



# **Goleta Water District**

## **Water Rate Study**

**APRIL 2025**



Mr. David Matson  
General Manager  
Goleta Water District  
4699 Hollister Ave  
Goleta CA 93110

**Subject: Water Cost of Service and Rate Design Study**

Dear Mr. Matson,

Raftelis is pleased to provide this Water Cost of Service and Rate Design Study Report (Report) to the Goleta Water District (District). The study develops a five-year schedule of water rates for the District for Fiscal Years Ending (FYE) 2026 through FYE 2030 that are fair, equitable, fully recover the cost of providing water service, and align with the legal requirements of Proposition 218.

The major tasks of the study were to:

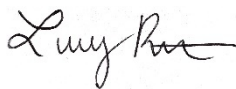
- » Develop a sustainable five-year financial plan to ensure financial sufficiency, meet operating costs, fund the long-term Infrastructure Improvement Plan (IIP), and maintain prudent reserves.
  - Analyze normal condition water demand forecasts to inform rate revenue projections
  - Evaluate alternative financial reserve policies
- » Conduct a cost-of-service analysis to develop a nexus between proposed water rates and the cost to provide service to customer classes.
- » Review the District's existing water rate structures against alternatives.
- » Design cost-justified water rates that fairly recover costs while considering other District policy objectives.
- » Document the study work in a comprehensive Report walking the reader through the rate derivation from start to finish.

This report summarizes key results and recommendations and details development of the proposed financial plan, cost-of-service analysis, and water rate calculations. It has been a pleasure working with you and we thank you and other District staff for the support provided to Raftelis during this study.

Sincerely,

A handwritten signature in black ink, appearing to read 'Kevin Kostiuk'.

**Kevin Kostiuk**  
*Senior Manager*

A handwritten signature in black ink, appearing to read 'Lindsay Roth'.

**Lindsay Roth**  
*Senior Consultant*

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# 1. Executive Summary

## 1.1. Study Overview

Public water agencies in California conduct cost-of-service studies roughly once every five years to establish a strong nexus between rates charged to customers and costs incurred to provide service, as required by Proposition 218. The Goleta Water District (District) last conducted a cost-of-service study in 2020, which established proposed water rates over a five-year period from Fiscal Year Ending (FYE<sup>1</sup>) 2021 through FYE 2025. The District engaged Raftelis in the fall of 2024 to conduct a new Water Cost of Service and Rate Design Study to establish proposed water rates over the next five-year period from FYE 2026 to FYE 2030. Note that proposed rates presented in this study report may not be implemented until formally adopted by the District's Board of Directors after a public hearing.

The major objectives of this study are to:

- » Develop a sustainable five-year financial plan that sufficiently funds the District's operations and maintenance (O&M) expenses, debt service payments, and Infrastructure Improvement Plan (IIP) while adequately funding reserves and meeting debt coverage requirements.
- » Analyze normal condition water demand forecasts to inform future rate revenue projections
- » Evaluate alternative financial reserve policies to further mitigate financial risk relative to the existing adopted policy.
- » Conduct a cost-of-service analysis to develop a nexus between proposed water rates and the cost to provide service to customer classes.
- » Review the District's existing water rate structures against alternatives.
- » Design cost-justified water rates that fairly recover costs while considering other District policy objectives.
- » Document the study work in a comprehensive Report walking the reader through the rate derivation from start to finish.

## 1.2. Proposed Financial Plan

Raftelis conducted a status quo cash flow analysis to evaluate whether existing water rates can adequately fund the District's projected expenses over the five-year financial forecast period. Annual projections of rate and non-rate revenues, O&M expenses, debt service payments, and capital expenditures through FYE 2030 were developed with adopted budgets from District staff. Raftelis projects that with no rate increases over the five-year study period, the District will draw down reserves below the existing policy and towards a zero balance by the end of FYE 2030. This demonstrates a clear need for revenue adjustments<sup>2</sup> (i.e., water rate revenue increases relative to the status quo). Raftelis worked with District staff to develop the following proposed revenue adjustments over the five-year study period (see **Table 1-1**). The proposed revenue adjustments were selected to provide financial sufficiency (including a more robust financial reserves policy) for the District while minimizing impacts on District customers.

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<sup>1</sup> Fiscal Year Ending (FYE) refers to the period beginning July 1 of a given year and ending June 30 of the following year, referred to using the last calendar year of the period (e.g. FYE 2025 is the fiscal year beginning July 1, 2024 running through June 30, 2025)

<sup>2</sup> The term revenue adjustment is used to describe the overall change to rate revenues required. Individual rates, and rate changes, are a combination of the revenue adjustments and updated cost of service analysis.

**Table 1-1: Proposed Revenue Adjustments**

Description	FYE 2026	FYE 2027	FYE 2028	FYE 2029	FYE 2030
Effective Date	July 1, 2025	July 1, 2026	July 1, 2027	July 1, 2028	July 1, 2029
Revenue Adjustment	7.0%	3.5%	3.5%	3.5%	3.5%

Key factors influencing the need for proposed revenue adjustments include:

- » **Planned capital expenditures:** IIP projects scheduled over the next five years total about \$82.6 million (M). Key infrastructure projects include: meter replacements with Advanced Metering Infrastructure (AMI); Supervisory Control and Data Acquisition (SCADA) improvements for treatment, storage, and distribution operations; groundwater well replacement; and other treatment, transmission, storage, and distribution improvements.
- » **Inflationary pressure:** The District's operating environment is not immune to the effects of inflation. The price of water supply, materials, chemicals, construction, professional services, energy, and other costs have increased at an historic pace over the last several years. The financial plan assumes continued pressure on both operating and capital costs, albeit at historic rates of change.
- » **Financial Policies:** As a part of the rate study, Raftelis evaluated the District's current reserve policies against alternatives to reduce overall risk and improve credit worthiness for possible future credit. Reserve policies are discussed in detail in Section 5.
- » **Baseline water demand:** The District has experienced significant variation in water sales year-to-year. Since the prior rate study the District has experienced consecutive dry years (yielding higher water sales than planned) and consecutive wet years (yielding lower water sales than planned). Raftelis and District staff re-evaluated normal condition water demand based on historical use, recent years, and a weather normalization analysis. The result (approximately 10,800 acre-feet per year (AFY)) is marginally lower than planned in the prior study (approximately 11,100 AFY).

**Figure 1-1** shows the proposed IIP financing plan over the study period. Average IIP expenditures in FYE 2026 through FYE 2030 are \$16.5 M per year on average compared to the prior rate study period average of \$10 M per year. The proposed financial plan assumes that most IIP over the study period will be cash funded, except for the AMI project which is planned to be funded with a future State Revolving Fund (SRF) loan of \$17.2 M.

Figure 1-1: Infrastructure Improvement Plan

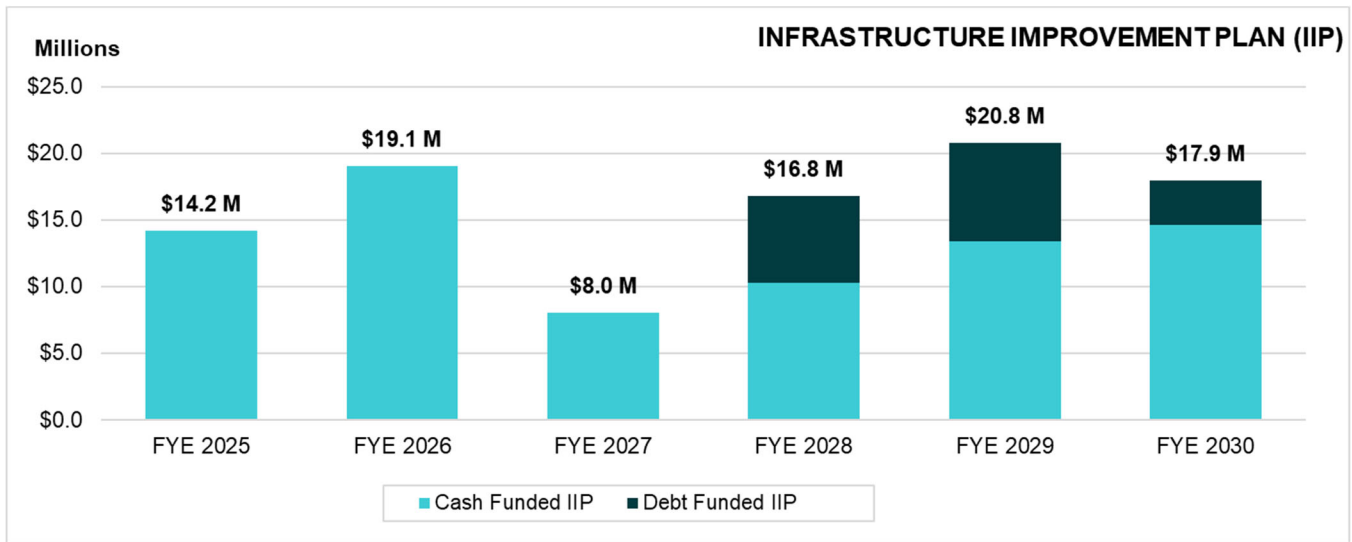


Figure 1-2 shows the status quo and proposed five-year financial plans. Although current rates result in adequate recovery of O&M expenses and debt service payments, revenue adjustments are required to generate sufficient revenue to cover cash funded IIP over the study period and achieve proposed future cash reserves. With the proposed financial plan, the District can fully recover costs, increase cash reserves to build resiliency and provide the ability to respond to unexpected events, maintain healthy debt coverage, and maintain a positive financial trajectory for the next rate cycle which will include a new IIP for FYE 2031-2035.

Figure 1-2: Status Quo vs. Proposed Financial Plan

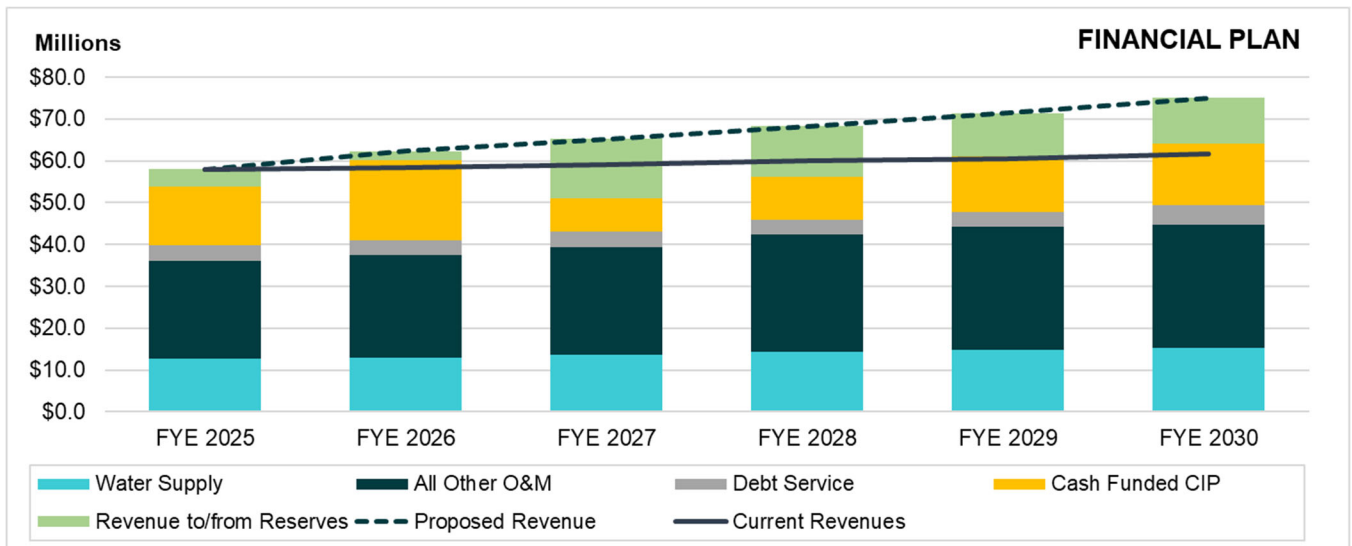
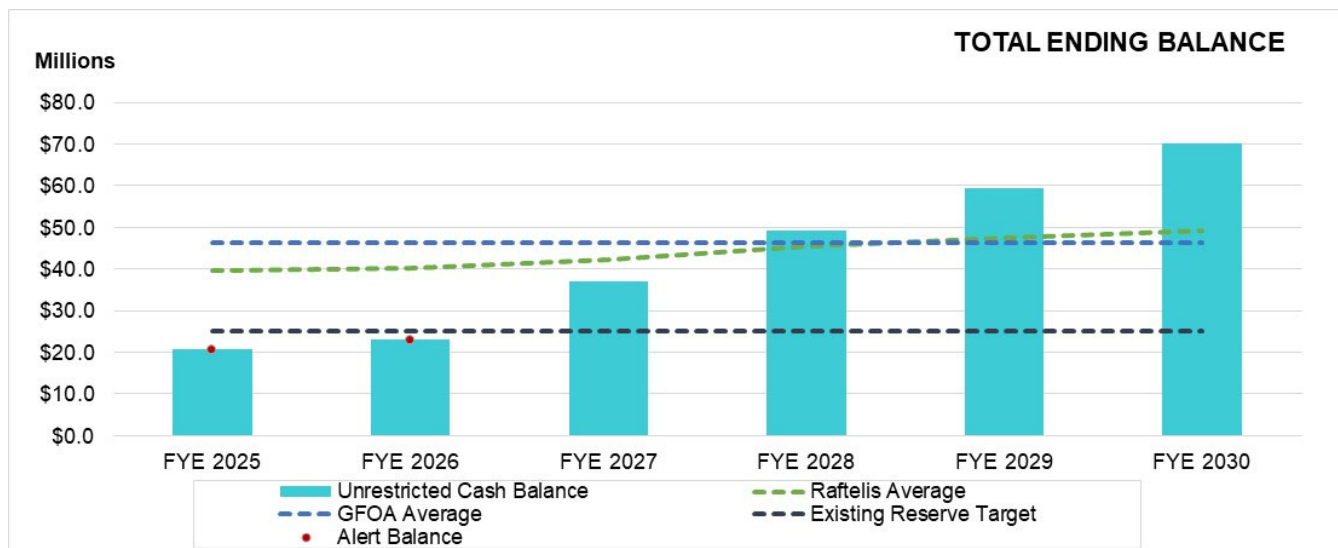


Figure 1-3 shows projected ending balances over the study period relative to the District’s operating and total reserve targets under the proposed financial plan. Reserves build in FYE 2026 through FYE 2030. Both Raftelis and the Government Finance Officers Association (GFOA) provided the District with a range of alternative reserves for consideration that would better address risks associated with aging infrastructure for an agency that recently celebrated its 80<sup>th</sup> Anniversary, potential revenue losses and expenses resulting from an emergency, and other unexpected externalities the timing of which is difficult to predict. The enhanced

reserve targets also provide an opportunity for the District to improve its credit rating to potentially secure debt financing at more favorable terms. The blue and green dotted lines show the average of the two alternatives high and low estimates resulting from the GFOA and Raftelis analyses, respectively. Although not displayed on the chart, the District is projected to meet its debt coverage requirement under the proposed financial plan in all years.

