



Financial Requirements and Cost of Service

Special Board Meeting
January 25, 2011



Legislative History

- [Apr 22, 2010](#) Administration Committee Considered Need for Study
- [Apr 22, 2010](#) Board Considered Need for & Directed Study
- [Jun 16, 2010](#) Administration Committee – Considered and Recommended RFP Issuance
- [Jul 16, 2010](#) Board of Directors – Considered and Approved RFP Issuance
- [Aug 25, 2010](#) Administration Committee – Recommended Consulting & Legal Firms
- [Sep 14, 2010](#) Board of Directors – Selected Consulting & Legal Firms
- [Oct 27, 2010](#) Administration Committee – Received Update
- [Nov 2, 2010](#) Public Information Committee – Received Update
- [Nov 9, 2010](#) Board of Directors – Received Update and Clarified Roles of Committees
- [Nov 19, 2010](#) Administration Committee – Received Update
- [Dec 7, 2010](#) Public Information Committee – Received Update
- [Dec 14, 2010](#) Board of Directors – Received Update
- [Dec 22, 2010](#) Administration Committee – Received Update and Recommended guidelines for collecting and tabulating protests
- [Jan 04, 2011](#) Public Information Committee – Received Update
- [Jan 11, 2011](#) Board of Directors – Received Update

2011 Calendar

- January 25, Special Board Meeting #1: California Constitutional Requirements, Water District Overview, Financial Status, and Cost of Service Methodology
- February 8, Board of Directors Adoption of Guidelines Regarding the Submission and Tabulation of Protests
- March, Special Board Meeting #2: CDM Analysis of Results and Alternatives
- April: Noticing for Rate Changes at Special Board Meeting
- June: Board Hearing at Regular Board Meeting
- Ongoing: Board meetings, Public Information Committee meetings, Administration Committee meetings.
- Website: www.Goletawater.com

Agenda – Special Board Meeting #1

- Proposition 218
- Water District Overview and Financial Status
- Cost of Service Methodology

Proposition 218

Proposition 218 - Background

- Approved by California voters November 1996
- Imposed Substantive & Procedural Requirements for fees for “Property-Related Services”
- Per *Bighorn* decision, water service is a property-related service
- 45 Day mailed notice of increases required

Proposition 218 – Substantive Requirements

- Revenues can not exceed the funds required to provide the property related service
- Revenues cannot be used for any other purpose
- Amount of fee cannot exceed the proportional cost of the service attributable to the parcel
 - Accomplished by following AWWA M1 Manual

Proposition 218 - Protests

- The Board will adopt procedures to govern tabulation
- If protests are received with respect to a majority of parcels, the Board cannot adopt the new rates
- The District must accept written protests up until the close of public testimony at the public hearing

