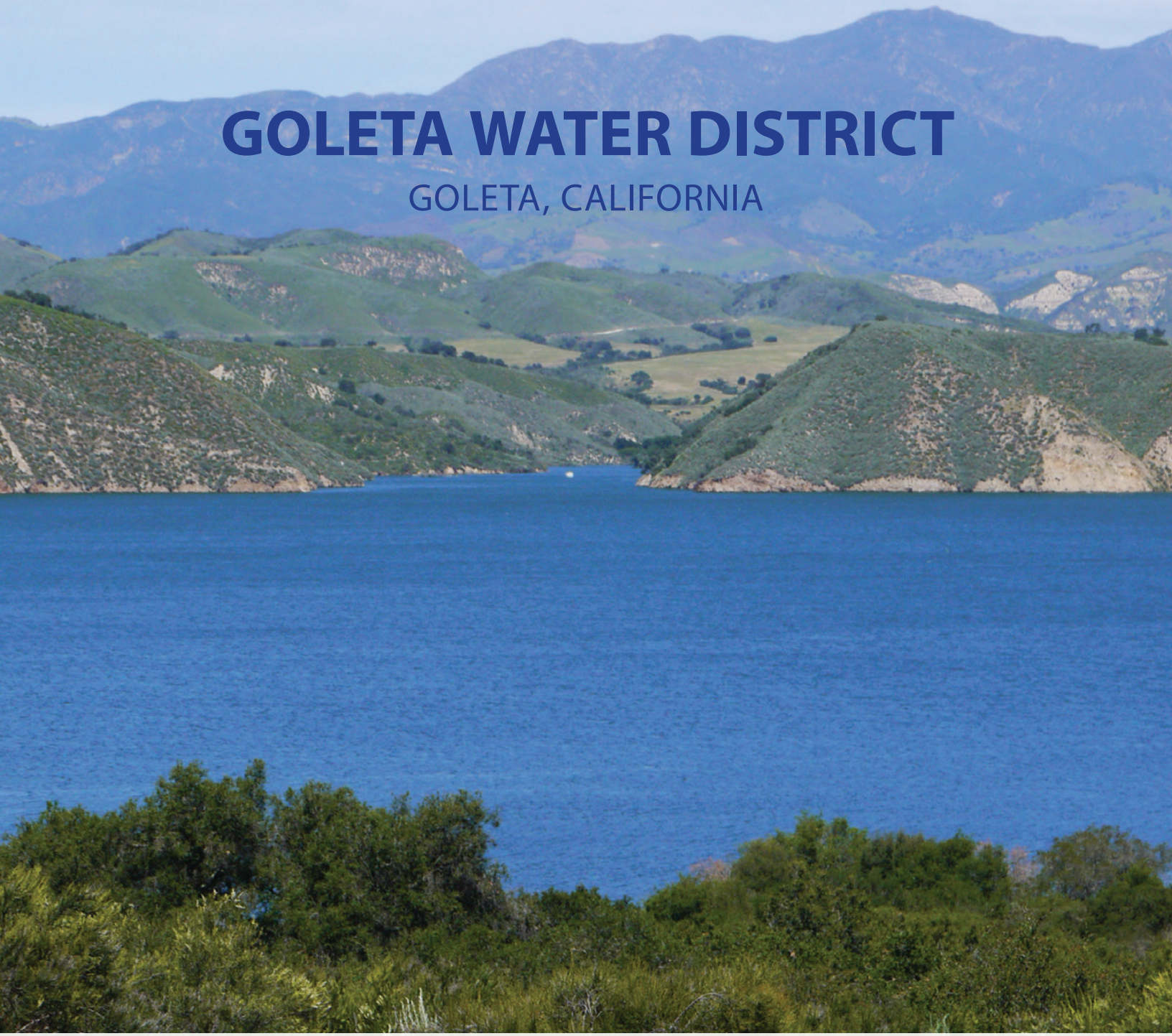
GOLETA WATER DISTRICT

GOLETA, CALIFORNIA



Fiscal Year 2025–26

FINAL BUDGET

GOLETA WATER DISTRICT

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 Lake Cachuma. The lake, which is the District's primary source of water supply, remains above 84% capacity as of June 2025, despite a below-average rainfall year.

GOLETA WATER DISTRICT

Board of Directors

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Distinguished Budget Presentation Award

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California

For the Fiscal Year Beginning

July 01, 2024

Christopher P. Morrill

Executive Director

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List of Acronyms and Abbreviations

ACWA	Association of California Water Agencies
AF	Acre-Feet
AFY	Acre-Feet per Year
AMI	Advanced Metering Infrastructure
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
E&I	Engineering & Infrastructure Department
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

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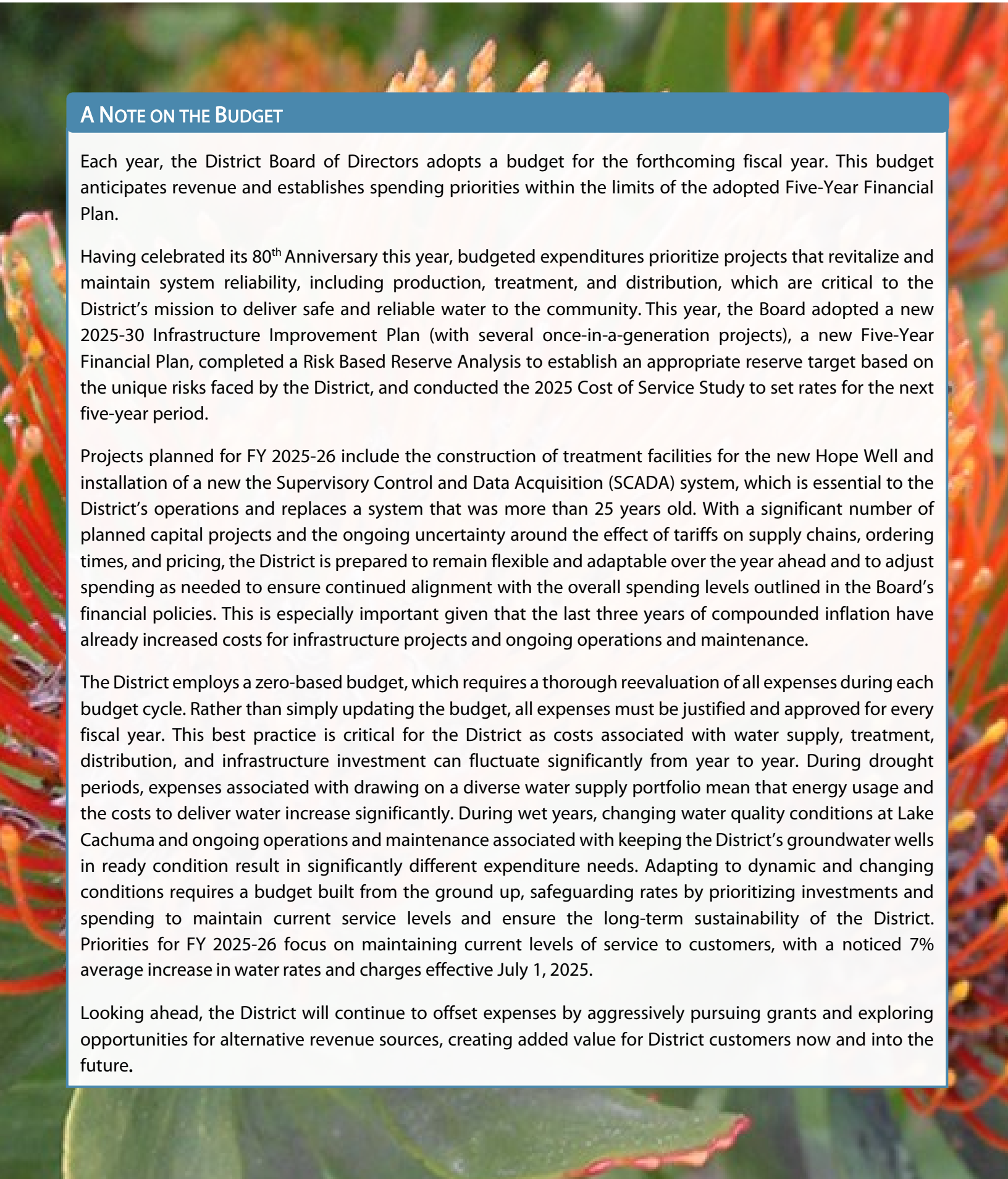
SECTION I – OVERVIEW



A Note on the Budget

Each year, the District Board of Directors adopts a budget for the forthcoming fiscal year. This budget anticipates revenue and establishes spending priorities within the limits of the adopted Five-Year Financial Plan.

Having celebrated its 80th Anniversary this year, budgeted expenditures prioritize projects that revitalize and maintain system reliability, including production, treatment, and distribution, which are critical to the District's mission to deliver safe and reliable water to the community. This year, the Board adopted a new 2025-30 Infrastructure Improvement Plan (with several once-in-a-generation projects), a new Five-Year Financial Plan, completed a Risk Based Reserve Analysis to establish an appropriate reserve target based on the unique risks faced by the District, and conducted the 2025 Cost of Service Study to set rates for the next five-year period.

Projects planned for FY 2025-26 include the construction of treatment facilities for the new Hope Well and installation of a new the Supervisory Control and Data Acquisition (SCADA) system, which is essential to the District's operations and replaces a system that was more than 25 years old. With a significant number of planned capital projects and the ongoing uncertainty around the effect of tariffs on supply chains, ordering times, and pricing, the District is prepared to remain flexible and adaptable over the year ahead and to adjust spending as needed to ensure continued alignment with the overall spending levels outlined in the Board's financial policies. This is especially important given that the last three years of compounded inflation have already increased costs for infrastructure projects and ongoing operations and maintenance.

The District employs a zero-based budget, which requires a thorough reevaluation of all expenses during each budget cycle. Rather than simply updating the budget, all expenses must be justified and approved for every fiscal year. This best practice is critical for the District as costs associated with water supply, treatment, distribution, and infrastructure investment can fluctuate significantly from year to year. During drought periods, expenses associated with drawing on a diverse water supply portfolio mean that energy usage and the costs to deliver water increase significantly. During wet years, changing water quality conditions at Lake Cachuma and ongoing operations and maintenance associated with keeping the District's groundwater wells in ready condition result in significantly different expenditure needs. Adapting to dynamic and changing conditions requires a budget built from the ground up, safeguarding rates by prioritizing investments and spending to maintain current service levels and ensure the long-term sustainability of the District. Priorities for FY 2025-26 focus on maintaining current levels of service to customers, with a noticed 7% average increase in water rates and charges effective July 1, 2025.

Looking ahead, the District will continue to offset expenses by aggressively pursuing grants and exploring opportunities for alternative revenue sources, creating added value for District customers now and into the future.

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 holds elections by district, 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 the staff responsible for executing ongoing operational and administrative functions. District employees include certified treatment and distribution operators, water quality scientists, engineers, policy and financial analysts, and administrative professionals.

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, eight 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.

Even with Statewide drought concerns and a below-average rainfall year, surface water supplies alone are adequate to meet nearly two full years of customer demand.

The local climate is generally characterized as coastal Mediterranean 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 has fluctuated 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 below-average rainfall year has not materially affected the District's water supply outlook. After two wet years, Lake Cachuma surface water supplies remain adequate to meet two years or more of customer demand, and conditions were sufficient for the District to continue its Aquifer Storage and Recovery (ASR) Program by actively injecting treated lake water into the Goleta Groundwater Basin (Basin). This active injection will support enhanced recharge of the groundwater basin and ensure this critical drought buffer continues to be available in the future.

With surface water supplies available, the District has continued to rest the Basin, operating wells at the minimal level required to maintain them in ready status. Even as the continued strong water supply outlook allows the District to rely on lower cost surface water supplies from Lake Cachuma to meet customer needs, increased capital investment is necessary to maintain an aging system for a District that celebrated its 80th Anniversary on

November 17, 2024. Revitalizing aging equipment and maintaining the ability to rely on sustainable groundwater reserves for future dry periods and emergencies requires ongoing investment in the infrastructure necessary to access and replenish it, and concerns over the potential cost and supply chain disruptions associated with tariffs introduce an element of uncertainty.

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 District's foundational water resource management plans, including the Groundwater Management Plan, Urban Water Management Plan, and Water Supply Management Plan, are updated every five years and guide the use of the water supply portfolio. The District will update the Urban Water Management Plan in FY 2025-26.

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 the 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 the 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 eight 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 groundwater basin is integral to the District's 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 2025-26, 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. In FY 2023-24, the District drilled the first new well in over forty years. The Hope Well represents an important step in replacing and rehabilitating an aging well field. In FY 2025-26, the District will begin construction of the pumping and treatment system for the Hope Well. The District will also drill a new well at the current SB Corp Well site to replace an inactive and shallow well with a deeper, larger well to allow for increased production and injection. 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 530 acre-feet (AF) in FY 2024-25 and 395 AF in FY 2023-24 (as a result of changing water quality conditions that limited the number of wells that could be used).

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

2025, the District received an initial 5% allocation of its full State Water entitlement, which was subsequently increased to 20% in January, 35% in February, 40% in March, and to 50% in April in response to statewide water supply conditions. The District does not anticipate taking delivery of any State Water in 2025 and will continue to store carryover water in the San Luis Reservoir.

A long-standing exchange agreement with ID #1 will continue in FY 2025-26, 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 645 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.

District Service Area and Customer Socioeconomic Information

Over the last century, the land use characteristics within the District's service territory have largely transitioned from being primarily rural and agricultural into a mix of diverse urban communities. The District service area is typical of coastal communities in California and is mainly residential but also includes a variety of institutional and commercial uses, while retaining pockets of agricultural land, open space, and recreational areas. The service territory includes a diverse business sector, with research firms, telecommunications, medical research, national security, light manufacturing, retail, wholesale trade, and corporate offices of multinational companies. The agricultural sector also represents a significant portion of District water use, with local production focusing primarily on avocados and lemons. UCSB is the largest institution in the District's service area. Commercial areas throughout the District include the Fairview and Calle Real Shopping Center, the Camino Real Marketplace, and Old Town. Approximately 38% of the population in the District's service area resides within the Goleta City limits. The remaining service area is within the County Unincorporated area, including Isla Vista and the Eastern Goleta Valley. The District overall encompasses a service area that has a diverse socioeconomic population with varying water demands. According to the most recent Census data, within the City of Goleta, the median household income is $118,039, with an average family size of 2.68 and a 51.2% homeownership rate. In the Isla Vista area, the median household income is $24,428, with an average family size is 2.82 and a homeownership rate of 1%. In the Eastern Goleta Valley, the median household income is $136,839, with an average family size is 2.74, and a homeownership rate of 73%. The unemployment rate currently stands at 4.9% as of March 2025, similar to Santa Barbara County and the State of California.

Customer Demand

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 88% of customer connections, with single-family homes comprising almost 77% of customer connections and multi-family dwellings accounting for the balance. The over 26,000 UCSB students, many of whom live in campus dormitories and Isla Vista apartments, represent a large portion of the area's multi-family residential customers. Residential water use represents approximately 49% of overall water demand. This proportionally low use is largely due to exceptional conservation over the past decade. 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.

The remaining 51% of demand is attributed to non-residential water use, with agricultural use accounting for 23%, 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.

Fluctuations in year-over-year water demand for agricultural, landscape irrigation, and recycled customers are 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 does not currently indicate significant changes that would adversely affect District operations.

The District currently has 484 active 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).

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 and outreach to customers through the Customer Class 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. 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. A self-service kiosk in the Customer Service Lobby provides customers with a convenient self-service option. 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.

District customers can access their accounts and make payments online at any time. Approximately 62% of customers use the District's online account management tools to submit payments electronically, and over half of all customers are enrolled in the WaterSmart Portal, which is one of the highest rates of online enrollment among water providers using this software. This web-based customer service platform enables customers to access their account information, electronic bills, and historical water use, as well as initiate payment electronically. The District has also continued to promote various grant assistance programs to assist customers experiencing financial hardship with paying their bills and offers payment plans. The District also maintains an Electronic Agenda Board outside of the customer service entrance with a full color interactive touch screen display that allows customers to access agendas, view information about the District, download materials, and visit the WaterSmart customer portal via QR codes on their electronic devices. The electronic agenda board also serves as a customizable point-of-sale display on which important information can be highlighted for visitors.

Goleta Water District Budget

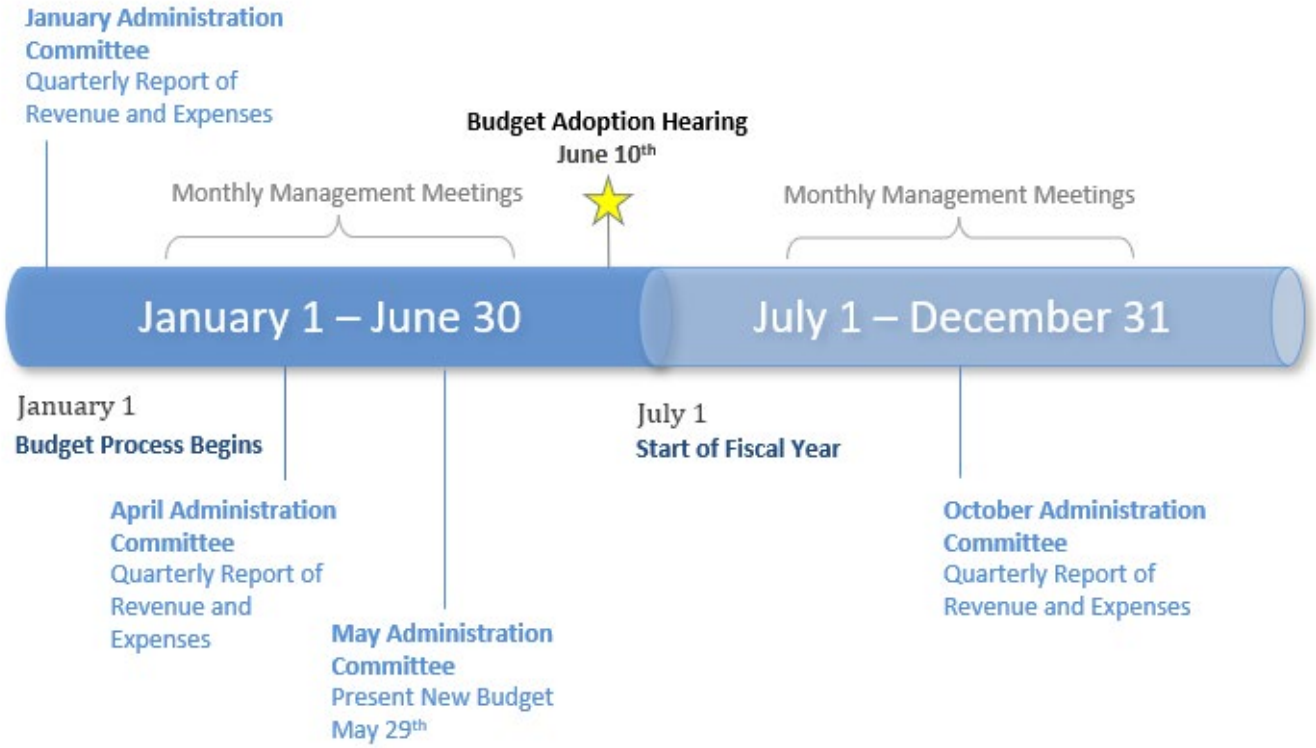
The development and adoption of an annual budget based on expected revenues and expenditures, as well as identified projects and programs, provides the financial foundation for District activities. The Budget serves as a planning roadmap for ensuring reasonable costs and predictable customer rates. The 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.

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 District budget is prepared internally over a six-month period beginning in January of each year. The District uses a zero-based budget approach, with worksheets developed from the ground-up using input from each Department to address the goals and objectives for the following fiscal year. Meetings are held with the executive management team to review each Department's actual and projected expenses and develop revenue projections (see Section II for more details).

A full draft budget is presented to the Administration Committee for initial review in May. The Board reviews and adopts the Budget at their annual budget meeting on the second Tuesday in June. When necessary, an additional workshop can be added at the direction of the Board. Meetings are publicly noticed on the District's website and on the electronic agenda board on the front of the building, and members of the public are encouraged to attend and provide comment.

After adoption of the Budget, the Executive team is presented with comprehensive monthly reports to track and monitor expenditures against individual program budgets for each of the District's 22 cost centers (streamlined from 24 in FY 2024-25). Additionally, a quarterly summary report of revenue and expenses is presented to the Administration Committee and subsequently to the Board of Directors. The adopted Budget may be amended as necessary by Board action, through a publicly noticed meeting. However, the Board traditionally addresses any budgetary shortfalls or increases by adjusting capital spending through the amendment of the Infrastructure Improvement Plan (IIP) annually at their regularly scheduled meeting on the second Tuesday in March.

Budget Process Timeline



The FY 2025-26 Budget also represents a short-term financial plan consistent with the goals outlined in the 2025-2030 Financial Plan and 2025 Cost of Service Study. A vital component of the Financial Plan is the District's commitment to managing controllable costs while planning for and mitigating exposure to externalities that are beyond the District's control.

Financial Policies and Controls

The District's financial policies serve as guidelines for the District to establish goals and targets for each fiscal year. The Board of Directors and the District's Executive team monitor the performance of the District's financial operations according to its financial policies, revenue policies, and expenditure policies.

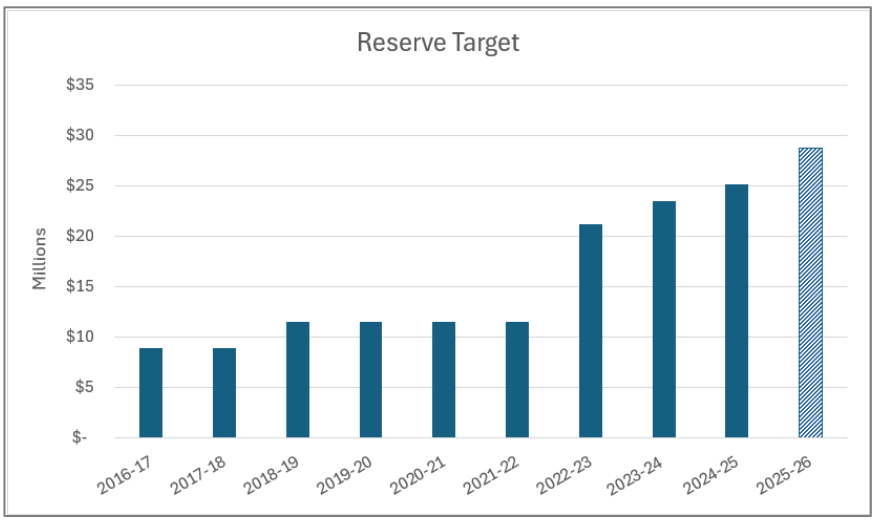
The District's budget and financial planning policies are consistent with foundational District documents, including the 2025 Cost of Service Study (COSS) that developed a five-year rate schedule, the 2025-2030 IIP adopted on January 14, 2025, the Groundwater Management Plan, and the Water Supply Management Plan. Forecasted revenue is based on projected demand, with expenditures determined to ensure that revenue either equals expenses or exceeds them, with any surplus funding allocated to the District's reserves, creating a balanced budget. This year, the Budget is built from the ground up, under the cash basis method of accounting, with revenues recognized in the period they become available, and expenses

The Cost of Service Study includes a five-year forecast of projected revenue and expenses, with explanations of key assumptions and factors that inform these projections. For a copy, visit the District's website at: https://www.goletawater.com/documents/

recognized when they are paid. However, the District will be transitioning to an accrual method of accounting with the migration to a new accounting software (Microsoft Business Central) in the upcoming year once a baseline year has been established. Under the accrual method of accounting, revenue and expenses are recorded at the time at which they are earned or incurred, regardless of when cash is exchanged.

The District's Board-adopted Debt Management Policy (detailed below), together with the Investment Policy, provides goals for the use of debt instruments and establishes policies and procedures for the issuance of debt to finance infrastructure needs.

Figure 1.1 Reserve Target



The District also maintains a Reserve Policy, in which the target amount of the reserves is updated every year during the budget process. Over the last ten years, the District's financial position has improved significantly (see Figure 1.1). In FY 2024-25, to inform the COSS the District hired the Government Finance Officers Association (GFOA) to conduct a risk-based reserve analysis to determine the appropriate size of reserves based on the District's age, diverse water supply portfolio, and other unique factors. The analysis assessed the District's reserve, recommended optimal reserve size and strategies, and established with reasonable confidence reserve targets that support the District's long-term fiscal sustainability and bond rating to secure more favorable financing terms and support. Those reserve recommendations were provided to the COSS consultant to set reserve targets in the Five-Year Financial Plan to provide the District with (1) an unrestricted contingency reserve necessary to meet significant unexpected capital project requirements, (2) a cash equivalent for a fixed period of operations and maintenance expenditures, and (3) such other reserves as the Board of Directors deems appropriate. The FY 2025-26 reserve policy target is $28.8M.

