

# GOLETA WATER DISTRICT

GOLETA, CALIFORNIA

Fiscal Year 2013–14  
**FINAL BUDGET**





## Mission

To provide an adequate supply of quality water at the most reasonable cost to the present and future customers within the Goleta Water District.

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## GOLETA WATER DISTRICT

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## Table of Contents

<b>Section I</b>	<b>Overview</b>	
	About Goleta Water District.....	1
	Goleta Water District Budget.....	6
	FY 2013-14 Budget and Key Initiatives.....	9
	A Look to the Future .....	14
<b>Section II</b>	<b>Revenue</b>	
	Introduction.....	17
	Rates-Based Revenue .....	19
	Other Sources of Revenue .....	34
	Summary of District Revenue Forecast for FY 2013-14.....	36
<b>Section III</b>	<b>Expenditures</b>	
	Summary.....	39
	Personnel.....	42
	Operations & Maintenance.....	44
	Debt Service.....	45
	Infrastructure Improvement Plan.....	46
	Summary of District Expenditure Forecast for FY 2013-14.....	49
<b>Appendix</b>		
	Cost Center Overview.....	A-1
	Operations Cost Center .....	A-3
	Engineering Cost Center .....	A-9
	Water Supply and Conservation Cost Center .....	A-13
	General Administration Cost Center .....	A-18
	District Organization.....	A-22

## List of Tables

### Section I Overview

Table 1.1 FY 2013-14 Budget Overview versus FY 2012-13 Budget .....	9
Table 1.2 FY 2013-14 Budget Summary .....	16

### Section II Revenue

Table 2.1 FY 2013-14 Budget Methodology .....	18
Table 2.2 Types and Number of District Customer Connections .....	19
Table 2.3 Budgeted Fixed Revenue and Influencing Factors .....	24
Table 2.4 FY 2013-14 Budgeted Water Use by Customer Category (in AFY) .....	32
Table 2.5 FY 2013-14 Budgeted Water Sales Revenue and Influencing Factors .....	32
Table 2.6 Year-over-Year Changes in Water Use by Customer Category (in AFY) .....	34
Table 2.7 FY 2013-14 Budgeted Revenue versus FY 2012-13 Budget .....	36

### Section III Expenditures

Table 3.1 FY 2013-14 Budgeted Water Supply Agreement Costs .....	40
Table 3.2 FY 2013-14 Budgeted O&M Costs .....	45
Table 3.3 Capital Improvement Projects Summary .....	47
Table 3.4 Infrastructure Improvement Plan Projects .....	48
Table 3.5 FY 2013-14 Budget Expenditures Compared to FY 2012-13 Budget Expenditures .....	49

### Appendix

Table 4.1 FY 2013-14 Budgeted Expenditures by Departmental Cost Center .....	A-2
Table 4.2 FY 2013-14 Operations Cost Center Budget Summary .....	A-6
Table 4.3 FY 2013-14 Operations Budgeted Expenditures by Programmatic Cost Center .....	A-8
Table 4.4 FY 2013-14 Engineering Cost Center Budget Summary .....	A-11
Table 4.5 FY 2013-14 Engineering Budgeted Expenditures by Programmatic Cost Center .....	A-12
Table 4.6 FY 2013-14 Water Supply and Conservation Cost Center Budget Summary .....	A-16
Table 4.7 FY 2013-14 WS&C Budgeted Expenditures by Programmatic Cost Center .....	A-17
Table 4.8 FY 2013-14 General Administration Cost Center Budget Summary .....	A-20
Table 4.9 FY 2013-14 General Admin. Budgeted Expenditures by Programmatic Cost Center .....	A-21

## List of Figures

### Section II Revenue

Figure 2.1 District Five-Year Water Sales .....	17
Figure 2.2 FY 2012-13 Daily Water Production and Rainfall .....	25
Figure 2.3 Water Use for Single-Family Residential Connections.....	26
Figure 2.4 Water Use for Multi-Family Residential Connections.....	27
Figure 2.5 Water Use for Commercial Connections.....	28
Figure 2.6 Water Use for Agricultural Connections .....	29
Figure 2.7 Water Use for Institutional Connections.....	30
Figure 2.8 Water Use for Landscape Irrigation Connections.....	31
Figure 2.9 Water Use for Recycled Connections .....	31
Figure 2.10 FY 2013-14 Budgeted Water Use by Customer Category (in AFY).....	33
Figure 2.11 FY 2013-14 Budgeted Water Sales by Customer Category (\$000s).....	33
Figure 2.12 Water Allocation History for New Water Supply Charge (in AFY) .....	35
Figure 2.13 FY 2013-14 Budgeted Revenue Allocations (\$000s) .....	37

### Section III Expenditures

Figure 3.1 FY 2013-14 Budgeted Personnel Costs (\$000s).....	43
Figure 3.2 FY 2013-14 Budgeted O&M Costs (\$000s).....	44
Figure 3.3 FY 2013-14 Budgeted Expenditure Allocations (\$000s).....	50

### Appendix

Figure 4.1 Programmatic Functions by Cost Center .....	A-1
Figure 4.2 Operations Programmatic Functions .....	A-3
Figure 4.3 FY 2013-14 Operations Budgeted Expenditures by Programmatic Cost Center (\$000s).....	A-8
Figure 4.4 Engineering Programmatic Functions .....	A-9
Figure 4.5 FY 2013-14 Engineering Budgeted Expenditures by Programmatic Cost Center (\$000s) .....	A-12
Figure 4.6 Water Supply and Conservation Programmatic Functions .....	A-13
Figure 4.7 FY 2013-14 WS&C Budgeted Expenditures by Programmatic Cost Center .....	A-17
Figure 4.8 General Administration Programmatic Functions .....	A-18
Figure 4.9 FY 2013-14 General Admin. Budgeted Expenditures by Programmatic Cost Center .....	A-21
Figure 4.10 Goleta Water District Departments.....	A-22
Figure 4.11 Ten-Year Trend of District Staff Levels by Cost Center.....	A-23
Figure 4.12 Organizational Chart by Department and Position .....	A-24

## List of Acronyms and Abbreviations

ACWA	Association of California Water Agencies
AF	Acre Feet
AFY	Acre Feet per Year
AIM	Advanced Infrastructure Management
AWWA	American Water Works Association
BDCP	Bay Delta Conservation Plan
BMP	Best Management Practices
CalPERS	California Public Employees' Retirement System
CDPH	California Department of Public Health
CCRB	Cachuma Conservation and Release Board
CCWA	Central Coast Water Authority
CIP	Capital Improvement Projects
COMB	Cachuma Operation and Maintenance Board
COP	Certificates of Participation
CSDA	California Special Districts Association
CUWCC	California Urban Water Conservation Council
DWR	Department of Water Resources
EPA	Environmental Protection Agency
FY	Fiscal Year
GIS	Geographic Information System
GSD	Goleta Sanitary District
GWC	Goleta West Conduit
GWD	Goleta Water District
HCF	Hundred Cubic Feet
ID #1	Santa Ynez River Water Conservation District, Improvement District #1
IIP	Infrastructure Improvement Plan
JPIA	Joint Powers Insurance Authority
LAFCO	Local Agency Formation Commission
LAIF	Local Agency Investment Fund
MURRP	Modified Upper Reach Reliability Project
NMFS	National Marine Fisheries Service
NWSC	New Water Supply Charge
O&M	Operations and Maintenance
OPEB	Other Post-Employment Benefits
SCADA	Supervisory Control and Data Acquisition
SBCWA	Santa Barbara County Water Agency
SEIU	Service Employees International Union
SNMP	Salt and Nutrient Management Plan
SWP	State Water Project
SWRCB	State Water Resources Control Board
T&D	Transmission & Distribution
USBR	United States Bureau of Reclamation
WS&C	Water Supply & Conservation Department

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## SECTION I – OVERVIEW

### ABOUT GOLETA WATER DISTRICT



The Goleta Water District provides cost-effective, safe, and reliable water supplies to 87,000 residents in Goleta Valley. Established in 1944 through a vote of the people, the District service area spans approximately 29,000 acres along the South Coast of Santa Barbara County between the ocean and the foothills west from Santa Barbara to El Capitan.

A publicly elected, five-member Board of Directors governs the District. Board members serve four-year terms and elections are held every two years with terms staggered to ensure continuity. The Board is responsible for establishing District policy on a variety of issues including financial planning, infrastructure investment, and water rates, among others. Day-to-day operations are run by the General Manager who oversees a highly qualified staff responsible for executing ongoing operational and administrative functions. The 60 District employees include engineers, certified treatment and distribution operators, water quality scientists, policy and financial analysts, and an experienced administrative staff.

The District delivers water to its customers through a complex treatment and distribution system of approximately 270 miles of pipelines, six groundwater wells, a state-of-the-art water treatment plant, eight reservoirs, and various other facilities. The region enjoys a diverse water supply portfolio comprised of local supplies from Lake Cachuma in the Santa Ynez Valley and the Goleta Groundwater Basin and supplemental imported supplies from the California State Water Project (SWP). Additionally, the District provides recycled water for irrigation and has a robust water conservation program to extend available supplies in a cost-effective manner. The ability to draw from a variety of water supply sources insulates customers from supply and financial volatility associated with drought conditions, natural disasters, and changing state and federal regulatory requirements.

The climate in the service area is generally characterized as Mediterranean coastal with mild, dry summers and cool winters. High temperatures average about 70 degrees while low temperatures rarely fall below 40 degrees. The area is semi-arid with average rainfall of 17 inches per year, primarily occurring during the rainy season between October and April. Historic rainfall has fluctuated significantly with the area seeing only 5.6 inches in 1990 and more than 40 inches in 1983. The region has seen a trend toward increasingly frequent but less intense rain events in recent years.

### Water Supply Portfolio

The diverse water supply portfolio of the District is made up of supplies from four distinct sources with availability averaging 16,472 acre feet per year (AFY). Actual water availability varies from year-to-year based on weather, exchange agreements, availability of Cachuma carry-over, surplus, spill water, and of State Water. Annual water sales in Fiscal Year (FY) 2008-09 averaged approximately 14,000 AFY. Since that time, the District has seen a downward trend in water sales, largely due to effective conservation and efficiency programs and regional economic factors. Today, the District sells approximately 12,400 AFY of water to its customers.

The District maintains a diverse water supply portfolio to provide reliable service to customers. On average, available water sources include:

- 9,322 AFY of local surface water from Lake Cachuma
- 2,350 AFY of groundwater from the Goleta Basin
- 3,800 AFY of imported water from the California SWP
- 1,000 AFY of recycled water



Local supplies from Lake Cachuma and the Goleta Groundwater Basin constitute the bulk of the District water supply portfolio with imported supplies from the SWP and recycled water rounding out the balance. The 2011 Water Supply Management Plan (WSMP) prioritizes the use of these distinct supplies to maximize supply availability, minimize costs, and ensure reliability of future supplies. In an average non-drought year, the District first utilizes Cachuma Project supplies, initially exhausting carry-over, surplus, and spill entitlements, then drawing on its annual Cachuma entitlement. The next source of supply for customer delivery is groundwater, followed by

deliveries of the more expensive State Water, if needed. The District provides recycled water to 34 customers, primarily for landscape irrigation. Cachuma, State Water, and recycled water supplies are secured through collaborative agreements with federal, state, and local partners.

### *Local Surface Water – Lake Cachuma*

Approximately 75 percent of average annual planned demand is met with supplies from Lake Cachuma. The District is entitled to 9,322 AFY of Cachuma supplies through coordinated agreements with the United States Bureau of Reclamation (USBR), the Santa Barbara County Water Agency (SBCWA), and the other Cachuma Member Units - City of Santa Barbara, Montecito Water District, Carpinteria Valley Water District, and Santa Ynez River Conservation District, Improvement District Number 1 (ID #1). The availability of Cachuma water varies from year-to-year as a result of drought and weather conditions, runoff, and the success of the County Cloud Seeding Program while the amount of Cachuma water the community uses can vary annually due to exchange agreements, availability of surplus and spill water, and customer demand. The District plans to utilize the entirety of its Cachuma entitlement to meet customer demands during FY 2013-14.

USBR owns the Cachuma Project and is responsible for operating Bradbury Dam. The Cachuma Operation and Maintenance Board (COMB), a Joint Powers Authority comprised of the Cachuma Member Units, is responsible for the operations and maintenance of the balance of the Cachuma facilities, including the Tecolote Tunnel, South Coast Conduit, regulating reservoirs, and appurtenances. Working with its Member Agencies and USBR, COMB delivers water to the South Coast and maintains Project infrastructure to ensure ongoing sustainability.

The District works with more than 160 agricultural customers to provide annual information on types of crops grown within the District service area to USBR. USBR uses this information for economic analysis, federal research, congressional inquiries, program evaluation, and drought planning.

USBR holds the California Water Rights Permits for water supply from the Cachuma Project on behalf of the Member Units. The Cachuma Conservation and Release Board (CCRB), a Joint Powers Authority comprised of Goleta Water District, the City of Santa Barbara, and the Montecito Water District, is responsible for protecting Cachuma Water Rights, supplies, and other related interests for the South Coast. CCRB works collectively with its members, USBR, and ID #1 to advocate for Cachuma Water Rights at the state and federal level and to ensure the implementation of Water Rights Orders and agreements related to downstream water rights and public trust resources.

### *Local Groundwater – Goleta Groundwater Basin*



The District pumps and treats groundwater supplies from the Goleta Groundwater Basin through its six groundwater wells. The terms of the 1989 Wright Judgment and the voter-approved 1991 SAFE Ordinance and subsequent 1994 amendments establish the Basin yield and set the Basin management parameters including pumping limits, storage requirements, how supplies are used, and the establishment and maintenance of a drought buffer. The groundwater basin is integral to the District supply portfolio and management strategy as it provides a locally controlled source of supply in the event of an interruption or reduction to Cachuma supplies as a result of unscheduled maintenance needs, natural disasters, or drought conditions. In FY 2013-14, the District will deliver the entirety of the planned 2,350 AFY groundwater basin yield as identified in the 2010 Groundwater Management Plan.

### *Imported Water – State Water Project*

Voters authorized the District to join the SWP in 1991. The District purchases State Water as a member of the Central Coast Water Authority (CCWA), a Joint Powers Authority with responsibility for the ownership and operations of the treatment and distribution systems delivering SWP supplies in Santa Barbara and San Luis Obispo Counties. Annual State Water deliveries vary year-to-year based on water demand, availability of State Water, and exchange and sales agreements. The District stores the undelivered portion of its annual entitlement in San Luis Reservoir; this supply is available as a drought buffer and emergency contingency supply. Based on projected water demands, the District does not expect to take delivery of State Water in FY 2013-14. An exchange agreement with ID #1 will continue in FY 2013-14. Under this agreement, the District provides approximately 1,000 AFY of its State Water entitlement to ID #1 in exchange for the same amount of Cachuma entitlement supplies from ID #1. This agreement saves both agencies significant energy costs and assists in ensuring sustainable service by reducing the pumping needed to deliver water to each community.

### *Recycled Water*

The District has served recycled water for irrigation use and restroom facilities through a partnership with the Goleta Sanitary District (GSD) since 1995. The University of California, Santa Barbara (UCSB) and several golf courses throughout the service area are the largest recycled water customers. The 2013-14 Budget anticipates delivering approximately 815 AF of recycled water in FY 2013-14.

More than 300 million gallons of recycled water per year is delivered to irrigation customers. UCSB is the District's largest recycled water customer, utilizing recycled water to irrigate 98 percent of the campus landscaping.

### Customer Base

Approximately 16,600 customer connections fall into seven categories: single-family residential, multi-family residential, commercial, institutional, landscape irrigation, agricultural, and recycled. Additionally, dedicated fire service lines make up a small portion of individual connections.

Residential customers make up approximately 90 percent of customer connections, with single-family homes comprising 80 percent of customer connections and multi-family dwellings accounting for the balance. The 22,000 UCSB students, many of whom live in Isla Vista dormitories and apartments, represent a large portion of the area's multi-family residences.



Residential water use is approximately half of overall water demand. This proportionally low use is largely due to customers' receptiveness to conservation programs. Residential per capita water use in the District averages 68 gallons per person per day, or 35 percent lower than the statewide average of 105 gallons. District customers are highly responsive to changing weather patterns. For every significant rain event in the area, there is a corresponding drop in water demand as customers adjust their irrigation practices and systems accordingly. Factors influencing year-over-year residential customer demand fluctuations include new residential development and connections, economic trends, and vacancy rates.



The remaining half of demand is attributed to non-residential water use with agricultural use accounting for 20 percent and the remainder comprised of commercial, industrial, institutional, and landscape irrigation use. These customers also form the diverse economic base of the service area. The District is home to UCSB, a substantial agriculture industry specializing in avocados and lemons, and a thriving high-tech commercial and industrial base that includes regional health providers, aerospace, electronics, telecommunications, biomedical, and national security sectors.

Fluctuations in year-over-year water demands for agricultural and landscape irrigation customers are influenced by weather patterns while demand fluctuations in the commercial and institutional classes largely follow economic and market trends. Weather patterns are the main factor in varying annual recycled water demands; however, the FY 2013-14 Budget includes a decrease in recycled water use due to the recent closing of the Ocean Meadows Golf Course.

The District has 306 customer connections that are dedicated fire service lines. Fire lines are designated water lines connected to the main distribution system to provide fire protection service to a single customer – residential or commercial. Fire service lines are not used for normal delivery of potable water and therefore no water use or sales from these accounts are budgeted.

## Conservation and Efficiency Programs

The District has a long history of successful conservation programs and customers' commitment to efficient water use helps to extend available water supplies as well as the lifespan of distribution and treatment facilities. The District has been a member of the California Urban Water Conservation Council (CUWCC) since 1994 and is committed to the shared goal of integrating urban water conservation Best Management Practices into the planning and management of California's water resources.

The 2010 Water Conservation Plan and 2012 Sustainability Plan provide the foundation for efficient water resource management. Conservation programs include:

- Rate incentives for eligible residential and commercial customers.
- Residential and commercial customer support for installing high-efficiency toilets, showerheads, irrigation systems, and other water saving devices, as well as general advice on water conservation principles and practices.
- Extensive customer conservation and efficiency tools including information on the District website, community and school education programs, water audits and landscape water surveys, and an interactive Community Demonstration Garden at District headquarters.

Since introduced in 2007, approximately 39 percent of eligible customers participate in the District's conservation rate program. Based on historic trends, an additional 65 single-family residential customers are expected to qualify for the rate incentive program in FY 2013-14.

## Customer Service

Ongoing dedication to customer service is exemplified throughout day-to-day operations. The District strives to be available and responsive to its customers, offering a myriad of ways to interact with staff and obtain valuable information and assistance.

Customers are encouraged to call and report water service problems at any time. Crews can be dispatched throughout the service area to repair leaks, fix damaged or broken meters, and investigate other water-related issues. Additionally, crews are available to respond to water-related emergencies 24 hours a day, seven days a week as they respond to more than 200 after-hours service calls each year.

The District takes great care to protect community and private property within the service area. When performing work that requires water shut-off, crews go door-to-door to notify all affected customers and turn off each individual customer meter prior to shutting off the water main. This protects customers' property from potential damage caused by water surges when service is restored.



Customers can access their accounts and make payments on-line at any time. Staff members are available during business hours to provide assistance and support to customers in-person or on the phone. Members of the community are also encouraged to visit District headquarters and tour the Community Demonstration Garden featuring examples of water wise gardening techniques and practices, aesthetically pleasing plant palettes, and food-production options.

GOLETA WATER DISTRICT BUDGET



The development and adoption of an annual Budget based on expected revenues and expenditures as well as identified projects and programs provides the financial foundation for District activities and a roadmap for maintaining low costs and predictable customer rates. Each year, the Board of Directors approves a cash-based Budget for the following fiscal year, which runs from July 1 through June 30. The Budget couples effective revenue forecasting and expenditure management with the infrastructure investment needed to deliver safe, cost-effective, and sustainable water supplies to the community.

The annual Budget establishes a short-term financial plan consistent with the mid-term goals outlined in the 2011 Cost of Service Study and Five-Year Financial Plan. A vital component of the Five-Year Financial Plan is the District’s commitment to managing controllable costs while planning for and mitigating exposure to the externalities that are beyond the District’s control. As the District shifts expenditures into the former category, continued adherence to the Five-Year Financial Plan allows for investment in critical capital infrastructure while planning for and minimizing unscheduled expenditures and associated impacts on the community. Together with the 2011 Infrastructure Improvement Plan and 2012 Sustainability Plan, these documents provide the financial and management strategies for meeting the water and resource needs of the District today and for generations to come.

The District continues to make significant advances in addressing critical water resources infrastructure needs. FY 2012-13 was the second year of the Five-Year Financial Plan. The District successfully implemented a scheduled rate increase to secure financial resources, invest in vital infrastructure replacement and repairs, and plan for future infrastructure needs. Development of a District reserve fund is a key component of the Five-Year Financial plan to fund unforeseen emergencies while keeping customer rates stable.

The FY 2012-13 Budget saw actual revenues of \$30.4M and expenditures of \$29.9M with \$525K designated to the reserve fund. Notably, the budgeted water sales figure of 12,453 AF is anticipated to be within one percent of the estimated actual sales for the year. Key accomplishments in the areas of water supply sustainability, resource management, and infrastructure improvement in FY 2012-13 enhanced both water reliability and rate stability for the community. The District successfully completed a number of Board-identified initiatives during the fiscal year to modernize District operations and lay the groundwork for providing water resources to the community for decades to come. Highlights include:

During FY 2013-14, the final phase of the San Ricardo Rehabilitation Project will be complete. This phase includes architectural improvements, water-wise landscaping, and installation of a solar energy system.

- The San Ricardo Well was rehabilitated, upgraded, and put back into service after being dormant since 1992. The well facility is now poised to extract, treat, and disinfect up to 800 gallons of groundwater per minute and can inject water into the basin at a rate of 150 gallons per minute. San Ricardo will enhance water supply reliability during periods of drought, peak demand, and emergencies and provides an additional tool for recharging and protecting the Goleta Groundwater Basin. The State of California awarded the District a Proposition 50 Grant for this project.

- The Distribution System Hydraulic Model was updated and integrated with the Geographic Information System (GIS) to improve analytic capabilities for system planning and investment. This powerful tool for evaluating the existing water distribution and storage system can also model the impact future development and changes to the system will have on water use and operations throughout the service area. The Model assists in identifying recommended corrections and improvements related to pressure, flows, and capacity levels throughout the distribution system and can provide the basis for operational management protocols under current and future anticipated distribution system configurations.
- The 2012 Sustainability Plan continues to be implemented to build economic, environmental, and social considerations into decision-making frameworks for meeting customer needs today and in the future. Sustainability Plan project highlights include:
  - Corona Del Mar Water Treatment Plant Process Design Review to identify needed infrastructure investments for improving the effectiveness and efficiency of treatment operations.
  - Replacement of the Van Horne Hydro-turbine Generator to capture the energy produced from pressure in the distribution system and offset ongoing energy needs and costs. This pilot project sets the stage for wider use of turbine generators throughout the service area.
  - Restoration and enhancement of the Community Demonstration Garden including the development of a new Edible Garden. The Edible Garden, along with the other six enhanced garden demonstration areas provides the community with hands-on educational tools for water efficient gardening practices.

The state-of-the-art Corona Del Mar Water Treatment Plant includes a LEED-certified administrative building and treatment facilities that can process up to 24 million gallons of drinking water per day. The Process Design Review will be the foundation for plant operations and improvements well into the next decade.

District Edible Garden Concept



- Implementation of new technology infrastructure including new billing, communications, and financial management systems programs to provide customers with new tools, improved account access and information, and better service. These new systems also give the District financial and administrative management tools at lower costs. New systems include:
  - A comprehensive utility billing system that enhances customer service, strengthens internal controls, and maximizes staff productivity. Moreover, the system successfully accommodated strong customer interest in electronic billing, while preserving existing bill payment options. Within a few months of cutover, more than 3,600 customers enrolled in online billing.
  - A modern phone system to enhance customer service, integrate communication tools, and provide the foundation for communications protocols including emergency response. The system includes built-in disaster recovery features that provide service redundancy between District facilities, allowing the phone systems to remain active in an emergency.
- In keeping with the District's commitment to meet all state and federal regulatory requirements and provide water that is of higher quality than state and federal requirements, the District successfully implemented the first year of testing requirements for Trihalomethanes. Water supplies met the new regulatory standards. Additionally, the California Department of Public Health Sanitary Survey of all District distribution systems was completed. This survey is required every three years.
- The recycled water Variable Frequency Drives (VFD) were upgraded to reduce the energy costs associated with pumping recycled water through the system and increase operational efficiency and overall system reliability.
- The Workplace Safety Program was updated to promote a safe and healthy work environment and reduce costs. The Association of California Water Agencies (ACWA) Joint Powers Insurance Authority (JPIA) honored the District with its President's Award and provided a \$57K insurance refund for successful efforts to reduce risks and increase workers' safety.
- The District actively participated with more than 30 local agencies to update the 2013 Santa Barbara County Integrated Regional Water Management Plan (IRWMP). This plan is a fundamental prerequisite for competing for State grant funds. The IRWMP is designed to coordinate water resource planning and infrastructure investment across the region.



## FY 2013-14 BUDGET AND KEY INITIATIVES



The FY 2013-14 Budget is consistent with policy goals established by the Board of Directors, operational and infrastructure priorities, and other foundational management documents. As the District moves into the third year of the current Five-Year Financial Plan, the FY 2013-14 Budget reflects an ongoing progression of its management and budgeting approach to control costs, minimize unplanned expenditures, limit risk exposure, and expand investment in proactive projects and programs that provide for the long term resources needs of the community.

The FY 2013-14 Budget anticipates almost \$33.0M in revenue, approximately \$32.5M in capital and operational expenditures, and designates approximately \$400K to District reserves. Increases in projected water sales revenue are a result of several influencing factors including the scheduled seven percent rate increase, completion of new development projects, and reductions in residential and commercial vacancy rates in the service area. Increased expenditures are primarily due to changes in the funding mechanisms for Capital Improvement Projects (CIP) identified in the Infrastructure Improvement Plan (IIP). As the Five-Year Financial Plan outlines, most CIP expenditures were previously funded through municipal bond proceeds; in FY 2013-14 these projects will be funded with operating cash. The upcoming additional legal, scientific, and advocacy costs of protecting Cachuma water supplies will also increase FY 2013-14 expenditures as compared to FY 2012-13. Table 1.1 provides an overview of the FY 2013-14 Budget. The balance of this document provides detailed analysis of projected revenues and expenditures.

**Table 1.1 FY 2013-14 Budget Overview versus FY 2012-13 Budget**

Category	Adopted Budget	Estimated Actual	Final Budget	Variance Analysis *	
	FY 2012-13	FY 2012-13	FY 2013-14	\$ Higher / (Lower)	% Higher / (Lower)
<b>Revenue:</b>					
Rate-Based Revenue	\$ 29,995,220	\$ 29,971,956	\$ 32,234,609	\$ 2,239,389	7%
New Water Supply Charges	221,845	255,979	489,000	267,155	120%
Other	244,023	192,908	184,245	(59,778)	(24%)
<b>Total Revenue:</b>	<b>\$ 30,461,088</b>	<b>\$ 30,420,844</b>	<b>\$ 32,907,854</b>	<b>\$ 2,446,766</b>	<b>8%</b>
<b>Expenditures:</b>					
Water Supply	\$ 10,887,181	\$ 11,229,529	\$ 11,332,939	\$ 445,758	4%
Personnel	8,249,128	8,079,268	8,527,102	277,974	3%
Operations & Maintenance Costs	5,044,887	4,595,248	5,266,060	221,173	4%
Debt Service	3,566,466	3,568,602	3,562,366	(4,100)	(0%)
Capital Improvement Projects (CIP)	2,245,000	2,423,305	3,816,347	1,571,347	70%
<b>Total Expenditures:</b>	<b>\$ 29,992,662</b>	<b>\$ 29,895,953</b>	<b>\$ 32,504,814</b>	<b>\$ 2,512,152</b>	<b>8%</b>
<b>Designation to Reserves:</b>	<b>\$ 468,426</b>	<b>\$ 524,891</b>	<b>\$ 403,041</b>	<b>\$ (65,385)</b>	<b>(14%)</b>

\* Compares FY 2013-14 Final Budget to FY 2012-13 Adopted Budget

### FY 2013-14 Budget Key Initiatives

The FY 2013-14 Budget includes a portfolio of ongoing and new initiatives that, in combination, will meet the District regulatory and critical needs while providing reliable water supplies at predictable costs. Together, these initiatives work to control factors within the District's discretion and plan and prepare for externalities beyond its control.

