plus an amount for inside wet sprinkler systems served by said line in accordance with the following table of rates:

4" meter	\$2.65
6" meter	4.00
8" meter	5.35
10" meter	6.65

These minimum metered fire-line charges shall be for standby service only and shall not be credited toward the hereinafter set forth regular monthly meter charge for water service.

Unmetered Fire Service. Where unmetered service lines are connected to fire hydrants, the rate for said service shall be two dollars (\$2.00) per fire hydrant per month, payable semiannually in advance. All water used through private fire lines, except water used to actually respond to a fire, as registered by the bypass meter, shall be charged the current urban water rate.

Where the service lines are connected to inside wet sprinkler systems, the rate for said service shall be in accordance with the following table of rates, payable semi-annually in advance:

2" sprinkler system	\$ 8.00 per year
3" sprinkler system	12.00 per year
4" sprinkler system	16.00 per year
6" sprinkler system	24.00 per year
8" sprinkler system	32.00 per year
10" sprinkler system	40.00 per year

11. BACKFLOW PREVENTION DEVICE CHARGE.

A charge of two dollars and fifty cents (\$2.50) shall be assessed on the bill of each customer who has a backflow

prevention device installed to protect the potable water system. Such charge shall be assessed per backflow device per month.

12. NEW WATER SUPPLY CHARGE.

The district will determine the charge for one acre foot of water each year. The new water supply charge will apply to both potable, Goleta West Conduit non-potable, and reclaimed water applicants as described in Chapter 5.16. The District will determine the required new water service demand minimum-service-size for each project as described in Chapter 5.16. The New Water Supply Charge assessed to new service applicants will be calculated by multiplying the annual new water service demand associated with the project by the unit cost for the New Water Supply Charge. The Unit cost per acre foot is:

- Potable Water - \$45,361
- Goleta West Conduit non-Potable Water - \$40,221
- Recycled Water - \$8,758

based on:

- _____ Type of use
- _____ Area of use
- _____ Lot size
- _____ Zoning
- _____ Project plans

The current new water supply charge is:
 _____ \$26,240.00 per acre-foot/year

The fees assessed to new service applicants will be based on type of project and required service size. Listed below are the categories of new service:

A. Single-Family Residential

Gross-Lot Size	Minimum-Size of Service Connection	New-Water Supply Charge
Up to 1/4 acre	3/4 inch	\$ 7,610.00

More than 1/4 acre to

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2 acres ————— 1 inch ————— \$13,858.00

More than
2 acres to

10 acres ————— 1 1/2 inch ————— \$16,957.00

Over 10 acres ————— 2 inch ————— \$19,497.00

a. Residential shall not include any residential application classified as "multiple family."

b. Exclude area that is dedicated to public roadway that will be permanently paved as shown on a recorded tract or parcel map.

c. Density calculation—Some single-family residential developments may have a total density to classify the project as multiple-family category for the purpose of determining the new water supply charge. The following formula can be used for determining the category.

$$D = \frac{N}{G - P - S}$$

Where:

N = Total Number of Dwelling Units

G = Gross Area of Project Site (Acres)

P = Total Area of Public Rights of Way within Project Site, (Acres)

S = Total area of private streets within project site (acres)

If $D < 8$ dwelling units per acre then all dwelling units are considered single-family residences.

If $D > 8$ dwelling units per acre then all dwelling units are considered multiple-family residences.

B. Multiple-Family Residential

Type	New Water Supply Charge Per Unit
Granny Residential Unit conforming to County of Santa Barbara's Residential Second Unit Program	\$5,165.00/unit

Duplex—Single detached—\$5,275.00/unit—building designed for and occupied exclusively by two (2) families alone, and having but two (2) kitchens (duplex)

Multiple—Single detached—\$5,275.00/unit—Dwelling building designed for and occupied exclusively by three or more families living independently of each other as separate housekeeping units.

Additional service connections for community purposes are exempt from a new water supply charge. Examples of multiple-family community purposes are:

- Central laundry rooms
- Community rooms
- Community pools
- Common area landscaping provided:

$$\frac{\text{Irrigated area (Acres)}}{\leq} \frac{\text{Number of Units}}{24}$$

C. Landscape and Recreation Irrigation.

The new water supply charge for landscape and recreation irrigation will be based on the required service size up to two inches.

Service Connection	New Water Service Charge
3/4 inch	\$18,082.00
1 inch	21,467.00
1 1/2 inch	37,762.00
2 inch	149,343.00

D. Agricultural Irrigation.

The new water supply charge for agricultural irrigation uses will be based on required service size up to two inches.

Service	New Water
---------	-----------

Connection	Service Charge
1 inch	\$ 50,352.00
1-1/2 inch	133,651.00
2 inch	338,727.00

~~E. Commercial and Other Nonresidential Uses.~~

~~The new water service charge for commercial and other nonresidential uses will be based on required service size up to two inches.~~

Service Connection	New Water Service Charge
3/4 inch	\$ 8,295.00
1 inch	12,648.00
1-1/2 inch	44,451.00
2 inch	99,639.00

~~F. Expanded Service to Existing Structures or Uses.~~

~~Any expanded service to a property with an existing district service connection shall be subject to the new water supply charge as described herein.~~

Residential	New Water Supply Charge
1st additional bedroom	None
Subsequent additional bedrooms	\$1,703.00/bedroom

~~Commercial and Other Nonresidential.~~

~~Additional office space will be determined by the following formula:~~

~~New Water Supply Charge = A x 0.044 AFY x \$26,240.00.~~

~~Where:~~

~~A is the area of new office space in square feet divided by 1,000.~~

~~Where the existing structure is being removed or radically modified and additional or enlarged service is required, then the customer is responsible for the new water supply charge for the new service and is credited for the existing service size. Example: commercial customer with a~~

~~three-fourths inch service, who will enlarge the office space and will require a one inch service. The customer's new water supply charge would be:~~

~~\$12,648 - \$8,295 = \$4,353~~

~~Agricultural, Landscape, and Recreation.~~

~~Where an existing customer is proposing to significantly enlarge the area of agricultural, landscape or recreation irrigation, customer is responsible for the new water supply charge for the new service and is credited for the existing service size. Example: an agricultural customer with a one inch service, who will enlarge the area of irrigation and will require a two inch service. The customer's new water supply charge would be:~~

~~\$338,727.00 - \$50,352.00 = 288,375.00~~

~~G. Atypical New Water Service Requests.~~

~~Where the district determines that a new or expanded water service request is not for typical office space, landscaping, agriculture, recreation, or commercial use, an estimated annual new water service demand shall be calculated by the district for determining the new water supply charge. The new water supply charge shall be the estimated annual demand for the new water service, times the unit cost for the new water supply charge. This method is not intended to apply to new residential development.~~

13. BENEFITED PROPERTY CHARGES

Benefited property charges are collected per Chapter 5.24 and are collected at the time a can and will serve letter is issued.

14. APPLICATION FEES

The fee for an application for 1 meter, not involving a lot split or main extension, shall be two hundred fifty dollars (\$250.00).

The fee for an application for two to three meters or fire hydrant or fire line or main extension, not involving a lot split,

shall be seven hundred fifty dollars (\$750.00).

The fee for an application for 4 or more meters or a lot split shall be one thousand five hundred dollars (\$1,500.00).

The fee for a preliminary application for staff to review a conceptual application, an extension, lot split or subdivision shall be five hundred dollars (\$500.00). The fee shall be credited toward an application, if costs. Signed plans will not be released until all plan check fees are paid. Any unused deposit will be refunded or credited to the applicant.

16. INSPECTION FEES

Inspection is done on a time and material basis. Applicants are required to pay a deposit toward estimated inspection costs. Final approval of construction will not be given until all inspection fees are paid. Any unused deposit money will be refunded or credited to the applicant.

application for the same project is made within six months of the preliminary application.