Enterprise Fund

The District operates as a single enterprise fund dedicated to the distribution of potable water, which constitutes its sole business activity. Consequently, it consolidates both the Operating and Non-Operating Budgets within a singular fund. This fund documents expenditures related to water operations, capital enhancements, and debt service obligations. Sources of revenue are described in Section II Revenue and Transfers, and shown graphically in Figure 2.2., and include Monthly Service Charges, Water Sales, New Water Supply Charges, Investment Revenue, Conveyance Revenue, and Miscellaneous Fees and Charges, in that order.

Debt

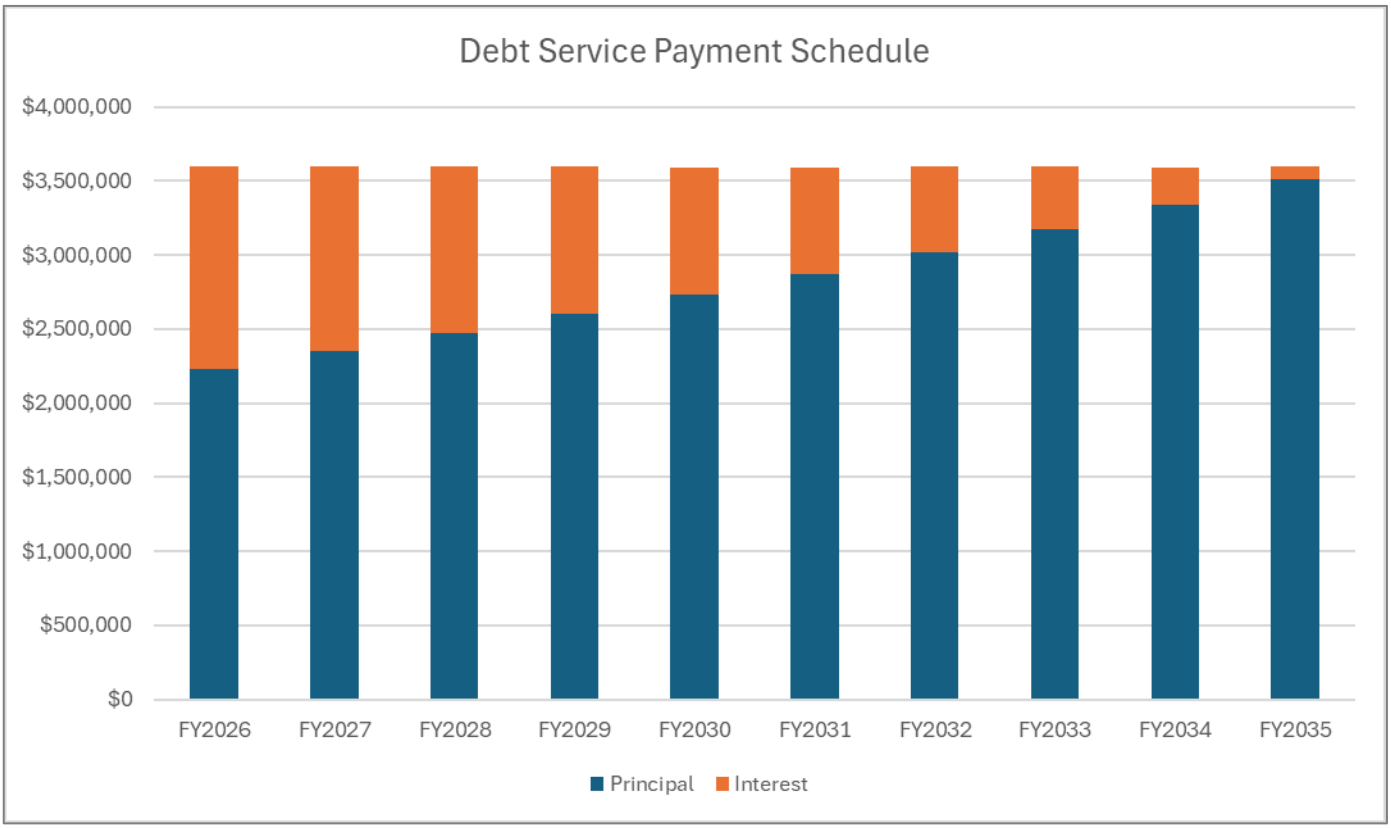
On November 14, 2023, the Board adopted a Debt Management Policy for the purpose of managing long-term debt. The purpose of the Debt Management Policy is to (1) identify debt policy objectives, (2) improve the quality of decision-making processes, (3) provide a basis for the determination of the appropriate structures, (4) diversify the District's debt portfolio to support its financial needs, and (5) demonstrate a commitment to best practices in

municipal debt management planning and execution. The District can only issue new debt if its prior audited Fiscal Year shows at least 1.25x coverage and can maintain the 1.25x coverage when new debt service is included. The District is rated by Standard & Poor's as A+ with a Positive Outlook credit rating. The debt coverage ratio for the current Fiscal Year is anticipated to be over 7.00.

In 2023, the District took advantage of favorable market conditions in order to refund and refinance its 2010A and 2014A Certificates of Participation. This resulted in a net present value savings of $5.4M for the District in debt payments over the next 10 years. Figure 1.2, below, shows the Debt Service payment schedule for Series 2023A.

The Series 2023A Bonds were issued to provide funds to (1) refund all of the District's outstanding Certificates of Participation, Series 2014A, (2) refund all of the District's outstanding Certificates of Participation, Series 2010A, (3) purchase a municipal bond insurance policy to guarantee the scheduled payment of principal and interest on the Insured Bonds, and (4) to pay costs incurred in connection with the issuance of the Bonds.

Figure 1.2 Debt Service



Strategic Goals for FY 2025-26

The Board-adopted District mission is to provide a reliable supply of quality water at the most reasonable cost to present and future customers. The annual Budget works together with the 2025-2030 IIP, District Sustainability Plan, and other foundational documents such as the Urban Water Management Plan, Water Supply Management Plan, and Groundwater Management Plan to serve as a Strategic Plan that allows the District to meet the water resource needs of the community today and into the future. Goals are designed to be clear and achievable while

allowing for adaptability to changing conditions. The District's strategic goals and the actions required to achieve them provide the context for shaping the District's annual budget. Strategic goals for the years ahead are summarized below:

Strategic Goal: Maintain Water Production and Distribution Reliability

- Complete design and begin construction of treatment and pumping systems for Hope Well, the District's newest and largest groundwater production and injection well, and begin drilling of a new replacement well at the SB Corp site.
- Collaborate with federal and local contract administrators and Cachuma Member Units to implement proactive scientific, advocacy, and legal strategies to protect Cachuma water supplies and plan for all potential outcomes.

The District's Strategic Plan is comprised of its foundational planning documents, available here:

www.GoletaWater.com/Documents

- Advance Information Technology (IT) capabilities with the following initiatives:
  - Continue to upgrade and implement technology necessary to support the ongoing delivery of safe, reliable, and cost-effective water supplies.
  - Continue construction of critical Supervisory Control and Data Acquisition (SCADA) system upgrades to ensure the reliability of automated treatment processes and monitoring of remote facilities.
  - Complete planning and procurement activities for District-wide replacements of aging, under-reporting meters with modern Advanced Metering Infrastructure (AMI).

Strategic Goal: Maintain Water Quality

- Continue to meet all Primary State and Federal Drinking water standards.
- Track changing water quality conditions for both surface and groundwater.
- Monitor and study the potential for new or stricter water quality regulations for emerging contaminants, or changes to operations over the long term.

Strategic Goal: Maintain Current Service Levels

- Complete approved Infrastructure Improvement Projects for FY 2025-26.
- Prepare and submit the application for the AMI Project to the State Revolving Fund loan.
- Promptly repair or replace any treatment or distribution infrastructure that becomes inoperable.
- Identify external factors that could affect the District's ability to maintain current service levels long term.

FY 2024-25 Budget and Accomplishments

Last year was the final year of the District's 2020-2025 Five-Year Financial Plan. FY 2024-25 saw estimated actual revenue of $59.3M and expenditures of $51.4M, with an anticipated reserve designation of $7.9M. 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 2024-25 accomplishments in the area of water quality, infrastructure, and operational efficiency upgrades include:

- Replacing 94 inoperable valves, more than in any previous year in the District's history, to improve the reliability of water delivery and prevent service interruptions to customers. Valves provide important operational control by allowing crews to isolate areas of the system during outages or water main breaks, and help minimize water loss.
- Completing the design of pumping and treatment systems for the new Hope Well, which will share upgraded treatment systems with the existing San Marcos Well. Consolidating treatment facilities offers cost savings while also preserving usable space in the Operations Yard.
- Completing treatment system upgrades at University Well, including installation of additional filtration treatment with chemical storage and delivery, a backwash tank, and associated plumbing and controls.
- Activating the Corona Del Mar Water Treatment Plant (CDMWTP) battery installation to provide a back-up power supply during Public Safety Power Shutoffs. The project will also allow the District to save on energy costs by storing energy for use during peak rate times.

- Replacing 41 old, poorly functioning fire hydrants and repairing 178 aging fire hydrants to improve operating efficiency or prevent rust. This ensures that the 1,520 hydrants remain in peak operating condition, providing emergency services personnel with continued access to reliable hydrants with sufficient water pressure and flow rates to fight fires.
- Purchasing one electric loader, two electric forklifts, one gasoline-fueled heavy duty valve operating truck, and two electric SUVs.

- Installing and commissioning 10 electric vehicle charging stations at headquarters, resulting in increased utilization of electric vehicles compared to gasoline and diesel vehicles and saving fuel and maintenance costs while also reducing greenhouse gas emissions and supporting compliance with California Air Resources Board (CARB) rules. The charging stations were partially offset by grant funds.
- Applying for $8.0M in WaterSmart Grants for a new well at SB Corp and the District's Advanced Metering Infrastructure Project, both of which are included in the Board-adopted IIP.

Performance Measures

In addition to highlighting key accomplishments, District Performance Measures also track and evaluate progress toward achieving the District's mission, goals, and objectives.

Table 1.1 District Performance Measures and Outputs

Performance Measure	Performance Measure Output	FY 2023-24	FY 2024-25	FY 2025-26 Target
Maintain Current Service Levels*	Prepare and implement IIP	100%	100%	100%
Replace Inoperable Equipment	Complete scheduled projects and prioritize projects that reduce the risk of service interruptions	100%	100%	100%
Electrification of District Light Fleet	Replace obsolete light fleet vehicles with electric vehicles	69%	77%	77%
Electrification of District Heavy Fleet**	Replace heavy fleet vehicles with electric ones when available	4%	4%	4%**
Groundwater Well Reliability	Maintain all groundwater wells in immediate ready status	100%	100%	100%
Reliable Supply of Water*	Effective planning and collaboration	100%	100%	100%
Groundwater Replenishment	Inject treated surface water into District groundwater wells	100%	100%	100%
Distribution System Maintenance and Upgrades	Maintain and upgrade facilities required to maintain existing service levels	100%	100%	100%
Meet Primary Fed and State Drinking Water Quality Standards*	Water quality monitoring and treatment/ technology upgrades	100%	100%	100%
Treatment System Maintenance and Upgrades	Design and construct treatment system upgrades, maintain current system	100%	100%	100%
Meet Regulatory Requirements	Meet all state, federal, and local regulatory requirements and obligations	100%	100%	100%
Complimentary Water Conservation Checkups	Respond to and complete all customer requests for conservation checkups	100%	100%	100%
Scorecard Program	Reach out to all customers with leak detection concerns	100%	100%	100%
Public Outreach	Maintain outreach program levels and accessibility to important District information to all customers in an easy-to-understand format	100%	100%	100%
Sustainability Planning and Implementation	Update the Plan and complete a progress report annually	100%	100%	100%
Social Media Engagement	Post important information and notices on various topics including water supply, District news, and history	100%	100%	100%
Electronic Bill Pay	Increase the number of customers paying electronically	58%	62%	65%
WaterSmart Portal Sign-Ups	Encourage customers to sign up to manage their account online	52%	58%	60%

**Performance Measures that are linked with the District's Strategic Goals*
*** Heavy fleet purchases planned for FY 2027-28 due to lack of availability*

FY 2025-26 Budget and Key Initiatives

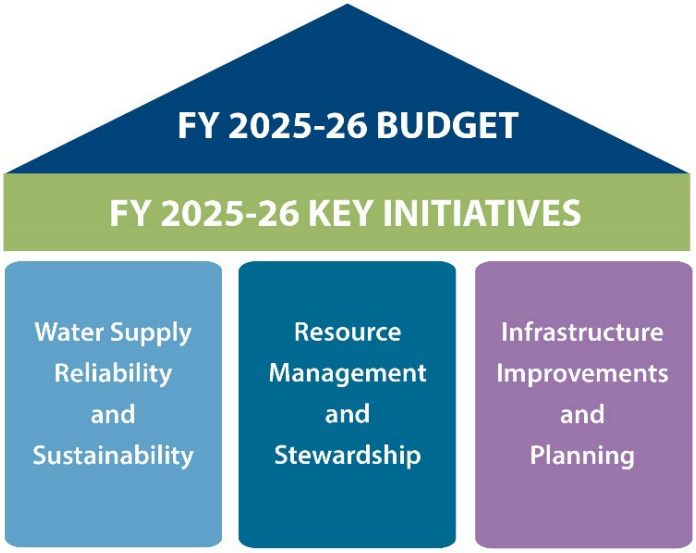
The FY 2025-26 Budget is consistent with the Board-adopted foundational management documents. The Budget reflects an ongoing progression of the District's management and budgeting approach to control costs, minimize unplanned expenditures, limit risk exposure as well as expand investment in projects and programs that provide for the long-term water resource needs of the community.

The FY 2025-26 Budget anticipates $68.1M in revenues, a 15% increase from the previous year. Operational and capital expenditures of $59.3M are planned with $8.8M designated to reserves. Table 1.2 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 a detailed analysis of projected revenues and expenditures.

Table 1.2 FY 2025-26 Budget Summary

Category	Adopted Budget FY 2023-24	Adopted Budget FY 2024-25	Estimated Actual FY 2024-25	Adopted Budget FY 2025-26	Variance Analysis * $ Higher / (Lower)	Variance Analysis * % Higher / (Lower)
Revenue:						
Monthly Service Charges	$ 15,325,090	$ 16,327,611	$ 17,326,870	$ 19,063,154	$ 2,735,543	17%
Water Sales	36,537,142	38,004,006	38,079,789	41,413,850	3,409,843	9%
New Water Supply Charges	3,628,880	3,036,760	1,593,617	5,177,360	2,140,600	70%
Investment Revenue	629,441	807,761	808,058	1,008,000	200,239	25%
Conveyance Revenue	253,090	155,824	220,522	203,348	47,524	30%
Miscellaneous Fees & Charges	797,526	747,484	1,275,854	1,212,586	465,102	62%
Total Revenue:	**$ 57,171,169**	**$ 59,079,445**	**$ 59,304,710**	**$ 68,078,298**	**$ 8,998,852**	**15%**
Expenditures:						
Water Supply Agreements:						
COMB (Lake Cachuma)	$ 2,942,831	$ 3,560,149	$ 2,673,000	$ 3,629,535	$ 69,386	2%
CCRB (Water Rights)	552,360	662,372	603,122	669,736	7,364	1%
Cloud Seeding & Overlap	0	57,975	42,034	57,975	0	0%
CCWA (State Water)	8,568,126	7,546,001	7,494,869	6,822,466	(723,535)	(10%)
GSD (Recycled Water)	790,054	790,054	793,433	790,054	0	0%
Subtotal:	**$ 12,853,371**	**$ 12,616,551**	**$ 11,606,458**	**$ 11,969,766**	**$ (646,785)**	**(5%)**
Personnel:						
Wages, Benefits and Taxes	$ 12,165,349	$ 13,309,405	$ 13,195,729	$ 14,196,496	887,091	7%
Other Post Employment Benefits	576,155	587,298	558,753	637,438	50,141	9%
Subtotal:	**$ 12,741,504**	**$ 13,896,703**	**$ 13,754,482**	**$ 14,833,935**	**$ 937,232**	**7%**
Operations & Maintenance:						
Water Treatment Costs	$ 1,451,410	$ 1,422,300	$ 935,818	$ 880,000	$ (542,300)	(38%)
Water Treatment Testing	383,290	388,170	369,298	380,000	(8,170)	(2%)
Insurance, Accounting & Auditing	488,400	726,068	603,463	569,324	(156,745)	(22%)
Maintenance & Equipment	1,299,030	1,305,298	1,037,966	1,119,257	(186,041)	(14%)
Legal	390,000	390,000	164,404	378,000	(12,000)	(3%)
Services & Supplies	4,819,806	5,019,408	4,328,584	5,608,512	589,103	12%
Utilities	940,740	808,578	789,096	896,150	87,572	11%
Subtotal:	**$ 9,772,676**	**$ 10,059,823**	**$ 8,228,629**	**$ 9,831,242**	**$ (228,580)**	**(2%)**
Total Expenditures before Debt and CIP:	**$ 35,367,551**	**$ 36,573,077**	**$ 33,589,569**	**$ 36,634,943**	**$ 61,866**	**0%**
Debt service	5,071,113	3,598,250	3,598,269	3,594,125	(4,125)	(0%)
Capital Improvement Projects (CIP)	16,245,000	14,182,876	14,175,000	19,055,000	4,872,124	34%
Total Expenditures:	**$ 56,683,664**	**$ 54,354,203**	**$ 51,362,838**	**$ 59,284,068**	**$ 4,929,865**	**9%**
Designation to Reserves:	**$ 487,504**	**$ 4,725,242**	**$ 7,941,872**	**$ 8,794,230**	**$ 4,068,988**	

** Compares FY 2025-26 Adopted Budget to FY 2024-25 Adopted Budget*



FY 2025-26 Budget Key Initiatives

The FY 2025-26 Budget includes a portfolio of ongoing and new initiatives that, in combination, will meet District regulatory and critical needs while providing reliable water supplies and maintaining current service levels. Key initiatives ensure the District can provide adequate water to the Goleta Valley for drinking, health, and public safety into the future. 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

Water quality conditions at Lake Cachuma have continued to improve significantly over the past year but history has shown that the lake is sensitive to changing temperatures, organic matter, and reservoir levels. Accordingly, this Budget provides for required water quality monitoring, and the District will continue to monitor changing water quality conditions and conduct public outreach to educate customers on both the status of the District's water supply and the challenges inherent to treating and delivering it.

Cachuma Project Supply and Water Rights

The District continues to work with CCRB and USBR on issues related to the Cachuma Project Water Rights Order (CPWRO) and the National Marine Fisheries Service (NMFS) Biological Opinion re-consultation. A final draft of the CPWRO was issued by the State Water Resources Control Board (SWRCB) on September 17, 2019. USBR petitioned the SWRCB to reconsider the CPWRO on October 16, 2019, and the SWRCB denied USBR's petition for reconsideration on June 18, 2024, making the CPWRO final. Meanwhile, at USBR's request, CCRB is working to assist in providing information to inform USBR plans that must be submitted to the State under the CPWRO. This assistance is generally in the field of fisheries biology, with hydrology and legal regulatory input, as necessary.

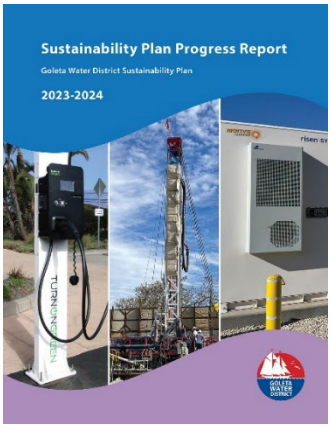
The District and its partners have also performed extensive biologic and hydrologic modeling to inform the Biological Opinion and continue to engage an advocacy strategy to protect Cachuma water supplies. The re-consultation process on the current Biological Opinion has continued between the USBR and NMFS since 2019. USBR continues to engage NMFS regarding a revised Biological Assessment (BA) for the Cachuma Project and a revised proposed action for the Cachuma Project prior to entering into formal consultation under Section 7 of the Endangered Species Act. An updated schedule for draft BA circulation and engagement with NMFS has not been identified. USBR, CCRB, and the downstream interests will update hydrological modeling supporting the BA once NMFS provides input to the submittal. 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 an additional three years after the original extension was set to expire on September 30, 2023. Under the second amendment to the contract, the term now runs through September 30, 2026. 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. USBR has indicated, however, that it does not intend to enter into a long-term contract until consultation with NMFS is complete. In the summer of 2022, CCWA secured an extended Warren Act contract from USBR to import and store State Water in Lake Cachuma until September 2024. On September 16, 2024, CCWA and USBR entered into a second extension through June 14, 2027. 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



In early 2025, the District completed its latest annual update to the Sustainability Plan, originally adopted by the Board of Directors in June 2012. This year's Sustainability Plan Progress Report provides an update on District sustainability efforts over FY 2023-24, with a particular emphasis on how District investments ensure long-term water service reliability, energy independence, and enhanced disaster preparedness and resiliency. As the District celebrated its 80th anniversary, the report saw the District moving beyond the planning and design phases and into the execution of key projects that will address aging infrastructure, improve operational efficiencies, and enhance resiliency. From the construction of the first new well in four decades to the ongoing upgrades to the Supervisory Control and Data Acquisition (SCADA) system, the Sustainability Plan focused on how the District is laying the physical and technological foundations that will position the agency for future success. The report also featured the installation of the Battery Storage Project at the CDMWTP, partially funded by a $936K grant

received through the California Public Utilities Commission's Self-Generation Incentive Program (SGIP). Several projects planned for the FY 2025-26 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 a 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 over time. 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. Increased data collection and analysis will improve energy management and conservation decisions to achieve goals set forth in the Sustainability Plan.

The District's Battery Storage Project at CDMWTP provides an important source of back-up power during Public Safety Power Shutoffs and also provides up to 23% annual electricity cost savings by allowing the District to store and use energy to avoid higher rates during peak demand times.

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 the District's Geographic Information System (GIS) and SCADA programs, the District will continue to establish a robust technology backbone to ensure the 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 complex treatment systems and distribution to deliver its diverse water supply. The ability to monitor and control systems from a centralized location is critical. Sustaining continuous water system operations is highly dependent upon the ability to carefully and strategically coordinate the 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, over 6,600 valves, 1,520 fire hydrants, 17,300 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 2025-26 Budget continues to prioritize projects that maintain system reliability for treatment and distribution.

Highlights of the Infrastructure Improvement Projects planned for FY 2025-26 include:

- Continue installing a new SCADA system to replace obsolete equipment at all sites to ensure the reliability of automated treatment processes and monitoring of remote facilities. The existing SCADA system is obsolete, with some portions being more than 25 years old, and many replacement components must be purchased as after-market parts since they are no longer supported by their manufacturers. This project is critical to continued regulatory compliance and improving the reliability of automated equipment for the next 20 years.
- Construct a pipeline and pumping and treatment systems for the new Hope Well, the District's newest and largest groundwater production and injection well, that will replace production lost at other locations and restore the District's ability to meet the minimum community health and safety demand of 6 million gallons per day. The District will expand and upsize existing treatment at the San Marcos Well by adding two new filter vessels, replacing and upsizing existing piping and equipment, and equipping Hope Well with a submersible pump. Treatment system installations are anticipated to occur in 2025, with the well projected to be capable of producing water for the community in 2026.
- Drill a new replacement well at the District's S.B. Corp site, which will be the second new well in over 40 years. The well is anticipated to produce at least 500 gallons per minute, providing an additional 720 acre-feet per year of production and offsetting production declines observed in the District's aging well field.

A Look to the Future

The FY 2025-26 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 2025-26 Budget maximizes the ability to respond to external circumstances while minimizing impacts to customers.

Examples of current issues facing the District:

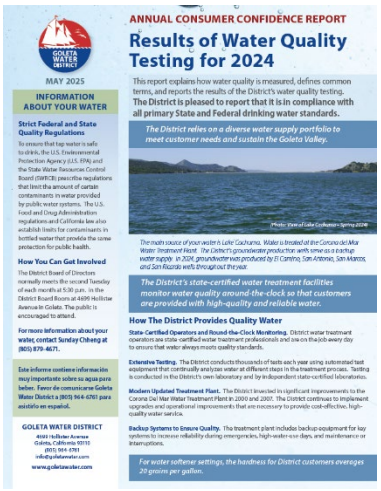
- The introduction of tariffs has raised concerns over supply chain disruptions, higher costs, and lower availability of materials and supplies. Nearly everything the District purchases, from pipes and hydrants to chemicals, is likely to be affected, as well as much of the District's equipment, including pumps, motors, and SCADA components (all of which contain microchips and processors).
- Significant staffing and budgetary changes at the federal level have accelerated the loss of institutional knowledge at federal agencies, raised concerns about their ability to maintain routine activities and

operations, and respond to emergencies. Grant funding programs have also been affected. The net effect of these changes has not been fully realized, and will likely continue over the next fiscal year.

