

# GOLETA WATER DISTRICT

GOLETA, CALIFORNIA



## Fiscal Year 2023–24 FINAL BUDGET





## Mission

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

Cover photo: A view of a full Lake Cachuma. The lake, which is the District's primary source of water supply, spilled for the first time this year since 2011.

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# GOLETA WATER DISTRICT

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## List of Acronyms and Abbreviations

ACWA	Association of California Water Agencies
AF	Acre-Feet
AFY	Acre-Feet per Year
AWWA	American Water Works Association
CalPERS	California Public Employees' Retirement System
CDMWTP	Corona Del Mar Water Treatment Plant
CCRB	Cachuma Conservation Release Board
CCWA	Central Coast Water Authority
COMB	Cachuma Operation and Maintenance Board
COP	Certificates of Participation
CUWCC	California Urban Water Conservation Council
DWR	Department of Water Resources
EPA	Environmental Protection Agency
FY	Fiscal Year
GIS	Geographic Information System
GPM	Gallons per Minute
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
LAIF	Local Agency Investment Fund
NMFS	National Marine Fisheries Service
NWSC	New Water Supply Charge
O&M	Operations and Maintenance
OPEB	Other Post-Employment Benefits
PEPRA	Public Employees' Pension Reform Act
SCADA	Supervisory Control and Data Acquisition
SBCWA	Santa Barbara County Water Agency
SEIU	Service Employees International Union
SWP	State Water Project
USBR	United States Bureau of Reclamation
WS&C	Water Supply & Conservation Department
E&I	Engineering & Infrastructure Department

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## SECTION I – OVERVIEW

### ABOUT GOLETA WATER DISTRICT



Goleta Water District (District) provides safe and reliable water supplies to over 87,000 residents in the Goleta Valley. Established in 1944 through a vote of the people, the 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, with elections held every two years and terms staggered to ensure continuity. The District has transitioned from at-large elections, in which residents may vote for multiple candidates, to district elections, in which voters elect a single board member to represent their specific district or area. The Board is responsible for setting District policy on a variety of issues including financial planning, infrastructure investment and water rates. Day-to-day operations are run by the General Manager who oversees a staff responsible for executing ongoing operational and administrative functions. The District employees include certified treatment and distribution operators, water quality scientists, engineers, policy and financial analysts, and administrative staff.

The District delivers water to its customers through a complex treatment and distribution system that includes over 270 miles of pipeline, eight permitted groundwater wells, a state-of-the-art water treatment plant, nine reservoirs and a host of other critical water transmission and distribution facilities. The District benefits from a diverse water supply portfolio comprised of local supplies from Lake Cachuma, 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 multi-faceted water conservation program to extend available supplies in a sustainable manner. The ability to draw from a variety of water supply sources provides flexibility for dealing with supply challenges and financial volatility associated with drought conditions, natural disasters and changing state and federal regulatory requirements.

The local climate is generally characterized as Mediterranean coastal with mild, dry summers and cool winters. High temperatures average about 80 degrees while low temperatures rarely fall below 40 degrees. The area is semi-arid with average rainfall of approximately 18 inches per year, primarily occurring between November and March. Historically, rainfall fluctuates significantly ranging from just under 6 inches in 1990 to more than 40 inches in 1983. Rainfall during the recent historic drought ranged from as low as 7 to a high of 14 inches, and even a few dry years can significantly reduce reservoir levels at Lake Cachuma.

A full Lake Cachuma represents approximately three years of water supply for the Goleta Valley, which in combination with the District's diverse water supply portfolio and efficient water use by customers leaves the community well positioned regardless of what the next few years bring.

This winter's unusual storm activity has significantly altered the District's water supply outlook, with Lake Cachuma full for the first time since 2011. Locally, improved water supply conditions have eliminated the need to consider declaring a water shortage emergency in the Goleta Valley. Renewed surface water supply availability has also allowed the District to suspend groundwater production and shift to actively injecting treated surplus Cachuma spill water for several

months beginning February 28, 2023 and running through early June, with a brief interruption for USGS groundwater level measurements in early May. This active injection combined with the significant winter rainfall will support enhanced recharge of the groundwater basin and ensure this critical drought buffer continues to be available in the future.

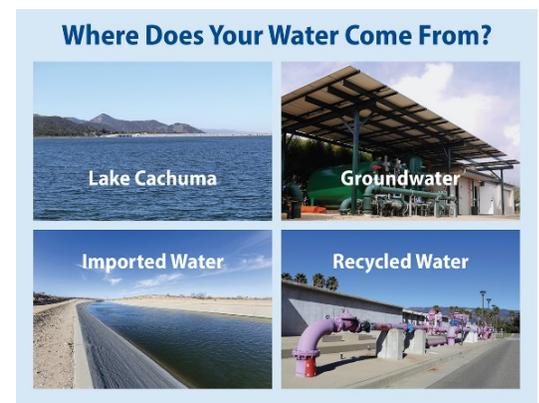
Ongoing issues related to the unusual weather, continued supply chain disruptions, and historically high levels of inflation continue to foster uncertainty in forecasting both revenue and expenses, particularly since these externalities affect one another in complex ways. Even as the pandemic has abated, global supply chain disruptions continue to affect the availability of supplies, ordering times, and price inflation. Shortages and pricing pressures associated with materials procurement have had compounding effects on delivery costs and labor, affecting the cost and construction timing for capital projects. Inflation in the construction industry has been well above the Consumer Price Index (CPI), leading to higher prices. Volatility in commodity and oil prices add additional pressure. These challenges are likely to continue into the next year, and will have future impacts on budget, capital planning and project schedules. Together, they highlight the need to be flexible and adaptable in responding to unforeseen change.

Offsetting some of this uncertainty is the improved water supply outlook that allows the District to rely primarily on surface water supplies from Lake Cachuma, traditionally the lowest cost supply source to both treat and deliver to customers. Even with this welcome change, maintaining the ability to rely on sustainable groundwater reserves for future dry periods and emergencies requires ongoing maintenance and investment in the infrastructure necessary to access and replenish it, as well as efforts to protect and safeguard the Goleta Groundwater Basin. The District will continue to operate and maintain the wells to ensure their reliability, even as it no longer depends on production to meet customer needs. Maintaining access to that diverse water supply portfolio means that overall the cost of providing water to the Goleta Valley will continue to be more expensive than was historically the case when Lake Cachuma served as the primary and most reliable supply source.

### Water Supply Portfolio

The District's diverse water supply portfolio is comprised of supplies from four distinct sources (local surface water, local groundwater, imported water, and recycled water) with availability averaging 16,472 acre-feet per year (AFY). All water supplies are secured through collaborative agreements with Federal, State, and local partners. Actual water availability varies from year to year based on weather, Lake Cachuma volume, exchange agreements, spill water and State Water Project water.

The Groundwater Management Plan, one of the District's foundational water resource management documents, was updated in 2023. The District plans to complete an update to its Water Supply Management Plan (last updated in 2017), this fiscal year. These documents guide the use of the water supply portfolio.



### Local Surface Water – Lake Cachuma



Under normal conditions, approximately 75% of the average annual planned demand can be met with supplies from Lake Cachuma. In non-drought years, the District is entitled to 9,322 AFY of Lake 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 Water Conservation District Improvement District Number 1 (ID #1). The availability of Lake Cachuma water varies from year to year as a result of weather, runoff, and drought conditions. The amount of Lake Cachuma water the community uses can vary annually because of exchange agreements, availability of other supplies, and customer demand. The 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 District, City of Santa Barbara, Montecito Water District and Carpinteria Valley Water District, 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 of the Cachuma Project.

The USBR holds the Water Rights Permits from the California State Water Resources Control Board (SWRCB) for water supply from the Cachuma Project on behalf of the Member Units. The Cachuma Conservation Release Board (CCRB), a Joint Powers Authority comprised of the 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, Santa Ynez River Conservation District, 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 Goleta Groundwater Basin is a critical component of the District's water supply portfolio, especially in times of drought and during emergencies when surface water supplies are reduced or inaccessible. The District currently pumps and treats groundwater supplies from the Goleta Groundwater Basin through six active groundwater wells. In response to drought conditions, the District invested significantly in increased groundwater production capabilities over the past decade. The terms of the 1989 Wright Judgment and the voter-approved 1991 SAFE Ordinance and subsequent 1994 amendments defined 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



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 in Lake Cachuma or State Water supplies resulting from maintenance needs, natural disasters, drought, or water quality conditions. In FY 2023-24, the District will exercise the wells for monthly maintenance, but does not plan to rely on groundwater production to meet customer demand.

Maintaining the infrastructure necessary to access the basin is an increasingly important and expensive capital priority. Notably, the District's wells are approaching 50 years of age, which is the expected useful life for a groundwater production well. Significant renewal of the well field is anticipated over the next decade.

Protecting the health and sustainability of the basin is an equally important priority. Groundwater basin recharge occurs naturally through rain and runoff that percolates into the soil, and water from rivers and streams that infiltrate below ground. It typically takes many years for the basin to return to normal levels naturally after drought periods. Recognizing the critical role of the Goleta Groundwater Basin, the SWRCB approved the District's permit to inject treated water from Lake Cachuma as part of its Aquifer Storage and Recovery program, and the District was able to inject 650 acre-feet (AF) over the period during which spill water was made available by USBR.

### *Imported Water – State Water Project*



Voters authorized the District to join the State Water Project (SWP) in 1991. The District purchased 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 local supplies, and exchange and sales agreements. The District stores any undelivered portion of its annual entitlement in San Luis Reservoir; this supply is

available as a drought buffer and emergency supply. For 2023 the District received an initial 5% allocation of its full State Water entitlement, which was subsequently increased to 30% in February, again to 75% in March, and finally to 100% in April in response to statewide water supply conditions. In 2023-24, the District plans to use a portion of its State Water to repay water debt incurred during the last drought and store the balance in San Luis Reservoir for use in future years when local supply availability is reduced.

A long-standing exchange agreement with ID #1 will continue in FY 2023-24, under which the District provides a portion 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 provides a sustainability benefit by reducing the pumping needed to deliver water to each community.

### *Recycled Water*

The District has delivered 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 District's largest recycled water customers. The District anticipates delivering 840 AF of recycled water in the coming year. Even though recycled water use was not restricted during the drought, recycled customers conserved at rates similar to urban customers using potable water, and the trend has continued with demand remaining lower than in past decades.



## Customer Demand

Demand is driven by weather, conservation, and economic conditions. Since a large portion of water use in the District is attributable to outdoor irrigation of crops, orchards, and ornamental landscape, weather-driven demand occurs most noticeably when conditions are extreme. In late 2022 water use plummeted due to record wet weather, and a series of multiple atmospheric rivers over the winter that left the ground heavily saturated into spring. Alternatively, dry conditions during the recent drought increased irrigation and caused dramatic spikes in water use. Conservation by customers and water use behavior changes and efficiency habits over time (commonly referred to as demand hardening) have exerted significant downward pressure on water use.

Approximately 17,000 customer connections fall into eight types of customers: Single Family Residential (SFR), Multi-Family Residential (MFR), Commercial, Institutional, Landscape Irrigation, Urban Agricultural, Goleta West Conduit, and Recycled. Residential customers make up approximately 89% of customer connections, with single-family homes comprising almost 78% of customer connections and multi-family dwellings accounting for the balance. The over 26,000 UCSB students, many of whom live in Isla Vista dormitories and apartments, represent a large portion of the area's multi-family residential customers. Residential water use represents approximately 50% of overall water demand. This proportionally low use is largely due to exceptional conservation over the past many years. Before the drought, residential per capita water use in the District averaged 62 gallons per person per day. With additional conservation activities, the residential per capita use declined further to an average of 56 gallons per person per day. This water-thrifty behavior is particularly evident around 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. Other factors contributing to year-over-year fluctuations in residential customer demand include economic trends, weather patterns, vacancy rates, drought declarations and heightened conservation programs.

Since nearly half of all water use in the Goleta Valley is outdoors, customer demand is largely driven by weather. Significant rainfall resulting from multiple consecutive atmospheric rivers in early 2023 caused a dramatic drop in water use across all customer classes as customers turned off irrigation.



The remaining 50% of demand is attributed to non-residential water use, with agricultural use accounting for 19%, and the remainder comprised of commercial, institutional and landscape irrigation use. These customers also form the diverse economic base of the service area. The District is home to a substantial agriculture industry specializing in crops such as avocados and lemons, UCSB, and a thriving industrial and high-tech commercial industry that includes regional health providers, aerospace, electronics, telecommunications, biomedical, and national security sectors.

Fluctuations in year-over-year water demand for agricultural, landscape irrigation and recycled customers is heavily influenced by weather patterns, while demand changes in the commercial and institutional categories largely follow economic and market trends. The District will continue to closely monitor how water use patterns are changing across all its customer classes, but water use data do not currently indicate significant changes that would adversely impact District operations.

The District has approximately 475 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 implementing successful conservation programs and is a recognized leader statewide. A partner to the California Water Efficiency Partnership (previously CUWCC) since 1994, the District is committed to the shared goal of integrating urban water conservation Best Management Practices into the planning and management of California’s water resources. Customer commitment to efficient water use is critical to extending available water supplies as well as the lifespan of distribution and treatment facilities.

The District’s Sustainability Plan (updated annually) provides the framework for efficient water resource management, along with the Water Conservation Plan, and the Drought Preparedness and Water Shortage Contingency Plan (most recently updated in 2021).

Changes made by households, such as replacing lawns with drought tolerant landscaping and installing efficient plumbing fixtures and irrigation systems, mean the water reductions seen during and after the last drought are likely to be permanent.

Conservation programs include:

- Conservation rates for eligible residential and commercial customers with low water use.
- Extensive customer conservation and efficiency tools including information on the District website, community and school education programs, virtual water conservation checkups, leak detection calls to customers through the Scorecard Program, and an interactive Community Demonstration Garden at the District Headquarters.
- Rebate programs for all customer categories to improve water use efficiency, including the Smart Landscape Rebate Program (SLRP), and free mulch deliveries.

### Customer Service

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

On March 10, 2023 the District reopened the Customer Service counter to in-person customers following a three-year closure as a result of the COVID-19 pandemic. The counter underwent a variety of upgrades including installation of an Americans with Disabilities act (ADA) accessible service counter with a transparent partition and advanced Heating, Ventilation and Air Conditioning (HVAC) system upgrades to improve indoor air quality and ventilation. Staff is available during business hours to provide assistance and support to District customers in person, as well as by phone, email, and messaging through the WaterSmart Portal. Customers can also access their accounts and make payments online at any time.



Crews are 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 and customers are encouraged to report issues.

The District has continued to promote the State-funded Low Income Household Water Assistance Program (LIHWAP) to assist customers experiencing financial hardship with paying their bills, and offers payment plans.

## 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. The budget serves as a planning roadmap for ensuring reasonable costs and predictable customer rates. Each year, the Board of Directors approves the District's Budget for the following fiscal year, which runs from July 1 through June 30. The Budget blends advanced revenue forecasting and effective expenditure management with the infrastructure investment needed to deliver safe, cost-effective and sustainable water supplies to the community.

The FY 2023-24 Budget also represents a short-term financial plan consistent with the goals outlined in the 2020-2025 Expenditure Forecast and 2020 Cost of Service Study. A vital component of the Expenditure Forecast 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. Together with the Board adopted 2020-2025 Infrastructure Improvement Plan (IIP), District Sustainability Plan, and other foundational documents, the District will continue to meet the water and resource needs of the community today and into the future.

### FY 2022-23 Budget and Accomplishments

Last year was the third year of the District's Five Year Expenditure Plan. FY 2022-23 saw estimated actual revenue of \$47.5M and expenditures of \$46.4M, with a reserve designation of \$1.1M. Even while navigating various supply chain disruptions, labor shortages, and inflationary construction costs, the District has completed a number of significant projects and initiatives over the last year that contribute to the overall sustainability of the agency. Key FY 2022-23 accomplishments in the area of water quality, infrastructure and operational efficiency upgrades include:

- Maintained six groundwater wells in immediate ready status, preserving past investment in critical infrastructure and ensuring continued access to the District's drought buffer. This allowed for the injection of 725 AF of treated surface water into District groundwater wells for the first time since 2011, following the spill of Lake Cachuma. Injection efforts were significantly more successful than anticipated, at a rate of up to 9 AF a day.
- As part of the District's efforts to become a net zero energy user, completed designs for net zero solar power generation at multiple District sites and for large scale battery storage at CDMWTP.



- Began relocation of 42-inch transmission main segment away from a landslide and eroded creek bank.
- Completed emergency pipeline repairs on the Goleta West Conduit following rain storm-related debris flow.
- Cleaned all reservoirs, including the recycled water reservoir at Goleta Sanitary District for the first time in its 30-year existence.
- Continued monitoring of Lake Cachuma using satellite imagery, the Cachuma Operations and Maintenance Board (COMB) lake monitoring program, and the District sampling program to proactively detect the presence of naturally occurring algal toxins in Lake Cachuma.
- Completed installation of new rectifier and deep anode bed at Garrett Van Horne Reservoir for cathodic protection improvements to protect against corrosion and extend the useful life of steel water pipelines.
- Completed paving in the Operations Yard to repair degraded asphalt with crack sealing, paving fabric at the entry driveway, and chip seal.
- Upgraded the District's Supervisory Control and Data Acquisition (SCADA) system and completed construction and installation of electrical radio communications equipment.

### FY 2023-24 Budget and Key Initiatives



The FY 2023-24 Budget is consistent with the Board of Directors' adopted foundational management documents. The Budget reflects an ongoing progression of the District's management and budgeting approach to control costs, minimize unplanned expenditures, limit risk exposure as well as expand investment in projects and programs that provide for the long-term water resources needs of the community.

The FY 2023-24 Budget anticipates \$57.2M in revenues, a 16% increase from the previous year. \$56.7M in operational and capital expenditures are planned with \$487K designated to reserves. Table 1.1 provides an overview of how the District will meet water supply, regulatory, and infrastructure needs, while meeting current challenges and uncertainties. The balance of this document provides detailed analysis of projected revenues and expenditures.

Table 1.1 FY 2023-24 Budget Summary

Category	Adopted Budget			Variance Analysis *	
	FY 2022-23	Estimated Actual FY 2022-23	FY 2023-24	\$ Higher / (Lower)	% Higher / (Lower)
<b>Revenue:</b>					
Monthly Service Charges	\$ 15,154,813	\$ 14,910,880	\$ 15,325,090	\$ 170,277	1%
Water Sales	32,824,226	31,201,241	36,537,142	3,712,916	11%
New Water Supply Charges	0	0	3,628,880	3,628,880	100%
Investment Revenue	20,023	371,203	629,441	609,418	3,044%
Conveyance Revenue	207,962	219,836	253,090	45,128	22%
Miscellaneous Fees & Charges	933,881	816,549	797,526	(136,355)	(15%)
<b>Total Revenue:</b>	<b>\$ 49,140,905</b>	<b>\$ 47,519,709</b>	<b>\$ 57,171,169</b>	<b>\$ 8,030,264</b>	<b>16%</b>
<b>Expenditures:</b>					
<b>Water Supply Agreements:</b>					
COMB (Lake Cachuma Deliveries)	\$ 3,481,850	\$ 3,338,324	\$ 2,942,831	\$ (539,019)	(15%)
CCRB (Water Rights)	565,709	389,632	552,360	(13,349)	(2%)
SB County (Cloud Seeding)	32,858	11,427	0	(32,858)	(100%)
CCWA (State Water Deliveries)	7,274,171	7,811,450	8,568,126	1,293,955	18%
GSD (Recycled Water Production)	790,054	691,611	790,054	0	0%
<b>Subtotal:</b>	<b>\$ 12,144,642</b>	<b>\$ 12,242,443</b>	<b>\$ 12,853,371</b>	<b>\$ 708,729</b>	<b>6%</b>
<b>Personnel:</b>					
Wages, Benefits and Taxes	\$ 11,891,929	\$ 11,865,786	\$ 12,165,349	273,420	2%
Other Post Employment Benefits	567,695	538,867	576,155	8,460	1%
<b>Subtotal:</b>	<b>\$ 12,459,624</b>	<b>\$ 12,404,653</b>	<b>\$ 12,741,504</b>	<b>\$ 281,880</b>	<b>2%</b>
<b>Operations &amp; Maintenance:</b>					
Water Treatment Costs	\$ 1,452,000	\$ 1,309,957	\$ 1,451,410	\$ (590)	(0%)
Water Treatment Testing	339,200	234,451	383,290	44,090	13%
Insurance, Accounting & Auditing	301,394	401,999	488,400	187,006	62%
Maintenance & Equipment	1,225,660	1,302,125	1,299,030	73,370	6%
Legal	410,000	205,113	390,000	(20,000)	(5%)
Services & Supplies	4,480,635	3,450,803	4,819,806	339,171	8%
Utilities	1,188,150	1,021,923	940,740	(247,410)	(21%)
<b>Subtotal:</b>	<b>\$ 9,397,039</b>	<b>\$ 7,926,370</b>	<b>\$ 9,772,676</b>	<b>\$ 375,637</b>	<b>4%</b>
<b>Total Expenditures before Debt and CIP:</b>	<b>\$ 34,001,305</b>	<b>\$ 32,573,466</b>	<b>\$ 35,367,551</b>	<b>\$ 1,366,246</b>	<b>4%</b>
Debt service	5,065,863	5,065,863	5,071,113	5,250	0%
Capital Improvement Projects (CIP)	8,745,000	8,745,000	16,245,000	7,500,000	86%
<b>Total Expenditures:</b>	<b>\$ 47,812,168</b>	<b>\$ 46,384,328</b>	<b>\$ 56,683,664</b>	<b>\$ 8,871,496</b>	<b>19%</b>
<b>Designation to Reserves:</b>	<b>\$ 1,328,736</b>	<b>\$ 1,135,380</b>	<b>\$ 487,505</b>	<b>\$ (841,231)</b>	

\* Compares FY 2023-24 Adopted Budget to FY 2022-23 Adopted Budget

## FY 2023-24 Budget Key Initiatives



The FY 2023-24 Budget includes a portfolio of ongoing and new initiatives that, in combination, will meet District regulatory and critical needs while providing reliable water supplies. Together, these initiatives work to control factors within the District’s discretion, while also planning and preparing for externalities beyond its control.

Key initiatives fall into three umbrella categories:

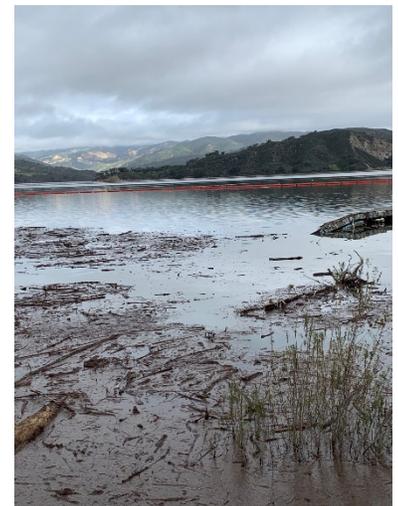
- Water Supply Reliability and Sustainability
- Resource Management and Stewardship
- Infrastructure Improvements and Planning

### *Water Supply Reliability and Sustainability*

In addition to actively managing water supplies consistent with its foundational water management documents, 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 resulting from drought or regulatory requirements requires collaborative regional approaches and partnerships as well as effective internal District planning.