15. PLAN CHECK FEES

Plan checking is done on a time and material basis. Applicants are required to pay a deposit toward estimated plan check

ITEM # 2, Attachment 3
PAGE # 41

PRESENTATION BY
GRANT HOAG, OF
CDM,
REGARDING
NEW WATER
SUPPLY CHARGE
MARCH 8, 2011
BOARD MEETING

New Water Supply Charge

2011 Update

New Water Supply Charge

A fee paid by an applicant for new or greater water service so that ***Growth pays for itself***

Objective: Allow the District's current customers to recover a portion of their past payments for new water supplies and delivery facilities that are available to future customers

New Water Supply Charge – *Authority*

- CA Govt. Codes 66000 et seq
- Similar to a Government's Development Impact Fees for Infrastructure (e.g. Roads)

New Water Supply Charge – *Who is Affected*

Applicants for new development or expanded services that require more water than the highest amount applied to their property prior to the 1996 acquisition of State Water

New Water Supply Charge – *What it Pays For*

The NWSC reimburses current customers for their investment in extra capacity in District facilities and supply contracts for use by future customers

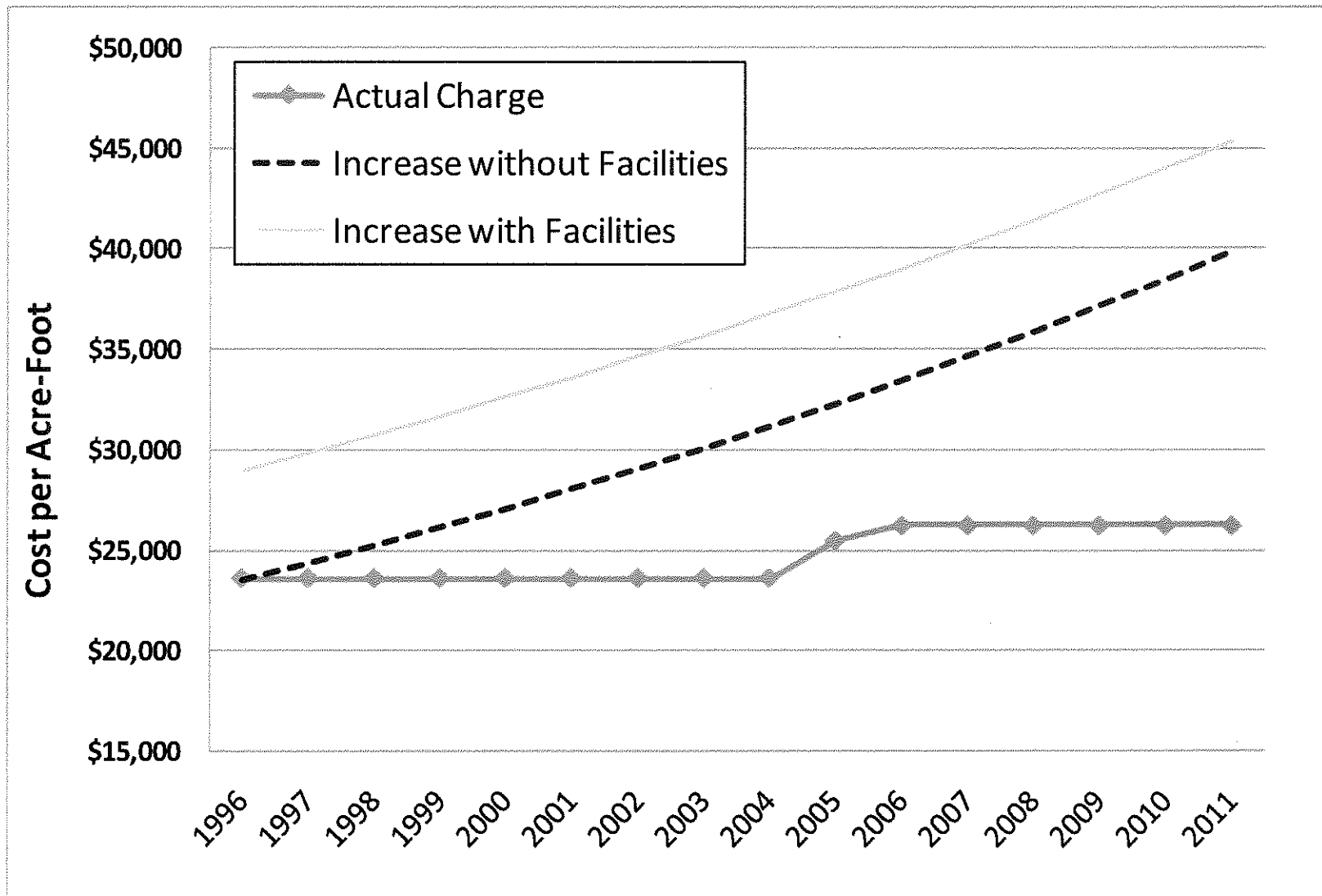
New Water Supply Charge – *How it is Calculated*

- Total costs of available supplies and facilities to deliver the water, divided by the capacity of the supply or facility
- Costs: Actual contractual payments of new water supply (state water) & depreciated value of District facilities
- Capacities: Volume of contract supply & total facility capacity

New Water Supply Charge – *History*

- Established in 1996 when state water was purchased: \$23,588/AF
- Increased two times in the past 15 years. Last increased in 2006 to \$26,240/AF
- No Incremental increases since 2006

Historical Trend in Charges



New Water Supply Charge – *Three Distinct Water Systems*

- Potable Water System
- West Conduit Water System
- Recycled Water System

New Water Supply Charge – *Potable Water System*

Potable Water System NWSC Update

Description	Value
State Water Supply Contract Cost	\$151,883,738
Water Supply (AFY)	3,800
Unit Cost of Water Supply (\$/AFY)	\$39,969
GWD Potable Water System Facility Value	\$77,752,214
System Demand at Buildout (AFY)	14,422
Unit Cost of Facilities (\$/AFY)	\$5,391
Combined Unit Value of Water Supply and Facilities (\$/AFY)	
Unit Cost of Water Supply	\$39,969
Unit Cost of Potable Facilities	\$5,391
Total Updated Capacity Charge	\$45,361
Current NWSC	\$26,240
Increase	73%

New Water Supply Charge – *West Conduit Water System*

Description	Value	Adj. Value
New State Water Supply Contract Cost	\$151,883,738	\$151,883,738
New Water Supply (AFY, a)	3,800	3,800
Unit Cost of Water Supply (\$/AFY)	\$39,969	\$39,969
Goleta West Conduit Facilities Value	\$308,069	\$308,069
Build-out Use of Facilities	1,227	1,098
Unit Cost of GWC Facilities (\$/AFY)	\$251	\$281
Combined Unit Value of Water Supply and Facilities		
Unit Cost of Water Supply (\$/AFY)	\$39,969	\$39,969
Unit Cost of GWC Facilities (\$/AFY)	\$251	\$281
Total Unit Cost for System Capacity (\$/AFY)	\$40,221	\$40,250
Current NWSC	\$26,240	\$26,240
Increase	53.3%	53.4%

New Water Supply Charge – *Recycled Water System*

Description	Value	Adj. Value
Recycled Water System Facilities Value	\$26,274,161	\$26,274,161
Recycled Facility Capacity (AFY)	3,000	1,600
Total Unit Cost for System Capacity (\$/AFY)	\$8,758	\$16,421
Current NWSC	\$26,240	\$26,240
Change	-67%	-37%

New Water Supply Charge – *Code Implementation Formula*

Curent Formula:

of Units x Average Meter Usage x \$26,240

Proposed Formula:

Actual Demand Calculations x \$26,240

New Water Supply Charge – *Policy Determination & Actions*

1. *Should growth pay for itself?* If yes, then adopt the proposed NWSC ordinance and update the 1996 charges to reflect the actual costs
2. *If costs of growth should be assigned* in support of community development, then select the level and schedule

THANK YOU

**LETTERS FROM THE
PUBLIC
DISTRIBUTED AT
MARCH 8, 2011
BOARD MEETING**

John McInnes

From: Robert Rich [robert_rich@cox.net]
Sent: Monday, March 07, 2011 11:42 AM
To: John McInnes
Subject: Rates for New Water

I am writing to support raising the rates for those who signed up for state or recycled water. Perhaps raising the rates 73% in one year is a bit steep. But the Directors could announce a phased in rate increase, perhaps raising rates 20% a year for the next four years.

Such a phasing would allow users of this water to make adjustments, such as adopting water conservation methods that would offset most of the increase.

The point is, the rest of us shouldn't have to subsidize development.

Thank you.

John McInnes

From: Brian Trautwein [btraut@edcnet.org]
Sent: Monday, March 07, 2011 9:48 AM
To: John McInnes
Subject: GWD New Water Supply Charges

Dear John,

Please share with the Board of Directors that I support the proposed increase in the NWSC if it will prevent customers from subsidizing use of state water.