- Having provided water service to the community for over 80 years, aging infrastructure is at increasing risk of failure. The condition of facilities varies widely based on their age, materials, and exposure to environmental conditions. For example, the recycled water distribution system has experienced significant pipe corrosion, leaving the recycled water lines vulnerable to leaks and breaks. The FY 2025-26 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 or service augmentation.

- Succession planning will continue to be of strategic importance in the year ahead given the increasing number of retirement-eligible employees. Identifying critical positions in the organization that may be vacated, creating a talent pipeline by preparing existing qualified employees to fill vacancies, prioritizing employee training and development, retaining current employees, as well as building in-house expertise to reduce the costs of outsourcing professional services, will help ensure organizational continuity and the long-term success of the District.
- Conditions in the Goleta Groundwater Basin are dynamic and changing. While the basin has experienced recharge from both injection and infiltration following two wet winters, 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 CPWRO issued on September 17, 2019, and anticipated action on the Federal Biological Opinion Reconsultation during FY 2025-26 may significantly affect the 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.


ANNUAL CONSUMER CONFIDENCE REPORT

Results of Water Quality Testing for 2024

MAY 2025

INFORMATION ABOUT YOUR WATER

Strict Federal and State Quality Regulations

How You Can Get Involved

GOLETA WATER DISTRICT

This report explains how water quality is measured, defines common terms, and reports the results of the District's water quality testing. The District is pleased to report that it is in compliance with all primary State and Federal drinking water standards.

The District relies on a diverse water supply portfolio to meet customer needs and sustain the Goleta Valley.

The District's state-certified water treatment facilities monitor water quality around-the-clock so that customers are provided with high-quality and reliable water.

How The District Provides Quality Water

- 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. 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 adjust 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.

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SECTION II – REVENUE and TRANSFERS

INTRODUCTION

The District provides water service to approximately 17,300 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.

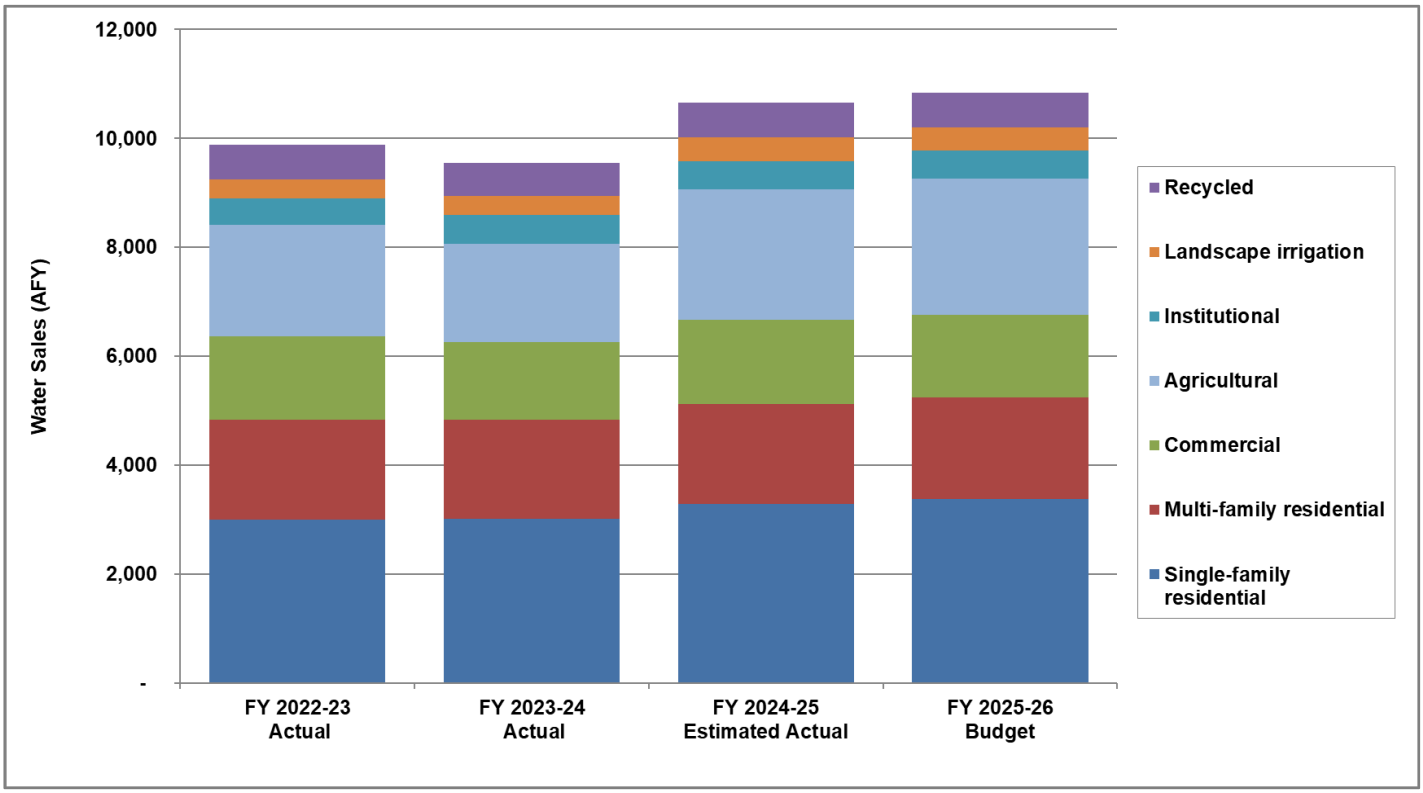
The District receives 89% of its revenue from a combination of Water Sales (61%) and Monthly Service Charges (28%). Water Sales, or consumption-based charges, are based on the actual water delivered to each customer, measured in increments of one hundred cubic feet (HCF) or 748 gallons. Monthly Service Charges 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 10 inches. For customers with 5/8-inch or 3/4-inch meters, these charges also depend on monthly water consumption.

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.

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.

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 four-year period.

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



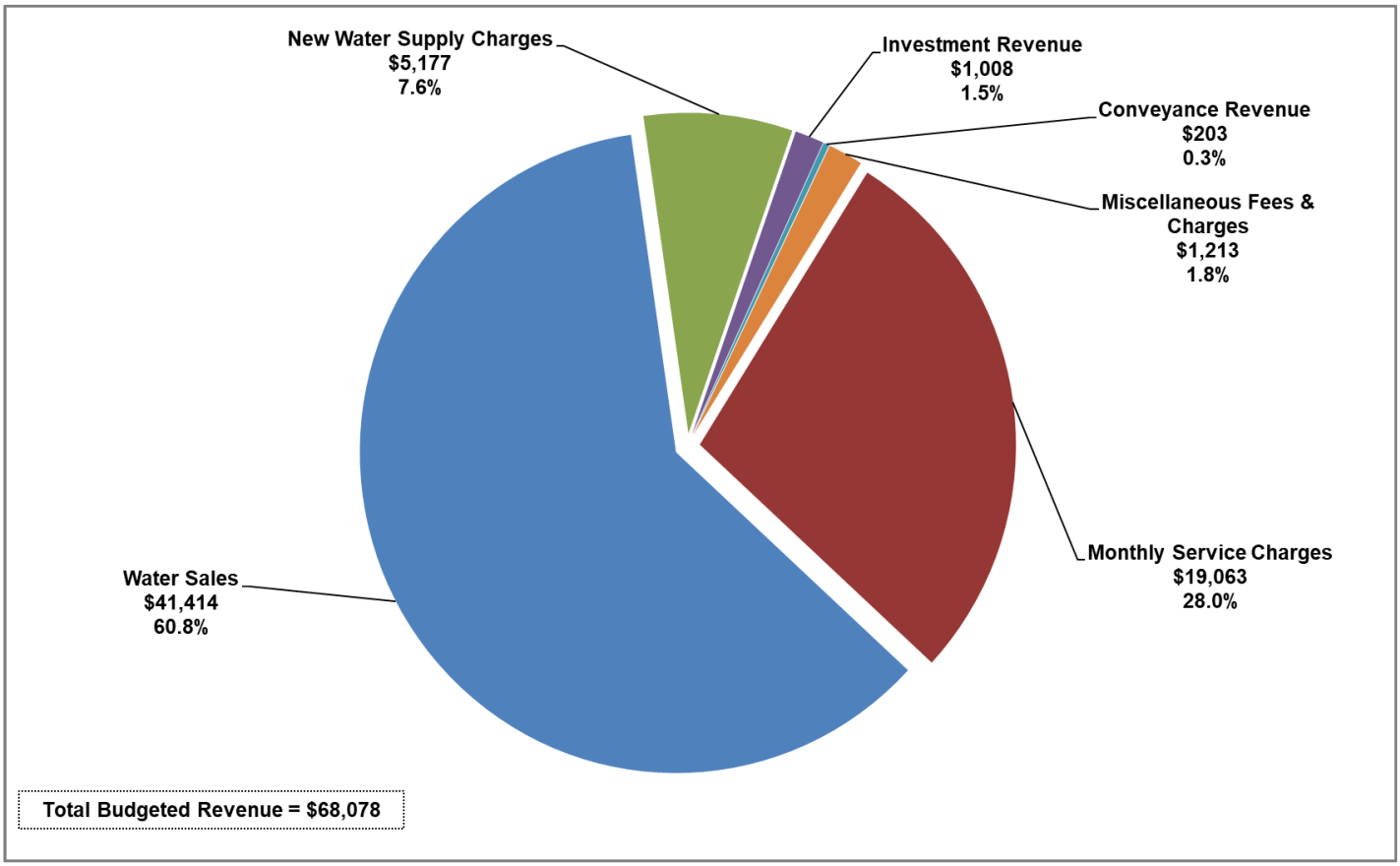
The amount of revenue the District receives from Water Sales varies from year to year and for each customer category. While District demand analyses are ongoing and periodically updated with the latest data, this year-to-year variation demonstrates the inherent degree of uncertainty in making projections. 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 2025-26 Budgeted Revenue versus FY 2024-25 Budget

Category	Adopted Budget FY 2023-24	Adopted Budget FY 2024-25	Estimated Actual FY 2024-25	Adopted Budget FY 2025-26	Variance Analysis * $ Higher / (Lower)	Variance Analysis * % Higher / (Lower)
Revenue:						
Monthly Service Charges	$ 15,325,090	$ 16,327,611	$ 17,326,870	$ 19,063,154	$ 2,735,543	17%
Water Sales	36,537,142	38,004,006	38,079,789	41,413,850	3,409,843	9%
New Water Supply Charges	3,628,880	3,036,760	1,593,617	5,177,360	2,140,600	70%
Investment Revenue	629,441	807,761	808,058	1,008,000	200,239	25%
Conveyance Revenue	253,090	155,824	220,522	203,348	47,524	30%
Miscellaneous Fees & Charges	797,526	747,484	1,275,854	1,212,586	465,102	62%
Total Revenue	**$ 57,171,169**	**$ 59,079,445**	**$ 59,304,710**	**$ 68,078,298**	**$ 8,998,852**	**15%**

** Compares FY 2025-26 Adopted Budget to FY 2024-25 Adopted Budget*

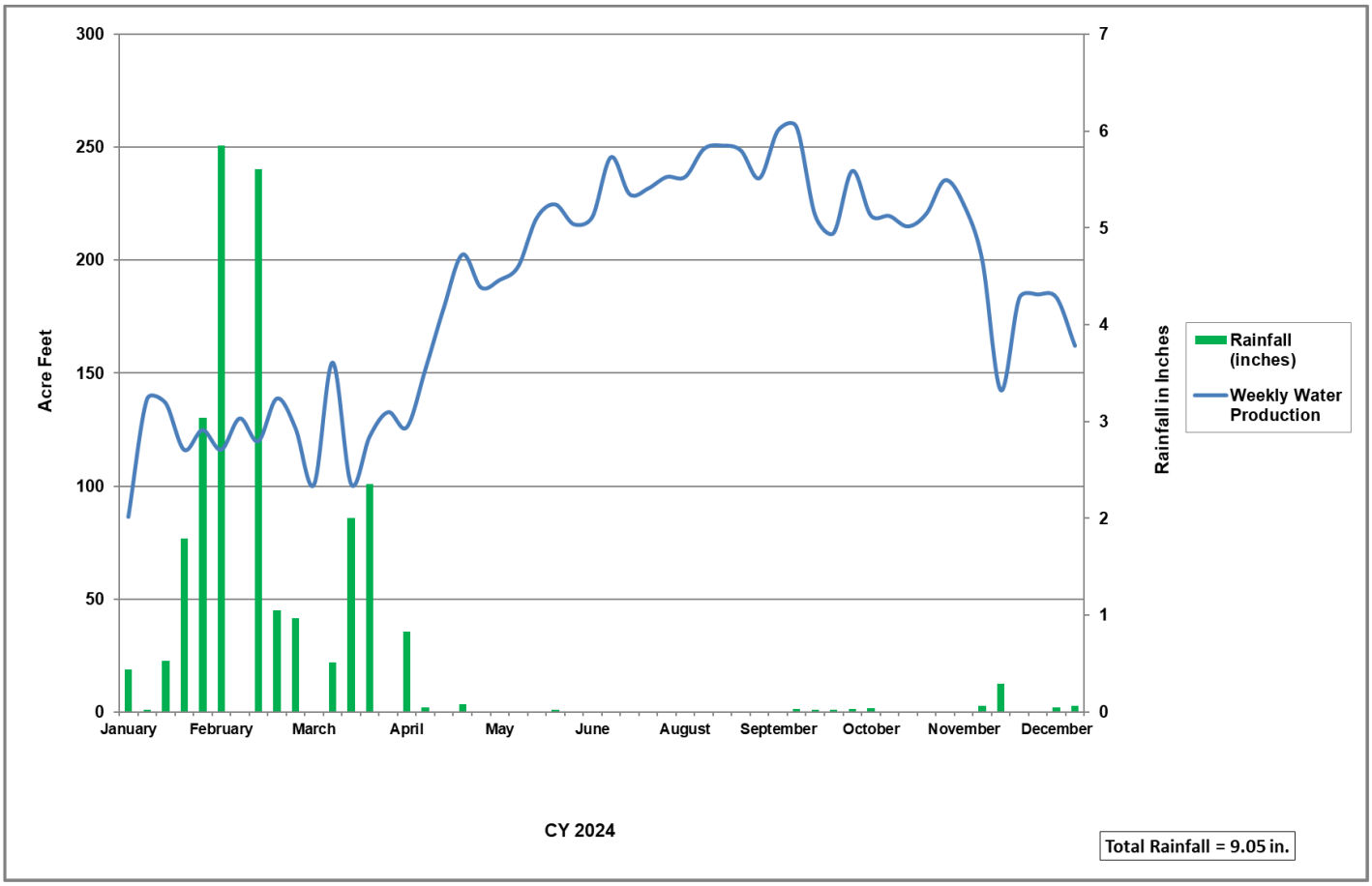
Figure 2.2 FY 2025-26 Budgeted Revenue Allocations ($000s)



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 consumption 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 use 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 2024



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 after the drought declaration years because of significant and sustained reductions in outdoor landscape and agricultural 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, and aggressive water use conservation messaging and incentive programs by the District, system-wide demand dropped by nearly 30% compared to 2013, as did the average 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 noticed 7% average rate increase on July 1, 2025, 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 affecting monthly service charges, the Monthly Service Charge Revenue for FY 2025-26 is projected to be $19.1M, a 17% increase from FY 2024-25 resulting primarily from the rate increases for these fixed charges, a small increase in projected water use accounts, and the estimated number of water connections expected to come online during the year. This is augmented by an anticipated $41.4M in Water Sales revenue for FY 2025-26, which is an increase of 9% over the FY 2024-25 level. The projected increase is based on an analysis that compared total demand from FY 2010-2024 against average annual temperatures and precipitation. Since water use in FY 2022-23 and FY 2023-24 was abnormally low due to significant precipitation, demand was adjusted slightly to a normalized level to arrive at 10,842 AF, which is in line with the actual expected demand for FY 2024-25. Additional discussion for both the Monthly Service Charge and Water Sales revenue is detailed in the respective sections below.

New service connections projected to be completed in the coming fiscal year also affect revenue forecasts. The projected revenue from New Water Supply Charges (NWSC) in FY 2025-26 is $5.2M based on an analysis indicating 80 AF of demand for new and expanded water service requests. 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 2025-26.

Budgeted Revenue in FY 2025-26 is $68.1M, an increase of $9.0M (15%) from the FY 2024-25 adopted Budget.

Monthly Service Charge Revenue

All active water service connections pay a Monthly Service Charge based on the size of the connection. This charge 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 2025-26, approximately 28% of total District revenue will come from the Monthly Service Charge. Approximately 83% 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's Monthly Service Charge funds a customer's portion of the fixed operations and maintenance costs of the water distribution system. This charge was previously known as the Fixed Meter Charge and was renamed during the recent Cost of Service Study to reduce customer confusion.

Tiered Monthly Service Charges based on total monthly consumption apply to all non-fire line 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, 13,850 customers with 5/8-inch or 3/4-inch meters can qualify for lower monthly service charges by reducing water use. For FY 2025-26, it is anticipated that 55% of meter charges for these customers will qualify for Tier 1, 29% will qualify for Tier 2, and 16% will qualify for Tier 3 – with residential customers more likely to qualify for conservation pricing than commercial customers. Table 2.2 shows the number of customers with small meters that 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 Average Monthly Service Connections

	TIER			
Customer Category	Tier 1	Tier 2	Tier 3	Total
Single-Family Residential	6,459	3,844	1,832	12,135
Multi-Family Residential	640	276	243	1,159
Fire Service	381	1	1	383
Commercial	265	58	87	410
Landscape Irrigation	78	15	42	135
Recycled Water	5	1	4	10
Goleta West Conduit	0	0	1	1
Total Connections:	**7,828**	**4,195**	**2,210**	**14,233**

Table 2.3 shows the number of connections by size within each customer category that are expected to be active by July 1, 2025, excluding vacant accounts and new service connections expected to come online during the year.

Table 2.3 Budgeted Types and Number of District Connections

	Meter Size									
Customer Category	5/8-3/4"	1"	1 1/2"	2"	3"	4"	6"	8"	10"	Total
Single-family residential	12,135	1,140	49	42	-	-	-	-	-	13,366
Multi-family residential	1,159	332	215	138	7	14	12	1	-	1,878
Commercial	410	190	119	187	26	9	9	2	2	954
Agriculture	1	17	22	114	5	4	1	-	-	164
Institutional	-	-	-	2	-	-	1	1	1	5
Landscape irrigation	135	77	57	44	3	3	-	-	-	319
Recycled	10	3	4	9	5	4	10	2	-	47
Fire	383	41	45	14	-	-	-	1	-	484
Total Connections:	**14,233**	**1,800**	**511**	**550**	**46**	**34**	**33**	**7**	**3**	**17,217**

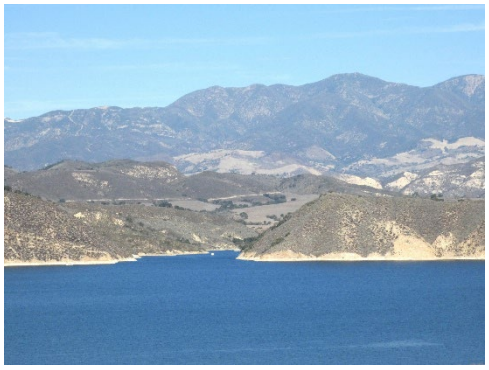
Table 2.4 shows Monthly Service Charge revenue by customer category and the key influencing factors previously discussed. The Behavioral & Tiering Changes category includes revenue adjustments stemming from changes in meter size, and the impact of customers with small meters qualifying for lower or higher tiers because of estimated monthly consumption.

Table 2.4 FY 2025-26 Budgeted Monthly Service Charge and Influencing Factors

Customer Category	FY 2024-25 Budget Baseline Revenue	Influencing Factor: New Development	Influencing Factor: Rate Change	Influencing Factor: Behavioral / Tiering Changes	Net Incr. / (Decr.)	FY 2025-26 Budgeted Monthly Service Charge
Single-family residential	$ 8,158,038	$ 30,565	$ 672,143	$ 665,991	$ 1,368,698	$9,526,736
Multi-family residential	3,082,439	11,487	253,963	237,979	503,428	$3,585,867
Commercial	2,682,115	10,108	220,980	235,739	466,827	$3,148,943
Agriculture-Urban	570,754	2,103	47,025	36,251	85,379	$656,133
Agriculture-Goleta West Conduit	169,033	595	13,927	2,587	17,109	$186,142
Institutional	211,656	774	17,438	12,221	30,433	$242,089
Landscape irrigation	604,097	2,229	49,772	39,730	91,731	$695,827
Recycled	681,321	2,502	56,134	42,140	100,777	$782,097
Fire	61,232	230	3,440	6,954	10,625	$71,857
Temporary Meters	106,926	-	8,810	51,727	60,537	$167,462
Total:	**$ 16,327,611**	**$ 60,594**	**$ 1,343,631**	**$ 1,331,319**	**$ 2,735,543**	**$ 19,063,154**

Total Monthly Service Charge revenue is forecast to increase by $2.7M, or 17%, including a noticed 7% average rate increase.

Water Sales



The largest source of District revenue is Water Sales (61%), 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.

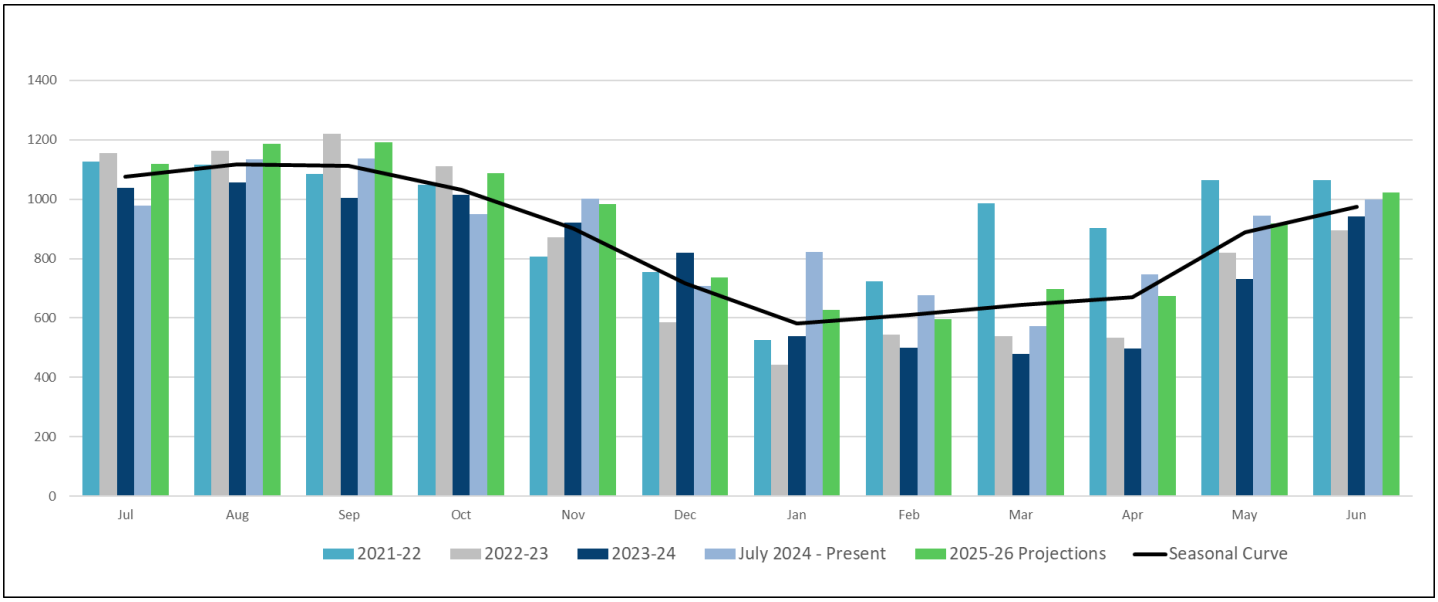
Despite a dry winter in Southern California, state reservoirs remain significantly above the historical average, and the Department of Water Resources has announced a 50% allocation for the State Water Project. Locally, conditions remain dry, and the Goleta Valley has received approximately 55% of normal rainfall to date this year. Lake Cachuma, the District's largest water source, received minimal inflow this winter despite a series of significant storms earlier in the year. Nevertheless, as of June 2025, Cachuma was at 84% of full capacity.