### *Changing Water Quality and Supply Conditions*

This Budget provides for required water quality monitoring. This winter’s heavy rains filled the lake to 100% capacity for the first time in over a decade and substantially improved water quality. While it remains to be seen if the breakdown of submerged vegetation will affect water quality over the coming year, history has shown that the lake is sensitive to changing temperature, organic matter, and reservoir levels. Accordingly, public outreach activities will continue to educate customers on both the status of the District’s water supply, and challenges inherent to treating and delivering it. Key initiatives ensure the District can provide adequate water to the Goleta Valley for drinking, health and public safety into the future.



### *Cachuma Project Supply and Water Rights*

The District continues to work with CCRB and USBR on issues related to the issuance of a Cachuma Project Water Rights Order (CPWRO) and the National Marine Fisheries Service (NMFS) Biological Opinion Re-consultation. A final draft of Cachuma Water Rights Order was issued by the State Water Resources Control Board (SWRCB) on September 17, 2019. USBR petitioned the State Water Resources Control Board to reconsider the order on October 16, 2019. To date, there has been no formal response to the petition for reconsideration. Meanwhile, CCRB works with USBR to assist in providing information to inform USBR plans that must be submitted to the State under the latest released order. The District and its partners have performed extensive biologic and hydrologic modeling to inform the development of the Biological Opinion and continue to engage an advocacy strategy to protect Cachuma water supplies. Reconsultation on the current Biological Opinion has continued between USBR and the National Marine Fisheries Service (NMFS). Concurrently, the District is working with COMB to implement the existing Biological Opinion and Fish Management

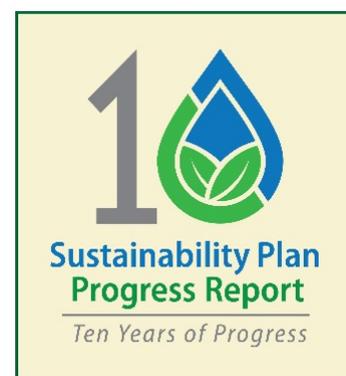
Plan for the continued protection of public trust resources and vital water supplies. The Cachuma Master Contract was extended by three years through September 30, 2023, and the Member Units continue to actively negotiate with USBR for a long-term contract extension that protects the District's short and long term water supply, with an initial draft new contract extension anticipated this year. In the summer of 2022, CCWA secured an extended Warren Act contract to import and store State Water in Lake Cachuma until September 2024. The District is collaborating with CCWA to obtain another extension, which will align with the expected Cachuma Master Contract. The District continues to work with the Cachuma Member Units, County of Santa Barbara and USBR to ensure that all Federal decisions, including annual water allocations, are informed and consistent with existing agreements.

### *Resource Management and Stewardship*

Successfully providing for the water and resource 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 to provide the highest possible value to the community at the lowest cost.

### *Sustainability Plan Implementation*

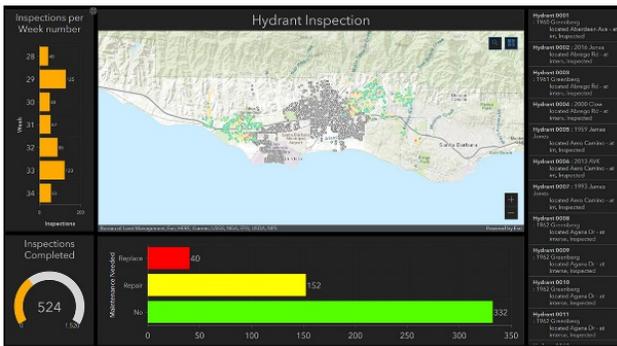
Last year's Sustainability Plan Progress Report (covering FY 2021-22) marked the tenth anniversary of the Board's adoption of the Sustainability Plan. The report documents various District achievements over the last decade that produced sustainable outcomes, as well as new initiatives planned for the year ahead. Highlighted projects include: installation of solar-battery backup power systems for reservoir SCADA systems; water treatment improvements to both the CDMWTP and District wells; and the lease of four electric cars to replace aging fleet vehicles. Several projects planned for the FY 2023-24 Budget are directly tied to the Sustainability Plan guiding principles, and will provide improvements needed to meet new regulatory requirements, while offering economic benefits in the form of reduced energy costs, minimizing impacts to natural resources, and supporting a healthy community.



### *Coordinated Energy Management*

Increased energy use as a result of the District's reliance on diverse water supply portfolio, and power costs associated with pumping and delivering groundwater, create an opportunity to re-evaluate how the District is using power and how that cost can be offset. As the District makes progress 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 automated 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 help project decision-making and operations fully capture the benefits identified in the Sustainability Plan regarding District energy use.

Technology Infrastructure Improvement



Ongoing investment in maintaining and improving District technology is just as important to efficient service delivery as investing in water supply infrastructure. From finance, asset management, network security and data warehousing platforms to GIS and SCADA programs, the District will continue to establish a robust technology backbone to ensure ongoing delivery of safe, reliable and cost-effective water supplies.

Investment in technology provides for the real-time system management needed to react to unanticipated supply and demand changes, especially when the District is relying on a complex system of infrastructure to deliver its diverse water supply. The ability to monitor and control the system from a centralized location, and coordinate treatment and distribution across a system of assets that includes eight permitted groundwater production wells, the CDMWTP, and the recycled water system, is critical. Sustaining continuous water system operations is highly dependent upon the ability to carefully and strategically coordinate sequencing of the numerous motors, pumps, valves and appurtenances that enable water delivery throughout the community as well as ensure increased energy efficiency, reduced maintenance costs, minimization of unanticipated interruptions and abnormal wear, and prevention of serious health and safety issues.

Infrastructure Improvements and Planning

The District distribution system includes approximately 270 miles of pipelines, 6,000 valves, 1,500 fire hydrants, 17,000 meters and more than 30,000 appurtenances. The ages and materials of District facilities vary greatly and, in turn, so does the current condition and failure risk associated with these facilities. Aging infrastructure presents increased maintenance and replacement costs. The FY 2023-24 Budget continues to prioritize projects that maintain system reliability for treatment and distribution.

Highlights of the Infrastructure Improvement Projects planned for FY 2023-24 include:

- Drilling and treatment design for a new well at District headquarters. The new well is expected to produce up to 1,000 gallons per minute, offsetting declining production in an aging well field and providing an additional 1,420 AFY of capacity. Injection capacity associated with the new well is expected to become available in 2024, though the groundwater production and treatment phases will not be fully completed until FY 2025-26.

Asset management remains a top priority for the District in FY 2023-24. To ensure data collected can be used to better inform decision making, the District is building in-house expertise and dedicated resourcing. Over the next year, a dedicated GIS/Asset Management specialist will continue creating digital tools to enhance data analysis and support the District’s ability to monitor and maintain an aging distribution system. Keeping pace with technological advancements will support asset management implementation and planning, while ensuring reliable delivery of quality water to the community.

- Construction of a third solids drying bed at CDMWTP to improve treatment operations, increase the efficiency of the solids handling process, and allow greater operational flexibility.
- Construction of University and Anita Well treatment upgrades to provide a more cost effective treatment approach and restoration of the District's well field capacity to meet minimum community health and safety demand.
- Continued investment in the multi-year Obsolete SCADA System Replacement project, including design and installation of new programmable logic controllers (PLCs) and human machine interfaces (HMI) at remote District facilities.

## A LOOK TO THE FUTURE

The FY 2023-24 Budget recommends expenditures based on prioritized District needs, goals and objectives, and anticipated external costs. By building on comprehensive analyses of factors such as the economy, weather, customer use trends, and infrastructure needs, the Budget provides a roadmap for preparing and addressing the ongoing needs of the community in the coming fiscal year.

Even the most effective forecasting cannot anticipate the effect of uncontrollable circumstances on revenues and expenditures and the ability to provide safe, cost-effective, sustainable water supplies to the community. As the unprecedented challenges of the past few years have illustrated, there are a number of externalities that could affect the District by increasing expenditures but whose timing cannot be anticipated with certainty. By managing expenditures within the District's control, mitigating risk from external sources, and planning for the impacts of uncontrollable costs, the FY 2023-24 Budget maximizes the ability to respond to external circumstances while minimizing impacts to customers.

Examples of current issues facing the District include:

- Continued uncertainty associated with inflation and supply chain interruptions. The increased cost for chemicals, materials construction, and labor far exceed CPI, making forecasting difficult. They also serve as a reminder of the potential disruptive effects of geopolitical events capable of interrupting supply chains, shipping, and pricing.
- Even with vaccines and the shift to an endemic COVID-19, the potential for additional variants to create potential disruption to the workforce remains a concern as the ability of licensed employees to report for duty and operate the District's water systems safely and effectively is critical.
- Conditions in the Goleta Groundwater Basin are dynamic and changing. While the basin has experienced some recharge, the basin also faces potential threats to water quality similar to many urbanized basins throughout California. Pollutants, seawater intrusion, agricultural and urban runoff, salts and nutrients, and over-pumping are examples that can have detrimental effects on the quality and quantity of water available from an underground basin. The potential for impacts associated with climate change can only further exacerbate these issues. The provisions of the 1989 Wright Judgment and 1991 SAFE Ordinance, together with the District Groundwater Management Plan, provide a framework for maintaining



reliable groundwater supplies from the Goleta Basin. The increased reliance on groundwater has made the stewardship and management of the groundwater basin a priority. The District has responded by investing in its groundwater model and monitoring program to better inform daily well operations and basin-related capital planning, consistent with recommendations in the District's Groundwater Management Plan.

- The final Cachuma Project State Water Rights Order, issued on September 17, 2019, and anticipated action on the Federal Biological Opinion Reconsultation during FY 2023-24 may significantly affect availability of Cachuma Project water supplies for the Cachuma Member Agencies. The District will continue its ongoing partnership with Cachuma 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 and reliability. Additionally, the loss of supplies because of 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 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. Collectively, the Cachuma Member Agencies are financially responsible for the costs associated with Cachuma infrastructure and any investment needed in response to unexpected infrastructure failure.
- Having provided water service to the community for over 75 years, the risk that aging infrastructure will fail increases. 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 2023-24 Budget includes the minimum funding necessary to allow the District to respond to system failures and minimize the effects of such events. It does not include funding for proactive replacement.
- 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 electrical safety standards, among many others. These requirements change as state and federal legislators and regulators enact new requirements, and become more difficult to meet in the face of changing environmental and climate conditions. In order to ensure ongoing compliance and minimize the impact of costly regulatory changes, the District works with its state and federal partners to monitor regulatory and legislative action and adjusts operations, projects and programs accordingly.



By identifying, understanding and planning for these external risks, the District can limit its exposure, exert authority to influence outcomes, and effectively prepare for the ongoing water resource needs of the region while managing future costs and providing reliable service.

## SECTION II – REVENUE and TRANSFERS

### INTRODUCTION



The District provides water service to approximately 17,000 customer accounts in several customer categories: Single Family Residential, Urban (Multi-Family Residential, Commercial, Institutional, and Landscape Irrigation), Agricultural, and Recycled. Other connections include Fire Service Lines, which are not used for normal delivery of potable water and are excluded from revenue projections.

The District receives 91% of its revenue from Water Sales (64%) and Monthly Service Charges (27%). Water Sales, or consumption-based charges, are based on the actual water delivered to each customer, measured in increments of one hundred cubic feet (HCF) or 748 gallons. Monthly Service Charges, or fixed meter charges, represent a percentage of each customer's portion of the fixed costs associated with operating and maintaining the water distribution system. These charges are assessed monthly and are based on the size of the water meter, which can range from 5/8 inch to ten inches. For customers with 5/8 inch or 3/4 inch meters, these charges also depend on monthly water consumption.

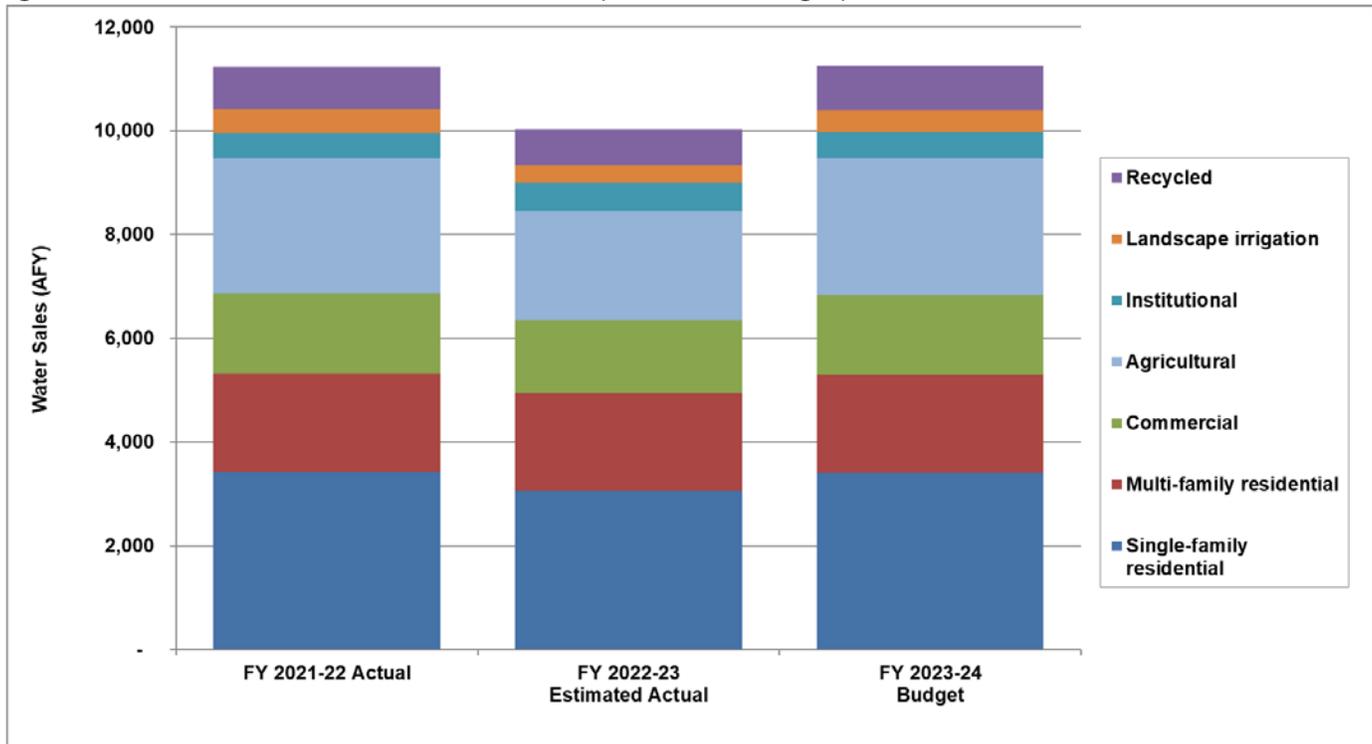
The District receives no property tax revenue and collects the majority of its operating revenue through user charges, such as water sales and monthly service charges.

Revenue from Water Sales and Monthly Service Charges are a function of total water sales volume, the number of active service connections at each meter size, and water rates. The rates for each customer category are based on the cost of providing service to that customer category and how much water each customer category uses. The District offers tiered rates to Single Family Residential customers to incentivize conservation (discussed further in the Water Supply & Conservation Section in the Appendix), therefore, conservation by Single Family Residential customers determines the rate they will be charged. Rates for Agricultural, Recycled, and Landscape Irrigation customers all vary based on the unique characteristics of serving the respective customer category.

Water use behaviors among customer classes can vary significantly, but generally, prevailing weather is the primary factor affecting water usage throughout the District. Figure 2.1 illustrates the proportion of total water use by each customer category over a three-year period.



Figure 2.1 District Three-Year Water Sales (in AF) by Customer Category



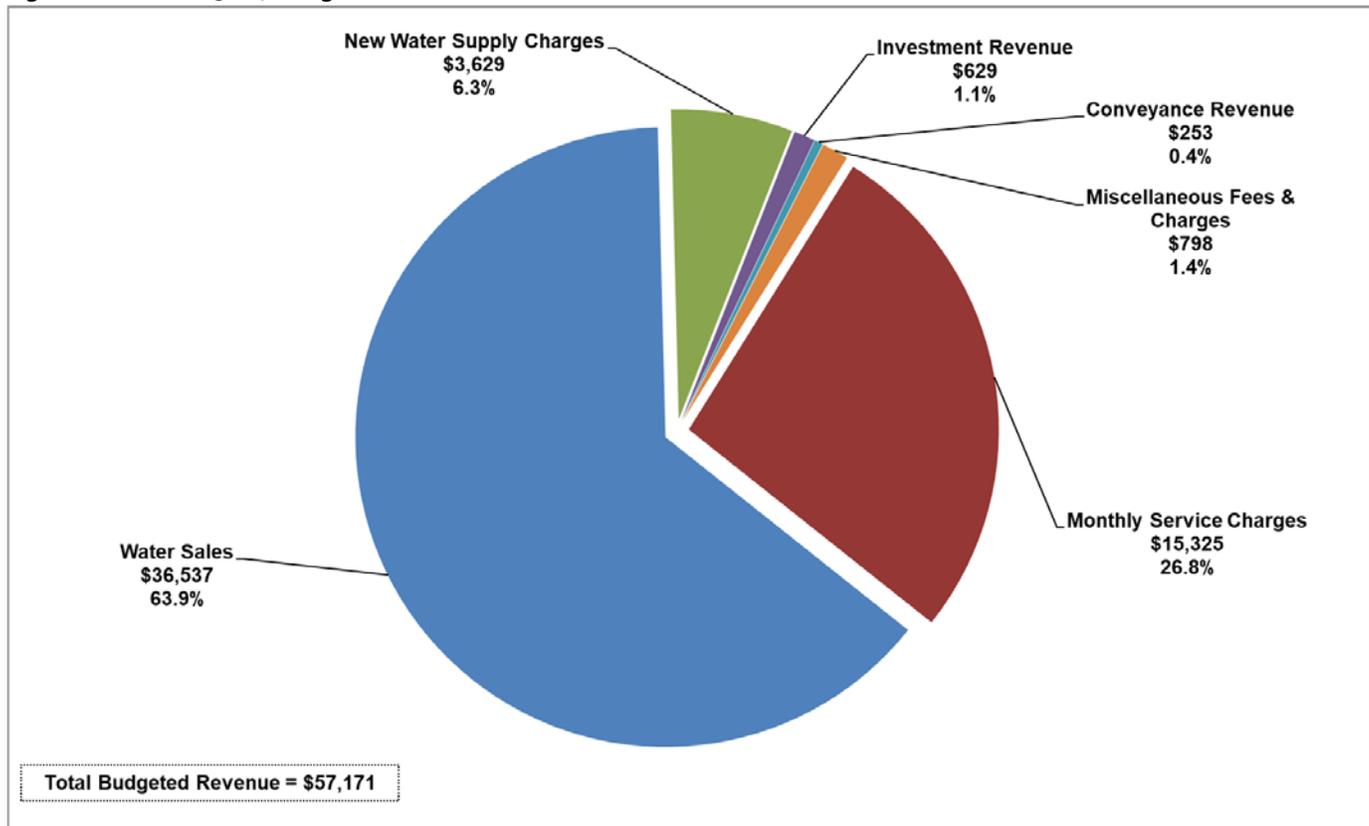
The amount of revenue the District receives from Water Sales varies from year to year and for each customer category. While District demand analyses are ongoing and periodically updated with the latest data, this year-to-year variation demonstrates the inherent degree of uncertainty in making projections. Table 2.1 summarizes the year-over-year variance in budgeted revenue. Figure 2.2 shows the relative proportion of each source of revenue to the total annual Budget.

Table 2.1 FY 2023-24 Budgeted Revenue versus FY 2022-23 Budget

Category	Adopted Budget	Estimated Actual	Adopted Budget	Variance Analysis *	
	FY 2022-23	FY 2022-23	FY 2023-24	\$ Higher / (Lower)	% Higher / (Lower)
<b>Revenue:</b>					
Monthly Service Charges	\$ 15,154,813	\$ 14,910,880	\$ 15,325,090	\$ 170,277	1%
Water Sales	32,824,226	31,201,241	36,537,142	3,712,916	11%
New Water Supply Charges	0	0	3,628,880	3,628,880	100%
Investment Revenue	20,023	371,203	629,441	609,418	3,044%
Conveyance Revenue	207,962	219,836	253,090	45,128	22%
Miscellaneous Fees & Charges	933,881	816,549	797,526	(136,355)	(15%)
<b>Total Revenue</b>	<b>\$ 49,140,905</b>	<b>\$ 47,519,709</b>	<b>\$ 57,171,169</b>	<b>\$ 8,030,264</b>	<b>16%</b>

\* Compares FY 2023-24 Adopted Budget to FY 2022-23 Adopted Budget

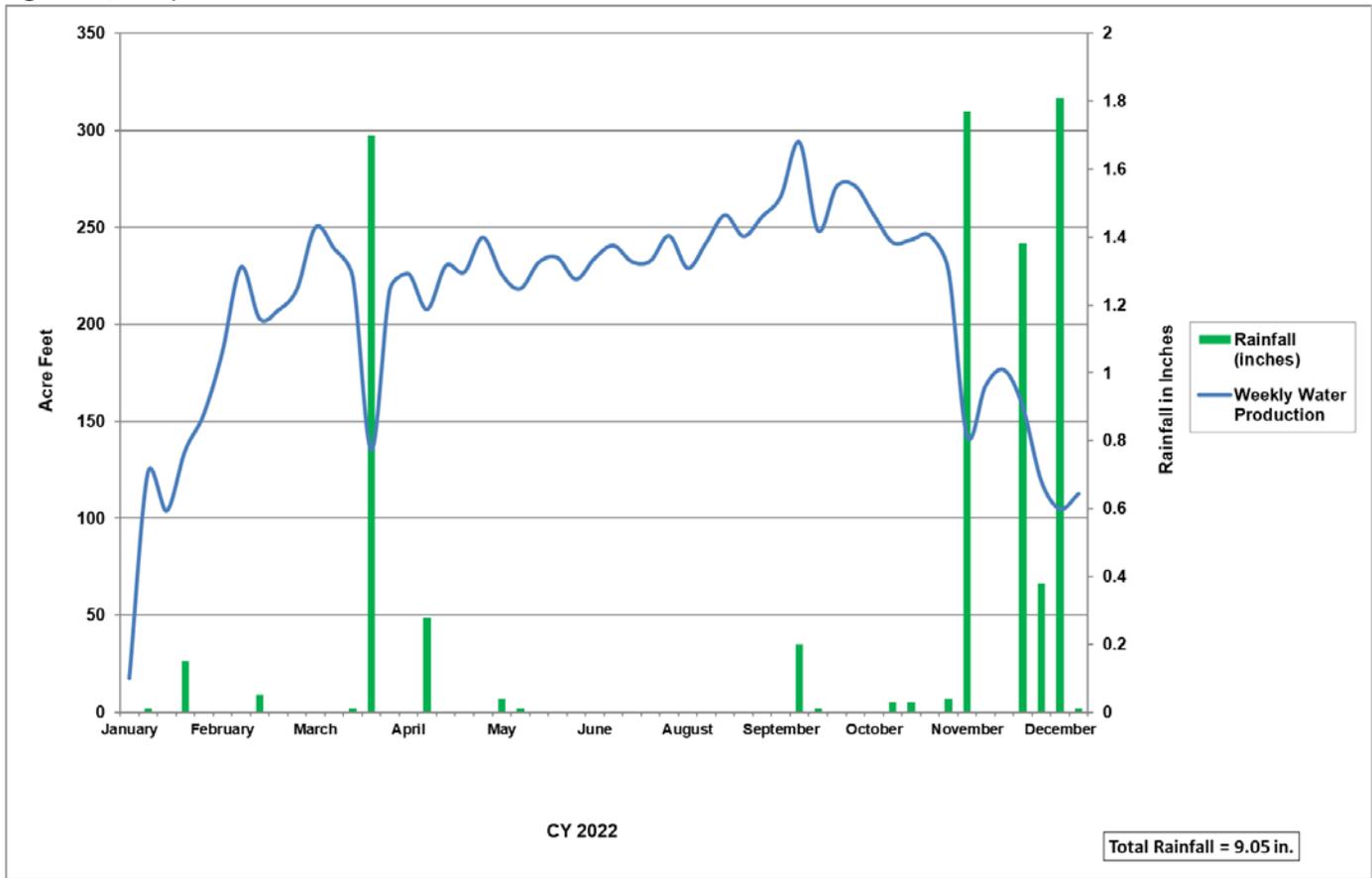
Figure 2.2 FY 2023-24 Budgeted Revenue Allocations (\$000s)



District revenue forecasts are developed using recent data about how several key factors will likely influence customer demand in the upcoming year. The primary influencing factors include: 1) weather; 2) observed customer behavior; 3) rate adjustments; and 4) new service connections. The combined effect of these four factors determines the year-over-year change in water use shown in Figure 2.1, as well as the proportion of total water used by each customer category.