**Figure 1-3: Proposed Financial Plan – Projected Ending Balances**



### 1.3. Cost-of-Service Analysis

The proposed financial plan determines the amount of revenue that must be recovered from water rates in each year over the study period. The purpose of the cost of service (COS) analysis is to objectively and fairly allocate this total rate revenue requirement to the District’s various user groups. Raftelis performed a COS analysis for FYE 2026 based on industry-standard principles outlined in the *American Water Works Association Manual M1* and the existing District COS framework developed in the prior Rate Study. Raftelis adheres to cost-of-service principles to yield cost-justified rates that align with California Proposition 218.

### 1.4. Proposed Water Rates

**Table 1-2** shows the proposed five-year water rate schedule through FYE 2030. Proposed FYE 2026 rates are calculated based on the results of the COS analysis. As a result of the financial plan, FYE 2026 rates collect seven percent more rate revenue over current FYE 2025 rates. FYE 2026 rates therefore consider both the overall revenue adjustment and the COS results. Proposed rates for FYE 2027 through FYE 2030 are calculated by applying the proposed revenue adjustment in those years (i.e., 3.5 percent) to the prior year rates. All rates are rounded up to the whole penny.

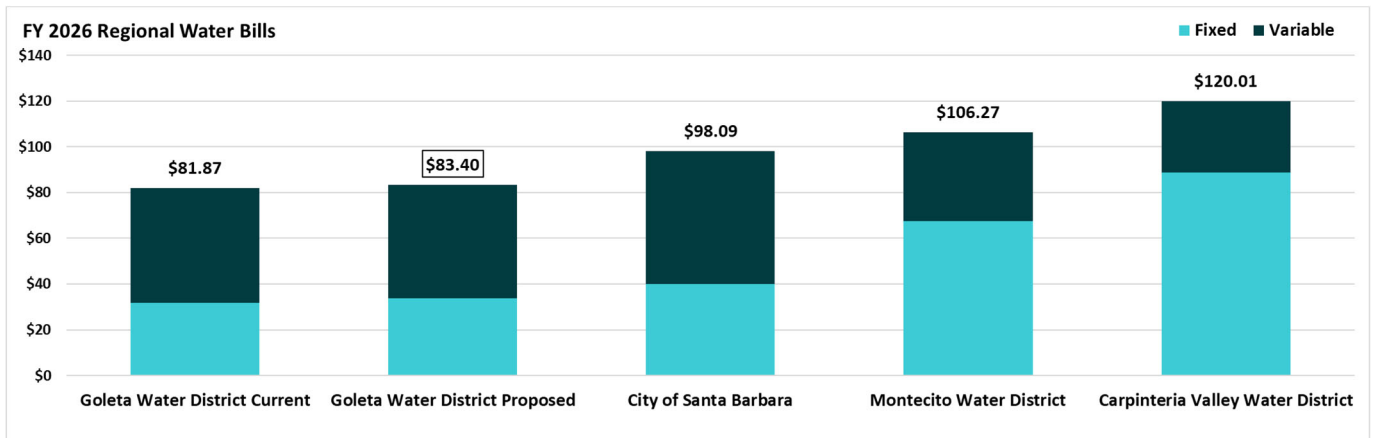
Table 1-2: Proposed Five-Year Water Rate Schedule

Description	FYE 2025 (Current)	FYE 2026 (7/1/2025)	FYE 2027 (7/1/2026)	FYE 2028 (7/1/2027)	FYE 2029 (7/1/2028)	FYE 2030 (7/1/2029)
<b>Proposed Revenue Adjustment</b>		7.0%	3.5%	3.5%	3.5%	3.5%
<b>Fixed Service Charges (per Month)</b>						
5/8" & 3/4" - Ultra-Low Flow (6 HCF or less)	\$31.83	\$33.66	\$34.84	\$36.06	\$37.33	\$38.64
5/8" & 3/4" - Low Flow (7-12 HCF)	\$57.19	\$60.39	\$62.51	\$64.70	\$66.97	\$69.32
5/8 & 3/4-inch - All Other	\$81.11	\$86.12	\$89.14	\$92.26	\$95.49	\$98.84
1-inch	\$129.00	\$137.57	\$142.39	\$147.38	\$152.54	\$157.88
1.5-inch	\$248.68	\$266.21	\$275.53	\$285.18	\$295.17	\$305.51
2-inch	\$392.31	\$420.58	\$435.31	\$450.55	\$466.32	\$482.65
3-inch	\$847.14	\$909.41	\$941.24	\$974.19	\$1,008.29	\$1,043.59
4-inch	\$1,517.39	\$1,629.79	\$1,686.84	\$1,745.88	\$1,806.99	\$1,870.24
6-inch	\$3,360.61	\$3,610.85	\$3,737.23	\$3,868.04	\$4,003.43	\$4,143.56
8-inch	\$5,754.42	\$6,183.65	\$6,400.08	\$6,624.09	\$6,855.94	\$7,095.90
10-inch	\$9,105.71	\$9,785.57	\$10,128.07	\$10,482.56	\$10,849.45	\$11,229.19
Fire Line Charge	\$11.57	\$12.22	\$12.65	\$13.10	\$13.56	\$14.04
<b>Commodity Charges (per HCF)</b>						
Single Family Residential (First 6 HCF/month)	\$8.34	\$8.29	\$8.59	\$8.90	\$9.22	\$9.55
Single Family Residential (Next 6 HCF/ month)	\$11.25	\$12.11	\$12.54	\$12.98	\$13.44	\$13.92
Single Family Residential (All additional HCF)	\$14.34	\$16.14	\$16.71	\$17.30	\$17.91	\$18.54
Urban	\$10.33	\$10.98	\$11.37	\$11.77	\$12.19	\$12.62
Recreation Irrigation	\$10.94	\$12.04	\$12.47	\$12.91	\$13.37	\$13.84
Urban Agriculture	\$3.39	\$3.91	\$4.05	\$4.20	\$4.35	\$4.51
Goleta West Conduit	\$2.77	\$2.76	\$2.86	\$2.97	\$3.08	\$3.19
Recycled	\$5.59	\$8.20	\$8.49	\$8.79	\$9.10	\$9.42
Temporary	\$12.14	\$13.09	\$13.55	\$14.03	\$14.53	\$15.04

The proposed water rate increases result in monthly bill changes to District customers. Note that monthly changes to customer bills vary in FYE 2026 because of the cost of service analysis; beyond FYE 2026 estimated monthly bill increases in each year simply equal the proposed annual revenue adjustment of 3.5 percent.

**Figure 1-5** shows a comparison of sample Single Family Residential (SFR) monthly bills with three neighboring water agencies. All bills are representative of a typical SFR customer using 6 HCF per month (the most common volume of SFR water use in the District). Estimated monthly bills based on both the District's current FYE 2025 and proposed FYE 2026 water rates are lower than bills based on the neighboring agencies' proposed FYE 2026 rates.

Figure 1-4: Single Family Residential Bill Comparison with Neighboring Agencies



## 2. Introduction

### 2.1. Agency Overview

The Goleta Water District (District) provides water service to a population of approximately 87,000 people through about 17,000 metered water connections within a service area of 29,000 acres in Santa Barbara County. The District delivers potable water from the Corona Del Mar Water Treatment Plant through 270 miles of distribution pipeline and non-potable water to select agricultural users via the Goleta West Conduit. The District also delivers non-potable water produced at a recycled water treatment plant at Goleta Sanitary District to select recycled water customers, including the University of California, Santa Barbara (UCSB). The District's mission is "to provide a reliable supply of quality water at the most reasonable cost to the present and future customers within the Goleta Water District."

The District benefits from a flexible and diverse water supply portfolio. In normal conditions, the majority of the District's water supply is obtained from Lake Cachuma via the Cachuma Project. Additional supply sources include imported water from the State Water Project (SWP) via the Central Coast Water Authority (CCWA) and local groundwater from the Goleta Groundwater Basin. Recycled water produced by the Goleta Sanitary District also benefits customers by alleviating pressure on the supply sources and providing recycled water to a segment of irrigation users within the District's service area. The District also stores surplus water from Lake Cachuma in the Goleta Groundwater Basin using special injection wells during wet years.

### 2.2. Study Overview

Public water agencies in California perform a cost of service analysis approximately every five years to ensure that customers are appropriately charged for water service commensurate with the cost to provide service. The District last conducted a cost-of-service study in calendar year 2019 and 2020, which established proposed rates over a five-year period from FYE 2021 through FYE 2025. The District engaged Raftelis in fall of 2024 to conduct this Water Cost of Service and Rate Design Study to establish proposed water rates for the District for FYE 2026 through FYE 2030. Note that proposed rates cannot be implemented until formally adopted by the District's Board of Directors after a public hearing. Proposition 218 requires that District customers must be mailed a public hearing notice detailing any proposed rate changes no fewer than 45 days before the public hearing.

#### 2.2.1. Key Changes Since Prior Study

Since the prior rate study was conducted in 2019, District operations have undergone changes. Most notably, drought conditions through 2020 and 2021 followed by two above average wet winters in 2023 and 2024 in California resulted in significant deviations from normal condition (i.e., baseline) water demand. Because the District collects approximately 66 percent of its rate revenues through Commodity Rates charged per unit of water delivered, rate revenues collected by the District are negatively impacted during times of decreased water sales.

Changes since the prior study include a higher level of pressure on operating costs due to inflation. Inflationary assumptions for costs such as personnel, water supply, energy, and capital have been increased to project higher cost through FYE 2030 compared to the prior rate study. Over time there are shifts in the

operating cost structure of the District budget, with examples including higher treatment costs and lower State Water Project (SWP) fixed costs.

Additionally, the District recently celebrated the 80<sup>th</sup> Anniversary of its founding and is executing substantially more long-term Infrastructure Improvement Plan (IIP) projects required to maintain current levels of service, meet regulatory requirements, and reinvest in aging infrastructure. Average annual IIP expenditures for this study period have increased approximately \$7 M per year compared to the prior study period.

Overall, the District has experienced increases in operating and capital expenditures coupled with a need to increase its level of reserves to reduce risk and ensure available funding for unexpected operating or capital expenses, natural disasters or emergencies, and prolonged periods of drought. Additional considerations on levels of cash reserves include future credit rating and borrowing costs, should the District utilize external debt financing for future IIP.

### **2.2.2. Objectives of the Study**

The major objectives and primary tasks of this study are to:

- » Develop a five-year financial plan that sufficiently funds the District's operations and maintenance (O&M) expenses, debt service payments, and IIP expenditures while adequately funding reserves and meeting debt coverage requirements.
- » Conduct a cost-of-service analysis to establish a nexus between the cost to serve customers and the water rates charged to customers, per Proposition 218 requirements.
- » Develop a five-year schedule of water rates that are fair, equitable, and align with the requirements of Proposition 218.

# 3. Legal Requirements and Rate Setting Methodology

## 3.1. Legal Requirements

Proposition 218, reflected in the California Constitution as Article XIII D, was enacted in 1996 to ensure that rates and fees are reasonable and proportional to the cost of providing service. The principal requirements, as they relate to public water service are as follows:

1. A property-related charge (such as water rates) imposed by a public agency on a parcel shall not exceed the costs required to provide the property-related service.
2. Revenues derived by the charge shall not be used for any purpose other than that for which the charge was imposed.
3. The amount of the charge imposed upon any parcel shall not exceed the proportional cost of service attributable to the parcel.
4. No charge may be imposed for a service unless that service is actually used or immediately available to the owner of the property.
5. A written notice of the proposed charge shall be mailed to both the customer of record and owner of record of each parcel at least 45 days prior to the public hearing, when the agency considers all written protests against the charge.

As stated in the American Water Works Association's (AWWA) *Principles of Water Rates, Fees, and Charges: Manual of Water Supply Practices - M1 Seventh Edition* (Manual M1), "water rates and charges should be recovered from classes of customers in proportion to the cost of serving those customers." Raftelis follows industry standard rate setting methodologies set forth by the AWWA Manual M1 to ensure this study meets Proposition 218 requirements and establishes rates that do not exceed the proportionate cost of providing water services on a parcel basis. The methodology in the Manual M1 is a nationally recognized industry ratemaking standard which courts have recognized as consistent with Proposition 218.

## 3.2. Rate-Setting Methodology

This study was conducted using industry-standard principles outlined by the AWWA Manual M1. The process and approach Raftelis utilized in the study to determine water rates is informed by the District's policy objectives, the current water system and rates, and the legal requirements in California (namely, Proposition 218). The resulting financial plan, cost of service analysis, and rate design process follows five key steps, outlined below, to determine proposed rates that fulfill the District's objectives, meet industry standards, and comply with relevant regulations.

1. **Financial Plan:** The first study step is to develop a multi-year financial plan that projects the District's revenues, expenses, capital project financing, annual debt service, and reserve funding. The financial plan is used to determine any adjustments to rate revenues so that the District may adequately fund projected expenses, cash reserves, and debt obligations.

2. **Revenue Requirement Determination:** After completing the financial plan, the rate-making process begins with the determination of the revenue requirement for the test year, also known as the rate-setting year. The test year for this study is FYE 2026. The revenue requirement should sufficiently fund the District's operating costs, annual debt service (including coverage requirements), IIP, and reserve funding.
3. **Cost-of-Service Analysis:** The annual cost of providing water service, or the revenue requirement, is then distributed to customer classes and tiers commensurate with their use of and burden on the water system. A cost-of-service analysis involves the following steps:
  - Functionalize costs – the different components of the revenue requirement are categorized into functions such as supply, treatment, storage, customer service, etc.
  - Allocate to cost causation components – the functionalized costs are then allocated to cost causation components such as supply, base delivery, extra-capacity, etc.
  - Develop unit costs – unit costs for each cost causation component are determined using units of service, such as total water use, peak water use, equivalent meters, number of customers, etc. for each component.
  - Distribute cost components – the cost components are allocated to each customer class and tier using the unit costs in proportion to their demand and burden on the system.

A cost of service analysis considers both the average water demand and peak demand using best available data. Peaking costs are incurred during periods of peak consumption, most often coinciding with summer water use. There are additional capacity-related costs associated with designing, constructing, operating, maintaining, and replacing facilities to meet peak demands on the water system. Patterns of use impose additional costs on a water utility and are used to fairly apportion the cost burden on extra capacity-related facilities.

4. **Rate Design:** After allocating the revenue requirement to each customer class and tier, the rate design and calculation process can begin. Rates do more than simply recover costs; within the legal framework and industry standards, properly designed rates should support and optimize the District's policy objectives. Rates also act as a public information tool in communicating these policy objectives to customers. This process also includes a rate impact analysis and sample customer bill impacts.
5. **Administrative Record Preparation and Rate Adoption:** The final step in a rate study is to develop the administrative record in conjunction with the rate adoption process. This report serves as the administrative record for this study. The administrative record documents the study results and presents the methodologies, rationale, justifications, and calculations used to determine the proposed rates. A thorough and methodological administrative record serves two important functions: maintaining defensibility in a stringent legal environment and communicating the rationale for revenue adjustments and proposed rates to customers and key stakeholders.

## 4. Key Inputs and Assumptions

Raftelis developed a water rate model in Microsoft Excel to project financial and rate calculations over a five-year study period through FYE 2030. The District's fiscal year spans from July 1 through June 30. Projections in future years are generally made based on actual or estimated FYE 2024 or FYE 2025 data using key assumptions outlined below. All assumptions and estimates were discussed with and reviewed by District staff to ensure that the District's unique characteristics are accurately accounted for. Note that most table values shown throughout this report are rounded to the last digit shown and may therefore not add precisely to the totals shown.