Water Sales volume projections for FY 2025-26 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, particularly

over the last several years as customer water use behaviors normalized following the height of the pandemic in 2020, with the exception of the dry and warm spring of 2022. 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 aids the District in forecasting 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 2025-26 budget year. A short discussion about the water use characteristics of each customer category and how they inform water sales projections follows.

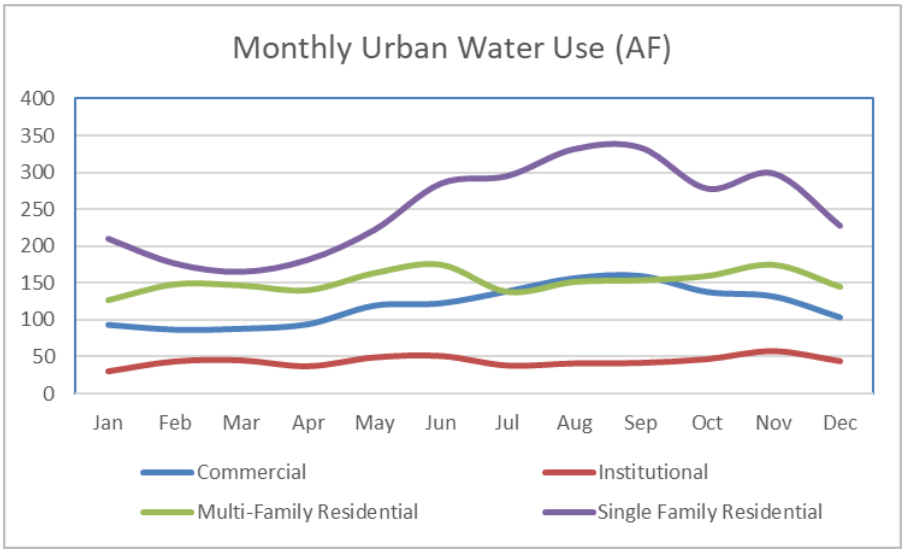
Figure 2.4 FY 2025-26 System-Wide Demand Projections



Urban Water Use

Urban water use accounts for approximately 75% of total District demand (calendar year 2024), 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 2.68, the average single-family household in the District uses approximately 6 HCF (4,488 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 2024 Urban Water Use



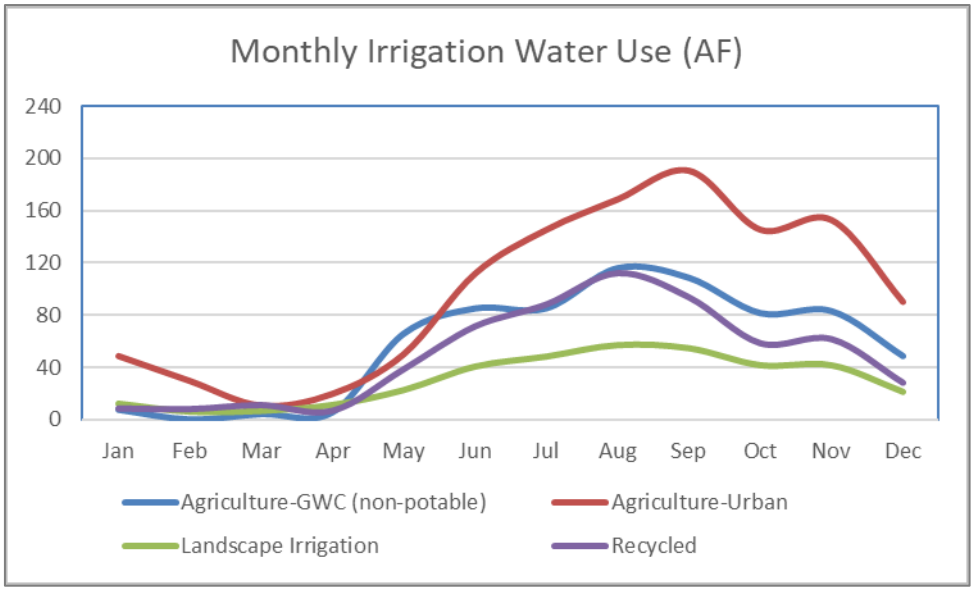
In forecasting the amount of revenue attributable to Water Sales for Single-Family Residential customers, the District's tiered rates must also be considered. The first 6 HCF of Single-Family Residential water use each month make up the low-tier and cover basic indoor usage for the average District household. 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 $8.29/HCF) offset against one Tier 3 customer using 5 HCF less (at $16.14/HCF). For FY 2025-26 it is anticipated that 58% of Single-Family Residential water use will be within Tier 1, 23% will be in Tier 2, and 19% 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 38% between the lowest use month (127 AF in January) and the highest use month (175 AF in June) in 2024. In comparison, the variance for Single-Family Residential customers was 101% between the lowest and highest months in 2024. 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 changes in water use can produce significant fluctuations in revenue as customer usage moves between various tiers for monthly service 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 2024 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 33% of total annual District water use, with about 70% 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 190 AF in September 2024, or more than 17 times the 11 AF of use recorded in March. Furthermore, dry warm temperatures and a 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 accounts 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. 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 persistent demand hardening 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 2024-25, with minor adjustments to account for unforeseen weather events and consumption anomalies. Tables 2.5 and 2.6 summarize water use and revenue projections that have been developed for FY 2025-26. Water Sales are projected to increase by $3.4M primarily as a result of rate increases, and a return to more usual weather patterns.

Table 2.5 FY 2025-26 Budgeted Water Use by Customer Category (in AF)

		Influencing Factor			
Customer Category	FY 2024-25 Budgeted Water Use	New Development	Behavioral / Tiering Changes	Net Incr. / (Decr.)	FY 2025-26 Budgeted Water Use
Single-family residential	3,367	-	4	4	3,371
Multi-family residential	1,830	-	36	36	1,866
Commercial	1,505	-	11	11	1,516
Agriculture-Urban	1,402	-	10	10	1,412
Agriculture-Goleta West Conduit	1,094	-	-	-	1,094
Institutional	442	-	72	72	514
Landscape irrigation	423	-	-	-	423
Recycled	621	-	24	24	645
Fire	1	-	0	0	1
Total:	**10,685**	**-**	**157**	**157**	**10,842**

Table 2.6 FY 2025-26 Budgeted Water Sales Revenue and Influencing Factors

		Influencing Factor				
Customer Category	FY 2024-25 Budget Baseline Revenue	New Development	Rate Change	Behavioral / Tiering Changes	Net Incr. / (Decr.)	FY 2025-26 Budgeted Water Sales Revenue
Single-family residential	$ 14,809,274	$ -	$ 570,515	$ 286,531	$ 857,046	$ 15,666,320
Multi-family residential	8,206,993	-	516,413	178,797	695,210	8,902,203
Commercial	6,785,159	-	426,946	74,945	501,891	7,287,050
Agriculture-Urban	2,060,569	-	316,076	10,992	327,068	2,387,637
Agriculture-Goleta West Conduit	1,313,864	-	(4,743)	5,979	1,236	1,315,099
Institutional	1,982,274	-	124,732	346,901	471,633	2,453,907
Landscape irrigation	2,005,424	-	201,642	708	202,350	2,207,774
Recycled	832,067	-	118,389	237,451	355,840	1,187,907
Fire	8,383	-	525	(2,955)	(2,431)	5,952
Total:	**$ 38,004,006**	**$ -**	**$ 2,270,494**	**$ 1,139,349**	**$ 3,409,843**	**$ 41,413,850**

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 implemented under the SAFE Water Supplies Ordinance in 2014 has been 26 AF, which equates to approximately 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.

With the improved water supply portfolio, the conditions of the SAFE Water Supplies Ordinance were met for the second year in a row. Starting January 1, 2025, new water was available for allocation and the District began receiving applications. Before an Applicant can pay a NWSC, they must first, 1) submit a complete Water Service Application, and 2) have already received their Land Use Permit from the County of Santa Barbara or City of Goleta. As of May 14, 2025, 12.38 AF had been allocated, fewer than anticipated due to the fact that many projects have not yet completed their Land Use Permitting and Water Service Application processes. The FY 2025-26 Budget forecasts $5.2M 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. The NWSC revenue is dependent on the pace at which developers complete their planning and application processes, as well as how soon they are able to make the NWSC payment. The District updated the NWSC in 2024 to account for inflationary water supply costs since the charge was last updated in 2011, and updated the charge again in February of 2025 consistent with observed inflation.

The estimated 80 AF of allocation over the next fiscal year is based upon projects pending with the City of Goleta and County of Santa Barbara Planning Departments that may receive Land Use Permits, as well as New Water Services staff interaction with and 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. In FY 2023-24 the Board approved a strategy of investing in a more diverse mix of higher yielding options authorized in the District Code to take advantage of higher-than-average returns resulting from historically high interest rates. For FY 2025-26, District cash balances will continue to be invested in the California Local Agency Investment Fund (LAIF), a pooled money investment vehicle managed by the State Treasurer's Office, and laddered T-Bills or

Certificates of Deposit. The projected interest rates range from 4.0% to 4.5% annually, producing approximately $1.0M in investment revenue subject to fluctuations. With this, Investment Revenue is projected to increase by $200K, or 25%, in FY 2025-26 as a result of increased cash held in reserves derived primarily from forecasted NWSC revenue.

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 2025-26 is $203K, with a $48K, or 30%, increase as a result of projected higher water use by these customers and an increase in the calculated cost per acre-foot.

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 2025-26 is approximately $1.2M, an increase of $465K, or 62%, from the FY 2024-25 Budget. This increase is reflective of increased revenue estimated to be derived from District capital contributions and a surge in application fees.

Transfers

The District continues to maintain a prudent financial reserve to ensure adequate cash flow for operational needs and capital emergencies. As a result of the District's recently completed Risk-Based Reserve Analysis and consistent with the 2025-2030 Cost of Service Study, the FY 2025-26 budget anticipates a designation to reserves of $8.8M.

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SECTION III – EXPENDITURES

SUMMARY

FY 2025-26 expenditures are consistent with the newly adopted 2025-2030 Five-Year Financial Plan and foundational policy documents adopted by the Board of Directors. Expenditures continue to prioritize projects that maintain water quality and system reliability for production, 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 20% 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 25% of total expenditures and are comprised of wages, benefits, and taxes, as well as Other Post-Employment Benefits (OPEB). 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 IIP and debt service make up the balance of total expenditures at 32% and 6%, respectively.

The District, like other government agencies and water purveyors, is affected by various external factors, including weather, economic conditions, changing preferences, costs of water supplies, and evolving regulatory requirements. Potential supply chain disruptions and inflationary pressures associated with announced tariffs – and their potential effect on materials and construction costs – present significant potential pricing pressures. This is especially challenging given the net effect of several years of compounded inflationary increases already evident in material, construction, and labor costs. While this Budget provides the tools to 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 external factors to the extent possible.

In FY 2025-26, 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 2025 and into 2026.

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 2025-26 total water supply costs will decrease by $647K or 5%, primarily from anticipated decreases in DWR Fixed Assessment charges for costs associated with the State Water Project, as well as decreased variable costs from reduced State Water deliveries. Costs for CCRB will increase by 1% to cover ongoing advocacy related to the Biological Opinion for the Cachuma Project and the state Endangered Species Act proceedings. COMB costs will increase by 2% due to planned capital improvement projects and the increased cost of materials. The cost of pumping and treating groundwater is included in O&M and capital costs.

Table 3.1 FY 2025-26 Budgeted Water Supply Agreement Costs

Category	Adopted Budget FY 2023-24	Adopted Budget FY 2024-25	Estimated Actual FY 2024-25	Adopted Budget FY 2025-26	Variance Analysis * $ Higher / (Lower)	Variance Analysis * % Higher / (Lower)
COMB (Lake Cachuma):						
Water Entitlement	$ 797,500	$ 1,012,126	$ 1,012,126	$ 1,031,963	$ 19,837	2%
Operations & Maintenance	1,987,545	2,390,237	1,503,088	2,439,786	49,549	2%
Cachuma Renewal Fund	62,939	62,939	62,939	62,939	0	0%
Safety of Dam Act	94,847	94,847	94,847	94,847	0	0%
Subtotal - COMB	2,942,831	3,560,149	2,673,000	3,629,535	69,386	2%
CCRB (Water Rights):	552,360	662,372	603,122	669,736	7,364	1%
Cloud Seeding & Overlap:	0	57,975	42,034	57,975	0	0%
CCWA (State Water):						
Fixed Costs	5,231,819	6,834,809	6,834,809	6,601,338	(233,471)	(3%)
Variable Costs	3,336,307	711,192	660,060	221,128	(490,064)	(69%)
Subtotal - CCWA	8,568,126	7,546,001	7,494,869	6,822,466	(723,535)	(10%)
GSD (Recycled Water):	790,054	790,054	793,433	790,054	0	0%
Total:	**$ 12,853,371**	**$ 12,616,551**	**$ 11,606,458**	**$ 11,969,766**	**$ (646,785)**	**(5%)**

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 $3.6M in FY 2025-26, an increase of $69K or 2% when compared to FY 2024-25. This increase is the result of elevated charges for COMB capital improvement projects included in the COMB 2025-29 Infrastructure Improvement Plan, including projects required to maintain current levels of service and to address critical deficiencies in the COMB system. These projects include elevator repair at the North Portal, North Portal Intake Tower seismic assessments, and critical control valve and road repairs.

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 $670K in FY 2025-26, which is an increase of $7K, or 1%, as compared to FY 2024-25. This reflects ongoing advocacy on the Federal Biological Opinion for the Cachuma Project, the State Water Rights Order, and the proposed listing of *O. mykiss* (steelhead trout) under the California Endangered Species Act. FY 2025-26 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 $6.8M for FY 2025-26, a decrease of $724K, or 10%, due to slight decreases in DWR Fixed Assessment charges, as well as decreased energy and operational costs associated with the State Water Project. Based on the District's adopted WSMP, water from Lake Cachuma (the District's least expensive supply source) will serve as the principal source of supply in FY 2025-26 given favorable conditions at the lake, and State Water will be stored in San Luis Reservoir for use in future years when local supply availability is reduced.

GSD (Recycled Water Production)

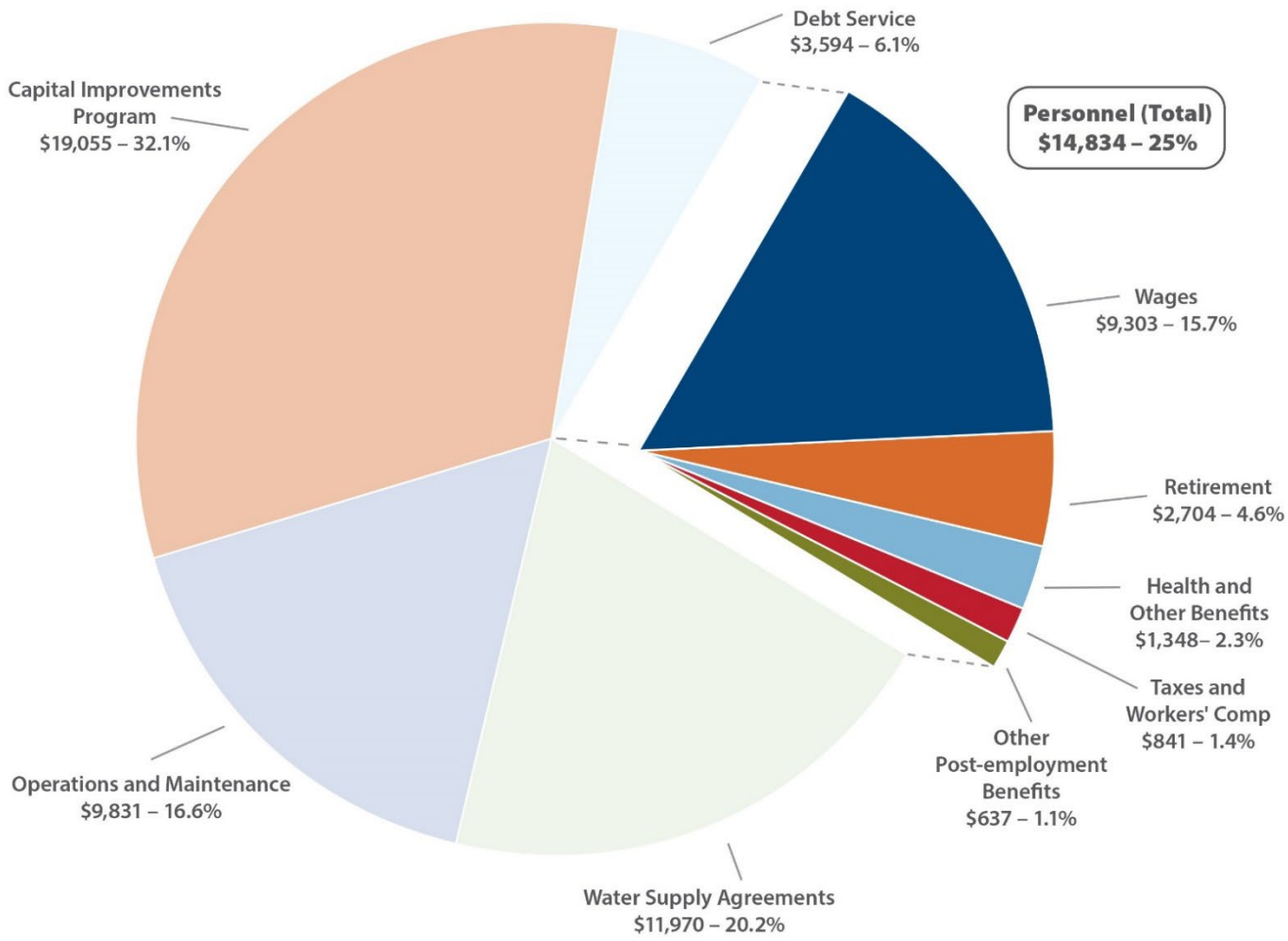
Providing recycled water to 46 customers in the District for irrigation purposes conserves potable water for drinking and health and safety uses, improving water supply reliability. Per an agreement, the District pays GSD for all O&M costs necessary to produce recycled water. For FY 2025-26, costs are estimated at $790K. This includes costs for treatment upgrades identified in the GSD Capital Improvement 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 District remains committed to developing and retaining the highly skilled employees needed to deliver safe and reliable water supplies to the community. The workforce includes licensed and professional staff that 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 17,300 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 public administrators.

Personnel costs in FY 2025-26 are projected to rise moderately compared to FY 2024-25, totaling $14.8M, with an increase of $937K, or 7%, consistent with MOU-related step increases and previously negotiated SEIU obligations. Figure 3.1 provides an overview of the individual components of Personnel costs as a portion of overall costs.

Figure 3.1 FY 2025-26 District Costs, Featuring Budgeted Personnel Costs ($000s)



Retirement-related expenditures associated with the District's 80-year history make up 18.2% of current Personnel costs (4.6% of total expenditures). 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.

Operations & Maintenance

The District service area spans 29,000 acres and includes more than 270 miles of pipeline, approximately 17,000 customer connections, eight storage reservoirs, eight permitted groundwater wells, and the CDMWTP. To operate these facilities and deliver water to customers, more than 30,000 appurtenances are maintained, including over 6,600 valves and 1,520 fire hydrants. O&M costs include a variety of day-to-day functions from water treatment and testing to insurance, auditing, and 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 3.4 billion gallons of potable water in FY 2025-26. 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 2025-26 O&M costs, which total $9.8M and are down $229K, or 2%, from FY 2024-25. Notable variances within expenditure categories include:

- Water Treatment is decreasing $542K, or 38%, as changing water quality conditions at Lake Cachuma have reduced the amount of powder activated carbon needed.
- Water Testing costs will decrease by $8K, or 2%, as required Unregulated Contaminant Monitoring Rule #5 (UCMR) program testing was mostly completed in FY 2024-25.
- Insurance, Accounting, and Auditing will decrease by $157K, or 22%, as the migration of the District's financial accounting software was mostly completed during the previous fiscal year, offset by moderate increases in Casualty and Liability expenses and Auditing fees.
- Maintenance & Equipment is decreasing $186K, or 14%, as a result of fuel and fleet maintenance savings associated with electrification of the District's fleet, as well as a number of maintenance activities and equipment replacements having been addressed in FY 2024-25.
- Services & Supplies costs will increase by $589K, or 12%, for maintenance of paving related to the use of heavy equipment for SCADA tower construction and domestic tank upgrades on key road segments, tank coating, painting, sample lines, and fencing.
- Utility expenditures will increase by $88K, or 11%, resulting from higher commercial power rates, increased electrical demand associated with electrical vehicle charging, and new electrical heat pump air

and water heating systems. These increases are offset by decreased time-of-use charges as a result of the CDMWTP Battery Storage Project, which allows the District to store power for use during peak rate times when costs are highest.

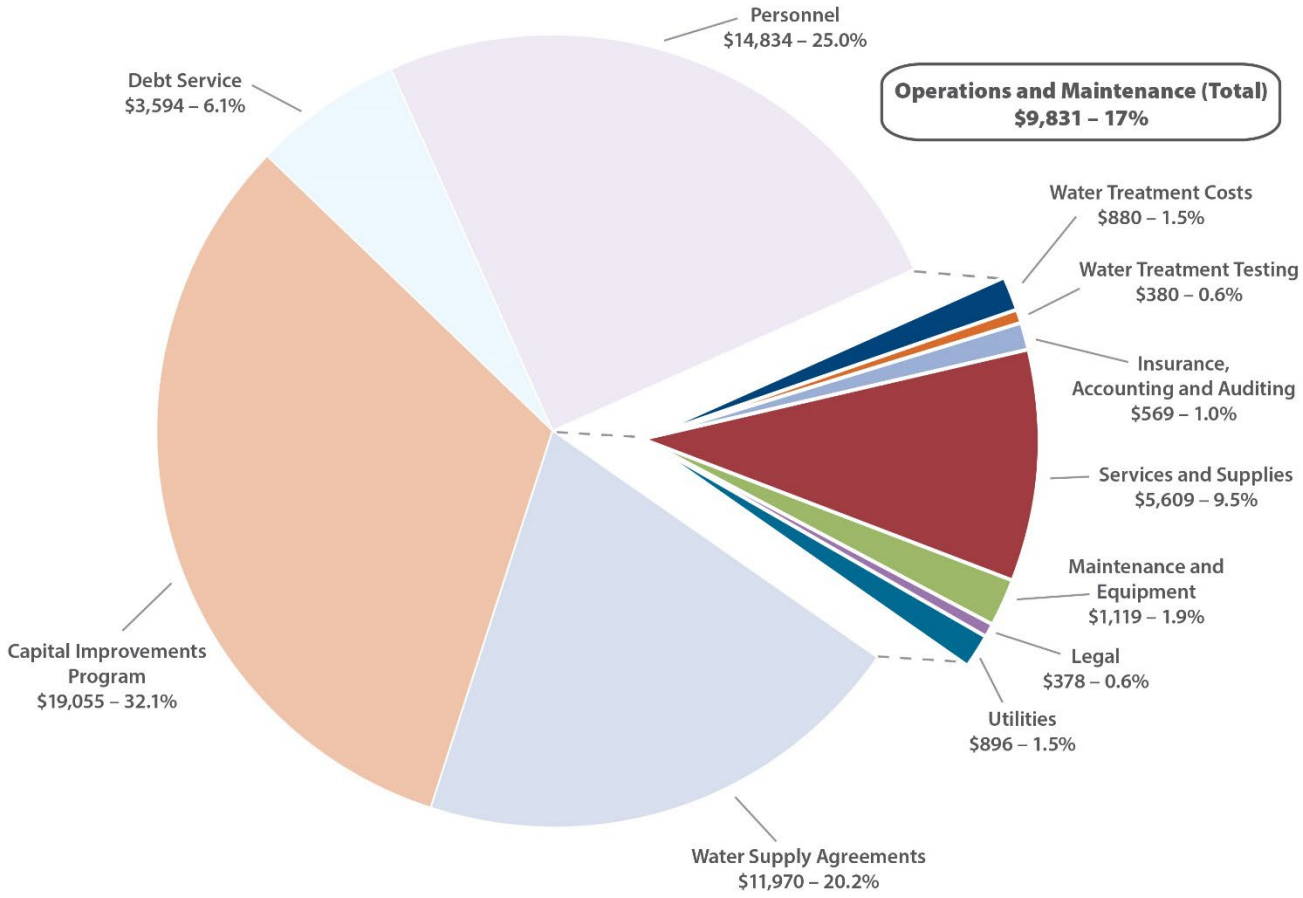
Table 3.2 FY 2025-26 Budgeted O&M Costs

Category	Adopted Budget FY 2023-24	Adopted Budget FY 2024-25	Estimated Actual FY 2024-25	Adopted Budget FY 2025-26	Variance Analysis * $ Higher / (Lower)	Variance Analysis * % Higher / (Lower)
Operations & Maintenance Costs:						
Water Treatment	$ 1,451,410	$ 1,422,300	$ 935,818	$ 880,000	$ (542,300)	(38%)
Water Testing	383,290	388,170	369,298	380,000	(8,170)	(2%)
Insurance, Accounting, & Auditing	488,400	726,068	603,463	569,324	(156,745)	(22%)
Maintenance & Equipment	1,299,030	1,305,298	1,037,966	1,119,257	(186,041)	(14%)
Legal	390,000	390,000	164,404	378,000	(12,000)	(3%)
Services & Supplies	4,819,806	5,019,408	4,328,584	5,608,512	589,103	12%
Utilities	940,740	808,578	789,096	896,150	87,572	11%
Total:	**$ 9,772,676**	**$ 10,059,823**	**$ 8,228,629**	**$ 9,831,242**	**$ (228,580)**	**(2%)**

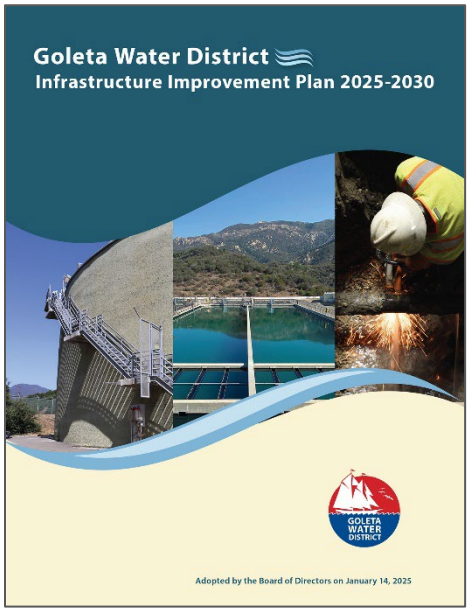
** Compares FY 2025-26 Adopted Budget to FY 2024-25 Adopted Budget*

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

Figure 3.2 FY 2025-26 District Costs, Featuring Budgeted O&M Costs ($000s)



Infrastructure Improvement Plan



In January 2025, the Board of Directors adopted a new Infrastructure Improvement Plan 2025-2030 (IIP). The IIP is designed to show how the District will adeptly build, maintain, and manage the capital 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 with the flexibility to adapt to changing infrastructure needs and opportunities throughout the lifespan of the IIP. The District budget includes the necessary funds to build, maintain, and improve capital assets approved for the upcoming fiscal year.