Weather is traditionally the biggest factor driving water use, as it has a significant effect on outdoor irrigation. District data shows that periods of low water use strongly correlate with wet months, and increased usage with dry hot periods. To increase the accuracy of revenue projections and account for the influence of the weather on water use, the District created a model analyzing historical water production and customer usage data spanning a 25-year period. The analysis calculated the relative percentages of indoor and outdoor water uses among three customer classes: Single-Family Residential, Multi-Family Residential, and Commercial. The results indicate that, on average, approximately 48% of total potable water in the District is for indoor use, and 52% is attributable to outdoor use. This finding is evident in Figure 2.3 which overlays District water production with rain events. As the figure shows, water production (blue line) declines noticeably after each rain event (green line), particularly in the cooler months.

Figure 2.3 Daily Water Production and Rainfall in 2022



Understanding the behavioral water use characteristics of each customer category is also critical to accurately projecting monthly revenue. Behavior varies across categories and seasons; however, less variability has been observed system-wide over the last six years because of significant and sustained reductions in outdoor irrigation and heightened water conservation by customers that has continued even after the end of the drought. Illustrating the relationship between weather conditions and customer water use, the recent drought significantly altered water use patterns across all customer categories. At the start of the drought in 2012, ongoing warm and dry conditions drove customer demand higher, particularly among Single-Family Residential and Agricultural customers using water to irrigate crops and landscaping. However, in response to escalating drought conditions and the declaration of a Stage II and Stage III Water Shortage Emergency by the District in 2014 and 2015, system-wide demand dropped by nearly 30% compared to 2013, as did corresponding District revenue. Even after the water shortage emergency ended in 2019, customer usage remains 20% below the historical average.

Use reduction is largely due to changes in irrigation habits, and the fact that many customers have taken measures to permanently reduce water use such as installing water-efficient fixtures and appliances, replacing turf with drought-tolerant landscaping, or incorporating greywater systems on their properties. This kind of baseline conservation leads to demand hardening by permanently reducing water use. Given this overall trend of conservation and sustained decrease in water use across all customer classes, the revenue forecast remains conservative.

Even with a 9% rate increase on July 1, 2023, demand is not expected to be adversely affected since water use remains relatively low as a result of persistent demand hardening and conservation by the District's customers. With the scheduled rate change, the Monthly Service Revenue for FY 2023-24 is projected to be \$15.3M, a 1% increase from FY 2022-23 resulting primarily from the 9% rate increase. This is augmented by an anticipated \$36.5M, or 11% increase in Water Sales revenue for FY 2023-24. The small projected increase is based on analysis of 2021 and 2022 demand (due to the anomalous weather in 2023), adjusted for the more recent customer class and seasonal use trends observed in 2023. There is an assumption of closer to "average" weather and customer responses evident over the last 10 years, but with adjustments down to account for the permanent demand hardening observed particularly in 2021 and 2022. Higher water use is expected in the agricultural customer group (which pays a lower per HCF rate) with a slight increase in consumption projected for urban customers. Additional discussion for both the Monthly Service Charge and Water Sales revenues is detailed in the respective sections below.



New service connections projected to be completed in the coming fiscal year also affect revenue forecasts. While the District has implemented a temporary prohibition on new water allocations since October 1, 2014 under the voter-approved SAFE Water Supplies Ordinance, it is likely that the improved water supply outlook means conditions necessary to lift the moratorium will be met sometime in late 2023. Under this scenario, projected revenue from New Water Supply Charge (NWSC) in FY 2023-24 would increase from zero to \$3.6M based on an analysis indicating an additional 80 AF of demand. All NWSC-generated revenue is deposited into a dedicated capital facilities account and is only used to recover a portion of the District's costs related to water supplies and facilities, pursuant to the District Code.

Projected changes in revenue from Investments, Conveyance and Miscellaneous Fees and Charges are not expected to materially impact District finances in FY 2023-24.

Budgeted Revenue in FY 2023-24 is \$57.2M, an increase of \$8.0M (16%) from the FY 2022-23 adopted Budget.

## MONTHLY SERVICE CHARGE REVENUE

All active water service connections pay a Monthly Service Charge based on the size of the connection that funds the customer's portion of the fixed costs of operating and maintaining the water distribution system. With the current rate structure and customer demand projections in FY 2023-24, approximately 27% of total District revenue will come from the Monthly Service Charge. Approximately 79% of District connections are 3/4 inch or 5/8 inch meters, which carry the lowest volume of water and are charged the lowest monthly rates. Other meter sizes range from one to ten inches according to the customer's actual water needs. For example, large agricultural and commercial customers consume significantly more water than Single Family residences, and as such, require larger meters.

The District Monthly Service Charge funds a customer's portion of the fixed operations and maintenance costs of the water distribution system.

Tiered Monthly Service Charges based on total monthly consumption apply to all District customers with 5/8 inch or 3/4 inch meters, providing a price incentive for conservation. Customers who use up to 6 HCF in a month pay the Tier 1 meter charge; customers who use between 7 and 12 HCF in a month pay the Tier 2 meter charge, and customers who use over 12 HCF in a month pay the Tier 3 meter charge. The charge can vary month-to-month for each customer based on consumption, and experiences significant seasonal variability since weather conditions influence outdoor irrigation. The conservation tiers can affect both

the monthly service charge as well as water consumption related charges. For example, 14,194 customers with 5/8" or 3/4" meters can qualify for lower monthly service charges by reducing water use. For FY 2023-24 it is anticipated that 53% of meter charges for these customers will qualify for Tier 1, 30% will qualify for Tier 2, and 17% will qualify for Tier 3 – with residential customers more likely to qualify for conservation pricing than commercial customers. Table 2.2 shows how many customers with small meters qualify for each tier, on average. Customers with one inch or larger meters are not eligible for tiered pricing for their Monthly Service Charge.

Table 2.2 Monthly Service Connections by Tier for Small (5/8 inch and 3/4 inch) Meters

Customer Category	TIER			Total
	Tier 1	Tier 2	Tier 3	
Single Family Residential	6,420	3,758	1,940	12,118
Multi-Family Residential	627	265	265	1,157
Commercial	474	161	151	786
Landscape Irrigation	83	10	31	124
Recycled Water	4	1	4	9
<b>Total Connections:</b>	<b>7,608</b>	<b>4,195</b>	<b>2,391</b>	<b>14,194</b>

Table 2.3 shows the number of connections by size within each customer category that are expected to be active by July 1, 2023, excluding vacant accounts and new service connections expected to come online during the year.

Table 2.3 Types and Number of District Customer Connections

Customer Category	Meter Size								
	5/8-3/4"	1"	1 1/2"	2"	3"	4"	6"	8"	10"
Single-family residential	12,118	1,145	49	45	-	-	-	-	-
Multi-family residential	1,157	332	215	137	7	14	12	2	-
Commercial	407	202	119	199	18	9	9	2	2
Agriculture	2	19	20	114	5	4	1	-	-
Institutional	-	-	-	2	-	-	1	1	1
Landscape irrigation	124	75	56	44	3	3	-	-	-
Recycled	9	3	5	8	5	4	10	2	-
Fire	377	42	45	14	-	-	-	-	-
<b>Total Connections:</b>	<b>14,194</b>	<b>1,818</b>	<b>509</b>	<b>563</b>	<b>38</b>	<b>34</b>	<b>33</b>	<b>7</b>	<b>3</b>

Table 2.4 shows Monthly Service Charge revenue by customer category and the key influencing factors previously discussed. The Behavioral & Tiering Changes category includes revenue adjustments stemming from changes in meter

size, and the impact of customers with small meters qualifying for lower or higher tiers because of estimated monthly consumption.

Table 2.4 FY 2023-24 Budgeted Monthly Service Charge and Influencing Factors

Customer Category	Influencing Factor						FY 2023-24 Budgeted Monthly Service Charge
	FY 2022-23 Budget Baseline Revenue	New Development	Rate Change	Behavioral / Tiering Changes	Net Incr. / (Decr.)		
Single-family residential	\$ 7,833,028	\$ -	\$ 704,972	\$ (696,620)	\$ 8,353	\$7,841,380	
Multi-family residential	2,782,094	-	250,388	(181,745)	68,644	\$2,850,738	
Commercial	2,423,120	-	218,081	(176,715)	41,366	\$2,464,486	
Agriculture-Urban	519,338	-	46,740	(48,802)	(2,062)	\$517,276	
Agriculture-Goleta West Conduit	149,726	-	13,475	(12,336)	1,139	\$150,865	
Institutional	190,425	-	17,138	(10,333)	6,805	\$197,231	
Landscape irrigation	540,631	-	48,657	(38,119)	10,538	\$551,170	
Recycled	614,538	-	55,308	(35,217)	20,091	\$634,629	
Fire	54,721	-	4,925	(3,465)	1,460	\$56,181	
Temporary Meters	47,193	-	4,247	9,695	13,942	\$61,135	
<b>Total:</b>	<b>\$ 15,154,813</b>	<b>\$ -</b>	<b>\$ 1,363,933</b>	<b>\$ (1,193,656)</b>	<b>\$ 170,277</b>	<b>\$ 15,325,090</b>	

Total Monthly Service Charge revenue is forecast to increase by \$170K or 1% including a 9% rate increase.

## WATER SALES

The largest source of District revenue is Water Sales (64%), billed according to the actual volume of water consumed by the customer. The District has distinct water rates for each customer category, which account for the unique factors and costs involved in providing their water service. The volume of water used across customer categories can vary significantly given the widely divergent dynamics associated with each type of customer. For example, historic water production data provides evidence that some District customers are highly responsive to weather conditions, as discussed above (see Figure 2.3). Large swings in usage are particularly common among customers with significant outdoor agricultural or landscape irrigation, and can influence District water sales considerably. This variability in customer water demand throughout the year produces similar cash flow patterns, the timing of which must be incorporated into expenditure plans. Conservation, weather patterns, seasonal variability, rate tiers, and the amount of indoor use versus outdoor use for landscaping or agriculture must all be considered in forecasting water sales for the coming year.



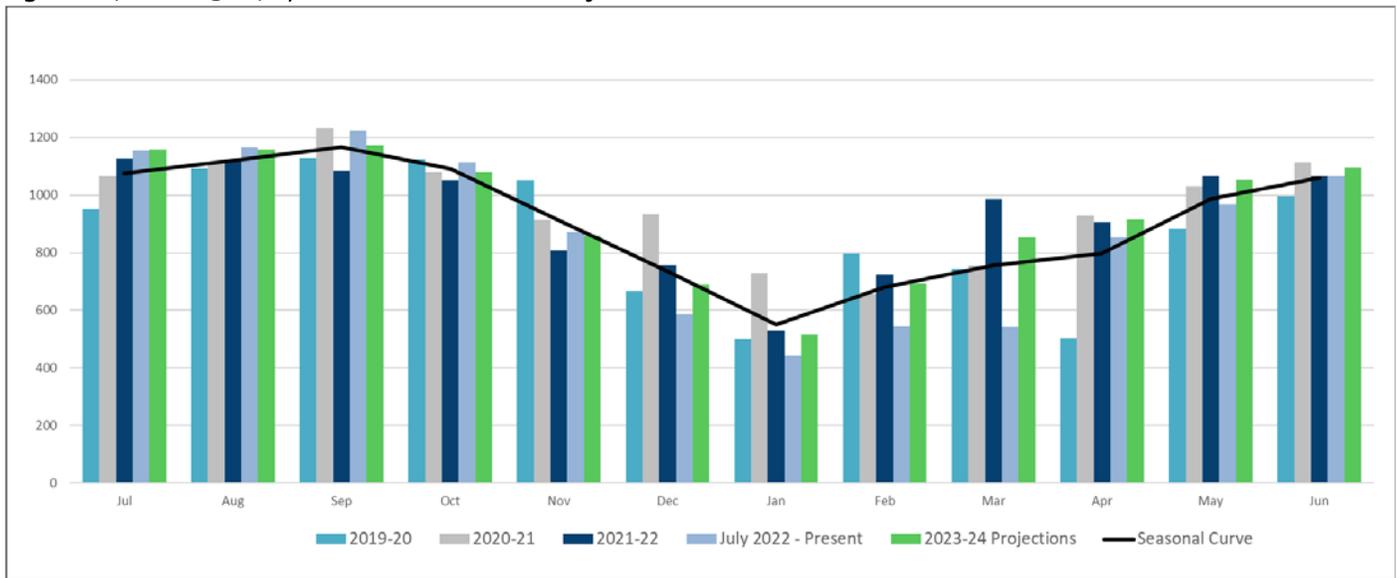
As a result of a historically wet winter, state reservoirs and the Sierra snowpack they depend on are both now above average levels, and the Department of Water Resources has announced a 100% allocation of State Water for the first time in 17 years. Locally, the Goleta Valley received approximately 198% of normal rainfall this year, and Lake Cachuma received significant inflow from consecutive winter storms driven by several atmospheric rivers. With the lake full for the first time since 2011, the improved water supply outlook has eliminated the need to consider declaring a local Water Shortage Emergency.

Water Sales volume projections for FY 2023-24 were developed using a customer demand analysis of the most recent five years, with a focus on the last two years to reflect recent trends in consumption for each customer category.

Analysis showed that annual demand has remained relatively steady since the last drought, and particularly over the last two years as customer water use behaviors normalized following the height of the pandemic in 2020. Accordingly, a two-year average benchmark was included for comparison purposes, then seasonal variability was layered over usage trends to account for any observed demand anomalies, including the below average consumption in months with record rainfall. This allows the District to forecast otherwise unpredictable demand as accurately as possible.

Figure 2.4 shows seasonal system-wide potable and GWC water usage variations for recent years and the projected 2032-24 budget year. A short discussion about the water use characteristics of each customer category and how they inform water sales projections follows.

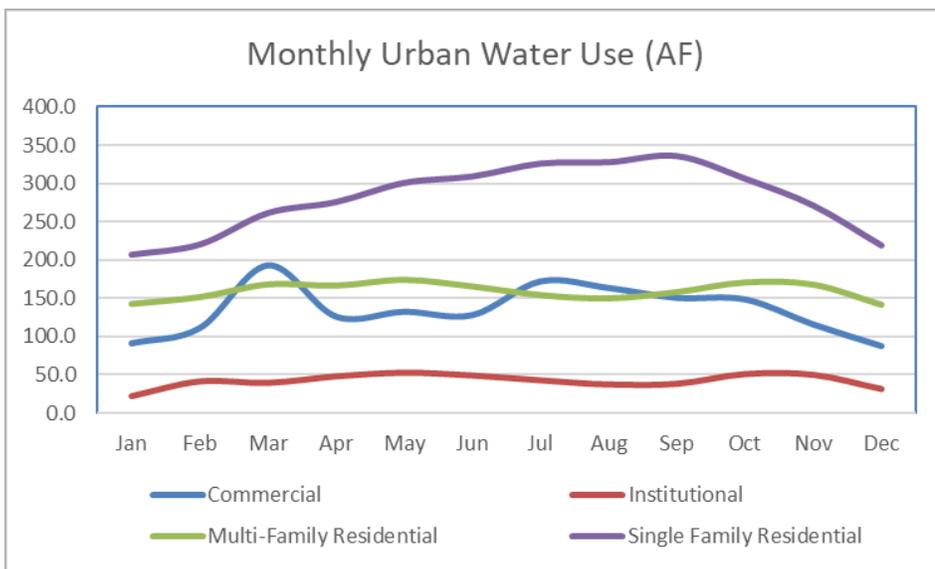
Figure 2.4 FY 2023-24 System-Wide Demand Projections



*Urban Water Use*

Urban water use accounts for approximately 68% of total District demand, and urban users have a higher ratio of indoor to outdoor water use than irrigation customers. Residential indoor consumption can generally be characterized by routine household water use, including toilet flushing, showers, clothes-washing, and dishwashing. Factoring in the regional median household size of 2.64, the average single-family household in the District uses approximately 9 HCF (6,732 gallons) per month for basic health and sanitation. Water usage in excess of this base indoor amount can reasonably be attributed to outdoor use, which fluctuates throughout the year based primarily on weather patterns. Given the variety of lot sizes, types of landscaping, efficiency of irrigation systems, and irrigation habits, outdoor water use can also vary significantly across residential households. Single Family Residential consumption alone could vary as much as 100% during summer months compared to the cooler winter months. This larger variation in seasonal water use is evident when compared to other urban customer categories, as reflected in Figure 2.5.

Figure 2.5 2022 Urban Water Use



In forecasting the amount of revenue attributable to Water Sales for Single-Family Residential customers, the District’s tiered rates must also be considered. The first six (6) HCF of Single Family Residential water use each month make up the low-tier, and cover basic indoor usage for the average District household. A mid-tier rate applies for the next 6 HCF of use each month. This means that customers with an average summer use of 12 HCF per month pay either a low or mid-tier rate throughout the year. The highest rate applies to all use above 12 HCF per month. The

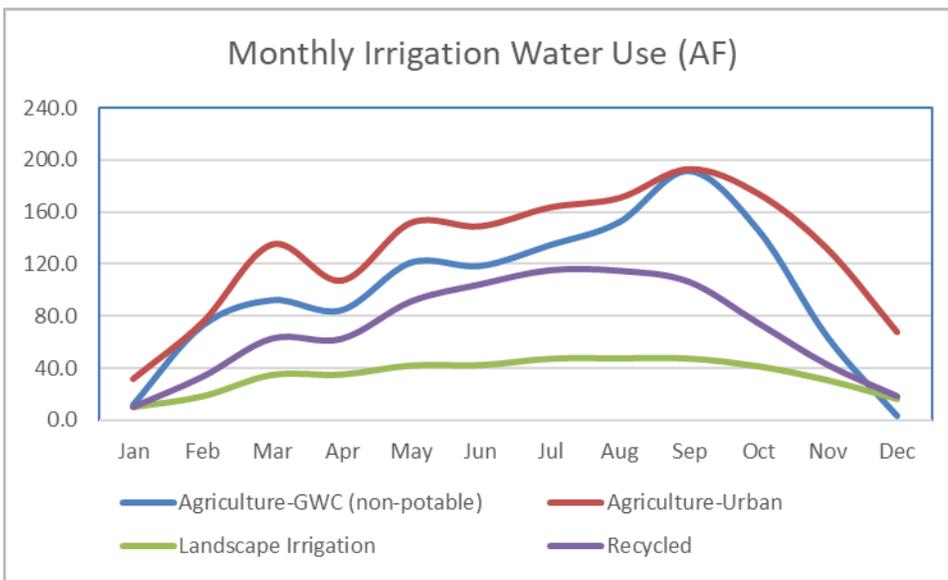
differing tiers affect both water consumption-related charges as well as the monthly service charge. As a result of the tiered rate structure, an incremental usage change in Tier 3 will have a larger revenue impact. For example, the District will net a decrease in revenues with higher usage when five Tier 1 customers each increase usage by 1 HCF (at \$7.01/HCF) offset against one Tier 3 customer using 5 HCF less (at \$12.06/HCF). For FY 2023-24 it is anticipated that 53% of Single Family residential water use will be within Tier 1, 31% will be in Tier 2 and 16% will be in Tier 3.

Rates for all other urban customers are uniform with the same charge applying to each unit of water consumption. Multi-Family Residential customers include high-density student housing in the Isla Vista community, retirement communities, and apartment buildings. Consumption behaviors within this category can vary significantly from customer to customer. The largest indicators of Multi-Family Residential water use are the number of units within a complex and the number of people per household. Multi-Family Residential, Commercial and Institutional water use is driven less by weather than the academic calendar and move-in/move-out schedules associated with the local colleges. Since the vast majority of use among Multi-Family Residential, Commercial, and Institutional water use is indoors, water use is relatively steady throughout the year and exhibits only modest seasonal variation. For example, total consumption for Multi-Family Residential customers with high baseline indoor use varied only 22% between the lowest use month (142 AF in December) and the highest use month (173 AF in May) in 2022. In comparison, the variance for Single Family Residential customers was 62% between the lowest and highest months in 2022. Water use being primarily indoors reduces seasonal variability, thereby increasing the predictability of usage patterns and reliability of revenue forecasts for these customer categories.

The District’s tiered water rates mean that seasonal water use fluctuations can produce outsized changes in revenue as customer usage moves between various tiers for meter charges and per unit water sales. All of these changes are modeled and forecasted as part of revenue projections.

Irrigation Water Use

Figure 2.6 2022 Irrigation Water Use



For the customer categories that use water primarily or exclusively for outdoor irrigation, seasonal water consumption varies considerably. As reflected in Figure 2.6, water production generally increases with warm dry weather conditions as customers rely on water provided by the District. During the fall, winter, and spring months water demand is significantly reduced as cooler temperatures and appreciable rainfall mean landscapes and agriculture need less irrigation. Customer categories with high seasonal variability include potable,

non-potable and recycled water use by agriculture and landscape irrigation customers. Rates for these customers all vary based on the unique characteristics of serving each respective customer category. Combined, these customer categories account for 35% of total annual District water use, with about 68% of that usage attributable to agricultural customer accounts. Approximately 4,000 acres in the District’s 29,000 acre service area (14%) are used for agricultural activities. Irrigation of crops, nurseries, and pastures comprises 90-95% of total water use for these customer classes, with a small portion used for domestic purposes. Water used to meet basic health and safety needs at residences on agricultural properties comprises approximately 5-10% of agricultural water use in a normal year.