I do not want to subsidize water development, urban development or use of state water. I'm not even sure who all will feel the increase. If it is to pay for state water costs, only the developers who pushed for and benefitted from SWP should pay the increase.

We have an environmental emergency on the Santa Ynez River with the Cachuma Project causing near extinction of the most endangered species in our region – the Southern Steelhead. The GWD should be focusing more of its attention on recovering this species by modifying the Cachuma Project.

Thank you for your attention to these comments.

Sincerely,

Brian Trautwein
4280 calle real #46
SB, CA 93110

March 8, 2011

President Rosen and Directors
Goleta Water District
4699 Hollister Ave
Goleta, CA 93110

RE: Agenda Item #2
New Water Supply Charges---Rate Update

Dear President Rosen:

I appreciate the opportunity to comment on the proposed rate increase because I am not able to attend tonight's meeting.

It is unfortunate that over the last 15 years that GWD only increased the new water supply charge twice, because today, you are faced with a dilemma of drastically increasing that charge and now the District is rightfully getting a huge-push-back from those who will be affected by this proposed rate increase. (Ouch!)

The "bad" news for the development community is that already expensive state water continues to get more expensive. However, the "good" news is that there is water for development and economic growth. Regardless of the cost for "new" water, development must pay its own way. The impact from and burden for new growth must never be placed or even shared with existing customers. Whether it is a new business getting started or a new house being built, current Goleta Water District customers should not be on the hook to subsidize new customers' water supply.

Lastly, your consultant has recommended and you must diligently follow-through on an annual basis to increasing the new water supply charge as the district incurs increased costs. It is not in anyone's interests to defer these increases, as has previously done.

Thank you for your consideration.

Sincerely,

//s// Cecilia Brown
A Goleta Water District Customer

John McInnes

From: Deb Artz [Deb.Artz@sa.ucsb.edu]
Sent: Friday, March 04, 2011 2:53 PM
To: John McInnes
Cc: 'kristen@goletavalley.com'
Subject: Urgent Request to Slow Down on Rate Increase

Dear Mr. McInnes,

As a Chamber Board member; long time UCSB employee; and Goleta resident, I urge the District to slow down a decision next Tuesday to raise rates by 73%.

The immediate and future economic impacts of such a dramatic rise are critical components to instituting such a spike in commercial business rates.

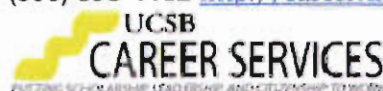
The General Manager has already offered to come to speak to Chamber Members like myself at an upcoming Issues and Policy Roundtable meeting on March 30th at Noon. This will be an important opportunity to explain the consultant's report, thought behind it and the process that was used to come up with the proposed new fees so everyone can understand it.

Thank you in advance for providing the business community and its residents an opportunity to better understand this proposal.

Sincerely,

Deb

Deb Artz
Internship Coordinator, Career Services
University of California, Santa Barbara
(805) 893-4412 <http://career.ucsb.edu>



John McInnes

From: Mike Caldwell [mccaldwell@toyotaofsantabarbara.com]
Sent: Friday, March 04, 2011 3:06 PM
To: John McInnes
Cc: Kristen@GoletaValley.com

Dear Board Members,

While there are many indicators that the economy is improving, as a local business person who deals with dozens of other local small businesses daily, I can assure you that we are a long way from a sustained recovery. Any increase in the cost of business to anyone at this time is prohibitive.

I HIGHLY recommend you delay any rate increase to new businesses until the Goleta Valley Chamber of Commerce can offer you it's significant opinion on the business impact and possible alternative solutions.

Best Regards,

Mike Caldwell

General Manager

TOYOTA of Santa Barbara

5611 Hollister Ave.

Goleta, CA 93117

Phone: (805) 967-5611

Facsimile: (805) 683-5313

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John McInnes

From: Tony Vallejo [Tony@pokcpa.com]
Sent: Saturday, March 05, 2011 8:59 AM
To: John McInnes
Cc: Kristen Amyx
Subject: Rate Hikes

After hearing about the proposed rate hikes (73%!) I felt compelled to email you with a request that the district board delay their decision until the matter can be studied more thoroughly. As someone who is involved with numerous small businesses in the community I can tell you what an immense burden this would create. With our economy just beginning to show signs of recovery it seems that this change would be poorly timed to say the least.

Warmest regards,
Tony Vallejo
Palius + O'Kelley LLP CPAs
5290 Overpass Road STE 220
Santa Barbara CA 93111

805 683-7585

805 845-9758 (direct line)

805 683-7493 fax

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John McInnes

From: n2wrights@cox.net
Sent: Saturday, March 05, 2011 10:26 AM
To: John McInnes
Cc: kristen@goletavalley.com
Subject: Water rate increase

A 73% rate increase for new projects and no increase for existing users seems _VERY_ unbalanced and counterproductive to me. If water rates must increase, so be it, but to dump the entire cost on new projects just isn't reasonable.

I am an existing resident (40+ years). I do not have any interest of any sort, neither direct nor indirect, in any project other than my Goleta residence of 40+ years.

John McInnes

From: Maeda Palius [maeda@pokcpa.com]
Sent: Saturday, March 05, 2011 11:05 AM
To: John McInnes
Cc: Kristen Amyx
Subject: Proposed Water Rate Increase
Attachments: Maeda Palius (maeda@POKCPA.com).vcf

As a business owner in Goleta, I respectfully request that you delay the decision to increase water rates by 73% until you can adequately inform the public and allow for public comment.

Maeda Palius

Maeda Palius



Palius + O'Kelley LLP CPAs
5290 Overpass Road STE 220
Santa Barbara, CA 93111

805 683-7585 ext 101
805 683-7493 fax

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John McInnes

From: Jack Easterbrook [jack.easterbrook@gte.net]
Sent: Saturday, March 05, 2011 4:01 PM
To: John McInnes
Cc: Kristen Amyx
Subject: New Business water rate

JMcInnes,

it is beyond belief that NEW Business would have to pay a premium for water over existing business. I'm a 40 year retiree of Delco Electronics and have NO recall of an incoming business paying a penalty over the existing business. If this theory is installed, then the new tunnel from Cachuma should have a 50 or 100% penalty added to the cost. All New Business will help increase the existing business of the area.

jack.easterbrook@gte.net

Jack E. Easterbrook
5345 Vineyard Rd.
Santa Barbara, CA 93111
(805) 964-1105

John McInnes

From: Patty Pottenger [ppottenger@life-like.com]
Sent: Monday, March 07, 2011 10:41 AM
To: John McInnes
Subject: PLEASE WAIT ON THE 73% RATE HIKE

I would like to hear more about this at the Chamber meeting March 30th at noon. I know there are lots of questions to be answered.

Thanks

Patty

John McInnes

From: Jerry Anderson [janderson@andersys.com]
Sent: Monday, March 07, 2011 10:50 AM
To: John McInnes
Cc: cortney@goletavalley.com
Subject: Water rates

Please do not raise water rates.

Thanks

John McInnes

From: David Corwin [DCorwin@metrotheatres.com]
Sent: Monday, March 07, 2011 11:42 AM
To: John McInnes
Cc: Kristen@GoletaValley.com; tsteuart@metrotheatres.com
Subject: Proposed Water Rate Increase Vote

Dear Mr. McInnes:

We learned just this weekend of the proposed 73% water rate increase. As you can imagine, this would have a significant adverse affect on our business. We ask that you please delay the vote on the increase a few weeks to give home and business owners the opportunity to properly review the issues so a productive discussion on the matter can be had.

Thank you for your consideration.

Sincerely,

David Corwin
President
Metropolitan Theatres Corporation
8727 West Third Street
Los Angeles, CA 90048

John McInnes

From: Matt LaBrie [matt@lynxproperty.com]
Sent: Monday, March 07, 2011 12:05 PM
To: John McInnes
Cc: Kristen@GoletaValley.com
Subject: New Water Service Rates

Mr. McInnes,

The proposed increase to new service connections is a huge surprise. We urge you to delay any decisions on this matter until the public has had adequate time to investigate and respond to the potential impacts of this dramatic rate hike.

Your consideration is appreciated.