Key initiatives fall into three umbrella categories:

- Water supply reliability and sustainability
- Resource management and stewardship
- Infrastructure improvements and planning



#### *Water Supply Reliability and Sustainability*

In addition to actively managing water supplies through water use and conservation programs, the District partners with the Cachuma Member Units and other Santa Barbara County water agencies to ensure the South Coast is meeting ongoing supply and regulatory needs. Effective planning for water supply losses due to drought or regulatory requirements requires collaborative regional approaches and partnerships as well as effective internal District planning.

#### *Cachuma Project Supply and Water Rights*

The District continues to work with CCRB, ID #1, and USBR, on issues related to the issuance of a Cachuma Project Water Rights Order and the National Marine Fisheries Service (NMFS) Biological Opinion Reconsultation. The District and its partners are executing robust biologic and hydrologic modeling to inform the development of the Biological Opinion and have initiated an advocacy strategy to protect Cachuma water supplies. Concurrently, the District continues to work with the COMB to implement the existing Biological Opinion and Fish Management Plan for ongoing protection of public trust resources while also protecting vital water supplies.

#### *Drought and Water Shortage Contingency Planning*

The South Coast is known for its cycles of drought and the impact those cycles can have on available water supplies. In addition, natural disasters including earthquakes and wildfires can have a considerable and unexpected impact on available supplies. While the District has worked expeditiously to secure a diverse supply portfolio, effective long-term supply reliability planning must also include water shortage contingency planning. The FY 2013-14 Budget includes the development of a Drought and Water Shortage Contingency Plan to enhance the foundation created by the SAFE Water Supply Ordinance and the WSMP and Urban Water Management Plan (UWMP) in order to plan for and mitigate the community impacts of a water supply shortage.

#### *Salt and Nutrient Management Plan Scoping*

The State Water Resources Control Board requires the development of a Salt and Nutrient Management Plan (SNMP) for each groundwater basin in California. These plans address water quality issues, sources of recharge, annual monitoring programs, implementation measures and projects to manage salt and nutrient loading in the basin, as well as complex modeling and analysis to demonstrate that such measures will meet the requirements of State law. Lack of a plan could delay the issuance of permits from the Regional Boards and

could impact competitiveness for grant funding. The District will be participating with other Goleta Groundwater Basin stakeholders, to develop a detailed scope of work for the creation of a SNMP. The scope will include identification of stakeholders, schedules, technical analysis, and modeling needs, as well as an SNMP outline and a project budget.

### *Resource Management and Stewardship*

Successfully providing for the water and resources needs of the region requires coupling prudent financial management with innovative leadership. Investing in the most effective technology, appropriate financial programs, emergency response planning, and sustainable practices enables the District provide the highest possible value to the community at the lowest possible cost.

### *Sustainability Plan Implementation*

Fourteen budgeted capital projects in the FY 2013-14 Budget are directly tied to the guiding principles adopted by the Board of Directors as part of the 2012 Sustainability Plan. Projects include increased investment in renewable energy to offset escalating energy costs; fleet vehicle replacements to improve efficiency and reducing the fleet's carbon footprint; and electrical upgrades and efficiency improvements at District facilities to reduce energy use. These projects will go far to maximize economic performance, minimize natural resource impact, and support a healthy community.



### *Coordinated Energy Management*

As the District embarks on a variety of energy efficiency and renewable energy projects, a dedicated effort is needed to enhance data tracking, identify specific performance metrics, implement appropriate automatic controls, and coordinate energy-related projects across District operations. Doing so will ensure the District has the tools necessary to minimize costs and overall energy usage, and enhance resource independence, particularly during periods of peak demand. This initiative will implement software and management processes necessary to ensure that project decision-making and operations can fully capture the benefits identified in the District Sustainability Plan regarding District energy use.

The District's gravity fed water system is a model of sustainable and cost-effective design. By capturing pressure from the local terrain, District energy bills are substantially lower than those of other similarly sized water agencies.

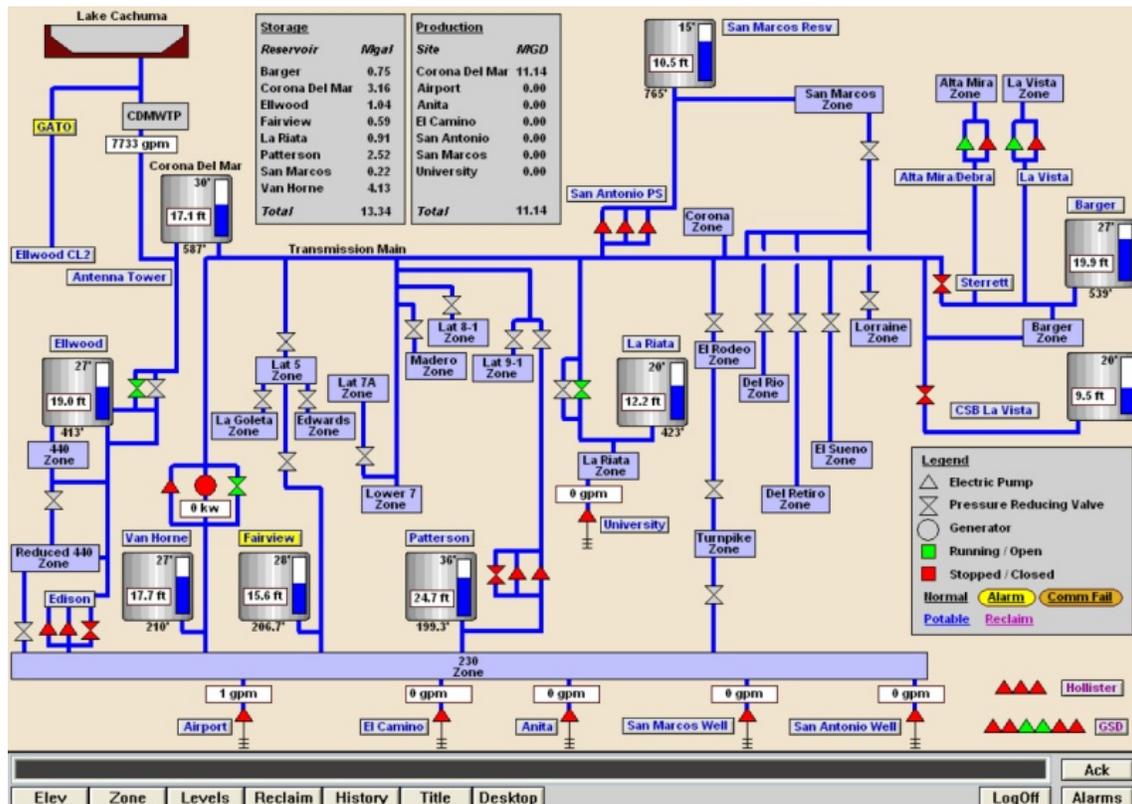
### *Emergency Response Plan*

The District's Emergency Response Plan was last updated in 2007. The Plan will be updated to provide comprehensive guidance and response protocols for a variety of anticipated emergencies. The updated Plan will include operating, financial, public relations, and agency coordination protocols for various emergency scenarios envisioning varying levels of personnel availability. This Plan will help the District to effectively respond to emergencies as they arise and minimize the impacts those emergencies have on the community and its water supply.

*Technology Infrastructure Improvement*

Ongoing investment in maintaining and improving the District technology infrastructure is just as important to efficient service delivery as investing in water supply infrastructure. From finance and accounting platforms to GIS and Supervisory Control and Data Acquisition (SCADA) programs, the District will establish a robust technology backbone to ensure delivery of safe, reliable, and cost-effective water supplies.

District SCADA Program



*Infrastructure Improvements and Planning*

Comprehensive infrastructure planning and investment is critical to the ongoing reliability of the distribution and treatment system. Projects in this category improve the financial certainty and predictability of operating and maintaining District facilities and are the foundation upon which the District is able to provide customers with safe and reliable water supplies at predictable costs.

*Distribution and Treatment System Improvements*

The District distribution system includes approximately 270 miles of pipelines, 6,000 valves, 1,400 fire hydrants, 16,000 meters, and more than 30,000 appurtenances. The ages and materials of District facilities vary greatly and in turn, the current condition and failure risk associated with these facilities varies as well. The FY 2013-14 Budget includes several infrastructure upgrade and improvement projects to protect and extend the life of District distribution and treatment system facilities. Additionally, the FY 2013-14 Budget anticipates investment in system repair and replacement projects in response to equipment failures. The programs protect both District and customers' property while minimizing the financial and water supply impacts of infrastructure failures. Distribution and Treatment System Improvement projects enhance water quality and reliability while meeting ongoing regulatory requirements.

Distribution and Treatment System Improvement Projects include:

- Valve installations and replacements for pressure regulation, system isolation, and monitoring.
- Comprehensive Meter Replacement and System Sub-Metering Program.
- Corona Del Mar Water Treatment Plant facility improvements including the backwash, organic material, and overflow basins to improve effectiveness and efficiency.
- Upgrades to the recycled water distribution system's cathodic protection to extend asset life.
- Replacement and upsizing of pipelines to accommodate projects led by the City of Goleta, County of Santa Barbara, and developers.
- Replacement of water mains, valves and hydrants, polybutylene service lines, and copper service lines.
- Rebuilding of the 25-year old Airport Well filter to replace outdated infrastructure.

#### *USBR Title Transfer*

Completion of the USBR Title Transfer Project to convey ownership of the federally owned portions of the Goleta Distribution System to the District is included in the FY 2013-14 Budget. This project will provide complete local control and operational oversight to the District and allow for the ongoing development and implementation of system replacement and repair programs.

#### *Advanced Infrastructure Management Program – Phase 1*

The FY 2013-14 Budget includes the first phase of developing an advanced infrastructure management, or AIM, program. The initial phase of the AIM program will include high-level risk analysis and review of all District assets and a detailed management analysis of the recycled water system. This includes developing an asset registry, risk analysis, and infrastructure management strategies going forward for the recycled water system. Additionally, the AIM initiative will develop and integrate a computerized maintenance management system into District operations which will provide for coordinated and prioritized repairs and replacements within the system.

AIM Phase 1 brings District foundational planning documents including the IIP and Sustainability Plan together with the District operational systems including the groundwater model, GIS, and inventory controls to begin building a coordinated, prioritized approach to infrastructure investment. This initiative will provide analytic tools such as cost-benefit analysis, life-cycle analysis, and opportunities for revenue generation to prioritize District needs and weigh competing District priorities. AIM Phase 1 lays the groundwork for expansion in future phases and will provide and coordinate the information needed for effective future capital investment planning and investment.



### A LOOK TO THE FUTURE

The FY 2013-14 Budget recommends expenditures based on prioritized District needs, goals and objectives, and anticipated external costs. By building on comprehensive analysis of factors such as the economy, weather, customer use trends, and infrastructure needs, the Budget provides the roadmap for preparing and addressing the ongoing needs of the community in the coming fiscal year.

Even the most effective forecasting cannot anticipate the impact of uncontrollable circumstances on revenues and expenditures and the ability to provide safe, cost-effective sustainable water supplies to the community. There are a variety of externalities that may have significant impacts on the District in FY 2013-14 and beyond. These externalities are, in fact, likely to drive increases in expenditures for the foreseeable future. By managing expenditures within the District's control, mitigating risk from external sources, influencing external outcomes that affect the District, and planning for the impacts of uncontrollable costs, the FY 2013-14 Budget maximizes the ability to respond to external circumstances while minimizing impacts to customers.

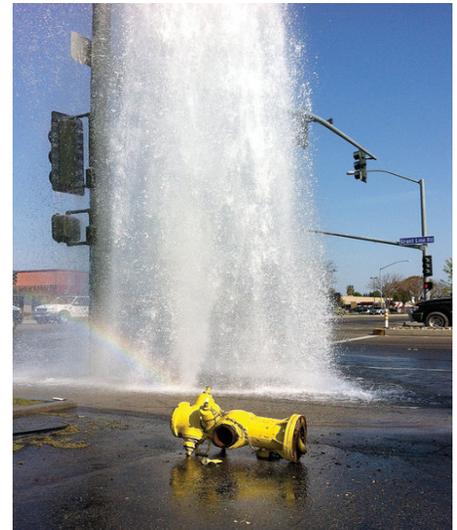
Examples of externalities facing the District include:

- Anticipated action on the Cachuma Project State Water Rights Order and Federal Biological Opinion Reconsultation may significantly affect available Cachuma Project water supplies for the Cachuma Member Agencies. Curtailment of supplies would constrain the ability to meet customer demands and would necessitate substantial investment in both demand management and supply development measures. The District will continue its ongoing partnership with Member Agencies to implement proactive scientific, advocacy, and legal strategies to protect Cachuma water supplies and plan for all potential outcomes.



- SWP supplies continue to face threats from a variety of sources potentially resulting in increased costs and reduced availability. Ongoing state and federal negotiations related to the SWP and the Bay Delta Conservation Plan (BDCP) may result in significant additional pass-through costs for state water supplies as the Water Contractors fund the costs associated with a BDCP supply reliability project. Additionally, the loss of supplies due to drought, regulatory requirements, or a considerable failure of the Delta or conveyance infrastructure as a result of a natural disaster, could appreciably curtail supplies available to the region. Ongoing efforts to secure local supplies and encourage efficient water use within the service area help reduce the District's dependence on expensive imported supplies.
- The aging Cachuma Project infrastructure including Bradbury Dam, the Tecolote Tunnel, and the South Coast Conduit, poses significant financial and water supply risks to the Cachuma Member Agencies. USBR's ongoing inspections and assessments the Cachuma Project facilities are expected to result in the identification of substantial capital investment needs. Collectively, the Cachuma Member Agencies are financially responsible for the costs associated with Cachuma infrastructure investment and any investment needed in response to unexpected infrastructure failure.

- As the District approaches its 70th anniversary, failure risk of aging infrastructure grows. The condition of facilities varies widely based on their age, materials, and exposure to environmental conditions leaving the system vulnerable to failures and inefficiencies. For example, the recycled water distribution system has experienced significant pipe corrosion leaving the recycled water lines vulnerable to leaks, breaks, and failures. The FY 2013-14 Budget includes funding to allow the District to respond to system failures and minimize the impacts of such events. Additionally, the upcoming AIM Program will provide a roadmap for needed infrastructure investment, with particular emphasis on the recycled water system, to minimize future system failures and plan for repair and replacement needs.



- The Goleta Groundwater Basin faces potential threats to water quality similar to many urbanized basins throughout California. Seawater intrusion, agriculture and urban runoff, salts and nutrients, and over-pumping are examples which can have detrimental impacts to the quality and quantity of water available from an underground basin. The provisions of the 1989 Wright Judgment and 1991 SAFE Ordinance provide for reliable groundwater supplies from the Goleta Basin. Similarly, the upcoming SNMP development process will identify risks to basin water quality and develop strategies for mitigating those risks and ensuring sustainable high-quality supplies for generations to come.
- The District is firmly committed to meeting and exceeding state and federal regulatory requirements including water quality, environmental review and habitat mitigation, workplace safety, and electricity, among many others. These requirements are continually in flux and state and federal legislators and regulators enact new and updated requirements. In order to ensure ongoing compliance and minimize the impact of costly regulatory changes, the District works with our state and federal partners to monitor regulatory and legislative action and adjusts operations, projects, and programs accordingly.

The FY 2013-14 Budget is the third year of the Five-Year Financial Plan. These externalities will drive the development of next Five-Year Financial Plan and Cost of Service Study and will take the form of future proposed initiatives, expenditures, and rates. By identifying, understanding, and planning for these external risks, the District can limit its exposure, exert its power to influence outcomes, and effectively prepare for the ongoing water resources needs of the region while managing future costs and providing reliable services. The FY 2013-14 Budget, shown in Table 1.2, provides the foundation for the innovative leadership to meet regulatory and infrastructure needs and provide customers with exceptional service and sustainable rates for years to come.

Table 1.2 FY 2013-14 Budget Summary

Category	Adopted Budget	Estimated Actual	Final Budget	Variance Analysis *	
	FY 2012-13	FY 2012-13	FY 2013-14	\$ Higher / (Lower)	% Higher / (Lower)
<b>Revenue:</b>					
Monthly Service Charges	\$ 8,811,840	\$ 8,812,837	\$ 9,552,023	\$ 740,183	8%
Water Sales	20,540,842	20,560,671	22,081,602	1,540,760	8%
New Water Supply Charges	221,845	255,979	489,000	267,155	120%
Investment Revenue	68,722	60,982	55,213	(13,509)	(20%)
Conveyance Revenue	175,301	131,926	129,032	(46,269)	(26%)
Miscellaneous Fees & Charges	642,538	598,448	600,984	(41,554)	(6%)
<b>Total Revenue:</b>	<b>\$ 30,461,088</b>	<b>\$ 30,420,844</b>	<b>\$ 32,907,854</b>	<b>\$ 2,446,766</b>	<b>8%</b>
<b>Expenditures:</b>					
<b>Water Supply:</b>					
Surface Water - COMB	\$ 2,596,865	\$ 2,891,592	\$ 2,397,168	\$ (199,697)	(8%)
Surface Water - CCRB	296,220	379,162	853,632	557,412	188%
Surface Water - SB County (Cloud Seeding)	-	-	30,000	30,000	-
State Water - CCWA	7,506,554	7,517,874	7,551,639	45,085	1%
Recycled Water - GSD	487,542	440,901	500,500	12,958	3%
<b>Subtotal:</b>	<b>\$ 10,887,181</b>	<b>\$ 11,229,529</b>	<b>\$ 11,332,939</b>	<b>\$ 445,758</b>	<b>4%</b>
<b>Personnel:</b>					
Wages, Benefits, and Taxes	\$ 7,883,992	\$ 7,712,861	\$ 8,152,192	268,200	3%
Other Post Employment Benefits	365,136	366,407	374,910	9,774	3%
<b>Subtotal:</b>	<b>\$ 8,249,128</b>	<b>\$ 8,079,268</b>	<b>\$ 8,527,102</b>	<b>\$ 277,974</b>	<b>3%</b>
<b>Operations &amp; Maintenance:</b>					
Water Treatment	\$ 626,550	\$ 509,649	\$ 646,396	\$ 19,846	3%
Water Testing	151,811	126,747	184,508	32,697	22%
Insurance, Accounting, & Auditing	197,700	190,203	197,864	164	0%
Maintenance & Equipment	1,182,544	1,061,321	1,051,009	(131,535)	(11%)
Legal	349,762	253,145	318,500	(31,262)	(9%)
Services & Supplies	2,255,264	2,147,617	2,507,365	252,101	11%
Utilities	281,256	306,567	360,418	79,162	28%
<b>Subtotal:</b>	<b>\$ 5,044,887</b>	<b>\$ 4,595,248</b>	<b>\$ 5,266,060</b>	<b>\$ 221,173</b>	<b>4%</b>
<b>Total Expenditures before Debt and CIP:</b>	<b>\$ 24,181,196</b>	<b>\$ 23,904,046</b>	<b>\$ 25,126,101</b>	<b>\$ 944,905</b>	<b>4%</b>
Debt Service	3,566,466	3,568,602	3,562,366	(4,100)	(0%)
Capital Improvement Projects (CIP)	2,245,000	2,423,305	3,816,347	1,571,347	70%
<b>Total Expenditures:</b>	<b>\$ 29,992,662</b>	<b>\$ 29,895,953</b>	<b>\$ 32,504,814</b>	<b>\$ 2,512,152</b>	<b>8%</b>
<b>Designation to Reserves:</b>	<b>\$ 468,426</b>	<b>\$ 524,891</b>	<b>\$ 403,041</b>	<b>\$ (65,385)</b>	<b>(14%)</b>

\* Compares FY 2013-14 Final Budget to FY 2012-13 Adopted Budget

## SECTION II – REVENUE

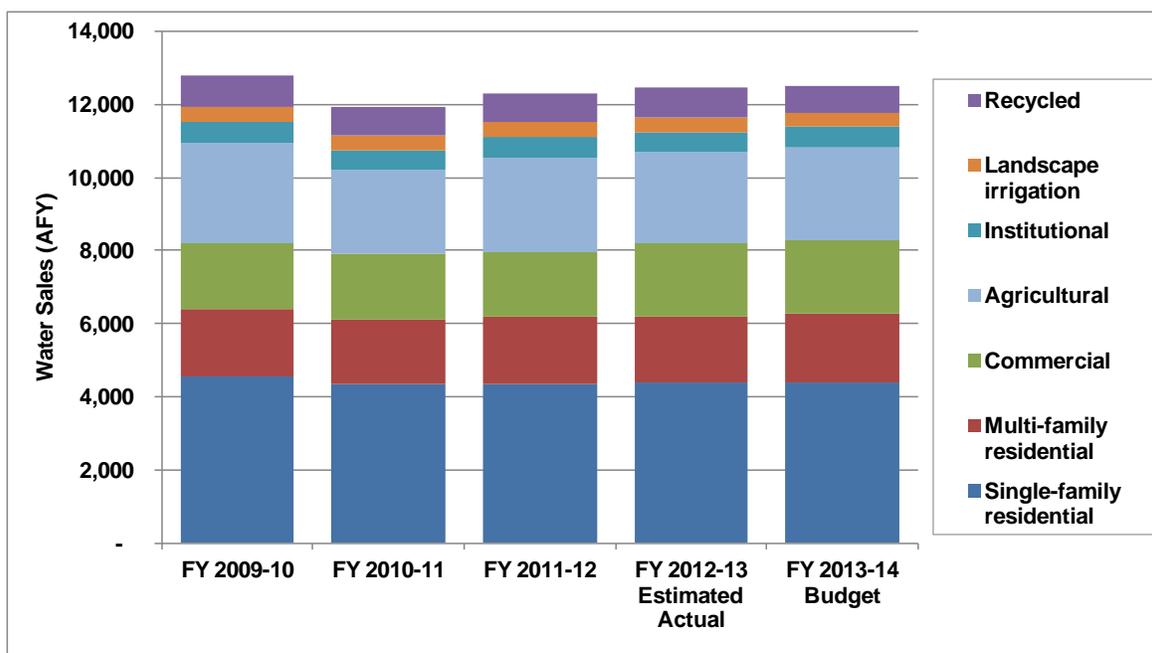
### INTRODUCTION

The District provides water to approximately 16,600 customers in seven main customer categories: Single-family residential, Multi-family residential, Commercial, Agricultural, Institutional, Landscape irrigation, and Recycled. Other connections include Fire service lines, which are not used for the normal delivery of potable water.

The District receives the vast majority (96%) of its revenue from regular monthly charges for water service consisting of fixed Monthly Service Charges (29%) and Water Sales (67%). Monthly Service Charges represent the customer’s portion of the fixed costs of operating and maintaining the treatment and distribution system. These charges are assessed on a monthly basis depending on the size of the meter, which can range from 3/4 or 5/8 to ten inches. Water Sales or consumption-based charges are based on the actual amount of water delivered to each customer, measured in increments of one hundred cubic feet (HCF) or 748 gallons. The amount of revenue the District receives from Water Sales varies for each customer category based on the cost of providing service to that category. Also taken into consideration in forecasting revenue is the number of customers consuming water at a conservation level. The District offers a tiered conservation rate structure to residential and commercial customers with standard 3/4 inch or 5/8-inch sized meters, in which the trailing 12-month average determines the tier and resulting billing rate.

In addition to the rates associated with the customer type, historical sales are used to project the amount of water that would be supplied to customers by the District each year, and in turn, the projected revenue derived from sales. In a typical year, the District sells approximately 12,400 AFY of water, which is equivalent to 5.4 million hundred cubic feet or four billion gallons. Due to a greater overall awareness of conservation, more water-efficient fixtures, as well as the recent economic recession, the District has experienced a decline in overall water consumption as compared to five years ago. Whereas Water Sales were higher in years prior to FY 2009-10, sales levels have declined to a new normal average of approximately 12,400 AF over the past five years, as illustrated in Figure 2.1.

Figure 2.1 District Five-Year Water Sales



This Budget uses the FY 2012-13 Adopted Budget of 12,453 AF as a baseline for forecasting Water Sales and revenue in the coming year as the FY 2012-13 Estimated Actual Water Sales will be within one percent of the FY 2012-13 Adopted Budget. In addition to the baseline, key factors were identified as influences on the projection of FY 2013-14 sales-based revenue, including: new development, new and existing connection adjustments, conservation, and vacancy rates. Although the impact of these factors varies considerably across customer categories, each contributes to the year-over-year change in water use.

Table 2.1 describes the formulaic components used to develop the FY 2013-14 Budgeted Monthly Service Charges and Water Sales Revenue.

**Table 2.1 FY 2013-14 Budget Methodology**

Description	Definition
Baseline Revenue	FY 2012-13 Budgeted Monthly Service Charges and Water Sales Revenue, plus the scheduled seven percent rate increase effective July 1, 2013. Prorated to reflect meter read dates. Assumes a normal weather year.
<b>Influencing Factor:</b>	
New Development	Value of new residential and commercial development projects scheduled for completion in FY 2013-14 and annualized value of new meter connections in FY 2012-13.
Connection Adjustments	Value adjustment based on projected removed meters and changes in meter size on existing developed properties.
Conservation	Projected percentage of customers moving from standard tiers into conservation tiers (based upon historical regression analytics).
Vacancy Rates	Predicted changes in residential and commercial vacancy rates based on economic trends in the region.

The remaining four percent of Budgeted Revenue results from New Water Supply Charges (NWSC), Investment Revenue, Conveyance Revenue, and Miscellaneous Fees and Charges.

## RATES-BASED REVENUE

Revenue derived from rates is comprised of two categories: fixed Monthly Service Charges and Water Sales. The amount of revenue the District receives from water service is primarily based on the number of customers by customer category, size of each connection, and the rates associated with each customer category. Additionally, the projected FY 2013-14 Revenue from water service is influenced by several key factors affecting water use in the region, including new development, connection changes, participation in conservation, and vacancy rates. Table 2.2 provides a summary of the types and number of District connections by customer category, by which base revenue is derived.

**Table 2.2 Types and Number of District Customer Connections**

Customer Category	Meter Size		Total
	3/4 or 5/8-inch	1-inch to 10-inch	
Single-family residential	12,028	1,207	13,235
Multi-family residential	935	650	1,585
Commercial	379	602	981
Agricultural	2	163	165
Institutional	-	7	7
Landscape irrigation	94	127	221
Recycled	2	33	35
Fire	298	8	306
<b>Total Connections:</b>	<b>13,738</b>	<b>2,797</b>	<b>16,535</b>

### Monthly Service Charges

Approximately 29 percent of total District revenue is derived from Monthly Service Charges. These charges are assessed as a fixed monthly amount, and provide the District with predictable revenue that is not influenced by externalities such as weather patterns or customer behavior. All active water service connections pay a Monthly Service Charge based on the size of the connection. Over 80 percent, or the majority, of District connections are 3/4 or 5/8-inch meters which carry the lowest volume of water and are charged the lowest set of monthly rates. Other meter sizes range from one to ten inches depending on the volume of water it can carry and according to the customer's unique water needs. For example, large agricultural or multi-family residential customers consume significantly more water than single-family residences, and in turn, require larger meters. Commercial businesses also use water in differing ways, requiring a variety of meter sizes.

Designed to encourage conservation, incentives are provided to residential and commercial customers with 3/4 or 5/8-inch meters who demonstrate a sustained level of conservation in water use. The "Low Flow" tier applies to customers averaging eight or less, but more than four HCF per month. These customers receive a 33 percent reduction in Monthly Service Charges. Customers averaging four HCF or less per month are eligible for further reduced rates in

In addition to offering commercial rate incentives for efficient use, the District has been a partner of the Green Business Program since 2008, providing free commercial water check-ups for businesses seeking program certification in the region.

the “Ultra-Low Flow” tier and receive a 66 percent reduction. All others consuming over eight HCF of water per month are charged the standard rate. Since the program was introduced in 2007, approximately 39 percent of those customers eligible participate in the conservation tiers.