### 4.1. Current Water Rates

**Table 4-1** shows the current adopted rates developed during the prior rate study. Customers are subject to two charge components: 1) Monthly Service Charges (known in prior rates studies as Fixed Meter Charges)<sup>3</sup> and 2) Commodity Charges per hundred cubic feet (HCF)<sup>4</sup> of water delivered. The Monthly Service Charges vary based on meter size. Customers with 5/8" or 3/4" water meters are eligible for reduced "Ultra-Low Flow" or "Low Flow" Monthly Service Charge rates if their monthly water use does not exceed 6 HCF or 12 HCF respectively. Commodity Charges vary based on customer class. SFR customers are subject to a three-tiered Commodity Charge rate structure. The first 6 HCF used each month is charged at the lowest rate, the next 6 HCF at an intermediate rate, and any additional use at the highest rate. All other customer classes are subject to a uniform Commodity Charge.

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<sup>3</sup> The District is replacing the "Fixed Meter Charge" terminology with "Monthly Service Charge" to more clearly communicate this portion of the bill. Proposed rates reflect this change.

<sup>4</sup> One HCF equates to 748 gallons.

**Table 4-1: Current Water Rate Schedule**

Description	FYE 2025 (Current)
<b>Monthly Service Charges</b>	
5/8" & 3/4" - Ultra-Low Flow (6 HCF or less)	\$31.83
5/8" & 3/4" - Low Flow (7-12 HCF)	\$57.19
5/8 & 3/4-inch - All Other	\$81.11
1-inch	\$129.00
1.5-inch	\$248.68
2-inch	\$392.31
3-inch	\$847.14
4-inch	\$1,517.39
6-inch	\$3,360.61
8-inch	\$5,754.42
10-inch	\$9,105.71
Fire Line Charge	\$11.57
<b>Commodity Charges (per HCF)</b>	
Single Family Residential (First 6 HCF/month)	\$8.34
Single Family Residential (Next 6 HCF/ month)	\$11.25
Single Family Residential (All additional HCF)	\$14.34
Urban	\$10.33
Recreation Irrigation	\$10.94
Urban Agriculture	\$3.39
Goleta West Conduit	\$2.77
Recycled	\$5.59
Temporary	\$12.14

## 4.2. Financial Projection - Estimates and Assumptions

Inflationary escalation assumptions shown in **Table 4-2** are used to project annual non-rate revenues and operations and maintenance (O&M) expenses beyond FYE 2025. All inflationary factors were determined with District staff based on historical and anticipated cost increases. Greater than 97 percent of District revenues are generated by water rates. Other miscellaneous revenues (excluding interest earnings on cash reserves) are increased by 2 percent annually.

For O&M expenses, a general inflation rate of 3 percent is consistent with long-term changes in the Consumer Price Index (CPI). Salary & Wages costs tend to increase at a greater rate relative to general inflation based on cost of living increases, merit-based increases, and any additional staffing required. The water supply inflation rate is used to project Cachuma supply costs, recycled water purchases, and minor miscellaneous supply expenses. The energy inflation rate is used to project all purchased power costs. Capital is shown as N/A as District engineering staff estimate the IIP in inflation-adjusted future dollars. The inflationary factors shown below are used to project most O&M expenses over the study period. However, projections for imported water supply costs, wells operation and maintenance costs, and some other expenses are based on detailed future year estimates by the District or its water supply providers.

**Table 4-2: Inflationary Escalation**

Inflationary Categories	Annual Escalation
<b>Non-Rate Revenues</b>	
Miscellaneous	2%
<b>Expenses</b>	
General	3%
Personnel	5%
Water Supply	5%
Energy	5%
Capital	N/A
Benefits	7%

Additional financial assumptions relating to interest earnings are shown in **Table 4-3**. Interest earnings on cash reserves are projected at a 3.5 percent annual rate.

**Table 4-3: Additional Financial Assumptions**

Description	Value
<b>Interest Earnings</b>	
Annual Interest Rate	3.5%

### 4.3. Projected Service Connections

Customer account growth projections are necessary to estimate water demand and rate revenues over the study period. District staff provided Raftelis with detailed customer billing data with which to derive the number of water meters and private fire lines by connection size for FYE 2024. To account for expected growth, the District also provided estimated new connections by customer class and connection size for FYE 2026 through FYE 2030. **Table 4-4** shows projected new connections over the study period.

**Table 4-4: Projected New Service Connections - Water Meters & Fire Lines**

Number of New Connections	FYE 2026	FYE 2027	FYE 2028	FYE 2029	FYE 2030	5-Year Total
<b>Single Family Residential</b>						
5/8 & 3/4-inch - Ultra-Low Flow	5	5	10	10	10	40
5/8 & 3/4-inch - Low Flow	5	5	5	5	5	25
1-inch	4	8	10	10	10	42
1.5-inch	1	1	1	1	1	5
2-inch	1	0	0	0	0	1
3-inch	1	0	0	0	0	1
<b>Subtotal</b>	<b>17</b>	<b>19</b>	<b>26</b>	<b>26</b>	<b>26</b>	<b>114</b>
<b>Urban</b>						
5/8 & 3/4-inch - All Other	33	43	43	28	28	175
1-inch	5	5	5	5	8	28
1.5-inch	1	1	1	1	1	5
4-inch	1	1	1	1	2	6
8-inch	0	0	0	0	4	4
<b>Subtotal</b>	<b>40</b>	<b>50</b>	<b>50</b>	<b>35</b>	<b>43</b>	<b>218</b>
<b>All Other Customer Classes</b>	<b>3</b>	<b>9</b>	<b>3</b>	<b>1</b>	<b>2</b>	<b>18</b>
<b>Fire Lines</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>5</b>	<b>9</b>
<b>TOTAL</b>	<b>61</b>	<b>79</b>	<b>80</b>	<b>63</b>	<b>76</b>	<b>359</b>

**Table 4-5** shows the projected number of water meters by customer class and meter size over the study period. Projected values for FYE 2026 through FYE 2030 are calculated by adding the number of new connections from **Table 4-4** to the number of connections in the previous year. The total number of water meters is projected to increase by an average of 0.4 percent per year over the study period.

Table 4-5: Projected Number of Water Meters

Number of Water Meters	Actual FYE 2025	Projected FYE 2026	Projected FYE 2027	Projected FYE 2028	Projected FYE 2029	Projected FYE 2030
<b>Single Family Residential</b>						
5/8 & 3/4-inch - Ultra-Low Flow	6,756	6,761	6,766	6,776	6,786	6,796
5/8 & 3/4-inch - Low Flow	3,701	3,706	3,711	3,716	3,721	3,726
5/8 & 3/4-inch - All Other	1,701	1,701	1,701	1,701	1,701	1,701
1-inch	1,146	1,150	1,158	1,168	1,178	1,188
1.5-inch	49	50	51	52	53	54
2-inch	43	44	44	44	44	44
3-inch	0	1	1	1	1	1
4-inch	0	0	0	0	0	0
6-inch	0	0	0	0	0	0
8-inch	0	0	0	0	0	0
10-inch	0	0	0	0	0	0
<b>Subtotal</b>	<b>13,396</b>	<b>13,413</b>	<b>13,432</b>	<b>13,458</b>	<b>13,484</b>	<b>13,510</b>
<b>Urban<sup>5</sup></b>						
5/8 & 3/4-inch - Ultra-Low Flow	1,008	999	999	999	999	999
5/8 & 3/4-inch - Low Flow	320	342	342	342	342	342
5/8 & 3/4-inch - All Other	348	335	335	368	411	454
1-inch	538	538	538	543	548	553
1.5-inch	354	354	354	355	356	357
2-inch	328	328	328	328	328	328
3-inch	9	9	9	9	9	9
4-inch	24	24	24	25	26	27
6-inch	22	22	22	22	22	22
8-inch	5	5	5	5	5	5
10-inch	3	3	3	3	3	3
<b>Subtotal</b>	<b>2,959</b>	<b>2,959</b>	<b>2,959</b>	<b>2,999</b>	<b>3,049</b>	<b>3,099</b>
<b>Recreation Irrigation</b>						
5/8 & 3/4-inch - Ultra-Low Flow	92	92	92	92	92	92
5/8 & 3/4-inch - Low Flow	10	10	10	10	10	10
5/8 & 3/4-inch - All Other	37	37	37	37	37	37
1-inch	76	76	78	80	80	80
1.5-inch	59	59	59	59	59	59
2-inch	44	44	45	46	46	48
3-inch	3	3	3	3	3	3
4-inch	3	3	3	3	3	4
6-inch	0	0	0	0	0	0
8-inch	0	0	0	0	0	0
10-inch	0	0	0	0	0	0
<b>Subtotal</b>	<b>324</b>	<b>324</b>	<b>327</b>	<b>330</b>	<b>330</b>	<b>333</b>
<b>Urban Agriculture</b>						
5/8 & 3/4-inch - Ultra-Low Flow	2	2	2	2	2	2
5/8 & 3/4-inch - Low Flow	0	0	0	0	0	0
5/8 & 3/4-inch - All Other	1	1	3	3	3	5
1-inch	15	15	15	15	15	15
1.5-inch	22	22	22	22	22	22

<sup>5</sup> Temporary water meters are included in the Urban meter counts.

Number of Water Meters	Actual FYE 2025	Projected FYE 2026	Projected FYE 2027	Projected FYE 2028	Projected FYE 2029	Projected FYE 2030
2-inch	97	98	98	98	99	99
3-inch	3	3	3	3	3	3
4-inch	2	2	2	2	2	2
6-inch	0	0	0	0	0	0
8-inch	0	0	0	0	0	0
10-inch	0	0	0	0	0	0
<b>Subtotal</b>	<b>142</b>	<b>143</b>	<b>145</b>	<b>145</b>	<b>146</b>	<b>148</b>

<b>Goleta West Conduit</b>						
5/8 & 3/4-inch - Ultra-Low Flow	0	0	0	0	0	0
5/8 & 3/4-inch - Low Flow	0	0	0	0	0	0
5/8 & 3/4-inch - All Other	1	1	1	1	1	1
1-inch	2	2	2	2	2	2
1.5-inch	0	0	0	0	0	0
2-inch	18	18	18	18	18	18
3-inch	2	2	2	2	2	2
4-inch	2	2	2	2	2	2
6-inch	1	1	1	1	1	1
8-inch	0	0	0	0	0	0
10-inch	0	0	0	0	0	0
<b>Subtotal</b>	<b>26</b>	<b>26</b>	<b>26</b>	<b>26</b>	<b>26</b>	<b>26</b>

<b>Recycled</b>						
5/8 & 3/4-inch - Ultra-Low Flow	7	7	7	7	7	7
5/8 & 3/4-inch - Low Flow	1	1	1	1	1	1
5/8 & 3/4-inch - All Other	3	3	3	3	3	3
1-inch	4	4	6	6	6	6
1.5-inch	5	5	5	5	5	5
2-inch	11	13	15	15	15	15
3-inch	5	5	5	5	5	5
4-inch	4	4	4	4	4	4
6-inch	10	10	10	10	10	10
8-inch	2	2	2	2	2	2
10-inch	0	0	0	0	0	0
<b>Subtotal</b>	<b>52</b>	<b>54</b>	<b>58</b>	<b>58</b>	<b>58</b>	<b>58</b>

<b>ALL CUSTOMER CLASSES</b>						
5/8 & 3/4-inch - Ultra-Low Flow	7,856	7,861	7,866	7,876	7,886	7,896
5/8 & 3/4-inch - Low Flow	4,054	4,059	4,064	4,069	4,074	4,079
5/8 & 3/4-inch - All Other	2,078	2,111	2,156	2,199	2,227	2,257
1-inch	1,781	1,790	1,807	1,824	1,839	1,857
1.5-inch	489	491	493	495	497	499
2-inch	541	545	548	549	550	552
3-inch	22	23	23	23	23	23
4-inch	35	36	37	38	39	42
6-inch	33	33	33	33	33	33
8-inch	7	7	7	7	7	11
10-inch	3	3	3	3	3	3
<b>TOTAL</b>	<b>16,899</b>	<b>16,959</b>	<b>17,037</b>	<b>17,116</b>	<b>17,178</b>	<b>17,252</b>
<i>% Change</i>		<i>0.4%</i>	<i>0.5%</i>	<i>0.5%</i>	<i>0.4%</i>	<i>0.4%</i>

Table 4-6: Projected Number of Fire Lines

Number of Fire Lines	Actual FYE 2025	Projected FYE 2026	Projected FYE 2027	Projected FYE 2028	Projected FYE 2029	Projected FYE 2030
5/8-inch	115	115	115	115	115	115
3/4-inch	280	280	280	280	280	280
1-inch	41	42	43	44	45	46
1.5-inch	45	45	45	45	45	45
2-inch	14	14	14	14	14	18
8-inch	1	1	1	1	1	1
10-inch	1	1	1	1	1	1
<b>TOTAL</b>	<b>495</b>	<b>496</b>	<b>497</b>	<b>498</b>	<b>499</b>	<b>504</b>
% Change		0.2%	0.2%	0.2%	0.2%	1.0%

#### 4.4. Projected Water Use and Supply

District staff provided Raftelis with total annual water use data by customer class for FYE 2010 through FYE 2024. Raftelis worked closely with District staff to develop water use projections for FYE 2025 through FYE 2030. Water demand projections depend on two key assumptions: account growth and water demand factor (i.e. water use per metered connection). First, annual water use is projected at the customer class level by adjusting prior year water use by the annual percent increase in the number of water connections. This intermediate result is then adjusted by an annual water demand factor to estimate total annual water use by customer class.

**Table 4-7** shows projected water use by customer class over the study period. Water use in FYE 2023 and FYE 2024 was abnormally low as significant precipitation reduced the need for outdoor water use. An overall 12.8 percent increase in total water demand is estimated in FYE 2025. This assumption is based on District estimates of demand for their FYE 2025 budget, as well as water use at mid-year, and results in a projected rebound in FYE 2025 from a depressed demand year in FYE 2024. To complement District staff's work, Raftelis conducted a weather normalization analysis to estimate water demands utilizing annual average temperature and annual precipitation to determine a "normal year" demand for the District. Relying on historical weather station data, FYE 2018 represents the most normal water demand year for the District at a volume of 10,800 AFY.

The 12.8 percent overall demand factor in FYE 2025 therefore reflects a return to a typical water year (i.e. approximately 10,800 AFY) relative to FYE 2024. No changes are estimated in per capita/per connection water demand. Therefore, all increases in water use after FYE 2025 are solely a result of projected growth in service connections. Note that Recycled water use is broken down by non-contract and contract recycled water use. Non-contract customers are subject to the Recycled Commodity Charge rates shown in **Table 4-1**. Contract Type 1 and Contract Type 2 recycled customers are subject to different Commodity Charge rates as determined by existing contracts with the District. Total water use is shown in both hundred cubic feet and acre-feet (AF).