Public Comment

Board of Directors Comment

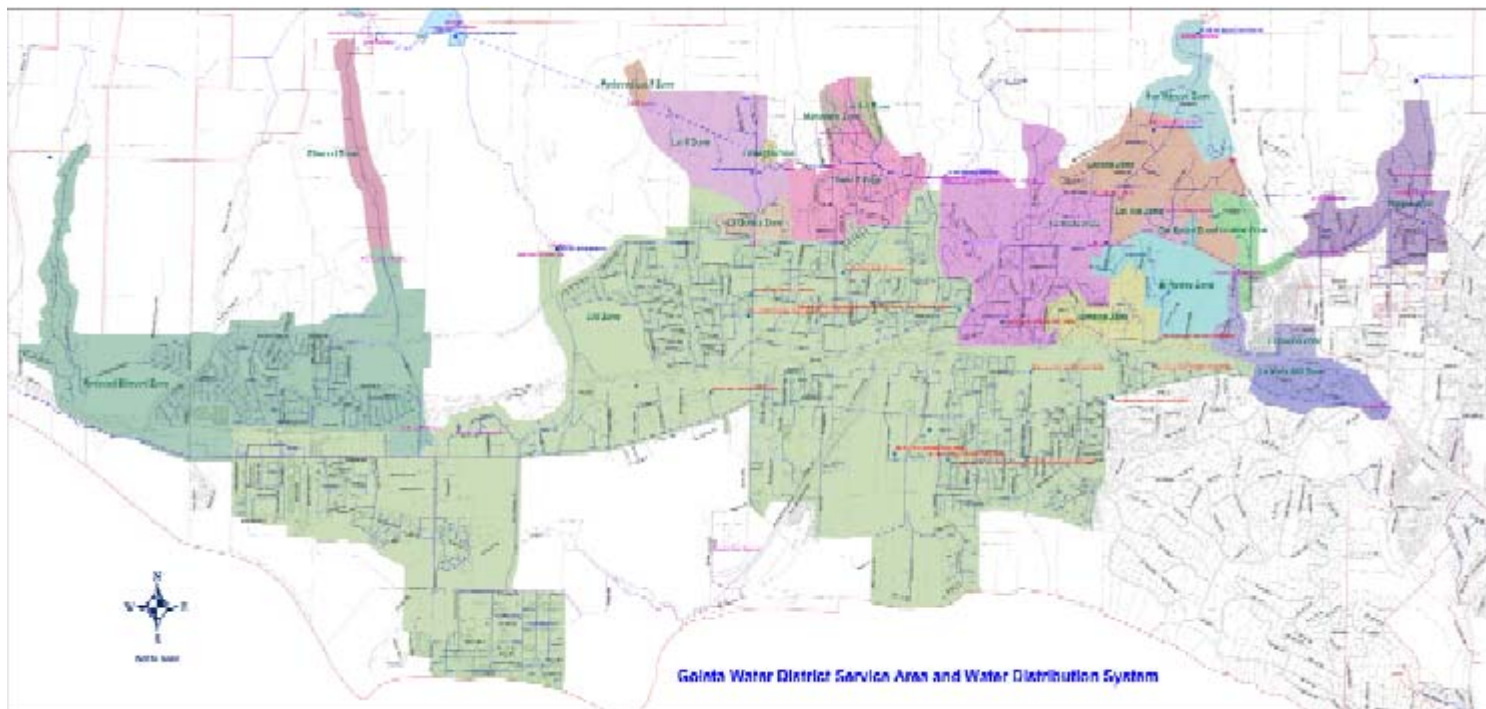
Water District Overview and Financial Status

Goleta Water District – Infrastructure



Goleta Water District – Facts

- **1944** – Infrastructure established
- **29,000-acre Service Area:** along the south coast of Santa Barbara County west from Santa Barbara city to El Capitan.
- **Service Area Population:** Approximately 85,000



Water Supply

- **Cachuma Lake** – District's largest source of water
- **Ground Water** – 5 Active Aquifer Storage & Recovery Wells
- **State Water** – Member of Central Coast Water Authority
- **Recycled Water** – Landscaping use

Water Treatment

- Corona Del Mar Treatment Plant – **24 million** gal/day
- Well Treatment – **5 million** gal/day
- Laboratory Testing – **Thousands** of tests performed annually to ensure high quality water

Water Distribution

- **4.24 billion** Gallons of Water distributed annually
- **270 Miles** of Pipeline
- **8** Reservoirs
- **9** Pump stations, **23** Pumps
- **5,768** Valves
- **16,600** meters
- **1,366** hydrants
- **120+** responsive repairs performed annually

New Water Services & Conservation

- Wright Judgment and SAFE Implementation
- Water Supply Management Plan, Groundwater Management Plan, and Urban Water Management Plan (20% by 2020)
- Applications for New Water Entitlements
- Conservation Programs
- Public Affairs and Outreach