Influencing agricultural demand are the climate, the timing and amount of rainfall, temperature fluctuations, humidity, sunshine, wind, and individual farming practices, leading to highly variable water use. Figure 2.6 illustrates these seasonal water use patterns with Urban Agriculture using 193 AF in September 2022, or more than 6.2 times the 31 AF of use recorded in January. Furthermore, dry warm temperatures and lack of significant rainfall for an extended period can drive up water demand annually. For example, in 2014, a year in which the Goleta Valley experienced record warm temperatures and dry conditions, agricultural water use in the District was 4,400 AFY, which represented over 32% of total District water use, compared with 2011 (a wet year), in which agricultural water use was 2,150 AFY, or 18% of total demand. This represents a 100% swing in year-over-year water use, influenced primarily by prevailing weather conditions. A slight increase in the number of acres reported as being under production also helped account for this difference.

Since outdoor irrigation is significantly affected by the climate (evapotranspiration, precipitation, etc.), usage by these categories is driven to a much greater degree by seasonal weather conditions, making demand difficult to predict and complicating revenue projections. An above average year of rain, an unusually dry year, or rain events in months that are typically dry can influence water sales significantly for these categories. For example, potable water use for irrigation decreased by approximately 22% in the winter of 2022-23 (December-April), a period of above-average rainfall, compared to the same months in an average year. Notably, as use is not primarily for health and safety needs, there is a greater opportunity for water conservation among irrigation customers since changes in irrigation practices can significantly reduce usage.

## Water Sales Summary

Given the overall conservation trend and subsequent sustained decrease in water consumption across all customer classes, forecasted revenue from water sales remains conservative. The District is projecting similar monthly distribution of usage by customers as was observed in FY 2022-23, with minor adjustments to account for extreme weather events and consumption anomalies. Tables 2.5 and 2.6 summarize water use and revenue projections that have been developed for FY 2023-24. Water Sales are projected to increase by \$3.7M primarily as a result of rate increases, and a return to more usual weather patterns.

Table 2.5 FY 2023-24 Budgeted Water Use by Customer Category (in AF)

Customer Category	FY 2022-23 Budgeted Water Use	Influencing Factor			FY 2023-24 Budgeted Water Use
		New Development	Behavioral / Tiering Changes	Net Incr. / (Decr.)	
Single-family residential	3,376	-	30	30	3,406
Multi-family residential	1,811	-	80	80	1,891
Commercial	1,517	-	20	20	1,537
Agriculture-Urban	1,403	-	88	88	1,491
Agriculture-Goleta West Conduit	1,054	-	85	85	1,139
Institutional	515	-	(8)	(8)	507
Landscape irrigation	408	-	23	23	431
Recycled	841	-	0	0	841
Fire	0	-	1	1	1
<b>Total:</b>	<b>10,925</b>	<b>-</b>	<b>319</b>	<b>319</b>	<b>11,244</b>

Table 2.6 FY 2023-24 Budgeted Water Sales Revenue and Influencing Factors

Customer Category	FY 2022-23 Budget Baseline Revenue	Influencing Factor			FY 2023-24 Budgeted Water Sales Revenue
		New Development	Rate Change	Behavioral / Tiering Changes	
Single-family residential	\$ 12,937,261	\$ -	\$ 1,164,354	\$ (2,512)	\$ 14,099,103
Multi-family residential	6,827,376	-	614,464	333,288	7,775,129
Commercial	5,714,059	-	514,265	122,863	6,351,188
Agriculture-Urban	1,733,647	-	156,028	121,813	2,011,489
Agriculture-Goleta West Conduit	1,063,942	-	95,755	94,218	1,253,915
Institutional	1,942,687	-	174,842	(31,306)	2,086,223
Landscape irrigation	1,626,228	-	146,361	101,291	1,873,880
Recycled	976,563	-	87,891	16,674	1,081,128
Fire	2,461	-	221	2,406	5,089
<b>Total:</b>	<b>\$ 32,824,226</b>	<b>\$ -</b>	<b>\$ 2,954,180</b>	<b>\$ 758,735</b>	<b>\$ 36,537,142</b>

## OTHER REVENUES & TRANSFERS

### *New Water Supply Charge (NWSC)*

The NWSC applies to customers requesting new or expanded water service. NWSC payments benefit existing customers by ensuring new or expanded development pays a fair share to utilize 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 prior to the moratorium has been 26 AF, which equates to less than 0.2% of normal annual demand. The Budget typically considers specific projects currently in the application process, their historic water allocations, and local economic factors to identify projects likely to remit NWSC fees.

Development is approved by agencies given land use authority under the State Constitution, such as the City of Goleta and the County of Santa Barbara. The District does not approve or deny projects, or determine whether a project will have an adverse effect on the community.

Under current water supply conditions and consistent with the SAFE Water Supplies Ordinance, the District estimates that for the first time since 2014 it will be able to make new water available for allocation by 2024. The FY 2023-24 Budget forecasts \$3.6M in NWSC payments for new potable water allocations, based on an estimated 80 AFY of new water allocations at the current cost per AF of new water entitlement. However, the District plans to update the NWSC during this fiscal year to account for increased water supply costs since the charge was last updated in 2011.

The estimated 80 AF is based upon projects pending with the City of Goleta and County of Santa Barbara Planning Departments over the last nine years under the moratorium that may receive building permits, as well as New Water Services staff interaction feedback from potential applicants. The estimate includes projects such as: a long-delayed 60 unit workforce housing project, an additional 60 unit

Single-Family Residential Project, multiple Single Family Residences as well as free-standing new ADUs, four significant Commercial developments in the City of Goleta, new agricultural employee dwellings on multiple parcels, and three Multi-Family housing projects in Isla Vista. No new recycled water connections are anticipated.

### *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 investment objectives as being, in priority order, Safety, Liquidity and Diversification.

For FY 2023-24, District cash balances will be invested in the California Local Agency Investment Fund (LAIF), a pooled money investment vehicle managed by the State Treasurer's Office. The projected interest is 2.8% annually, producing approximately \$629K in investment revenue subject to fluctuations. Investment Revenue is projected to increase by \$609K or 3,044% in FY 2023-24 as a result of increased interest rates.

### *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 their water. The District entered into agreements with these customers to convey these water supplies at a per-acre-foot rate. Conveyance Revenue budgeted for FY 2023-24 is \$253K, with a \$45K or 22% increase due to higher water use by these customers.

### *Miscellaneous Fees and Charges*

The District receives revenue in the form of fees and charges from various sources, including delinquent accounts, backflow device inspections, application and initiation fees, connection fees, cell tower site rentals, hydroelectric power generation sales, and customer reimbursable projects. The anticipated revenue for FY 2023-24 is approximately \$798K, a decrease of 136K, or 15%, from the FY 2022-23 Budget.

### *Transfers*

The District continues to maintain a prudent financial reserve to ensure adequate cash flow for operational needs and capital emergencies. Consistent with the 2020-2025 Cost of Service Study, the FY 2023-24 budget anticipates a designation to reserves of \$487K. The District remains on track to achieve its reserve target by 2025.

## SECTION III – EXPENDITURES

### SUMMARY

FY 2023-24 expenditures are consistent with the 2020-2025 Expenditure Forecast and foundational policy documents adopted by the Board of Directors. Expenditures continue to prioritize projects that maintain water quality and system reliability for treatment and distribution, which are critical to the District’s mission to deliver safe and reliable water.

District expenditures are comprised of costs associated with Water Supply Agreements, Personnel, Operations and Maintenance (O&M), Debt Service, and Capital Improvement Projects. Specific expenses are shown in Table 3.1, Table 3.2 and Table 3.3, followed by a full summary of costs in Table 3.4. Water supply portfolio-related costs account for 23% of total District expenditures and include fixed and variable 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 22% of total expenditures, comprised of wages, benefits, and taxes, as well as Other Post-Employment Benefits. Employees of the District 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. Operations & Maintenance represent 17% of total expenditures, and include costs related to water treatment and testing, general insurance, legal, maintenance and equipment, as well as services and supplies. Expenses associated with Capital Improvement Projects in the Infrastructure Improvement Plan and debt service make up the balance of total expenditures at 29% and 9% respectively.



The District, like other utilities, is affected by externalities including weather, economic conditions, changing customer preferences, costs of water supplies, and evolving regulatory requirements. Supply chain disruptions and inflationary pressures on chemical costs, materials, and construction have continued to present significant challenges. 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 sudden events. Where specific price increases are known, appropriate adjustments to the Budget have been made, though even in the past year the cost of inflation has varied widely across virtually all areas of the District budget. The District will continue to manage costs within its control and plan for uncontrollable externalities.

In FY 2023-24 Lake Cachuma will serve as the principal source of supply to serve customers. The District will continue to operate and maintain the wells to ensure their reliability, but groundwater and State Water will not be used to meet customer needs. However, investment in the mechanical maintenance of the wells is necessary to maintain both reliable production and access to the District’s critical drought buffer. Conservation outreach and incentive-based programs to help customers improve their water use efficiency will continue through 2023 and into 2024.

## WATER SUPPLY AGREEMENTS

In an average year, approximately 86% 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 adopted Water Supply Management Plan (WSMP), the District employs a strategy of drawing from available water sources in a prioritized manner to maximize supplies and minimize costs.

As illustrated in Table 3.1, FY 2023-24 total water supply costs will increase by \$709K or 6%, primarily due to anticipated increases in DWR Fixed Assessment charges as well as increased energy and operational costs associated with the State Water Project. The District will also incur additional variable costs amounting to approximately \$800K to return 2,500 AF of State Water supplies through CCWA to pay off water debt incurred in FY 2014-15. Costs for CCRB will decrease 2% and reflect ongoing advocacy related to the Biological Opinion for the Cachuma Project and state Endangered Species Act proceedings. COMB O&M costs will decrease due to the completion of the significant capital project in FY 2022-23 to install a permanent submerged pipeline at Lake Cachuma, contributing to a 15% reduction in Lake Cachuma delivery costs. CCRB expenses and recycled water purchases fall within 2% of the FY 2022-23 Budget. The cost of pumping and treating groundwater is included in O&M and capital costs.

Table 3.1 FY 2023-24 Budgeted Water Supply Agreement Costs

Category	Adopted	Estimated	Adopted	Variance Analysis *	
	Budget FY 2022-23	Actual FY 2022-23	Budget FY 2023-24	\$ Higher / (Lower)	% Higher / (Lower)
<b>COMB (Lake Cachuma Deliveries):</b>					
Water Entitlement	\$ 836,049	\$ 797,500	\$ 797,500	\$ (38,549)	(5%)
Operations & Maintenance	2,488,015	2,331,765	1,987,545	(500,470)	(20%)
Cachuma Renewal Fund	62,939	79,667	62,939	0	0%
Safety of Dam Act	94,847	129,392	94,847	0	0%
Subtotal - COMB	3,481,850	3,338,324	2,942,831	(539,019)	(15%)
<b>CCRB (Water Rights):</b>	565,709	389,632	552,360	(13,349)	(2%)
<b>SB County (Cloud Seeding):</b>	32,858	11,427	0	(32,858)	(100%)
<b>CCWA (State Water Deliveries):</b>					
Fixed Costs	5,631,042	5,631,042	5,231,819	(399,223)	(7%)
Variable Costs	1,643,129	2,180,408	3,336,307	1,693,178	103%
Subtotal - CCWA	7,274,171	7,811,450	8,568,126	1,293,955	18%
<b>GSD (Recycled Water Production):</b>	790,054	691,611	790,054	0	0%
<b>Total:</b>	<b>\$ 12,144,642</b>	<b>\$ 12,242,443</b>	<b>\$ 12,853,371</b>	<b>\$ 708,729</b>	<b>6%</b>

\* Compares FY 2023-24 Adopted Budget to FY 2022-23 Adopted Budget

## COMB (Lake Cachuma Deliveries) and CCRB (Water Rights)

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

By agreement, the District share of COMB expenditures is 40.42%. This amounts to \$2.9M in FY 2023-24, a decrease of \$539K or 15% when compared to FY 2022-23. The decrease is the result of having completed a major capital project last year to secure a permanent pipeline at the bottom of Lake Cachuma to facilitate water deliveries when the Emergency Pumping Barge is needed to pump water to the Tecolote Tunnel when lake levels are low.

CCRB works to protect Cachuma Project water rights and supplies for the South Coast water purveyors. The District share of CCRB costs is 46%, or \$552K in FY 2023-24 which is a decrease of \$13K, or 2% as compared to FY 2022-23. This reflects ongoing advocacy on the Federal Biological Opinion for the Cachuma Project, the State Water Rights Order, and proposed listing of *O. mykiss* (steelhead trout) under the California Endangered Species Act. FY 2023-24 CCRB costs allow for sufficient funding of scientific, legal, and advocacy efforts to minimize the potential financial and supply impacts of these processes.

## CCWA (State Water Deliveries)

The District has access to State Water through its membership in CCWA. State Water expenses are expected to be \$8.6M for FY 2023-24, an increase of \$1.3M or 18% due to anticipated increases in DWR Fixed Assessment charges and increased energy and operational costs associated with the State Water Project. The District will also incur additional variable costs to return owed State Water supplies through CCWA to pay off water debt incurred in FY 2014-15, during the last drought. Based on the District's adopted Water Supply Management Plan, water from Lake Cachuma (the District's least expensive supply source) will serve as the principal source of supply in FY 2023-24 given improved conditions at the lake, and the balance of State Water remaining after repayment of the water debt will be stored in San Luis Reservoir for use in future years when local supply availability is reduced.

## GSD (Recycled Water Production)

Providing recycled water to 46 customers in the District for irrigation purposes conserves drinking water for potable purposes, improving water supply reliability. Per agreement, the District pays GSD for all O&M costs necessary to produce recycled water. For FY 2023-24 costs are estimated at \$790K. This includes costs for treatment upgrades identified in the GSD capital plan, which are necessary for GSD to meet its regulatory requirements in the State recycled water criteria and its General Permit.



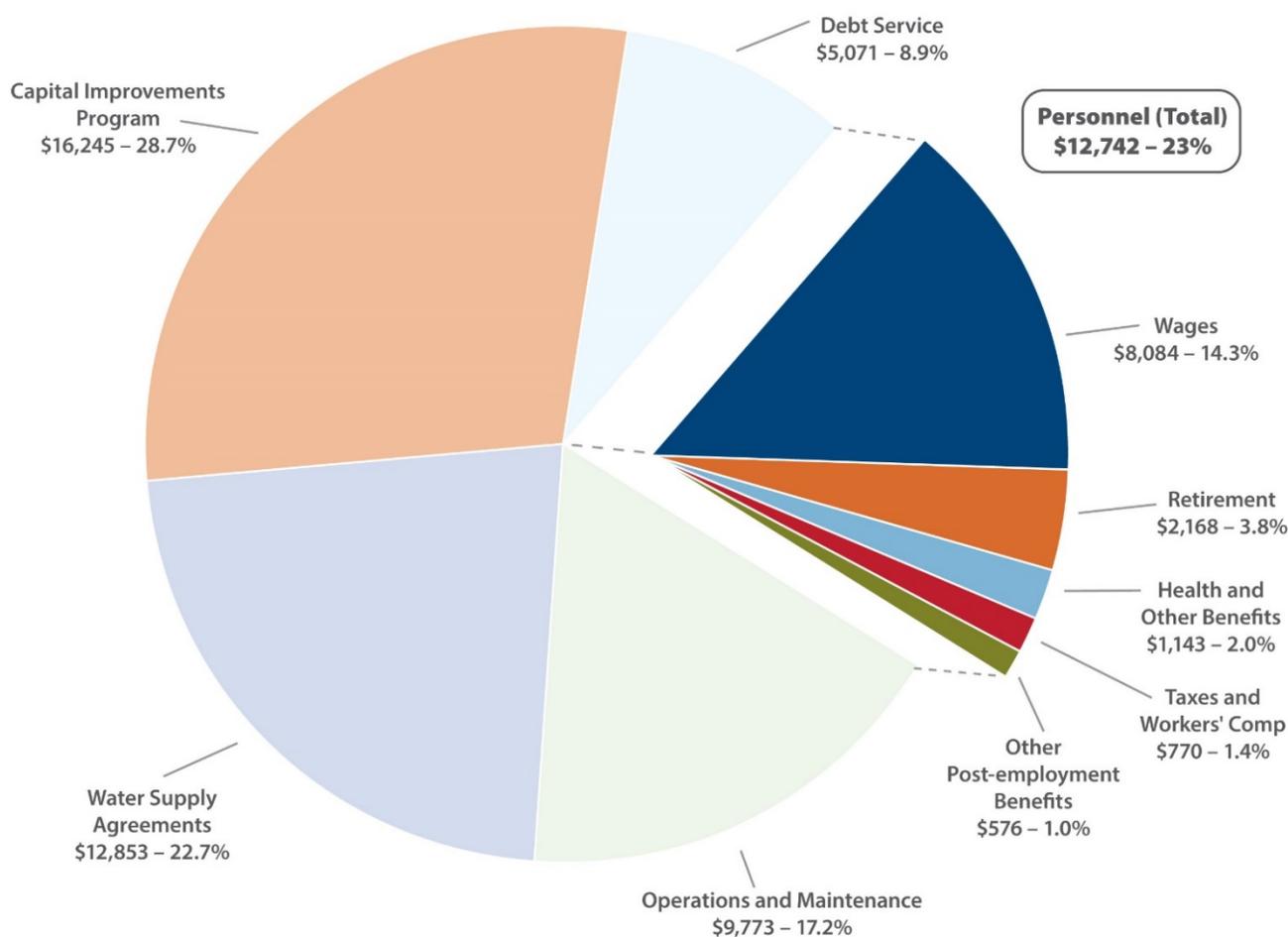
## PERSONNEL

Recruiting, training, and retaining professional employees is critical to meeting District objectives of protecting water supplies and ensuring dependable service to customers. The workforce includes licensed and professional staff to 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 17,000 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 qualifications of the District's workforce are extensive, including engineers, certified plant operators and distribution specialists, electricians, technicians, analysts, accountants, and experienced professional managers.

Personnel costs in FY 2023-24 remain relatively flat compared to FY 2022-23, totaling \$12.7M, or 2% (\$282K) higher than last fiscal year. Figure 3.1 provides an overview of the individual components of Personnel costs, as a portion of overall costs.

Figure 3.1 FY 2023-24 District Costs, Featuring Budgeted Personnel Costs (\$000s)



Retirement related expenditures associated with the District's nearly 80-year history make up 3.8% of current Personnel costs. Future costs are being managed in an actively controlled manner as the District continues to realize the financial benefits of the California Public Employees' Pension Reform Act of 2013 (PEPRA). PEPRA was signed into law in 2012 limiting pension benefits offered to new employees and increasing cost sharing between new employees and public employers. Additionally, in accordance with the District's agreement with SEIU 620, employees contribute 100% to their non-pension retirement plans. As PEPRA is designed to realize mid-term to long-term savings, District financial savings will continue to grow.

The District remains committed to developing and retaining the highly skilled employees needed to deliver safe and reliable water supplies to the community.

## OPERATIONS &amp; MAINTENANCE



The District service area spans 29,000 acres and includes more than 270 miles of pipeline, approximately 17,000 customer connections, nine storage reservoirs, nine 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 1,500 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 3.1 billion gallons of potable water in FY 2023-24. 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 hydraulics.

Table 3.2 shows the FY 2023-24 O&M costs, which total \$9.8M and are up \$376K or 4% from FY 2022-23. Notable variances within expenditure categories include:

- Water Testing costs will increase by \$44K or 13%, which is primarily attributable to a \$40k increase in bacteriological sampling costs resulting from stricter regulatory requirements for analytical laboratories. Inflation-related price increases also contribute to the increase in water testing costs.
- Insurance, Accounting, and Auditing will increase by \$187K or 62% due to insurance industry trends that have seen premiums increase by 20-30% as a result of inflation, increased costs of vehicle repairs, and a rise in Cyber Liability claims, as well as increased accounting support fees for automations and process improvements.
- Maintenance and Equipment will increase by \$73K or 6%, which includes inflation-related price increases for fuel, maintenance of an aging vehicle fleet and heavy equipment, repairs and parts for chemical delivery systems and pumps, testing and maintenance of electrical systems, and landscaping for 26 District properties.
- Services and Supplies costs will increase by \$339K or 8% primarily as a result of inflation and contracted services for needed pavement maintenance, which was deferred during the pandemic.
- Utility expenditures will decrease by \$247K or 21% as a result of decreased groundwater production and decreased use of booster stations now that the wells have been placed into stand-by mode.

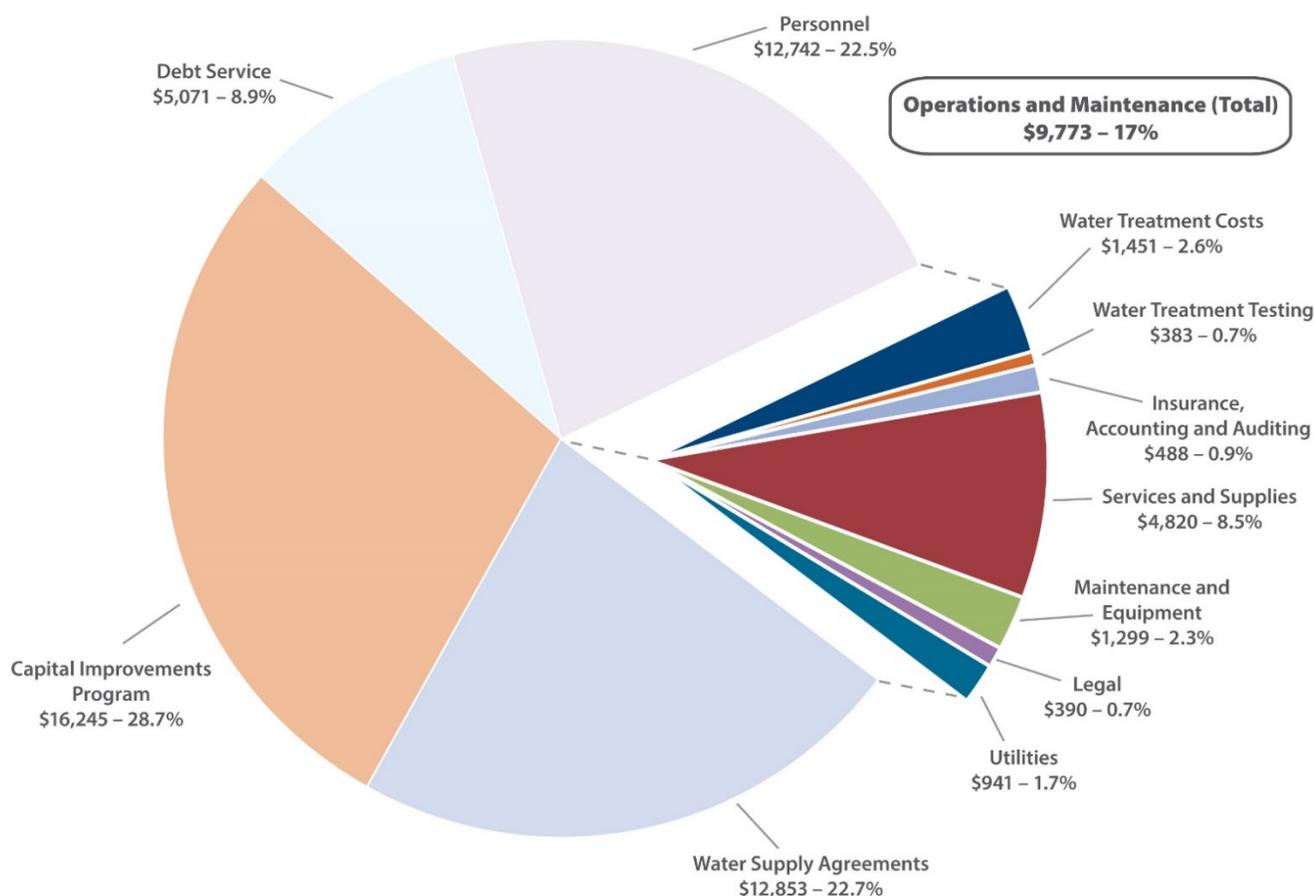
Table 3.2 FY 2023-24 Budgeted O&M Costs

Category	Adopted Budget	Estimated Actual	Adopted Budget	Variance Analysis *	
	FY 2022-23	FY 2022-23	FY 2023-24	\$ Higher / (Lower)	% Higher / (Lower)
<b>Operations &amp; Maintenance Costs:</b>					
Water Treatment	\$ 1,452,000	\$ 1,309,957	\$ 1,451,410	\$ (590)	(0%)
Water Testing	339,200	234,451	383,290	44,090	13%
Insurance, Accounting, & Auditing	301,394	401,999	488,400	187,006	62%
Maintenance & Equipment	1,225,660	1,302,125	1,299,030	73,370	6%
Legal	410,000	205,113	390,000	(20,000)	(5%)
Services & Supplies	4,480,635	3,450,803	4,819,806	339,171	8%
Utilities	1,188,150	1,021,923	940,740	(247,410)	(21%)
<b>Total:</b>	<b>\$ 9,397,039</b>	<b>\$ 7,926,370</b>	<b>\$ 9,772,676</b>	<b>\$ 375,637</b>	<b>4%</b>

\* Compares FY 2023-24 Adopted Budget to FY 2022-23 Adopted Budget

Figure 3.2 highlights O&M expenditures across seven primary categories.