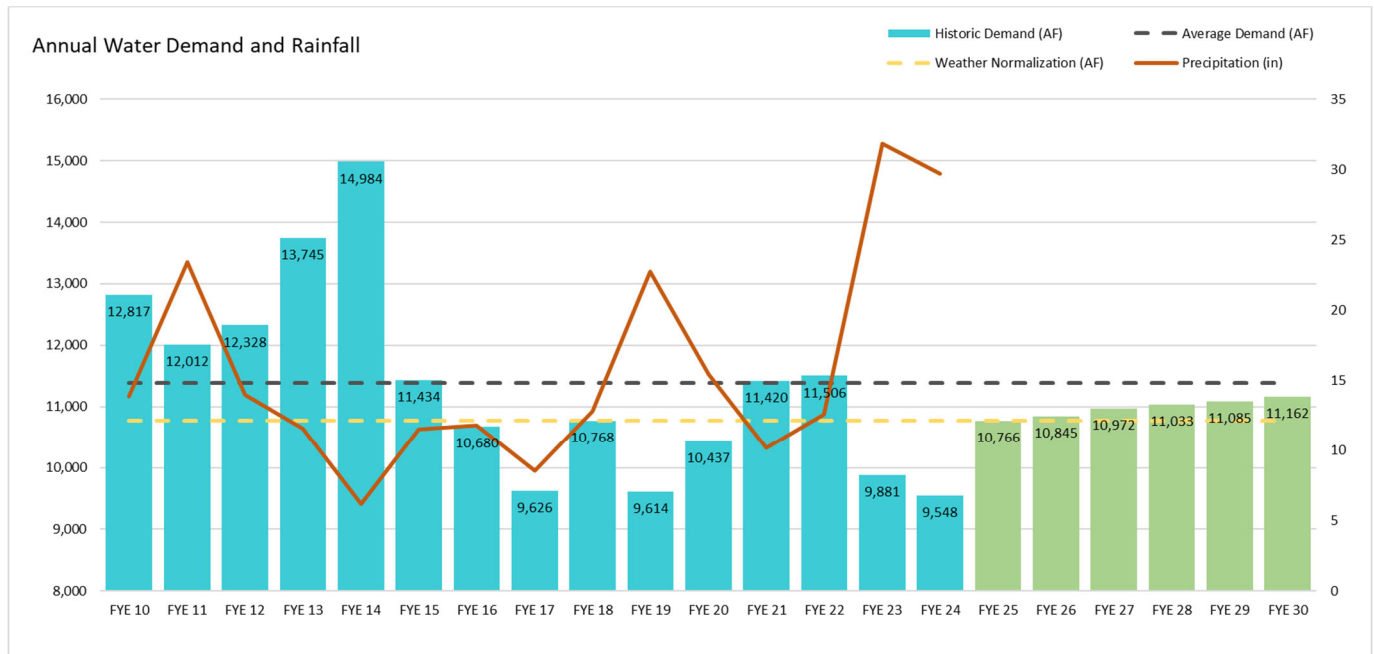
**Table 4-7: Projected Water Use**

Description	Actual FYE 2024	Projected FYE 2025	Projected FYE 2026	Projected FYE 2027	Projected FYE 2028	Projected FYE 2029	Projected FYE 2030
Water Demand Factor	N/A	12.8%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>WATER DEMAND (HCF)</b>							
<b>Potable</b>							
<b>Single Family Residential</b>							
Tier 1: First 6 HCF/month	755,906	844,158	845,229	846,427	848,065	849,703	851,342
Tier 2: Next 6 HCF/month	302,316	337,611	338,040	338,519	339,174	339,829	340,484
Tier 3: All additional HCF	255,045	284,822	285,183	285,587	286,140	286,693	287,245
Subtotal SFR	1,313,267	1,466,591	1,468,452	1,470,532	1,473,379	1,476,225	1,479,072
<b>All Other Potable</b>							
Urban	1,634,917	1,679,220	1,697,011	1,719,012	1,741,013	1,756,699	1,776,942
Recreation Irrigation	156,596	184,392	184,392	186,099	187,806	187,806	189,514
Urban Agriculture	475,922	610,846	615,148	623,751	623,751	628,053	636,656
Temporary Meters	3,120	3,120	3,120	3,120	3,120	3,120	3,120
Fire Service	362	362	363	363	364	365	369
Unbilled <sup>6</sup>	1,509	1,509	1,509	1,509	1,509	1,509	1,509
Subtotal All Other Potable	2,222,803	2,489,539	2,504,830	2,519,643	2,536,838	2,551,650	2,566,941
<b>Total Potable</b>	<b>3,582,573</b>	<b>3,942,920</b>	<b>3,966,874</b>	<b>4,001,267</b>	<b>4,027,822</b>	<b>4,050,657</b>	<b>4,084,061</b>
<b>Goleta West Conduit</b>	<b>315,481</b>	<b>476,376</b>	<b>476,376</b>	<b>476,376</b>	<b>476,376</b>	<b>476,376</b>	<b>476,376</b>
<b>Recycled</b>							
Non-Contract	117,155	121,431	126,102	135,442	135,442	135,442	135,442
Contract Type 1	79,536	82,439	85,610	91,951	91,951	91,951	91,951
Contract Type 2	64,305	66,652	69,216	74,343	74,343	74,343	74,343
<b>Total Recycled</b>	<b>260,996</b>	<b>270,522</b>	<b>280,927</b>	<b>301,736</b>	<b>301,736</b>	<b>301,736</b>	<b>301,736</b>
<b>TOTAL (HCF)</b>	<b>4,159,050</b>	<b>4,689,818</b>	<b>4,724,178</b>	<b>4,779,380</b>	<b>4,805,935</b>	<b>4,828,770</b>	<b>4,862,174</b>
Total (AF)	9,548	10,766	10,845	10,972	11,033	11,085	11,162
% Change		12.8%	0.7%	1.2%	0.6%	0.5%	0.7%

As discussed, Raftelis conducted a weather normalization analysis to determine normal year demands for the District based on local climate. Total demands from FYE 2010 to FYE 2024 were compared against their respective average annual temperatures and annual precipitation. The study found that 2018 had the most “normal” demand at 10,768 AF. These results align closely with the demand projection used for the FYE 2025 budget and the rate model of 10,685 AF. **Figure 4-1** shows the fifteen year historical annual demand used in the weather normalization analysis in blue bars. Precipitation is shown as the orange line as well as annual projections in green bars over the study period (from **Table 4-7**). The black dotted line shows the average historical demand across all past years and the dotted yellow line shows the “normalized year” results of the weather normalization analysis. The figure demonstrates how water demand is inversely related to annual precipitation. Like many other public water providers in California, the District has experienced significant fluctuations in water use due to dry conditions in 2021 and 2022 followed by wet conditions in 2023 and 2024.

<sup>6</sup> Unbilled water use includes water used by the District as part of operations and maintenance. This includes activities such as system flushing and draining to repair leaks or breaks in service lines.

Figure 4-1: Historical and Projected Annual Water Use



An estimate of normal-condition water supply by source is required for the cost of service and rate design process. All recycled demand is supplied by purchased recycled water from the Goleta Sanitary District (GSD). Potable customers are supplied by a combination of supply from Lake Cachuma (the Cachuma Project), local groundwater, and imported SWP water from the Central Coast Water Authority (CCWA). District customers on the Goleta West Conduit are supplied solely by Lake Cachuma.

Table 4-8 shows the water supply mix projected to meet non-recycled water demand over the study period. Total potable and Goleta West Conduit water use (from Table 4-7) is converted to acre-feet and adjusted to account for estimated water loss resulting from leakage in the water distribution system. District staff provided Raftelis with the anticipated amount of Lake Cachuma and groundwater each year to meet the required non-recycled water supply. Any remaining demand after utilization of Lake Cachuma and groundwater supplies is met by imported SWP water.

Table 4-8: Projected Non-Recycled Water Supply Mix

Description	Projected FYE 2026	Projected FYE 2027	Projected FYE 2028	Projected FYE 2029	Projected FYE 2030
Potable Water Use	3,966,874	4,001,267	4,027,822	4,050,657	4,084,061
Goleta West Conduit Water Use	476,376	476,376	476,376	476,376	476,376
<b>Total Non-Recycled Water Use (HCF)</b>	<b>4,443,250</b>	<b>4,477,643</b>	<b>4,504,199</b>	<b>4,527,034</b>	<b>4,560,438</b>
Total Non-Recycled Water Use (AF)	10,200	10,279	10,340	10,393	10,469
Water Loss Factor	5.8%	5.8%	5.8%	5.8%	5.8%
<b>Required Non-Recycled Water Supply</b>	<b>10,828</b>	<b>10,912</b>	<b>10,977</b>	<b>11,033</b>	<b>11,114</b>
<b>Non-Recycled Water Supply by Source</b>					
Lake Cachuma	9,711	8,660	8,015	7,253	9,322
Groundwater	0	0	1,207	1,528	0
Imported SWP Water (CCWA)	1,117	2,252	1,755	2,252	1,792
<b>Total</b>	<b>10,828</b>	<b>10,912</b>	<b>10,977</b>	<b>11,033</b>	<b>11,114</b>

# 5. Financial Plan

**Section 5** details the development of a proposed five-year financial plan for the District over the study period. The following subsections include estimates and projections of annual revenues, O&M expenses, debt service payments, capital expenditures, and reserve funding through FYE 2030. The overall purpose of the financial plan is to determine annual revenues required to achieve sufficient cash flow, maintain adequate reserves, and meet debt coverage requirements.

## 5.1. Revenues from Current Rates

The District’s revenues consist of rate revenues, interest earnings on cash reserves, and other miscellaneous revenues. The rate revenue projections shown assume that current FYE 2025 rates are effective throughout the study period; and therefore, represent estimated revenues in the absence of any revenue adjustments (i.e., rate increases). This status quo scenario provides a baseline from which Raftelis evaluates the need for revenue adjustments.

### 5.1.1. Calculated Water Rate Revenues

Raftelis projected water rate revenues from Monthly Service Charges and Commodity Charges for FYE 2025 through FYE 2030 based on current FYE 2025 water rates, the current and projected number of water meters/private fire lines, and projected annual water use.

**Table 5-1** shows projected Monthly Service Charge revenues under current rates over the study period. Monthly Service Charge Revenues are calculated by connection size/type in each year as follows based on current FYE 2025 water rates (from **Table 4-1**), projected number of water meters (from **Table 4-5**), and projected number of fire lines (from **Table 4-6**):

$$\text{Annual Monthly Service Charge Revenue} = [\text{FYE 2025 monthly rate}] \times [\text{Number of connections}] \times [12 \text{ Bills per year}]$$

**Table 5-1: Projected Monthly Service Charge Revenues under Current Rates**

Meter Size	Estimated FYE 2025	Projected FYE 2026	Projected FYE 2027	Projected FYE 2028	Projected FYE 2029	Projected FYE 2030
5/8 & 3/4-inch - Ultra-Low Flow	\$3,000,678	\$3,002,588	\$3,004,497	\$3,008,317	\$3,012,137	\$3,015,956
5/8 & 3/4-inch - Low Flow	\$2,782,179	\$2,785,611	\$2,789,042	\$2,792,473	\$2,795,905	\$2,799,336
5/8 & 3/4-inch - All Other	\$2,022,559	\$2,054,679	\$2,098,478	\$2,140,331	\$2,167,584	\$2,196,783
1-inch	\$2,756,988	\$2,770,920	\$2,797,236	\$2,823,552	\$2,846,772	\$2,874,636
1.5-inch	\$1,459,254	\$1,465,223	\$1,471,191	\$1,477,159	\$1,483,128	\$1,489,096
2-inch	\$2,546,877	\$2,565,707	\$2,579,831	\$2,584,538	\$2,589,246	\$2,598,661
3-inch	\$223,645	\$233,811	\$233,811	\$233,811	\$233,811	\$233,811
4-inch	\$637,304	\$655,512	\$673,721	\$691,930	\$710,139	\$764,765
6-inch	\$1,330,802	\$1,330,802	\$1,330,802	\$1,330,802	\$1,330,802	\$1,330,802
8-inch	\$483,371	\$483,371	\$483,371	\$483,371	\$483,371	\$759,583
10-inch	\$327,806	\$327,806	\$327,806	\$327,806	\$327,806	\$327,806
Fire Line Charges	\$69,003	\$69,142	\$69,281	\$69,420	\$69,559	\$70,253
<b>Total</b>	<b>\$17,640,465</b>	<b>\$17,745,170</b>	<b>\$17,859,066</b>	<b>\$17,963,509</b>	<b>\$18,050,257</b>	<b>\$18,461,488</b>

**Table 5-2** shows projected Commodity Charge revenues under current rates over the study period. Commodity Charge revenues are calculated by customer class in each year as follows based on current FYE 2025 water rates (from **Table 4-1**) and projected water use (from **Table 4-7**):

$$\text{Annual Commodity Charge Revenue} = [\text{FYE 2025 rate per HCF}] \times [\text{Annual Water Use in HCF}]$$

Table 5-2: Projected Commodity Charge Revenues under Current Rates

Customer Class	Estimated FYE 2025	Projected FYE 2026	Projected FYE 2027	Projected FYE 2028	Projected FYE 2029	Projected FYE 2030
<b>Potable</b>						
Single Family Residential						
<i>Tier 1: First 6 HCF/month</i>	\$7,040,278	\$7,049,212	\$7,059,198	\$7,072,862	\$7,086,526	\$7,100,191
<i>Tier 2: Next 10 HCF/month</i>	\$3,798,128	\$3,802,948	\$3,808,335	\$3,815,707	\$3,823,079	\$3,830,450
<i>Tier 3: All additional HCF</i>	\$4,084,340	\$4,089,524	\$4,095,316	\$4,103,244	\$4,111,171	\$4,119,098
Subtotal	\$14,922,746	\$14,941,684	\$14,962,849	\$14,991,813	\$15,020,776	\$15,049,739
Urban	\$17,314,112	\$17,497,893	\$17,725,163	\$17,952,433	\$18,114,470	\$18,323,581
Recreation Irrigation	\$2,017,246	\$2,017,246	\$2,035,924	\$2,054,603	\$2,054,603	\$2,073,281
Urban Agriculture	\$2,070,768	\$2,085,350	\$2,114,516	\$2,114,516	\$2,129,099	\$2,158,265
Temporary Meters <sup>7</sup>	\$48,344	\$48,344	\$48,344	\$48,344	\$48,344	\$48,344
Fire Service <sup>8</sup>	\$5,609	\$5,621	\$5,632	\$5,643	\$5,655	\$5,711
<b>Total Potable</b>	<b>\$36,378,826</b>	<b>\$36,596,139</b>	<b>\$36,892,430</b>	<b>\$37,167,352</b>	<b>\$37,372,947</b>	<b>\$37,658,921</b>
<b>Goleta West Conduit</b>	<b>\$1,319,562</b>	<b>\$1,319,562</b>	<b>\$1,319,562</b>	<b>\$1,319,562</b>	<b>\$1,319,562</b>	<b>\$1,319,562</b>
<b>Recycled</b>						
Non-Contract	\$678,800	\$704,908	\$757,123	\$757,123	\$757,123	\$757,123
Contract Type 1 <sup>9</sup>	\$173,946	\$180,637	\$194,017	\$194,017	\$194,017	\$194,017
Contract Type 2 <sup>10</sup>	\$59,040	\$61,311	\$65,853	\$65,853	\$65,853	\$65,853
<b>Total Recycled</b>	<b>\$911,787</b>	<b>\$946,856</b>	<b>\$1,016,993</b>	<b>\$1,016,993</b>	<b>\$1,016,993</b>	<b>\$1,016,993</b>
<b>Total</b>	<b>\$38,610,175</b>	<b>\$38,862,557</b>	<b>\$39,228,985</b>	<b>\$39,503,908</b>	<b>\$39,709,502</b>	<b>\$39,995,477</b>

<sup>7</sup> Temporary water use is currently charged at 1.5 times the Urban Commodity Charge rate. Temporary Commodity Charge revenues were calculated accordingly.