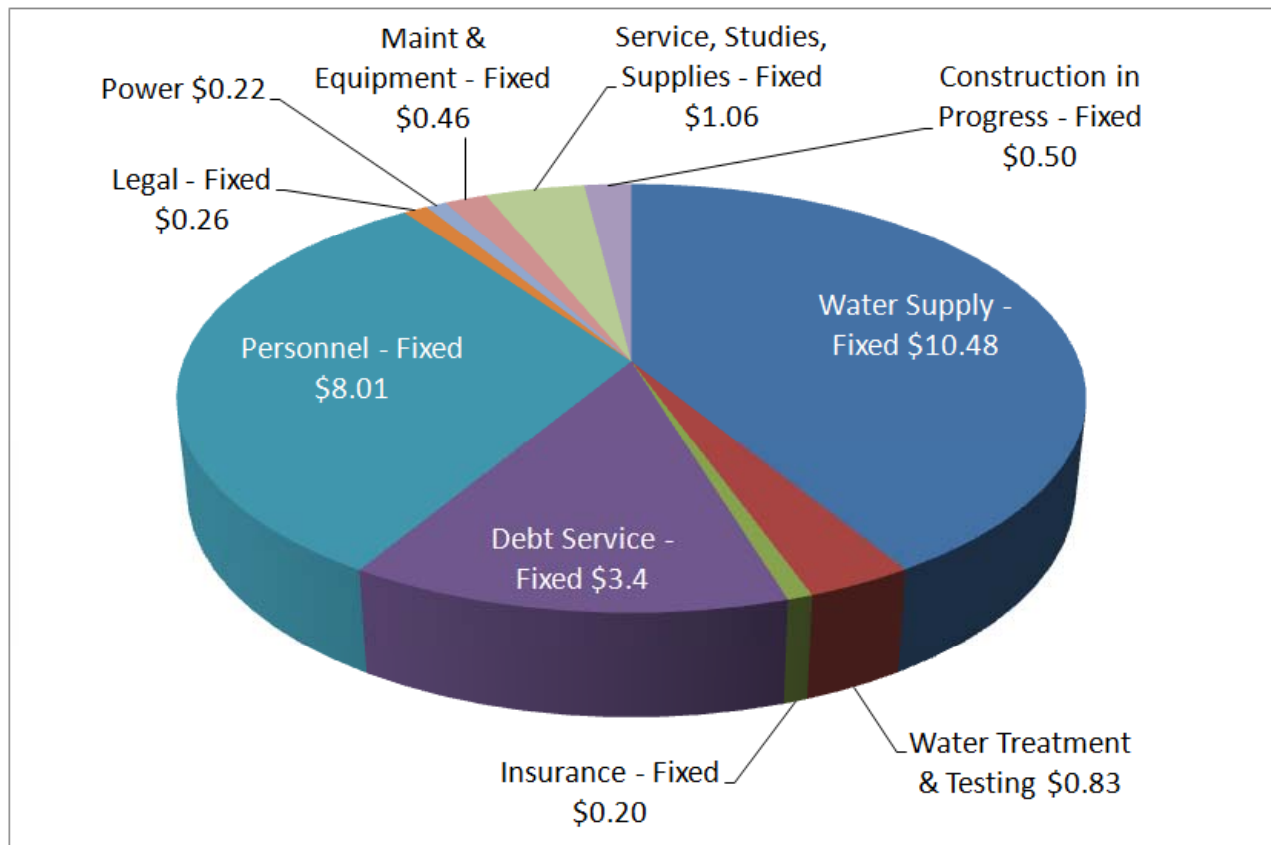
Customer Service / Administration

- Support **16,600** Customers by Reading **200,000** Meters and Process **200,000** Bills Annually
- Collect **99%+** of Revenue Billed
- Produce Comprehensive Annual Financial Statement
- Support Independent Audit Requirements
- Budget and Track Costs for **4** Divisions and **27** Cost Centers