A critical goal of the IIP is to ensure that the District's infrastructure is capable of producing and delivering quality water to customers. Nearly all IIP funds go toward enhancing the reliability of water production, treatment, and distribution. Several of the projects included in the IIP are once-in-a-generation projects that represent a sizable investment. These investments are needed to ensure reliable delivery of water supplies for the community, especially for a District that recently celebrated its 80th Anniversary and depends on a diverse mix of water supply sources, all of which have their own unique delivery infrastructure. The FY 2025-26 Budget includes $19.1M to fund 20 capital projects, which will:

Every five years, the District reviews and ranks all of its capital projects in order of criticality to identify and prioritize projects for funding in the next IIP. As priorities change, annual revisions are adopted to guide capital investments. For a full list of all identified projects and ranking criteria, visit: *www.GoletaWater.com/2025-2030-IIP*

- Meet state and federal regulations for worker safety, water metering, and water quality, and to resolve utility conflicts.
- Maintain levels of service by replacing infrastructure that has become inoperable, or to mitigate anticipated failure.
- Address critical deficiencies for which inadequate funding could jeopardize water quality, water production, and/or system reliability.

Table 3.3 provides a summary of IIP projects planned for FY 2025-26. Specific project totals may vary from estimates listed in Table 3.3 as a result of project timing, new information, supply chain delays, inflation, or other unanticipated events.

Table 3.3 Infrastructure Improvement Plan Projects Summary FY 2025-26

Project No.	Capital Project	FY 2025-26
P-1	Worker Safety Electrical Upgrades	$750,000
P-2	City, County, Caltrans Relocations Required Projects	$230,000
P-3	Hope Well Treatment System	$3,200,000
P-4	New Replacement Well	$2,800,000
P-5	SCADA Upgrade and Replacements	$6,900,000
P-6	Fleet and Heavy Equipment Replacements	$150,000
P-7	CDMWTP Solids Handling MCC Replacement	$25,000
P-8	Meter Replacements	$500,000
P-9	Treatment Facility Replacements	$100,000
P-10	Pipeline and Service Line Replacements	$580,000
P-11	Cathodic Protection System Replacements and Upgrades	$300,000
P-12	Reservoir and Reservoir Components Replacements	$400,000
P-13	Electrical Power System Replacements	$210,000
P-14	Pump Station and Motor Replacements	$80,000
P-16	Well Facility Replacements	$150,000
P-17	Valve and Hydrant Replacements	$500,000
P-18	Computer and Electronic Replacements	$30,000
P-19	Pavement Replacements	$20,000
P-20	Building Component Replacements	$130,000
P-32	Microturbine Power Generation	$2,000,000
	TOTAL	**$19,055,000**

DEBT SERVICE

Debt service costs reflect payments associated with approximately $28.3M of outstanding Certificates of Participation (COPs) Series 2023A from the recent refinance of Series 2010A and 2014A COPs. These new COPs have principal and interest payable semi-annually, during the months of March and September of each year, with the last payment in September 2034. The newly adopted Five-Year Financial Plan provides sufficient revenue to satisfy debt coverage requirements. The FY 2025-26 debt service is unchanged at $3.6M, based on scheduled principal and interest payments resulting from the 2023 refinancing of the District's debt through a public offering.

Summary of District Expenditure Forecast for FY 2025-26

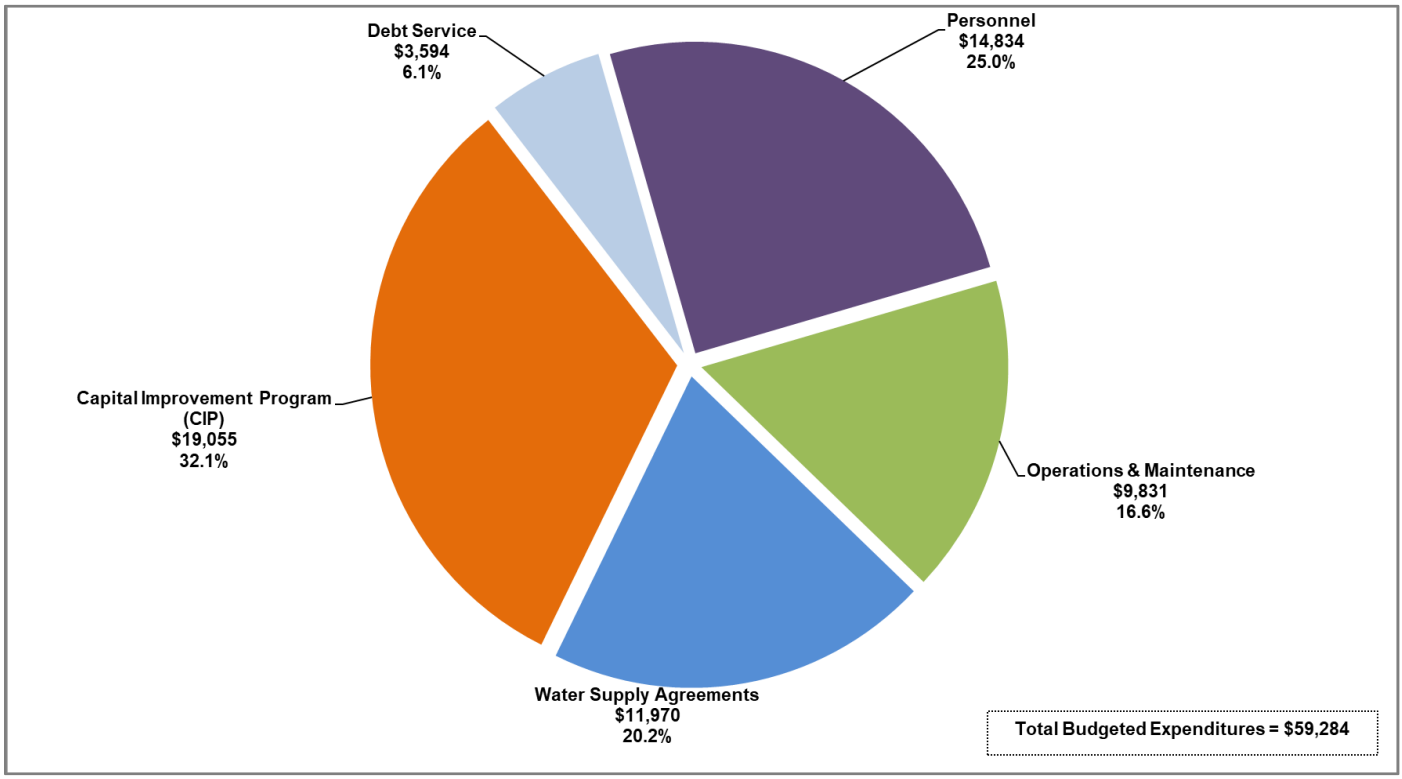
Table 3.4 and Figure 3.3 summarize FY 2025-26 total expenditures of $59.3M. A key component of the annual Budget is to prepare for cash flow variables throughout the year and pace program and project expenditures accordingly. FY 2025-26 expenditures have incorporated customer behaviors and the accompanying seasonality of revenue as described in Section II.

Table 3.4 FY 2025-26 Budget Expenditures Compared to FY 2024-25 Budget Expenditures

Category	Adopted Budget FY 2023-24	Adopted Budget FY 2024-25	Estimated Actual FY 2024-25	Adopted Budget FY 2025-26	Variance Analysis * $ Higher / (Lower)	Variance Analysis * % Higher / (Lower)
Water Supply Agreements:						
COMB (Lake Cachuma)	$ 2,942,831	$ 3,560,149	$ 2,673,000	$ 3,629,535	$ 69,386	2%
CCRB (Water Rights)	552,360	662,372	603,122	669,736	7,364	1%
Cloud Seeding & Overlap	0	57,975	42,034	57,975	0	0%
CCWA (State Water)	8,568,126	7,546,001	7,494,869	6,822,466	(723,535)	(10%)
GSD (Recycled Water)	790,054	790,054	793,433	790,054	0	0%
Subtotal:	**$ 12,853,371**	**$ 12,616,551**	**$ 11,606,458**	**$ 11,969,766**	**$ (646,785)**	**(5%)**
Personnel:						
Wages, Benefits and Taxes	$ 12,165,349	$ 13,309,405	$ 13,195,729	$ 14,196,496	$ 887,091	7%
Other Post Employment Benefits	576,155	587,298	558,753	637,438	50,141	9%
Subtotal:	**$ 12,741,504**	**$ 13,896,703**	**$ 13,754,482**	**$ 14,833,935**	**$ 937,232**	**7%**
Operations & Maintenance:						
Water Treatment Costs	$ 1,451,410	$ 1,422,300	$ 935,818	$ 880,000	$ (542,300)	(38%)
Water Treatment Testing	383,290	388,170	369,298	380,000	(8,170)	(2%)
Insurance, Accounting & Auditing	488,400	726,068	603,463	569,324	(156,745)	(22%)
Maintenance & Equipment	1,299,030	1,305,298	1,037,966	1,119,257	(186,041)	(14%)
Legal	390,000	390,000	164,404	378,000	(12,000)	(3%)
Services & Supplies	4,819,806	5,019,408	4,328,584	5,608,512	589,103	12%
Utilities	940,740	808,578	789,096	896,150	87,572	11%
Subtotal:	**$ 9,772,676**	**$ 10,059,823**	**$ 8,228,629**	**$ 9,831,242**	**$ (228,580)**	**(2%)**
Total Expenditures before Debt and CIP:	**$ 35,367,551**	**$ 36,573,077**	**$ 33,589,569**	**$ 36,634,943**	**$ 61,866**	**0%**
Debt Service:	**5,071,113**	**3,598,250**	**3,598,269**	**3,594,125**	**(4,125)**	**(0%)**
Capital Improvement Projects (CIP):	**16,245,000**	**14,182,876**	**14,175,000**	**19,055,000**	**4,872,124**	**34%**
Total Expenditures:	**$ 56,683,664**	**$ 54,354,203**	**$ 51,362,838**	**$ 59,284,068**	**$ 4,929,865**	**9%**

** Compares FY 2025-26 Adopted Budget to FY 2024-25 Adopted Budget*

Figure 3.3 FY 2025-26 Budgeted Expenditure Allocations ($000s)



APPENDIX

Cost Center Overview

The District tracks disbursements by charging each expenditure to an accounting code associated with a specific function. The 22 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 programmatic functions by the corresponding 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 this section and summarized in Table 4.1 below.

Table 4.1 FY 2025-26 Budgeted Expenditures by Departmental Cost Center

Category	Adopted Budget FY 2023-24	Adopted Budget FY 2024-25	Estimated Actual FY 2024-25	Adopted Budget FY 2025-26	Variance Analysis * $ Higher / (Lower)	Variance Analysis * % Higher / (Lower)
Engineering & Infrastructure	$ 14,588,229	$ 15,431,462	$ 13,790,768	$ 15,678,594	$ 247,132	2%
Water Supply & Conservation	14,812,334	14,574,315	13,458,797	14,224,332	(349,983)	(2%)
General Administration	5,966,987	6,567,299	6,340,004	6,732,017	164,719	3%
Total Expenditures:	**$ 35,367,550**	**$ 36,573,076**	**$ 33,589,569**	**$ 36,634,943**	**$ 61,867**	**0%**

** Compares FY 2025-26 Adopted Budget to FY 2024-25 Adopted Budget*

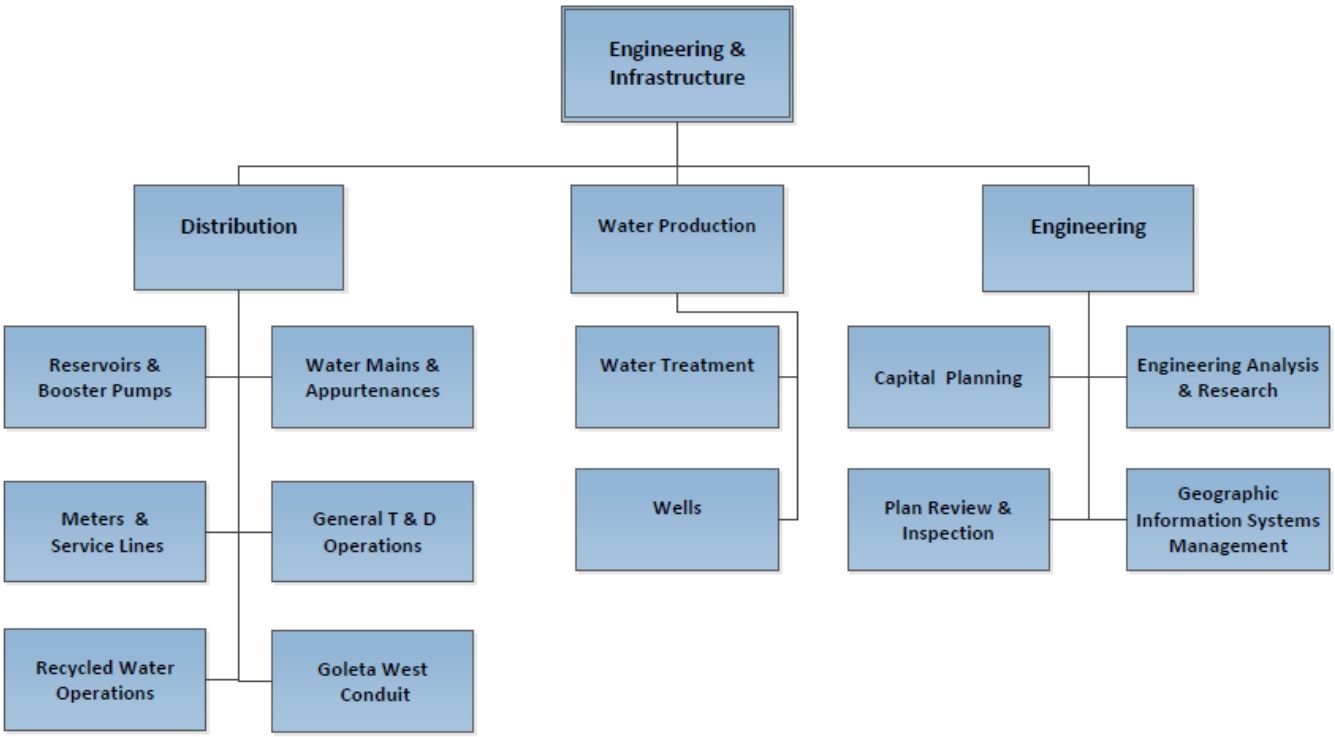
Total FY 2025-26 cost center budgeted expenditures are projected to be $36.6M, which is flat when compared to the FY 2024-25 budget, including:

- An increase of $247K, or 2%, in Engineering & Infrastructure resulting primarily from increasing Services & Supplies costs associated with maintenance of paving related to the use of heavy equipment for SCADA tower construction and domestic tank upgrades on key road segments, tank coating, painting, sample lines, and fencing, as well as Utility costs which are increasing due to higher electricity rates and a greater reliance on electricity for electric vehicle charging, and the replacement of natural-gas space heaters and water heaters with electric. These utility cost increases are partially offset by the District's new battery storage system at CDMWTP.
- A decrease of $350K, or 2%, in WS&C attributable to lower fixed and variable CCWA costs due to reduced water delivery estimates and flat costs for CCRB to protect water rights in ongoing state and federal proceedings, offset by increased charges for COMB capital improvement projects.
- An increase in General Administration costs of $165K, or 3%, primarily due to MOU-related step increases, previously negotiated SEIU provisions, and retiree benefits. These increases are partially offset by a decrease in Insurance, Accounting, and Auditing expenses—driven largely by the anticipated completion of the District's financial accounting software migration, which was budgeted in the previous fiscal year and is expected to be completed in the second quarter of FY2026—as well as reductions in Legal and Service and Supplies costs.

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. Additionally, the E&I Department manages the District's capital improvement projects, review of new water service applications and plans and inspection of construction by District staff and outside entities, engineering research and analysis, and the Geographic Information System (GIS). The District treats and delivers over 3 billion gallons of potable water annually to meet the demand of more than 84,000 people living in the region. The Department is organized into three functional areas of responsibility: Distribution, Water Production, and Engineering, as outlined in Figure 4.2.

Figure 4.2 Engineering & Infrastructure Programmatic Functions



Water Production

The Water Production cost centers are responsible for the facilities necessary to produce, treat, test, and ensure that the water delivered into the potable distribution system meets all state and federal primary drinking water standards. The potable water system consists of CDMWTP, which treats water from Lake Cachuma, and groundwater wells and their treatment facilities. The Goleta West Conduit system provides unfiltered Lake Cachuma water for agricultural irrigation that is disinfected at a single chlorination facility. 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 control systems for all District facilities.

Water Production priorities in FY 2025-26 include:

- Continue installing 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.
- Constructing a pipeline and pumping and treatment systems for the new Hope Well. Treatment system installations are anticipated to occur in 2025, with the well projected to be producing water for the community in 2026.
- Drilling a new well at the S.B. Corp site, the District's second new well in over 40 years, and a critical investment in maintaining groundwater reliability.
- Removing accumulated solids from drying beds at the water treatment plant for offsite disposal.
- Continuing 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 any changing conditions in the distribution system and aquifer.
- Performing routine operations and maintenance activities to keep the groundwater wells in operational condition.
- Injecting treated surface water into District groundwater wells to replenish the groundwater basin when surface water supplies are available, and as injection permits allow.

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, blowoff facilities, air release valves, and fire hydrants), service lines, meters, water storage reservoirs, and the booster pump stations needed to move water to higher elevations or sustain pressures. 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 District-owned buildings, roads, vehicles, equipment, and the regulatory compliance associated with them.

Distribution priorities in FY 2025-26 include:

- Providing uninterrupted water delivery while continuing to meet all State and Federal primary drinking water standards, which includes minimizing the duration of service interruptions associated with planned and unplanned system repairs or upgrades.
- Installing microturbines for sustainable electricity generation at up to four District facilities.
- Exercising valves and replacing inoperable main line valves throughout the distribution system.

- Performing annual inspections of all hydrants and repairing or replacing hydrants as needed to maintain operability.
- Testing meters, replacing inoperable or broken meters and meter boxes, and fulfilling State-required water loss control obligations.
- Maintaining the District's vehicle fleet, replacing aging vehicles with electric vehicles, and expanding electric vehicle charging infrastructure.

Engineering

The Engineering cost centers include programs and functions related to capital infrastructure planning and implementation; plan review for new water service applications and inspection of construction by staff and outside entities to guard against damage to District infrastructure; engineering research and analysis; and management of the Geographic Information System and digital asset management tools. 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, and that existing infrastructure is protected from external threats. A majority of expenditures associated with the Engineering function are recovered through the capital budget (Infrastructure Improvement Plan) or are reimbursed through developer fees and charges.

Capital Planning

The Capital Planning cost center is responsible for capital project management, including the implementation and annual amendment of the District's five-year IIP. Engineering oversees studies and the 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 a 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.

Recent tariffs and disruptions to global trade are expected to drive up the costs for many of the goods on which the District relies, making routine replacements and capital projects more expensive.

During FY 2025-26, capital projects will include worker safety upgrades, infrastructure relocation as legally required by outside agencies, inoperable asset replacements, SCADA upgrades, and new groundwater well facilities. District staff will also oversee the construction of up to four microturbine generating plants at District facilities.

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

Plan Review and Inspection

This cost center focuses on analyzing new water service applications, reviewing plans for customer projects for conformance with District standards and specifications, and inspection of all types of projects. These include the District's capital projects, customer projects, and construction by third parties such as developers, utilities, or other government entities that have the potential to damage District infrastructure. These efforts will be led by an in-house inspector as well as contract inspectors, depending on the timing and volume of construction

projects. This cost center is experiencing an uptick in activity, following the end of a nearly ten-year moratorium on new service connections and the rezoning by Santa Barbara County of agricultural parcels to residential use.

Engineering Analysis and Research

The Engineering Analysis and Research cost center is responsible for several programs, including Energy and Sustainability, Cathodic Protection, and maintaining 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 that 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 2025-26, staff 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. The Engineering Analysis & Research cost center also includes grant writing and administration, though Federal grant opportunities have recently become more limited.

Geographic Information Systems Management

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

The District is advancing its asset management efforts to extend the lifespan of existing infrastructure. This year, key upgrades include finalizing the Computerized Maintenance Management System and launching new field data collection portals to digitize conditions assessments.

State-of-the-art hydraulic and water quality models of the potable and recycled water distribution systems are linked with the 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 2025-26, GIS efforts will include 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 the efficiency of inspections, workflow processes, and capital planning, and extend the service life of existing assets.

Engineering & Infrastructure Accomplishments FY 2024-2025

During FY 2024-25, the E&I Department 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, which include:

- Providing lifeline water service to the community while continuing to meet all primary Federal and State water quality standards.
- Maintaining the groundwater wells in immediate ready status.

- Injecting treated surface water into District groundwater wells to help replenish the aquifer.
- Continuing to monitor 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.
- Replacing 94 inoperable valves and exercising more than 2,000 valves, surpassing all previous years' records in the District's history. This work improves the reliability of water delivery and prevents service interruptions to customers.
- Completing the design of pumping and treatment systems for the new Hope Well.
- Completing treatment system upgrades at University Well, including installation of additional filtration treatment including chemical storage and delivery, a backwash tank, backwash reclaim, and associated plumbing and controls.
- Completing installation of new rectifier and deep anode bed at Fairview Avenue for cathodic protection improvements.
- Continuing design, purchasing equipment, and installation of a once-in-a-generation overhaul of the District's entire SCADA system to ensure the reliability of automated treatment processes and monitoring of remote facilities.
- Maintaining baseline status for oils and grease at the District Headquarters by adhering to the Best Management Practices of the Storm Water Pollution Prevention Program.
- Completing and filing the District's validated Water Loss Audit in compliance with state law.
- Investigating and replacing 967 malfunctioning water meters that were underreporting water use to ensure accurate billing.
- Performing 74 water main shutdowns for 50 planned repairs for system improvements and 24 unplanned water main leak repairs.
- Performing more than 150 repairs to leaking service laterals.
- Replacing 41 old poorly functioning fire hydrants and repairing 178 aging fire hydrants to improve operating efficiency or prevent rust.

The District owns and maintains more than 6,600 valves and 1,520 fire hydrants throughout its system. Replacement of malfunctioning or inoperable valves and hydrants increases reliability, and prevents service interruptions to customers.