<sup>8</sup> Private fire lines are not subject to any Commodity Charges for water used for fire protection purposes. However, any water use by private fire lines that is not used for fire protection purposes may be charged based at the discretion of the District. Fire Service water revenues are calculated based on water delivered to private fire lines that is not used for fire protection, which the District currently charges at 1.5 times the Urban Commodity Charge rate.

<sup>9</sup> Recycled Contract Type 1 Commodity Charges are charged at \$2.11 per HCF.

<sup>10</sup> Recycled Contract Type 2 Commodity Charges are charged at \$0.89 per HCF.

### 5.1.2. Other Revenues

Table 5-3 shows all other revenues. All FYE 2025 other revenues are based on the District's FYE 2025 budget. Other revenues from FYE 2026 through FYE 2030 were projected by Raftelis relying on the assumptions detailed in Section 4. Beginning in FYE 2026, interest revenue is estimated based on projected cash balances and the assumed interest rate (from Table 4-3). All other revenues are estimated by the miscellaneous inflation rate (from Table 4-2).

**Table 5-3: Projected Other Revenues**

Description	Budgeted FYE 2025	Projected FYE 2026	Projected FYE 2027	Projected FYE 2028	Projected FYE 2029	Projected FYE 2030
Interest Revenues	\$807,761	\$681,145	\$783,606	\$857,434	\$639,633	\$370,291
Conveyance	\$155,824	\$158,940	\$162,119	\$165,361	\$168,669	\$172,042
Backflow monitoring	\$249,959	\$254,958	\$260,057	\$265,258	\$270,563	\$275,975
Manual-Backflow monitoring	\$964	\$983	\$1,003	\$1,023	\$1,043	\$1,064
Temp Meter Application fee-manual	\$7,457	\$7,606	\$7,758	\$7,914	\$8,072	\$8,233
Applications fees	\$6,558	\$6,689	\$6,823	\$6,960	\$7,099	\$7,241
Service Initiation /Disconnection fees	\$59,117	\$60,299	\$61,505	\$62,736	\$63,990	\$65,270
Plan Check & Inspection Fees	\$8,967	\$9,146	\$9,329	\$9,516	\$9,706	\$9,900
Customers' delinquent charges	\$155,921	\$159,039	\$162,220	\$165,464	\$168,774	\$172,149
Hydroelectric sales	\$100,361	\$102,368	\$104,416	\$106,504	\$108,634	\$110,807
Capital Contributions	\$133,190	\$135,853	\$138,570	\$141,342	\$144,169	\$147,052
Misc. non-operating revenues	\$24,990	\$25,490	\$26,000	\$26,520	\$27,050	\$27,591
<b>Total</b>	<b>\$1,711,068</b>	<b>\$1,671,863</b>	<b>\$1,971,870</b>	<b>\$2,441,328</b>	<b>\$2,843,215</b>	<b>\$3,225,539</b>

Table 5-4 shows a summary of projected revenues under current rates over the study period. This represents expected revenues in the absence of any rate increase over the study period. Note that rate revenues (i.e. Monthly Service Charges and Commodity Charges) constitute over 97 percent of the District's total revenue.

**Table 5-4: Summary of Projected Revenues under Current Rates**

Description	FYE 2025	FYE 2026	FY 2027	FYE 2028	FYE 2029	FYE 2030
Monthly Service Charges	\$17,640,465	\$17,745,170	\$17,859,066	\$17,963,509	\$18,050,257	\$18,461,488
Commodity Charges	\$38,610,175	\$38,862,557	\$39,228,985	\$39,503,908	\$39,709,502	\$39,995,477
Interest Earnings	\$807,761	\$750,489	\$1,032,069	\$1,482,731	\$1,865,446	\$2,228,215
Miscellaneous Revenue	\$903,307	\$921,374	\$939,801	\$958,597	\$977,769	\$997,324
<b>Total</b>	<b>\$57,961,709</b>	<b>\$58,279,590</b>	<b>\$59,059,921</b>	<b>\$59,908,745</b>	<b>\$60,602,974</b>	<b>\$61,682,504</b>

### 5.2. Operations and Maintenance Expenses

Table 5-5 shows O&M expenses by cost center over the study period. Water Supply (cost center #100) expenses are shown in greater detail, as Water Supply costs constitute approximately 35 percent of the District's total projected O&M expenses. O&M expenses shown in FYE 2025 are from the District's adopted FYE 2025 budget.

All projections shown beyond FYE 2025 are based on detailed five-year expense estimates developed by District staff except for CCWA supply costs shown within cost center #100. CCWA cost estimates are based

on detailed ten-year projections developed by CCWA. All other projections beyond FYE 2025 were developed by District staff based on inflationary assumptions (from **Table 4-2**) and any anticipated structural changes to the O&M budget due to either non-recurring expenses or future expenses not currently incurred.

**Table 5-5: Projected O&M Expenses by Cost Center**

Cost Center	Description	Forecast FYE 2025	Projected FYE 2026	Projected FYE 2027	Projected FYE 2028	Projected FYE 2029	Projected FYE 2030
100	Water Supply						
100	CCWA Supply Costs	\$7,546,001	\$7,390,777	\$7,873,958	\$8,200,956	\$8,352,014	\$8,454,858
100	Cachuma Supply Costs	\$4,222,521	\$4,460,583	\$4,724,219	\$4,993,351	\$5,272,743	\$5,582,036
100	Recycled Purchases	\$790,054	\$861,463	\$971,539	\$1,020,116	\$1,071,121	\$1,124,677
100	City of SB Interagency Exchange	\$57,975	\$60,874	\$63,917	\$67,113	\$70,469	\$73,992
100	Water Supply Personnel Costs	\$116,686	\$123,073	\$129,818	\$136,942	\$144,466	\$152,414
100	Subtotal Water Supply	\$12,733,237	\$12,896,770	\$13,763,451	\$14,418,477	\$14,910,814	\$15,387,978
200	Wells Operation & Maintenance	\$705,617	\$729,916	\$769,029	\$1,962,739	\$2,045,680	\$874,170
360	Cross-connection Control	\$158,217	\$166,689	\$175,624	\$185,048	\$194,989	\$205,474
400	Water Treatment	\$6,365,494	\$6,642,031	\$6,936,149	\$7,240,508	\$7,557,872	\$7,895,062
510	Reservoirs	\$632,927	\$666,152	\$703,258	\$739,453	\$777,156	\$818,065
520	Booster Pumps	\$319,332	\$334,921	\$351,593	\$368,757	\$386,762	\$405,865
530	Mains & Appurtenances	\$2,025,036	\$2,124,073	\$2,228,403	\$2,338,215	\$2,453,873	\$2,575,746
532	Goleta West Conduit	\$384,646	\$219,483	\$208,583	\$217,987	\$227,791	\$238,215
540	Meters/Services Installation	\$525,146	\$548,393	\$572,776	\$598,357	\$625,198	\$653,367
590	General Operations	\$1,899,666	\$2,182,114	\$2,275,618	\$2,373,103	\$2,475,076	\$2,581,967
600	Recycled Water	\$232,175	\$243,618	\$255,837	\$268,469	\$281,736	\$295,807
750	Meter Reading	\$874,633	\$922,978	\$974,107	\$1,028,188	\$1,085,395	\$1,145,917
841	Capital Improvements	\$217,191	\$225,695	\$234,563	\$243,813	\$253,462	\$263,530
843	Plan Review	\$59,091	\$62,030	\$65,121	\$68,371	\$71,791	\$75,387
845	Analysis and Research	\$391,611	\$410,225	\$429,795	\$450,371	\$472,010	\$494,770
849	Geographic Information System	\$364,662	\$381,782	\$399,757	\$418,630	\$438,449	\$459,264
300	Water Conservation Programs	\$490,178	\$515,475	\$542,183	\$570,384	\$600,168	\$631,629
320	New Water Services	\$514,511	\$543,566	\$574,322	\$606,881	\$641,352	\$677,853
350	Water Resources	\$678,172	\$710,337	\$744,124	\$779,621	\$816,917	\$856,110
370	Public Outreach	\$370,974	\$388,775	\$407,498	\$427,194	\$447,916	\$469,722
710	Customer Service	\$1,337,287	\$1,392,481	\$1,450,238	\$1,510,689	\$1,573,974	\$1,640,243
810	Reporting and Financial Management	\$2,755,059	\$2,898,616	\$3,050,233	\$3,210,387	\$3,379,589	\$3,558,378
870	Human Resources/Payroll	\$296,501	\$310,207	\$324,639	\$339,838	\$355,844	\$372,702
910	District General Management	\$1,807,479	\$1,878,710	\$1,953,758	\$2,032,841	\$2,116,190	\$2,204,053
	<b>Total O&amp;M Expenses</b>	<b>\$36,138,841</b>	<b>\$37,395,037</b>	<b>\$39,390,657</b>	<b>\$42,398,319</b>	<b>\$44,190,006</b>	<b>\$44,781,274</b>

### 5.3. Debt Service

**Table 5-6** shows the District’s existing debt service obligations associated with its outstanding Series 2023A Certificates of Participation (COP). The 2023A COP is scheduled to be fully repaid in FYE 2035.

**Table 5-6: Schedule of Debt Service Payments**

Debt Service	FYE 2025	FYE 2026	FY 20226-27	FYE 2028	FYE 2029	FYE 2030
<b>Series 2023A</b>						
Principal	\$2,130,000	\$2,235,000	\$2,350,000	\$2,475,000	\$2,600,000	\$2,730,000
Interest	\$1,468,250	\$1,359,125	\$1,244,500	\$1,123,875	\$997,000	\$863,750
<b>Total Debt Service</b>	<b>\$3,598,250</b>	<b>\$3,594,125</b>	<b>\$3,594,500</b>	<b>\$3,598,875</b>	<b>\$3,597,000</b>	<b>\$3,593,750</b>

### 5.4. Infrastructure Improvement Plan

The District’s adopted FYE 2025 budget includes approximately \$14.2M in Infrastructure Improvement Plan (IIP) capital project costs in FYE 2025. The District has also developed a long-term IIP schedule that outlines planned capital project expenditures required over the study period to address current and future system needs. These projects are shown in detail in **Table 5-8** and amount to approximately \$16.5M in average annual costs over the next five years, driven primarily by aging infrastructure. All projects listed are necessary to either achieve regulatory compliance, maintain the existing level of service, address critical water system deficiencies, prepare for emergencies, improve water system reliability, improve water quality, reduce operating expenses, or enhance the level of service. The projects are associated with distribution system reliability, treatment plant reliability, groundwater supply reliability, water quality, aging infrastructure replacement, or systemwide reliability and safety.

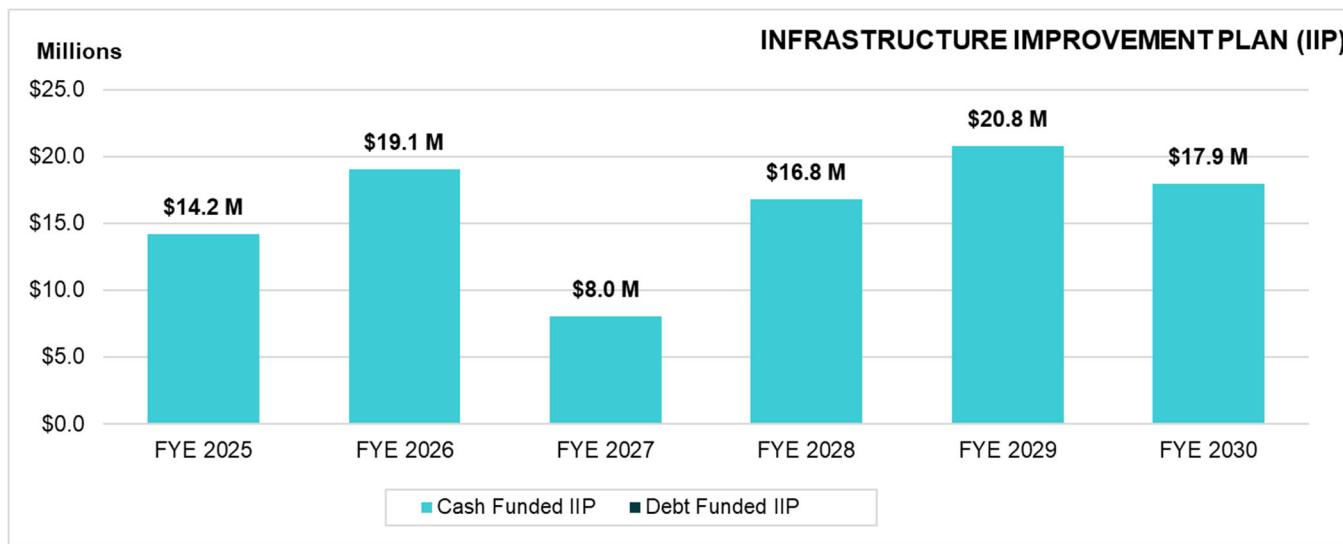
Table 5-7: Infrastructure Improvement Plan

Line	Project Description	Budget FYE 2025	Planned FYE 2026	Planned FYE 2027	Planned FYE 2028	Planned FYE 2029	Planned FYE 2030
1	Worker Safety Electrical Upgrades	\$0	\$750,000	\$110,000	\$120,000	\$130,000	\$140,000
2	City, County, Caltrans Relocations Required Projects	\$0	\$230,000	\$240,000	\$250,000	\$260,000	\$270,000
3	Hope Well Treatment System	\$0	\$3,200,000	\$370,000	\$0	\$0	\$0
4	New Replacement Well	\$0	\$2,800,000	\$920,000	\$3,600,000	\$400,000	\$0
5	SCADA Upgrade and Replacements	\$0	\$6,900,000	\$375,000	\$75,000	\$75,000	\$75,000
6	Fleet and Heavy Equipment Replacements	\$0	\$150,000	\$300,000	\$300,000	\$300,000	\$450,000
7	CDMWTP Drying Bed Pump Station Upgrade	\$0	\$25,000	\$925,000	\$0	\$0	\$0
8	Meter Replacements	\$0	\$500,000	\$900,000	\$6,500,000	\$7,400,000	\$3,290,000
9	Treatment Facility Replacements	\$0	\$100,000	\$105,000	\$110,000	\$115,000	\$120,000
10	Pipeline and Service Line Replacements	\$0	\$580,000	\$590,000	\$600,000	\$610,000	\$620,000
11	Cathodic Protection System Replacements and Upgrades	\$0	\$300,000	\$310,000	\$320,000	\$330,000	\$340,000
12	Reservoir and Reservoir Component Replacements	\$0	\$400,000	\$190,000	\$90,000	\$75,000	\$70,000
13	Electrical Power System Replacements	\$0	\$210,000	\$500,000	\$220,000	\$230,000	\$240,000
14	Pump Station and Motor Replacements	\$0	\$80,000	\$80,000	\$80,000	\$80,000	\$80,000
15	Facility Security Upgrades	\$0	\$0	\$0	\$200,000	\$310,000	\$0
16	Well Facility Replacements	\$0	\$150,000	\$160,000	\$170,000	\$180,000	\$190,000
17	Valve and Hydrant Replacements	\$0	\$500,000	\$510,000	\$520,000	\$530,000	\$540,000
18	Computer and Electronic Hardware Replacements	\$0	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000
19	Pavement Replacements	\$0	\$20,000	\$20,000	\$20,000	\$300,000	\$890,000
20	Building Component Replacements	\$0	\$130,000	\$440,000	\$530,000	\$120,000	\$110,000
21	Generators for Pump Stations and Well Sites	\$0	\$0	\$0	\$790,000	\$0	\$200,000
22	Corona Reservoir Rehabilitation	\$0	\$0	\$0	\$0	\$80,000	\$1,600,000
23	Replace Filter Washtroughs	\$0	\$0	\$0	\$0	\$100,000	\$1,400,000
24	Transmission Main 36-Inch Parallel Pipeline - Phase 1	\$0	\$0	\$140,000	\$360,000	\$930,000	\$10,000
25	Seismic Upgrades	\$0	\$0	\$0	\$70,000	\$500,000	\$830,000
26	Upsize Hollister Main between San Antonio and San Marcos Rds	\$0	\$0	\$0	\$260,000	\$3,400,000	\$1,300,000
27	La Riata Booster Pump Station	\$0	\$0	\$10,000	\$500,000	\$1,800,000	\$1,250,000