Financial Status

\$25.4M in Annual Expenditures is Required

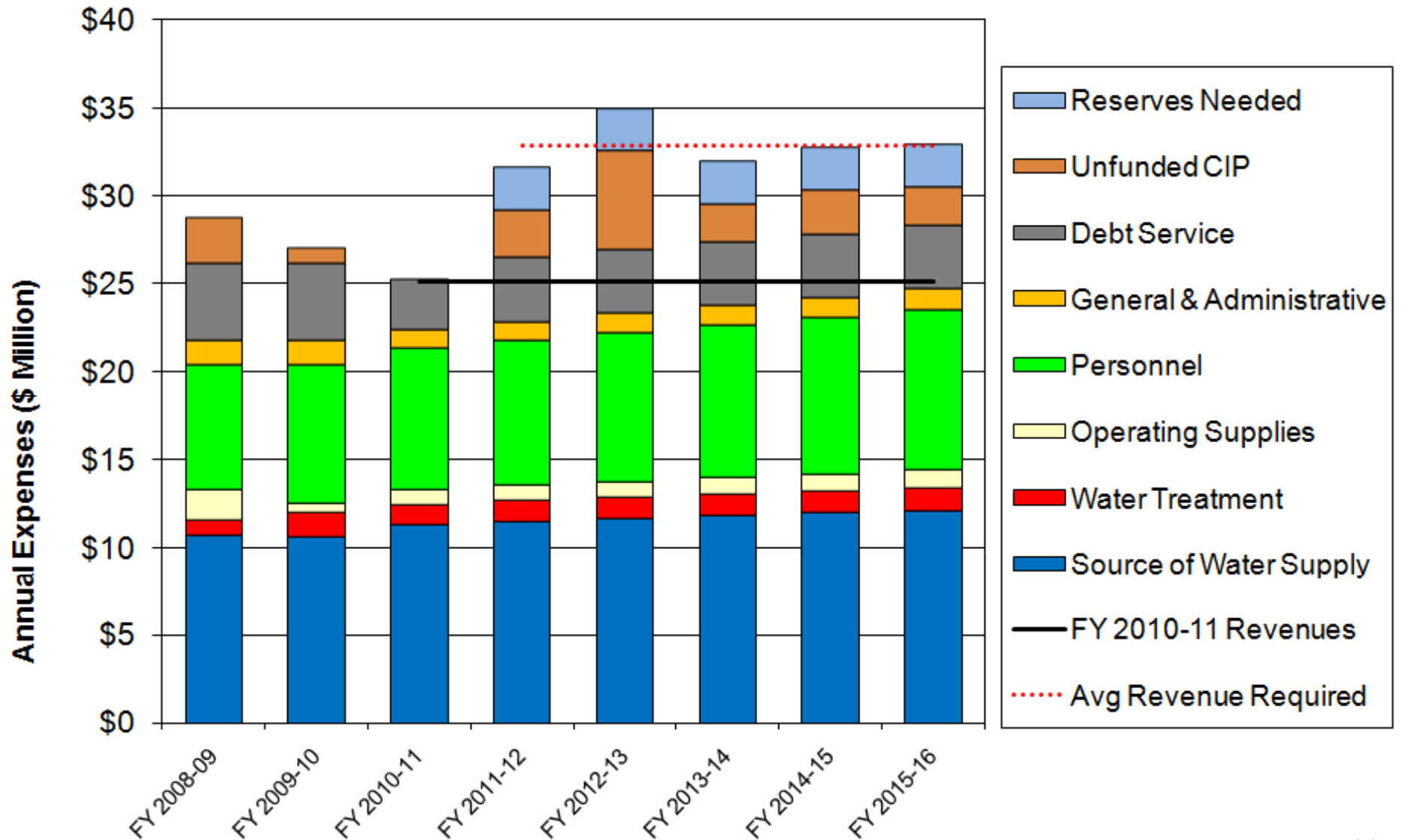
- 2010-11 Budgeted \$25.4M in annual expenditures
 - \$24.4M Fixed (Water Entitlement, Debt, Labor, etc)
 - \$1.0M Variable (Chemicals, Supplies, Power, etc)



Additional Funds Required

	<u>5 YEAR AVERAGE</u>
• Capital for Regulatory and Critical Maintenance	\$2.9M
• Cash Reserves	\$2.4M
• Operating Expenditures	\$2.1M
• 2010-11 Budgeted Expenditures	<u>\$25.4M</u>
• Total Funds Required	\$32.8M