Sincerely,

Matt LaBrie



924 Laguna Street, Suite B, Santa Barbara, CA 93101
805-966-2854 ex.107 office
805-966-5254 fax
805-896-4879 mobile

Matt@LYNXproperty.com www.LYNXproperty.com

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John McInnes

From: Glenn Avolio [glenn@silentpicturessb.com]
Sent: Monday, March 07, 2011 12:24 PM
To: John McInnes
Cc: Kristen@GoletaValley.com
Subject: Please wait!

To the Goleta Valley Water District Board,

Please hold off on your planned consideration of a rate increase until after you have made presentation to the GVCC and have given them time to consult with their members and respond.

Thanks for your consideration in this serious matter.

Glenn Avolio
Long time resident, business owner and Goleta water district customer

John McInnes

From: Movegreen [info@wemovegreen.com]
Sent: Monday, March 07, 2011 2:43 PM
To: John McInnes
Cc: kristen@goletavalley.com
Subject: Water Rates

To the Water District Board,

Increasing water rates 73% is absurd. This should be done over several years and not all at once. I am not against any rate increase. I am just against a 73% increase.

All the best,

Patrick Wilkinson, CFO
Movegreen, Inc.
805.845.6600 ext. 2
747 S. Kellogg Ave., Goleta, CA 93117
www.wemovegreen.com

Interstate Agent for Stevens Worldwide Van Lines
www.stevensworldwide.com

Please think of the environment before printing this email.

John McInnes

From: David Krier [dkrier@cacsb.com]
Sent: Monday, March 07, 2011 3:22 PM
To: John McInnes
Cc: 'Kristen@GoletaValley.com'
Subject: New businesses water rate

We are an old business in Goleta. However, I believe we need to make this rate change much more slowly and make it **easier** for new businesses to come into the Goleta area, not harder. Goleta needs the jobs and the business. Consider waiting at least until you have Chamber Businesses educated as to why this might be necessary.

Dave

David Krier, Director Communication, Planning and Development
Community Action Commission of Santa Barbara County
5638 Hollister Ave. Goleta CA 93117
Voice 805 964-8857 x 115
Fax 805 683-5872
Cell 805 896-7313

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John McInnes

From: John Ruskey [johnruskey@sbcglobal.net]
Sent: Monday, March 07, 2011 4:27 PM
To: John McInnes
Cc: 'Fran Farina'
Subject: Comments and Objections to Report on NWSC

COMMENTS AND OBJECTIONS TO THE ADOPTION OF THE NEW WATER SUPPLY CHARGES (NWSC) BEING PRESENTED FOR APPROVAL BY THE BOARD OF DIRECTORS AT THE MEETING SCHEDULED ON MARCH 8, 2011.

The following comments and objections to the adoption of the new rates for the existing NWSC by the Board of Directors at the meeting scheduled for March 8, 2011, are being made by Jack Ruskey, a customer located on the District's West Conduit , who receives raw untreated water from the Goleta Water District(GWD).These comments and objections are being sent to the General Manager of the District to be immediately distributed to each of the Directors of the District, and any other interested persons , for purposes of the discussions and decisions scheduled for consideration of the proposed new rates on the existing NWSC, at the meeting on the 8th and at all subsequent meetings concerning the adoption of the proposed new rates for the NWSC. The following written comments and the anticipated oral comments which I intend to make at the meeting on March 8th are to be incorporated as part of the administrative record concerning the adoption of the proposed NWSC. These comments may be added to if there are appropriate responses to pending requests for certain Public records which are directly related to the facts set forth in the submitted Report of CDM.

STANDARD OF REQUIREMENTS OF REPORT OF ENGINEERING CONSULTANT CAMP DRESSER MCKEE (CDM) AS TO RECOMMENDED CHANGES TO THE EXISTING RATES OF THE NWSC.

The Report of CDM must consider all relevant factors and demonstrate a rational connection between those factors and the proposed new fees. The failure to do so makes the adoption of the Report and its recommendations by the Directors of the GWD as being arbitrary, capricious and entirely lacking in evidentiary support.

The Report and calculations of CDM, presented as item #2 pages 1 through 18 on the Board's agenda, fail to consider all relevant factors and thus there has been no rational connection made between those omitted factors and the proposed increases in the proposed NWSC fees. The adoption of the CDM Report and calculation in the form presented is not legally permissible and to do so will be an arbitrary and capricious act lacking in evidentiary basis and thus an improper action by the District as a matter of law.

The following two omitted factors which directly apply to the determination of the proposed new NWSC fees are the following:

1. The terms of the contract between the United States and the Santa Barbara County Water Agency providing for water service from the Cachuma Project dated April 14, 1996, herein after referred to as the BUREAU CONTRACT.
2. The various terms of the District's Ordinance No. 91-01 entitled SAFE WATER SUPPLIES ORDINANCE, herein after referred to as SAFE.

There are several other items in the CDM Report which appear to be factually incorrect and are in need of verification before they can be used as a basis in the calculations of the proposed new rates for the NWSC. These deficiencies will be fully set forth below.

The CDM Report makes no mention at all as to the BUREAU CONTRACT and only has a brief reference to SAFE. There is absolutely no discussion of these two Keystone documents which have provisions which directly interface with the analysis of the fees being proposed to be adopted as NWSC as it applies to the use of State Water and the specific charges for irrigation water and its use by agricultural customers of the District. The failure to do any analysis of each of the above described documents invalidates the analysis and recommendations of CDM.

RÉLEVANCE OF THE ABOVE DESCRIBED OMITTED DOCUMENTS AS BEING FACTORS IN FIXING THE PROPOSED NEW FEES FOR THE NWSC AS IT APPLIES TO WATER USED BY THE DISTRICT'S AGRICULTURAL CUSTOMERS.

1. First, as to the BUREAU CONTRACT, the terms and application of the contract insure that water required for irrigation will be supplied to the farmers of the District from the Cachuma Project Water and thus the agricultural customers of the District do not receive or need any State Water. Thus, it is improper to seek to have any new rates for the existing NWSC based upon the cost of State Water. The Bureau contract per its recitals was entered into under the Federal Reclamations laws for the benefit of the Goleta Water District and

other water agencies located in Santa Barbara County. The purpose of the cited Federal Reclamations Laws was to provide irrigation water to the arid western lands .Without the existence and needs of the local farmers there would have never been any Cachuma Project. The urbanization of the South Coast has greatly reduced the number of farmers entitled to irrigation water, but the facts remain that the Cachuma Project was and is currently for the primary benefit of the local farmers. The use by the urban customers (M&I water) is a secondary purpose behind the primary purpose of the Project. The Bureau Contract requires that the bureau provides the required irrigation water for the use in the acreage described as "Eligible Lands" which are to receive irrigation water located within the GWD per page 9 and 10 of the contract. The GWD has the obligation per the contract terms to designate to the Bureau of Reclamation which lands located within the District are eligible lands and thus are entitled to receive Cachuma Project Water which is to be exclusively used for irrigation by the District's customers. The District has per the contract designated periodically to the Bureau which lands within the District are to receive irrigation water. Since the inception and receipt of State Water by the District, I am informed and believe upon the public records that I have reviewed and conversations with knowledgeable persons that all of the water used within the GWD for irrigation purposes has been supplied from the Cachuma Project Water and none from State Water. I am further informed and believe that the actual amount of lands qualifying for irrigation by Cachuma Project Water is greater than the amount of Cachuma Project Water ordered by the District. It appears that over recent years the total use of water used for irrigation within the GWD has on the average remained relatively constant and there are no facts to justify any estimate, as used by CDM in its Report ,that the future use of irrigation water will increase by 12% per calculations used at page 9! This assumed 12% increase is a factually unsupported conclusion and contrary to estimated irrigation water use in other documents prepared by the GWD for its long term planning purposes.

In conclusion, the BUREAU CONTRACT, the provisions of which have not been considered or discussed in the Report of CDM, clearly established the charging of State Water to customers of the District who use irrigation water is clearly not legally permissible since it would be charging for a service not used by said customers. The Omission of any analysis makes the report fatally flawed.