A number of factors influencing the District’s base revenue from Monthly Service Charges are taken into consideration in this Budget. For example, nine new development projects including mixed-use, single-family, and commercial developments are projected to provide over 50 new connections resulting in an increase to revenue. Various connection adjustments such as the removal or replacement of existing meters will also have an effect on the amount of revenue the District receives. Another measurable influencing factor to revenue is customers’ participation in conservation. Monthly Service Charges revenue is expected to decrease due to the high level of participation of District customers in conservation tiers. As an additional indicator of the current economic climate, vacancy rates in the region are also evaluated for changes and its associated effect on revenue. A continued predicted decline in vacancy rates is projected to provide an increase to revenue.

### *Single-Family Residential*



With more than 13,220 Single-family residential meters ranging in size from 3/4 or 5/8-inch to two inches, this customer category accounts for 80 percent of the District’s total connections. Over 90 percent of Single-family residential meters are standard 3/4 or 5/8-inch, whereas large parcels are served by larger, two-inch meters.

Factors influencing Single-family residential revenue include new development, conservation, and vacancy rates. Development of a new single-family housing tract, Haskell’s Landing, is estimated to add 15 new meters in the latter half of FY 2013-14. If the project is completed as scheduled, the new 3/4-inch meters are anticipated to yield the District an additional \$5K in revenue. Additionally, 20 1 ½-inch meter installs for Single-family residences at The Bluffs housing tract will increase baseline revenue by \$30K. Harvest Hills is estimated to provide seven new 3/4-inch connections, yielding \$3K in revenue. Finally, the annualized value of two new single-family connections installed in FY 2012-13 will add \$1K to the combined \$39K revenue increase associated with new development.

Another influencing factor to revenue is participation in conservation efforts. Approximately 37 percent of Single-family customers eligible for conservation tiers participate in the program; 25 percent of customers with 3/4 or 5/8 inch meters consume low water use eligible for the “Low Flow” tier, whereas 12 percent consume an even lower water use level eligible for the “Ultra-Low Flow” tier.

To measure the revenue impact of participation in conservation efforts, water use data is examined to identify trends from a random sample of Single-family residential customers, the largest class of customers and most detailed data source. By isolating data into periods of consistent temperatures and rainfall, the change in water use is normalized for the effects of weather on water use. August was chosen to represent a normal summer month with no rainfall and consistent temperatures, whereas January was representative of a normal wet, winter month. The decline in water use evident during both summer and winter months indicates a more conservation-conscious community as the result of changes in technology, economic factors, and state and federal regulations. This continued downward trend in water use would result in a \$9K decrease to fixed

revenue. Based on a linear regression model, approximately 65 additional Single-family residential customers are projected to move from the standard meter tier into the “Low Flow” conservation tier in FY 2013-14.

According to the 2013 Santa Barbara Real Estate and Economic Outlook (Economic Outlook), the region’s housing market is gradually recovering with fewer foreclosures, fewer defaults, and an increase in conventional sales compared to a year earlier. As the economy further stabilizes, the FY 2013-14 Budget forecasts a continued decrease in residential vacancies of 0.35 percent, or approximately 46 residences. Based on the standard monthly meter rate, this continued improvement will increase Monthly Service Charges revenue by \$21K in FY 2013-14.

Combined, the influencing factors are forecasted to add \$51K to baseline revenue. The FY 2013-14 Budget anticipates \$5.6M in Monthly Service Charges revenue from Single-family residential customers.

### *Multi-Family Residential*

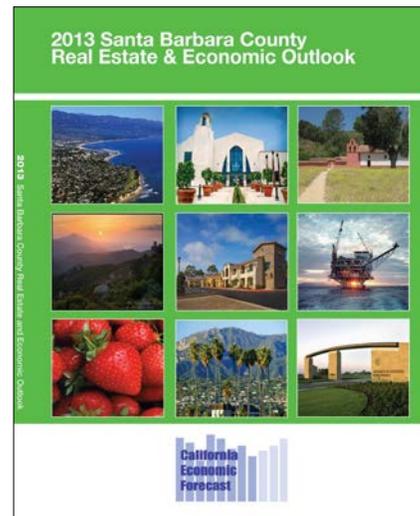
The Multi-family residential customer category is the second largest customer base representing approximately 10 percent of District connections with nearly 1,600 meters. Meter sizes vary considerably from 3/4 or 5/8-inch meters to eight-inch meters. While 60 percent of customers have 3/4 or 5/8-inch meters, a greater percentage of Multi-family residential customers have much larger meter sizes as compared to Single-family residential. Depending on the size of the development, a single meter can serve complexes with three or four units or more than 20 units. In the concentrated community of Isla Vista, directly adjacent to the UCSB campus, more than 86 percent of the total housing units are attached structures with two or more units. The largest percentage of these housing complexes has 20 or more units, according to the 2010 U.S. Census Bureau’s American Community Survey.

New mixed-use development projects in Isla Vista, including The Loop, Icon at UCSB, and Icon Gardens, will add three 1 ½-inch meters to the existing District customer base. Collectively, the three projects will provide more than 100 multi-family units slated for student housing, along with restaurants and commercial retail space when fully occupied. Combined, new development is expected to produce an \$11K increase to Multi-family residential Monthly Service Charges revenue.

Approximately 48 percent of Multi-family customers with 3/4 or 5/8-inch meters use water at a conservation level and receive a reduced Monthly Service Charge; 27 percent use water eligible for the “Ultra-Low Flow” rate and 21 percent at the “Low Flow” rate. Due to the high level of participation in this customer category, no material changes to revenue are anticipated for FY 2013-14.

According to the Economic Outlook, the apartment market maintains exceptionally low levels of vacancy within the service area. Residential vacancy rates in the Cities of Goleta and Santa Barbara are under one percent. Based on the percentage change in vacancy rates, an additional 12 Multi-family residential units are anticipated to become active in FY 2013-14. This improvement in vacancies is estimated to increase fixed revenue by \$5K in FY 2013-14, based on the standard monthly rate for 3/4 inch meters.

In total, the influencing factors are estimated to add \$17K to baseline Monthly Service Charges revenue, resulting in a total \$1.4M in revenue from Multi-family residential customers.



## *Commercial*

The Commercial customer category is comprised of approximately 1,000 meters, representing six percent of total connections in the District. As commercial demands vary considerably when comparing different businesses, meters sizes vary from smaller-volume 3/4 or 5/8-inch meters to those carrying the largest volume, 10-inch meters. Of the 1,000 Commercial meters, more than 600 are one-inch or greater.



New commercial development such as the Camino Real Hotel, Cabrillo Business Park, and Ocean Walk Phase II/III will add a total of four new connections in FY 2013-14. Between the Camino Real Hotel and Cabrillo Business Park projects, the addition of three two-inch meters will result in a \$7K increase to Monthly Service Charges revenue. One additional 1 ½-inch meter will be in service as part of the Ocean Walk project, increasing revenue by a nominal \$2K. Together, new development will yield a \$44K increase to fixed revenue.

Commercial connection adjustments include the removal of a two-inch meter. In absence of this meter in FY 2013-14, a \$2K decrease to fixed revenue is expected.

Approximately 59 percent of Commercial customers with 3/4 or 5/8-inch meters use water at a conservation level; 41 percent receive a reduced Monthly Service Charge at the “Ultra-Low Flow” rate and 17 percent receive a reduced “Low Flow” rate. Similar to the Multi-family residential category, this Budget does not anticipate any changes to Commercial revenue associated with conservation.

While the commercial arena is experiencing a slower recovery as compared to residential vacancies, historically high vacancy rates are improving, according to the Economic Outlook. The office vacancy rate in Goleta has steadily declined from a 20-year high of 16 percent in 2009 to the current level of 9.8 percent. Goleta’s industrial vacancy rate of six percent is the highest in the South Coast region. By comparison, the City of Santa Barbara’s commercial office vacancy stands at 6.5 percent and industrial vacancy rate is under one percent. Economists predict vacancy rates will continue to improve in FY 2013-14 as the result of improving economic factors. Based on the percentage change, four new Commercial customer connections are expected in FY 2013-14, contributing a \$2K increase to revenue.

Collectively, the influencing factors are forecasted to add \$44K to the baseline. Total FY 2013-14 Monthly Service Charges revenue is estimated to be \$1.6M from Commercial customers.

## *Agricultural*

Agricultural customers represent approximately one percent of District connections, or 165 meters. Although the majority of meters are two-inches or greater, this customer category is comprised of meters ranging in size from 3/4 or 5/8-inch to six inches. Connection adjustments or changes in meter size include replacement of an existing four-inch meter with a six-inch meter, resulting in an \$8K increase to revenue in FY 2013-14. Total Monthly Service Charges revenue in FY 2013-14 from the Agricultural customer category is estimated to be \$400K.

### *Institutional*

Institutional customer connections are master meters that provide water to multiple facilities. All seven of the institutional connections are UCSB master meters providing water for campus operations. While four of the seven meters are two-inch meters, the other three range in size from six to ten inches. There are no known factors influencing revenue for this customer category. Total Monthly Service Charges revenue in FY 2013-14 from the Institutional customer category is projected to be \$107K in recognition that the number and size of meters will remain the same as compared to the baseline.

### *Landscape Irrigation*

With approximately 220 meters ranging in size from 3/4 or 5/8 to four-inches, Landscape irrigation customers represent less than two percent of total District connections. New meter connections installed in FY 2012-13 include one new 3/4-inch meter and two new 1 1/2-inch meters resulting from Icon at UCSB and Cabrillo Business Park development projects, respectively. Additionally, the value of a new one-inch meter also installed in FY 2012-13 will contribute a \$1K increase to revenue. New meter connections will result in a combined \$4K increase to revenue. Known connection adjustments include the removal of a three-inch meter due to closure of Ocean Meadows Golf Course, resulting in a \$4K decrease to revenue. Total Monthly Service Charges revenue in FY 2013-14 from Landscape irrigation is estimated to remain flat at \$241K as revenue impacts associated with the golf course closure are offset by new meter installations.



### *Recycled*



The District has approximately 35 Recycled meters, representing less than one percent of total connections. Meter sizes range from 3/4 or 5/8-inch to eight-inches. Two new Recycled connections at the single-family housing tract, Haskell's Landing, will contribute a \$1K increase to baseline Monthly Service Charges revenue in FY 2013-14. Additionally, the removal of a six-inch meter as a result of the Ocean Meadows Golf Course closure will produce a \$14K decrease to revenue. Together, these factors will decrease baseline revenue by \$13K. Total Monthly Service Charges revenue in FY 2013-14 from the Recycled customer category is estimated to be \$275K.

## Summary – Monthly Service Charges

In conclusion, the \$9.5M of Monthly Service Charges Revenue projected for FY 2013-14 is established based on FY 2012-13 Adopted Budget as a baseline to which the value of influencing factors to revenue is added. Together these factors contribute to a total revenue increase of \$106K. Table 2.3 provides an itemization of the FY 2013-14 Budgeted Monthly Service Charges Revenue by customer category, inclusive of the values associated with each influencing factor.

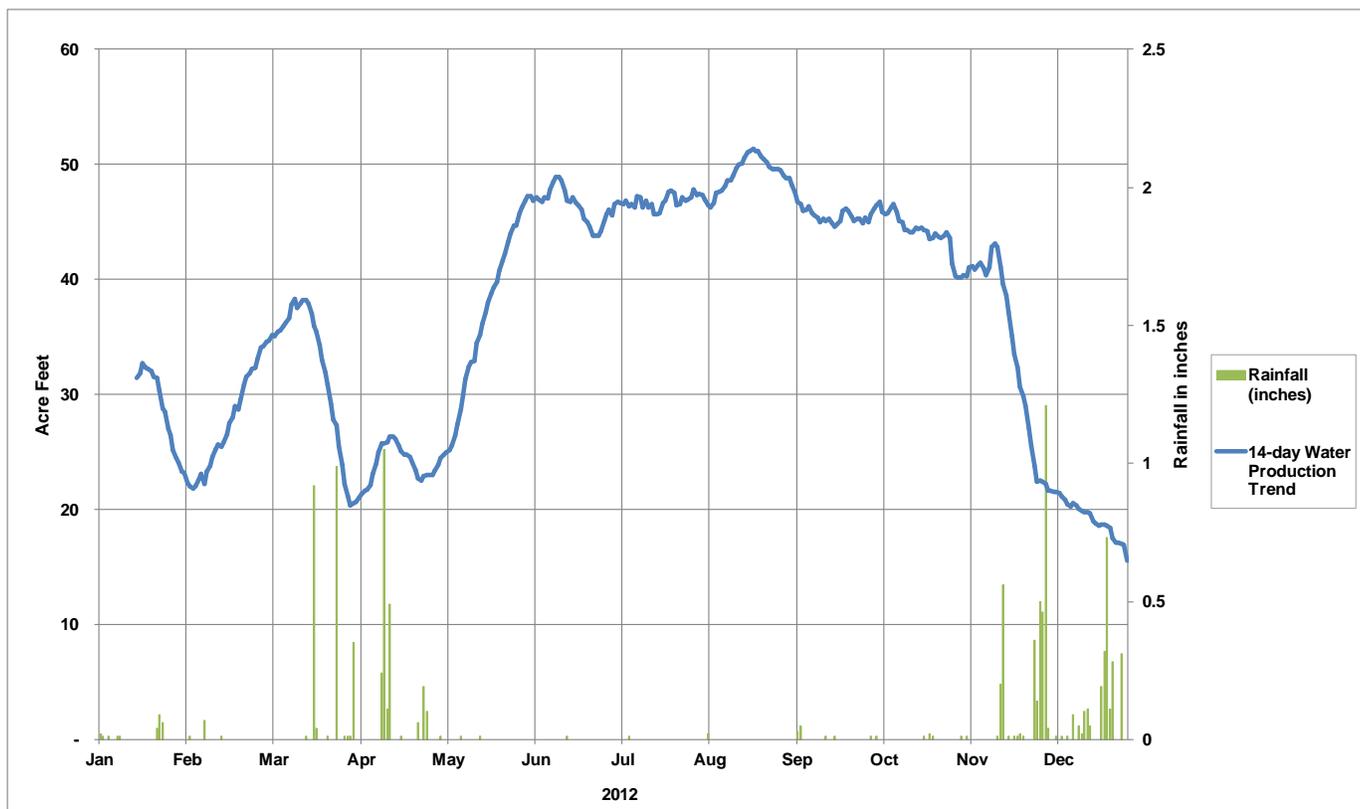
**Table 2.3 Budgeted Fixed Revenue and Influencing Factors**

Customer Category	FY 2012-13 Budget Baseline Revenue	Influencing Factor					FY 2013-14 Budgeted Fixed Revenue
		New Development	Connection Adjustments	Conservation	Vacancy Rates	Net Incr. / (Decr.)	
Single-family residential	\$ 5,516,317	\$ 38,862	\$ -	\$ (9,259)	\$ 20,974	\$ 50,578	\$ 5,566,895
Multi-family residential	1,345,178	11,424	-	-	5,472	16,896	1,362,074
Commercial	1,534,602	44,201	(2,039)	-	1,824	43,986	1,578,589
Agricultural	380,488	-	7,600	-	-	7,600	388,088
Institutional	106,896	-	-	-	-	-	106,896
Landscape irrigation	241,259	4,267	(4,273)	-	-	(6)	241,253
Recycled	287,946	914	(14,245)	-	-	(13,330)	274,616
Fire	33,613	-	-	-	-	-	33,613
<b>Total:</b>	<b>\$ 9,446,300</b>	<b>\$ 99,670</b>	<b>\$ (12,957)</b>	<b>\$ (9,259)</b>	<b>\$ 28,270</b>	<b>\$ 105,723</b>	<b>\$ 9,552,023</b>

## Water Sales

The largest source of District revenue is derived from Water Sales, billed according to the actual volume of water consumed by the customer. Water rates are structured based on the customer type and unique water needs of that category. The amount of water use across categories can vary significantly given the widely divergent dynamics associated with each type of customer. For example, water production data provides evidence that District customers are highly responsive to weather conditions. Water production drops significantly during the rainy season as conservation-minded customers quickly reduce outdoor water use when cool and wet weather conditions occur. During the fall, winter, and spring months with cooler temperatures and appreciable rainfall, water use is significantly reduced as landscapes need less irrigation. This variability in customer water demands throughout the year produces similar patterns of cash flow from Water Sales revenue, the timing of which must be incorporated into expenditure plans. As Figure 2.2 displays, the District sees much lower water production during periods with rainfall as compared to dry summer seasons with little to no rainfall.

Figure 2.2 FY 2012-13 Daily Water Production and Rainfall



In forecasting the amount of revenue received from Water Sales, consideration is also given to the number of residential or commercial customers able to sustain a conservative level of water use. The District provides a reduced Urban Conservation rate to residential and commercial customers with 3/4 inch or 5/8-inch meters that average four HCF or less per month over a trailing 12-month period. Approximately 12 percent of Single-family residential customers, 27 percent of Multi-family residential customers, and 41 percent of Commercial customers achieve water use eligible for this conservation tier.

The average residential customer in the District uses 68 gallons of water per day, 35 percent below the state average of 105 gallons per person per day.

Understanding water use across customer categories is vital to projecting annual and monthly revenue which, in turn, influences the timing and levels of project and program expenditures. Customer water use behaviors vary across categories and throughout the year. These behaviors have a direct impact on fluctuations in Water Sales and revenue. The FY 2013-14 Budget incorporates analysis of water use by customer category to anticipate critical cash flow timing to better meet the needs of the community.

*Single-Family Residential*

Single-family residential customers are forecasted to use 4,416 AFY of water in FY 2013-14, representing approximately 35 percent of water use and 44 percent of total Water Sales revenue. Water Sales vary significantly within this customer category depending on a number of factors including lot size, age of housing stock, household size, and type of water-using fixtures. For example, eighty percent of single-family customers reside on lots that are a quarter acre or less and, on average, use significantly less water averaging eight to nine HCF per month as compared to those on lots greater than a quarter acre who use 20 to 30 HCF per month.

According to the Census Bureau, 90 percent of the housing stock in the region was built prior to 1994 with a significant portion of housing units built in the 1960s or earlier. These homes were built prior to the federal Energy Policy Act of 1992, which requires the installation of low-flow devices in place of older, water-intensive devices. As a result, Single-family residential water use can vary significantly depending on both the age of the residential dwelling and the efficiency of water devices in the home.



As a customer category with both indoor and outdoor water use, consumption for Single-family residential customers varies throughout the year and year-to-year depending on weather conditions. Indoor consumption can generally be characterized by routine water use indoors including toilet flushing, showers, clothes-washing, and dishwashing. Assuming the average person takes five showers a week at eight minutes each, the flow rate for a standard showerhead is determined to be 2.0 gallons per minute. The average household uses 1,267 gallons or 1.7 HCF per month in showers alone, based upon a median household size of 2.64

in the region. Standard toilets, usually the largest user of water in a home, could use as much as 1,386 gallons or 1.9 HCF per month. Factoring in the normal use of faucets, laundry, and dishwashing, the average single-family customer in the District uses at least 3,975 gallons, or 5.3 HCF per month, for basic health and sanitation.

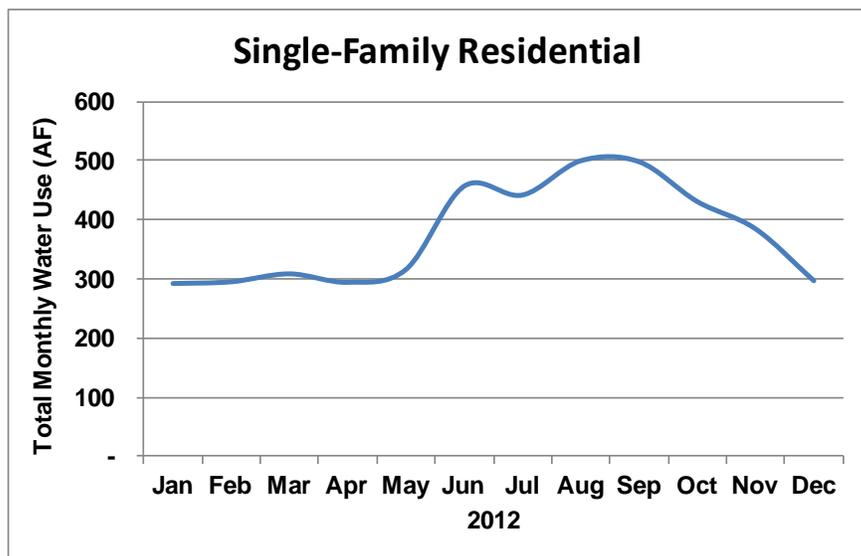
Water usage in excess of this base indoor amount is attributed to outdoor use, which fluctuates throughout the year with weather patterns. Due to the variability in lot sizes, efficiency of irrigation systems, and irrigation habits, outdoor water use can vary significantly across households. In semi-arid Southern California, an average of 50 to 70 percent of total water use is attributed to residential outdoor water use. District customers are on the low end of the spectrum, using 52 percent of their total consumption outdoors.

Like all customers with outdoor water use, this customer category is influenced by varying temperatures and rainfall during different times of the year. Usage in 2012, shown in Figure 2.3, indicates that consumption increases by 59 percent in the warm, dry summer months of June through October as compared to the cooler, rainy months from December to May.

New development in FY 2013-14 include Haskell’s Landing, The Bluffs, and Harvest Hills housing tracts which will add approximately seven AFY in Water Sales, yielding and additional \$16K in revenue.

Moreover, two new single-family meter installations in FY 2012-13 will contribute a \$1K increase to baseline revenue.

**Figure 2.3 Water Use for Single-Family Residential Connections**



According to the 2013 Economic Outlook, several key measures of the housing market show recovery, including the decrease in foreclosures on the market and the increase in number of conventional home sales. This Budget

forecasts a continued decrease in residential vacancies of 46 residences in FY 2013-14, resulting in a projected \$33K increase to Water Sales revenue or two AFY of water.

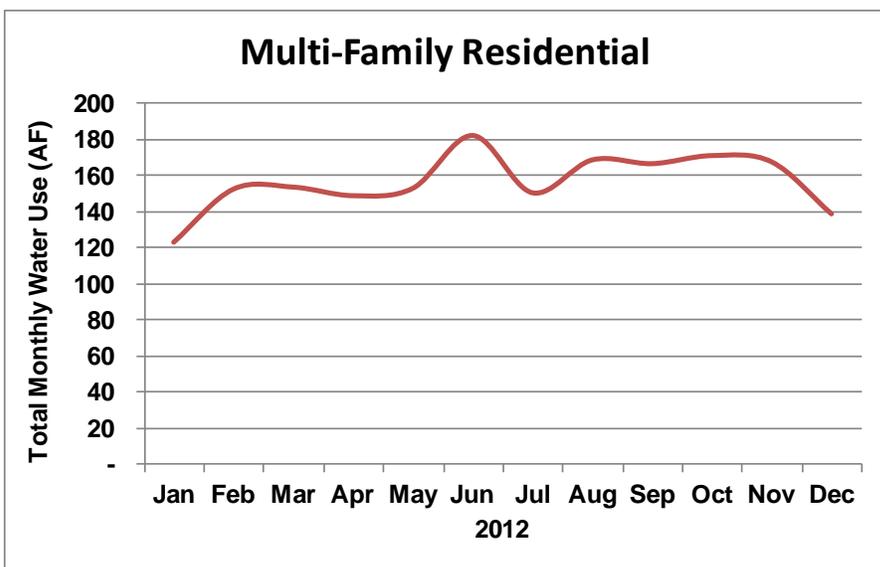
In conclusion, the FY 2013-14 Budget anticipates \$9.7M in revenue from Single-family residential customer use, or 4,416 AF. Based upon analysis of indoor versus outdoor use, 2,120 AF (48%) is forecasted to account for indoor use and 2,296 AF (52%) for outdoor use. Single-family Water Sales revenues will increase by \$49K primarily as a result of a projected continued housing market recovery.

*Multi-Family Residential*

Multi-family residential customers are forecasted to use 1,844 AFY of water in FY 2013-14, representing approximately 15 percent of water use and 18 percent of total Water Sales revenue. Multi-family residential customers include: high-density student housing in the Isla Vista community, UCSB dormitories and residence halls, retirement communities, apartment buildings, condominiums, manufactured housing, and homeowner associations. Consumption behaviors within this category can diverge significantly. The largest indicators of Multi-family residential water use are the number of units within a complex and the number of people per household. For example, multi-family housing units in retirement communities with one or two occupants per unit use an average of 2.5 HCF per month, while densely-packed housing complexes in Isla Vista average 72 HCF per month.

Figure 2.4 Water Use for Multi-Family Residential Connections

Figure 2.4 illustrates the annual consumption trend for Multi-family residential. The vast majority of Multi-family residential water use is indoors and as a result, weather impacts this customer category to a much smaller degree. As such, water use is relatively steady throughout the year and exhibits only modest seasonal variation. Variability in water usage between winter and summer months is only 34 percent compared to the 59 percent variability typical of Single-family residential customers.



The FY 2013-14 Budget includes an \$80K revenue increase associated with the planned completion of three mixed-use development projects in Isla Vista as well as Water Sales associated with new connections completed in FY 2012-13. Projects such as The Loop, Icon at UCSB, and Icon Gardens will add 18 AFY of additional water to be delivered in FY 2013-14, equating to approximately \$40K in revenue. The remaining portion includes \$39K or 18 AFY coming from FY 2012-13 Multi-family residential developments such as St. George, Icon at UCSB, Paradise Ivy, and SB Student Housing projects.

Occupancy rates are above 98 percent in all regions of the District. As of April 2012, apartment vacancy rates declined to below one percent in the cities of Goleta and Santa Barbara, from 2.6 and 1.7 percent respectively, only a year earlier. Based on the marked net improvement in vacancy rates evidenced in 2012 of 0.8 percent, approximately 12 Multi-family customer connections previously vacant are projected to see occupancy in FY 2013-14. This is also consistent with UCSB’s projection of a one percent increase in student enrollment in FY

2013-14, equal to approximately 200 students likely occupying multi-residential units. An increase of \$30K to Water Sales revenue is projected as a result of the decline in vacancies.

In conclusion, projected Multi-family residential Water Sales are \$4.1M in FY 2013-14, or 1,844 AF, all of which is anticipated to be indoor water use. Water Sales are expected to increase by 36 AF (2.0%) as the result of new constructions that will be completed and occupied in FY 2013-14 as well as an improvement in the economy as evidenced by exceptionally low apartment vacancy rates.

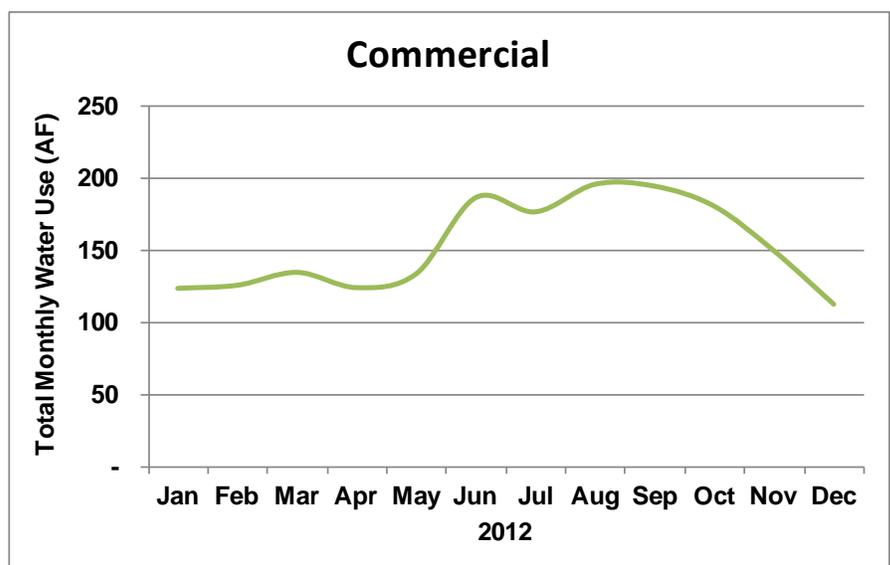
*Commercial*

Commercial customers are projected to use 2,015 AFY of water in FY 2013-14, representing approximately 16 percent of total water use and 19 percent of budgeted Water Sales revenue. Water use needs for this category vary considerably due to the diverse types of commercial operations in the region and their associated consumption behaviors. Customers in this category include: health care providers, high-tech businesses, food services, shopping centers, churches, public buildings, light manufacturing, and other small businesses. Further analysis and categorization by industry is planned for future budgets.