- Purchasing one electric loader, two electric forklifts, one gasoline-fueled heavy duty valve operating truck, and two electric SUVs.
- Installing and commissioning 10 electric vehicle charging stations at headquarters, resulting in increased utilization of electric vehicles compared to gasoline and diesel vehicles and supporting compliance with CARB rules.
- Installing new roof systems at three CDMWTP buildings to prolong the useful lives of the buildings.

- Applying for $8.0M in WaterSmart grants to offset costs of a new well project and the Advanced Metering Infrastructure (AMI) Upgrade project.

FY 2025-26 Engineering & Infrastructure Cost Center Budget

Table 4.2 details the various Engineering & Infrastructure expenditure categories and describes the variances between FY 2024-25 Budget and FY 2025-26 budgeted expenditures.

Table 4.2 FY 2025-26 Engineering & Infrastructure (E&I) Cost Center Budget Summary

Category	Adopted Budget FY 2023-24	Adopted Budget FY 2024-25	Estimated Actual FY 2024-25	Adopted Budget FY 2025-26	Variance Analysis * $ Higher / (Lower)	Variance Analysis * % Higher / (Lower)
Cost Center Expenses - Engineering & Infrastructure						
Personnel:	**$ 7,084,599**	**$ 7,973,306**	**$ 7,663,193**	**$ 8,365,719**	**$ 392,413**	**5%**
Operations & Maintenance:						
Water Treatment	1,451,410	1,422,300	935,818	880,000	(542,300)	(38%)
Water Testing	383,290	388,170	369,298	380,000	(8,170)	(2%)
Insurance, Accounting, & Auditing	250,484	308,824	281,424	295,510	(13,314)	(4%)
Maintenance & Equipment	1,297,660	1,305,298	1,035,293	1,115,840	(189,458)	(15%)
Services & Supplies	3,180,046	3,224,987	2,716,646	3,745,375	520,388	16%
Utilities	940,740	808,577	789,096	896,150	87,573	11%
Subtotal:	**7,503,630**	**7,458,157**	**6,127,575**	**7,312,875**	**(145,282)**	**(2%)**
Total Expenditures:	**$ 14,588,229**	**$ 15,431,463**	**$ 13,790,768**	**$ 15,678,594**	**$ 247,131**	**2%**

** Compares FY 2025-26 Adopted Budget to FY 2024-25 Adopted Budget*

The Engineering & Infrastructure budget will increase in FY 2025-26 by $247K, or 2%. Notable changes from FY 2024-25 Operations and Engineering Budgets to the FY 2025-26 Budget include:

- Engineering & Infrastructure personnel costs will increase by $392K, or 5%, in FY 2025-26, consistent with MOU-related step increases and previously negotiated SEIU provisions. Internal promotions of staff who have acquired new certifications, skills, and experience have generally been offset by savings resulting from the retirement of pre-PEPRA hires.
- Water Treatment costs will decrease by $542K, or 38%, when compared to FY 2024-25 due to improved water quality at Lake Cachuma (explained in more detail below). These savings are expected to more than offset inflationary increases in chemical costs.
- Maintenance & Equipment will decrease by $189K, or 15%, primarily as a result of savings in fuel and vehicle maintenance that were anticipated as part of the electrification of the District fleet, but have surpassed initial estimates. Additional savings reflect maintenance and equipment purchases completed in FY 2024-25 that do not recur annually.

- Services & Supplies will increase by $520K, or 16%, as a result of various planned activities, including the maintenance of road paving related to the use of heavy equipment for SCADA tower construction and domestic tank upgrades on key road segments, tank coating, painting, sample lines, and fencing.
- Utility costs will increase by $88K, or 11%, as a result of extraordinary cost inflation for commercial electricity rates and increased electricity consumption associated with vehicle charging and replacement of natural-gas appliances with electric appliances. However, these cost increases will be partially offset by lower peak-hour commercial electricity bills enabled by the new battery storage system at CDMWTP.

Tables 4.3a-e and Figure 4.3 provide a detailed breakdown of E&I expenditures by programmatic cost center.

Table 4.3a FY 2025-26 E&I Budgeted Expenditures by Programmatic Cost Center

Description	Water Treatment Plant				Wells				Mains & Appurtenances			
	FY 2024-25	FY 2025-26	Variance		FY 2024-25	FY 2025-26	Variance		FY 2024-25	FY 2025-26	Variance	
Water Treatment	$ 1,357,300	$ 837,000	$ (520,300)	-38.3%	$ 7,600	$ 3,700	$ (3,900)	-51.3%	$ 0	$ 0	$ 0	0.0%
Water Testing	305,100	269,900	(35,200)	-11.5%	80,000	105,000	25,000	31.3%	0	0	0	0.0%
Personnel - Wages	1,738,086	1,907,695	169,609	9.8%	264,181	201,721	(62,460)	-23.6%	914,076	1,085,331	171,255	18.7%
Personnel - Benefits	877,237	886,512	9,275	1.1%	119,841	99,591	(20,250)	-16.9%	445,144	491,688	46,543	10.5%
Personnel - Taxes & W.C.	170,677	201,392	30,715	18.0%	25,533	20,866	(4,667)	-18.3%	91,286	116,767	25,482	27.9%
Insurance and Accounting	93,546	93,672	125	0.1%	0	0	0	0.0%	100,778	100,912	134	0.1%
Maintenance & Equipment	402,100	284,000	(118,100)	-29.4%	125,300	63,000	(62,300)	-49.7%	222,000	300,910	78,910	35.5%
Services & Supplies	1,288,917	1,818,500	529,583	41.1%	397,600	315,150	(82,450)	-20.7%	241,550	291,350	49,800	20.6%
Utilities	130,000	143,000	13,000	10.0%	93,450	102,450	9,000	9.6%	9,270	9,800	530	5.7%
Total:	**$ 6,362,964**	**$ 6,441,671**	**$ 78,708**	1.2%	**$ 1,113,505**	**$ 911,478**	**$ (202,028)**	-18.1%	**$ 2,024,104**	**$ 2,396,758**	**$ 372,654**	18.4%

Water Treatment Plant

- Water Treatment decreased by $520K, or 38%, from FY 2024-25 as a result of improved Lake Cachuma water quality requiring less powder activated carbon to control taste and odor and to remove other organic compounds.
- Water Testing decreased by $35K, or 12%, due to having completed most regulatory required testing in FY 2024-25 for UCMR.
- Personnel costs for this cost center increased $170K, or 10%, from FY 2024-25 as a result of less time being utilized for the Well Program and the Goleta West Conduit, and more time dedicated to treatment plant maintenance.
- Maintenance & Equipment costs decreased $118K, or 29%, from FY 2024-25, and reflect savings in vehicle fuel and maintenance as the District shifts away from gasoline-powered vehicles to low-maintenance electric vehicles as well as maintenance completed and equipment purchases made in FY 2024-2025 that are not needed in FY 2025-26.
- Services & Supplies costs increased $530K, or 41%, from FY 2024-25, with the majority of the cost increase attributable to maintenance of road paving related to the use of heavy equipment for SCADA tower construction and domestic tank upgrades on key road segments, tank coating, painting, sample lines, and fencing.

Wells

- Water Testing costs under this cost center will increase $25K, or 31%, as a result of adding new injection locations to the District's permit.
- Personnel costs will decrease by $87K, or 21%, reflecting less staff time needed for wells operations and maintenance.
- Maintenance & Equipment costs will decrease by $62K, or 50%, with limited groundwater production planned for FY 2025-26.
- Services & Supplies costs will decrease by $82K, or 21%, reflecting limited groundwater production.

Mains & Appurtenances

- Increased personnel benefits of $243K, or 17%, in this cost center reflect more system maintenance and less work occurring in the cost centers for pump stations, reservoirs, and Goleta West Conduit.
- Higher costs for Maintenance & Equipment of $79K, or 36%, are a result of more traffic control, spoils hauling, and repairs for leaks and maintenance.
- Higher costs for Services & Supplies of $50K, or 21%, are a function of painting more exposed pipes and valves in vaults and more brush clearing for access and fire risk mitigation at remote facilities.

Table 4.3b FY 2025-26 E&I Budgeted Expenditures by Programmatic Cost Center

Description	General Operations				Meter & Service Lines				Recycled Water			
	FY 2024-25	FY 2025-26	Variance		FY 2024-25	FY 2025-26	Variance		FY 2024-25	FY 2025-26	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	662,473	670,053	7,580	1.1%	681,733	720,741	39,008	5.7%	83,685	84,552	868	1.0%
Personnel - Benefits	166,545	158,596	(7,949)	-4.8%	372,256	446,223	73,967	19.9%	41,634	41,106	(528)	-1.3%
Personnel - Taxes & W.C.	57,783	60,659	2,876	5.0%	59,602	66,732	7,130	12.0%	8,332	9,136	804	9.6%
Insurance and Accounting	28,788	28,825	37	0.1%	28,788	28,830	43	0.1%	0	0	0	0.0%
Maintenance & Equipment	346,090	274,030	(72,060)	-20.8%	105,000	115,800	10,800	10.3%	11,800	12,100	300	2.5%
Services & Supplies	584,040	603,770	19,730	3.4%	152,400	158,700	6,300	4.1%	51,900	44,200	(7,700)	-14.8%
Utilities	53,598	60,000	6,402	11.9%	0	0	0	0.0%	34,670	95,000	60,330	174.0%
Total:	**$ 1,899,316**	**$ 1,855,933**	**$ (43,383)**	-2.3%	**$ 1,399,779**	**$ 1,537,026**	**$ 137,248**	9.8%	**$ 232,020**	**$ 286,094**	**$ 54,074**	23.3%

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

- Maintenance & Equipment costs decreased by $72K, or 21%, reflecting savings from lower fuel and vehicle maintenance costs, reflecting the electrification of the District's fleet.
- Services & Supplies costs increased by $20K, or 3%, due to inflationary cost increases.

Meters & Service Lines

- Personnel costs for this cost center increased by $120K, or 11%, as more maintenance of meter boxes is needed, namely cleaning dirt out of meter boxes and grouting openings. Much of this work is being completed in preparation for the AMI upgrade project.
- Maintenance & Equipment costs rose by $11K, or 10%, for replacement of more broken meter boxes and grout.

Recycled Water

- Savings in Services & Supplies costs were offset by Utilities costs rising markedly by $60K, or 174%, to reflect current usage. The previous year's estimate was based on the prior wet year, and actual energy usage under the drier conditions experienced this year has been substantially higher.

Table 4.3c FY 2025-26 E&I Budgeted Expenditures by Programmatic Cost Center

Description	Goleta West Conduit				Pump Stations & Reservoirs				Analysis & Research			
	FY 2024-25	FY 2025-26	Variance		FY 2024-25	FY 2025-26	Variance		FY 2024-25	FY 2025-26	Variance	
Water Treatment	$ 57,400	$ 39,300	$ (18,100)	-31.5%	$ 0	$ 0	$ 0	0.0%	$ 0	$ 0	$ 0	0.0%
Water Testing	3,070	5,100	2,030	66.1%	0	0	0	0.0%	0	0	0	0.0%
Personnel - Wages	143,575	117,880	(25,695)	-17.9%	190,090	177,566	(12,523)	-6.6%	191,718	193,768	2,050	1.1%
Personnel - Benefits	72,659	60,931	(11,728)	-16.1%	68,030	56,865	(11,165)	-16.4%	69,749	86,182	16,433	23.6%
Personnel - Taxes & W.C.	14,254	12,375	(1,879)	-13.2%	18,743	18,278	(465)	-2.5%	15,341	15,896	554	3.6%
Insurance and Accounting	13,720	0	(13,720)	-100.0%	0	0	0	0.0%	21,603	21,640	37	0.2%
Maintenance & Equipment	42,200	22,900	(19,300)	-45.7%	40,600	41,900	1,300	3.2%	0	0	0	0.0%
Services & Supplies	31,150	29,750	(1,400)	-4.5%	153,471	157,780	4,309	2.8%	93,200	94,200	1,000	1.1%
Utilities	6,400	5,900	(500)	-7.8%	481,189	480,000	(1,189)	-0.2%	0	0	0	0.0%
Total:	**$ 384,428**	**$ 294,135**	**$ (90,292)**	-23.5%	**$ 952,123**	**$ 932,389**	**$ (19,734)**	-2.1%	**$ 391,611**	**$ 411,685**	**$ 20,074**	5.1%

Goleta West Conduit

- Overall costs decreased by $90K, or 24%, as a result of labor and chemical savings from consolidating all chlorination to a single station rather than the two points previously used. Additionally, fewer repairs have been needed than anticipated.

Pump Stations & Reservoirs

- Overall Booster Pump costs decreased by $20K, or 2%, to match current year actuals and reflect lower anticipated labor and material costs.

Analysis & Research

- Personnel costs increased by $19K, or 7%, primarily as a result of MOU-related step increases scheduled for the year.

Table 4.3d FY 2025-26 E&I Budgeted Expenditures by Programmatic Cost Center

Description	Plan Check & Inspection				Geographic Information System				Capital Improvements			
	FY 2024-25	FY 2025-26	Variance		FY 2024-25	FY 2025-26	Variance		FY 2024-25	FY 2025-26	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	40,981	42,277	1,296	3.2%	210,462	169,521	(40,940)	-19.5%	67,933	65,815	(2,118)	-3.1%
Personnel - Benefits	8,185	9,027	842	10.3%	42,168	33,200	(8,968)	-21.3%	13,701	13,960	259	1.9%
Personnel - Taxes & W.C.	3,086	3,529	443	14.4%	17,306	14,175	(3,132)	-18.1%	5,222	5,112	(110)	-2.1%
Insurance and Accounting	0	0	0	0.0%	14,417	14,435	19	0.1%	7,185	7,196	11	0.2%
Maintenance & Equipment	5,208	1,000	(4,208)	-80.8%	5,000	200	(4,800)	-96.0%	0	0	0	0.0%
Services & Supplies	2,300	2,650	350	15.2%	75,309	75,775	466	0.6%	153,150	153,550	400	0.3%
Utilities	0	0	0	0.0%	0	0	0	0.0%	0	0	0	0.0%
Total:	**$ 59,760**	**$ 58,484**	**$ (1,277)**	-2.1%	**$ 364,662**	**$ 307,306**	**$ (57,356)**	-15.7%	**$ 247,191**	**$ 245,634**	**$ (1,557)**	-0.6%

Plan Check & Inspection

- Costs are relatively flat, with less Maintenance & Equipment costs anticipated since equipment purchased in FY 2024-25 does not need to be purchased again in FY 2025-26.

Geographic Information System

- Personnel costs are down $53K, or 20%, as less labor is needed after completing the GIS overhaul in FY 2024-25.

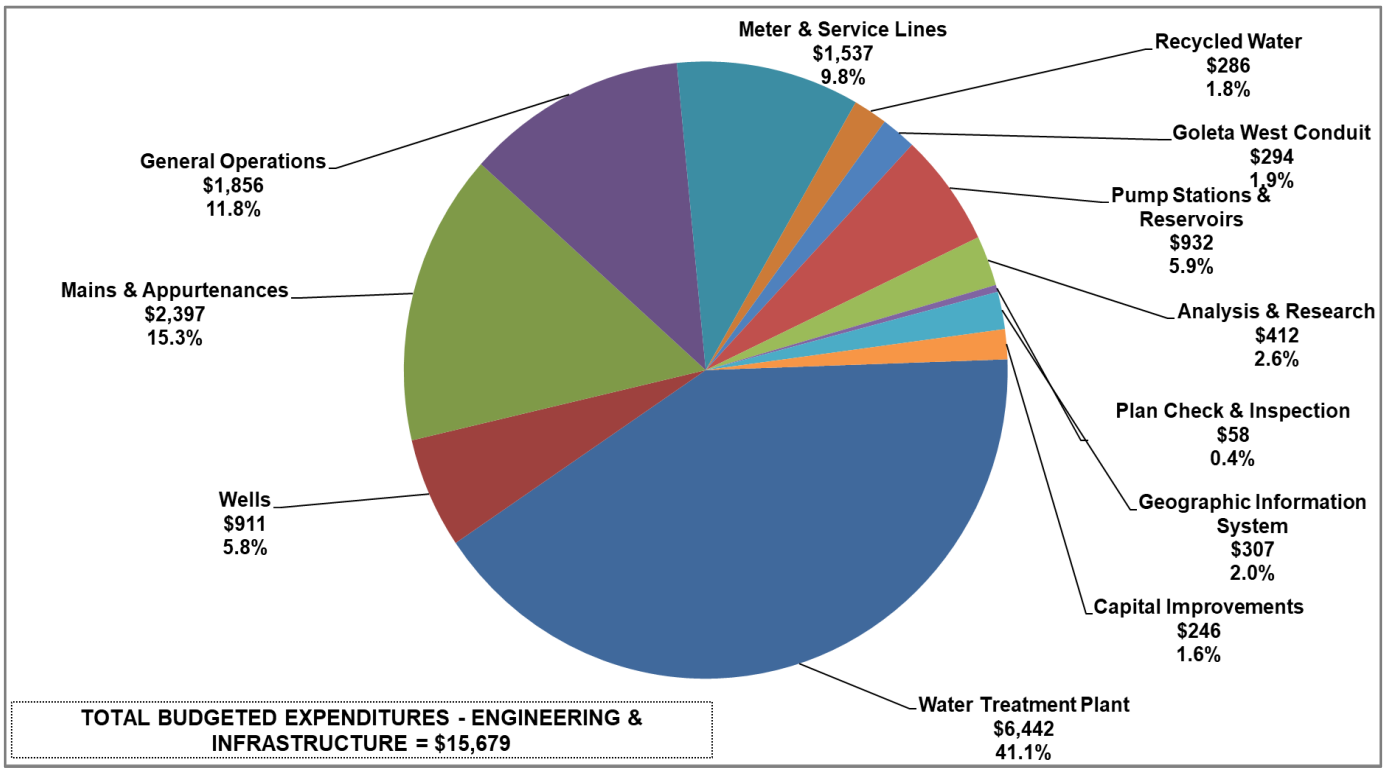
Capital Improvements

- Personnel costs related to Capital Improvements are lower than the previous year by $2K, or 2%, now that the 2025-2030 IIP has been completed.

Table 4.3e FY 2025-26 E&I Budgeted Expenditures by Programmatic Cost Center

Description	Total Engineering & Infrastructure			
	FY 2024-25	FY 2025-26	Variance	
Water Treatment	$ 1,422,300	$ 880,000	$ (542,300)	-38.1%
Water Testing	388,170	380,000	(8,170)	-2.1%
Personnel - Wages	5,188,992	5,436,922	247,930	4.8%
Personnel - Benefits	2,297,150	2,383,881	86,731	3.8%
Personnel - Taxes & W.C.	487,164	544,916	57,752	11.9%
Insurance and Accounting	308,824	295,510	(13,314)	-4.3%
Maintenance & Equipment	1,305,298	1,115,840	(189,458)	-14.5%
Services & Supplies	3,224,987	3,745,375	520,388	16.1%
Utilities	808,577	896,150	87,573	10.8%
Total:	**$ 15,431,463**	**$ 15,678,594**	**$ 247,131**	1.6%

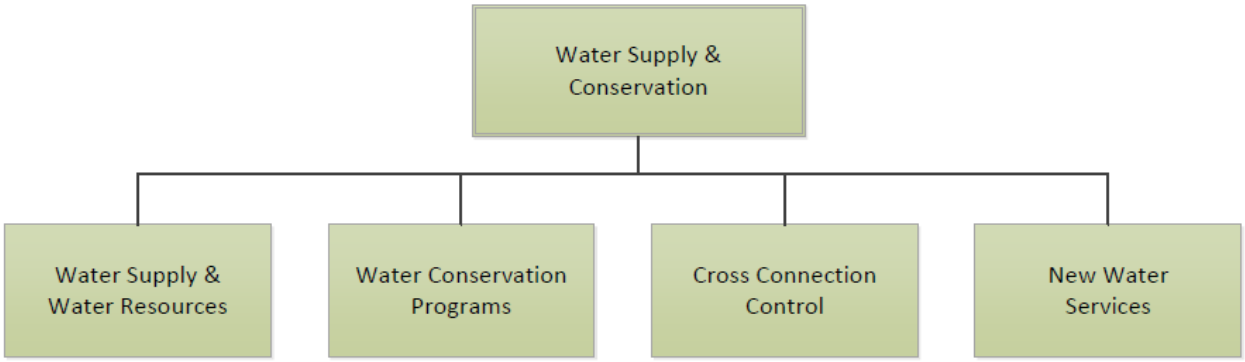
Figure 4.3 FY 2025-26 Engineering & Infrastructure Budgeted Expenditures by Programmatic Cost Center ($000s)



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 2025-26 priorities include continued work with CCRB and other regional partners to protect surface water rights under existing state and federal orders, as well as State administrative hearings.

For the second year in a row, all conditions necessary to issue new water allocations under the SAFE Water Supplies Ordinance were met for 2025. The District's multiple water supply planning documents ensure sufficient supplies are available to serve existing and future demand based on City and County development projections.

Water Resources

The Water Resources program supports the ongoing management of water supply agreements, and coordinates updates to the District's 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 2025-26 priorities include commencing the 2026 Update to the District's Urban Water Management Plan, continued implementation of the District's Water Supply

Management Plan and Groundwater Management Plan, and evaluating additional opportunities for the District to increase injection into the Basin and expand the District's Aquifer and Storage Recovery (ASR) Program.

Water Conservation Programs

Conservation and the efficient use of water 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. 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, including through the Customer Scorecard Program that provides targeted outreach to large water users across all customer classes.

While two years of wet conditions in FY 2022-23 and FY 2023-24 significantly improved 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. Despite a relatively dry winter in FY 2024-25, the District's water supply portfolio remains flush, with a full allocation from the Cachuma Project and significant State Water in storage.

A key focus of the District's Water Resources and Water Conservation teams in FY 25-26 will be compliance with the State of California's "Conservation as a Way of Life Regulation." The regulation is intended to achieve long-term water use efficiency and adapt to climate change by establishing unique goals for each urban retail water supplier in California. Under the regulation, the District must meet a unique urban water use objective, commercial, industrial and institutional (CII) performance measures, and provide increased annual reporting (see details in the call out box). The new regulation will require significant staff time to review and classify CII customer landscapes and meters in the service area.

> The State of California's new "Conservation as a Way of Life Regulation" establishes a District-specific water budget with efficiency standards for urban water uses, including residential indoor water use, residential outdoor water use, CII landscapes with dedicated irrigation meters, and supplier system real water loss. As part of the CII performance measures, the District must classify and categorize all CII water accounts into specific categories.
>
> The District must also convert CII large landscapes (defined as those over 0.5 acres) that currently use mixed use meters to dedicated irrigation meters or employ in-lieu technologies such as advanced metering infrastructure.

The Water Conservation Program will also take the lead in beginning to implement a State ban on ornamental turf. Signed into law by the State Legislature on October 13, 2023, AB 1572 prohibits the use of potable water to irrigate nonfunctional turf located on commercial, industrial, institutional properties, homeowners' associations, apartment buildings, retirement communities, and community service organizations. Properties owned by state and local governments must comply with the new rules by January 1, 2027, and all common areas of homeowners' associations must comply by January 1, 2029.

The Water Supply and Conservation Department also administers the District's recycled water program, as offsetting potable water use with recycled water 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 other 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 closure.

Water Supply and Conservation (WS&C) Accomplishments FY 2024-25

The key WS&C accomplishments completed during FY 2024-25 include:

- Updating 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.
- Distributing over 80 rebates through the Smart Landscape Rebate Program and the mulch rebate program.
- Completing 38 conservation check-ups for Single-Family Residential, 11 for Multi-family Residential customers, 7 for Commercial customers, and 2 for Agricultural customers. Conservation check-ups provide customers with a 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 accounts for an estimated 9 AF in water savings per year.
- Interacting with more than 2,500 customers at conservation outreach events to educate the community on where their water comes from, statewide water use restrictions, and ways to eliminate water waste and conserve water.

FY 2025-26 Water Supply and Conservation Budget

Table 4.4 details the primary WS&C budgeted expenditures and describes the variances between FY 2024-25 Budget and FY 2025-26 budgeted expenditures.