Figure 3.2 FY 2023-24 District Costs, Featuring Budgeted O&M Costs (\$000s)



## INFRASTRUCTURE IMPROVEMENT PLAN

In January 2020, the Board of Directors adopted the Infrastructure Improvement Plan 2020-2025 (IIP) which was last amended in March 2023. The IIP is designed to show how the District will adeptly build, maintain, and manage the assets needed to produce, treat, and distribute water while maintaining the current level of service to customers and balancing costs. This planning tool provides the framework for District infrastructure investments over a five-year horizon, while providing the flexibility to adapt to changing infrastructure needs and opportunities throughout the lifespan of the IIP.

A critical goal of the IIP is to ensure that the District's infrastructure is capable of producing and delivering quality water to customers. Approximately 25% of IIP funds go toward enhancing water quality, while another 30% are directed toward distribution system reliability. These investments are needed to ensure reliable delivery of water supplies for the community, especially when drawing on a diverse mix of water supply sources which all have their own unique delivery infrastructure. The FY 2023-24 Budget includes \$16.2M to fund 31 capital projects which will:

- Meet local, state, and federal regulations for water quality and worker safety, or resolve utility conflicts;
- Maintain level of service by replacing inoperable equipment, and prioritizing projects that reduce the risk of service interruptions to the community and water loss; or
- Address critical deficiencies for which inadequate funding could jeopardize the District's ability to serve customers, such as through reduced water production, major infrastructure failure, or not meeting water quality standards.



Table 3.3 provides a summary of IIP projects planned for FY 2023-24. Specific project totals may vary from estimates listed in Table 3.3 as a result of project timing, new information, supply chain delays, inflation, labor shortages, or other unanticipated events.

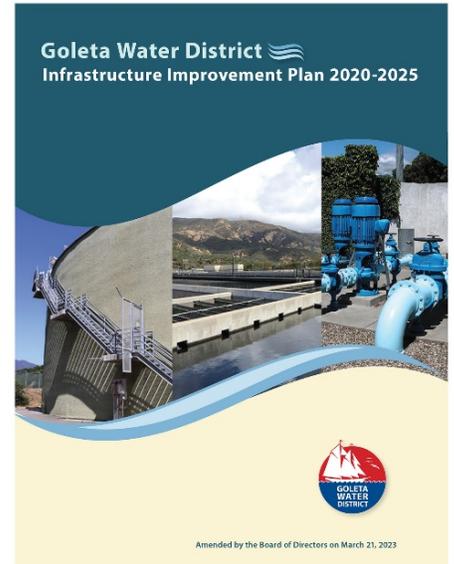


Table 3.3 Infrastructure Improvement Plan Projects Summary FY 2023-24

Project No.	Capital Project	FY 2023-24
P-1	Worker Safety Electrical Upgrades	\$650,000
P-3	Ekwill, Fowler, and Hollister Infrastructure Relocation	\$1,125,000
P-4	City, County, Caltrans Relocations Required Projects	\$210,000
P-6	Inoperable Small Meter Replacements	\$280,000
P-7	Inoperable Large AMI Meter Replacements	\$215,000
P-8	Obsolete Reservoir Hatch Replacements	\$65,000
P-10	Exposed Goleta West Conduit Pipelines	\$45,000
P-11	Inoperable Chlorination and Treatment Equipment Replacements	\$95,000
P-12	Inoperable Pipeline and Service Line Replacements	\$450,000
P-13	Inoperable Cathodic Protection System Replacements	\$200,000
P-14	Inoperable Reservoir and Reservoir Component Replacements	\$230,000
P-15	Inoperable Electrical Power System Replacements	\$10,000
P-16	Inoperable Pump and Motor Replacements	\$85,000
P-17	Anita Well Filtration Treatment	\$500,000
P-19	Well Filter Media Replacements	\$75,000
P-20	Inoperable Above Ground Well Facility Replacements	\$120,000
P-21	Inoperable Interconnect Component Replacements	\$10,000
P-22	Inoperable Valve Replacements	\$500,000
P-23	Inoperable Fire Hydrant Replacements	\$300,000
P-24	Inoperable Recycled Water Facility Replacements	\$25,000
P-25	Inoperable Computer and Electronic Hardware Replacements	\$35,000
P-26	Pavement Replacements	\$30,000
P-27	Inoperable Building Component Replacements	\$170,000
P-28	Required Main Upsizing	\$30,000
P-29	Obsolete SCADA Replacement	\$3,500,000
P-32	Inoperable Light Vehicle Fleet Replacement	\$260,000
P-35	CDMWTP Additional Sludge Bed	\$3,730,000
P-41	Water Quality Maintenance in Distribution System: Phase 1	\$10,000
P-44	University Well Treatment	\$1,530,000
P-46	New Replacement Well	\$1,750,000
P-48	Creek Crossing Inspection and Repair Program: Exposed Pipes	\$10,000
	<b>TOTAL</b>	<b>\$16,245,000</b>

## DEBT SERVICE

Debt service costs reflect payments associated with approximately \$40.5M of outstanding Certificates of Participation (COPs) that are secured by a pledge of District revenues. These COPs are comprised of issuances in 2010 and 2014, with interest payable semi-annually. The current Five-Year Expenditures Forecast provides sufficient revenues to satisfy debt coverage requirements. The FY 2023-24 debt service is \$5.1M based on scheduled principal and interest payments.

## SUMMARY OF DISTRICT EXPENDITURE FORECAST FOR FY 2023-24

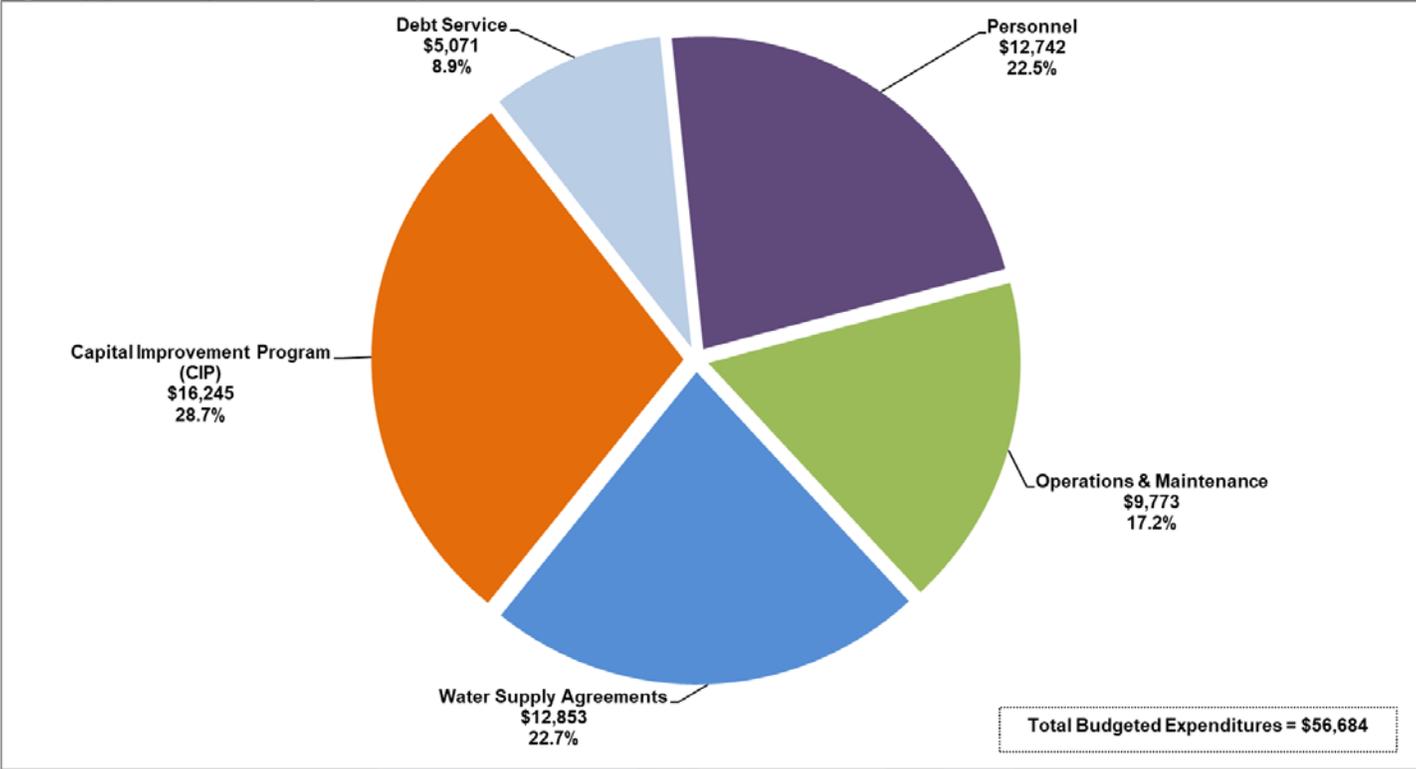
Table 3.4 and Figure 3.3 summarize FY 2023-24 total expenditures of \$56.7M. A key component of the annual Budget is to prepare for cash flow variables throughout the year and pace program and project expenditures accordingly. FY 2023-24 expenditures have incorporated customer behaviors and the accompanying seasonality of revenue as described in Section II.

Table 3.4 FY 2023-24 Budget Expenditures Compared to FY 2022-23 Budget Expenditures

Category	Adopted	Estimated	Adopted	Variance Analysis *	
	Budget FY 2022-23	Actual FY 2022-23	Budget FY 2023-24	\$ Higher / (Lower)	% Higher / (Lower)
<b>Water Supply Agreements:</b>					
COMB (Lake Cachuma Deliveries)	\$ 3,481,850	\$ 3,338,324	\$ 2,942,831	\$ (539,019)	(15%)
CCRB (Water Rights)	565,709	389,632	552,360	(13,349)	(2%)
SB County (Cloud Seeding)	32,858	11,427	-	(32,858)	(100%)
CCWA (State Water Deliveries)	7,274,171	7,811,450	8,568,126	1,293,955	18%
GSD (Recycled Water Production)	790,054	691,611	790,054	0	0%
<b>Subtotal:</b>	<b>\$ 12,144,642</b>	<b>\$ 12,242,443</b>	<b>\$ 12,853,371</b>	<b>\$ 708,729</b>	<b>6%</b>
<b>Personnel:</b>					
Wages, Benefits and Taxes	\$ 11,891,929	\$ 11,865,786	\$ 12,165,349	\$ 273,420	2%
Other Post Employment Benefits	567,695	538,867	576,155	8,460	1%
<b>Subtotal:</b>	<b>\$ 12,459,624</b>	<b>\$ 12,404,653</b>	<b>\$ 12,741,504</b>	<b>\$ 281,880</b>	<b>2%</b>
<b>Operations &amp; Maintenance:</b>					
Water Treatment Costs	\$ 1,452,000	\$ 1,309,957	\$ 1,451,410	\$ (590)	(0%)
Water Treatment Testing	339,200	234,451	383,290	44,090	13%
Insurance, Accounting & Auditing	301,394	401,999	488,400	187,006	62%
Maintenance & Equipment	1,225,660	1,302,125	1,299,030	73,370	6%
Legal	410,000	205,113	390,000	(20,000)	(5%)
Services & Supplies	4,480,635	3,450,803	4,819,806	339,171	8%
Utilities	1,188,150	1,021,923	940,740	(247,410)	(21%)
<b>Subtotal:</b>	<b>\$ 9,397,039</b>	<b>\$ 7,926,370</b>	<b>\$ 9,772,676</b>	<b>\$ 375,637</b>	<b>4%</b>
<b>Total Expenditures before Debt and CIP:</b>	<b>\$ 34,001,305</b>	<b>\$ 32,573,466</b>	<b>\$ 35,367,551</b>	<b>\$ 1,366,246</b>	<b>4%</b>
<b>Debt Service:</b>	<b>5,065,863</b>	<b>5,065,863</b>	<b>5,071,113</b>	<b>5,250</b>	<b>0%</b>
<b>Capital Improvement Projects (CIP):</b>	<b>8,745,000</b>	<b>8,745,000</b>	<b>16,245,000</b>	<b>7,500,000</b>	<b>86%</b>
<b>Total Expenditures:</b>	<b>\$ 47,812,168</b>	<b>\$ 46,384,328</b>	<b>\$ 56,683,664</b>	<b>\$ 8,871,496</b>	<b>19%</b>

\* Compares FY 2023-24 Adopted Budget to FY 2022-23 Adopted Budget

Figure 3.3 FY 2023-24 Budgeted Expenditure Allocations (\$000s)



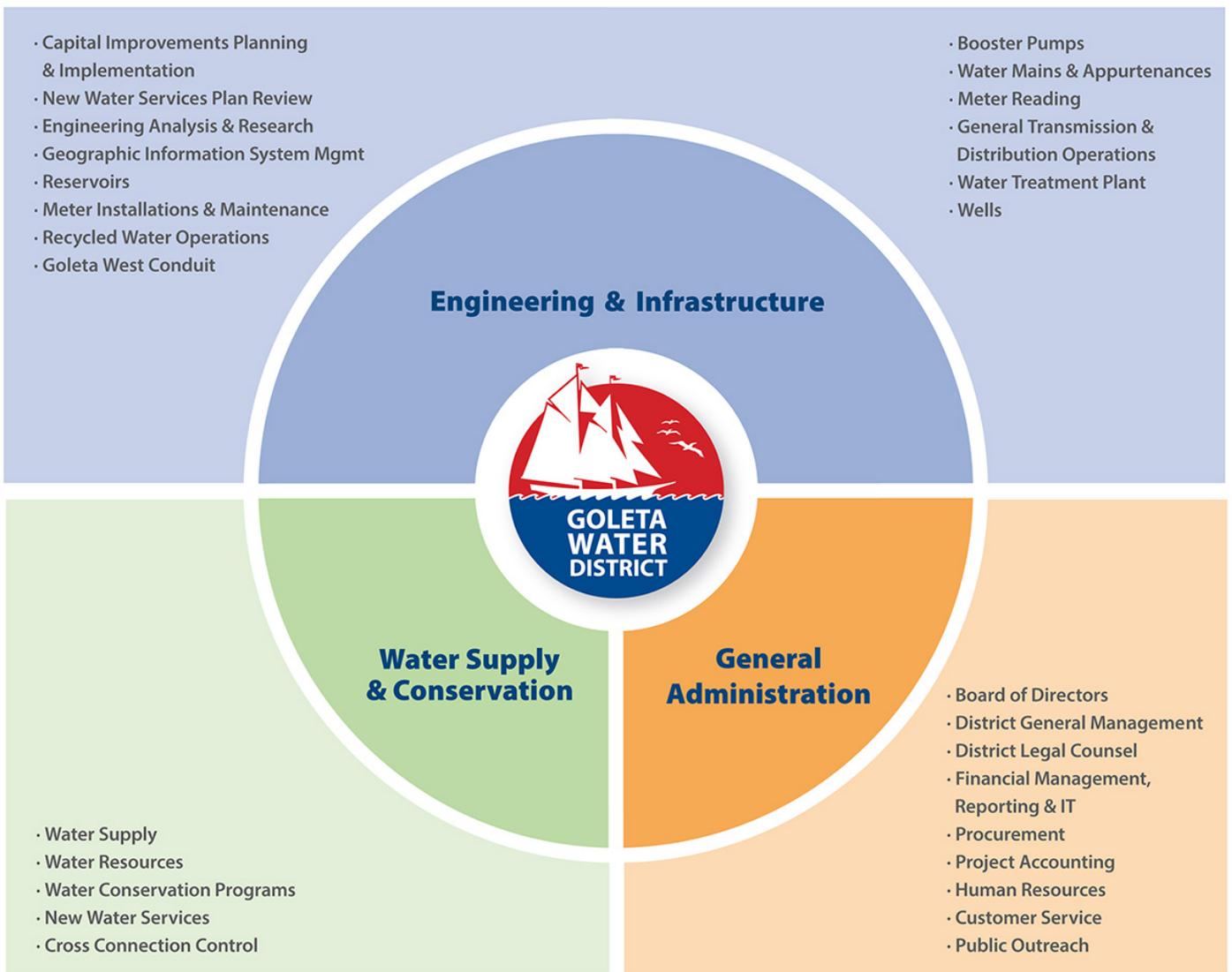
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# APPENDIX

## COST CENTER OVERVIEW

The District tracks disbursements by charging each expenditure to an accounting code associated with a specific function. The 26 programmatic cost centers of the District are categorized into three departmental cost centers: Engineering and Infrastructure (E&I), 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 26 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 is 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 2023-24 Budgeted Expenditures by Departmental Cost Center

Category	Adopted Budget	Estimated Actual	Adopted Budget	Variance Analysis *	
	FY 2022-23	FY 2022-23	FY 2023-24	\$ Higher / (Lower)	% Higher / (Lower)
Engineering & Infrastructure	\$ 14,488,269	\$ 13,177,365	\$ 14,588,229	\$ 99,960	1%
Water Supply & Conservation	13,928,624	14,382,603	14,812,335	883,711	6%
General Administration	5,584,412	5,013,498	5,966,987	382,575	7%
<b>Total Expenditures:</b>	<b>\$ 34,001,305</b>	<b>\$ 32,573,466</b>	<b>\$ 35,367,551</b>	<b>\$ 1,366,246</b>	<b>4%</b>

\* Compares FY 2023-24 Adopted Budget to FY 2022-23 Adopted Budget

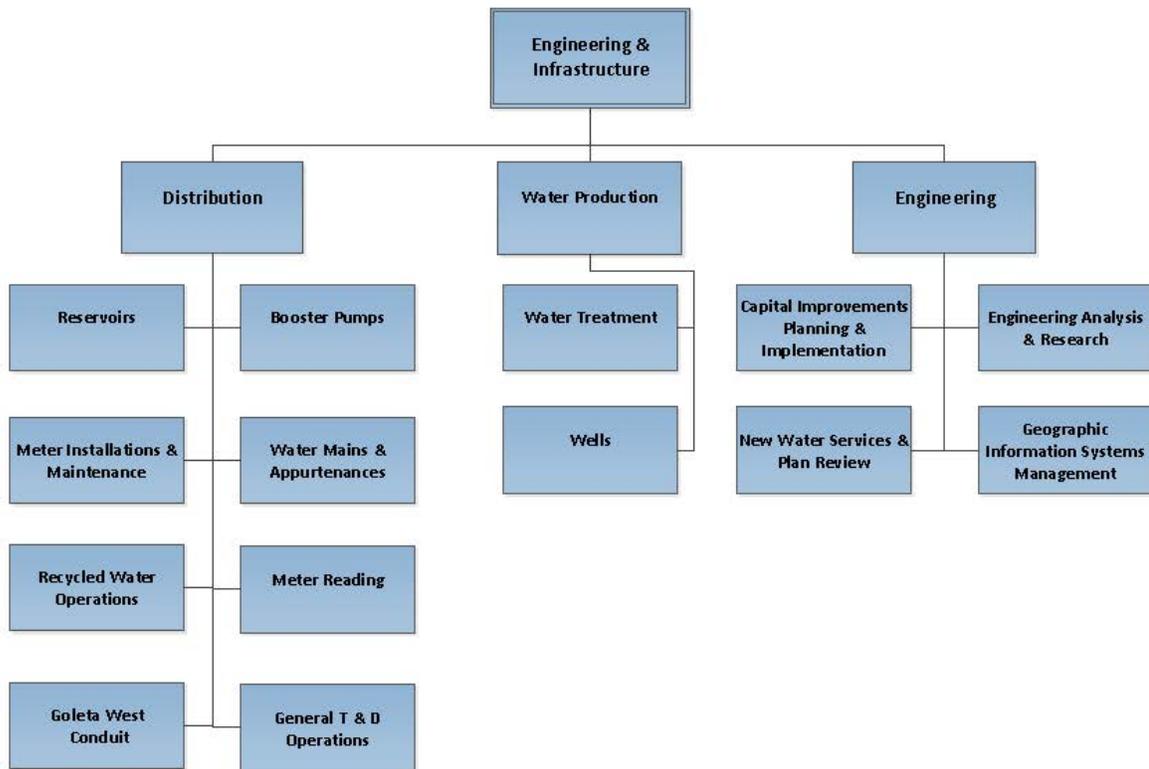
Total FY 2023-24 cost center budgeted expenditures are projected to be \$35.4M, which is an increase of \$1.4M or 4%, from the FY 2022-23 budget, including:

- An increase of \$99K or 1% in Engineering & Infrastructure as inflationary increases in costs are largely offset by savings from the higher capitalization of labor, the shift to surface water supplies, significant water quality improvement at Lake Cachuma, and savings associated with retirements and PEPRA-related savings.
- An increase of \$884K or 6% in WS&C resulting from increased State Water expenses due to anticipated DWR Fixed Assessment charges and the additional variable costs associated with returning owed State Water supplies through CCWA to pay off water debt incurred in FY 2014-15 during the last drought.
- An increase of \$383K or 7% in General Administration resulting from MOU-related step increases and previously negotiated SEIU provisions.