The majority of Commercial water use is indoors and as a result, Commercial use is only moderately impacted by weather patterns. Figure 2.5 illustrates annual Commercial water use by month with only 51 percent variability from winter to summer.

The new Cabrillo Business Park, Camino Real Hotel, and Ocean Walk Phase II/III commercial projects will require an estimated 16 AFY of water in FY 2013-14, yielding \$36K in Water Sales revenue. With an additional \$2K of revenue coming from a new commercial connection in FY 2012-13, new development is projected to increase Water Sales revenue by a total of \$38K.

**Figure 2.5 Water Use for Commercial Connections**



In addition to new development, the recent replacement of an eight-inch meter is anticipated to generate an additional \$14K in revenue or 6 AFY due to improvements in the accuracy of the meter registration.

Economists predict vacancy rates will continue to decline in FY 2013-14 as the result of improving economic factors. The office vacancy rate in Goleta has steadily declined from a 20-year high of 16 percent in 2009 to the current level of 9.8 percent. By comparison, the City of Santa Barbara’s commercial office vacancy stands at 6.5 percent. In terms of industrial vacancy, Goleta is the highest in the South Coast region at six percent vacant, while the Santa Barbara is under one percent. Based upon a continued decline in vacancies, four additional Commercial connections are projected to be occupied in FY 2013-14 and will result in a \$16K increase in Water Sales revenue.

Total Commercial Water Sales revenue for FY 2013-14 is projected to be \$4.3M, or 2,014 AF. Water Sales are expected to increase by 23 AF (1.2%), largely due to the improving economic environment including improvements in occupancy rates and new commercial development.

*Agricultural*

Agricultural customers are forecasted to use 2,557 AFY of water in FY 2013-14, representing approximately 20 percent of total water use. Eight percent of total Water Sales revenue comes from Agricultural use. Annual water use is projected using customer crop report data including information on the types of crops produced,



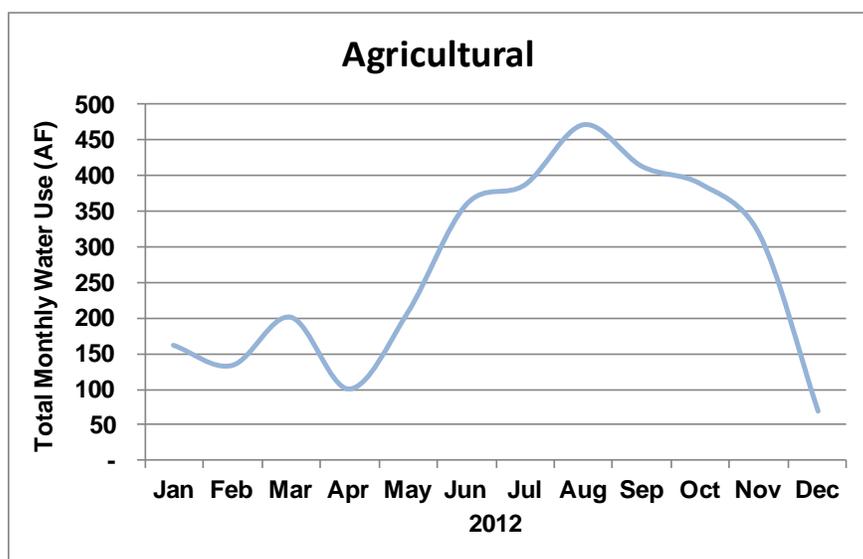
farmed acreage, and the water demands associated with each crop type. According to this data, there are more than 4,000 total farmed acres in the service area. Approximately 2,600 acres of agricultural land produces avocados, followed by lemons at 840 acres, and nurseries at 212 acres. Farmed land on the remaining 480 acres produces various fruits and vegetables such as oranges, tangerines, apples, and tomatoes.

Agricultural water use is highly seasonal and can vary significantly based on weather patterns, crop needs, and crop growing periods. For example, avocado crops require 27 inches of water annually, however only a portion of this water comes from the District. In an

average annual rainfall year, 17 inches of rain offset irrigation needs and avocado crops only need 10 inches of irrigation water from District supplies. Similarly, lemon crops need an average 20 inches of water per year, but in an average water year, lemon farmers only need three inches of irrigation water from the District. Nurseries, on the other hand, require 32 inches of water annually. Combined, Agricultural customers need an average of nearly eight inches of water from the District per year.

**Figure 2.6 Water Use for Agricultural Connections**

Agricultural watering needs vary widely depending on the timing and amount of rainfall and temperature fluctuations throughout the year. Agricultural customer consumption varies by 156 percent between the winter and summer months, as illustrated in Figure 2.6. Dry seasons with warmer temperatures drive increases in water sales while cooler temperatures and regular moderate rain events significantly decrease water sales.



Agricultural connection adjustments include upsizing of an existing four-inch meter to a six-inch meter. This change in meter size is expected to increase capacity by 20 percent which will result in an additional 72 AFY of water. This increased capacity will yield \$41K in revenue. Total FY 2013-14 Agricultural Water Sales will be 2,557 AF or \$1.5M in revenue.

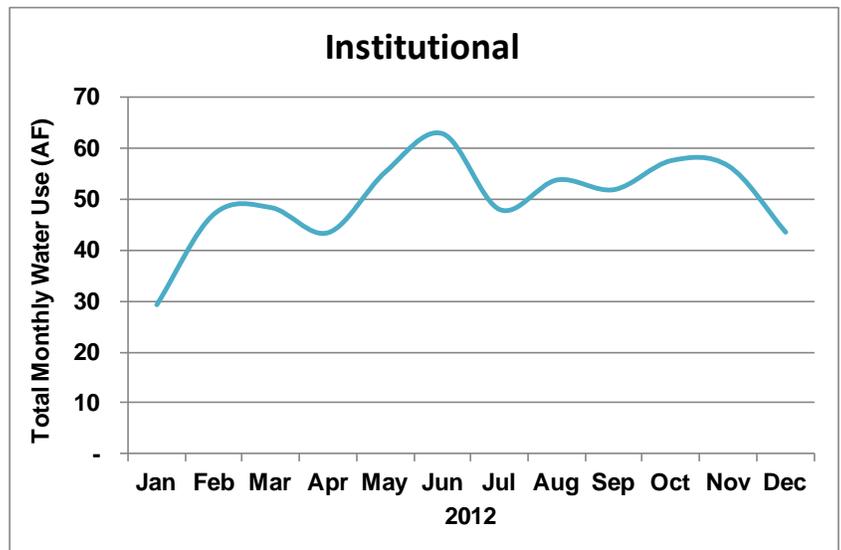
*Institutional*

Institutional customers are forecasted to use 551 AFY of water in FY 2013-14. Collectively, these connections account for four percent of total District water use and five percent of Water Sales revenue. As a University, water use for this customer category is highly dependent on the number of students and faculty on campus during different times of the year. Consumption patterns largely mimic UCSB’s academic calendar, indicating a steady diet of usage when school is in session.

The seasonal variability in water use between the winter and summer months is minimal (see Figure 2.7) as compared to other customer categories. Higher water use levels typical during the warm summer months are offset by the significant reduction in the number of students and faculty on campus during the summertime.

Institutional water use is predicted to remain flat in FY 2013-14 as compared to the baseline. FY 2013-14 Water Sales is projected to be 551 AF, resulting in \$1.2M in revenue.

**Figure 2.7 Water Use for Institutional Connections**



*Landscape Irrigation*

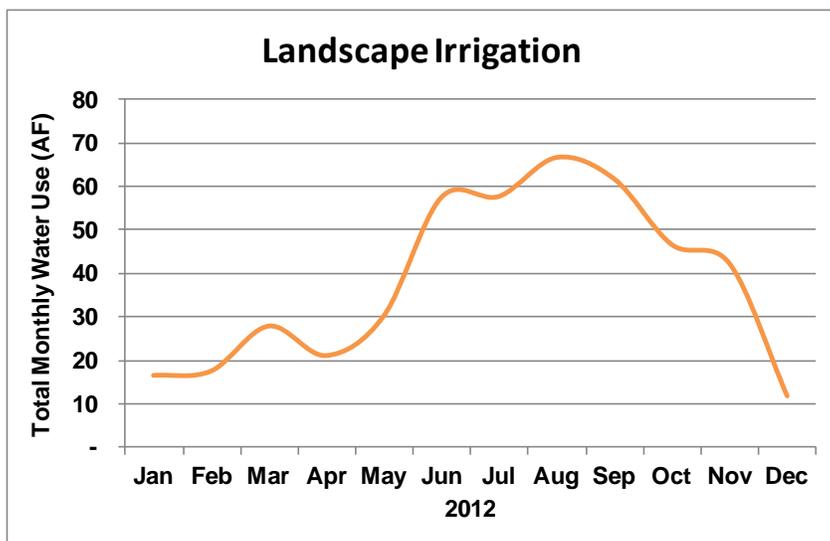
Landscape irrigation is estimated to use 381 AFY of water in FY 2013-14, accounting for three percent of total water use and Water Sales revenue. Landscape irrigation includes water used for maintaining outdoor areas of golf courses, community parks, and common areas in homeowner associations. Other customer types with dedicated outdoor-use meters include resorts, municipalities, churches, retirement communities, and businesses.



Irrigation customers are highly responsive to weather patterns, and as such, the seasonal variation in water use between winter and summer months is substantial. As a customer category with a heavy emphasis on outdoor use, Landscape irrigation water demands vary depending on the amount of rainfall received each year. Seasonally, consumption increases by an average of 253 percent during the summer months as compared to winter months when watering demands are largely met through rainfall. Figure 2.8 illustrates the annual consumption trend.

Figure 2.8 Water Use for Landscape Irrigation Connections

New development projects including Icon at UCSB and Cabrillo Business Park in FY 2012-13 will contribute a nominal increase of \$1K to revenue. The closure of Ocean Meadows Golf Course will reduce Landscape irrigation water use by 15 AFY or \$24K decrease in revenue. Overall, Landscape irrigation use will decrease by 14 AF or \$23K. Total FY 2013-14 Landscape irrigation revenue will be \$748K, or 381 AFY.

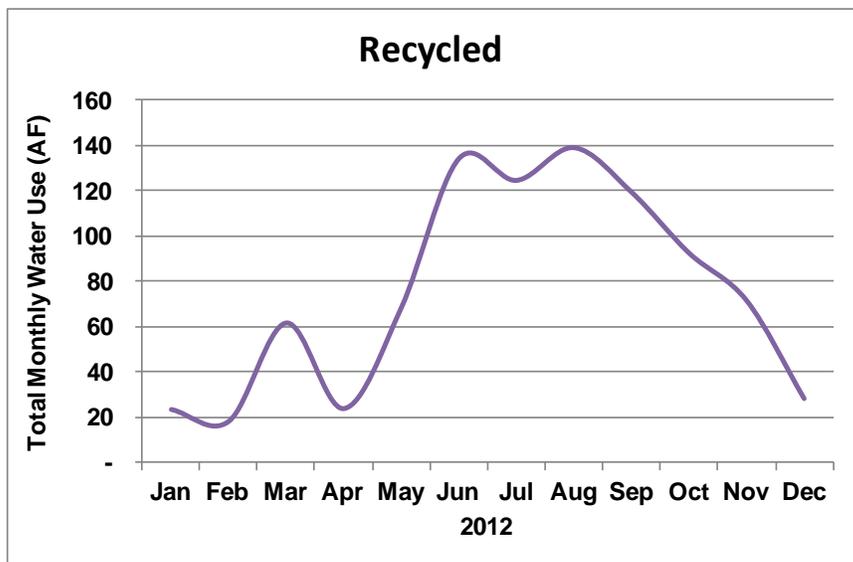


*Recycled Water*

Recycled water customers are projected to use 752 AFY of water in FY 2013-14, making up seven percent of total water use, and three percent of budgeted Water Sales revenue. Recycled water is primarily used outdoors for landscape irrigation including common areas in homeowner associations, school grounds, and golf courses. Customers include UCSB, school districts, golf courses, resorts, businesses, and municipalities.

Figure 2.9 Water Use for Recycled Connections

Similar to Landscape irrigation customers, water demands for this customer category are also heavily influenced by weather conditions. Consumption during the summer months significantly increases by 405 percent as compared to usage during the winter months. Figure 2.9 illustrates this significant seasonal volatility in Recycled water use.



The new Haskell's Landing housing tract will require delivery of recycled water, increasing Recycled use by one AFY or \$1K in the coming year. Additionally, the recent closure of Ocean Meadows Golf Course will result in a decrease of 64 AFY of Recycled water use or \$83K in revenue. Overall, Water Sales are estimated to decrease by 63 AF (7.7%) compared to the FY 2012-13 Adopted Budget. Recycled Water Sales revenue in FY 2013-14 is projected to be \$563K or 752 AFY.

## Summary – Water Sales

In conclusion, the \$22.1M of projected Water Sales Revenue for FY 2013-14 is established utilizing FY 2012-13 Adopted Budget as a baseline to which the value of influencing factors to revenue is added. Together these factors contribute to a total revenue increase of \$163K. Tables 2.4 and 2.5 provide a full itemization of the FY 2013-14 budgeted water use and Water Sales Revenue in AFY by customer category.

**Table 2.4 FY 2013-14 Budgeted Water Use by Customer Category (in AFY)**

Customer Category	FY 2012-13 Budget Baseline Water Use	Influencing Factor				Net Incr. / (Decr.)	FY 2013-14 Budgeted Water Use
		New Development	Connection Adjustments	Conservation	Vacancy Rates		
Single-family residential	4,407	7	-	-	2	9	4,416
Multi-family residential	1,808	36	-	-	0	36	1,844
Commercial	1,992	17	6	-	0	23	2,015
Agricultural	2,485	-	72	-	-	72	2,557
Institutional	551	-	-	-	-	-	551
Landscape irrigation	395	1	(15)	-	-	(14)	381
Recycled	815	1	(64)	-	-	(63)	752
Fire	-	-	-	-	-	-	-
<b>Total:</b>	<b>12,453</b>	<b>61</b>	<b>(1)</b>	<b>-</b>	<b>2</b>	<b>62</b>	<b>12,515</b>

**Table 2.5 FY 2013-14 Budgeted Water Sales Revenue and Influencing Factors**

Customer Category	FY 2012-13 Budget Baseline Revenue	Influencing Factor				Net Incr. / (Decr.)	FY 2013-14 Budgeted Water Sales Revenue
		New Development	Connection Adjustments	Conservation	Vacancy Rates		
Single-family residential	\$ 9,633,101	\$ 16,406	\$ -	\$ -	\$ 32,806	\$ 49,212	\$ 9,682,314
Multi-family residential	3,944,808	79,537	-	-	30,351	109,888	4,054,695
Commercial	4,201,168	37,647	13,885	-	16,266	67,798	4,268,966
Agricultural	1,513,547	-	40,490	-	-	40,490	1,554,037
Institutional	1,210,784	-	-	-	-	-	1,210,784
Landscape irrigation	771,418	915	(24,176)	-	-	(23,261)	748,157
Recycled	643,965	1,289	(82,605)	-	-	(81,315)	562,649
Fire	-	-	-	-	-	-	-
<b>Total:</b>	<b>\$ 21,918,790</b>	<b>\$ 135,794</b>	<b>\$ (52,405)</b>	<b>\$ -</b>	<b>\$ 79,423</b>	<b>\$ 162,812</b>	<b>\$ 22,081,602</b>

Figures 2.10 and 2.11 provide a breakdown of the budgeted water use in AFY and associated Water Sales Revenue by customer category.

Figure 2.10 FY 2013-14 Budgeted Water Use by Customer Category (in AFY)

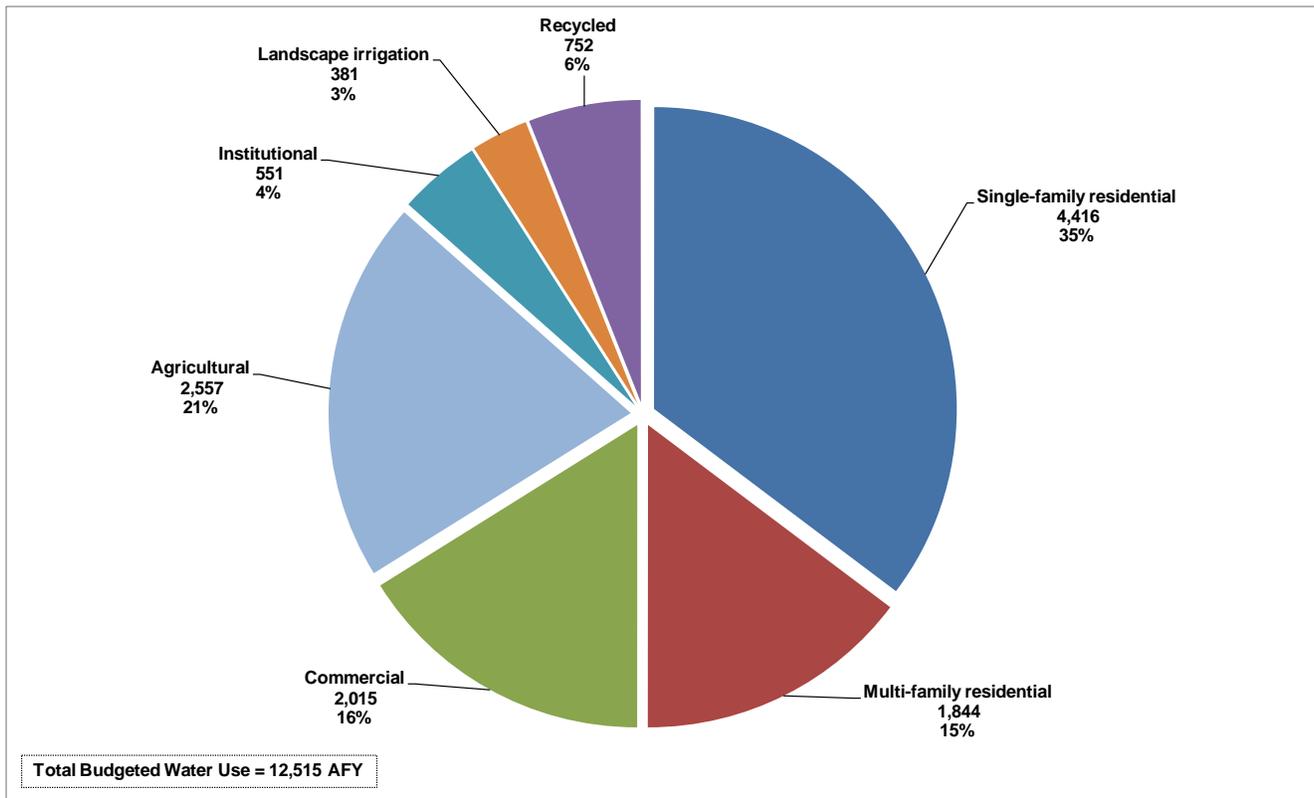


Figure 2.11 FY 2013-14 Budgeted Water Sales by Customer Category (\$000s)

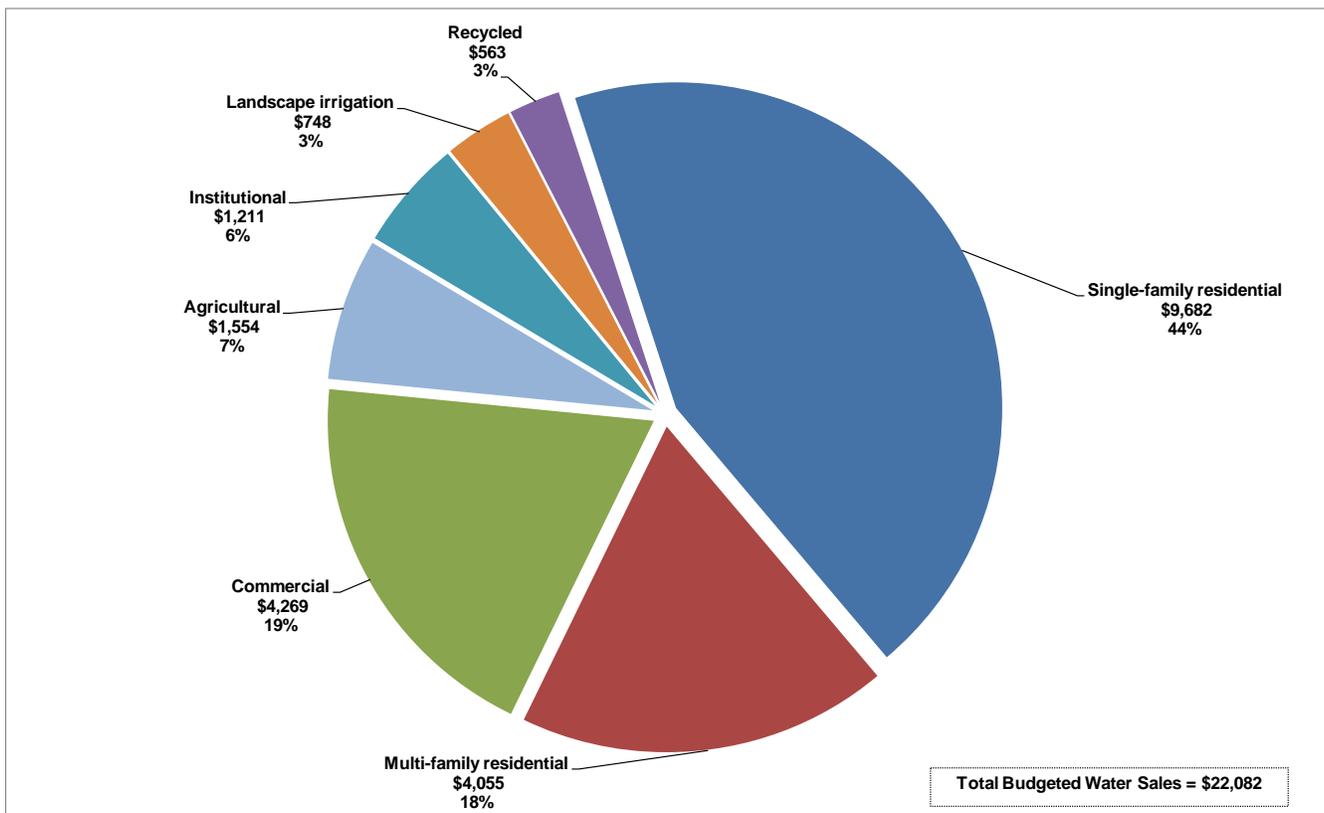


Table 2.6 outlines the year-over-year changes in projected water use for the FY 2013-14 Budget as compared to the baseline. Overall water deliveries to customers in FY 2013-14 are estimated to be 12,515 AF, which is an increase of 62 AF (0.5%).

**Table 2.6 Year-over-Year Changes in Water Use by Customer Category (in AFY)**

Category	Adopted Budget FY 2012-13	Final Budget FY 2013-14	AF Higher / (Lower)	% Higher / (Lower)
Single-family residential	4,407	4,416	9	0.2%
Multi-family residential	1,808	1,844	36	2.0%
Commercial	1,992	2,015	23	1.2%
Agricultural	2,485	2,557	72	2.9%
Institutional	551	551	-	0.0%
Landscape irrigation	395	381	(14)	(3.7%)
Recycled	815	752	(63)	(7.7%)
<b>Total Water Use in AFY:</b>	<b>12,453</b>	<b>12,515</b>	<b>62</b>	<b>0.5%</b>

## OTHER SOURCES OF REVENUE

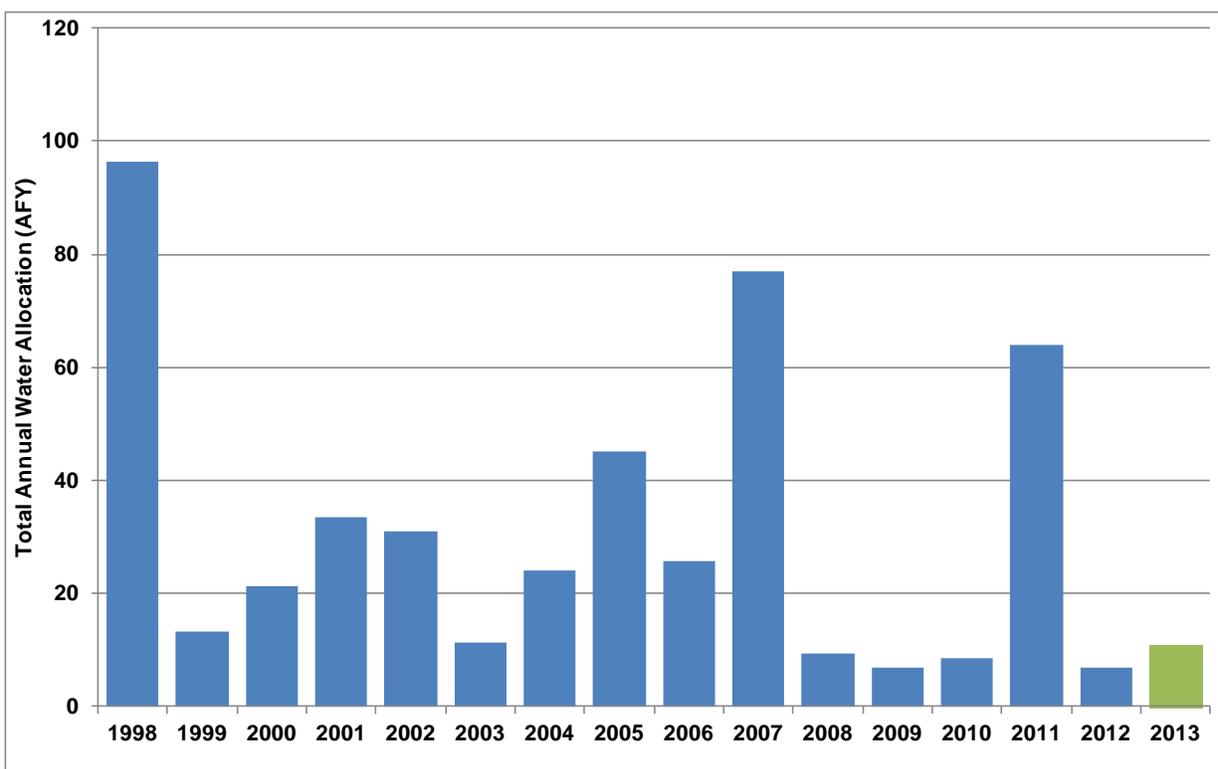
The remaining \$1.2M or four percent of District revenue is collected through \$489K in NWSC, \$55K in Investment Revenue, \$129K in Conveyance Revenue, and \$601K in Miscellaneous Fees.

### *New Water Supply Charges*

The NWSC applies to customers requesting new or expanded water service. The FY 2013-14 Budget forecasts \$489K in revenue from NWSC payments, or 1.5 percent of total budgeted revenue. NWSC payments benefit existing customers by ensuring new or expanded development pays a fair share to join the pre-existing customer-funded infrastructure. Although the amount of new water required from year-to-year varies depending upon economic factors and project completion schedules, the historical 15-year average allocation is 26 AFY. The Budget considers specific projects currently in the application process, their historic water allocations and local economic factors to identify projects likely to remit NWSC fees in FY 2013-14.

New projects expected to be completed in FY 2013-14 include several mixed-use development projects primarily offering multi-family residential and commercial units, single-family housing tracts, and commercial business parks. The FY 2013-14 Budget projects new water allocation of 11 AFY, resulting in NWSC revenue of \$489K. Figure 2.12 shows new water allocation history by calendar year since 1998.

Figure 2.12 Water Allocation History for New Water Supply Charge (in AFY)



### Investment Revenue

The investment policies and practices of the District are based on California Government Code provisions that regulate the investment of public funds and prudent portfolio management. Chapter 4.08 of the Goleta Water District Code establishes that investment objectives, in priority order of Safety, Liquidity and Diversification. For FY 2013-14, District cash balances will be invested in the California Local Agency Investment Fund (LAIF), a pooled money investment vehicle projected to yield 0.4 percent annually and producing approximately \$55K in investment revenue. Investment Revenue is projected to decrease by \$14K (20%) in FY 2013-14 due to the completion of capital projects that depleted a construction fund and a decline in LAIF investment yields.