2. Next, as to the provisions of SAFE, which is basically ignored in the CDM Report, set forth various legal requirements of the District that can only be changed by the majority vote of the voters of the District and such requirements cannot be amended or repealed by the acts of the Directors. SAFE is a relevant Factor in the NWSC analysis in that it is the legal basis upon which the GWD entered into the required contracts and then borrowed funds which were required to obtain State Water. The purpose of SAFE, as specifically set forth in the body of the Ordinance, was to set forth the ways and means to provide a long term solution to the existing drought

emergency and to the ongoing water shortage within the County of Santa Barbara. The means was to obtain State water to create a "Drought Buffer" after providing service to "its existing customers" by having committed at least 2000 acre feet per year of its water supply to the central basin as a "Drought Buffer" The Drought Buffer was to be used only for its "existing customers" in the event of a drought on the South Coast. It further provide that;"THE DROUGHT BUFFER CANNOT ,UNDER ANY CIRCUMSTANCES ,BE USED BY THE DISTRICT AS A SUPPLEMENTAL WATER SUPPLY TO SERVE NEW OR ADDITIONAL DEMANDS FOR WATER WITHIN THE DISTRICT."(EMPHASIS ADDED)

THE ORDINANCE FURTHER PROVIDES THAT UPON THE CENTRAL BASIN WATER LEVELS RISING TO 100% OF ITS 1972 LEVELS, THE DISTRICT MAY UTILIZE THE YIELD OF THE CENTRAL BASIN TO LOWER THE COST OF WATER SERVICE TO EXISTING CUSTOMERS. (EMPHASIS ADDED)

The District as part of SAFE adopted a WATER DISTRIBUTION PLAN. Under said Plan

If various conditions were met, the District could then issue new POTABLE WATER SERVICE connections to any property not previously served.(emphasis added) It needs to be pointed out that there are no pipelines or District facilities in existence which would allow potable water service to be delivered to the customers on the District's West Conduit. The sole existing main pipeline of the District serving the West Conduit is only allowed under California Health Laws law to transport raw untreated non potable water! Potable and Raw untreated water cannot use the same transmission lines!

In conclusion, SAFE was adopted by the voters to acquire State Water for use as a drought buffer. Accordingly if any new service connection was requested for irrigation water, the supply for that connection would be available per the Bureau Contact and no State water would be needed for said new connection. Thus to require local farmers to pay for State water per the proposed new rates of the existing NWSC is illegal in charging a customer for a benefit they do not receive.

FACTS RELIED UPON IN THE CDM REPORT AND CALCULATIONS WHICH APPEAR TO BE INACCURATE.IF THE FACTS ARE NOT ACCURATE, THE CALCULATIONS AND RECOMMENDATIONS ARE NOT VALID.

The following section of the CDM Report contains the following facts which appear to be inaccurate.

1. Table 2b Goleta Conduit Fixed Asset Value, page 11.

The above referred to table states that the T & D Mains had an original Cost of \$2,470,862 and depreciation of \$2,174,359 with an OCLD of \$296,650. As explained below, the above amounts are not supported by the actual financial books and records of the District! The undersigned pursuant to a Public Records Request on December 22nd asked for the records of the District reflecting the actual costs concerning the fixed assets used to serve the West Conduit. After the initial refusal by the District staff to provide the requested records, I demanded a meet and confer at the District's office to ascertain what records were available. The meeting was with Fran Farina, George Eowan and Matt Anderson on February 8th. To my not great surprise considering my past dealings concerning the financial records of the District, I was told that the District had no accounting records which showed the actual information showing the historical costs of the distribution system and the amount spent on repairs and maintenance on the system that served the West Conduit. The only document they could locate was a letter from November 1, 1957 which is set forth in full below.

JAMES M. MONTGOMERY
RUSSELL C. KENNER
WILLIAM W. AULTMAN
JACK E. MCREE
WILLIAM J. CARROLL, JR.
JOHN B. FEE
EARL B. WAGNER
WILLIAM O. MATHIS
PHILIP ABRAMS
FRANK D. MYERS
KENNETH I. MULLEN
GEORGE S. LEOPOLD
A. GENE RHEAULT

JAMES M. MONTGOMERY
CONSULTING ENGINEER
535 EAST WALNUT STREET
PASADENA · CALIFORNIA
RYAN 1-5619 · SYCAMORE 3-7128

INVESTIGATIONS AND REPORTS
PLANS AND SPECIFICATIONS
SUPERVISION OF CONSTRUCTION
SUPERVISION OF OPERATION
MANAGEMENT VALUATIONS

November 1, 1957

Board of Directors
Goleta County Water District
Post Office Box 305
Goleta, California

Gentlemen:

Submitted herewith is an engineering report on the proposed construction of the Goleta-west Conduit and the Ellwood Distribution System, for proposed Improvement District No. 2. The purpose of the report is to serve as an application for a loan from the Federal Government under Public Law 984 (Small Reclamation Projects Act of 1956).

The detailed findings of the report are presented in the summary. In general, it can be stated that **the project is feasible** both from an engineering and economic viewpoint, with a high benefit to cost ratio. The total project cost is estimated at \$2,147,000. Of this amount \$2,080,000 would be required through a loan under Public Law 984.

We wish to thank the following people for their hearty cooperation and assistance in the preparation of this report:

Mr. Don P. Johnston, General Manager and Secretary of the District, and his staff,

Mr. Robert Jones, Attorney for the District,

Mr. Frank L. Howland, Mr. Jack Jorgenson and Mr. William Kohl of the Bureau's Sacramento office, and

Mr. Rex Reed of the Bureau's Denver office.

It is recommended that this report be submitted to the Secretary of the Interior in support of the District's application for a loan of \$2,080,000, under Public Law 984.

Respectfully submitted,

JAMES M. MONTGOMERY
Consulting Engineer

dc

Enclosure


James M. Montgomery

As set forth in the letter, its purpose was merely an estimate to be used as a loan application to the Secretary of Interior. There is no reason to believe or assume that his report gave any accurate information as to the cost of the assets of the West Conduit. Hardly the basis for the information set forth in the CDM calculations and Report. There were no footnotes or language to explain that the amounts set forth were not amounts taken from the financial books and records of the District. The above, if the figures used on the total of the asset values were derived in some fashion from the November 1, 1957 letter, then the conclusions reached as to the new rates for the NWSC as to the West Conduit are fatally flawed. In addition, the validity of CDM's entire report and conclusions are severely tainted and would be subject to a motion to strike if the recommendations are adopted and there is a judicial review of the decision of the District to adopt the recommendations.

The Report and calculations at page 9, under Table 1b Current & Buildout use of Goleta West Conduit System, the CDM Report states as a fact "the current use of the CWC system is 1,098 AFY, including both Agricultural and CONVEYANCE CUSTOMERS" (emphasis added). The use of "conveyance customers" as part of the water use by agricultural customers appears to be an intentional artificial inflation of the total water use through the West Conduit. The conveyance customers must be the euphemistic term coined by CDM to cover the water used and paid for per the various Wheeling Agreements between the District and various customers who pay a special contract charge to the District for the transportation of water that is not part of the District's supply. State law mandates that a water District transport other people's water to customers located within the District and are to be paid the actual cost of the transmission of said water. The undersigned is aware of several customers who have purchased their own share of State Water and another customer who purchased water from the water rights owned by the Bishop Ranch. I have requested the information concerning these agreements per a Public Records Request dated February 21st and was told that the requested documents would not be supplied to me until March 17th. Thus currently I do not have the records for the amount of water attributed to these wheeling Agreements which has been lumped together with the water usage of agricultural customers per the CDM Report. In any event not one drop of water per the district's wheeling agreement is properly considered part of the water use of the West Conduit for two reasons. First, it is not the District's water which is being conveyed and any costs of the conveyance of the water are to be reimbursed to the District per the terms of the Wheeling Agreement. Including the water of these customers is a classic "double dip" as to recovery of costs. Why have not the above errors in analysis have not been caught by the members of the staff, including the General Manager, and then Directors Rosen and Cunningham, as the Administration committee members, who specifically reviewed the CDM Report and calculations at their meeting and then recommended its adoption by the full Board?

No one is trying to protect the interests of the public as to the recommended increases to the rates to be charged for the NWSC.