The District Must Secure its Future



Public Comment

Board of Directors Comment

Cost of Service Methodology

American Water Works Association

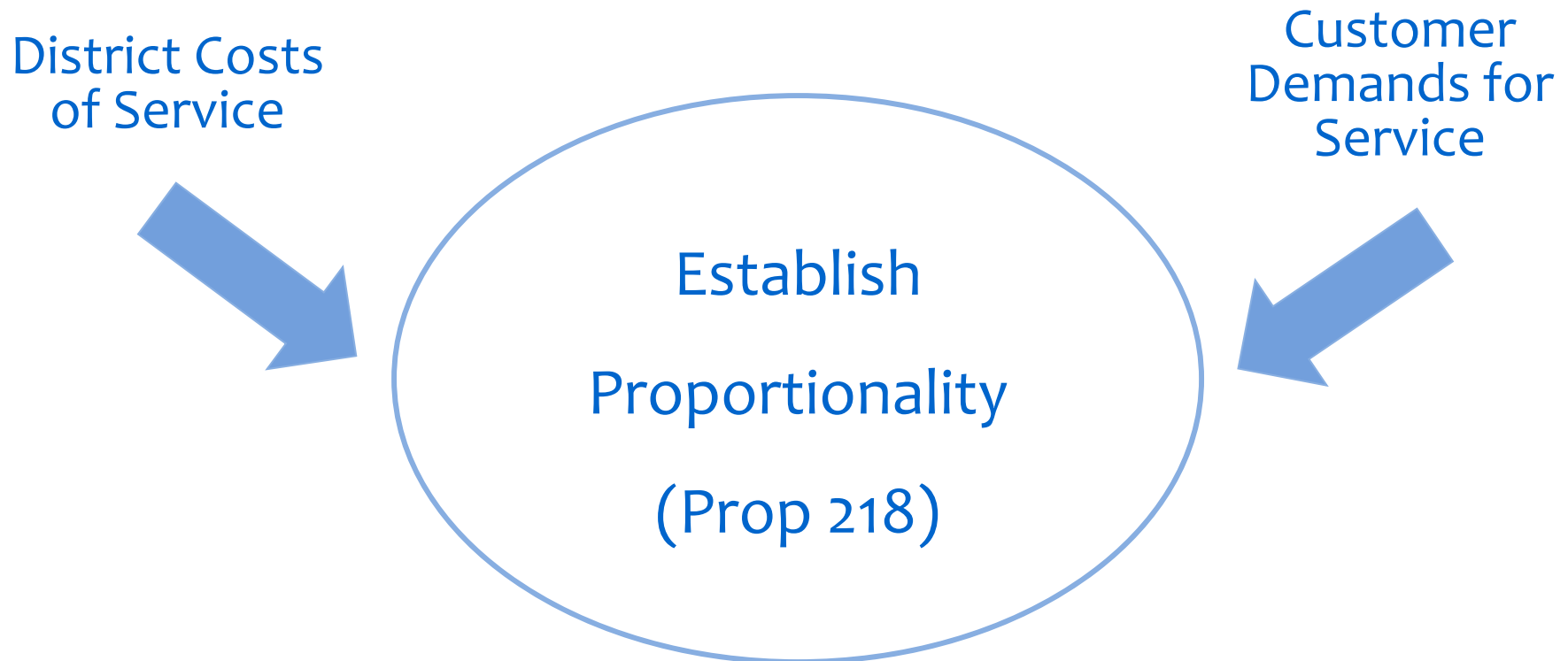
- AWWA is the authoritative resource for water
 - Largest and oldest organization of water professionals
 - Represents 4,600 utilities, 180 million people
- AWWA Manual M1 provides guidance on setting rates
 - Ensures the District Complies with State Constitution

AWWA M1 Ensures Proportionality

- Goal: Fees cannot exceed proportional Cost of service
- Manual M1 provides methodology to calculate Cost of service
- Always satisfies Proposition 218 requirements as defined by the State Constitution

Cost of Service Calculations

- District Costs and Customer Demands are categorized into common functions
- Creates an “Apples to Apples” comparison as required by Proposition 218



Customer Demands Determine Costs

AWWA Manual M1 Functional Categories provide “Apples to Apples” Comparison of District Costs with Customer Demands, by Class

Five Functional Categories:

- Annual Water Use – *Basic Water Supplies for Routine Use*
- Maximum Day Use – *Reservoirs for Heavy Use*
- Estimated Maximum Hour Use – *Pipes for Busiest Moments*
- Water Meter Capacities – *Deliveries for Highest Demands*
- Number of Customers by Class – *Customer & Admin Services*

District Cost Allocations

- Cost Data – Audited historical year
- Allocate Costs associated with each of Three Water Systems (Potable, Recycled and Goleta West Conduit)
- Further Allocate Cost by Functions according to AWWA M1