## ENGINEERING & INFRASTRUCTURE COST CENTER

The Engineering & Infrastructure (E&I) Department oversees the operation and maintenance of three water systems and associated facilities: the Potable Water System, the Goleta West Conduit System, and the Recycled Water System; management of capital improvements; review of new water services; engineering research and analysis, and management of the Geographical Information System (GIS). The District treats and delivers over 3 billion gallons of potable water annually to meet the demand of 87,000 people living in the region. The Department is organized into three distinct functional areas of responsibility: Distribution, Water Production, and Engineering, outlined in Figure 4.2.

Figure 4.2 Engineering & Infrastructure Programmatic Functions



## Water Production

The Water Production cost centers are responsible for the facilities and equipment necessary to produce, treat, test, and ensure that the water delivered into the distribution system meets all state and federal regulatory standards for water quality. The potable water system consists of CDMWTP, which treats water from Lake Cachuma, and treatment facilities at groundwater wells. The Goleta West Conduit system provides unfiltered Lake Cachuma water for agricultural irrigation that is disinfected at two chlorination facilities. Recycled water is treated by Goleta Sanitary District to meet regulatory standards for outdoor irrigation and restroom facilities. The Water Production cost center is also responsible for electrical, instrumentation, and controls systems for all District facilities.



Water Production priorities in FY 2023-24 include:

- Support the design and installation of a new SCADA system to replace obsolete equipment at all sites. This project is critical to continued regulatory compliance and improving the reliability of automated equipment for the next 20 years.
- Construct a new solids drying bed at CDMWTP and remove accumulated solids from existing drying beds for offsite disposal.
- Continue water quality monitoring programs at the treatment plant, in the distribution system, in groundwater wells, and in monitoring wells down gradient of injection wells to detect changing conditions in the distribution system including the effect of operational and water supply source changes on overall water quality throughout the system.
- Inject treated surface water into District groundwater wells when surface water supplies are available to replenish the groundwater basin and perform routine operations and maintenance activities to keep the groundwater wells in operational condition.

## Distribution

The Distribution cost centers are responsible for the facilities that deliver water to customers, including over 270 miles of water mains and appurtenances (i.e. valves, pressure regulating stations, and fire hydrants), water storage reservoirs, and booster pump stations, which control the flow and pressure required to maintain service. Each customer is connected to the distribution system through an individual service line that supplies water through a meter connected to the customer's privately-owned plumbing system. The Meter Crew maintains meters and meter boxes, conducts monthly readings to ensure accurate and timely billing, provides regular and emergency service, and investigates water complaints reported by customers. The Distribution group is also responsible for buildings, roads, vehicles, and equipment programs and associated regulatory compliance.

Distribution priorities in FY 2023-24 include:

- Provide uninterrupted water delivery while continuing to meet all State and Federal primary drinking water standards, which includes minimizing the duration of potential service interruptions associated with planned and unplanned system repairs or upgrades.

- Exercise valves and replace inoperable main line valves throughout the distribution system.
- Inspect all hydrants and repair or replace hydrants as needed to maintain operability.
- Test meters, replace inoperable or broken meters and meter boxes, and fulfill State-required water loss control obligations.
- Maintain an aging vehicle fleet, and prioritize the replacement of vehicles for which repair is more expensive than replacement.

## Engineering

The Engineering cost centers include programs and functions related to capital infrastructure planning and implementation, review of new water services, engineering research and analysis, and management of GIS. Other programs include Asset Preservation, Cathodic Protection, Energy and Sustainability, as well as support of Water Quality Compliance, Water Production, System Controls, Emergency Planning and Safety, and Buildings/Roads/Vehicles/Equipment programs. These programs ensure the water treatment and delivery systems are designed, constructed, and maintained to meet industry and regulatory standards and the water supply needs of the community. A majority of expenditures associated with the Engineering function are recovered through the capital budget (Infrastructure Improvement Plan) or are reimbursed through developer and related fees and charges.

### *Capital Improvements Planning & Implementation*

The Capital Improvements Planning and Implementation cost center is responsible for capital project management, including implementation of the District's Five-Year Infrastructure Improvement Plan (IIP). Engineering oversees studies and design and construction of infrastructure projects. 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, this cost center focuses on the District's Asset Preservation program to maintain current service levels, including planning and delivery of upgrades and replacement of vital infrastructure needed to ensure long-term capital asset integrity.

During FY 2023-24, capital projects will include worker safety upgrades, infrastructure relocation as legally required by outside agencies, inoperable asset replacements, communications facilities upgrades for SCADA, CDMWTP solids handling upgrades, treatment upgrades at groundwater well facilities, and the installation of a new groundwater well.

Supply chain disruptions continue to result in schedule delays and extraordinary price inflation for materials, equipment, and construction projects.

Planning activities will include the development of conditions assessment protocols for different asset classes and performance of some conditions assessments to inform future years' capital spending.

### *New Water Services & Plan Review*

This cost center focuses on the Developer Program, responsible for review and approval of new water service cost estimates, facility proposals, and determining whether modifications are needed to system capacity. Services also include construction site inspection of new facilities to ensure conformance with District Engineering Standards and Specifications. While the District temporarily halted the issuing of new water supply connections on October 1, 2014, projects still require processing if they will use the same or less water than the property's historical water credits or if

projects paid the new water supply charge prior to current moratorium. It is anticipated that the improved water supply outlook will allow the District to fulfill its obligations to SAFE such that new water supply connection applications will require processing in late 2023 and 2024.

### *Engineering Analysis & Research*

The Engineering Analysis and Research cost center is responsible for several programs, including Asset Preservation, Water Quality Compliance, Energy and Sustainability, Cathodic Protection, and the District's Standards and Specifications. The Standards and Specifications Program ensures consistency with the latest industry standards for construction methods, materials, and design criteria. Engineering Standards and Specifications also address operational integrity, efficiency, and value-engineering techniques to ensure the least-cost methods and materials are used to bring efficient water services to all customers while meeting regulatory requirements and operational goals of the District. In FY 2023-24, engineering analysis and research efforts will continue to collect and analyze data on pipeline conditions, disinfection byproducts and other constituents, treatment performance, and make minor updates to the Standards and Specifications, which underwent a major overhaul in 2020 and another update in 2023. The Engineering Analysis & Research cost center also includes a grant management function and is responsible for seeking out and applying for new grant opportunities.

### *Geographic Information Systems Management*

The GIS cost center is responsible for maintaining the records and drawings associated with all District assets and their timely 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 record-keeping process to ensure the integrity and operational capacity of District water systems.

State-of-the-art hydraulic and water quality models of the potable and recycled water distribution systems are linked with GIS. These models provide valuable information related to water flow, system capacity, and impacts of changes to the system and are used to inform operational decisions for long-term planning and capital planning. The potable system model also enables the District to ensure that adequate fire flows and pressures are maintained during peak customer demand periods.

In FY 2023-24, GIS efforts will include a major upgrade of the GIS system, and continued efforts to update asset and data layers to increase the capabilities and efficiency of District GIS-based asset research and use in the field. Computerized maintenance management/asset management tools will also be developed in-house to increase efficiency of inspections, workflow processes, capital planning, and prolonging the service life of existing assets.

Asset management investments planned for FY 2023-24 include ongoing upgrades to advanced technologies that maximize the efficiency of internal processes and capital planning, and prolong the service life of existing assets. Planned upgrades to the GIS and SCADA systems combined with the recent addition of an in-house GIS specialist will enhance the District's ability to manage its assets effectively.

## Engineering & Infrastructure Accomplishments FY 2022-2023

During FY 2022-23, E&I completed a number of projects to enhance water supply, improve water treatment, and increase energy and operational efficiency while ensuring a continuous supply of water to customers, including:

- Provided lifeline water service to the community while continuing to meet all primary water quality standards.
- Maintained the groundwater wells in immediate ready status and operated multiple wells for six months.
- Injected treated surface water into District groundwater wells for the first time in more than a decade, following the spill of Lake Cachuma that lasted multiple months.
- Completed designs and procurement for net zero solar power generation at multiple District sites and for large scale battery storage at CDMWTP.
- Installed new granular activated carbon filter media in multiple filters at CDMWTP for improved water quality.
- Cleaned all reservoirs, including the recycled water reservoir at Goleta Sanitary District, which was the first time in its 30-year existence.
- Continued monitoring of Lake Cachuma using satellite imagery, the Cachuma Operations and Maintenance Board (COMB) lake monitoring program, and the District sampling program to proactively detect the presence of naturally occurring algal toxins in Lake Cachuma.
- Started relocation of 42-inch transmission main segment away from a landslide and eroded creek bank.
- Completed emergency pipeline repairs on the Goleta West Conduit following large rain storms.
- Completed installation of new rectifier and deep anode bed at Garrett Van Horne Reservoir for cathodic protection improvements.
- Completed paving in the Operations Yard to repair degraded asphalt with crack sealing, paving fabric at the entry driveway, and chip seal.
- Completed construction and installation of critical SCADA radio system upgrades at all District facilities.
- Started design for a once-in-a-generation overhaul of the District's entire SCADA system.
- Maintained baseline status for storm water oils and grease at the District Headquarters by adhering to the Best Management Practices of the Storm Water Pollution Prevention Program.
- Completed and filed the District's validated Water Loss Audit for compliance with state law.
- Investigated and replaced more than 880 malfunctioning water meters to ensure accurate billing.
- Performed 62 water main shutdowns for 44 planned repairs for system improvements and 19 unplanned water main leak repairs.
- Performed 112 repairs to leaking service laterals.
- Replaced 111 old poorly functioning fire hydrants, and repaired 194 aging fire hydrants to improve operating efficiency or prevent rust.
- Replaced 72 broken water main valves to improve reliability of water delivery.
- Relocated La Goleta pressure reducing vault to replace failing valves, improve operator safety when accessing facility, and reduce traffic impacts.

- Purchased three electric vehicles and one gasoline powered truck, overhauled valve truck equipment, installed electrical vehicle charging station at CDMWTP, and increased utilization of electric vehicles compared to gasoline and diesel vehicles.
- Installed new roof systems at three CDMWTP buildings to prolong the useful lives of the buildings.

**FY 2023-24 Engineering & Infrastructure Cost Center Budget**

Table 4.2 details the various Engineering & Infrastructure expenditure categories and describes variances between FY 2022-23 Budget and FY 2023-24 budgeted expenditures.

Table 4.2 FY 2023-24 Engineering & Infrastructure Cost Center Budget Summary

Category	Adopted Budget FY 2022-23	Estimated Actual FY 2022-23	Adopted Budget FY 2023-24	Variance Analysis *	
				\$ Higher / (Lower)	% Higher / (Lower)
<b>Cost Center Expenses - Engineering &amp; Infrastructure</b>					
<b>Personnel:</b>	<b>\$ 7,319,707</b>	<b>\$ 7,086,870</b>	<b>\$ 7,084,599</b>	<b>\$ (235,108)</b>	<b>(3%)</b>
<b>Operations &amp; Maintenance:</b>					
Water Treatment	1,452,000	1,309,957	1,451,410	(590)	(0%)
Water Testing	339,200	234,451	383,290	44,090	13%
Insurance, Accounting, & Auditing	131,560	215,476	250,484	118,925	90%
Maintenance & Equipment	1,222,921	1,300,988	1,297,660	74,739	6%
Services & Supplies	2,834,731	2,007,699	3,180,046	345,314	12%
Utilities	1,188,150	1,021,923	940,740	(247,410)	(21%)
<b>Subtotal:</b>	<b>7,168,563</b>	<b>6,090,494</b>	<b>7,503,630</b>	<b>335,067</b>	<b>5%</b>
<b>Total Expenditures:</b>	<b>\$ 14,488,270</b>	<b>\$ 13,177,365</b>	<b>\$ 14,588,229</b>	<b>\$ 99,960</b>	<b>1%</b>

\* Compares FY 2023-24 Adopted Budget to FY 2022-23 Adopted Budget

The Engineering & Infrastructure budget will increase in FY 2023-24 by \$100K, or 1%. Notable changes from FY 2022-23 Operations and Engineering Budgets to the FY 2023-24 Budget include:

- Engineering & Infrastructure personnel costs will decrease by \$235K or 3% in FY 2023-24 because of PEPRAs related retirement savings, increased capitalization of labor for valve replacements, and increased use of District labor on reimbursable customer projects, offsetting increased costs associated with previously negotiated SEIU provisions.
- Water Treatment costs will remain roughly unchanged when compared to FY 2022-23 due to improved Lake Cachuma water quality obviating the need for CDMWTP filter media replacements being offset by substantially increased chemical costs due to price inflation.
- Water Testing costs will increase by \$44K, or 13%, primarily as a result of regulatory-required UCMR 5 sampling requirements and more expensive bacteriological sampling driven by stricter regulatory requirements for analytical laboratories.

- Maintenance and Equipment will increase by \$75K or 6% due to increased fuel costs and inflation related increases for equipment. The increase also reflects planned general maintenance and replacement for chemical systems and vehicles, as well as electrical upgrades that had been deferred during the pandemic.
- Services and Supplies costs will increase by \$345K or 12% primarily as a result of hauling a larger amount of solids from CDMWTP, access road maintenance at CDMWTP and Van Horne Reservoir to fulfill easement obligations, and a conditions assessment of CDMWTP and pump stations to inform the 2025-2030 IIP.
- Utility costs will decrease by \$247K or 21% as a result of decreased groundwater production and decreased use of booster pump stations as the wells are placed into stand-by mode.
- Insurance, Accounting and Auditing will increase by \$119K or 90% primarily as a result of switching to a head count model of allocation, as well as insurance industry increases that have been averaging 20-30% a year.

Table 4.3 and Figure 4.3 provide details of expenditures by programmatic cost center.

**Table 4.3 FY 2023-24 Engineering & Infrastructure Budgeted Expenditures by Programmatic Cost Center**

Description	Water Treatment Plant				Wells				Mains & Appurtenances			
	FY 2022-23	FY 2023-24	Variance		FY 2022-23	FY 2023-24	Variance		FY 2022-23	FY 2023-24	Variance	
Water Treatment	\$ 1,320,800	\$ 1,387,010	\$ 66,210	5.0%	\$ 60,100	\$ 7,300	\$ (52,800)	-87.9%	\$ 0	\$ 0	\$ 0	0.0%
Water Testing	258,840	319,830	60,990	23.6%	77,520	60,440	(17,080)	-22.0%	0	0	0	0.0%
Personnel - Wages	1,267,750	1,568,323	300,573	23.7%	402,933	259,418	(143,515)	-35.6%	688,187	877,477	189,290	27.5%
Personnel - Benefits	541,073	732,001	190,928	35.3%	172,480	127,563	(44,917)	-26.0%	316,986	346,076	29,090	9.2%
Personnel - Taxes & W.C.	131,737	177,328	45,591	34.6%	41,703	28,479	(13,224)	-31.7%	72,708	98,390	25,682	35.3%
Insurance and Accounting	24,080	79,422	55,342	229.8%	0	0	0	0.0%	25,500	85,531	60,031	235.4%
Maintenance & Equipment	395,380	442,900	47,520	12.0%	128,680	114,870	(13,810)	-10.7%	186,990	219,940	32,950	17.6%
Services & Supplies	970,020	1,283,399	313,379	32.3%	548,380	391,070	(157,310)	-28.7%	235,650	240,640	4,990	2.1%
Utilities	159,500	160,100	600	0.4%	435,700	111,450	(324,250)	-74.4%	9,100	9,100	0	0.0%
<b>Total:</b>	<b>\$ 5,069,180</b>	<b>\$ 6,150,313</b>	<b>\$ 1,081,133</b>	<b>21.3%</b>	<b>\$ 1,867,497</b>	<b>\$ 1,100,589</b>	<b>\$ (766,908)</b>	<b>-41.1%</b>	<b>\$ 1,535,122</b>	<b>\$ 1,877,155</b>	<b>\$ 342,033</b>	<b>22.3%</b>

#### Water Treatment Plant

- Higher personnel costs reflect a shift of labor costs to this cost center as the District increases the use of surface water and reduces groundwater production.
- Higher maintenance & equipment costs are the result of additional hauling of dried solids related to the increased use of surface water supplies.
- Higher services & supplies costs are due to extensive paving maintenance needed for the access road to CDMWTP.

#### Wells

- Lower well-related costs are reflective of the shift from active groundwater production to standby mode due to available surface water supplies. Wells will now be operated once-per-month for maintenance purposes as opposed to seasonal or year-round production for water supplies.

#### Mains & Appurtenances

- Higher personnel costs in this cost center reflect labor shifted away from other distribution cost centers to increase exercising of the District's 6,500 valves and inspection of 1,500 hydrants.
- Higher costs for maintenance & equipment reflect the need for additional tools, more hydrant parts, and more pressure reducing valve parts.

Description	General Operations				Meters / Services Installation				Meter Reading			
	FY 2022-23	FY 2023-24	Variance		FY 2022-23	FY 2023-24	Variance		FY 2022-23	FY 2023-24	Variance	
Water Treatment	\$ 0	\$ 0	\$ 0	0.0%	\$ 0	\$ 0	\$ 0	0.0%	\$ 0	\$ 0	\$ 0	0.0%
Water Testing	0	0	0	0.0%	0	0	0	0.0%	0	0	0	0.0%
Personnel - Wages	617,357	543,661	(73,696)	-11.9%	231,106	191,397	(39,709)	-17.2%	523,916	487,676	(36,240)	-6.9%
Personnel - Benefits	196,868	197,240	372	0.2%	130,530	70,040	(60,490)	-46.3%	342,297	232,611	(109,686)	-32.0%
Personnel - Taxes & W.C.	57,941	57,253	(688)	-1.2%	22,690	21,255	(1,435)	-6.3%	45,659	45,604	(55)	-0.1%
Insurance and Accounting	29,750	24,438	(5,313)	-17.9%	8,260	0	(8,260)	-100.0%	14,970	24,438	9,468	63.2%
Maintenance & Equipment	338,830	344,990	6,160	1.8%	102,820	103,520	701	0.7%	1,500	1,600	100	6.6%
Services & Supplies	397,910	524,967	127,056	31.9%	120,020	121,570	1,551	1.3%	22,780	23,810	1,030	4.5%
Utilities	43,300	50,710	7,410	17.1%	0	0	0	0.0%	0	0	0	0.0%
<b>Total:</b>	<b>\$ 1,681,957</b>	<b>\$ 1,743,258</b>	<b>\$ 61,301</b>	<b>3.6%</b>	<b>\$ 615,425</b>	<b>\$ 507,782</b>	<b>\$ (107,643)</b>	<b>-17.5%</b>	<b>\$ 951,123</b>	<b>\$ 815,739</b>	<b>\$ (135,384)</b>	<b>-14.2%</b>

General Operations (includes staff training, permit fees, regulatory compliance, and property maintenance)

- Lower personnel costs reflect savings from employee retirements.
- Higher services & supplies costs reflect significant inflation, pavement maintenance for the headquarters parking lot, additional training for new staff, termite painting to protect headquarters building exterior, and fence repairs around the operations yard for security.

Meters/Service Installation

- Lower personnel costs in this cost center reflect savings from employee retirements.

Meter Reading

- Lower personnel costs in this cost center reflect savings from employee retirements.

Description	Recycled Water				Goleta West Conduit				Booster Pumps			
	FY 2022-23	FY 2023-24	Variance		FY 2022-23	FY 2023-24	Variance		FY 2022-23	FY 2023-24	Variance	
Water Treatment	\$ 0	\$ 0	\$ 0	0.0%	\$ 71,100	\$ 57,100	\$ (14,000)	-19.7%	\$ 0	\$ 0	\$ 0	0.0%
Water Testing	0	0	0	0.0%	2,840	3,020	180	6.3%	0	0	0	0.0%
Personnel - Wages	186,854	79,791	(107,063)	-57.3%	214,986	144,157	(70,829)	-32.9%	110,149	79,678	(30,471)	-27.7%
Personnel - Benefits	79,970	35,705	(44,265)	-55.4%	88,286	66,849	(21,437)	-24.3%	45,928	31,342	(14,586)	-31.8%
Personnel - Taxes & W.C.	19,664	8,757	(10,907)	-55.5%	21,909	16,139	(5,770)	-26.3%	11,657	8,822	(2,835)	-24.3%
Insurance and Accounting	0	0	0	0.0%	0	0	0	0.0%	0	0	0	0.0%
Maintenance & Equipment	11,300	11,550	250	2.2%	14,520	15,390	870	6.0%	12,690	12,690	1	0.0%
Services & Supplies	51,740	49,850	(1,890)	-3.7%	17,680	18,750	1,070	6.0%	26,300	26,300	1	0.0%
Utilities	28,800	36,210	7,410	25.7%	6,700	6,450	(250)	-3.7%	157,900	142,130	(15,770)	-10.0%
<b>Total:</b>	<b>\$ 378,328</b>	<b>\$ 221,863</b>	<b>\$ (156,465)</b>	<b>-41.4%</b>	<b>\$ 438,022</b>	<b>\$ 327,854</b>	<b>\$ (110,168)</b>	<b>-25.2%</b>	<b>\$ 364,623</b>	<b>\$ 300,962</b>	<b>\$ (63,661)</b>	<b>-17.5%</b>

Recycled Water

- Lower personnel costs reflect a shift in staff resources from Recycled Water to Mains & Appurtenances for valve exercising and to reimbursable customer projects, as well as increased capitalization for valve, hydrant, and meter replacements.
- Higher utility costs reflect rate increases by Southern California Edison (SCE) and a slight increase in projected production for Hollister Booster Pump Station.

## Goleta West Conduit

- Lower treatment costs reflect reduced anticipated chemical demand since water quality has improved at Lake Cachuma.
- Lower personnel costs reflect a shift in staff resources to Mains & Appurtenances for valve exercising and to reimbursable customer projects, as well as increased capitalization for valve, hydrant, and meter replacements.

## Booster Pumps

- Lower costs are the result of decreased pump operations necessary to support reduced groundwater production.

Description	Reservoirs				Analysis & Research				New Water Supply & Plan Review			
	FY 2022-23	FY 2023-24	Variance		FY 2022-23	FY 2023-24	Variance		FY 2022-23	FY 2023-24	Variance	
Water Treatment	\$ 0	\$ 0	\$ 0	0.0%	\$ 0	\$ 0	\$ 0	0.0%	\$ 0	\$ 0	\$ 0	0.0%
Water Testing	0	0	0	0.0%	0	0	0	0.0%	0	0	0	0.0%
Personnel - Wages	93,992	56,838	(37,154)	-39.5%	160,721	131,331	(29,390)	-18.3%	31,272	45,197	13,925	44.5%
Personnel - Benefits	37,633	23,171	(14,462)	-38.4%	61,262	51,810	(9,452)	-15.4%	6,194	10,105	3,911	63.1%
Personnel - Taxes & W.C.	9,964	6,180	(3,784)	-38.0%	12,315	11,226	(1,089)	-8.8%	2,727	3,774	1,047	38.4%
Insurance and Accounting	0	0	0	0.0%	20,000	18,328	(1,672)	-8.4%	4,000	0	(4,000)	-100.0%
Maintenance & Equipment	25,210	25,210	0	0.0%	0	0	0	0.0%	5,000	5,000	0	0.0%
Services & Supplies	45,000	81,000	36,000	80.0%	88,700	90,200	1,500	1.7%	6,450	2,200	(4,250)	-65.9%
Utilities	347,150	424,590	77,440	22.3%	0	0	0	0.0%	0	0	0	0.0%
<b>Total:</b>	<b>\$ 558,949</b>	<b>\$ 616,989</b>	<b>\$ 58,040</b>	<b>10.4%</b>	<b>\$ 342,998</b>	<b>\$ 302,894</b>	<b>\$ (40,104)</b>	<b>-11.7%</b>	<b>\$ 55,643</b>	<b>\$ 66,276</b>	<b>\$ 10,633</b>	<b>19.1%</b>

## Reservoirs

- Lower personnel costs reflect a shift in staff resources to Mains & Appurtenances for valve exercising and to reimbursable customer projects, as well as increased capitalization for valve, hydrant, and meter replacements.
- Higher services & supplies costs reflect the need for pavement maintenance on the access road to Van Horne Reservoir to fulfill the District's easement obligations.
- Higher utility costs reflect an increase in reservoir aeration costs due to year-round operations following the completion of the Corona Reservoir aeration project. The FY 2022-23 Budget only included costs for partial year operations.