A comment is warranted as to the proposed language of ORDINANCE NO. 2011 which is attachment 2, at page 19 of the agenda. The CDM report at page 3 concludes with the following statement: "This non-operating revenue would be used exclusively for state water and capital projects which accommodate future growth." The proposed ordinance makes no

mention of this recommendation. Why not? In addition, has there been any legal analysis and opinion issued as to whether the GWD proposed rates for the NWSC are exempt from the provisions of California Government Code Sections 66000-66024 as mentioned at the discussion of CALCULATIONS GUIDELINES at attachment 1, page 7? If no legal opinion has been requested and given, why not? The District should want to know the full scope of the legal consequences of the adoption of the recommendations of CDM. The CDM Report gives no assurance that the proposed rates are to be exempt from the above mentioned sections of the Government Code. It is not prudent to proceed without a legal opinion as to the above since there is many provisions of said government code sections which some of the directors find onerous for the District. The language of these sections has not been presented to the directors for their review per the proposed adoption of CDM's recommendations.

In closing, however every cloud has a silver lining and for the first time there has been a specific examination as to the fact of there being three separate and distinct water systems that are required to be charged separately for any NWSC. Specifically the agricultural users on the West Conduit are not to be charged with any of the expenses of the potable water system. Thus the current "blended" amount used for all customers under the existing rates per the NWSC are invalid as to charging some customers for services they are not using.

Jack Ruskey

March 7 2011

Note: To those receiving the above by email. You should disregard the attachment to this document which has as its sole content the copy of the November 1 1957 letter which is fully sent forth above.

John McInnes

From: Debbie Cox Bultan [Debbie@CoastalHousing.org]
Sent: Monday, March 07, 2011 7:56 PM
To: John McInnes
Subject: Coastal Housing Coalition comment on proposed GWD rate increase

John,

Hope you are well.

On Friday, the Coastal Housing Coalition became aware of the Goleta Water District's discussions regarding a significant rate increase.

As an organization concerned about meeting the housing needs of local South Coast workers, we have questions about whether - and if so how - the proposed increase would impact any new residential development or redevelopment.

We respectfully encourage you and the Board to postpone any action on the proposed rate increase until the community has had more time to review your consultant's report released last week, and until the Board is able to both educate and encourage community input about the likely impacts of such a significant rate increase.

Thank you,

Debbie Cox Bultan
Executive Director
Coastal Housing Coalition
805-882-1475
www.voicesforhousing.org

John McInnes

From: Ann Ostrowsky [anno55@yahoo.com]
Sent: Tuesday, March 08, 2011 3:22 AM
To: Fran Farina
Cc: John McInnes; Beth Horn
Subject: ToGWD Proposed Destructive Increase of Water Rates on Mar8,2011

Date: Monday, March 7, 2011
Ann Ostrowsky

291 Salisbury Avenue
Goleta, CA 93117
March 7, 2011

Directors
Goleta Water District

We have all been struggling to survive in an economic climate that should probably be called by its proper name a "Depression."

Now, just now, there has begun to appear a faint promise that things may be starting to improve. But the recovery, if it is a recovery, is still very weak. It has to contend with drastic cuts in services in all public sectors. With great reluctance the city, the county, and the state have cut and cut again into budgets. There is no more fat to be trimmed.

What is essential? We used to think that Police and Fire Protection, Public Education, Water and Sewer services, were all essential. And now these are also getting chopped. And the price of gasoline, which is an essential "lubricant" in all commercial and agricultural activities, and contributes directly to the cost of EVERYTHING, is being jacked up way beyond the point anyone ever expected it could possibly go.

I mention all this to point out that this community's well-being right now is balanced on a knife-edge. Its economic viability for a long time to come may well depend on what is or is not done here. Make no mistake: I believe that the decision before the GWD Board today could be the straw that breaks the camel's back. The survival of desperately needed local agriculture and commerce in the Goleta area is in serious danger, and now is NOT the time for the GWD to make a decision which could push it over the cliff.

I respectfully request that you defer this decision until such time as all the facts and possible options have been adequately laid before the public. We need time to discuss this proposal and communicate with others in our community who have a

right to be aware of and involved in such a serious decision.

Let us all get involved before making such a dramatic move and change.

Thank you in advance for your much hoped for, sincere and serious thoughtful consideration.

I will do my best to get there but the cold windy weather may make it impossible for me to attend.

Ann Ostrowsky (public citizen)

Resident and rate payer since 1968

John McInnes

From: Sherm Ostrowsky [shermo7@cox.net]
Sent: Tuesday, March 08, 2011 10:03 AM
To: John McInnes; Beth Horn
Subject: To GWD concerning pending huge rate hike

291 Salisbury Avenue
Goleta, CA 93117
March 7, 2011

Directors
Goleta Water District

I am appalled to learn that the GWD is preparing to raise water rates by an amount that nearly doubles the previous rates.

I am aware that the GWD, along with almost all other governmental agencies – and, let it not be forgotten, almost all ordinary citizens – is hurting for cash. But I am not convinced by the evidence I have seen to date, that there is no other recourse except this draconian measure. Now it may indeed be the case that there **is** no other recourse, but I believe that the Board should produce convincing evidence of this before committing to such a step.

It has been my impression, over the past few years, that the GWD has not been as careful with their financial operations as they should have been. They are not responsible for this abominable economic situation, but they **are** responsible for questionable steps both taken and not taken, which might have ameliorated the current situation.

I would like to request that this decision be deferred for a period of time long enough for all interested customers to study the facts and hear about possible alternative actions. Before taking a step that is likely to have drastic economic consequences to agriculture, business, and ordinary citizens in Goleta, please wait a while. Let the concerned public study the data.

Thank you.

Howard S. Ostrowsky
Goleta resident since 1972

John McInnes

From: Glenn Parks [plccglenn@earthlink.net]
Sent: Tuesday, March 08, 2011 11:33 AM
To: John McInnes
Cc: 'Larry Edwin Parks'; laxtell251@aol.com; 'Catherine Epperson'; 'Carolyn Parks'; 'Tim Parks'; 'LOVEY 2ONE'; 'Susan F Petrovich'; 'John Ruskey'; 'Jennifer Bishop'; 'Nicole Axtell'; gmora@wildblue.net; glennaxtell@yahoo.com
Subject: 3-8-11 GWB meeting

Goleta Water District Board:

Will you please distribute my email to all Board Members, before the 5:30 meeting tonight, and that my letter be included in the public record

The Parks Land & Cattle Company has been a GWD customer since 1970. We own 770-acres in the Las Varas Canyon, and have 300+- acres of planted, mature Hass avocados. The avocado income is our main source of income. We use efficient mini sprinklers, and irrigate only when weather conditions demand irrigation. Our GWD statements show we use from annual \$142k in 2007; to \$171k in 2008; to \$102k in 2009 & \$110k in 2010; per year, depending **on weather!** The last 2-years, plus current 2011 we have had early rains in October; and should have another below average water use year!

I certainly oppose your suggested "New water supply charge" for Agric. when we rely on the weather that changes and suggest how much we irrigate. I remember that Bradbury dam was built with Federal funds for Agric irrigation!

I have replanted trees that have died, but that should not qualify for any "new water supply charge". Please note these replanted trees may be planted in new areas. Replanting in old areas may increase risk of Fungus!

The GWD has replaced some of my water meters, but I did not request the change! I have no idea why GWD changed them? I have a larger water meter charge?? There were 4 two-inch meters on ranch-1 when I bought in 1970, Now I have 2 two-inch meters & one three-inch meters. I'm sure the 3-inch meter cost more. Should I compare with the original 4 two-inch meters.

We are on the West Conduit, and believe we receive un-treated water direct from lake Cachuma and not the more expensive treated water (potable) for domestic use.

It is a struggle to stay alive farming today! But then I also don't care for new houses, that GWD forces me to look at with higher water costs! One certainly couldn't afford to run cattle either and pay SB Co taxes on AG land today. I noticed a article in the S.B. News Press regards to Las Varas Ranch development! Another example of more cost if you own land! Now the GWB with it's ridiculous "new water supply charge"! What will you dream up next!

We have had 6 months of rain this year, thank you dear Lord. If next year we receive less rain, we will have to irrigate more, that is not an excuse to apply the "New water supply charge", and I will protest in court if I have to! That is not a reasonable way to charge higher water rates!

I certainly support Mr. Jay Ruskey letter to the GWB! Thank you for your consideration and please reject this crazy concept. I may be a farmer, but not a 3rd grader. I am a proud 3rd generation Parks farmer, and hope my three great grandsons, and three great grand daughters; will follower the Parks tradition to keep the farm land raising food!