Line	Project Description	Budget FYE 2025	Planned FYE 2026	Planned FYE 2027	Planned FYE 2028	Planned FYE 2029	Planned FYE 2030
28	Transmission Main Emergency Highline	\$0	\$0	\$10,000	\$1,070,000	\$1,110,000	\$0
29	CDMWTP Access Road Pavement and Hillside Slump Mitigation	\$0	\$0	\$0	\$0	\$800,000	\$200,000
30	San Antonio Well Aboveground Facilities Upgrades	\$0	\$0	\$0	\$0	\$400,000	\$1,900,000
31	Upsize Pipeline at Edison Booster Pump Station	\$0	\$0	\$0	\$0	\$0	\$300,000
32	Reservoir Hydroturbine Power Generation	\$0	\$2,000,000	\$800,000	\$0	\$0	\$0
33	Headquarters Public Lot Solar and EV Chargers	\$0	\$0	\$0	\$0	\$160,000	\$1,500,000
34	FY 2025 Budget	\$14,182,876	\$0	\$0	\$0	\$0	\$0
35	Total IIP Expenses	\$14,182,876	\$19,055,000	\$8,035,000	\$16,785,000	\$20,755,000	\$17,945,000

Figure 5-1 shows the proposed IIP over the study period. Total IIP expenditures in each year (from Table 5-7) are represented by the blue stacked bars below.

Figure 5-1: Infrastructure Improvement Plan



## 5.5. Financial Policies

Agency-specific financial policies must be considered during the financial planning process. Financial policies typically define key financial metrics that an agency strives to meet or exceed. Table 5-8 shows the District’s current financial policies pertaining to debt coverage and reserve targets.

### 5.5.1. Required Debt Coverage

The District must meet the minimum coverage requirements on its outstanding debt to ensure that it meets the associated debt covenants. The required debt coverage ratio is 1.25, which means the District’s net revenue from operations must amount to at least 1.25 times the annual debt service. Net revenues equal revenues less O&M expenses. Annual debt service includes annual principal and interest payments on all outside debt.

### 5.5.2. Reserve Targets

Prudent fiscal management requires that the District maintain reserve balances to provide sufficient working capital, maintain necessary cash on hand to efficiently award construction contracts, and provide funding during emergencies. The District’s current reserve policy consists of three components, each with their own target balance:

- » **Capital Contingency Reserve target:** The target balance for the Capital Contingency Reserve is intended to ensure sufficient cash on hand for a significant unplanned capital expenditure. The target is equal to the estimated major repair cost of the District’s 42” transmission line.
- » **O&M Reserve target:** The target balance for the O&M Reserve is 30 days of annual O&M expenses. This is intended to ensure sufficient working capital during short-term fluctuations in cash flow.
- » **Resiliency Reserve Target:** The target balance for the Resiliency Reserve is intended to ensure sufficient cash on hand to fund significant unanticipated expenses such as defense of District water rights, disaster

preparedness, evolving water quality regulations, or natural disasters such as wildfires, flooding, or landslides.

**Table 5-8: Existing Financial Policies**

Financial Policy	Description	Target/Requirement
<b>Debt Coverage</b>		
Required Debt Coverage Ratio		1.25
<b>Reserve Targets</b>		
Capital Contingency Reserve Target	42" transmission line replacement cost	\$14.5M
Operating Reserve Target	30 days of O&M expenses	\$3.1M
Resiliency Reserve Target	Funds for unanticipated expenses	\$7.6M
<b>Total Reserve Target</b>		<b>\$25.2M</b>

#### 5.5.2.1. Alternative Reserve Targets

As part of the Rate Study, the District requested that Raftelis evaluate the existing policy against alternatives. Concurrently, the District engaged the Government Finance Officers Association (GFOA) to evaluate the adequacy of the District's financial reserves policies with an emphasis on critical thresholds over a 10-year period. GFOA utilized a probabilistic model using Monte Carlo simulations to identify lower and upper cash targets. GFOA's analysis results in a lower-bound estimate of \$41.8 M and a higher-bound estimate of \$50.5 M. The average of the GFOA analysis is \$46.2 M and is overlaid with our (Raftelis') analysis as well as the District's existing policy.

Conversely, Raftelis conducted an analysis based on the District's system characteristics. Raftelis evaluated alternative reserve targets for the District based on component targets for the following four categories: operating, capital, emergency, and rate stabilization reserves. Like the GFOA analysis, the proposed targets identify a higher and lower range of \$32.4 M to \$46.8 M, with the average of the two being \$39.6 M, which is used in the financial plan.

For the operating reserve, a target is identified at a lower bound of 60 days of operating expenses and a higher bound at 120 days of operating expenses. This is based largely on the District's monthly billing cycle and average revenue cycle from costs incurred to provide water through collection of payment for water used in prior periods. The capital reserve relies on two different approaches to bookend a range: a lower bound based on two percent (i.e. 50-year average life) of water system value based on replacement cost estimation; and a higher bound of one year of average future IIP based on a rolling 5-year period. The emergency reserve aligns with the current District policy for the Capital Contingency reserve with a value of \$14.5M. Last, a rate stabilization target is based on the variance in volumetric (i.e. water sales) rate revenue from a normal weather year. The lower bound estimate is the deviation in revenues over a multi-year period between a single dry year (higher sales revenues) and a single wet year (lower sales revenues). The lower bound target is the deviation in revenues from normal over a single wet year.

**Table 5-9** shows a projection of the Raftelis analysis and alternative reserve targets. The average of the Raftelis results and the average of the GFOA's estimates is used in the Raftelis rate model and in this Study Report. Across the two alternatives the results are largely similar. While GFOA's target is initially higher, the

Raftelis policy is dynamic in that it considers projected changes in future revenues and expenses and increases over time. **Table 5-10** shows a summary of the existing, GFOA, and Raftelis reserve targets and the corresponding upper, lower, and average range.

**Table 5-9: Proposed Alternative Reserve Targets**

Reserve Target	FYE 2025	FYE 2026	FYE 2027	FYE 2028	FYE 2029	FYE 2030
<b>Low Range</b>						
Operating	\$6,500,000	\$6,700,000	\$7,100,000	\$7,600,000	\$7,900,000	\$8,100,000
Capital	\$10,400,000	\$10,700,000	\$11,000,000	\$11,300,000	\$11,600,000	\$11,900,000
Emergency	\$14,500,000	\$14,900,000	\$15,300,000	\$15,800,000	\$16,300,000	\$16,800,000
Rate Stabilization	\$800,000	\$900,000	\$900,000	\$900,000	\$900,000	\$900,000
<b>Total Low Range</b>	<b>\$32,200,000</b>	<b>\$33,200,000</b>	<b>\$34,300,000</b>	<b>\$35,600,000</b>	<b>\$36,700,000</b>	<b>\$37,700,000</b>
<b>High Range</b>						
Operating	\$13,100,000	\$13,500,000	\$14,100,000	\$15,100,000	\$15,700,000	\$16,300,000
Capital <sup>11</sup>	\$15,800,000	\$16,500,000	\$18,000,000	\$21,700,000	\$23,600,000	\$24,700,000
Emergency	\$14,500,000	\$14,900,000	\$15,300,000	\$15,800,000	\$16,300,000	\$16,800,000
Rate Stabilization	\$2,300,000	\$2,500,000	\$2,600,000	\$2,700,000	\$2,800,000	\$2,900,000
<b>Total High Range</b>	<b>\$45,700,000</b>	<b>\$47,400,000</b>	<b>\$50,000,000</b>	<b>\$55,300,000</b>	<b>\$58,400,000</b>	<b>\$60,700,000</b>
<b>Average Value</b>	<b>\$38,950,000</b>	<b>\$40,300,000</b>	<b>\$42,150,000</b>	<b>\$45,450,000</b>	<b>\$47,550,000</b>	<b>\$49,200,000</b>

**Table 5-10: 2026 Proposed Reserves Summary**

Reserve Target	Raftelis	GFOA	Existing Policy
Low Estimate	\$33,200,000	\$41,800,000	
High Estimate	\$47,400,000	\$50,600,000	\$25,200,000
<b>Average Estimate</b>	<b>\$40,300,000</b>	<b>\$46,200,000</b>	<b>\$25,200,000</b>

## 5.6. Status Quo Financial Plan

To evaluate the need for revenue adjustments (i.e. rate increases), Raftelis first developed a status quo financial plan. The status quo financial plan assumes that current FYE 2025 rates remain unchanged over the study period. **Table 5-11** combines projected revenues (from **Table 5-4**), O&M expenses (from **Table 5-5**), debt service (from **Table 5-6**), IIP expenditures (from **Table 5-7**), and reserve targets (from **Table 5-8** and **Table 5-9**) to generate estimated cash flow, projected ending cash balance, and debt coverage projections under the status quo.

Under the status quo financial plan, net operating cash flow (revenue less O&M and debt service) is projected to be positive in all years throughout the study period. However, while current rates are sufficient to recover the District’s operating costs over the study period, it is insufficient to recover IIP expenditures and maintain target reserve levels. After cash funded IIP is accounted for, net cash change is negative in all years except

<sup>11</sup> The rolling average 5-year capital expenditure for years FYE 2027 to FYE 2030 is informed by projected IIP for years FYE 2031 through FYE 2035, which is estimated at approximately \$26.4M per year.

FYE 2027 and reserves fall far below target by FYE 2030. The status quo financial plan is thus insufficient to meet the District’s needs. This demonstrates a need for revenue adjustments over the study period to increase rate revenues to achieve full cost recovery of projected expenditures and achieve the District’s financial policies.

**Table 5-11: Status Quo Financial Plan – Pro Forma**

Line	Description	FYE 2025	FYE 2026	FYE 2027	FYE 2028	FYE 2029	FYE 2030
1	<b>REVENUE</b>						
2	<b>Rate Revenue Under Existing Rates</b>						
3	Monthly Service Charges	\$17,640,465	\$17,745,170	\$17,859,066	\$17,963,509	\$18,050,257	\$18,461,488
4	Commodity Charges	\$38,610,175	\$38,862,557	\$39,228,985	\$39,503,908	\$39,709,502	\$39,995,477
5	<b>Total Rate Revenue Under Existing Rates</b>	<b>\$56,250,640</b>	<b>\$56,607,727</b>	<b>\$57,088,051</b>	<b>\$57,467,417</b>	<b>\$57,759,759</b>	<b>\$58,456,964</b>
6							
7	<b>Additional Rate Revenue Required from Revenue Adjustments<sup>12</sup></b>						
8	<b>Fiscal Year      Revenue Adjustment      Month Effective</b>						
9	FYE 2026              0.00%              July		\$0	\$0	\$0	\$0	\$0
10	FYE 2027              0.00%              July			\$0	\$0	\$0	\$0
11	FYE 2028              0.00%              July				\$0	\$0	\$0
12	FYE 2029              0.00%              July					\$0	\$0
13	FY 20229-30              0.00%              July						\$0
14	<b>Total Revenue Adjustments</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
15							
16	<b>Revenue Summary (including Revenue Adjustments)</b>						
17	Revenue from Rates [Line 5 +Line 14]	\$56,250,640	\$56,607,727	\$57,088,051	\$57,467,417	\$57,759,759	\$58,456,964
18	Interest Earnings <sup>13</sup>	\$807,761	\$681,145	\$783,606	\$857,434	\$639,633	\$370,291
19	Miscellaneous Revenue	\$903,307	\$921,374	\$939,801	\$958,597	\$977,769	\$997,324
20	<b>TOTAL REVENUE</b>	<b>\$57,961,709</b>	<b>\$58,210,246</b>	<b>\$58,811,458</b>	<b>\$59,283,448</b>	<b>\$59,377,161</b>	<b>\$59,824,580</b>
21							
22	<b>O&amp;M EXPENSES</b>						

<sup>12</sup> The increase in rate revenues resulting from each year’s revenue adjustment is calculated individually in Lines 9-13. This is necessary to account for revenue increases resulting from prior year revenue adjustments. However, revenue adjustments equal zero dollars under the status quo, which assumes no revenue adjustments (i.e. rate increases) over the study period.

<sup>13</sup> Status quo interest earnings are less than what is shown in **Table 5-4** (which reflects the proposed financial plan) to account for the depletion of interest-bearing reserves. Interest earnings under the status quo and proposed financial plan scenarios are calculated by averaging the beginning and ending unrestricted cash balance in each year and then multiplying by the assumed interest rate. Interest earnings revenues shown were calculated in the Microsoft Excel rate model developed by Raftelis.