## Analysis and Research

- Lower personnel costs reflect a shift in staff resources to reimbursable customer projects.

## New Water Supply & Plan Review

- Higher costs reflect a higher volume of customer projects requiring staff review.

Description	Geographic Information System				Capital Improvements				Total Engineering & Infrastructure			
	FY 2022-23	FY 2023-24	Variance		FY 2022-23	FY 2023-24	Variance		FY 2022-23	FY 2023-24	Variance	
Water Treatment	\$ 0	\$ 0	\$ 0	0.0%	\$ 0	\$ 0	\$ 0	0.0%	\$ 1,452,000	\$ 1,451,410	\$ (590)	0.0%
Water Testing	0	0	0	0.0%	0	0	0	0.0%	339,200	383,290	44,090	13.0%
Personnel - Wages	94,539	128,410	33,871	35.8%	132,768	37,676	(95,092)	-71.6%	4,756,530	4,631,030	(125,500)	-2.6%
Personnel - Benefits	18,258	23,063	4,805	26.3%	53,985	8,705	(45,280)	-83.9%	2,091,750	1,956,280	(135,470)	-6.5%
Personnel - Taxes & W.C.	8,193	10,915	2,722	33.2%	12,560	3,167	(9,393)	-74.8%	471,427	497,289	25,862	5.5%
Insurance and Accounting	0	12,219	12,219	0.0%	5,000	6,109	1,110	22.2%	131,560	250,484	118,925	90.4%
Maintenance & Equipment	0	0	(0)	-100.0%	0	0	0	0.0%	1,222,921	1,297,660	74,739	6.1%
Services & Supplies	182,000	205,200	23,199	12.7%	122,100	121,090	(1,010)	-0.8%	2,834,731	3,180,046	345,314	12.2%
Utilities	0	0	0	0.0%	0	0	0	0.0%	1,188,150	940,740	(247,410)	-20.8%
<b>Total:</b>	<b>\$ 302,991</b>	<b>\$ 379,806</b>	<b>\$ 76,815</b>	<b>25.4%</b>	<b>\$ 326,412</b>	<b>\$ 176,748</b>	<b>\$ (149,664)</b>	<b>-45.9%</b>	<b>\$ 14,488,270</b>	<b>\$14,588,229</b>	<b>\$ 99,960</b>	<b>0.7%</b>

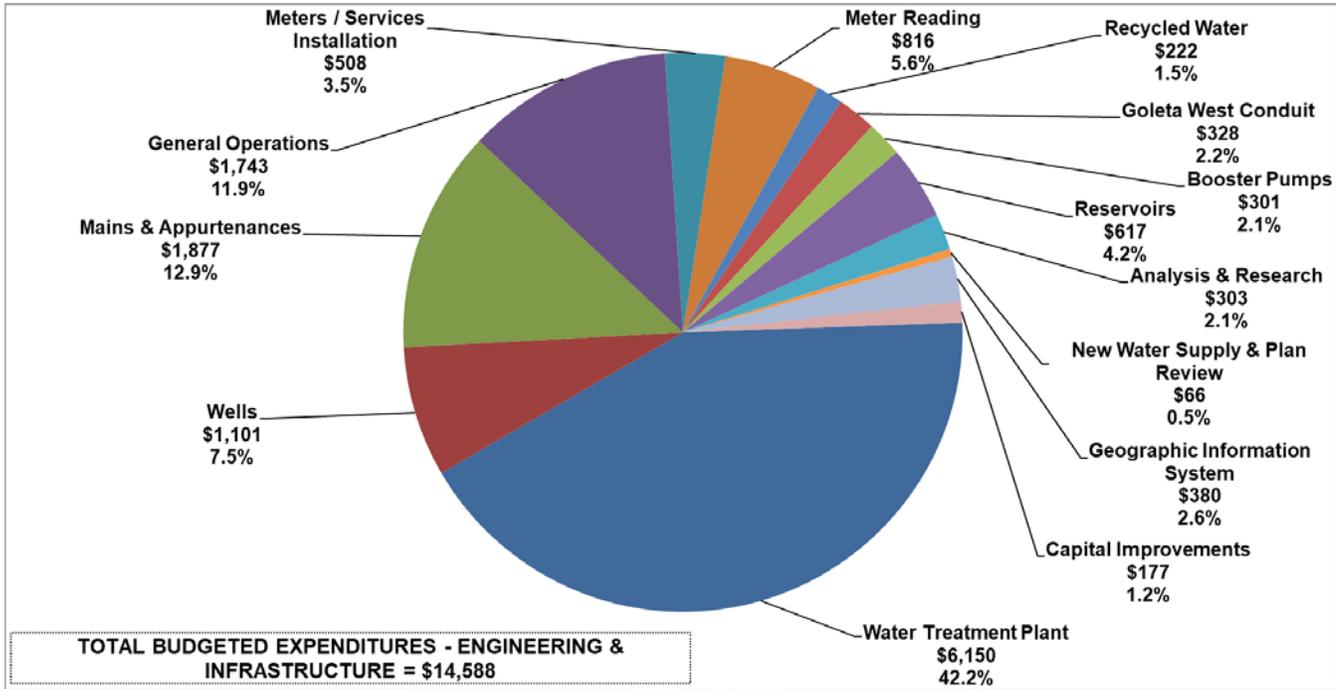
Geographic Information Systems

- Higher personnel costs reflect the shift in staff resources from small capital projects to a dedicated resource for GIS, asset management, and hydraulic modeling. This development of in-house expertise will continue to reduce the need for outside consultants for hydraulic modeling, GIS support, and asset management implementation and planning.
- Higher costs for services & supplies include triennial purchase of digital aerial imagery for the GIS to facilitate tracking of easement encroachments and erosion or landslides that threaten District pipelines that may not be readily observable during ground-based inspections.

Capital Planning

- Lower personnel costs reflect the shift in staff resources to reimbursable customer projects and the Water Treatment Plant cost center, as well as savings from employee retirements.

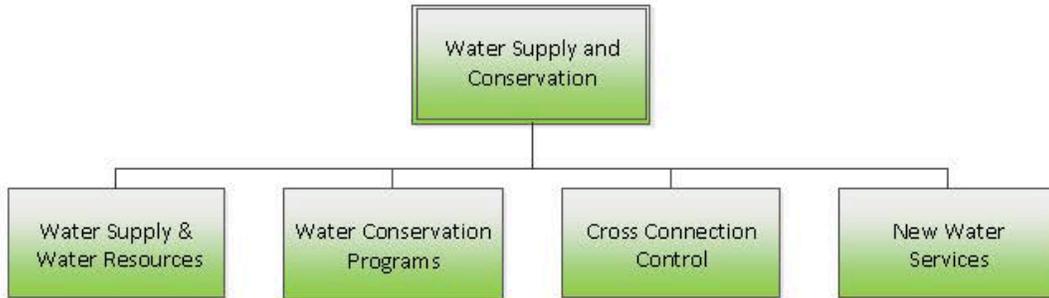
Figure 4.3 FY 2023-24 Engineering & Infrastructure Budgeted Expenditures by Programmatic Cost Center (\$000s)



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 Cross Connection Control as shown in Figure 4.4.

Figure 4.4 Water Supply and Conservation Programmatic Functions



Water Supply

The District’s diverse water supply portfolio, coupled with the community’s commitment to conservation allows the District to meet the needs of 87,000 residential, commercial, and agricultural customers in the Goleta Valley. The Water Supply cost center includes District water supply entitlements, including significant expenses associated with the State Water Project through CCWA, and Cachuma Project water through COMB. CCWA costs include fixed and variable costs from DWR for State Water supplies and transportation-related expenses. Cachuma Project expenses include the costs of supplying and conveying water from Lake Cachuma, including O&M costs passed through by USBR. Water Supply costs also include water rights and public trust resources protection and advocacy through CCRB. FY 2023-24 priorities include continued work with CCRB and other regional partners to protect surface water rights under existing state and federal orders.



Water 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 partner to the California Water Efficiency Partnership (previously CUWCC), the District works in partnership with agencies and organizations across the region to support customer water use efficiency. While wet conditions in FY 2022-23 significantly altered the District’s water supply outlook, the local climate means the District continues to plan for future droughts and ongoing conservation remains a key element of demand management. The District offers a Smart Landscape Rebate and a mulch rebate program to support customers in their conservation efforts. The District also assists customers with leak detection outreach, and promotes best practices for efficient water use.

The administration of the District’s recycled water program is also a function of the Water Supply and Conservation Department, as replacing potable water use with recycled water use is a critical function of the District’s water supply management and conservation efforts.

### New Water Services

The New Water Services cost center focuses on assisting customers through the New Water Service application process. New real estate development projects and other expansions and modifications of potable and recycled water use are reviewed and coordinated by the District, as well as with surrounding local governments and agencies, to ensure safe, reliable and efficient service to customers. The work of New Water Services involves complex research related to water rights, entitlements and agreements, as well as internal and external coordination of utility construction and development, from start to finish, including project accounting and ultimate closeout.

The current prohibition on approving new water allocations under the voter-approved SAFE Ordinance remains in effect due to the need for the District to meet its required annual commitment of groundwater to storage in the “Drought Buffer.” However, the District anticipates it will be able to meet this requirement and resume issuing new water allocations sometime in FY 2023-24.

### Water Resources

The Water Resources program supports the ongoing management of water supply agreements and coordinates updates to the District foundational planning documents, including the Groundwater Management Plan, Water Supply Management Plan, and the Urban Water Management 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 laws and regulations. FY 2023-24 priorities include updating the District’s Water Supply Management Plan, and coordinating the repayment of water owed to the Antelope Valley East Kern Water Agency (AVEK) from a water purchase made in 2014-15 at the height of the last drought.

### Water Supply and Conservation (WS&C) Accomplishments FY 2022-23

Key WS&C accomplishments during FY 2022-23, include:

- Final adoption of the District’s five-year update to the Groundwater Management Plan.
- An annual update of the District’s USBR Agricultural Water Management Plan.
- Continued compliance with statewide regulations for water conservation mandated by the State Water Resources Control Board, and submission of monthly water production and customer demand data to the State.
- Distribution of over 100 rebates through the Smart Landscape Rebate Program and the mulch rebate program.
- Completion of 53 virtual conservation check-ups for Single Family Residential customers with complimentary analysis of water use on their account, a review of landscaping via aerial imagery, assistance with programming sprinkler timers and a list of suggestions by email for saving water.



- Leak detection outreach to customers through the District’s Scorecard Program accounting for an estimated 11 AF in water savings per year.
- Engagement and presentations to students at area schools about conservation and ways to eliminate water waste.
- Interactions with more than 2,500 customers at conservation outreach events and 450 students via school presentations to educate the community on where their water comes from, statewide water use restrictions, and ways to eliminate water waste and conserve water.

As the District rebalances water supply away from drought conditions, final repayment of supplemental water purchased during the last drought will be completed this year to settle the remaining outstanding obligations.

**FY 2023-24 Water Supply and Conservation Budget**

Table 4.4 details the primary FY 2023-24 WS&C budgeted expenditures and variances from the FY 2022-23 Budget.

Table 4.4 FY 2023-24 Water Supply and Conservation Cost Center Budget Summary

Category	Adopted Budget			Variance Analysis *	
	FY 2022-23	Estimated Actual FY 2022-23	FY 2023-24	\$ Higher / (Lower)	% Higher / (Lower)
<b>Cost Center Expenses - WS&amp;C</b>					
<b>Water Supply Agreements:</b>					
COMB (Lake Cachuma Deliveries)	\$ 3,481,850	\$ 3,338,324	\$ 2,942,831	\$ (539,019)	(15%)
CCRB (Water Rights)	565,709	389,632	552,360	(13,349)	(2%)
SB County (Cloud Seeding)	32,858	11,427	0	(32,858)	(100%)
CCWA (State Water Deliveries)	7,274,171	7,811,450	8,568,126	1,293,955	18%
GSD (Recycled Water Production)	790,054	691,611	790,054	0	0%
<b>Subtotal:</b>	<b>12,144,641</b>	<b>12,242,443</b>	<b>12,853,371</b>	<b>708,731</b>	<b>6%</b>
<b>Personnel:</b>	<b>1,348,463</b>	<b>1,793,401</b>	<b>1,508,818</b>	<b>160,355</b>	<b>12%</b>
<b>Operations &amp; Maintenance:</b>					
Insurance, Accounting, & Auditing	45,999	58,753	36,656	(9,343)	(20%)
Maintenance & Equipment	2,740	1,144	1,370	(1,370)	(50%)
Services & Supplies	386,781	286,862	412,120	25,339	7%
<b>Subtotal:</b>	<b>435,520</b>	<b>346,760</b>	<b>450,146</b>	<b>14,626</b>	<b>3%</b>
<b>Total Expenditures:</b>	<b>\$ 13,928,624</b>	<b>\$ 14,382,603</b>	<b>\$ 14,812,335</b>	<b>\$ 883,711</b>	<b>6%</b>

\* Compares FY 2023-24 Adopted Budget to FY 2022-23 Adopted Budget

The WS&C cost center Budget will increase by 918K or 7% in FY 2023-24. Notable changes from the FY 2022-23 Budget to FY 2023-24 Budget include:

- Overall costs associated with Water Supply Agreements have increased slightly by approximately 6%, primarily due to anticipated increases in DWR Fixed Assessment charges for costs associated with the State Water Project, and increased energy and operational costs associated with the State Water Project. The District will also incur additional variable costs to return owed State Water supplies through CCWA to pay off water debt incurred in FY 2014-15.
- COMB O&M costs will decrease due to the completion of a significant capital project in FY 2022-23 to install a permanent submerged pipeline at Lake Cachuma.
- Costs for CCRB are down slightly by 2%, and reflect ongoing advocacy efforts related to the Biological Opinion for the Cachuma Project, State Water Rights Order, and proposed listing of *O. mykiss* (steelhead) under the California Endangered Species Act.
- Personnel costs have increased by approximately \$160k, or 12%, associated with MOU-related step increases and previously negotiated SEIU provisions.

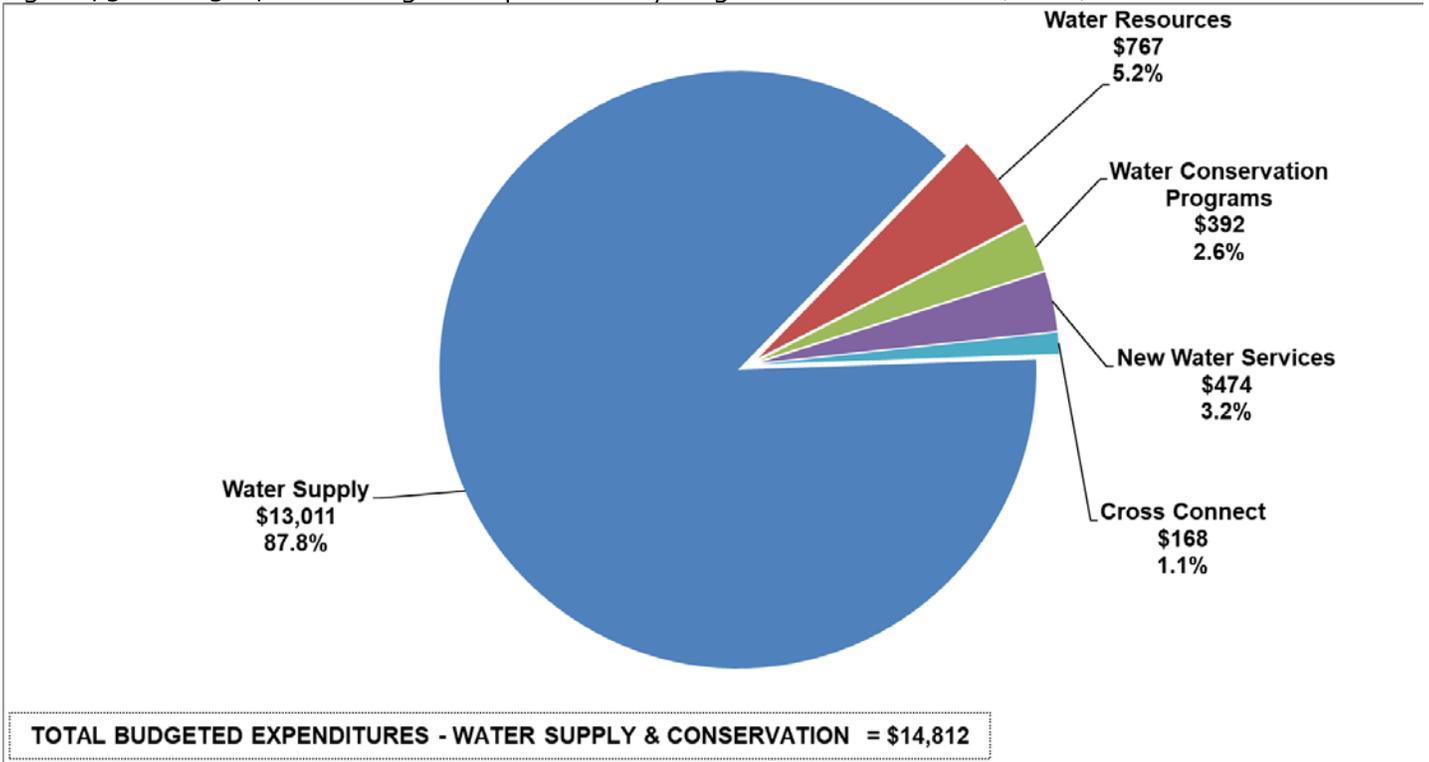
Table 4.5 and Figure 4.5 provide details of WS&C expenditures by programmatic cost center.

**Table 4.5 FY 2023-24 WS&C Budgeted Expenditures by Programmatic Cost Center**

Description	Water Supply				Water Resources				Water Conservation Programs			
	FY 2022-23	FY 2023-24	Variance	%	FY 2022-23	FY 2023-24	Variance	%	FY 2022-23	FY 2023-24	Variance	%
COMB (Lake Cachuma Deliveries)	\$ 3,481,850	\$ 2,942,831	\$ (539,019)	-15.5%	\$ 0	\$ 0	\$ 0	0.0%	\$ 0	\$ 0	\$ 0	0.0%
CCRB (Water Rights)	565,709	552,360	(13,349)	-2.4%	0	0	0	0.0%	0	0	0	0.0%
SB County (Cloud Seeding)	32,858	0	(32,858)	-100.0%	0	0	0	0.0%	0	0	0	0.0%
CCWA (State Water Deliveries)	7,274,171	8,568,126	1,293,955	17.8%	0	0	0	0.0%	0	0	0	0.0%
GSD (Recycled Water Production)	790,054	790,054	0	0.0%	0	0	0	0.0%	0	0	0	0.0%
Personnel - Wages	162,998	106,023	(56,975)	-35.0%	324,908	355,899	30,991	9.5%	145,910	163,230	17,320	11.9%
Personnel - Benefits	61,173	43,220	(17,953)	-29.3%	135,675	82,010	(53,665)	-39.6%	91,042	113,819	22,777	25.0%
Personnel - Taxes & W.C.	11,425	8,657	(2,768)	-24.2%	24,447	25,337	890	3.6%	17,266	13,873	(3,393)	-19.7%
Insurance, Accounting, & Auditing	0	0	0	0.0%	33,262	12,219	(21,043)	-63.3%	606	6,109	5,503	908.1%
Maintenance & Equipment	0	0	0	0.0%	0	0	0	0.0%	0	0	0	0.0%
Services & Supplies	0	0	0	0.0%	266,543	291,447	24,904	9.3%	91,662	95,398	3,736	4.1%
<b>Total:</b>	<b>\$12,380,237</b>	<b>\$13,011,270</b>	<b>\$ 631,033</b>	<b>5.1%</b>	<b>\$ 784,835</b>	<b>\$ 766,912</b>	<b>\$ (17,923)</b>	<b>-2.3%</b>	<b>\$ 346,486</b>	<b>\$ 392,430</b>	<b>\$ 45,944</b>	<b>13.3%</b>

Description	New Water Services				Cross Connect				Total WS&C			
	FY 2022-23	FY 2023-24	Variance	%	FY 2022-23	FY 2023-24	Variance	%	FY 2022-23	FY 2023-24	Variance	%
COMB (Lake Cachuma Deliveries)	\$ 0	\$ 0	\$ 0	0.0%	\$ 0	\$ 0	\$ 0	0.0%	\$ 3,481,850	\$ 2,942,831	\$ (539,019)	-15.5%
CCRB (Water Rights)	0	0	0	0.0%	0	0	0	0.0%	565,709	552,360	(13,349)	-2.4%
SB County (Cloud Seeding)	0	0	0	0.0%	0	0	0	0.0%	32,858	0	(32,858)	-100.0%
CCWA (State Water Deliveries)	0	0	0	0.0%	0	0	0	0.0%	7,274,171	8,568,126	1,293,955	17.8%
GSD (Recycled Water Production)	0	0	0	0.0%	0	0	0	0.0%	790,054	790,054	0	0.0%
Personnel - Wages	178,263	283,854	105,591	59.2%	79,072	107,240	28,168	35.6%	891,151	1,016,246	125,095	14.0%
Personnel - Benefits	76,559	151,815	75,256	98.3%	18,292	22,348	4,056	22.2%	382,741	413,212	30,471	8.0%
Personnel - Taxes & W.C.	14,694	21,809	7,115	48.4%	6,739	9,684	2,945	43.7%	74,571	79,360	4,789	6.4%
Insurance, Accounting, & Auditing	7,370	12,219	4,849	65.8%	4,761	6,109	1,348	28.3%	45,999	36,656	(9,343)	-20.3%
Maintenance & Equipment	0	0	0	0.0%	2,740	1,370	(1,370)	-50.0%	2,740	1,370	(1,370)	-50.0%
Services & Supplies	4,736	4,446	(290)	-6.1%	23,840	20,829	(3,011)	-12.6%	386,781	412,120	25,339	6.6%
<b>Total:</b>	<b>\$ 281,622</b>	<b>\$ 474,143</b>	<b>\$ 192,521</b>	<b>68.4%</b>	<b>\$ 135,444</b>	<b>\$ 167,580</b>	<b>\$ 32,136</b>	<b>23.7%</b>	<b>\$13,928,624</b>	<b>\$14,812,335</b>	<b>\$ 883,711</b>	<b>6.3%</b>