Glenn E Parks
555 Las Varas Canyon Road
Goleta, Ca. 93117



March 6, 2011

CITY COUNCIL
Margaret Connell
Mayor

Edward Easton
Mayor Pro Tempore

Roger S. Aceves
Councilmember

Michael T. Bennett
Councilmember

Paula Perotte
Councilmember

CITY MANAGER
Daniel Singer

Mr. Bill Rosen, Chair
Goleta Water District
4699 Hollister Avenue
Santa Barbara, CA 93110

RE: Proposed Update to Water Supply Charge

Dear Chair Rosen:

The City of Goleta appreciates the opportunity to comment on the Board's consideration of new water capacity charges as identified in the March 8 staff report and corresponding engineering report by Camp Dresser McKee (CDM).

The potential increase in water capacity charges will have a significant detrimental effect on future City projects as well as future private development within the City. That impact is most clearly seen in the case of efforts to establish affordable housing opportunities in Goleta. Given the Districts' recent concerns with revenues it is inconsistent to establish charges that would economically limit, if not eliminate, future hookups.

With such an important consideration before the Board, please allow reasonable time to fully inform the public and receive their input. We ask that the meaningful consideration of any viable alternative that may have a lesser effect on future development be fully vetted by your Board.

Should the Board elect to move forward with action at this time, the City requests that careful consideration is given to the alternative set forth in the CDM study. The alternative (found on page 14 of the report) calls for smaller and more frequent changes to the charge for the first five years. At a minimum, this approach is a reasoned approach to implement an otherwise large and sudden increase.

Sincerely,

Margaret Connell
Mayor

cc: Goleta City Council

NELSON LAW FIRM
735 STATE STREET
SUITE 212
SANTA BARBARA, CALIFORNIA 93101

JEFFREY C. NELSON

Phone (805) 845-7710
Jeff@jeffnelsonlaw.com

Goleta Water District
Board of Directors
4699 Hollister Avenue
Goleta, CA 93110

Via E mail

Re: New Water Supply Charge
Agenda item No 2

Dear President Rosen and Directors,

The purpose of this letter is to provide some initial input on your proposed new water supply charge.

I was one of the attorney's for overlying land owners in the Wright vs. Goleta Water District suit. Goleta Water District's first water sources were well water from the Goleta North-Central groundwater basin and water collected in Lake Cachuma and transported to the Central Coast. Both of those water sources were relatively inexpensive. GWD did not control the groundwater basin which by State law afforded priority to overlying landowners.

When GWD imposed a moratorium on new water service some 40 years ago it prompted litigation as overlying landowners went to court to validate their priority right to use the groundwater basin. The ultimate disposition and settlement of that suit gave GWD the right to manage the groundwater basin and use it as a storage facility to enhance its utility when abundant rain fall provided opportunities for injection into the basin.

The bargained for exchange of overlying property owners giving up rights to wells and transferring to GWD the right to manage the District was that overlying owners were given the right to meters at a reduced cost from the District as State water was not required for these overlying land owners. They had a cheap source of water available to them, the water sitting under their property to which they had first priority from the terms of the Wright judgment¹. The GWD management of the basin has been successful in allowing GWD to store water in the basin and manage it efficiently.

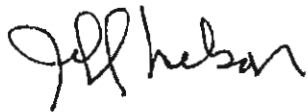
¹ "The lands overlying the Basin owned by the Overlying Owners have primary, paramount and superior, present and future rights, correlative with all other Overlying Owners to any right of the Water District, La Cumbre or any other appropriator to extract the water of the Basin." Wright vs. Goleta case # SM57969 [Formerly 101485, page 122]

Consequently there are parties that have rights to water meters that relate to this Judgment and the bargain struck at that time. If GWD failed to honor those promises done to give it control over the groundwater basin there would be legal consequences from that action.

Additionally several projects have been in the process of governmental and public review for many years (in contrast to the review period for this proposed actions) and those long pending projects may have rights concerning the rate structure of new water service.

These issues will play out over time. This is just a notification to the District that other considerations may influence specific costs of new water service for parties in special categories or circumstances.

Very Truly Yours,

A handwritten signature in black ink, appearing to read "Jeff Nelson", written in a cursive style.

Jeffrey C. Nelson

**Brownstein Hyatt
Farber Schreck**

March 8, 2011

Peter N. Brown
Attorney at Law
805.882.1401 tel
805.965.4333 fax
PBrown@bhfs.com

VIA E-MAIL

The Honorable Board of Directors
Goleta Water District
4699 Hollister Avenue
Goleta, CA 93110

RE: New Water Supply Charge
District Board Meeting of March 8, 2011

Dear Members of the Board of Directors:

Our office represents a number of clients who are proposing new development in the Goleta Valley or the City of Goleta. We ask that you consider the following comments regarding your Board's consideration tonight of proposed increases in the new Water Supply Charge.

Over the last several years, your Board has done a very good job of making District operations more transparent to the public. Examples of this are the publication of more detailed agenda descriptions and the inclusion of formal staff reports for matters that are listed on an agenda. These actions build public trust in the District's operations and allow informed public comment on items of business that your Board considers.

On tonight's agenda, your Board is considering approval of a very substantial increase in the New Water Supply Charge ("NWSC"). Although the technical report underlying your staff's recommendation has been under preparation for over five months, your Board has provided the public with only six days notice that it will consider this issue. The technical report prepared by CDM is complex and relies on extensive backup data; the general public, and certainly our office, has not had adequate time to review it prior to tonight's meeting. Therefore, we respectfully request that the Board continue this matter for an adequate period of time to allow review of the technical report and informed public participation in your Board's review of this matter.

Government Code section 66016(a) requires that the amount of the New Water Supply Charge not exceed the cost required to provide the service for which the charge is levied. While on the surface this sounds simple, in practice it means that if the assumptions or calculations in the technical report are incorrect, the NWSC will be considered an unlawful tax. The numbers don't "speak for themselves," since they are only as good as the assumptions

which underlie them. Therefore, we believe it is in your Board's best interests to allow adequate time for a full public understanding and review of the proposed NWSC increases.

The NWSC is imposed to support the construction of public improvements to deliver water to the District's customers. One important requirement under the law is that a "capacity charge" such as the NWSC can be assessed to new development only as to new development's proportionate responsibility for the need for such capacity improvements (see Government Code section 66013(b)(3)). From the brief time we have had to review the CDM technical report, we think a number of legal issues are raised:

- The largest component of the updated NWSC is the District's cost for participating in the State Water Supply contract. State water, of course, is available to all District customers, not just new customers (i.e. all District water supplies go into the same District facilities). This means that new District customers should only be paying their pro rata share of state water contract costs, not the whole amount as proposed under the NWSC.
- Is state water intended to provide the drought buffer required by the SAFE Ordinance? If so, is it the District's position that the drought buffer is reserved for existing development, not new development? If the answer to this question is yes, how can new development be assessed for a resource that it cannot use?
- The District's existing customer base must bear the largest responsibility for the costs of state water and the costs to maintain District facilities, since new development will end up being a relatively small proportion of overall District demand. It is District water rates that must provide the funds necessary to recoup the proportionate share of costs for existing District customers. We understand that your staff plans to bring consideration of increased water rates before your Board in the very near future. Only by comparing how the District is apportioning responsibility for increases in state water and District facilities costs between existing and new development can your Board be sure that you are in compliance with legal requirements. For this reason, we believe you should consider the NWSC increases and existing customer rate increases together so that your Board and the public understands the full picture and that you can be sure that you are in legal compliance.
- The technical report appears to require new District customers to pay for the "value" (in current dollars) of the District's water system. This is not the proper measure to use; new development should only contribute its fair share to buy into what it cost the District to install the facilities at the time they were constructed.
- Under the law, while new development can be required to pay its pro rata share for the construction of new capital facilities, it cannot be compelled to pay for either ongoing maintenance or correction of existing deficiencies, since those have been created by existing development. The technical report does not set forth in detail the capital improvement projects that would be constructed with NWSC revenues; it must do so in order to insure that new development is not being required to pay for routine maintenance or existing deficiencies.

- Since the NWSC is a capacity charge, the Government Code requires that all NWSC payments that the District receives be placed into a separate fund which is expended only for construction of capital facilities (i.e. physical improvements to the District's water system). This is a legal requirement. Your District has been receiving NWSC payments for a number of years; such payments cannot be used for operating expenses. While your staff report states that future NWSCs will be used solely as non-operating revenue, has this been the practice since the NWSC was first instituted 15 years ago?