### Conveyance Revenue

Conveyance revenue is collected from several local businesses and developments that own water rights but not the treatment or distribution facilities needed to deliver this water. The District entered into agreements with these customers to convey these water supplies at a per-acre-foot rate. Revenue is calculated using recently-audited financial statements multiplied by the anticipated amount of water delivered. Conveyance Revenue budgeted in FY 2013-14 will decline by \$46K (26%), reflecting year-to-year decreased requirements of one water right owner and the District's reductions in unit costs.

### Miscellaneous Fees and Charges

The District receives revenue in the form of charges and fees from various sources, including delinquent accounts, backflow inspection, application and initiation fees, connection fees and cell tower site rentals. The anticipated revenue from these sources in FY 2013-14 is approximately \$601K. Miscellaneous Fees and Charges revenue will decrease by \$42K (6%) as the District utilizes billing systems and outreach programs to improve on-time bill payment and reduce late fee assessments.

## SUMMARY OF DISTRICT REVENUE FORECAST FOR FY 2013-14

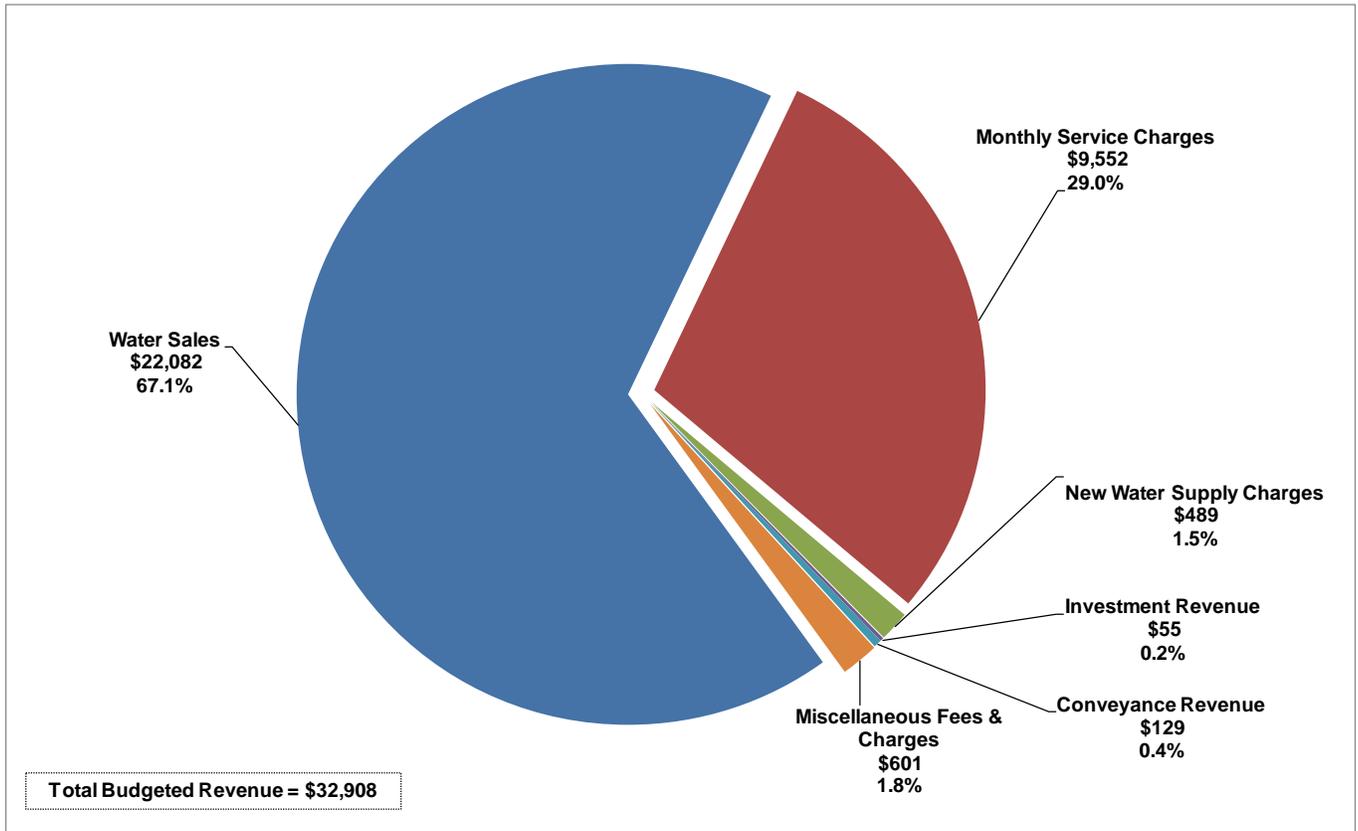
Table 2.7 and Figure 2.13 provide a summary of FY 2013-14 Budgeted Revenue. Rates-based revenues are projected at \$31.6M, an eight percent increase from the Adopted FY 2012-13 Budget of \$29.3M, primarily attributed to a scheduled rate increase. These revenues allow the District to cover costs associated with operations to consistently provide customers quality water and address critical infrastructure needs. Other increases in projected revenue include a \$267K increase in New Water Supply Charges due to the increased fruition of upcoming development projects in the region. Other sources of revenue from Investments, Conveyance, and Miscellaneous Fees and Charges are projected to decrease compared to FY 2012-13 as a result of reductions in costs and better utilization of billing systems in ensuring timely utility payment from customers. Total Budgeted Revenue in FY 2013-14 is forecasted to be \$33.0M, an increase of \$2.5M (8%).

Table 2.7 FY 2013-14 Budgeted Revenue versus FY 2012-13 Budget

Category	Adopted	Estimated	Final	Variance Analysis *	
	Budget FY 2012-13	Actual FY 2012-13	Budget FY 2013-14	\$ Higher / (Lower)	% Higher / (Lower)
<b>Revenue:</b>					
Monthly Service Charges	\$ 8,811,840	\$ 8,812,837	\$ 9,552,023	\$ 740,183	8%
Water Sales	20,540,842	20,560,671	22,081,602	1,540,760	8%
New Water Supply Charges	221,845	255,979	489,000	267,155	120%
Investment Revenue	68,722	60,982	55,213	(13,509)	(20%)
Conveyance Revenue	175,301	131,926	129,032	(46,269)	(26%)
Miscellaneous Fees & Charges	642,538	598,448	600,984	(41,554)	(6%)
<b>Total Revenue:</b>	<b>\$ 30,461,088</b>	<b>\$ 30,420,844</b>	<b>\$ 32,907,854</b>	<b>\$ 2,446,766</b>	<b>8%</b>

\* Compares FY 2013-14 Final Budget to FY 2012-13 Adopted Budget

Figure 2.13 FY 2013-14 Budgeted Revenue Allocations (\$000s)



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## SECTION III – EXPENDITURES

### SUMMARY

FY 2013-14 expenditures are consistent with continued implementation of the Five-Year Financial Plan and other foundational policy documents adopted by the Board of Directors. These expenditures allow the District to continue to deliver safe and reliable water, offer excellent customer service, and invest in critical capital projects needed to secure future sustainability.



District expenditures are primarily comprised of costs associated with Water Supply Agreements, Personnel, Operations and Maintenance (O&M), Debt Service, and Capital Improvement Projects. Water supply portfolio-related costs represent 35 percent of total District expenditures and include fixed costs associated with District agreements with COMB, CCRB, and Santa Barbara County for surface water; CCWA for State Water; and GSD for recycled water. Personnel costs represent 26 percent of total expenditures, comprised of wages, benefits, and taxes as well as Other Post Employment Benefits for the 60 employees of the District who are responsible for managing day-to-day operations, including maintenance of the treatment and distribution

system, capital infrastructure planning, development of water use efficiency and conservation programs, and providing quality customer service. Representing 16 percent of total expenditures, O&M expenses include costs related to water treatment and testing, maintenance and equipment, as well as services and supplies. Finally, expenses associated with debt service and Capital Improvement Projects in the Infrastructure Improvement Plan make up the balance of total expenditures at 11 and 12 percent respectively.

The District, like other utilities, is affected by external factors including weather, economic conditions, changing customer preferences, costs of water supplies, and evolving regulatory requirements. While this Budget provides the tools to exert influence over external costs and mitigate known risks, it is important to note that it does not include broad cost increases for unknown inflationary factors, economic changes, or unanticipated events. Where specific price increases are known, appropriate adjustments to the Budget have been made. The District will continue to manage costs within its control and plan for uncontrollable externalities. Most important, this Budget commits to a proactive maintenance and management program by investing in necessary infrastructure repairs, replacements, and construction projects. Through these strategic priorities, the District can continue to deliver safe, cost-effective, and dependable water supply to its customers now and into the future.



## WATER SUPPLY AGREEMENTS

Approximately 86 percent of District water supply entitlements are secured through water supply agreements with federal, state and local partners. The balance of supply is secured from the Goleta Groundwater Basin. Consistent with the 2011 WSMP, the District employs a strategy of drawing from available water sources in a prioritized manner to maximize supplies and minimize costs. The District therefore draws on Cachuma water supplies as its primary supply source. Groundwater supplements Cachuma water in order to extend the availability of Cachuma throughout the water year and maximize the pumping capacity of groundwater wells. To keep costs as low as possible, State Water deliveries are only taken if supplies from Cachuma and the groundwater basin have been exhausted. FY 2013-14 total water supply costs will increase by \$446K, or four percent, nearly entirely as the result of CCRB costs to protect Cachuma water supplies as illustrated in Table 3.1. The cost of pumping and treating groundwater is included in O&M costs.



**Table 3.1 FY 2013-14 Budgeted Water Supply Agreement Costs**

Category	Adopted Budget	Estimated Actual	Final Budget	Variance Analysis *	
	FY 2012-13	FY 2012-13	FY 2013-14	\$ Higher / (Lower)	% Higher / (Lower)
<b>Surface Water - COMB:</b>					
Water Entitlement	\$ 875,000	\$ 875,000	\$ 893,053	\$ 18,053	2%
Operations & Maintenance	1,569,092	1,863,819	1,351,714	(217,378)	(14%)
Cachuma Renewal Fund	80,000	80,000	79,667	(333)	(0%)
Safety of Dam Act	72,773	72,773	72,734	(39)	(0%)
Subtotal - COMB	\$ 2,596,865	\$ 2,891,592	\$ 2,397,168	\$ (199,697)	(8%)
<b>Surface Water - CCRB:</b>	\$ 296,220	\$ 379,162	\$ 853,632	\$ 557,412	188%
<b>Surface Water - SB County (Cloud Seeding):</b>	\$ -	\$ -	\$ 30,000	\$ 30,000	-
<b>State Water - CCWA:</b>					
Fixed Costs	\$ 7,379,283	\$ 7,379,283	\$ 7,411,554	\$ 32,271	0%
Variable Costs	127,271	138,591	140,085	12,814	10%
Subtotal - CCWA	\$ 7,506,554	\$ 7,517,874	\$ 7,551,639	\$ 45,085	1%
<b>Recycled Water - GSD:</b>	\$ 487,542	\$ 440,901	\$ 500,500	\$ 12,958	3%
<b>Total:</b>	<b>\$ 10,887,181</b>	<b>\$ 11,229,529</b>	<b>\$ 11,332,939</b>	<b>\$ 445,758</b>	<b>4%</b>

\* Compares FY 2013-14 Final Budget to FY 2012-13 Adopted Budget

## Surface Water – COMB and CCRB

The COMB and CCRB annual budgets and assessments are approved by their respective Boards of Directors. Budgeted costs include payments for supply entitlement, Cachuma Project O&M, payments for dam rehabilitation, repayment to USBR for dam construction, and most significantly, protection of Cachuma water rights and public trust resources.

By agreement, the District share of COMB expenditures is 36 percent, or \$2.4M in FY 2013-14. This is a decrease of \$200K, or eight percent, as compared to FY 2012-13. COMB assessments are decreasing due to the completion of Modified Upper Reach Reliability Project (MURRP).

CCRB works to protect Cachuma Water Rights and supplies for the South Coast water purveyors. By agreement, the District share of CCRB costs is 46 percent, or a total of \$854K in FY 2013-14. This is an increase of \$557K, or 188 percent. As compared to FY 2012-13 allows for a significant expansion of scientific, legal, and advocacy efforts to minimize the financial and supply impacts of pending action on State Water Rights and the Federal Biological Opinion for the Cachuma Project.

CCRB enlists scientists, attorneys, and environmental consultants to protect Lake Cachuma water supplies while minimizing impacts on fish populations and habitat.

## State Water – CCWA

As a member of CCWA, the District is entitled to annual State Water deliveries. The fixed costs associated with this entitlement are \$7.4M in FY 2013-14 and include the cost to finance, build and operate the infrastructure that transports the water. The District does not plan to take deliveries of State Water in FY 2013-14; however, the exchange agreement with ID #1 will continue. Under this agreement the District exchanges 1,000 AF of its State Water Entitlement, at a variable cost of \$140K, for 1,000 AF of Cachuma supplies from ID #1. This agreement saves both agencies water delivery and infrastructure costs and assists in securing regional water supplies.

## Recycled Water – Goleta Sanitary District

By providing recycled water for irrigation purposes, the District conserves drinking water for potable purposes improving the region's water supply reliability and keeping costs low. Per agreement, recycled water is purchased from GSD at a rate of approximately \$650 per AF to cover costs associated with the operation of the recycled water plant. The District then delivers recycled water supplies to 35 irrigation customers. FY 2013-14 operational costs will increase by \$13K because of increased treatment expenses and administrative costs such as energy consumption.



## PERSONNEL

Recruiting, training, and maintaining professional personnel resources is critical to meeting District objectives of protecting water supplies and ensuring dependable and high quality service to customers for generations to come. A workforce of 60 people including licensed and professional staff perform a wide variety of activities



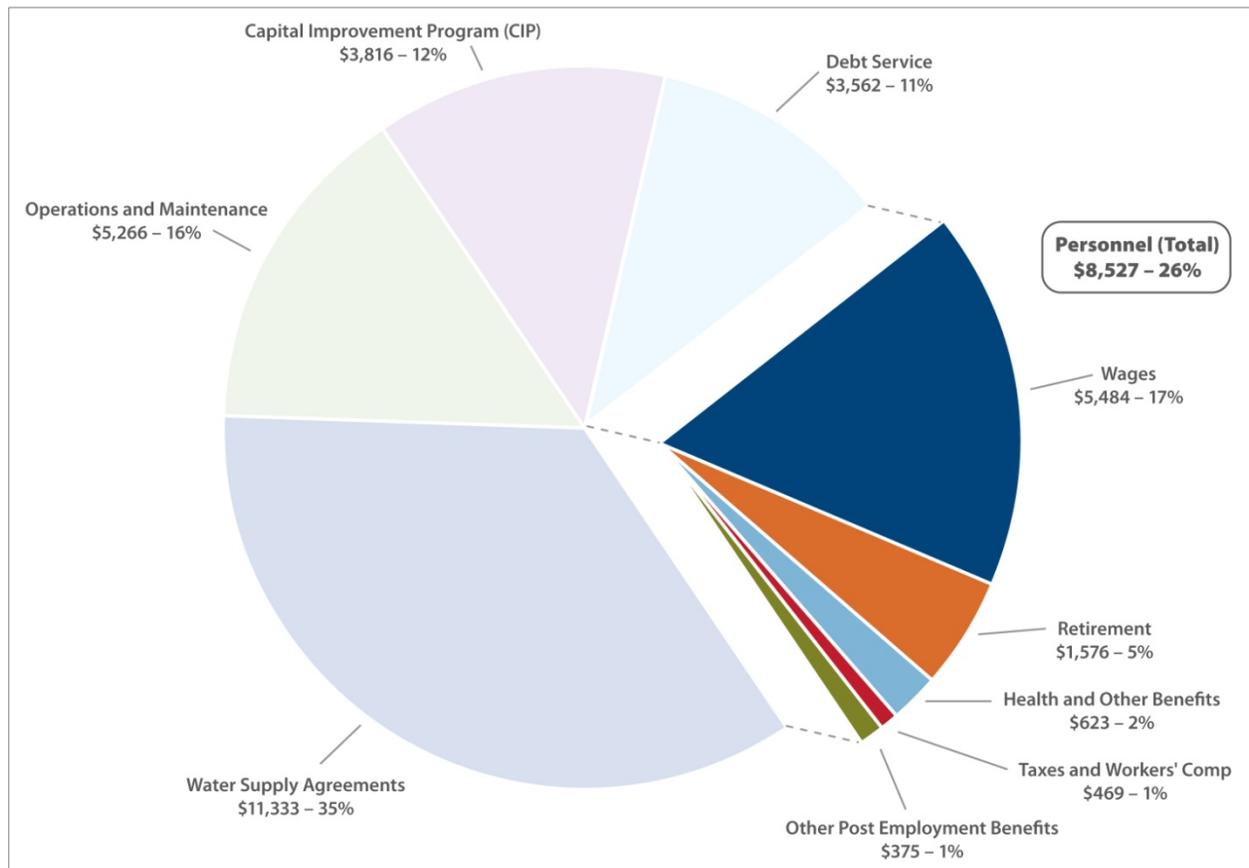
including operating the state-of-the-art Corona Del Mar Water Treatment Plant, maintaining 270 miles of distribution lines, and reading approximately 16,600 meters monthly. District staff also manage customer billing, provide engineering design services, ensure compliance with all state and federal regulatory requirements, implement conservation and sustainability programs, protect water supplies, and plan for the future needs of the community. The District employs engineers, certified plant operators, distribution specialists, electricians, technicians, analysts, accountants, and experienced professional managers.

Personnel levels have remained steady since 2009. As the District works to control costs and limit exposure to various externalities, staff positions have been shifted between departments to meet the changing needs of the District and the community. This has created opportunities to improve operational efficiencies, grow in-house expertise, reduce reliance on outside contractors, protect water rights, and better serve customers.

Personnel costs in FY 2013-14 will be \$8.5M, a three percent increase as compared to FY 2012-13. This increase is primarily due to contractual obligations as well as benefit and retirement cost increases associated with inflation. Figure 3.1 provides an overview of the individual components of Personnel costs.



Figure 3.1 FY 2013-14 Budgeted Personnel Costs (\$000s)



Wage increases year-over-year total \$93K and, along with the accompanying \$28K increase in payroll taxes, are associated with the contractual obligations described in the Memorandum of Understanding with the Service Employees International Union (SEIU) Local 620. Workers' Compensation insurance premiums will decrease by \$15K as a result of the declining number of claims. Health Insurance and Other Post-Employment Benefits (OPEB) will increase by \$14K and \$10K respectively, reflecting an inflationary five percent increase to premiums.

Retirement expenditures, the largest increase in Personnel costs, will go up by \$147K as higher employer contribution levels are required by the California Public Employees Retirement System (CalPERS). In anticipation of these increasing costs, the District introduced a second lower-cost retirement tier in January 2012. Further, the California Public Employees' Pension Reform Act of 2013 (PEPRA) was recently signed into law in 2012 limiting pension benefits offered to new employees and increasing cost sharing between new employees and public employers. As PEPRA is designed to realize mid-term to long-term savings, District financial benefits will gradually grow in the future. These two policy changes successfully avoided an additional \$80K in FY 2013-14 retirement-related costs.

The District is dedicated to developing and retaining the highly skilled employees needed to deliver safe and reliable water supplies to the community while keeping costs at a minimum and predictable; personnel costs are controlled by limiting the use of overtime and managing employee benefit programs. As the District approaches contract renewal discussions with SEIU, it remains committed to balancing the need to retain expert employees while minimizing the costs associated with personnel.

OPERATIONS & MAINTENANCE

The District service area spans 29,000 acres and includes more than 270 miles of pipeline, 16,600 connections, eight storage reservoirs, seven wells, and the Corona Del Mar Water Treatment Plant. To operate these facilities and deliver water to customers, more than 30,000 appurtenances are maintained, including over 6,000 valves and 1,400 fire hydrants. O&M costs include a variety of day-to-day functions from water treatment and testing to insurance, auditing, legal services, as well as the purchase of energy, materials, supplies, and equipment needed to run water delivery and treatment systems.



The District will treat and distribute approximately four billion gallons of water in FY 2013-14. This water moves through reservoirs and pipelines that must be continually maintained to ensure safe and reliable delivery. Valve maintenance also plays a particularly important role in controlling the system and is critical to maintaining proper distribution system operations. Figure 3.2 displays O&M expenditures across seven primary categories.

Figure 3.2 FY 2013-14 Budgeted O&M Costs (\$000s)

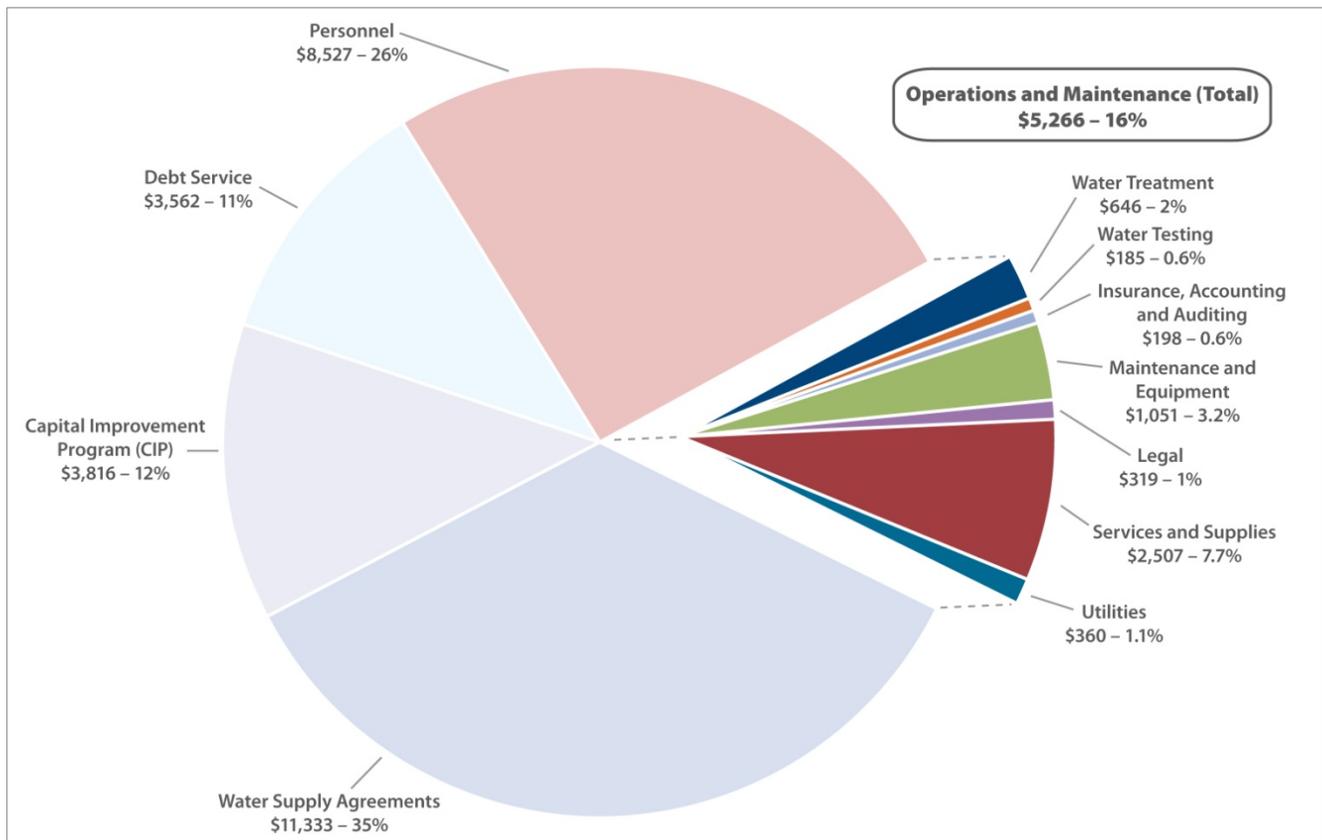


Table 3.2 provides additional detail of FY 2013-14 O&M expenditures. The total O&M expenditures of \$5.3M are relatively unchanged from FY 2012-13. Notable variances within expenditure categories include:

- Water Treatment and Testing costs will increase by \$20K and \$33K, respectively, due to increased pumping from the groundwater basin. Increased groundwater pumping also results in increased costs for chemical supplies and testing needed to ensure compliance with Federal and State Drinking Water Standards.
- Maintenance and Equipment costs will decrease by \$132K in FY 2013-14. FY 2012-13 included project expenditures to remove accumulated organic materials, a byproduct of the treatment process, from the Corona Del Mar Water Treatment Plant. Going forward, these removals will occur annually, reducing expenditure volatility.
- Services and Supplies costs will increase by \$252K as the District funds connectivity for a larger hydro-electric generator.
- Utility costs will increase by \$79K due to increased groundwater pumping.

**Table 3.2 FY 2013-14 Budgeted O&M Costs**

Category	Adopted Budget	Estimated Actual	Final Budget	Variance Analysis *	
	FY 2012-13	FY 2012-13	FY 2013-14	\$ Higher / (Lower)	% Higher / (Lower)
<b>Operations &amp; Maintenance Costs:</b>					
Water Treatment	\$ 626,550	\$ 509,649	\$ 646,396	\$ 19,846	3%
Water Testing	151,811	126,747	184,508	32,697	22%
Insurance, Accounting, & Auditing	197,700	190,203	197,864	164	0%
Maintenance & Equipment	1,182,544	1,061,321	1,051,009	(131,535)	(11%)
Legal	349,762	253,145	318,500	(31,262)	(9%)
Services & Supplies	2,255,264	2,147,617	2,507,365	252,101	11%
Utilities	281,256	306,567	360,418	79,162	28%
<b>Total:</b>	<b>\$ 5,044,887</b>	<b>\$ 4,595,248</b>	<b>\$ 5,266,060</b>	<b>\$ 221,173</b>	<b>4%</b>

\* Compares FY 2013-14 Final Budget to FY 2012-13 Adopted Budget

## DEBT SERVICE

Debt service costs reflect payments associated with approximately \$54.0M of outstanding Certificates of Participation (COPs) that are secured by a pledge of District revenues. These COPs are comprised of issuances in 2003 and 2010, with interest payable semi-annually at rates ranging from 4.00 percent to 5.00 percent. As the District continues to adhere to the Five-Year Financial Plan through the alignment of net operating revenues and debt payments, the FY 2013-14 debt service ratio is budgeted at 2.26, an indication of the improved financial health of the District.

## INFRASTRUCTURE IMPROVEMENT PLAN



In January 2011, the Board of Directors adopted the inaugural long-term Infrastructure Improvement Plan. This planning tool provides the framework for District investments over a five-year horizon, while providing the flexibility to adapt to changing infrastructure needs and opportunities throughout the lifespan of the IIP. As the District enters the third year of steady capital infrastructure improvements, it is shifting from reactive and mandated investments to forward-thinking improvements that provide cost-effective, reliable, and sustainable services to the community. The FY 2013-14 Budget includes 29 capital projects and total capital expenditures of \$4.0M in four categories:

- **Regulatory Requirement and/or Critical Need:** Projects in this category fall into two sub-categories: 1) planning for and response to unscheduled system infrastructure failures and, 2) projects needed to meet and maintain rigorous state and federal regulatory requirements. Specific projects include completing title transfer of federally-owned assets, addressing the issue of corrosion of steel piping systems, and improving the backwash, organic material, and overflow processes at the Corona Del Mar Water Treatment Plant. These, as well as more general replacement of pipes and electrical systems will allow the District to meet and maintain compliance with rigorous state and federal regulatory requirements.
- **Water Supply/Production Reliability:** Projects in this category provide for ongoing investment in a secure water supply portfolio for the community today and into the future. Specific projects include the scheduled rebuild of the Airport Well filter and, through possible participation in a Proposition 84 grant program, the expansion of the interconnect between the District and the City of Santa Barbara.
- **Infrastructure and Equipment:** These projects make up the planned investments in new and replacement equipment and infrastructure and its ongoing maintenance. By investing in timely replacement and repairs to both the distribution system and the equipment used to support that system, the District provides for the ongoing system infrastructure needs of the community. Specific projects include technology replacement and upgrades, installation of pressure regulating valves, and implementation of a sustainable District fleet vehicle replacement program.
- **Financial Benefit:** These projects provide opportunities to take advantage of new cost-effective approaches, technologies, and programs that will result in long-term financial and resource sustainability. Specific projects include implementation of the Advanced Infrastructure Management Phase I program and the continued installation of hydro-turbines to reduce energy costs.