Table 4.4 FY 2025-26 Water Supply and Conservation (WS&C) Cost Center Budget Summary

Category	Adopted Budget FY 2023-24	Adopted Budget FY 2024-25	Estimated Actual FY 2024-25	Adopted Budget FY 2025-26	Variance Analysis * $ Higher / (Lower)	Variance Analysis * % Higher / (Lower)
Cost Center Expenses - WS&C						
Water Supply Agreements:						
COMB (Lake Cachuma)	$ 2,942,831	$ 3,560,149	$ 2,673,000	$ 3,629,535	$ 69,386	2%
CCRB (Water Rights)	552,360	662,372	603,122	669,736	7,364	1%
Cloud Seeding & Overlap	0	57,975	42,034	57,975	0	0%
CCWA (State Water)	8,568,126	7,546,001	7,494,869	6,822,466	(723,535)	(10%)
GSD (Recycled Water)	790,054	790,054	793,433	790,054	0	0%
Subtotal:	**12,853,371**	**12,616,551**	**11,606,458**	**11,969,766**	**(646,785)**	**(5%)**
Personnel:	**1,508,818**	**1,655,090**	**1,665,808**	**1,859,084**	**203,994**	**12%**
Operations & Maintenance:						
Insurance, Accounting, & Auditing	36,656	36,018	41,202	43,262	7,244	20%
Maintenance & Equipment	1,370	0	2,078	2,529	2,529	0%
Services & Supplies	412,120	266,656	143,251	349,691	83,035	31%
Subtotal:	**450,146**	**302,674**	**186,531**	**395,482**	**92,808**	**31%**
Total Expenditures:	**$ 14,812,335**	**$ 14,574,315**	**$ 13,458,797**	**$ 14,224,332**	**$ (349,983)**	**(2%)**

** Compares FY 2025-26 Adopted Budget to FY 2024-25 Adopted Budget*

The WS&C cost center Budget will decrease by $350K in FY 2025-26. Notable changes from the FY 2024-25 Budget to FY 2025-26 Budget include:

- Overall costs associated with Water Supply Agreements have decreased by approximately $647K, or 5%, primarily from anticipated decreases in DWR Fixed Assessment charges for costs associated with the State Water Project, as well as decreased variable costs from reduced State Water deliveries.
- COMB costs will increase slightly by $69K, or 2%, mainly as a result of increased O&M costs.
- Costs for CCRB will remain relatively flat (increasing by $7K, or 1%) as a result of delays in work related to the Biological Opinion for the Cachuma Project as staffing at USBR and NMFS has been reduced. Work related to implementing the State Water Rights Order continues at a slower pace than originally anticipated due to delays at the State Water Board as well.
- The $58K for Cloud Seeding & Overlap is a result of repayment for treatment costs under the Overlap Agreement, as cloud seeding did not occur last year and is not scheduled to occur this year due to the amount of water in storage at Lake Cachuma.
- Personnel costs have increased by approximately $204K, or 12%, associated with MOU-related step increases and previously negotiated SEIU provisions.
- Services & Supplies increase of $83K, or 31%, is a result of the District updating its Urban Water Management Plan, which must be completed by June of 2026.

Tables 4.5a-b and Figure 4.5 provide a detailed breakdown of WS&C expenditures by programmatic cost center.

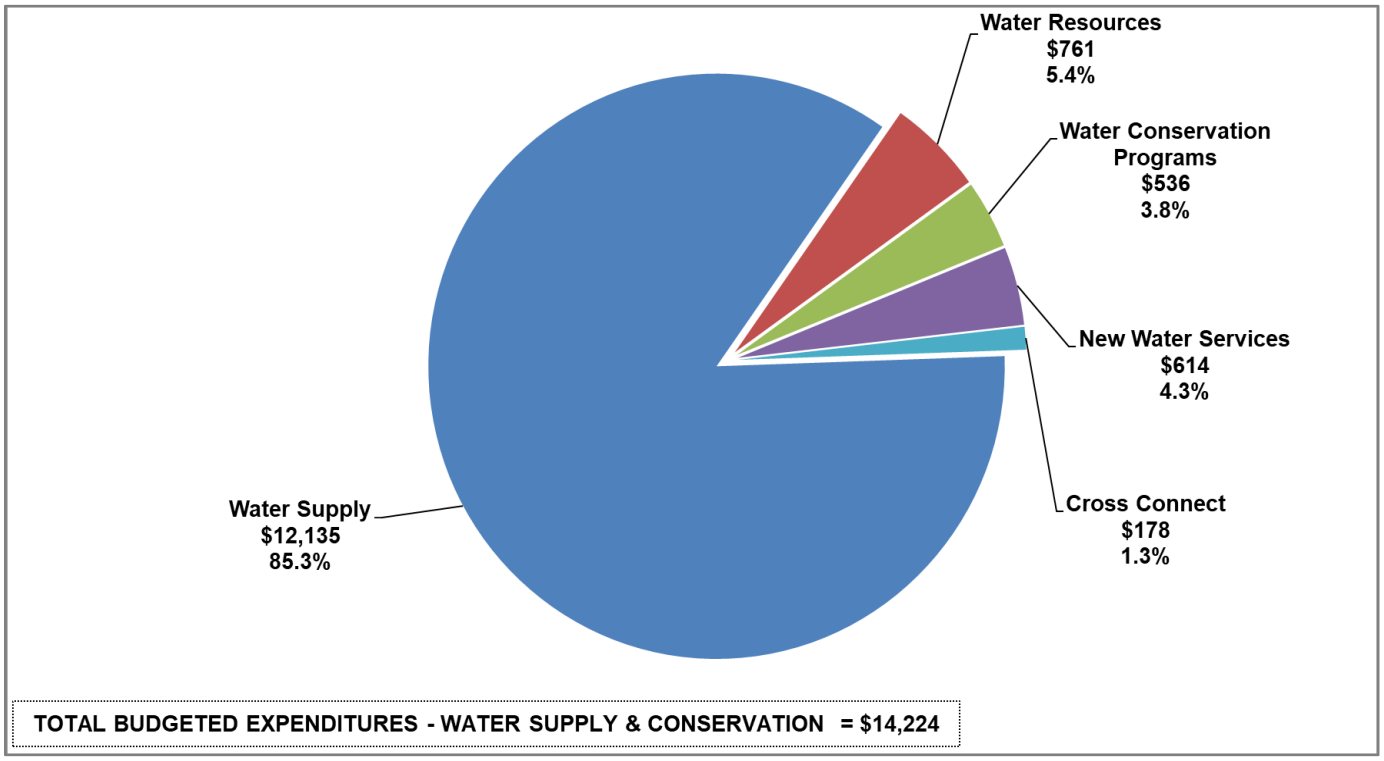
Table 4.5a FY 2025-26 WS&C Budgeted Expenditures by Programmatic Cost Center

Description	Water Supply				Water Resources				Water Conservation Programs			
	FY 2024-25	FY 2025-26	Variance		FY 2024-25	FY 2025-26	Variance		FY 2024-25	FY 2025-26	Variance	
COMB (Lake Cachuma)	$ 3,560,149	$ 3,629,535	$ 69,386	1.9%	$ 0	$ 0	$ 0	0.0%	$ 0	$ 0	$ 0	0.0%
CCRB (Water Rights)	662,372	669,736	7,364	1.1%	0	0	0	0.0%	0	0	0	0.0%
Cloud Seeding & Overlap	57,975	57,975	0	0.0%	0	0	0	0.0%	0	0	0	0.0%
CCWA (State Water)	7,546,001	6,822,466	(723,535)	-9.6%	0	0	0	0.0%	0	0	0	0.0%
GSD (Recycled Water)	790,054	790,054	0	0.0%	0	0	0	0.0%	0	0	0	0.0%
Personnel - Wages	80,991	114,186	33,195	41.0%	387,899	394,731	6,831	1.8%	203,789	208,821	5,033	2.5%
Personnel - Benefits	29,263	42,247	12,984	44.4%	91,377	97,424	6,047	6.6%	156,625	193,266	36,641	23.4%
Personnel - Taxes & W.C.	6,431	9,298	2,868	44.6%	28,032	28,989	957	3.4%	16,565	17,340	774	4.7%
Insurance, Accounting, & Auditing	0	0	0	0.0%	14,417	14,435	19	0.1%	7,185	7,196	11	0.2%
Maintenance & Equipment	0	0	0	0.0%	0	0	0	0.0%	0	1,026	1,026	0.0%
Services & Supplies	0	0	0	0.0%	156,447	225,099	68,652	43.9%	106,014	108,669	2,655	2.5%
Total:	**$12,733,237**	**$12,135,498**	**$ (597,739)**	-4.7%	**$ 678,172**	**$ 760,677**	**$ 82,505**	12.2%	**$ 490,178**	**$ 536,317**	**$ 46,139**	9.4%

Table 4.5b FY 2025-26 WS&C Budgeted Expenditures by Programmatic Cost Center

Description	New Water Services				Cross Connect				Total WS&C			
	FY 2024-25	FY 2025-26	Variance		FY 2024-25	FY 2025-26	Variance		FY 2024-25	FY 2025-26	Variance	
COMB (Lake Cachuma)	$ 0	$ 0	$ 0	0.0%	$ 0	$ 0	$ 0	0.0%	$ 3,560,149	$ 3,629,535	$ 69,386	1.9%
CCRB (Water Rights)	0	0	0	0.0%	0	0	0	0.0%	662,372	669,736	7,364	1.1%
Cloud Seeding & Overlap	0	0	0	0.0%	0	0	0	0.0%	57,975	57,975	0	0.0%
CCWA (State Water)	0	0	0	0.0%	0	0	0	0.0%	7,546,001	6,822,466	(723,535)	-9.6%
GSD (Recycled Water)	0	0	0	0.0%	0	0	0	0.0%	790,054	790,054	0	0.0%
Personnel - Wages	283,717	328,567	44,849	15.8%	119,466	118,442	(1,024)	-0.9%	1,075,862	1,164,746	88,884	8.3%
Personnel - Benefits	190,110	239,710	49,600	26.1%	29,786	30,766	981	3.3%	497,161	603,413	106,252	21.4%
Personnel - Taxes & W.C.	22,073	26,217	4,145	18.8%	8,965	9,080	115	1.3%	82,066	90,925	8,858	10.8%
Insurance, Accounting, & Auditing	14,417	14,435	19	0.1%	0	7,196	7,196	0.0%	36,018	43,262	7,244	20.1%
Maintenance & Equipment	0	0	0	0.0%	0	1,503	1,503	0.0%	0	2,529	2,529	0.0%
Services & Supplies	4,195	5,139	944	22.5%	0	10,784	10,784	0.0%	266,656	349,691	83,035	31.1%
Total:	**$ 514,511**	**$ 614,068**	**$ 99,557**	19.3%	**$ 158,217**	**$ 177,771**	**$ 19,554**	12.4%	**$14,574,315**	**$14,224,332**	**$ (349,983)**	-2.4%

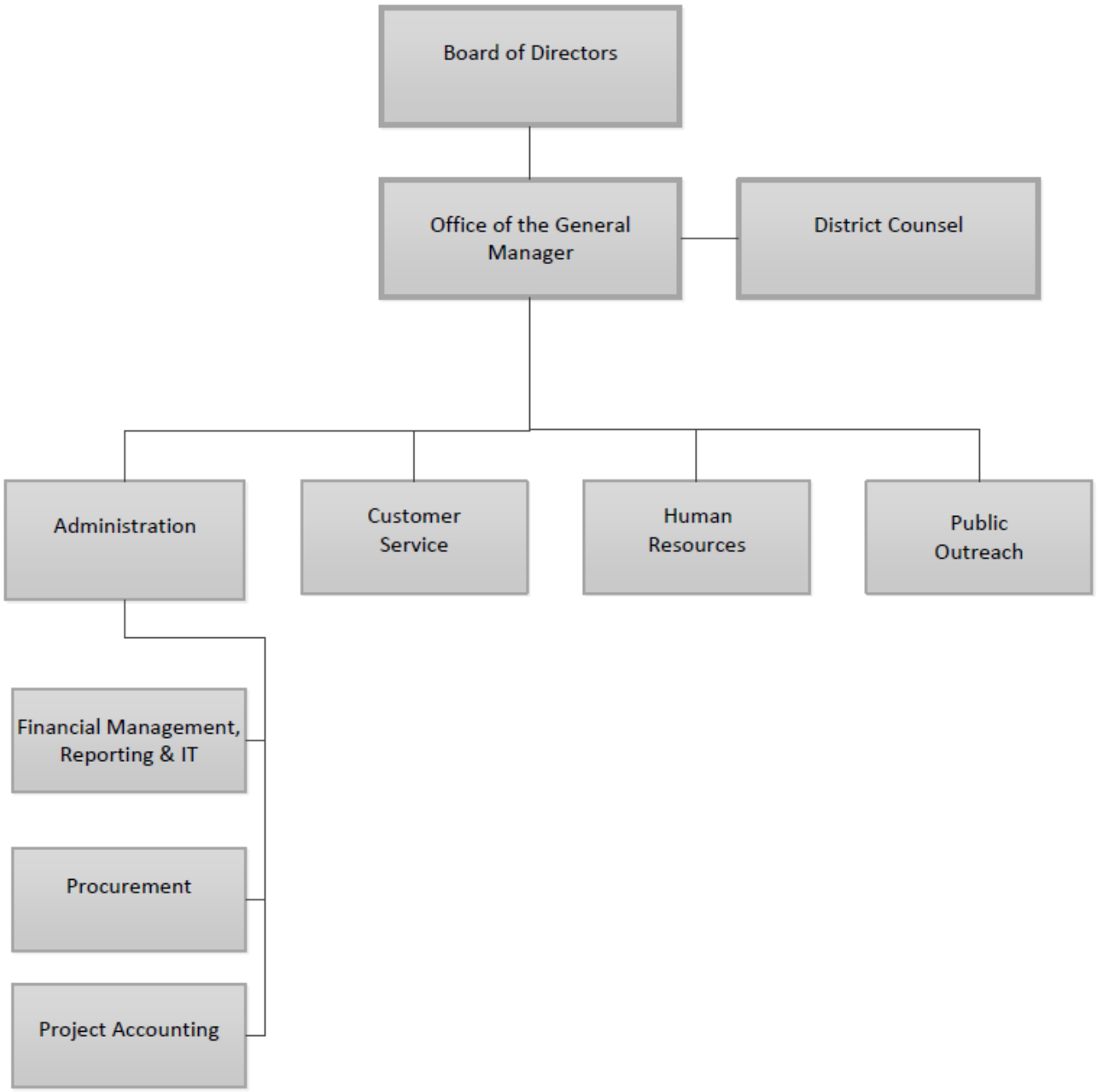
Figure 4.5 FY 2025-26 WS&C Budgeted Expenditures by Programmatic Cost Center ($000s)



General Administration Cost Center

The General Administration functional cost center and areas of responsibility include the Board of Directors, District General Management, District Legal Counsel, and General Administration, including Financial Management, Reporting & Information Technology; Procurement; Project Accounting; 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 (IT) 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 billing, 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 2025-26, 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

The Procurement and Contract Management cost center serves as a centralized repository for District contracts, purchase orders, and vendor management, ensuring related processes are streamlined and consistent across the organization. Procurement staff manage Notices Inviting Bids, Requests for Proposals, and Requests for Quotes processes. Procurement staff also provide 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 ensures procurement policies and practices are consistent with the District Code.

Working closely with District Counsel, Contract Management staff streamline the creation, negotiation, execution, compliance, storage, and renewal 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.

Every five years the District conducts a Cost of Service Study and the Board adopts rates adequate to fund increasing costs associated with operating and maintaining various components of the water system, inclusive of planned capital investments and long-term water supply costs.

Project Accounting

The District's Project Accounting team tracks costs associated with internal (District) projects and external (Developer) projects. Project durations 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. The accounting system captures labor, equipment, inventory, and vendor costs that are incurred throughout the span of a project. This system assists the District in billing Developers for external projects and recording the assets upon project completion.

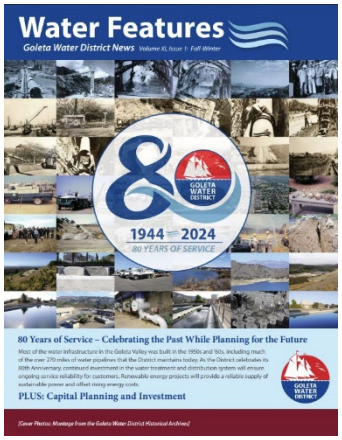
Customer Service

Customer Service 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 approximately 17,000 customer accounts. For FY 2025-26, Customer Service will continue encouraging customers to use the District's customer portal (WaterSmart) and participate in electronic and automatic payment, which increases paperless billing, ultimately saving the District in labor and paper costs.

Human Resources

Human Resources staff work closely with District management to recruit, train, and retain the most qualified personnel for the District. Human Resources staff also coordinate risk management activities, including the Workplace Safety Program and the Employee Wellness Program, to ensure a safe and healthy work environment for employees. Additionally, Human Resources staff administer all benefit processes and analyze and coordinate insurance matters in cooperation with the District insurance provider, Association of California Water Agencies (ACWA)/Joint Points Insurance Authority (JPIA). 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.

Public Outreach



Public Outreach and Public Information functions include all District communications, media relations, press releases, targeted 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 inter-departmental initiatives, are also housed in this cost center. In FY 2025-26, public outreach staff will continue educating customers on key aspects of District operations, including the Net Zero initiative, infrastructure investments, and future challenges ahead. The District will continue to identify innovative and effective communication methods, including the expanded use of WaterSmart and other electronic resources, to engage with and understand the needs of District customers, ensuring that services align with those needs and values.

General Administration Accomplishments FY 2024-25

Significant highlights achieved during FY 2024-25 included:

- Completing the Board-adopted 2025-2030 Cost of Service and Rate Design study to establish adequate rates for the next five-year period.
- Engaging the assistance of the Government Finance Officers Association (GFOA) to conduct a risk-based reserve analysis to assess the current reserve size, recommend an optimal reserve size and strategies, and establish reasonable reserve targets capable of ensuring the financial sustainability of the District.

- Receiving Certificates of Achievement for Excellence in Budgeting and Financial Reporting from the Government Finance Officers Association (GFOA). These awards recognize the District's 2023-2024 Annual Comprehensive Financial Report (ACFR) and its 2024-2025 Budget, highlighting a commitment to government transparency and responsible financial management.
- Completing the District's Annual Comprehensive Financial Report (ACFR), with receipt of an unmodified ("clean") opinion on its audited financial statements.
- Successfully completing a Single Audit, as required by federal grants. The purpose of this type of audit is to ensure that non-federal entities are in compliance with federal laws and regulations for the award received.
- Initiating the migration of the District's financial software, which was no longer supported, to a more robust and modern platform. This included working through different phases of the project, from an In-Depth Business process review, to design, configuration, testing, and implementation, some work is scheduled to continue into the first quarter of FY 2025-26.
- Streamlining and digitizing the Purchase Authorization (PA) process, improving efficiencies and reducing paper use and staff labor time.
- Improving the District's online security by deploying Virtual Private Network (VPN) Multifactor Authentication and reworking current camera security system wiring.
- Improving network bandwidth, reliability, and overall system performance by deploying multiple wireless networks, new network hardware, and redundant radio connections, as well as upgrading server connectivity throughout District Headquarters and at the Treatment Plant.
- Rolling out new Uninterruptable Power Supply (UPS) devices to protect equipment during power outages.
- Successfully recruiting and filling 11 positions, resulting primarily from two retirements and employee relocations, to ensure adequate staffing coverage across the organization, especially for critical positions requiring licensed and/or credentialed staff.
- Fulfilling a new Vacancy Reporting Requirement under Assembly Bill 2561, which mandates that the District present the status of vacancies, recruitment, and retention efforts during a public hearing before the Board at least once per fiscal year, while also providing an opportunity for the bargaining unit's union to make a presentation.
- Continuing timely issuance of over 200,000 customer bills and payment processing.
- Implementing a new Granicus document management system to streamline the preparation and review of staff reports and simplify the docketing process, including updating the design and functionality of the District website to accommodate the new program.
- Designing and producing District documents, including the 2025-2030 IIP, the 2023-2024 Sustainability Plan Progress Report, the 2024 Consumer Confidence Report (CCR), and two Water Features Newsletters. Providing design support for these documents, including the District Budget and ACFR.

- Reaching over 69,300 District customers and residents with the Fall/Winter 2024 and Spring/Summer 2025 Newsletters. Reaching over 34,600 District customers and residents with the 2024 Consumer Confidence Report (CCR) Postcard Notice and posting the 2024 CCR to the website.
- Maintaining the District website as a resource for customers with over 117,000 page views. Employment, Online Customer Service and Payment Portal, Doing Business, Agendas and Minutes, Conservation, Documents, Online Tools, and About the District were ranked as the most popular items.

- Completing an accessibility audit of the District website and executing necessary upgrades to ensure compliance with the Americans with Disabilities Act (ADA) requirements for users requiring screen readers, magnifiers, and braille readers.
- Developing a multi-faceted public outreach campaign for the District's 80th anniversary, including design of a new special edition logo; timelines and features in newsletters, online, and at community events; developing commemorative items, including water bottles, sun hats, pins, and infrastructure playing cards; and producing new stickers for all District vehicles featuring the 80th anniversary logo.
- Developing online featured articles on the District's 80th anniversary and Sustainability Plan 2023-24 Progress Report, new information webpages for the Lead Service Line Inventory and Proposed Rates Adjustments, and multiple website updates for critical topics to provide timely information to customers.
- Increasing outreach on the District's sustainability efforts including the most recent Sustainability Plan Progress Report with a sustainability focused social media campaign to guide the public to the latest report and promote the District's Sustainability section of the website.
- Developing a public outreach campaign for the Federal Lead Service Line Inventory program, including a dedicated webpage with an interactive mapping tool and reporting form, and outreach materials mailed to all District customers.
- Developing public outreach materials related to the Cost of Service Study and Rates Adjustment, including a dedicated webpage, interactive bill calculator, and required public noticing with over 17,000 mailers.

- Continuing outreach under the District's Net Zero public outreach program that included infographics, a social media campaign, and information in the District newsletters. Topics included the water-energy nexus, energy consumption, solar power, hydropower, public-private partnerships, and electric vehicles, including design and application of new decals for the District's growing electric vehicle fleet.
- Designing, developing, and installing a display case at the Goleta Public Library featuring the District's 80th Anniversary, including a historic timeline, sustainability initiatives, and infrastructure improvements and facts.

- Designing and developing new outreach materials related to the District's Edible Demonstration Garden, including new site signage, a new site map, and outreach materials available online and at public events.
- Coordinating a press event and site visit marking the District's 80th anniversary of its founding, featuring a ribbon-cutting ceremony for the new solar-powered Battery Storage Project at the CDMWTP. The event, attended by local elected officials, highlighted this important grant-funded project that will provide a source of back-up power supply during extreme weather conditions and Public Safety Power Shutoffs to maintain essential water service to the community while minimizing energy costs.
- Developing social media outreach campaigns for Winter Water Wise Planting, Spring Irrigation and Conservation, and the Sustainability Plan.
- Designing, hand carving, and installing – in-house – new District signage at the Headquarters property.
- Placing over 104 social media posts on various topics including water supply, lake levels, storm updates, public outreach events, District news, customer service, District history, and links to partner campaigns.
- Producing public notices and site signage for various District infrastructure improvement projects, including construction and rehabilitation work at San Ricardo and S.B. Corp Wells.
- Receiving an ACWA JPIA President's Special Recognition award for achieving a low loss ratio in the Property Insurance program.
- Creating infographics and posters for the Lemon Festival and Earth Day Festival updating customers on the District's 80th anniversary, water system infrastructure, water supply outlook, and sustainability. Infographics and poster graphics were also featured in the District newsletter and on the website.

FY 2025-26 General Administration Budget

Table 4.6 details the primary General Administration budgeted expenditures and describes the variances between FY 2024-25 Budget and FY 2025-26 budgeted expenditures.

Table 4.6 FY 2025-26 General Administration Cost Center Budget Summary

Category	Adopted Budget FY 2023-24	Adopted Budget FY 2024-25	Estimated Actual FY 2024-25	Adopted Budget FY 2025-26	Variance Analysis * $ Higher / (Lower)	Variance Analysis * % Higher / (Lower)
Cost Center Expenses - General Admin.						
Personnel:	**$ 3,571,932**	**$ 3,681,010**	**$ 3,866,728**	**$ 3,971,693**	**$ 290,683**	**8%**
Other Post Employment Benefits:	**576,155**	**587,298**	**558,753**	**637,438**	**50,141**	**9%**
Operations & Maintenance:						
Insurance, Accounting, & Auditing	201,259	381,226	280,837	230,552	(150,674)	(40%)
Legal	390,000	390,000	164,404	378,000	(12,000)	(3%)
Services & Supplies	1,227,640	1,527,765	1,469,282	1,514,334	(13,431)	(1%)
Subtotal:	**1,818,899**	**2,298,991**	**1,914,523**	**2,122,886**	**(176,105)**	**(8%)**
Total Expenditures:	**$ 5,966,987**	**$ 6,567,299**	**$ 6,340,004**	**$ 6,732,017**	**$ 164,719**	**3%**

** Compares FY 2025-26 Adopted Budget to FY 2024-25 Adopted Budget*

The General Administration Budget will increase by $165K, or 3%, in FY 2025-26. Notable General Administration changes from FY 2024-25 to FY 2025-26 Budget include:

- Personnel will increase by $291K, or 8%, consistent with MOU-related step increases and previously negotiated SEIU provisions.
- Insurance, Accounting, and Auditing costs will decrease by 40%, or $151K, driven largely by the migration of the District's financial accounting software, for which the majority of the work was completed in the previous fiscal year.
- Legal costs will remain relatively flat (3% decrease) as a result of no anticipated changes in the need for legal services, and to more closely match actual billing.
- Services & Supplies will remain relatively flat (1% decrease) as a result of the completion of the Cost of Service Study, balanced by increased costs for automation, billing and process improvements, and work on the Data Warehouse, and GIS systems.