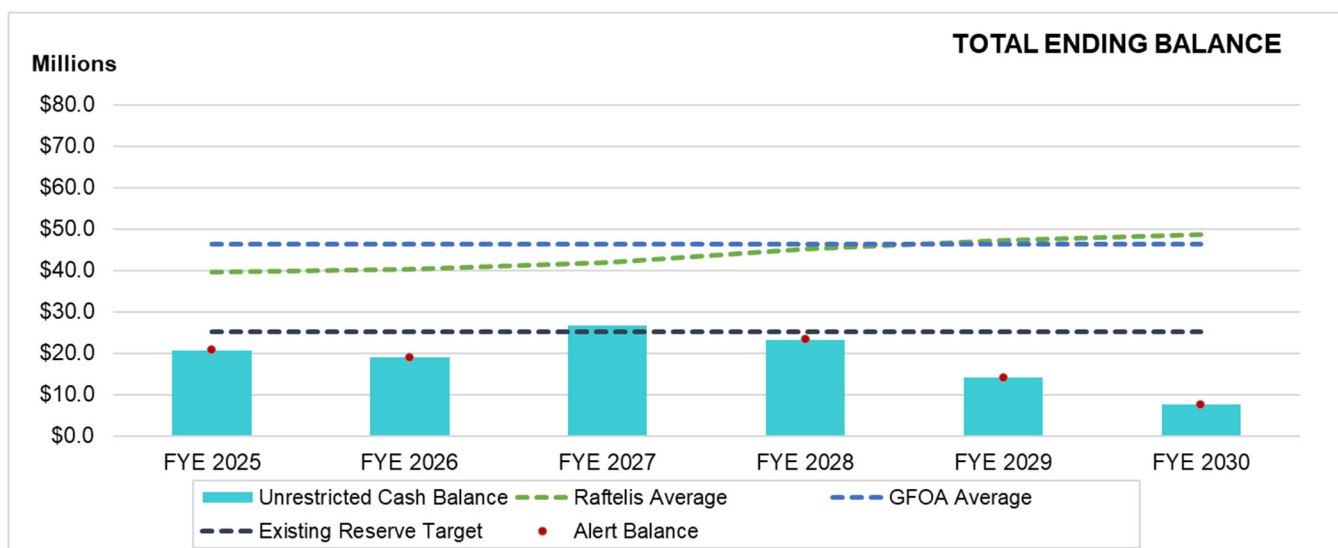
Line	Description	FYE 2025	FYE 2026	FYE 2027	FYE 2028	FYE 2029	FYE 2030
23	Wells Operation & Maintenance	\$705,617	\$729,916	\$769,029	\$1,962,739	\$2,045,680	\$874,170
24	Cross-connection Control	\$158,217	\$166,689	\$175,624	\$185,048	\$194,989	\$205,474
25	Water Treatment	\$6,365,494	\$6,642,031	\$6,936,149	\$7,240,508	\$7,557,872	\$7,895,062
26	Reservoirs	\$632,927	\$666,152	\$703,258	\$739,453	\$777,156	\$818,065
27	Booster Pumps	\$319,332	\$334,921	\$351,593	\$368,757	\$386,762	\$405,865
28	Mains & Appurtenances	\$2,025,036	\$2,124,073	\$2,228,403	\$2,338,215	\$2,453,873	\$2,575,746
29	Goleta West Conduit	\$384,646	\$219,483	\$208,583	\$217,987	\$227,791	\$238,215
30	Meters / Services Installation	\$525,146	\$548,393	\$572,776	\$598,357	\$625,198	\$653,367
31	General Operations	\$1,899,666	\$2,182,114	\$2,275,618	\$2,373,103	\$2,475,076	\$2,581,967
32	Recycled Water	\$232,175	\$243,618	\$255,837	\$268,469	\$281,736	\$295,807
33	Meter Reading	\$874,633	\$922,978	\$974,107	\$1,028,188	\$1,085,395	\$1,145,917
34	Capital Improvements	\$217,191	\$225,695	\$234,563	\$243,813	\$253,462	\$263,530
35	Plan Review	\$59,091	\$62,030	\$65,121	\$68,371	\$71,791	\$75,387
36	Analysis and Research	\$391,611	\$410,225	\$429,795	\$450,371	\$472,010	\$494,770
37	Geographic Information System	\$364,662	\$381,782	\$399,757	\$418,630	\$438,449	\$459,264
38	Water Supply	\$12,733,237	\$12,896,770	\$13,763,451	\$14,418,477	\$14,910,814	\$15,387,978
39	Water Conservation Programs	\$490,178	\$515,475	\$542,183	\$570,384	\$600,168	\$631,629
40	New Water Services	\$514,511	\$543,566	\$574,322	\$606,881	\$641,352	\$677,853
41	Water Resources	\$678,172	\$710,337	\$744,124	\$779,621	\$816,917	\$856,110
42	Public Outreach	\$370,974	\$388,775	\$407,498	\$427,194	\$447,916	\$469,722
43	Customer Service	\$1,337,287	\$1,392,481	\$1,450,238	\$1,510,689	\$1,573,974	\$1,640,243
44	Reporting and Financial Management	\$2,755,059	\$2,898,616	\$3,050,233	\$3,210,387	\$3,379,589	\$3,558,378
45	Human Resources / Payroll	\$296,501	\$310,207	\$324,639	\$339,838	\$355,844	\$372,702
46	District General Management	\$1,807,479	\$1,878,710	\$1,953,758	\$2,032,841	\$2,116,190	\$2,204,053
47	<b>TOTAL O&amp;M EXPENSES</b>	<b>\$36,138,841</b>	<b>\$37,395,037</b>	<b>\$39,390,657</b>	<b>\$42,398,319</b>	<b>\$44,190,006</b>	<b>\$44,781,274</b>
48							
49	<b>NET REVENUE [Line 21 – Line 47]</b>	<b>\$21,822,868</b>	<b>\$20,815,209</b>	<b>\$19,420,801</b>	<b>\$16,885,129</b>	<b>\$15,187,154</b>	<b>\$15,043,305</b>
50							
51	<b>DEBT SERVICE</b>						
52	Existing Debt Service	\$3,598,250	\$3,594,125	\$3,594,500	\$3,598,875	\$3,597,000	\$3,593,750
53	Proposed Debt Service	\$0	\$0	\$0	\$0	\$0	\$0
54	<b>TOTAL DEBT SERVICE</b>	<b>\$3,598,250</b>	<b>\$3,594,125</b>	<b>\$3,594,500</b>	<b>\$3,598,875</b>	<b>\$3,597,000</b>	<b>\$3,593,750</b>
55							
56	<b>NET OPERATING CASH FLOW [Line 49 – Line 54]</b>	<b>\$18,224,618</b>	<b>\$17,221,084</b>	<b>\$15,826,301</b>	<b>\$13,286,254</b>	<b>\$11,590,154</b>	<b>\$11,449,555</b>
57							

Line	Description	FYE 2025	FYE 2026	FYE 2027	FYE 2028	FYE 2029	FYE 2030
58	<b>CAPITAL EXPENDITURES</b>						
59	Debt Funded	\$0	\$0	\$0	\$0	\$0	\$0
60	Cash Funded	\$14,182,876	\$19,055,000	\$8,035,000	\$16,785,000	\$20,755,000	\$17,945,000
61	<b>TOTAL CAPITAL EXPENDITURES</b>	<b>\$14,182,876</b>	<b>\$19,055,000</b>	<b>\$8,035,000</b>	<b>\$16,785,000</b>	<b>\$20,755,000</b>	<b>\$17,945,000</b>
62							
63	<b>UNRESTRICTED CASH BALANCE</b>						
64	Beginning Balance <sup>14</sup>	\$16,677,073	\$20,718,815	\$18,884,899	\$26,676,200	\$23,177,455	\$16,677,073
65	Net Cash Change [Line 56 – Line 61]	\$4,041,742	(\$1,833,916)	\$7,791,301	(\$3,498,746)	(\$9,164,846)	\$4,041,742
66	<b>ENDING BALANCE</b>	<b>\$20,718,815</b>	<b>\$18,884,899</b>	<b>\$26,676,200</b>	<b>\$23,177,455</b>	<b>\$14,012,609</b>	<b>\$7,517,164</b>
67							
68	<i>Current Reserve Target</i>	\$25,200,000	\$25,200,000	\$25,200,000	\$25,200,000	\$25,200,000	\$25,200,000
69	<i>Raftelis Average Proposed Reserve Target</i>	\$39,600,000	\$40,150,000	\$41,950,000	\$45,200,000	\$47,250,000	\$48,600,000
70	<i>GFOA Average Proposed Reserve Target</i>	\$46,200,000	\$46,200,000	\$46,200,000	\$46,200,000	\$46,200,000	\$46,200,000
71							
72	<b>DEBT COVERAGE</b>						
73	Projected Debt Coverage [Line 49 ÷ Line 54]	6.06	5.79	5.40	4.69	4.22	4.19
74	Required Debt Coverage	1.25	1.25	1.25	1.25	1.25	1.25

<sup>14</sup> Beginning FYE 2025 unrestricted cash balance of \$16,677,073 was provided by District staff. All other beginning and ending balances shown are projections by Raftelis.

Figure 5-2 shows the District’s projected ending balances under the status quo (from Table 5-11). The existing reserve target, proposed average Raftelis reserve target, and proposed average GFOA reserve target are represented by the dark blue, green, and light blue dotted lines, respectively. Projected ending balances are represented by light blue bars. The District is projected to fall below its existing target in all years except FYE 2027. By FY 2030, the projected ending cash balance is only \$7.5 M.

Figure 5-2: Status Quo Financial Plan – Projected Ending Balances



### 5.7. Proposed Financial Plan

The status quo financial plan demonstrates that the District must increase its revenues from water rates over the study period to adequately fund its operating and capital expenditures and generate sufficient reserve funding. Raftelis worked closely with District staff, the District’s Administration Committee, and the Board of Directors to select the proposed annual revenue adjustments shown in Table 5-12. Revenue adjustments represent annual percent increases in rate revenue relative to the prior year. All IIP over the study period is assumed to be cash funded (i.e. funded by water rates and cash reserves) except for Meter Replacements (Table 5-7, Line 8), which is planned to be funded through a State Revolving Fund (SRF) Loan; otherwise, no new debt is planned.

Table 5-12: Proposed Revenue Adjustments

Description	FYE 2026	FYE 2027	FYE 2028	FYE 2029	FYE 2030
Effective Date	July 1, 2025	July 1, 2026	July 1, 2027	July 1, 2028	July 1, 2029
Revenue Adjustment	7.0%	3.5%	3.5%	3.5%	3.5%

Table 5-13 shows the proposed financial plan pro forma. This combines projected revenues (from Table 5-4), O&M expenses (from Table 5-5), debt service (from Table 5-6), IIP expenditures (from Table 5-7), and reserve targets (from Table 5-8 and Table 5-9) to generate estimated cash flow, projected ending cash balances, and debt coverage projections under the proposed financial plan. Revenue adjustments over the study period generate increases in rate revenues. This results in positive net operating cash flow and sufficient debt coverage in all years beginning in FYE 2026.

**Table 5-13: Proposed Financial Plan – Pro Forma**

Line	Description	FYE 2025	FYE 2026	FYE 2027	FYE 2028	FYE 2029	FYE 2030
1	<b>REVENUE</b>						
2	<b>Rate Revenue Under Existing Rates</b>						
3	Monthly Service Charges	\$17,640,465	\$17,745,170	\$17,859,066	\$17,963,509	\$18,050,257	\$18,461,488
4	Commodity Charges	\$38,610,175	\$38,862,557	\$39,228,985	\$39,503,908	\$39,709,502	\$39,995,477
5	<b>Total Rate Revenue Under Existing Rates</b>	<b>\$56,250,640</b>	<b>\$56,607,727</b>	<b>\$57,088,051</b>	<b>\$57,467,417</b>	<b>\$57,759,759</b>	<b>\$58,456,964</b>
6							
7	<b><u>Additional Rate Revenue Required from Revenue Adjustments</u></b> <sup>15</sup>						
8	<b>Fiscal Year      Revenue Adjustment      Month Effective</b>						
9	FYE 2026              7.0%              July		\$3,962,541	\$3,996,164	\$4,022,719	\$4,043,183	\$4,091,987
10	FYE 2027              3.5%              July			\$2,137,948	\$2,152,155	\$2,163,103	\$2,189,213
11	FYE 2028              3.5%              July				\$2,227,480	\$2,238,812	\$2,265,836
12	FYE 2029              3.5%              July					\$2,317,170	\$2,345,140
13	FY 20229-30          3.5%              July						\$2,427,220
14	<b>Total Revenue Adjustments</b>	<b>\$0</b>	<b>\$3,962,541</b>	<b>\$6,134,111</b>	<b>\$8,402,354</b>	<b>\$10,762,268</b>	<b>\$13,319,397</b>
15							
16	<b>Revenue Summary (including Revenue Adjustments)</b>						
17	Revenue from Rates [Line 5 +Line 14]	\$56,250,640	\$60,570,268	\$63,222,162	\$65,869,772	\$68,522,027	\$71,776,361
18	Interest Earnings	\$807,761	\$750,489	\$1,032,069	\$1,482,731	\$1,865,446	\$2,228,215
19	Miscellaneous Revenue	\$903,307	\$921,374	\$939,801	\$958,597	\$977,769	\$997,324
20	<b>TOTAL REVENUE</b>	<b>\$57,961,709</b>	<b>\$62,242,131</b>	<b>\$65,194,032</b>	<b>\$68,311,100</b>	<b>\$71,365,242</b>	<b>\$75,001,900</b>
21							
22	<b>O&amp;M EXPENSES</b>						
23	Wells Operation & Maintenance	\$705,617	\$729,916	\$769,029	\$1,962,739	\$2,045,680	\$874,170
24	Cross-connection Control	\$158,217	\$166,689	\$175,624	\$185,048	\$194,989	\$205,474
25	Water Treatment	\$6,365,494	\$6,642,031	\$6,936,149	\$7,240,508	\$7,557,872	\$7,895,062
26	Reservoirs	\$632,927	\$666,152	\$703,258	\$739,453	\$777,156	\$818,065
27	Booster Pumps	\$319,332	\$334,921	\$351,593	\$368,757	\$386,762	\$405,865
28	Mains & Appurtenances	\$2,025,036	\$2,124,073	\$2,228,403	\$2,338,215	\$2,453,873	\$2,575,746
29	Goleta West Conduit	\$384,646	\$219,483	\$208,583	\$217,987	\$227,791	\$238,215
30	Meters / Services Installation	\$525,146	\$548,393	\$572,776	\$598,357	\$625,198	\$653,367

<sup>15</sup> The increase in rate revenues resulting from each year’s revenue adjustment is calculated individually in Lines 9-13. This is necessary to account for revenue increases resulting from prior year revenue adjustments.