Table 3.3 illustrates categories of FY 2013-14 IIP costs, which will be funded through a combination of operating revenues as well as proceeds raised from a 2010 issuance of COPs. The IIP provides for the completion of 29 separately-tracked projects that will allow the District to accomplish its goals of maintaining reliable water delivery treatment and delivery systems.

**Table 3.3 Capital Improvement Projects Summary**

Category	IIP Adopted Budget FY 2012-13	IIP Final Budget FY 2013-14	Variance Analysis	
			\$ Higher / (Lower)	\$ Higher / (Lower)
Regulatory or Critical	\$ 1,632,000	\$ 3,165,847	\$ 1,533,847	94%
Water Supply or Production Reliability	1,467,000	50,000	(1,417,000)	(97%)
Infrastructure - New, Replace, or Maintain	524,000	925,500	401,500	77%
Financial Benefit	208,000	570,000	362,000	174%
<b>Total Capital Projects:</b>	<b>\$ 3,831,000</b>	<b>\$ 4,711,347</b>	<b>\$ 880,347</b>	<b>23%</b>
COP Funded	1,586,000	895,000	(691,000)	(44%)
<b>Net Operating Budget Funded Projects:</b>	<b>\$ 2,245,000</b>	<b>\$ 3,816,347</b>	<b>\$ 1,571,347</b>	<b>70%</b>

Table 3.4, on the following page, lists each IIP project and its FY 2013-14 funding requirements as adopted. As illustrated, total spending is \$4.7M, of which \$895K is funded by COP proceeds and \$3.8M from this Operating Budget. Throughout the year, District staff will continue to receive the training and develop the expertise needed to deliver these projects on time and within the amount budgeted.

Table 3.4 Infrastructure Improvement Plan Projects

Ref. Project Name	IIP Addendum	Increase / (Decrease)	Final FY 2013-14
<b>Regulatory Requirement and / or Critical Need:</b>			
1. USBR Title Transfer	\$ -	\$ 155,000	\$ 155,000
2. Cathodic Protection Upgrades	125,000	25,000	150,000
3. Van Horne Reservoir Slope Protection	-	30,000	30,000
4. CDMWTP Backwash/Accumulated Organic Material/Overflow Basin Construction	2,659,000	(1,159,000)	1,500,000
5. Unscheduled Valve and Hydrant Replacements	155,000	205,597	360,597
6. Unscheduled Main Replacements	-	150,000	150,000
7. Safety and Sanitary Upgrades to Storage Tanks	-	75,000	75,000
8. Unscheduled Polybutylene Service Line Replacements	78,000	-	78,000
9. Goleta West Conduit Alternatives Implementation	-	50,000	50,000
10. Unscheduled Copper Service Line Replacements	319,000	(279,000)	40,000
11. Arc Flash and Electrical Code Compliance	127,250	400,000	527,250
12. Storm Water Regulation Compliance	-	50,000	50,000
13. Recycled Water Line Replacement - Goleta Beach	100,000	(100,000)	-
14. San Jose Creek - Waterline Replacement	300,000	(300,000)	-
<b>Water Supply / Production Reliability Projects:</b>			
15. Scheduled Rebuild of Airport Filter	-	50,000	50,000
16. GWD/City of Santa Barbara Interconnect	-	-	-
<b>Infrastructure &amp; Equipment - Replacement, New, and Maintenance Projects:</b>			
17. Replacement and Upgrades of Technology	67,000	223,000	290,000
18. Site Rehabilitation and Sustainability Demonstration	-	230,000	230,000
19. Transmission Main Valve at Patterson	108,000	-	108,000
20. Pressure Regulating Valves for System (35 Locations)	11,000	46,000	57,000
21. Construction Equipment Replacement	57,500	92,500	150,000
22. Fleet Vehicle Replacements	80,500	(40,000)	40,500
23. Anticipated Upsizing of Mains	86,000	(36,000)	50,000
<b>Financial Benefit Projects:</b>			
24. Asset Management System	-	100,000	100,000
25. Continued Hydro-Turbine Installations	-	180,000	180,000
26. Material & Equipment Protection - Solar Trellis Systems	-	75,000	75,000
27. Unscheduled Meter Replacements	144,000	(40,000)	104,000
28. Water System Submetering for Conservation and Monitoring	-	75,000	75,000
29. Lighting Upgrades - Main Office	-	36,000	36,000
<b>Total Infrastructure Improvement Projects:</b>	<b>\$ 4,417,250</b>	<b>\$ 294,097</b>	<b>\$ 4,711,347</b>
COP-Funding in FY 2013-14			\$ 895,000
Operating-Funded Projects, FY 2013-14			<b>\$ 3,816,347</b>

## SUMMARY OF DISTRICT EXPENDITURE FORECAST FOR FY 2013-14

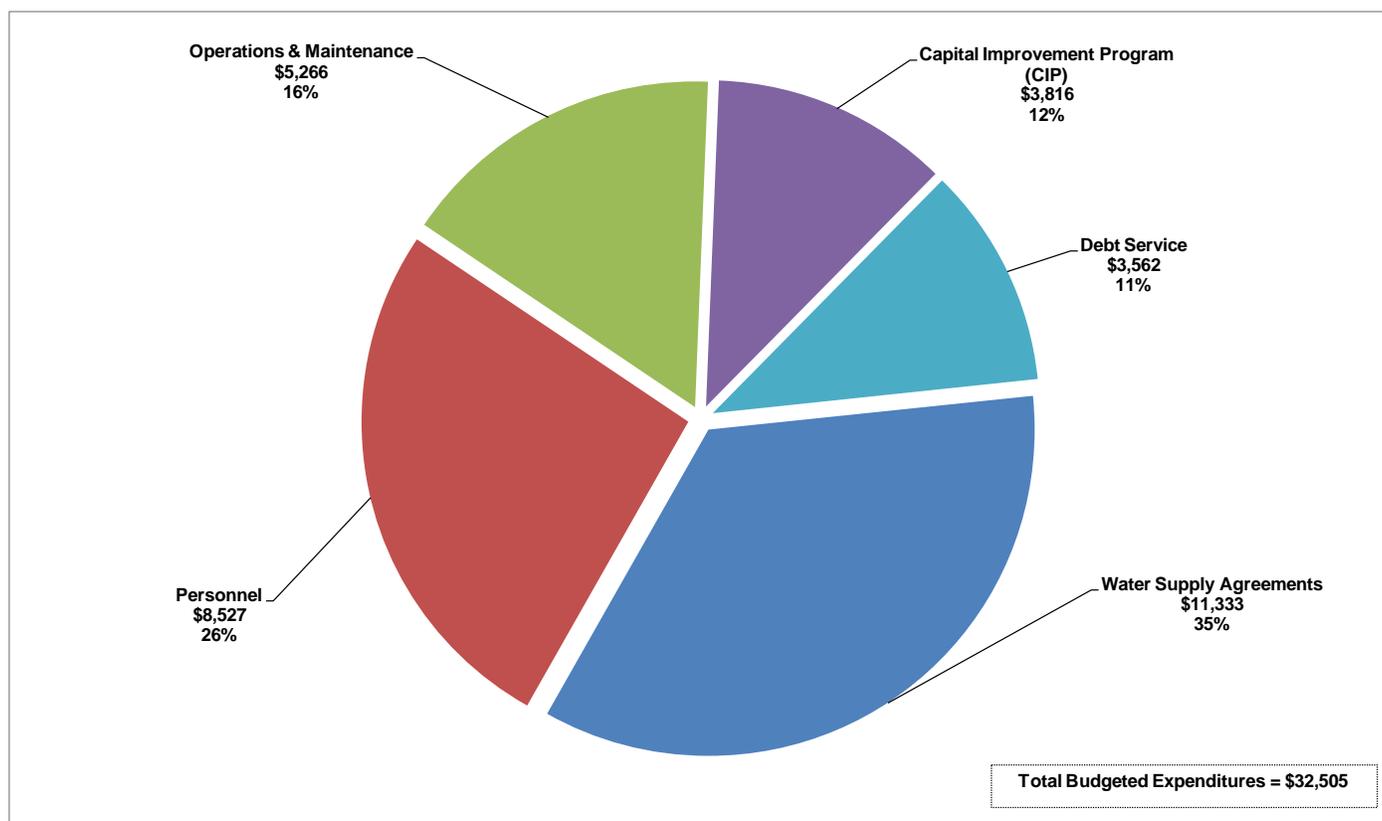
Table 3.5 and Figure 3.3 summarize FY 2013-14 total expenditures of \$32.5M. The year-over-year increase of \$2.5M, or eight percent, is a result of additional revenues associated with scheduled rate increases. A key component of the annual Budget is to prepare for cash flow variables throughout the year and pace program and project expenditures accordingly. FY 2013-14 expenditures have incorporated customer behaviors and the accompanying seasonality of revenue as described in Section II.

Table 3.5 FY 2013-14 Budget Expenditures Compared to FY 2012-13 Budget Expenditures

Category	Adopted	Estimated	Final	Variance Analysis *	
	Budget FY 2012-13	Actual FY 2012-13	Budget FY 2013-14	\$ Higher / (Lower)	% Higher / (Lower)
<b>Water Supply Agreements:</b>					
Surface Water - COMB	\$ 2,596,865	\$ 2,891,592	\$ 2,397,168	\$ (199,697)	(8%)
Surface Water - CCRB	296,220	379,162	853,632	557,412	188%
Surface Water - SB County (Cloud Seeding)	-	-	30,000	30,000	-
State Water - CCWA	7,506,554	7,517,874	7,551,639	45,085	1%
Recycled Water - GSD	487,542	440,901	500,500	12,958	3%
<b>Subtotal:</b>	<b>\$ 10,887,181</b>	<b>\$ 11,229,529</b>	<b>\$ 11,332,939</b>	<b>\$ 445,758</b>	<b>4%</b>
<b>Personnel:</b>					
Wages, Benefits, and Taxes	\$ 7,883,992	\$ 7,712,861	\$ 8,152,192	\$ 268,200	3%
Other Post Employment Benefits	365,136	366,407	374,910	9,774	3%
<b>Subtotal:</b>	<b>\$ 8,249,128</b>	<b>\$ 8,079,268</b>	<b>\$ 8,527,102</b>	<b>\$ 277,974</b>	<b>3%</b>
<b>Operations &amp; Maintenance:</b>					
Water Treatment	\$ 626,550	\$ 509,649	\$ 646,396	\$ 19,846	3%
Water Testing	151,811	126,747	184,508	32,697	22%
Insurance, Accounting, & Auditing	197,700	190,203	197,864	164	0%
Maintenance & Equipment	1,182,544	1,061,321	1,051,009	(131,535)	(11%)
Legal	349,762	253,145	318,500	(31,262)	(9%)
Services & Supplies	2,255,264	2,147,617	2,507,365	252,101	11%
Utilities	281,256	306,567	360,418	79,162	28%
<b>Subtotal:</b>	<b>\$ 5,044,887</b>	<b>\$ 4,595,248</b>	<b>\$ 5,266,060</b>	<b>\$ 221,173</b>	<b>4%</b>
<b>Total Expenditures before Debt and CIP:</b>	<b>\$ 24,181,196</b>	<b>\$ 23,904,046</b>	<b>\$ 25,126,101</b>	<b>\$ 944,905</b>	<b>4%</b>
<b>Debt Service:</b>	<b>3,566,466</b>	<b>3,568,602</b>	<b>3,562,366</b>	<b>(4,100)</b>	<b>(0%)</b>
<b>Capital Improvement Projects (CIP):</b>	<b>2,245,000</b>	<b>2,423,305</b>	<b>3,816,347</b>	<b>1,571,347</b>	<b>70%</b>
<b>Total Expenditures:</b>	<b>\$ 29,992,662</b>	<b>\$ 29,895,953</b>	<b>\$ 32,504,814</b>	<b>\$ 2,512,152</b>	<b>8%</b>

\* Compares FY 2013-14 Final Budget to FY 2012-13 Adopted Budget

Figure 3.3 FY 2013-14 Budgeted Expenditure Allocations (\$000s)



The FY 2013-14 expenditures are \$32.5M, an increase of eight percent as compared to FY 2012-13. Year-over-year, the base level of District staffing and activities are relatively unchanged. The number of staff positions is consistent, overall O&M expenditures remain flat, and debt service costs are decreasing. The total \$2.5M expenditure increase is due to three main factors:

- Cachuma Water Rights – The FY 2013-14 Budget includes an increased CCRB assessment of \$561K, which is 189 percent higher than the FY 2012-13 Budget. This increase will specifically fund the extensive scientific, legal, and advocacy work associated with the anticipated new State Water Rights Order and development of the new NMFS Biological Opinion for the Cachuma Project. Collectively these efforts are vital to protecting water supplies from Lake Cachuma.
- Capital Project Funding – As defined in the Five-Year Financial Plan and IIP, the District continues to invest approximately \$5.0M in capital projects each year. The FY 2013-14 Capital budget reflects the planned transition to fund capital projects with operating cash as debt proceeds diminish. As such, this Budget incorporates \$1.7M more in CIP expenditures as compared to FY 2012-13.
- Groundwater Well Operations – After several consecutive years with surface water supply surplus, the District returns to a typical operating environment as described in the 2011 WSMP Plan. Consistent with actions defined in this plan, water resources will be maximized by drawing on groundwater supplies in FY 2013-14. The operation of groundwater wells will increase Water Testing and Utility costs by \$33K and \$79K respectively, and offsets the need to purchase more expensive State Water supplies.

# APPENDIX

## COST CENTER OVERVIEW

The District tracks disbursements by charging each expenditure to an accounting code associated with a specific function. The 25 programmatic cost centers of the District are categorized into four departmental cost centers: Operations, Engineering, Water Supply and Conservation (WS&C), and General Administration. The following provides an overview of each Departmental cost center outlining how District revenue is spent and the relationship of spending to each functional area of District operations. Figure 4.1 outlines the 25 programmatic cost centers by departmental cost center.

**Figure 4.1 Programmatic Functions by Cost Center**



Cost center expenditures include the operating and personnel costs associated with the programmatic functions in each category. The Office of the General Manager and the Department heads are responsible for managing specific programs within Board-authorized appropriation levels. Detailed discussions of each departmental cost center budget are included in the balance of this section and summarized in Table 4.1 below.

**Table 4.1 FY 2013-14 Budgeted Expenditures by Departmental Cost Center**

Category	Budget	Estimated	Final	Variance Analysis *	
	FY 2012-13	Actual FY 2012-13	Budget FY 2013-14	\$ Higher / (Lower)	% Higher / (Lower)
Operations	\$ 7,868,156	\$ 7,742,803	\$ 8,191,370	\$ 323,214	4%
Engineering	743,758	433,760	432,769	(310,989)	(42%)
Water Supply & Conservation	12,124,845	12,352,179	12,911,260	786,415	6%
General Administration	3,444,437	3,375,304	3,590,702	146,265	4%
<b>Total Expenditures:</b>	<b>\$ 24,181,196</b>	<b>\$ 23,904,046</b>	<b>\$ 25,126,101</b>	<b>\$ 944,905</b>	<b>4%</b>

\* Compares FY 2013-14 Final Budget to FY 2012-13 Adopted Budget

Total FY 2013-14 cost center expenditures will be \$24.9M which is an increase of \$704K, or three percent, from FY 2012-13, including:

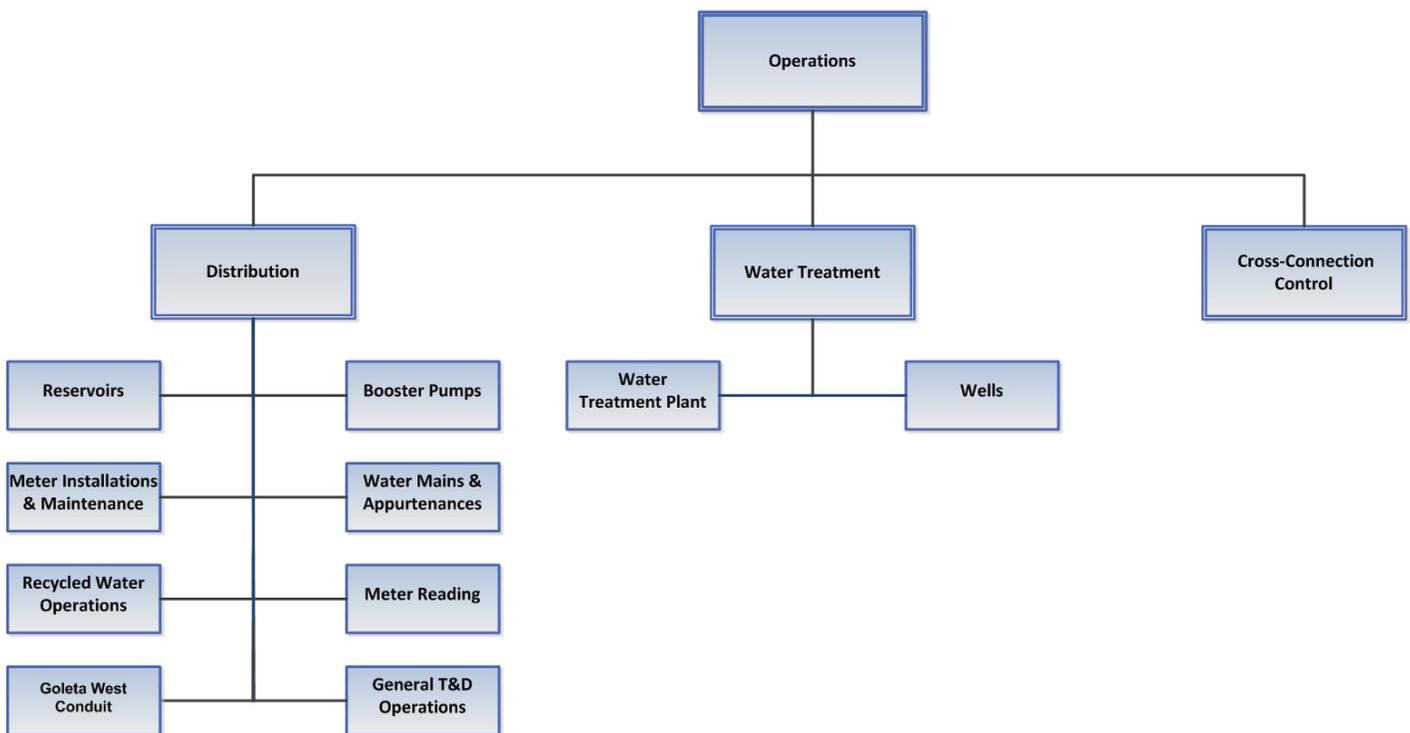
- A \$129K increase in Operations primarily due to the implementation of the small meter replacement program to ensure more accurate water sales information and the increased costs associated with pumping and treating groundwater supplies to meet anticipated FY 2013-14 water demands.
- A \$311K decrease in Engineering costs as staff resources are shifted to capital and reimbursable projects during FY 2013-14.
- A \$740K increase in Water Supply & Conservation expenditures due primarily to increased water supply costs including a significant increase in CCRB assessments for protecting Cachuma water rights.
- A \$146K increase in General Administration costs due to increased costs related to OPEB, insurance, accounting, and reallocated personnel resources.

**OPERATIONS COST CENTER**

The Operations Department is responsible for the operation, maintenance, and improvement of three water systems and associated facilities: the Potable Water System, the Goleta West Conduit System, and the Recycled Water System. In total, District water systems treat and deliver approximately four billion gallons of water annually to more than 87,000 people living in the region. The specific functions of the Operations Department are organized under three distinct areas of responsibility: Distribution, Water Treatment and Cross-Connection Control, outlined in Figure 4.2.

Each year, nearly 200,000 meter readings are obtained by visiting each customer's meter location. These reads ensure timely and accurate collection of water use information for customer service and billing.

**Figure 4.2 Operations Programmatic Functions**



**Distribution**

The Distribution cost center is responsible for the facilities that deliver water to customers. These systems consist of over 270 miles of water mains and appurtenances (i.e. valves, regulating stations, and fire hydrants), reservoirs and booster pumping stations that control the flow and pressure required to maintain high quality, reliable service. Each customer is connected to the distribution system through individual service lines that supply water through a meter located at the final point of service. The Distribution Operations team maintains customer meters, conducts monthly readings to ensure accurate and timely billing, provides regular and emergency service, and performs water service quality checks where necessary.



Distribution Operations priorities in FY 2013-14 are:

- Ongoing implementation of the valve replacement program to ensure the District is able to isolate portions of the system for required maintenance. This improvement program assists in minimizing interruptions to water service.
- Completion of the comprehensive Emergency Response Plan. This plan will include all aspects of District operations and coordination with external agencies.
- Updates to the Goleta West Conduit alternative analysis to convert customers to a potable water supply in compliance with the California Department of Public Health permit requirements.
- Install equipment to centrally monitor pressure reducing stations throughout the distribution system ensuring adequate pressures are being delivered to customers at all times.
- Install meters and other distribution system equipment to enhance monitoring of water loss throughout the distribution system.

### Water Treatment

The Water Treatment Operations cost center is responsible for the facilities and equipment necessary to produce, treat, test, and ensure that the water delivered into the distribution system meets all regulatory standards for water quality set by State and Federal regulations. The potable water system consists of the Corona Del Mar Water Treatment Plant, which treats water from Lake Cachuma, and groundwater wells. The Goleta West Conduit system provides unfiltered Cachuma water for agricultural irrigation and receives chlorination treatment from two chlorination facilities. Recycled water is treated to meet regulatory standards and used for irrigation and restroom facilities.

Each year, licensed District operators collect and test approximately 7,000 water quality samples from throughout the service area to ensure the highest possible water quality and safety. District potable water supplies meet all state and federal water quality regulatory requirements.

Water Treatment priorities in FY 2013-14 are:

- Increase groundwater well production to 2,350 AF, the highest amount of groundwater production since 1990. Groundwater supplies will supplement Cachuma supplies as Cachuma spill water is not expected to be available in FY 2013-14.
- Conduct Tracer Studies on the chlorination procedures and practices at the Corona Del Mar Water Treatment Plant and the GSD reclamation facility to insure chlorination facilities are operating as designed to meet California Department of Public Health regulatory requirements.
- Complete the Corona Del Mar Water Treatment Plant process study to identify and begin construction on needed improvements to continue to meet regulatory requirements in the future.



## Cross-Connection Control



The Cross-Connection Control cost center ensures that cross-connections between the potable and recycled water systems do not occur and that a certified backflow tester conducts annual tests on all customer backflow devices. These devices are owned, operated, and maintained by the customer; however, the District is responsible for maintaining current records of annual test results. District staff conducts annual physical inspections as well as periodic inspections of customer plumbing systems to ensure that the potable and recycled water systems remain separate.

Cross-Connection Control priorities in FY 2013-14 are:

- Conduct a proactive customer outreach campaign to reduce the number of delayed backflow device test result submittals by customers.
- Increase construction site inspections to ensure cross-connections are not made by contractors.
- Expand educational programs and opportunities for recycled water customers' supervisors and related personnel who are responsible for the proper operation and quarterly reporting on the customers' recycled water operations.

## Operations Accomplishments FY 2012-13

During FY 2012-13, Operations evaluated current practices and adopted procedural changes to reflect industry best practices, including:

- Completion of a planned shutdown of the Corona Del Mar Water Treatment Plant during a high demand period to facilitate COMB's MURRP construction schedule. District crews accommodated subsequent shutdowns for various COMB activities related to the construction and inspections of facilities with little to no impact on customers.
- Completed the California Department of Public Health Sanitary Survey of all District operations including the Potable Water system, the Goleta West Conduit system, and the Recycled system. The survey, required every three years, was conducted over a six-day period and resulted in minor recommendations from the regulatory agency. All recommendations are currently being implemented.
- Replaced more than 50 aging main line valves for the second consecutive year. The valve replacement program, which will continue in FY 2013-14, protects distribution system and customer infrastructure as the District works to repair and replace aging pipelines and appurtenances.
- Successfully completed the first year of the more stringent Trihalomethanes testing requirements. The District met and the new water quality regulatory standards.
- Removed accumulated organic material from the fourth and final settling basin at the Corona Del Mar Treatment Plan. This completes the removal process and readies the facilities for future improvements.

- Completed an extensive evaluation of all District electrical facilities for compliance with electrical code regulations and implemented improvements where necessary. Two locations, the headquarters building and the Hollister Booster Station, are in need of more extensive improvements, which will be complete in FY 2013-14.
- Successfully implemented abbreviated meter reading schedules to facilitate the billing system conversion by continuing to read more than 99 percent of all meters in the system each month.
- Increased installations of facilities previously completed by outside contractors. Previously, construction projects for District-owned facilities used outside contractors for the installations. By utilizing District staff for these installations, the District reduces the overall costs to customers by increasing the utilization of District staff and minimizing the use of external contractors.



### FY 2013-14 Operations Cost Center Budget

Table 4.2 details the primary Operations expenditure categories and describes variances between FY 2012-13 Budget and FY 2013-14 budgeted expenditures.

**Table 4.2 FY 2013-14 Operations Cost Center Budget Summary**

Category	Adopted Budget	Estimated Actual	Final Budget	Variance Analysis *	
	FY 2012-13	FY 2012-13	FY 2013-14	\$ Higher / (Lower)	% Higher / (Lower)
<b>Cost Center Expenses - Operations</b>					
<b>Personnel:</b>	\$ 4,465,362	\$ 4,263,206	\$ 4,484,418	\$ 19,056	0%
<b>Operations &amp; Maintenance:</b>					
Water Treatment	626,550	509,649	646,396	19,846	3%
Water Testing	151,811	126,747	184,508	32,697	22%
Insurance, Accounting, & Auditing	100,373	109,720	96,720	(3,653)	(4%)
Maintenance & Equipment	1,180,756	1,010,298	1,050,313	(130,443)	(11%)
Services & Supplies	1,062,048	1,416,617	1,368,597	306,549	29%
Utilities	281,256	306,567	360,418	79,162	28%
<b>Subtotal:</b>	3,402,794	3,479,597	3,706,952	304,158	9%
<b>Total Expenditures:</b>	\$ 7,868,156	\$ 7,742,803	\$ 8,191,370	\$ 323,214	4%

\* Compares FY 2013-14 Final Budget to FY 2012-13 Adopted Budget

The Operations budget will remain relatively flat in FY 2013-14, increasing by only two percent, or \$129K. Notable changes from FY 2012-13 Operations Budget to the FY 2013-14 Budget include:

- Combined, Water Treatment and Testing costs will increase by \$53K to accommodate increased groundwater production including pumping and treatment to supplement Cachuma water supplies.
- Operations Personnel costs will remain flat in FY 2013-14. While Operations staff positions will decrease from 36 to 34, this cost savings offsets increases costs due to standard contractual obligations and inflationary benefit increases. Operations staff levels continue to decrease while internal efficiencies improve, allowing Operations to take on additional responsibilities with reduced staff. These efficiencies provide opportunities for the Operations team to improve customer service and provide a more stringent regulatory oversight environment. Additionally, a portion of internal Operations work will shift to Capital and reimbursable projects, which also reduces the need for services from outside contractors.
- Maintenance and Equipment costs will decrease by \$130K due to the completion of several major projects and shifting specified project expenditures into the Capital Budget.
- Services and Supplies will increase by \$112K with the implementation of the small meter replacement program to address under registering and aging meters. This program will improve the accuracy of water sales information.
- Utility costs will increase by \$79K as the result of increased groundwater well operations and increases in electricity rates.