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

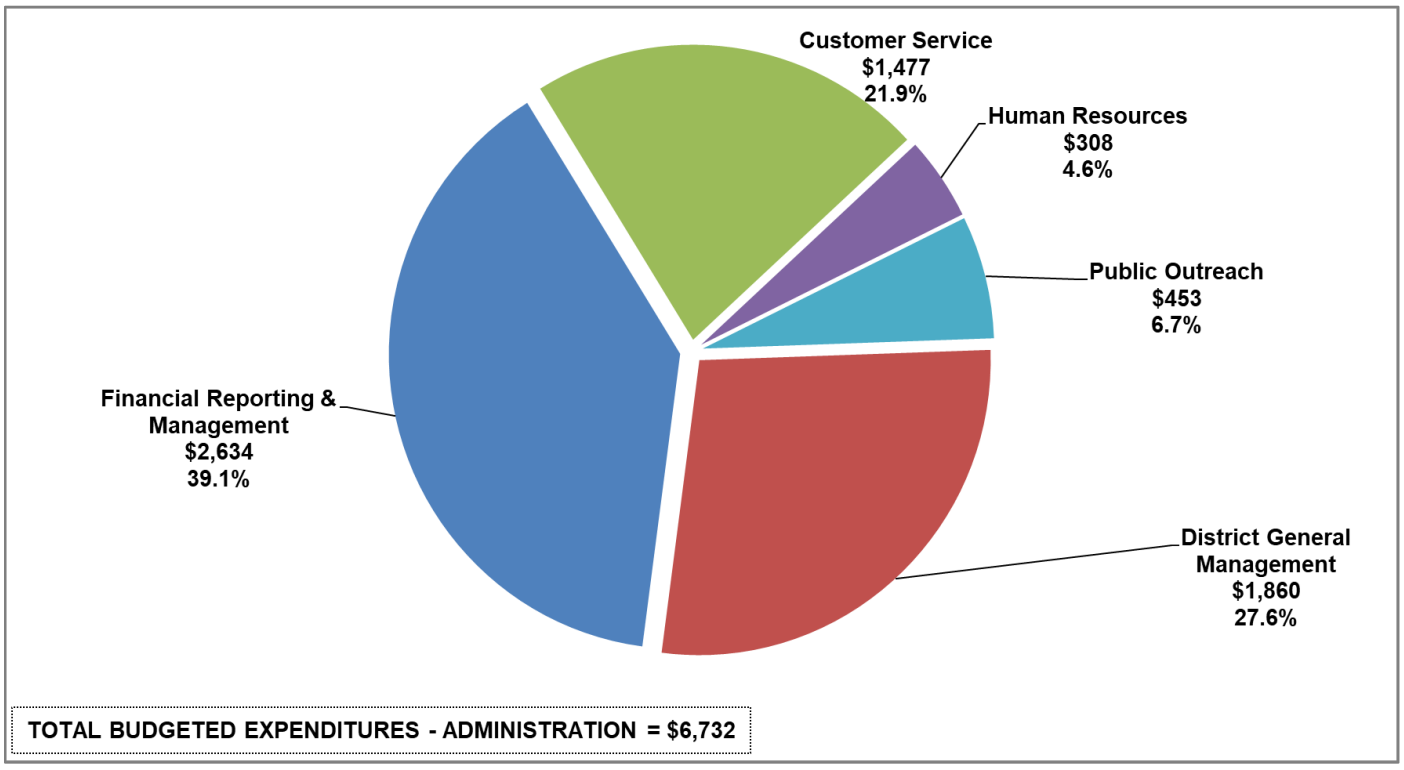
Table 4.7a FY 2025-26 General Administration Budgeted Expenditures by Programmatic Cost Center

Description	District General Management				Financial Reporting & Management				Customer Service			
	FY 2024-25	FY 2025-26	Variance		FY 2024-25	FY 2025-26	Variance		FY 2024-25	FY 2025-26	Variance	
Personnel - Wages	$ 604,849	$ 695,255	$ 90,406	14.9%	$ 1,165,267	$ 1,103,007	$ (62,260)	-5.3%	$ 341,760	$ 368,303	$ 26,543	7.8%
Personnel - Benefits	384,525	483,949	99,424	25.9%	317,962	348,455	30,493	9.6%	194,740	236,259	41,519	21.3%
Personnel - Taxes & W.C.	39,801	47,436	7,635	19.2%	90,590	85,993	(4,597)	-5.1%	27,170	28,479	1,309	4.8%
Other Post Employment Benefits	0	0	0	0.0%	587,298	637,438	50,141	8.5%	0	0	0	0.0%
Insurance, Accounting, & Auditing	63,741	65,479	1,738	2.7%	288,698	136,246	(152,452)	-52.8%	14,417	14,435	19	0.1%
Legal	360,000	360,000	0	0.0%	0	0	0	0.0%	0	0	0	0.0%
Services & Supplies	354,561	207,505	(147,056)	-41.5%	305,244	323,340	18,096	5.9%	759,200	829,688	70,488	9.3%
Total:	**$ 1,807,479**	**$ 1,859,626**	**$ 52,147**	2.9%	**$ 2,755,059**	**$ 2,634,479**	**$ (120,580)**	-4.4%	**$ 1,337,287**	**$ 1,477,164**	**$ 139,877**	10.5%

Table 4.7b FY 2025-26 General Administration Budgeted Expenditures by Programmatic Cost Center

Description	Human Resources				Public Outreach				Total Administration			
	FY 2024-25	FY 2025-26	Variance		FY 2024-25	FY 2025-26	Variance		FY 2024-25	FY 2025-26	Variance	
Personnel - Wages	$ 192,415	$ 214,799	$ 22,384	11.6%	$ 180,321	$ 194,567	$ 14,246	7.9%	$ 2,484,612	$ 2,575,932	$ 91,319	3.7%
Personnel - Benefits	40,836	45,641	4,805	11.8%	71,463	87,582	16,119	22.6%	1,009,526	1,201,885	192,359	19.1%
Personnel - Taxes & W.C.	15,364	17,106	1,742	11.3%	13,946	14,862	916	6.6%	186,872	193,876	7,005	3.7%
Other Post Employment Benefits	0	0	0	0.0%	0	0	0	0.0%	587,298	637,438	50,141	8.5%
Insurance, Accounting, & Auditing	7,185	7,196	11	0.2%	7,185	7,196	11	0.2%	381,226	230,552	(150,674)	-39.5%
Legal	30,000	18,000	(12,000)	-40.0%	0	0	0	0.0%	390,000	378,000	(12,000)	-3.1%
Services & Supplies	10,700	5,120	(5,580)	-52.1%	98,060	148,681	50,621	51.6%	1,527,765	1,514,334	(13,431)	-0.9%
Total:	**$ 296,501**	**$ 307,862**	**$ 11,361**	3.8%	**$ 370,974**	**$ 452,887**	**$ 81,913**	22.1%	**$ 6,567,299**	**$ 6,732,017**	**$ 164,719**	2.5%

Figure 4.7 FY 2025-26 General Administration Budgeted Expenditures by Programmatic Cost Center ($000s)

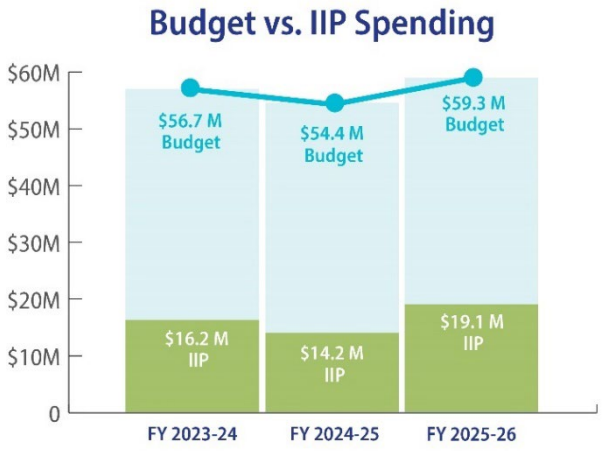


District Organization

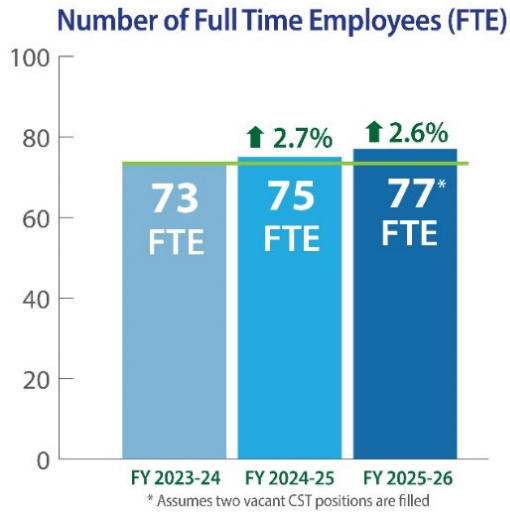
The District is governed by a five-member, publicly elected Board of Directors. The Office of the General Manager is responsible for the day-to-day policy implementation and operations of the District, including Public Outreach and the activities of the three departments: Engineering and Infrastructure,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

Position Summary Changes

As the District recently celebrated the 80th anniversary of its founding in November 2024, increased capital spending on infrastructure revitalization and replacement will continue to be a funding priority as systems age. Over the next five years, several once-in-a-generation projects will be underway, including the drilling of a new well (the second in over forty years), replacement of the District's SCADA system, and an Advanced Metering Infrastructure Project that will replace meters that are an average of over 25 years old. Over the past three years, critical personnel have been added to help procure, deliver, and prepare for continued capital investment, as well as right-size administrative functions to match this activity.



These new resources are also necessary to operate and maintain expanded infrastructure installed over the past decade, comply with new regulations, as well as develop newly created asset management and computerized maintenance management systems that provide valuable data to prolong the useful life of hundreds of millions of dollars of infrastructure. Additionally, staffing changes have been made to support applying for grants, submitting the AMI Project for a SRF Loan, and meet an increased need for documentation and work associated with changing regulations and new reporting requirements under state programs such as the California Conservation as a Way of Life Regulation.



In addition to an anticipated Capital Project Lead that was planned for FY 2024-25, the following two positions were added toward the end of the fiscal year to prepare for supporting the increased levels of capital investment over FY 2025-26, including:

- An Inspector as part of the District's ongoing efforts to realize cost savings by utilizing in-house services to reduce the use of outside services that are typically more expensive, and to handle the increased volume of capital projects and the anticipated number of customer and develop projects that will necessitate general construction inspection, survey, and specialty inspection services. While the in-house inspector will not be able to handle all of the District's project needs, they can be prioritized for non-reimbursable projects and those projects that require less specialized inspection work where cost savings are anticipated to be greatest. A dedicated in-house inspector also means fewer disruptions and delays to the District's planned capital projects, especially since many developer projects have short lead times.

- An Assistant Analyst to increase administrative and financial capacity and provide right-size oversight to match planned increases in capital projects in the Board-adopted 2025-2030 IIP.

- Finally, in FY 2025-26 the District anticipates adding an additional Capital Project Lead to help manage the increased project workload. This is especially critical for keeping projects moving forward on schedule to prevent costly delays.

Position Summary Changes

#	FY 2023-24
1	Senior Fiscal & Policy Analyst
1	Control System Tech/Water Treatment Operator
1	Distribution System Operator I
1	Distribution Operator I
1	Associate Analyst
	FY 2024-25
1	Capital Project Lead
1	Inspector
1	Assistant Analyst
	FY 2025-26
1	Capital Project Lead

These additions are shown on Figure 4.8 Organizational Chart by Department and Position. For a detailed discussion of prior year position summary changes, see the FY 2023-24 Budget, available at *https://www.goletawater.com/documents/*.

Internal Hires and Reorganization to Maximize Value

The reorganization of positions within and across departments has ensured a sufficient span of controls and improved segregation of duties, allowing for enhanced oversight of day-to-day operations and functions.

The District has also made a number of strategic promotions and reorganizations across the agency to optimize resource allocation, further develop and deploy talent, and match the changing and evolving nature of required tasks. Each department now has at least one analyst, which provides an important cross-departmental structure across which to coordinate complex projects and ensures that a diverse set of skills is available to prepare reports and other documentation. The reorganization of

the Customer Service and Human Resources functions into the Office of the General Manager in FY 2023-24 has better aligned critical communication with customers and employees. Customer Service is the primary source of customer outreach, and the change allows for greater alignment with existing Public Information functions within the Office of the General Manager. Human Resources plays a key role in internal communications and recent initiatives to build strong employee morale to bolster long-term retention.

In FY 2024-25 there were 9 internal promotions, 2 of which represented employees moving into positions vacated by retirees. Investing in employee development not only smooths onboarding, but offers cost savings for the organization, especially as the District begins to recognize the benefits of new post-PEPRA hires. The difficulty of recruiting in a high cost-of-living area, compounded by industry trends where a growing number of employees are retirement-eligible, underscores the value of investing in staff development. This investment offers an important tool to encourage and support professional growth and is critical to succession planning.

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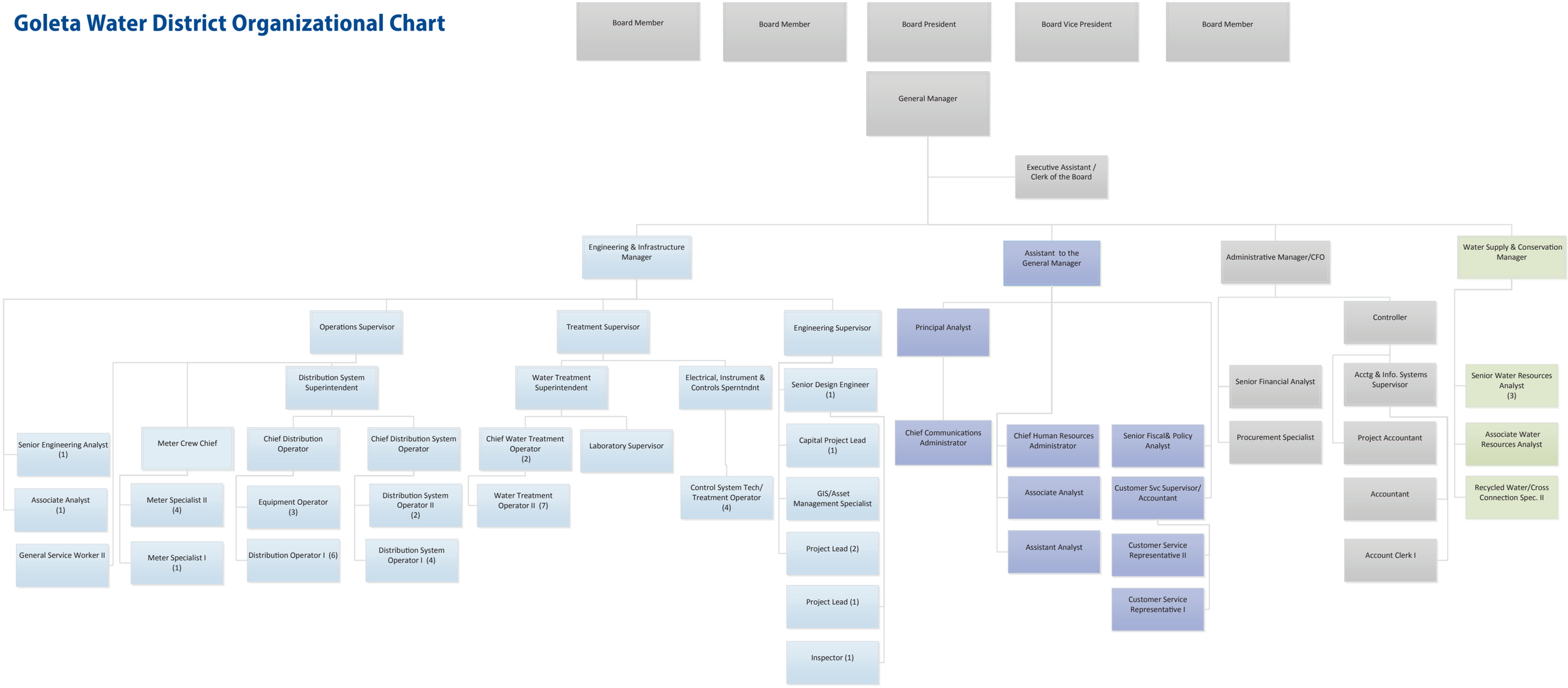
Figure 4.8 Organizational Chart by Department and Position

Goleta Water District Organizational Chart



Position Summary Table

Full Time Equivalent Staff for Prior, Current and Budgeted Years

FY 2023-24	FY 2024-25	FY 2025-26
73	**75**	**77***

** Assumes two vacant CST positions are filled*

Glossary of Key Terms

Advanced Metering Infrastructure (AMI): Advanced metering infrastructure (AMI) is an integrated system of smart meters, communications networks, and data management systems that enables rapid communication with customers.

Association of California Water Agencies (ACWA): ACWA serves the water industry and the public by promoting local agencies as the most efficient means of providing water service; sharing reliable scientific and technical information; tracking and shaping state and federal water policy; advocating for sound legislation and regulation; and facilitating cooperation and consensus among all interest groups.

Board of Directors: The District operates under the general direction of an elected five-member Board of Directors. The terms of office are four years, and elections for two or three directors are held every two years. The Board meets on the second Tuesday of each month, and these meetings are open to the public.

Bradbury Dam: Bradbury Dam is an earthfill structure, containing 6,695,000 cubic yards of material, and stands 279 feet high. The dam impounds up to 205,000-acre feet of water along the Santa Ynez River, approximately 45 miles from the river outlet at the ocean.

Cachuma Conservation Release Board (CCRB): The Cachuma Conservation Release Board (CCRB) is a joint powers agency formed in January 1973 by Carpinteria Valley Water District, the City of Santa Barbara, Goleta Water District, and the Montecito Water District. CCRB was established to represent its members in protecting their Cachuma Project water rights and other related interests. CCRB's activities are funded by its Members, who, in turn, are funded by their water rate payers.

Cachuma Operation and Maintenance Board (COMB): COMB is a joint powers agency formed in 1956 with the U.S. Bureau of Reclamation that transferred to the Cachuma Member Units the responsibility to operate, repair, and maintain Cachuma Project facilities. Cachuma Member Units include Goleta Water District, City of Santa Barbara, Montecito Water District, Carpinteria Valley Water District, and Santa Ynez River Water Conservation District-Improvement District No. 1.

Cachuma Project: The Cachuma Project, which the United States Bureau of Reclamation constructed on the Santa Ynez River in the early 1950s, consists of Bradbury Dam, Tecolote Tunnel, South Coast Conduit, and various water conveyance facilities. Since 1956, the majority of Goleta's water supply has come from the Cachuma Project.

California Department of Water Resources (DWR): The DWR is responsible for managing and protecting California's water resources, making annual allocations of water from the State Water Project to State Water Project Contractors (including the Goleta Water District).

Central Coast Water Authority (CCWA): CCWA is a joint powers agency formed in 1991 by the cities and special districts responsible for the maintenance of water resources in the North County, Santa Ynez Valley and South Coast areas of Santa Barbara County. CCWA treats and delivers imported water to State Water Project participants in San Luis Obispo and Santa Barbara Counties.

Corona Del Mar Water Treatment Plant (CDMWTP): CDMWTP is the sole surface water treatment facility of the Goleta Water District (GWD). Located in the Goleta foothills, it treats water delivered to the community and was originally built in the 1970s.

Cost of Service Study: The District's Cost of Service Study is prepared every 5 years. It includes an in-depth analysis of the District's projected expenditures and is used to guide decision-makers in setting rates that are sufficient to generate the revenue needed to cover the anticipated costs.

Geographic Information System: A geographic information system, or GIS, is a computer-based conceptualized framework used for organizing and analyzing data related to positions on Earth's surface.

Goleta Sanitary District (GSD): The GSD provides wastewater collection, treatment, and reclamation, serving approximately 10,700 wastewater connections within its boundaries. It also treats wastewater from more than 4,800 connections in the Goleta West Sanitary District, UCSB campus, and the Santa Barbara Airport.

Goleta Water District (GWD): Established on November 17, 1944, the Goleta Water District encompasses an area extending along the south coast of Santa Barbara County west from the Santa Barbara city limits to El Capitan. The District, which spans approximately 29,000 acres, is bound on the south by the ocean and on the north by the foothills of the Santa Ynez Mountains. GWD uses 270 miles of pipeline to provide water to approximately 87,000 people.

Imported Water: Water from other areas of the state that is delivered through Central Coast Water Authority infrastructure to Goleta Water District and includes water from the State Water Project and supplemental water acquired from other entities outside Santa Barbara County.

SAFE Water Supplies Ordinance (SAFE Ordinance): The SAFE Ordinance is a local ordinance approved by District voters in 1991 and amended in 1994, which authorized the importation of State Water Project water and set forth specific requirements for the District management of the Goleta Groundwater Basin.

San Luis Reservoir: A reservoir along the California Aqueduct that is used by both the state and federal governments to hold water for urban and agricultural uses, including Goleta Water District's stored state and/or imported water.

Santa Barbara Air Pollution Control District (APCD): The Santa Barbara APCD is an independent agency responsible for protecting the people and environment of Santa Barbara County from the effects of air pollution. It accomplishes this by implementing state and federal air pollution control laws, aiming to achieve all ambient air quality standards and minimize public exposure to airborne toxins and odors.

Santa Barbara County Water Agency (SBCWA): The SBCWA was established by the state legislature in 1945 to control and conserve storm, flood, and other surface waters for beneficial use and to enter into contracts for water supply. It provides technical assistance to other County departments, water districts, and the public concerning water availability.

South Coast Conduit Pipeline and Reservoir: The South Coast Conduit extends for approximately 24 miles along the South Coast from Goleta to Carpinteria and includes four regulating reservoirs. The South Coast Conduit delivers Cachuma Project raw water to the District at the Corona del Mar Treatment Plant. The Conduit also delivers water to the other South Coast Cachuma Member Units: the City of Santa Barbara, Montecito Water District, and Carpinteria Valley Water District.

South Coast Water Agencies: These agencies include Goleta Water District, the City of Santa Barbara, Montecito Water District, and Carpinteria Valley Water District.

State Water Project (SWP): State Water Project, a state water management project under the supervision of the California Department of Water Resources (DWR), which has 29 SWP Contractors (participants), including Goleta Water District, that receive State Water supplies originating in Northern California.

Supervisory Control and Data Acquisition (SCADA): The Supervisory Control and Data Acquisition (SCADA) system is a complex network of electronic monitoring and control equipment located at all the District's facilities. SCADA equipment includes the human interface with all the District's systems and includes visualization, alarms, operational set points, and recording of historical data for pumps, valves, reservoirs, and treatment equipment.

Tecolote Tunnel: Water is diverted from Lake Cachuma to the South Coast through the Tecolote Tunnel, which was bored approximately 6.4 miles through the Santa Ynez Mountains to the headworks of the South Coast Conduit at Glen Annie Reservoir.

United States Bureau of Reclamation (USBR): USBR constructed the Cachuma Project in the early 1950s to provide a potable water source to the South Coast. USBR operates the Bradbury Dam. Member units, including the District, act through the Cachuma Operation and Maintenance Board to operate the rest of this project.

Water Conservation: The reduction in the amount of water used, such as adjusting landscape irrigation. Conservation measures can be mandatory (during a drought or water shortage) or voluntary.

Water Distribution System: The District's distribution system consists of 270 miles of pipeline, 8 water storage reservoirs, 6 pump stations, 9 groundwater production wells, 6,600 valves, and 17,300 service connections. In addition, the District maintains 1,520 fire hydrants throughout the community.

Wright Judgment: The Wright Judgment is a result of a lawsuit filed in 1973 by private landowners for the adjudication of water rights in the North-Central Groundwater Basin (Wright v. Goleta Water District). Finalized in 1989, the Wright Judgment resulted in numerous groundwater management parameters and requirements that must be followed and reported on by the Goleta Water District.

Zero-Based Budget: This means the District starts each budget cycle from scratch, requiring justification for all expenditures, rather than using the previous budget as a baseline. District staff evaluate every expenditure to ensure it is essential to the District's mission.

GOLETA WATER DISTRICT

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