O&M Costs

1. By Dept's & 27 Cost Centers
2. Assigned to Service Function

Capital Depreciation Costs

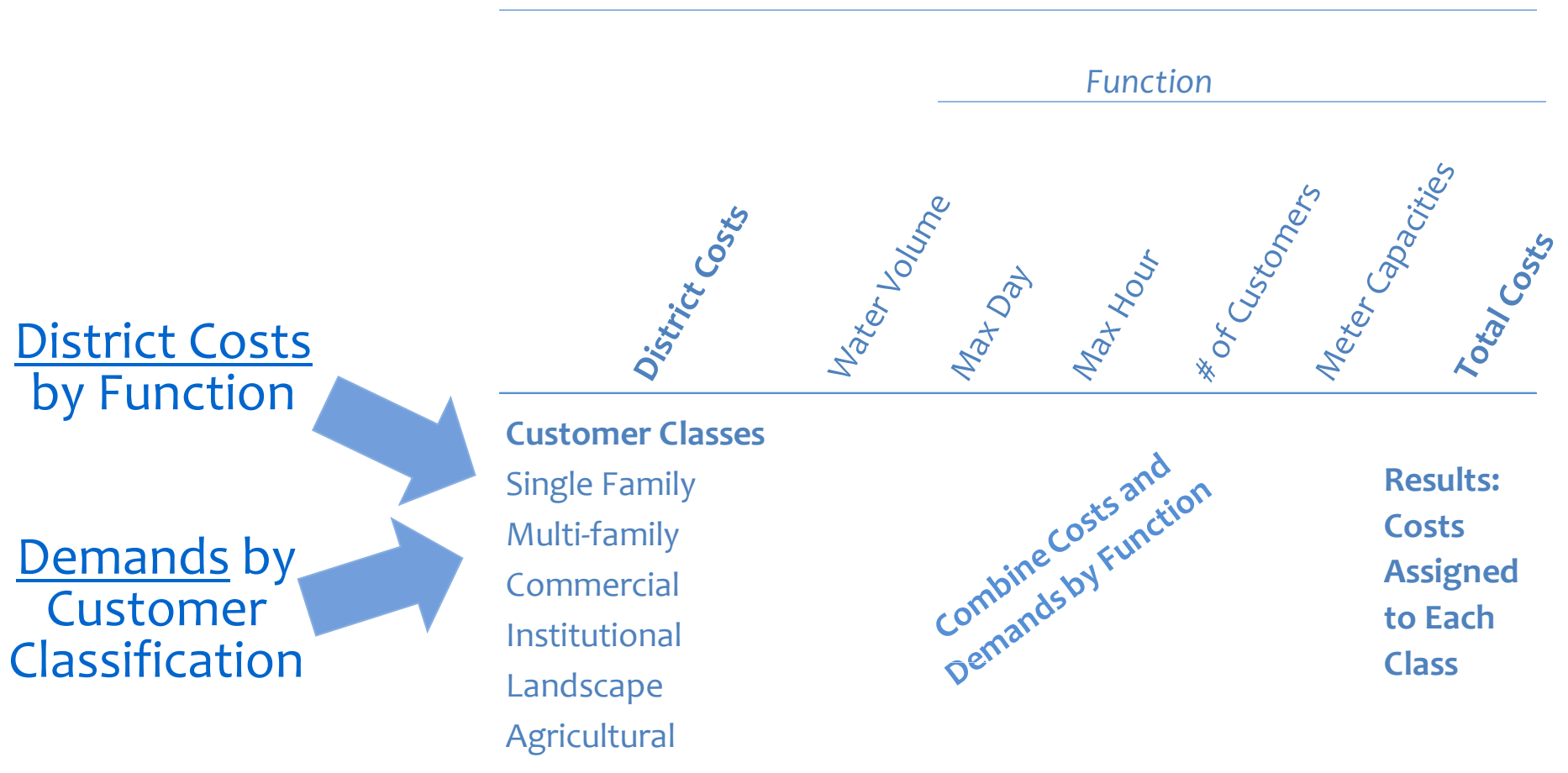
1. By Facility Asset Types
2. Assigned to Service Function

Customer Demand Allocation

- “Customer Demands” based on Usage: Amount & How
- Usage defined by AWWA M1 Functional Categories
- From Full Year of Billing Data, Consolidate Demands by Class
 - Annual Water Use – *Basic Water Supplies for Routine Use*
 - Max Day Use -- *Monthly Use for Peak Day Demand Estimate*
 - Water Meter Capacities – *Deliveries for Highest Demand Level*
 - Number of Accounts by Class – *Use of Billing & Admin Services*

Assign District Costs to Customer Demands

Costs Allocated by Functional Category to Demands Result in the District Charges Assigned to Each Customer Class



District Costs and Customer Demands Cross-Referenced by AWWA Function

- Results: Comparison of actual revenues paid by each customer class to the District's cost of service delivery
- Adjustments for equity may be needed, per Proposition 218
- Adjustments in unit rates needed as District costs increase in the following years

Public Comment

Board of Directors Comment

Next Steps

2011 Calendar

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March 2011 Special Board Meeting Topics

- Financial Planning results for next 5 years
- Cost of Service results for Prop 218 compliance
- Updated rates and alternative rate structures
 - Meter charge levels
 - Updated commodity rates for water demands
 - Conservation-based rate tiers for residential customers

Thank you