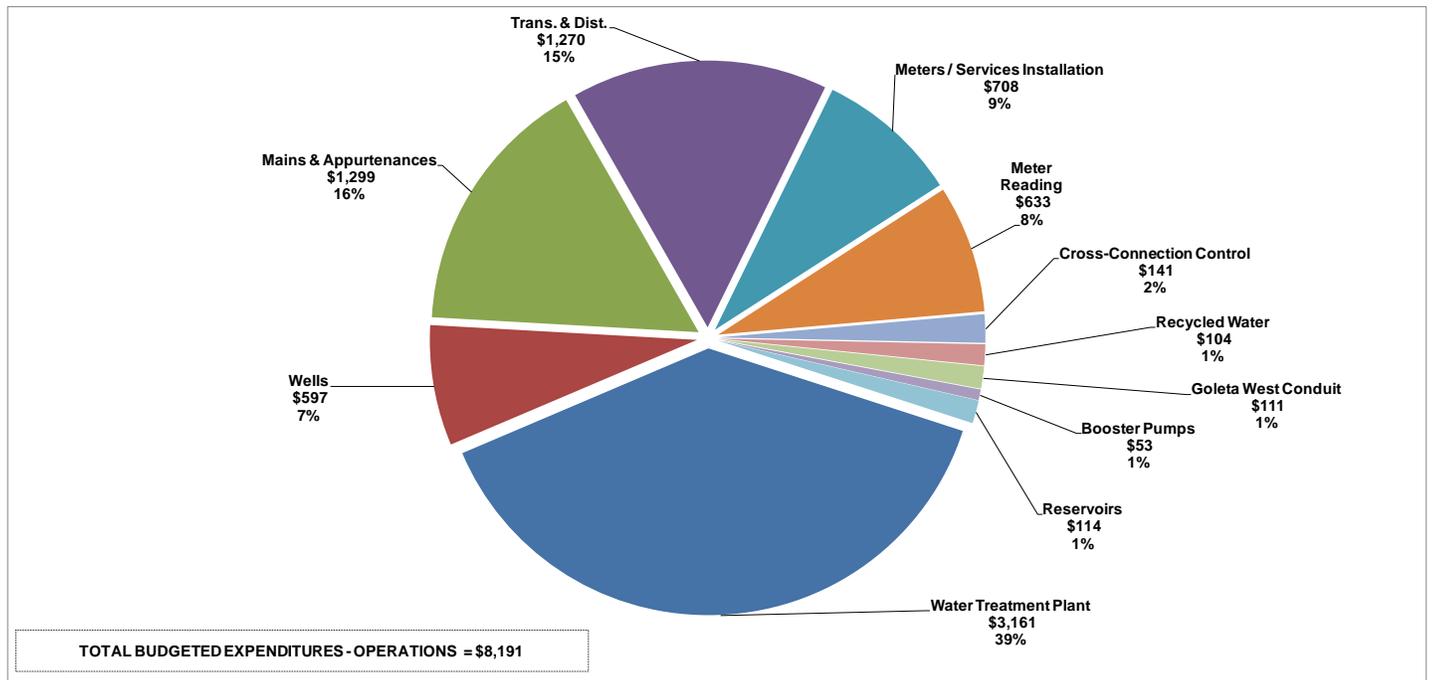
With a low probability of a Lake Cachuma spill event occurring in FY 2013-14, the District will operate groundwater wells to produce an additional 2,350 AF of water supplies.

Table 4.3 and Figure 4.3 provide a detailed breakdown of Operations expenditures by programmatic cost center.

**Table 4.3 FY 2013-14 Operations Budgeted Expenditures by Programmatic Cost Center**

Description	Water Treatment Plant	Wells	Mains & Appurtenances	Trans. & Dist.	Meters / Services Installation	Meter Reading	Cross-Connection Control	Recycled Water	Goleta West Conduit	Booster Pumps	Reservoirs	Total Operations
Water Treatment	\$ 546,163	\$ 60,120	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 39,813	\$ -	\$ 300	\$ 646,396
Water Testing	150,269	32,679	-	-	-	-	-	-	1,560	-	-	184,508
Personnel - Wages	1,207,675	-	619,426	304,919	343,727	398,040	91,215	7,332	2,928	2,928	2,928	2,981,118
Personnel - Benefits	432,184	-	254,126	166,076	135,246	189,078	34,945	-	-	-	-	1,211,654
Personnel - Taxes & W.C.	115,058	-	65,169	37,052	32,878	31,437	10,051	-	-	-	-	291,646
Insurance, Accounting, & Auditing	-	-	-	96,720	-	-	-	-	-	-	-	96,720
Maintenance & Equipment	396,924	79,779	274,292	76,304	171,504	3,180	4,824	6,240	9,810	13,704	13,752	1,050,313
Services & Supplies	264,816	195,936	80,716	558,812	24,600	11,100	-	70,472	51,703	18,485	91,957	1,368,597
Utilities	48,316	228,824	5,124	29,819	-	-	-	20,244	4,824	18,299	4,968	360,418
<b>Total:</b>	<b>\$3,161,405</b>	<b>\$ 597,338</b>	<b>\$ 1,298,853</b>	<b>\$ 1,269,702</b>	<b>\$ 707,955</b>	<b>\$ 632,835</b>	<b>\$ 141,035</b>	<b>\$ 104,288</b>	<b>\$ 110,638</b>	<b>\$ 53,416</b>	<b>\$ 113,905</b>	<b>\$8,191,370</b>

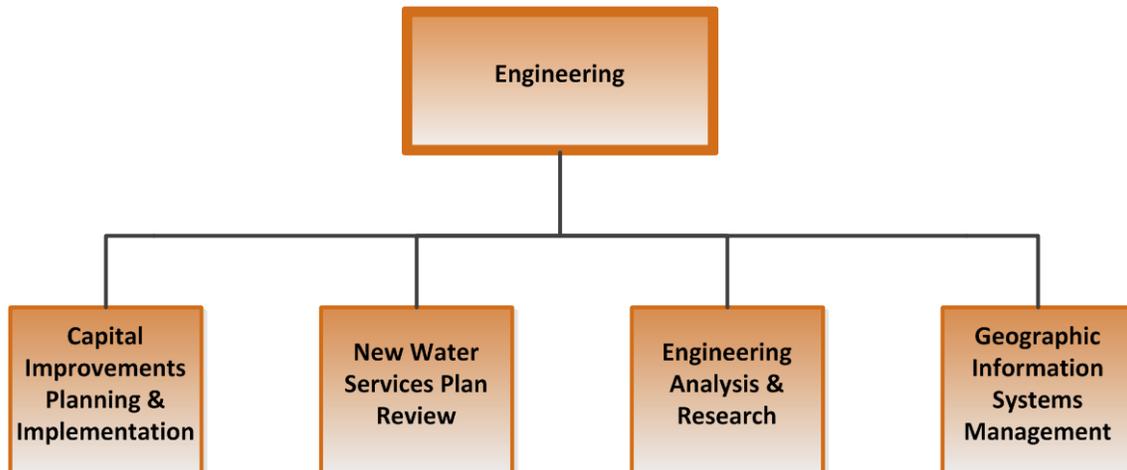
**Figure 4.3 FY 2013-14 Operations Budgeted Expenditures by Programmatic Cost Center (\$000s)**



## ENGINEERING COST CENTER

The Engineering cost center includes programs and functions related to capital infrastructure planning and implementation, review of new water services, engineering research and analysis, and management of GIS. This includes ensuring the water treatment and delivery systems are designed and installed to meet industry and regulatory standards as well as community's water supply needs. Figure 4.4 below illustrates the specific programmatic cost centers within Engineering.

**Figure 4.4 Engineering Programmatic Functions**



### Capital Improvements Planning & Implementation

The Engineering cost center is responsible for capital project management consistent with the implementation of the District Five-Year IIP and Sustainability Plan. Specific efforts include developing project budgets, cost estimates, and prioritization schedules to meet the needs of the District over the five-year planning horizon. To keep costs stable and prioritize investment, Engineering focuses on maintaining, upgrading, and replacing vital infrastructure needed to ensure long-term capital asset integrity. Engineering oversees studies, designs, and construction of all infrastructure projects.

During FY 2013-14, capital projects will focus on meeting regulatory requirements and addressing critical system needs. Projects include the first phase of Corona Del Mar Water Treatment Plant improvements as recommended by the Process Design Review; arc flash improvements to bring District facilities into compliance with the California Electrical Code; and ongoing valve and main replacement projects.



The second phase of the San Ricardo Well site improvement project will be complete in FY 2013-14, providing a much needed facelift to the pump house and landscape and a second hydroelectric turbine will be installed to generate hydropower and offset system energy costs.

## New Water Services Plan Review

Engineering staff review, analyze, and approve developer water infrastructure plans for the expansion of the water facilities to serve new customers. This cost center is responsible for review and approval of cost estimates, and facility proposals, and determines if modifications are needed to system capacity. Services provided also include the onsite construction inspection of new facilities to ensure compliance with District Engineering Standards and Specifications.

## Engineering Analysis and Research

Engineering is responsible for ensuring that District Engineering Standards and Specifications are consistent with the latest industry standards for construction methods, materials utilized, and design criteria. Engineering Standards and Specifications also address operational integrity and efficiencies, as well as value-engineering techniques to ensure the least-cost methods and materials are used to bring efficient water services to all customers, while meeting regulatory standards and operational goals of the District. In FY 2013-14 engineering analysis and research efforts will support a new cathodic protection program to increase the lifespan of 65 miles of steel pipeline and other District assets, and the completion of USBR Title Transfer Project, transferring the federally-owned portions of the Goleta Distribution System to the District.

Ongoing efforts to utilize staff expertise and experience rather than outside consultants for engineering projects have reduced District reliance on costly contracted services.

## Geographic Information Systems Management

The GIS cost center is responsible for maintaining the records and drawings associated with all District assets and their integration into GIS. This requires diligent maintenance, upgrades, and document management to ensure infrastructure records are complete and accurate. GIS management also provides the analysis, technical research, and recordkeeping process to ensure the integrity and operational capacity of District water systems.

A state-of-the-art hydraulic model of the distribution system is linked with GIS. This model provides valuable information related to water flow, system capacity, and impacts of changes to the system and is used to inform operational decisions a long-term planning. The model also enables the District to ensure that adequate fire flows and pressures are maintained during peak customer demand periods.

## Engineering Accomplishments FY 2012-13

Key Engineering FY 2012-13 projects include:

- Completion of the San Ricardo Well rehabilitation project expanding groundwater pumping capacity and further securing District water supplies.
- Replacement of the recycled booster pump station VFD System reducing energy costs and increasing system reliability.
- Development of an action plan for sustainable sewage disposal at the Corona Del Mar Water Treatment Plant.
- Development of a Cathodic Protection Program to protect and extend the long-term sustainability of the District distribution system.



- Replacement of the hydroelectric turbine generator at the Van Horne Reservoir to capture energy produced by the pressure in the distribution system and offset District energy costs.
- Updates to the Infrastructure Improvement Plan to prioritize District capital project expenditures.
- Integrated the new Distribution System Hydraulic Model into District Engineering project planning and implementation including GIS. The Model provides a powerful analytic tool for prioritizing infrastructure development and investment.
- Conducted staff analyses, plan checks, and inspections on 73 private development projects.

### FY 2013-14 Engineering Budget

Table 4.4 outlines Engineering expenditures and describes variances between FY 2012-13 Budget and FY 2013-14 budgeted expenditures.

**Table 4.4 FY 2013-14 Engineering Cost Center Budget Summary**

Category	Adopted	Estimated	Final	Variance Analysis *	
	Budget FY 2012-13	Actual FY 2012-13	Budget FY 2013-14	\$ Higher / (Lower)	% Higher / (Lower)
<b>Cost Center Expenses - Engineering</b>					
<b>Personnel:</b>	\$ 564,076	\$ 369,864	\$ 371,917	\$ (192,159)	(34%)
<b>Operations &amp; Maintenance:</b>					
Insurance, Accounting, & Auditing	11,738	12,831	11,988	250	2%
Maintenance & Equipment	1,092	547	-	(1,092)	(100%)
Services & Supplies	166,852	50,517	48,864	(117,988)	(71%)
<b>Subtotal:</b>	179,682	63,895	60,852	(118,830)	(66%)
<b>Total Expenditures:</b>	\$ 743,758	\$ 433,760	\$ 432,769	\$ (310,989)	(42%)

\* Compares FY 2013-14 Final Budget to FY 2012-13 Adopted Budget

The Engineering budget will decrease by \$311K, or 42 percent, in FY 2013-14. Notable changes from the FY 2012-13 Budget to the FY 2013-14 Budget include:

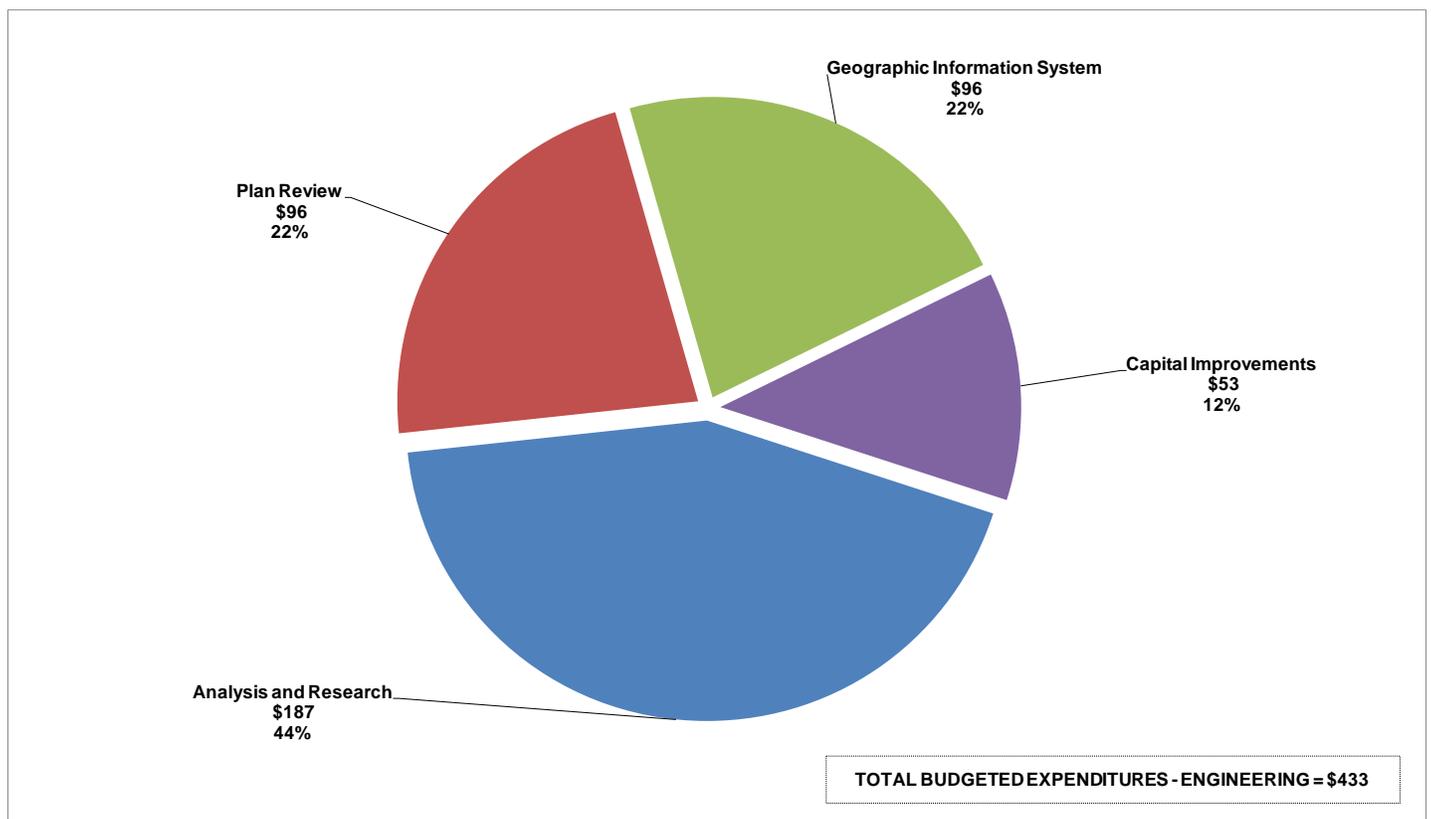
- Engineering staff levels will remain constant with five positions in FY 2013-14; however, Personnel costs will decrease by \$192K, or 34 percent. This is primarily caused by staff time increasingly allocated to capital and reimbursable projects, drawing from the operating budget. This reduction in costs helps offset the standard contractual and inflationary personnel cost increases across all departmental cost centers.
- Services & Supplies costs will decrease by \$119K due to the reallocation of the USBR Title Transfer Project to the capital budget.
- Maintenance and Equipment costs will decrease to zero as no equipment purchases are planned in FY 2013-14.

Table 4.5 and Figure 4.5 provide a detailed breakdown of Engineering expenditures by programmatic cost center.

**Table 4.5 FY 2013-14 Engineering Budgeted Expenditures by Programmatic Cost Center**

Description	Analysis and Research	Plan Review	Geographic Information System	Capital Improvements	Total Engineering
Personnel - Wages	\$ 133,928	\$ 81,084	\$ 49,898	\$ 40,068	\$ 304,978
Personnel - Benefits	18,772	8,680	19,946	6,435	53,832
Personnel - Taxes & W.C.	6,621	3,546	2,169	771	13,107
Insurance, Accounting, & Auditing	11,988	-	-	-	11,988
Maintenance & Equipment	-	-	-	-	-
Services & Supplies	16,064	3,080	23,900	5,820	48,864
<b>Total:</b>	<b>\$ 187,373</b>	<b>\$ 96,390</b>	<b>\$ 95,913</b>	<b>\$ 53,093</b>	<b>\$ 432,769</b>

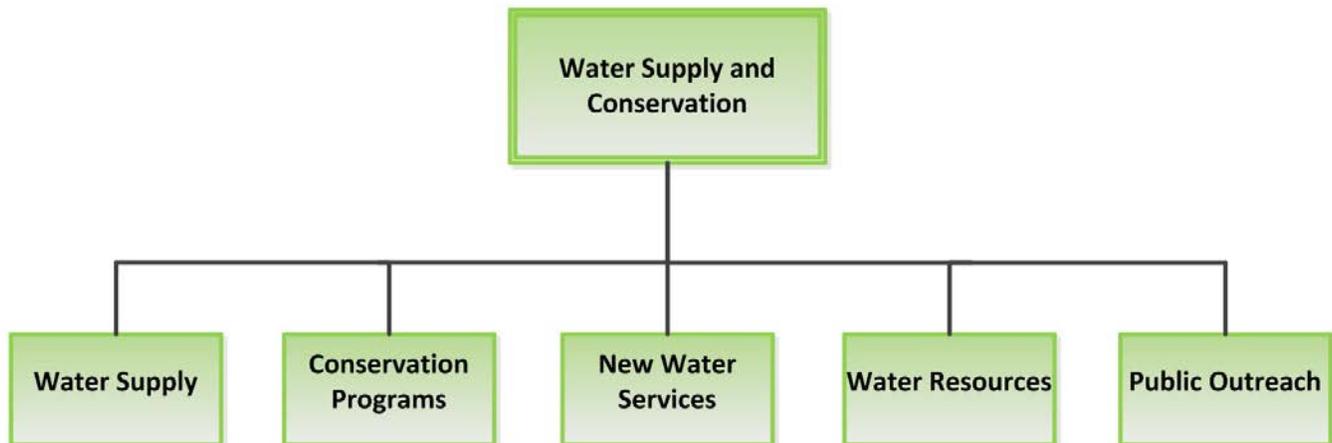
**Figure 4.5 FY 2013-14 Engineering Budgeted Expenditures by Programmatic Cost Center (\$000s)**



## WATER SUPPLY & CONSERVATION COST CENTER

The WS&C cost center includes the following programmatic cost centers: Water Supply, Conservation Programs, New Water Services, Water Resources, and Public Outreach, as shown in Figure 4.6.

Figure 4.6 Water Supply and Conservation Programmatic Functions



### Conservation Programs

Conservation and efficient water use helps preserve and extend water supplies for all District customers. As a long-time leader in conservation practices and a signatory to the CUWCC Memorandum of Understanding, the District works in partnership with agencies and organizations across the region to support customers' ability to use water as efficiently as possible. For FY 2013-14, program elements will be optimized to enhance services by targeting incentives to customers with the potential for additional water efficiently gains, while also helping the District meet State-mandated conservation targets.

### New Water Services

The New Water Services cost center focuses on establishing relationships with new customers through its water service application process. New real estate development projects and other expansions of water use are reviewed and coordinated within the District, as well as with surrounding local governments and agencies, to ensure safe, reliable and efficient service to new customers. The work of the New Water Services program involves complex research related to water rights, entitlements, and agreements, as well as facilitation of utility construction and development, from start to finish, including project accounting and ultimate closeout. Implementation of Board-adopted Code modifications in FY 2013-14 will strengthen the implementation of the SAFE ordinance and streamline the project-review process for applicants.



Water Resources

The Water Resources program supports the ongoing management of water supply agreements and coordinates the District foundational resource plans, including the Groundwater Management Plan, WSMP, UWMP, and the Sustainability Plan. The Water Resources team provides analytical support as well as special research needed to implement the policies established by the voter-approved SAFE Water Supplies Ordinance, District Code and regulations, water supply agreements, and state and federal law. FY 2013-14 priorities include continued work with CCRB and other regional partners to protect surface water rights; ongoing implementation and reporting related to the Sustainability Plan; and initial development of salt and nutrient management strategies to ensure sustainable groundwater basin management.



The Water Resources cost center includes a grants management function and is responsible for seeking out and applying for new grant opportunities. During FY 12-13, the District completed work related to a \$400,000 Proposition 50 Grant for the rehabilitation of the San Ricardo Well. Additionally, the District participated in the 2013 Santa Barbara County IRWMP update. Participation in an IRWMP is a prerequisite for securing many State infrastructure grant funds including Propositions 50, 84, and 1E resources. District projects included in the 2013 IRWMP are consistent with the IIP, and will be highly competitive in future rounds of funding opportunities. During FY 2013-14, grant activities will focus on completing the 2013 IRWMP update and applying for a USBR WaterSMART Grant to fund projects and studies identified in the IIP and Sustainability Plan.



In FY 2012-13, the District provided 42 Preliminary Conditions Letters, reviewed 16 utility construction plan sets, and issued 33 Can & Will Serve Letters to customers requesting new or expanded water service.

## Public Outreach

The Public Outreach program includes all District communications, media relations, press releases, special outreach initiatives, newsletters, and oversight of the website and internet presence. The Public Outreach cost center ensures customers are equipped with reliable, timely, and objective information, enabling a clear understanding of District issues and activities. In FY 2013-14 public outreach staff will continue to identify innovative and effective communication methods to engage with and understand the customer base, ensuring District services align with customer needs and values.

District conservation experts connected with more than 1,600 customers at conservation outreach events during FY 2012-13, helping the community identify ways to eliminate water waste and save money. Additionally, District staff provided personalized conservation site visits, surveys, and customer reports for more than 40 residential and commercial customers.

## Water Supply and Conservation Accomplishments FY 2012-13

Key WS&C accomplishments during FY 2012-13, include:

- Facilitated Board adoption of District Code modifications refining water allocation procedures for development projects, clarifying policy provisions and definitions, and enhancing implementation of the SAFE ordinance.
- Oversaw and processed over 50 development project applications, enhancing District revenues and facility assets, while ensuring customer water demands align with available supplies.
- Completed a comprehensive review of District water use efficiency measures to ensure cost-effective targeting of services for customers and compliance with State laws.
- Partnered with regional water purveyors and local agencies to update the Draft 2013 IRWMP, and secured competitive positioning for District project funding.
- Designed and implemented a public outreach and marketing program to encourage customer participation in eBilling.



FY 2013-14 Water Supply and Conservation Budget

Table 4.6 details the primary FY 2013-14 WS&C budgeted expenditures and variances from the FY 2012-13 Budget.

Table 4.6 FY 2013-14 Water Supply and Conservation Cost Center Budget Summary

Category	Adopted Budget	Estimated Actual	Final Budget	Variance Analysis *	
	FY 2012-13	FY 2012-13	FY 2013-14	\$ Higher / (Lower)	% Higher / (Lower)
<b>Cost Center Expenses - WS&amp;C</b>					
<b>Water Supply Agreements:</b>					
Surface Water - COMB	\$ 2,596,865	\$ 2,891,592	\$ 2,397,168	\$ (199,697)	(8%)
Surface Water - CCRB	296,220	379,162	853,632	557,412	188%
Surface Water - SB County (Cloud Seeding)	-	-	30,000	30,000	-
State Water - CCWA	7,506,554	7,517,874	7,551,639	45,085	1%
Recycled Water - GSD	487,542	440,901	500,500	12,958	3%
<b>Subtotal:</b>	<b>10,887,181</b>	<b>11,229,529</b>	<b>11,332,939</b>	<b>445,758</b>	<b>4%</b>
<b>Personnel:</b>	<b>898,531</b>	<b>952,617</b>	<b>1,192,337</b>	<b>293,806</b>	<b>33%</b>
<b>Operations &amp; Maintenance:</b>					
Insurance, Accounting, & Auditing	16,237	17,749	18,264	2,027	12%
Maintenance & Equipment	696	232	696	-	-
Services & Supplies	322,200	152,051	367,024	44,824	14%
<b>Subtotal:</b>	<b>339,133</b>	<b>170,033</b>	<b>385,984</b>	<b>46,851</b>	<b>14%</b>
<b>Total Expenditures:</b>	<b>\$ 12,124,845</b>	<b>\$ 12,352,179</b>	<b>\$ 12,911,260</b>	<b>\$ 786,415</b>	<b>6%</b>

\* Compares FY 2013-14 Final Budget to FY 2012-13 Adopted Budget

The WS&C cost center Budget will increase by \$740K, or six percent, in FY 2013-14. Notable changes from the FY 2012-13 Budget to FY 2013-14 Budget include:

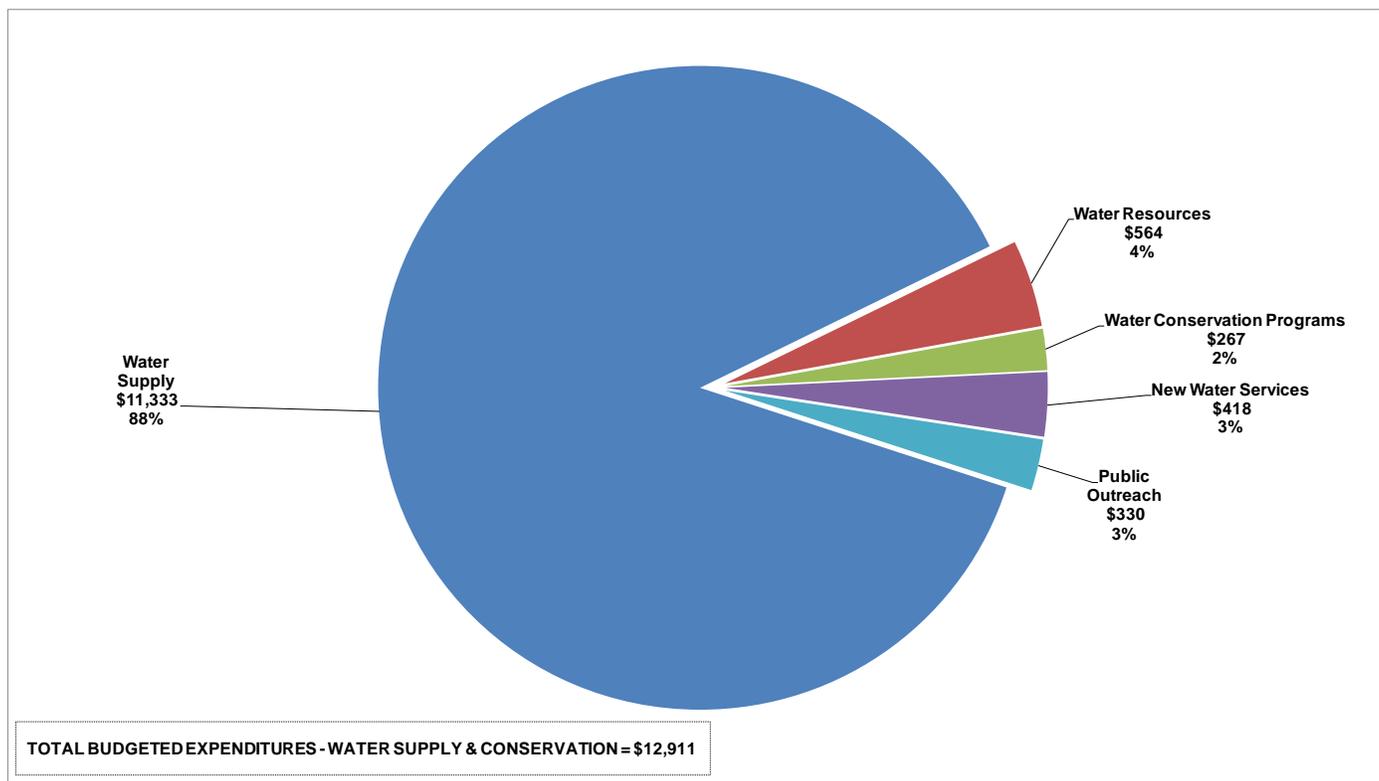
- Overall costs associated with Water Supply Agreements have increased by \$449K due primarily to increased CCRB expenses associated with protecting the District surface water rights. The District share of the CCRB budget has increased by \$561K, or 189 percent. Additionally, fixed State Water costs have increased by \$45K, which includes CCWA bond payments as well as fixed operating costs of CCWA and DWR. These increases are partially offset by a \$200K decrease in COMB expenditures.
- WS&C Personnel Costs have increased by \$294K as the result of shifting positions from Operations to WS&C, bringing the personnel total in this cost center to seven. One position is responsible for bolstering the Public Outreach and Communications programs in order to be more responsive to the community. Additionally, WS&C is cost-sharing one-half of a position that is dedicated to a wide variety of cross-departmental initiatives and special projects including water rights and water supply agreements. The increase in personnel costs also includes standard contractual and inflationary wage and benefit cost increases.