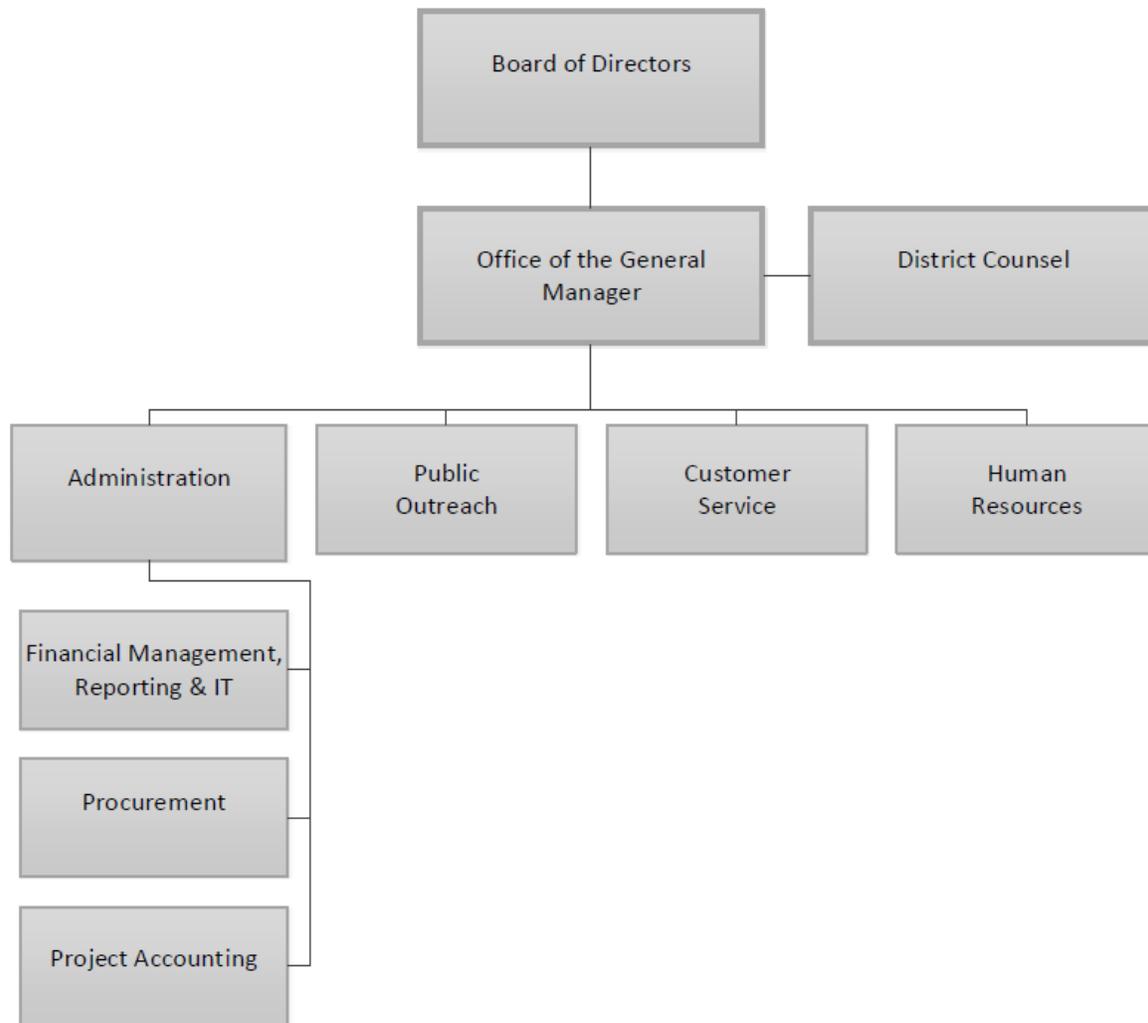
Figure 4.5 FY 2023-24 WS&C Budgeted Expenditures by Programmatic Cost Center (\$000s)



## GENERAL ADMINISTRATION COST CENTER

The General Administration cost center includes the Board of Directors, District General Management, District Legal Counsel, and General Administration cost centers including Financial Management, Reporting, Information Technology, Public Outreach, Customer Service, and Human Resources, as outlined in Figure 4.6.

Figure 4.6 General Administration Programmatic Functions



### Financial Management, Reporting, & Information Technology (IT)

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 administration services include customer billings, accounts receivable, accounts payable, payroll, investment and cash management, financial reporting, annual budget preparation, monthly budget tracking, in-house data warehouse and inter-department data management, cash flow analysis, 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 and supports technology tools for internal District operations, as well as District customers. These include network support services, customer information systems, and billing support services, among others. During FY 2023-24, the District will continue to implement process and system improvements that will enhance operational efficiencies with a specific focus on migrating to processes using digital and/or electronic documentation.

### Procurement and Contract Management

Procurement and Contract Management serves as a centralized repository for District contracts, purchase orders, and vendor management, ensuring related processes are streamlined and consistent across the organization. Procurement manages Notices Inviting Bids, Requests for Proposals, and Request for Quotes processes, and provides departmental assistance with the execution and oversight of various vendor agreements required to operate District facilities, deliver water to customers, improve District infrastructure, and support other internal District operations and administration. Close coordination with District management and current or potential vendors assures procurement policies and practices are consistent with the District Code.

Working closely with District Counsel, Contract Management streamlines the creation, negotiation, execution, compliance, storage, and renewals of contracts across all District departments. Other aspects of contract management include tracking contract spending, and collecting, reviewing and filing supporting documents for the procurement process, such as insurance, bonds, and Department of Industrial Relations project registrations.

### Project Accounting

The District's project accounting tracks costs associated with internal (District) projects and external (Developer) projects. Projects can range from a few days to several years and generally result in an asset that is recorded on the District's financials. The District's accounting system has a specific module that is used to record and track costs associated with individual projects. This system captures labor, equipment, inventory and vendor costs that are incurred throughout the span of a project. The system assists the District in billing the Developer on external projects and recording the assets upon project completion.

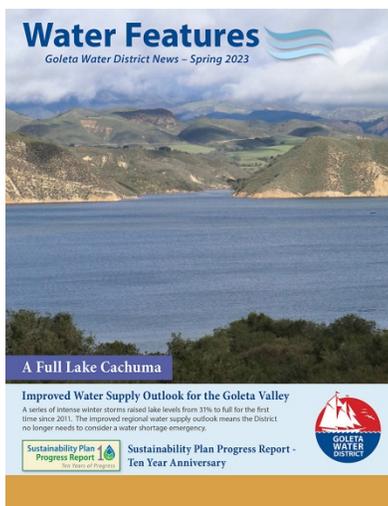
### Human Resources

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 and the Employee Wellness Program, to ensure a safe and healthy work environment for employees, and analyzes and coordinates insurance matters in cooperation with the District insurance provider, Association of California Water Agencies (ACWA)/Joint Points Insurance Authority (JPIA). Additionally, Human Resources administers all benefit processes. Given the difficult recruiting environment, and industry-wide trends in the water workforce that mean a growing number of employees are retirement eligible, succession planning, employee training and development, as well as efforts to retain current employees will continue to be of strategic importance.

This past year oversaw the integration of Human Resources and Customer Service into the Office of the General Manager. Customer Service is the primary source of outreach to customers and the change will allow for greater alignment with Public Information. Human Resources plays a key role in internal communications, and will be increasingly focused on succession planning given the increasing number of retirement-eligible employees.

## Customer Service

The Customer Service center is the initial point of contact for the community, handling incoming calls, responding to electronic inquiries, and managing the billing and collection process for the District's 17,000 customer accounts. The greater integration of Customer Service into the Office of the General Manager will further enhance coordination with Public Outreach, and allow for quicker, more targeted outreach. For FY 2023-24, Customer Service will implement a new self-serve kiosk at the counter, and continue promoting the District's customer portal (WaterSmart) to increase customer participation in electronic and automatic payment while increasing paperless billing.



## Public Outreach

Public Outreach and Public Information functions include all District communications, media relations, press releases, special outreach, newsletters, and oversight of the District's website, social media, and internet presence. This effort ensures customers are equipped with reliable, timely, and objective information, enabling a clear understanding of District issues and activities. Ongoing implementation of the District's Sustainability Plan and coordination of ongoing inter-departmental initiatives are also housed in this cost center. FY 2023-24 public outreach will continue educating customers on key aspects of District operations, including the Net Zero initiative, as well as the future challenges ahead. The District will continue to identify innovative and effective communication methods, including expanded use of WaterSmart, to engage with and understand the needs of District customers, ensuring that services align with those needs and values.

## General Administration Accomplishments FY 2022-23

Significant highlights achieved during FY 2022-23 included:

- Rescinded the District's COVID-19 Vaccination Policy in response to the expiration of the California Emergency declaration and associated updates to public health guidance.
- Reopened the Customer Service counter to in-person visitors with enhanced building and safety improvements, and lifted the restriction on remote staff returning to the office.
- Purchased and installed a customer self-service kiosk to allow customers to process cash and credit card payments independently.
- Completed the District's Annual Comprehensive Financial Report (ACFR) and receipt of an unmodified ("clean") opinion on its audited financial statements.
- Successfully recruited and filled 11 positions resulting primarily from a series of retirements to ensure adequate staffing coverage across the organization, especially for critical positions requiring licensed and/or credentialed staff.
- Implemented several new system integrations with Microsoft Great Plains that reduced manual data entry and supported more efficient payment processing.
- Developed and implemented a new integration process between Advanced Utilities systems (AUS) and Microsoft Great Plains resulting in faster revenue reporting.



- Enrolled the District in the State of California’s Low Income Household Water Assistance Program and promoted the availability of this direct assistance to customers experiencing financial hardship. Created outreach materials and engaged customers via phone, email, and flyers to promote bill payment assistance for which they might be eligible.
- Continued timely issuance of over 200,000 customer bills and payment processing.
- Reached over 66,000 District customers and residents with the Summer 2022 and Spring 2023 Newsletters. Reached over 33,000 District customers and residents with the 2022 Consumer Confidence Report (CCR) Postcard Notice, and posted the 2022 CCR to the website.
- Maintained the District website as a resource for customers with over 92,000 page views. Water Supply - Lake Cachuma, Online Customer Service and Payment Portal, and Employment were ranked as the most popular items.
- Developed 6 new website pages, 4 featured articles, 2 new videos and multiple updates for critical topics to provide timely information to customers. These included how-to-videos focused on the District’s WaterSmart Portal and online bill pay options.
- Increased outreach on the District's sustainability efforts including the most recent Sustainability Plan Progress Report celebrating the 10-year anniversary of adoption of the original Sustainability Plan, and a conservation themed display at the Goleta Library highlighting the many ways in which customers are continuing to save water.
- Created infographics and articles to update customers on the current water supply outlook, and created outreach on the District’s injection of treated spill water under permit to recharge the Basin for the first time since 2011.
- Received an ACWA JPIA President’s Special Recognition award for achieving a low loss ratio in the Property Insurance program.

## FY 2023-24 General Administration Budget

Table 4.6 compares General Administration budget variances between FY 2022-23 and FY 2023-24.

Table 4.6 FY 2023-24 General Administration Cost Center Budget Summary

Category	Adopted	Estimated	Projected	Variance Analysis *	
	Budget FY 2022-23	Actual FY 2022-23	Budget FY 2023-24	\$ Higher / (Lower)	% Higher / (Lower)
<b>Cost Center Expenses - General Admin.</b>					
<b>Personnel:</b>	\$ 3,223,758	\$ 2,985,514	\$ 3,571,932	\$ 348,174	11%
<b>Other Post Employment Benefits:</b>	567,695	538,867	576,155	8,460	1%
<b>Operations &amp; Maintenance:</b>					
Insurance, Accounting, & Auditing	123,835	127,769	201,259	77,424	63%
Legal	410,000	205,113	390,000	(20,000)	(5%)
Services & Supplies	1,259,124	1,156,234	1,227,640	(31,484)	(3%)
<b>Subtotal:</b>	<b>1,792,959</b>	<b>1,489,116</b>	<b>1,818,899</b>	<b>25,940</b>	<b>1%</b>
<b>Total Expenditures:</b>	<b>\$ 5,584,412</b>	<b>\$ 5,013,498</b>	<b>\$ 5,966,987</b>	<b>\$ 382,575</b>	<b>7%</b>

\* Compares FY 2023-24 Projected Budget to FY 2022-23 Adopted Budget

The General Administration Budget will increase by \$383K, or 7% in FY 2023-24. Notable General Administration changes from FY 2022-23 to FY 2023-24 Budget include:

- Personnel costs will increase by \$348K or 11% primarily resulting primarily from MOU-related step increases and previously negotiated SEIU provisions.
- Insurance, Accounting and Auditing will increase by 63% or \$77K driven largely by insurance industry trends that have seen premiums increase by 20-30%, and increased accounting support fees for automations and process improvements.
- Legal will decrease by \$20K or 5% as a result of reduced legal services.

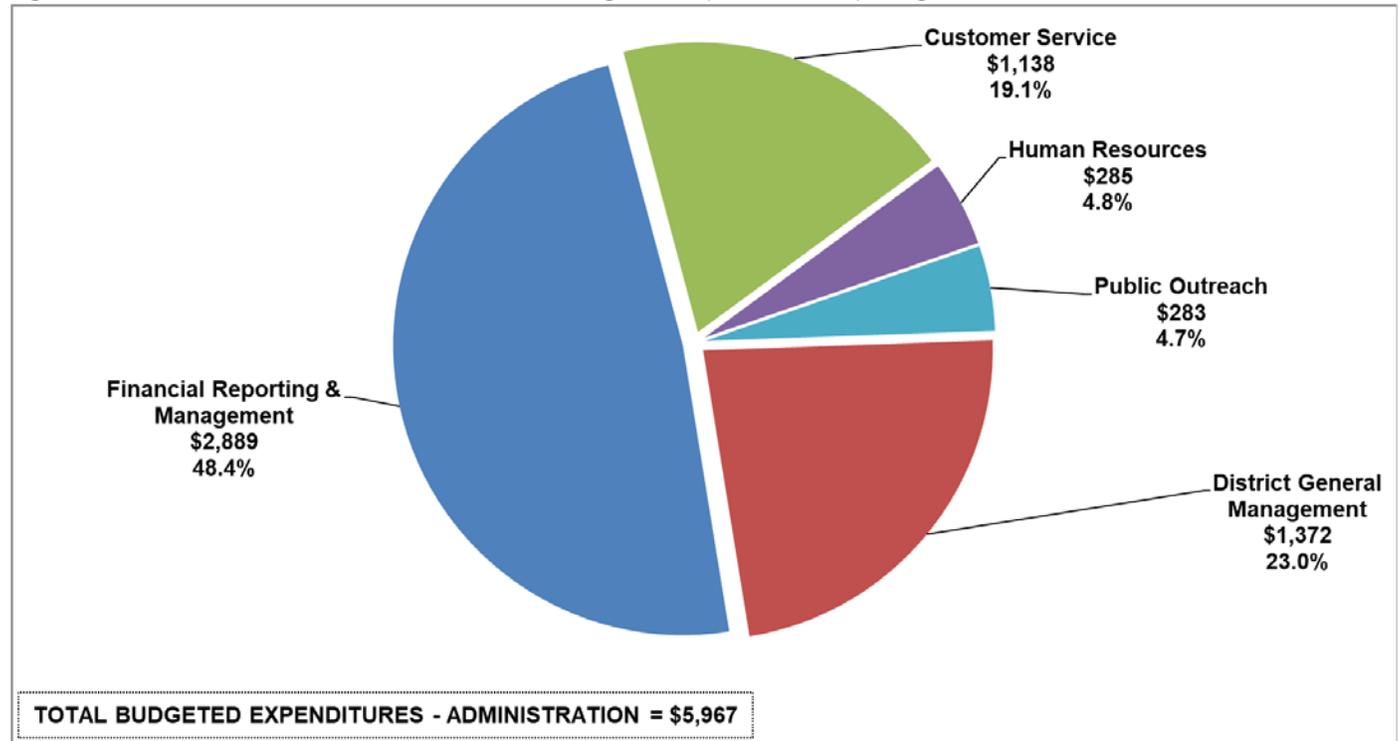
Table 4.7 and Figure 4.7 provide a detailed breakdown of General Administration expenditures by programmatic cost center.

Table 4.7 FY 2023-24 General Administration Budgeted Expenditures by Programmatic Cost Center

Description	District General Management				Financial Reporting & Management				Customer Service			
	FY 2022-23	FY 2023-24	Variance		FY 2022-23	FY 2023-24	Variance		FY 2022-23	FY 2023-24	Variance	
Personnel - Wages	\$ 430,399	\$ 492,914	\$ 62,516	14.5%	\$ 1,163,880	\$ 1,289,958	\$ 126,078	10.8%	\$ 252,905	\$ 258,594	\$ 5,689	2.2%
Personnel - Benefits	263,438	267,219	3,781	1.4%	453,348	555,116	101,769	22.4%	133,438	109,752	(23,686)	-17.8%
Personnel - Taxes & W.C.	25,698	31,640	5,942	23.1%	101,498	109,357	7,860	7.7%	19,312	20,850	1,538	8.0%
Other Post Employment Benefits	0	0	0	0.0%	567,695	576,155	8,460	1.5%	0	0	0	0.0%
Insurance, Accounting, & Auditing	46,200	59,438	13,238	28.7%	72,800	117,384	44,584	61.2%	2,600	12,219	9,619	370.0%
Legal	360,000	360,000	0	0.0%	0	0	0	0.0%	0	0	0	0.0%
Services & Supplies	215,520	161,260	(54,260)	-25.2%	243,800	241,300	(2,500)	-1.0%	705,420	736,580	31,160	4.4%
<b>Total:</b>	<b>\$ 1,341,255</b>	<b>\$ 1,372,471</b>	<b>\$ 31,216</b>	<b>2.3%</b>	<b>\$ 2,603,020</b>	<b>\$ 2,889,271</b>	<b>\$ 286,251</b>	<b>11.0%</b>	<b>\$ 1,113,675</b>	<b>\$ 1,137,995</b>	<b>\$ 24,320</b>	<b>2.2%</b>

Description	Human Resources				Public Outreach				Total Administration			
	FY 2022-23	FY 2023-24	Variance		FY 2022-23	FY 2023-24	Variance		FY 2022-23	FY 2023-24	Variance	
Personnel - Wages	\$ 125,672	\$ 184,274	\$ 58,602	46.6%	\$ 148,773	\$ 137,588	\$ (11,185)	-7.5%	\$ 2,121,628	\$ 2,363,328	\$ 241,700	11.4%
Personnel - Benefits	26,277	37,619	11,342	43.2%	58,349	51,617	(6,732)	-11.5%	934,850	1,021,323	86,474	9.3%
Personnel - Taxes & W.C.	10,551	14,619	4,068	38.6%	10,222	10,814	592	5.8%	167,281	187,281	20,001	12.0%
Other Post Employment Benefits	0	0	0	0.0%	0	0	0	0.0%	567,695	576,155	8,460	1.5%
Insurance, Accounting, & Auditing	0	6,109	6,109	0.0%	2,235	6,109	3,874	173.4%	123,835	201,259	77,424	62.5%
Legal	50,000	30,000	(20,000)	-40.0%	0	0	0	0.0%	410,000	390,000	(20,000)	-4.9%
Services & Supplies	5,420	12,020	6,600	121.8%	88,964	76,480	(12,484)	-14.0%	1,259,124	1,227,640	(31,484)	-2.5%
<b>Total:</b>	<b>\$ 217,920</b>	<b>\$ 284,642</b>	<b>\$ 66,722</b>	<b>30.6%</b>	<b>\$ 308,543</b>	<b>\$ 282,609</b>	<b>\$ (25,934)</b>	<b>-8.4%</b>	<b>\$ 5,584,412</b>	<b>\$ 5,966,987</b>	<b>\$ 382,575</b>	<b>6.9%</b>

Figure 4.7 FY 2023-24 General Administration Budgeted Expenditures by Programmatic Cost Center (\$000s)



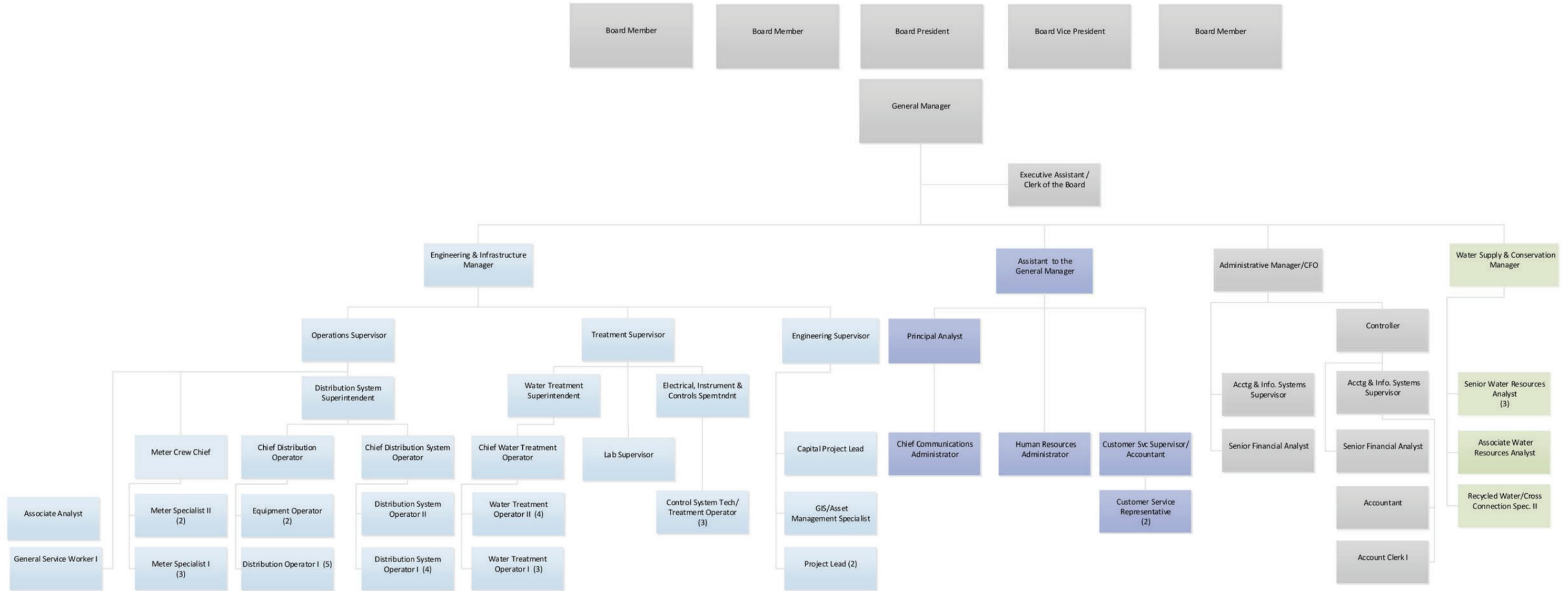
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## DISTRICT ORGANIZATION

The District is governed by a five-member, publicly elected Board of Directors. The Office of the General Manager is responsible for the day-to-day policy implementation and operations of the District, including Public Outreach and the activities of the three departments: Engineering and Infrastructure, WS&C, and General Administration. 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 4.8.

Figure 4.8 Organizational Chart by Department and Position

Figure 4.8 Organizational Chart by Department and Position



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