Finally, Government Code section 66016 requires that the data supporting the NWSC increase be available to the public at least 10 days prior to tonight's meeting. Although the technical report was presented to the Administration Committee on February 23rd, consideration of the report by a subcommittee does not provide notice to the public that your Board itself will be considering the report. We believe the law requires that the report be lodged with the Clerk of the decision-making body (i.e. your Board) in connection specifically with *your Board's* consideration of this matter and 10 days prior to your Board's meeting; proper 10-day minimum availability of the report is a legal requirement before your Board may take action.

For all these reasons, we request that your Board take no action on the New Water Supply Charge at this time, and continue this matter to a later Board meeting, hopefully one scheduled concurrently with or after you consider new overall rates for existing District customers. We believe this continuance should be for a substantial period of time so that adequate review of CDM's technical report can be conducted and the above questions answered.

Thank you for your consideration of this matter.

Very truly yours,



Peter N. Brown

Cc: John McInnes, GWD
Fran Farina, District Counsel

Goleta Housing Leadership Council

C/O 7284 FORDHAM PLACE, GOLETA, CA 93117 (805) 685-1949

March 8, 2011

John McGinnes
General Manager
Goleta Water District
4699 Hollister Avenue, Goleta, CA 93110

Dear Mr. McGinnes:

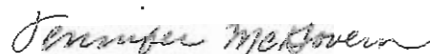
We have become aware of the proposal for the Goleta Water Board to increase water rates by 73% for new users, which will be considered by the Board this evening. As an advocacy organization that supports affordable and workforce housing in the greater Goleta region, we are deeply concerned about the potential negative impact of the proposed rate hike on affordable housing production.

The proposed water rate increase, which would place the majority of the burden of paying for the costs of community-wide supplemental water needs on new users, may erect an insurmountable obstacle for the production of affordable and workforce housing in the Goleta Valley. Lower income households would not be able to afford a 73% increase in water bills. This rate increase might also act to encourage the production of luxury housing for higher income households rather than a range of housing needed to meet our State-mandated Regional Housing Needs Allocation. An additional issue to consider is whether the policy would create a disparate impact on indigent and minority households and thus have implications under Fair Housing Law.

There may be several unintended consequences of the proposed policy that the Board and general public need to consider. Our advocacy organization and other members of the public simply have not had adequate time to fully review and analyze the proposed policy change.

We would ask that the Board delay any action on this item and allow adequate time for public review and discussion on this seminal new policy that will substantially increase water rates for new users.

Sincerely,



Jennifer McGovern
Goleta Housing Leadership Council

Brownstein | Hyatt
Farber | Schreck

March 8, 2011

Susan F. Petrovich
Attorney at Law
805.882.1405 tel
805.965.4333 fax
SPetrovich@bhfs.com

VIA EMAIL TO JMCINNES@GOLETAWATER.COM

Board of Directors
Goleta Water District
4699 Hollister Avenue
Goleta, CA 93110

RE: March 8, 2011 Board Hearing re New Water Supply Charge

Dear Honorable Members of the Board:

Brownstein Hyatt Farber Schreck represents the Doheny family and other farmers within your District. On their behalf, we hereby request that you take testimony today but continue your hearing on the New Water Supply Charge to a future date that gives the public adequate notice and opportunity to review your staff report and CDM's analysis.

The New Water Supply Charge Hearing Has Not Been Adequately Noticed

Although the CDM report was presented at a Special Meeting of the Administrative Committee on February 23, 2010, the general public was not aware that the Board intended to adopt an ordinance that enormously increases the New Water Supply Charge today. In fact, the agenda materials for today's meeting include a staff report that was not available during the Administrative Committee meeting.

The Agenda Materials Fail To Adequately Explain The Basis For The Substantial NWSC Increase

The proposal represents a change that will have widespread repercussions and demands further public input and careful Board consideration. The proposal, staff report, and CDM report raise substantial issues. First, neither report explains why the existing New Water Supply Charge was calculated incorrectly. Second, the report fails to provide a basis for the West Conduit facilities value. For example, the facilities are used to deliver wheeled water, yet the analysis fails to assign to the recipients of that water any portion of the facilities value. Third, the analysis assigns to agricultural users, whether located on the West Conduit or in the heart of the District's potable system, a share of State Water Project (SWP) costs without regard to the fact that the Cachuma water deliveries ordered by the District each year include a standing order for 2858 AFY of irrigation water. Because of gradual conversion of agricultural lands to urban uses and because of agricultural operators' use of state-of-the-art conservation measures, only a portion of the ordered irrigation water actually is used for agricultural irrigation.

The proposal also includes a provision for annual increases without explaining adequately how and why such increases are justified.

No Agricultural Irrigation Meter Should Be Subject To A New Water Supply Charge, At Least Until Irrigation Deliveries To District Customers Reach The Historic Heights Reached By Irrigation Water Deliveries From Lake Cachuma

The Bradbury Dam and Lake Cachuma were built by the U.S. Bureau of Reclamation for agricultural irrigation, with domestic water being a secondary use. The use of agricultural irrigation water within the District has declined markedly in recent decades, resulting in the deliveries of irrigation water from Lake Cachuma being far below the amount historically reserved for agriculture. Unless and until total agricultural deliveries within the District reach the historic high for irrigation water usage, there is ample irrigation water remaining in Lake Cachuma and no justification for requiring agricultural meter owners to "buy into" the State Water Project. When and if irrigation water deliveries ever reach the historic high mark, that is the appropriate time to re-examine the appropriateness of charging to agricultural customers any NWSC.

It Is False To Base The Analysis Upon The Assumption That Only New Meter Owners Will Use State Water Project Water Unless This Ordinance Includes A Provision That Existing Customers' Service Will Be Reduced During A Drought

The District wisely opted to participate in the State Water Project (SWP) to augment its local supplies. The wisdom of that decision has been proven during droughts when Lake Cachuma has nearly run dry and when the local groundwater basins have been drawn down dangerously. Any water district located in a drought-prone area like ours would be short-sighted if it did not obtain outside water supplies to augment its local supplies.

We find nothing in this ordinance that would prohibit existing customers from having the same level of water deliveries as new customers in the event of a drought when SWP water, including the drought buffer, is served. In short, the District's ordinances don't permit discrimination among water customers in the delivery of water so they should not unduly burden new customers with the proposed NWSC. A reasonable buy-in may be justifiable for new urban customers, but the calculations upon which the proposed NWSC are based assign 100% of the OCLD value of all fixed assets, including the present value of all SWP payments to date, to projected new connections. We request that the mathematics applied to the analysis be re-evaluated in light of the fact that existing customers will be using SWP water when necessary and should be participating in the cost of making that water available to them.

Increasing The NWSC Is A Classic Case Of False Economy

As you know, only one agricultural customer in the entire history of the NWSC actually has purchased a new meter. Due to the slow economy in recent years, purchases of new meters for urban uses have been extremely slow. When sales of a service or commodity are slow, what sense does it make to raise the price? Doing so places the service or commodity beyond the reach of even more potential customers than was true before the price increase. The actual purchases will simply decline further, depriving the District of the revenues that it will project in its budgets. Certainly no agricultural customer will be able to afford this new charge. If the object is to make agricultural operations even less viable within the District's service area, adoption of this proposal will allow your Board to consider this objective to have been accomplished. Please take more time to consider the repercussions of this proposal.

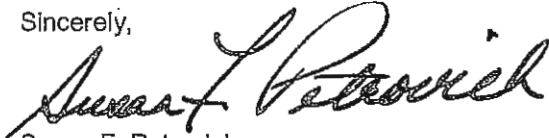
Conclusion

Any consideration of an increase in the New Water Supply Charge merits careful consideration and ample public notice. There simply has not been enough time for the public to evaluate the report or

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even to hear an explanation of the report by the staff and/or consultant. Only a handful of people attend the committee meetings and that was true of the February 23, 2010 Administrative Committee meeting. This proposal should not be adopted until the Board has received adequate public input. Three minutes of testimony and rushed written communications do not constitute adequate public input.

Sincerely,

A handwritten signature in cursive script, appearing to read "Susan F. Petrovich". The signature is written in black ink and is positioned above the printed name.

Susan F. Petrovich