Table 4.7 and Figure 4.7 provide a detailed breakdown of WS&C expenditures by programmatic cost center.

**Table 4.7 FY 2013-14 WS&C Budgeted Expenditures by Programmatic Cost Center**

Description	Water Supply	Water Resources	Water Conservation Programs	New Water Services	Public Outreach	Total WS&C
Surface Water - COMB	\$ 2,397,168	\$ -	\$ -	\$ -	\$ -	\$ 2,397,168
Surface Water - CCRB	853,632	-	-	-	-	853,632
Surface Water - SB County (Cloud Seeding)	30,000	-	-	-	-	30,000
State Water - CCWA	7,551,639	-	-	-	-	7,551,639
Recycled Water - GSD	500,500	-	-	-	-	500,500
Personnel - Wages	-	254,218	146,203	289,446	138,456	828,323
Personnel - Benefits	-	103,831	60,178	99,226	37,813	301,048
Personnel - Taxes & W.C.	-	26,063	8,853	19,923	8,127	62,966
Insurance, Accounting, & Auditing	-	18,264	-	-	-	18,264
Maintenance & Equipment	-	-	-	696	-	696
Services & Supplies	-	161,172	51,420	8,424	146,008	367,024
<b>Total:</b>	<b>\$ 11,332,939</b>	<b>\$ 563,548</b>	<b>\$ 266,654</b>	<b>\$ 417,715</b>	<b>\$ 330,404</b>	<b>\$ 12,911,260</b>

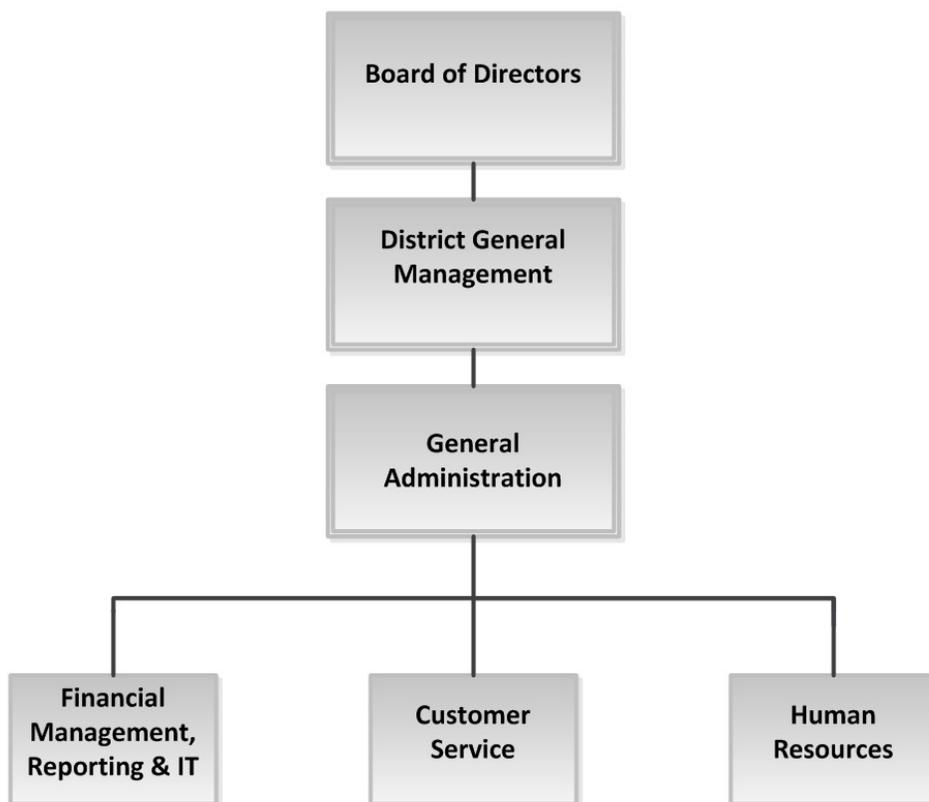
**Figure 4.7 FY 2013-14 WS&C Budgeted Expenditures by Programmatic Cost Center**



**GENERAL ADMINISTRATION COST CENTER**

The General Administration cost center includes the Board of Directors, District General Management, and Administrative cost centers including Financial Management, Reporting, Information Technology, Customer Service, and Human Resources, as outlined in Figure 4.8.

**Figure 4.8 General Administration Programmatic Functions**



**Financial Management, Reporting, & Information Technology**

The Financial Management, Reporting, & Information Technology cost center includes all financial and accounting services to ensure proper controls and processes are in place to accurately collect revenue and disburse expenditures. Routine transaction services include accounts payable, accounts receivable, investment and cash management, annual budget preparation, monthly budget tracking, cash flow analysis, payroll and benefit processing, rate analysis and annual audit report preparation. This cost center is responsible for implementing governmental accounting standards to provide timely, accurate, and meaningful financial information to the public and the Board of Directors. Finally, this cost center provides technology tools including network support services, customer information systems, and an advanced billing system, among others. During FY 2013-14, the District will reduce debt service costs through refinancing eligible debt, upgrade financial software to improve efficiencies and enhance reporting capabilities, and implement of other critical technology systems.

## Customer Service

The Customer Service cost center is the initial point of contact for the community, handling incoming calls, receiving visitors, and managing the billing and collection process for 16,600 customer connections. In FY 2013-14, Customer Service will conduct an outreach campaign to encourage sustainable paperless billing enrollment. The cost center is also responsible for building on the recently-implemented billing system to better meet customer needs.

The District now offers customers 24/7 online access to their account information including water use, billing, and payment history.

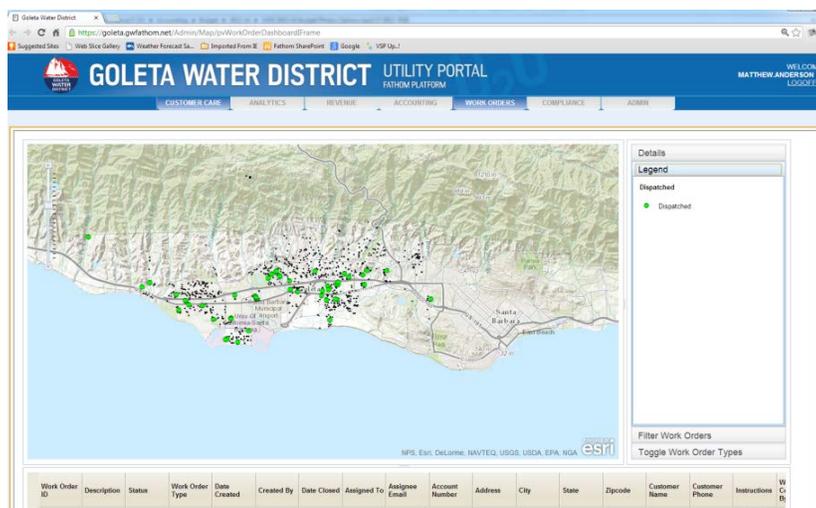
## Human Resources

Human Resources works closely with District management to recruit, train, and retain the most qualified personnel for the District. Human Resources also coordinates risk management activities, including the Workplace Safety Program, to ensure a safe and healthy work environment for employees. Additionally, staff analyzes and coordinates insurance matters in cooperation with the District insurance provider, ACWA/JPIA. In FY 2013-14, HR will participate in initial labor contract negotiations in order to balance costs and the need to retain qualified and well-trained staff.

## General Administration Accomplishments FY 2012-13

The General Administration cost center completed several key projects during FY 2012-13 including:

- Implementation of a new billing system to replace legacy software. The new system provides for modern functionality such as online billing and electronic payments.
- Installation of a new phone system to enhance customer service, unify District communication platforms; and augment emergency response capabilities.
- Conclusion of the final stage of closing the accounting associated with historic District projects. This project was initiated in response to recommendations from the District independent auditor in preparation for transitioning to the new accounting system.
- Upgrades to the accounting system to provide electronic payments, strengthen non-utility billing, and consolidate information into a data warehouse.
- Updates to miscellaneous fees and service charges such as initiation fees, disconnections fees, and insufficient funds charges. This ensures the costs associated with specified activities continue to be accurately recovered.
- Updates to the Workplace Safety Program to promote a safe and healthy workplace and reduce workers' compensation costs.



FY 2013-14 General Administration Budget

Table 4.8 illustrates General Administration expenditure categories and describes variances between FY 2012-13 Budget and FY 2013-14 budgeted expenditures.

Table 4.8 FY 2013-14 General Administration Cost Center Budget Summary

Category	Adopted Budget	Estimated Actual	Final Budget	Variance Analysis *	
	FY 2012-13	FY 2012-13	FY 2013-14	\$ Higher / (Lower)	% Higher / (Lower)
<b>Cost Center Expenses - General Admin.</b>					
<b>Personnel:</b>	\$ 1,956,023	\$ 2,127,173	\$ 2,103,520	\$ 147,497	8%
<b>Other Post Employment Benefits:</b>	365,136	366,407	374,910	9,774	3%
<b>Operations &amp; Maintenance:</b>					
Insurance, Accounting, & Auditing	69,352	49,903	70,892	1,540	2%
Legal	349,762	253,145	318,500	(31,262)	(9%)
Services & Supplies	704,164	578,676	722,880	18,716	3%
<b>Subtotal:</b>	<b>1,123,278</b>	<b>881,724</b>	<b>1,112,272</b>	<b>(11,006)</b>	<b>(1%)</b>
<b>Total Expenditures:</b>	<b>\$ 3,444,437</b>	<b>\$ 3,375,304</b>	<b>\$ 3,590,702</b>	<b>\$ 146,265</b>	<b>4%</b>

\* Compares FY 2013-14 Final Budget to FY 2012-13 Adopted Budget

The General Administration Budget will increase by \$146K, or four percent in FY 2013-14. Notable General Administration changes from FY 2012-13 to FY 2013-14 Budget include:

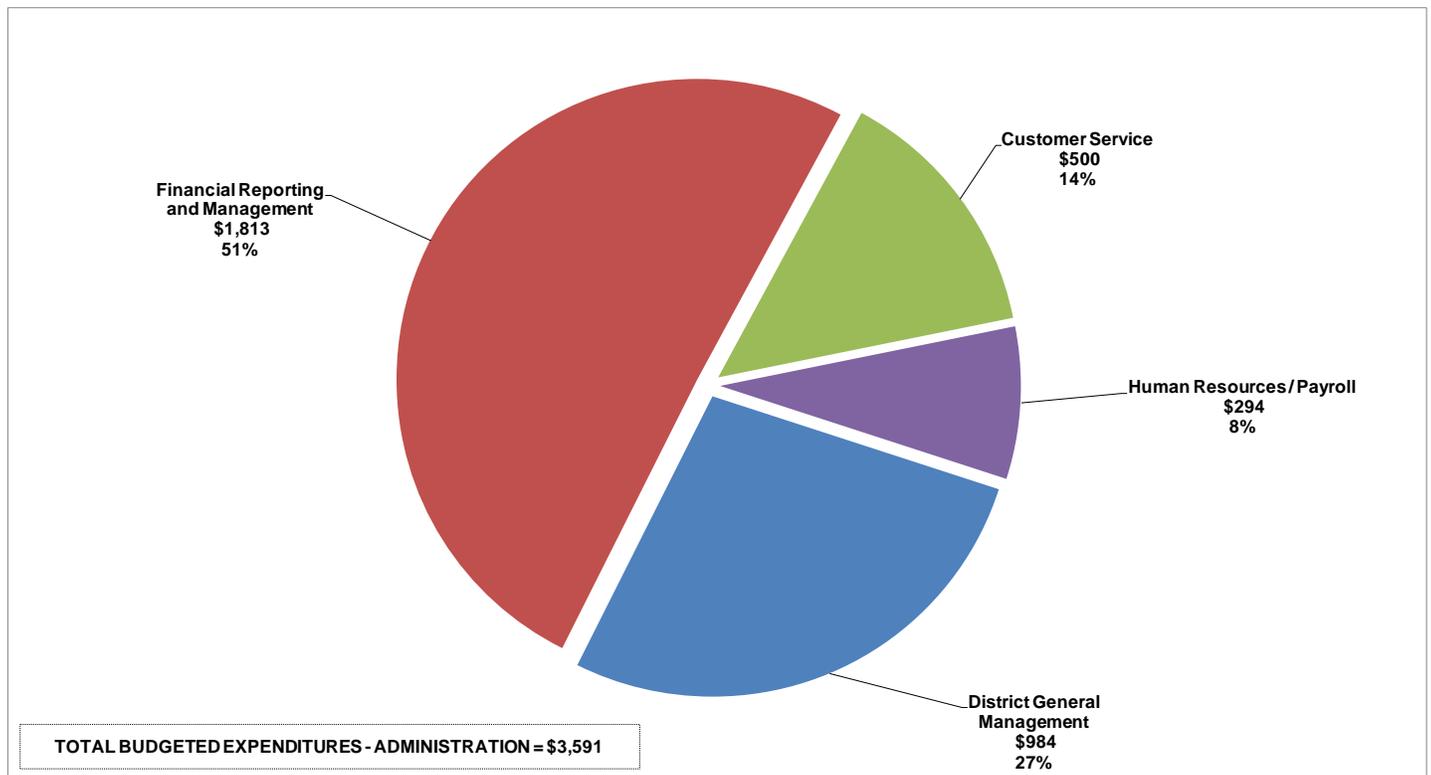
- Personnel costs will increase by \$147K as the result standard contractual increases in labor costs and an increase in the General Administration staff by one position, shifted from Operations in FY 2012-13. This position is responsible for a variety of cross-departmental initiatives and special projects including water rights agreements and advocacy, the USBR Title Transfer Project, and development of an advanced infrastructure management plan, among others.
- District-wide, OPEB costs will increase by \$9.8K (3%) due to inflationary increases in health insurance rates.
- Insurance, Accounting, & Auditing costs will increase by \$1.5K (2%) due to a five percent increase in property and liability insurance rates. These insurance increases are offset by the lower fees associated with the new independent auditor.
- Budgeted Legal fees, including general and special counsel, will decrease by \$31K (9%). This decrease is largely due to savings associated with new general counsel.
- Services and Supplies will increase by \$19K (3%) to replace aging office equipment and furniture.

Table 4.9 and Figure 4.9 provide a detailed breakdown of General Administration expenditures by programmatic cost center.

**Table 4.9 FY 2013-14 General Administration Budgeted Expenditures by Programmatic Cost Center**

Description	District General Management	Reporting and Management	Customer Service	Human Resources / Payroll	Total Administration
Personnel - Wages	\$ 331,434	\$ 798,366	\$ 95,589	\$ 144,316	\$ 1,369,705
Personnel - Benefits	218,080	316,013	41,034	57,315	632,442
Personnel - Taxes & W.C.	20,183	66,834	5,127	9,229	101,373
Personnel - Post Retirem. Med.	-	374,910	-	-	374,910
Insurance, Accounting, & Auditing	20,000	50,892	-	-	70,892
Legal	264,000	-	-	54,500	318,500
Services & Supplies	130,428	205,566	358,180	28,706	722,880
<b>Total:</b>	<b>\$ 984,125</b>	<b>\$ 1,812,581</b>	<b>\$ 499,930</b>	<b>\$ 294,066</b>	<b>\$ 3,590,702</b>

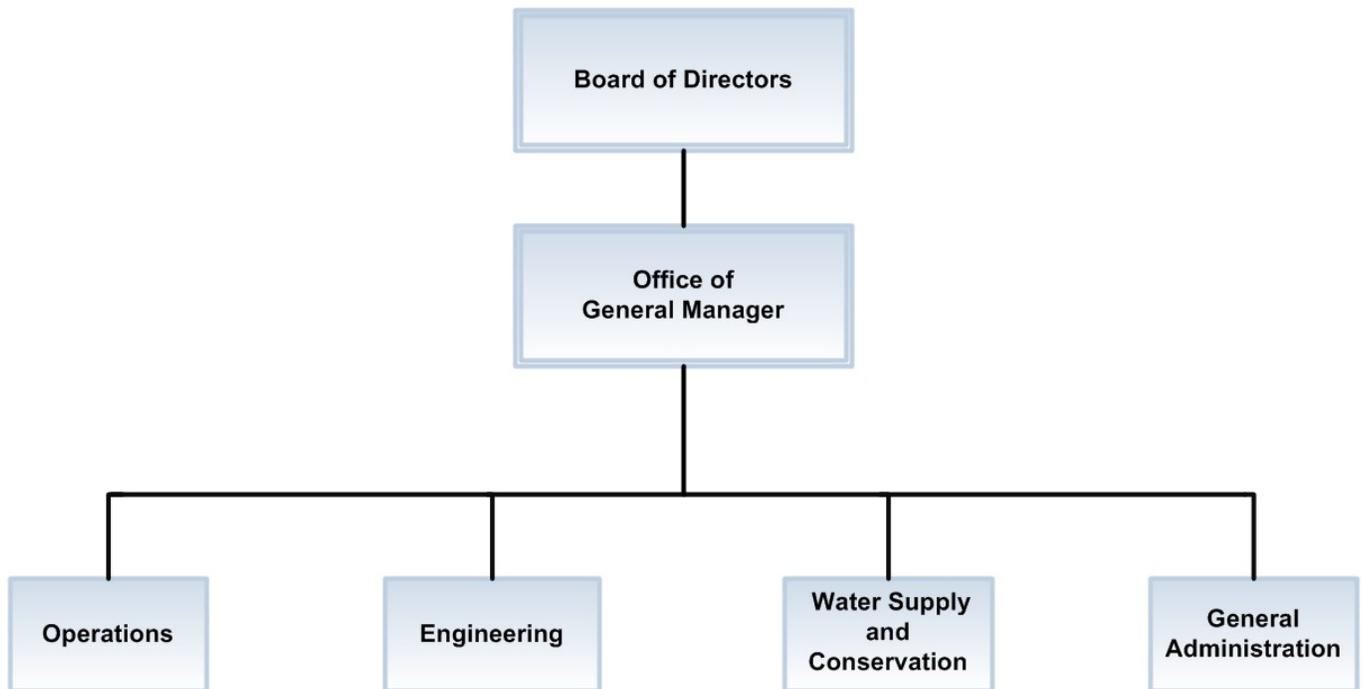
**Figure 4.9 FY 2013-14 General Administration Budgeted Expenditures by Programmatic Cost Center**



**DISTRICT ORGANIZATION**

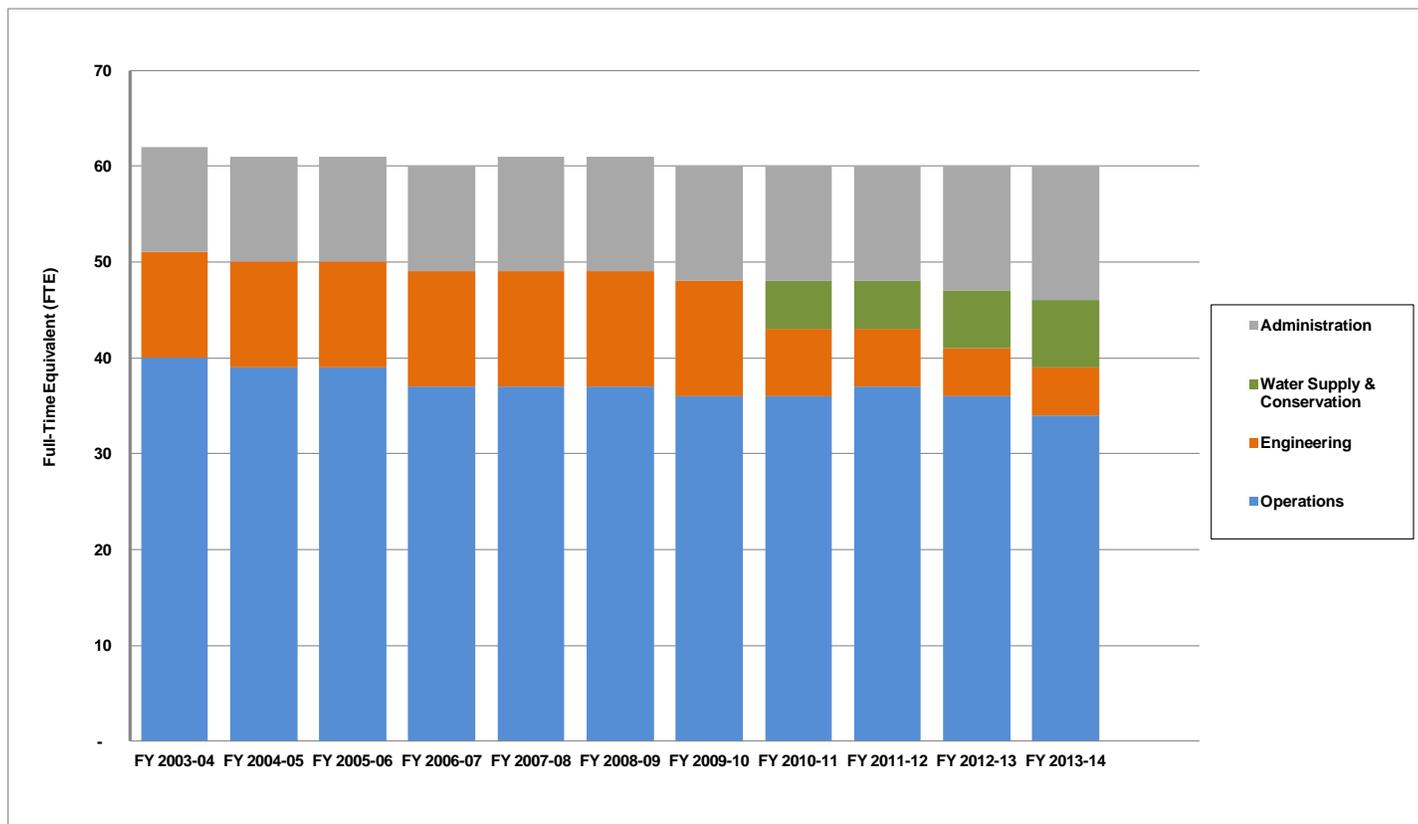
The District is governed by a five-member, publicly elected Board of Directors who is responsible for the policy direction of the organization. Day-to-day policy implementation and operations of the District are led by the General Manager. The Assistant General Manager serves as chief-of-staff, directing activities of the four departments: Operations, Engineering, WS&C, and General Administration, as shown in Figure 4.10. Each department is responsible for specific programmatic functions to provide safe and reliable water supplies to the region at predictable rates. A detailed organizational chart is provided in Appendix Figure 4.12.

**Figure 4.10 Goleta Water District Departments**



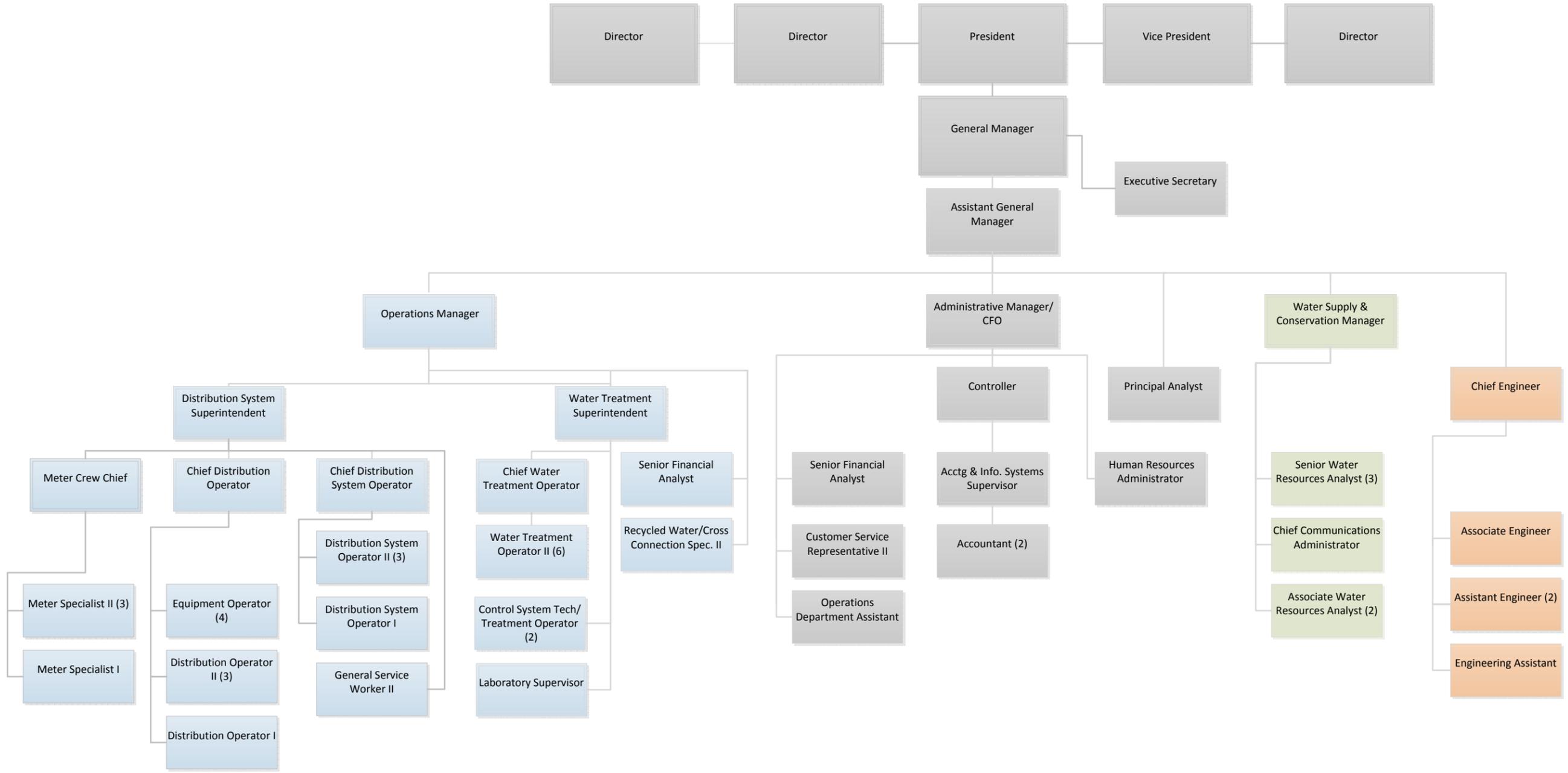
Sixty employees work to support District activities and responsibilities, including the operational, water supply, engineering, and administrative functions needed to deliver safe and reliable water supplies to the region. Total staffing in FY 2013-14 will remain constant as it has since 2009 (see Figure 4.11). Positions have been reallocated between departments to meet changing priorities of the District, maximize organizational efficiencies, and meet the resources needs of the community. These personnel shifts have positioned the District to better respond and mitigate exposure to externalities such as threats to water supplies, infrastructure failures, and increasingly and costly regulatory requirements.

Figure 4.11 Ten-Year Trend of District Staff Levels by Cost Center



**FIGURE 4.12**

Figure 4.12 Organizational Chart by Department and Position



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