Line	Description	FYE 2025	FYE 2026	FYE 2027	FYE 2028	FYE 2029	FYE 2030
31	General Operations	\$1,899,666	\$2,182,114	\$2,275,618	\$2,373,103	\$2,475,076	\$2,581,967
32	Recycled Water	\$232,175	\$243,618	\$255,837	\$268,469	\$281,736	\$295,807
33	Meter Reading	\$874,633	\$922,978	\$974,107	\$1,028,188	\$1,085,395	\$1,145,917
34	Capital Improvements	\$217,191	\$225,695	\$234,563	\$243,813	\$253,462	\$263,530
35	Plan Review	\$59,091	\$62,030	\$65,121	\$68,371	\$71,791	\$75,387
36	Analysis and Research	\$391,611	\$410,225	\$429,795	\$450,371	\$472,010	\$494,770
37	Geographic Information System	\$364,662	\$381,782	\$399,757	\$418,630	\$438,449	\$459,264
38	Water Supply	\$12,733,237	\$12,896,770	\$13,763,451	\$14,418,477	\$14,910,814	\$15,387,978
39	Water Conservation Programs	\$490,178	\$515,475	\$542,183	\$570,384	\$600,168	\$631,629
40	New Water Services	\$514,511	\$543,566	\$574,322	\$606,881	\$641,352	\$677,853
41	Water Resources	\$678,172	\$710,337	\$744,124	\$779,621	\$816,917	\$856,110
42	Public Outreach	\$370,974	\$388,775	\$407,498	\$427,194	\$447,916	\$469,722
43	Customer Service	\$1,337,287	\$1,392,481	\$1,450,238	\$1,510,689	\$1,573,974	\$1,640,243
44	Reporting and Financial Management	\$2,755,059	\$2,898,616	\$3,050,233	\$3,210,387	\$3,379,589	\$3,558,378
45	Human Resources / Payroll	\$296,501	\$310,207	\$324,639	\$339,838	\$355,844	\$372,702
46	District General Management	\$1,807,479	\$1,878,710	\$1,953,758	\$2,032,841	\$2,116,190	\$2,204,053
47	<b>TOTAL O&amp;M EXPENSES</b>	<b>\$36,138,841</b>	<b>\$37,395,037</b>	<b>\$39,390,657</b>	<b>\$42,398,319</b>	<b>\$44,190,006</b>	<b>\$44,781,274</b>
48							
49	<b>NET REVENUE [Line 21 – Line 47]</b>	<b>\$21,822,868</b>	<b>\$24,847,094</b>	<b>\$25,803,375</b>	<b>\$25,912,781</b>	<b>\$27,175,236</b>	<b>\$30,220,626</b>
50							
51	<b>DEBT SERVICE</b>						
52	Existing Debt Service	\$3,598,250	\$3,594,125	\$3,594,500	\$3,598,875	\$3,597,000	\$3,593,750
53	Proposed Debt Service	\$0	\$0	\$0	\$0	\$0	\$1,102,689
54	<b>TOTAL DEBT SERVICE</b>	<b>\$3,598,250</b>	<b>\$3,594,125</b>	<b>\$3,594,500</b>	<b>\$3,598,875</b>	<b>\$3,597,000</b>	<b>\$4,696,439</b>
55							
56	<b>NET OPERATING CASH FLOW [Line 49 – Line 54]</b>	<b>\$18,224,618</b>	<b>\$21,252,969</b>	<b>\$22,208,875</b>	<b>\$22,313,906</b>	<b>\$23,578,236</b>	<b>\$25,524,187</b>
57							
58	<b>CAPITAL EXPENDITURES</b>						
59	Debt Funded	\$0	\$0	\$0	\$6,500,000	\$7,400,000	\$3,290,000
60	Cash Funded	\$14,182,876	\$19,055,000	\$8,035,000	\$10,285,000	\$13,355,000	\$14,655,000
61	<b>TOTAL CAPITAL EXPENDITURES</b>	<b>\$14,182,876</b>	<b>\$19,055,000</b>	<b>\$8,035,000</b>	<b>\$16,785,000</b>	<b>\$20,755,000</b>	<b>\$17,945,000</b>
62							
63	<b>UNRESTRICTED CASH BALANCE</b>						
64	Beginning Balance	\$16,677,073	\$20,718,815	\$22,916,784	\$37,090,660	\$49,119,566	\$59,342,801
65	Net Cash Change [Line 56 – Line 61]	\$4,041,742	\$2,197,969	\$14,173,875	\$12,028,906	\$10,223,236	\$10,869,187



Figure 5-3 shows the revenue adjustments (left axis) and debt coverage (right axis) under the proposed financial plan. Annual revenue adjustment percentages are represented as dark blue bars. The required debt coverage ratio of 1.25 is denoted by the dashed black line, with projected debt coverage represented by the light blue line. The District is projected to exceed its required debt coverage requirement in all years of the study period.

Figure 5-3: Proposed Financial Plan – Revenue Adjustments and Debt Coverage

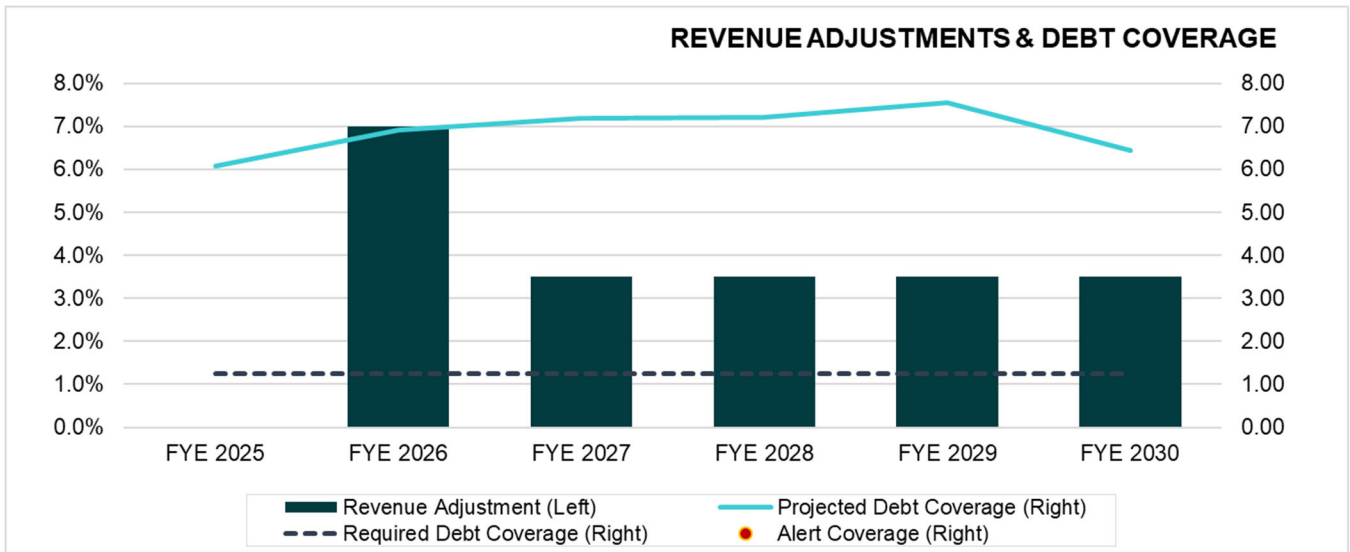
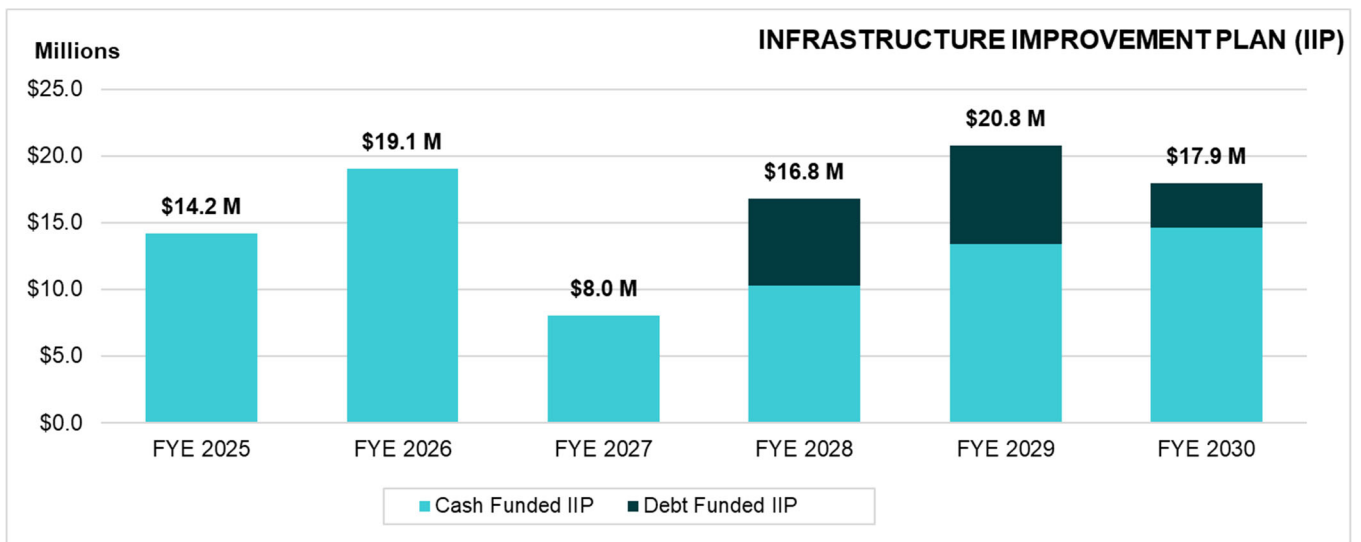


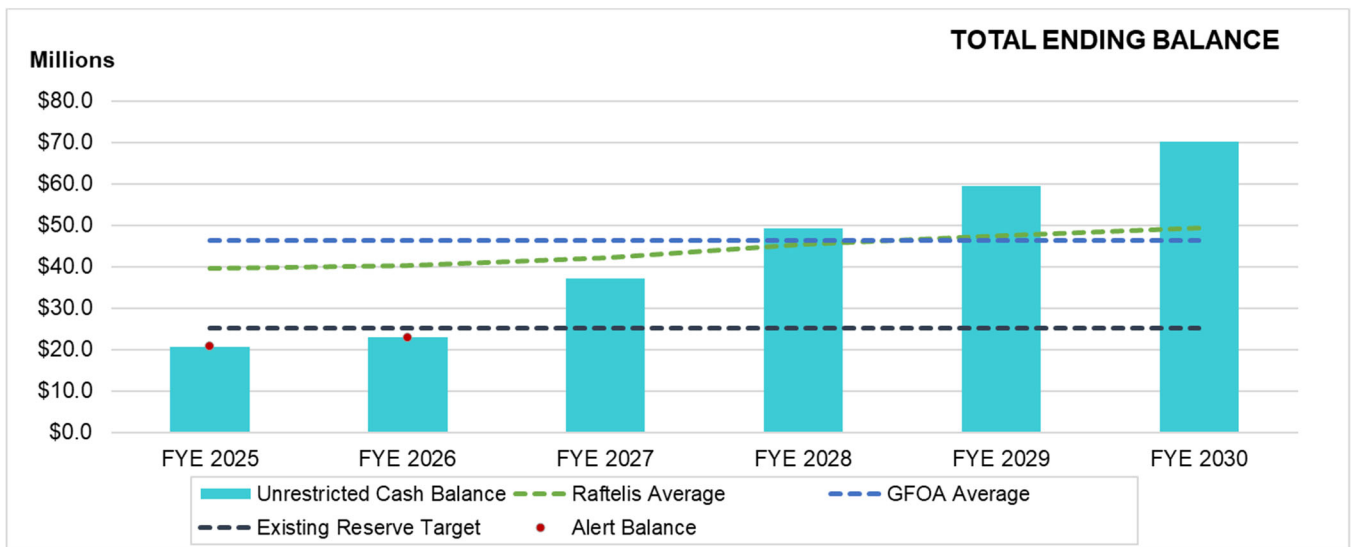
Figure 5-4 shows the proposed annual funding for the IIP. The debt-funded AMI project expenditures are shown in the dark blue stacked bars in FYE 2028 through FYE 2030. The rest of the IIP is planned to be funded through rate revenues and reserves, shown in the light blue stacked bars.

Figure 5-4: Proposed IIP Financing Plan



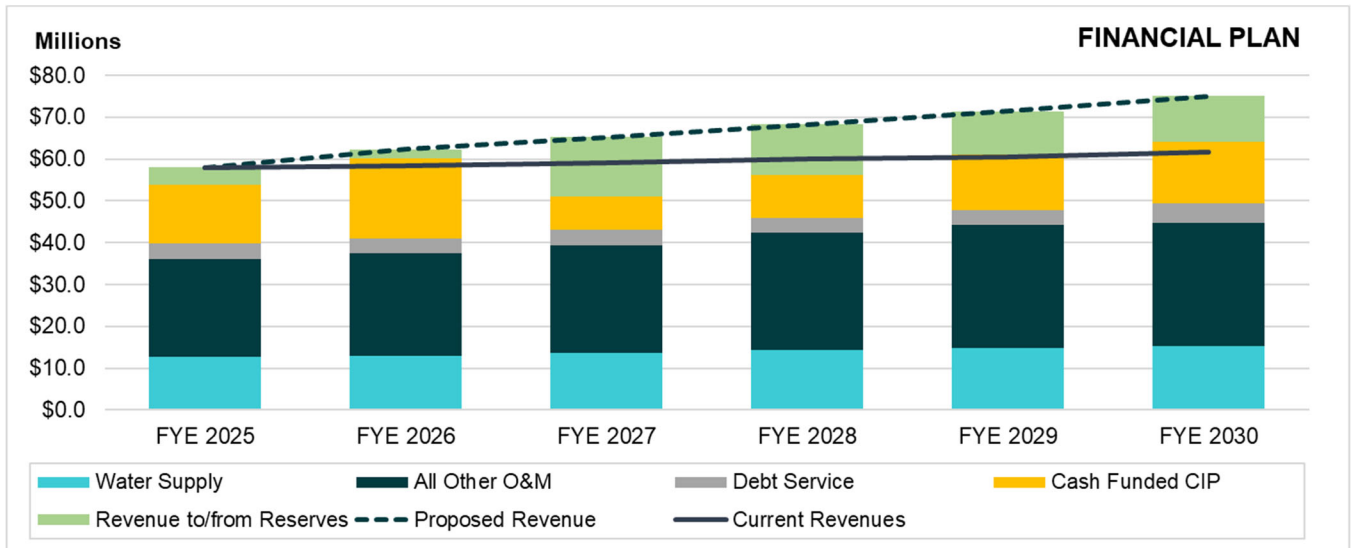
**Figure 5-5** shows the District’s projected ending balances under the proposed financial plan. The light blue bars indicate the ending balance. Both Raftelis and the Government Finance Officers Association (GFOA) provided the District with high and low projected reserve targets for the rate study. As discussed in Section 5.5, the blue and green dotted lines show the average of the higher and lower estimates provided by GFOA and Raftelis, respectively. The District is projected to continue to build its reserves through FYE 2030. As planned, the District’s reserves are projected to meet the proposed reserve targets at the end of FYE 2028. The proposed plan is advantageous in several ways including: reducing risk relative to the present day; providing flexibility in future IIP financing or cash-funding; and providing a sufficient revenue base to support anticipated increases to the IIP in the next rate cycle (FYE 2031-2035) given continued inflation and the amount of aging equipment projected to exceed its expected service life.

**Figure 5-5: Proposed Financial Plan – Projected Ending Balances**



**Figure 5-6** shows the proposed versus status quo financial plan. Revenues under the proposed financial plan and status quo financial plan are represented by the dark blue and red dashed lines, respectively. Revenue requirements including O&M expenses, debt service, cash funded IIP, and reserve funding are represented by the various stacked bars. Although current rates result in adequate recovery of O&M expenses and debt service payments, revenue adjustments are required to generate sufficient revenue to cover cash funded IIP and build reserves to achieve higher, proposed policies.

Figure 5-6: Proposed vs. Status Quo Financial Plan



## 6. Cost of Service Analysis

**Section 6** details the cost of service (COS) analysis performed for the District for FYE 2026. The COS analysis fairly allocates the overall rate revenue requirement to customer classes based on their proportion of use of, and burden on, the District's water systems. The COS provides the basis for the development of proposed FYE 2026 water rates.

### 6.1. Methodology

The first step in the COS analysis is to determine the revenue required from rates. The total revenue requirement is determined by the financial plan and the proposed revenue adjustments in **Section 5**. The framework and methodology utilized to develop the COS analysis and to apportion the revenue requirement to each customer class and tier is informed by the processes outlined in the AWWA Manual M1.

COS analyses are tailored specifically to meet the unique needs of each water system. However, there are four distinct steps in every COS analysis to recover costs from customers in an accurate, equitable, and cost-justified manner:

1. **Cost functionalization:** O&M expenses and capital assets are categorized by their function in the system. Sample functions may include supply, treatment, distribution, transmission, customer service, etc.
2. **Cost causation component allocation:** Functionalized costs are then allocated to cost causation components based on their burden on the system. The cost causation components include supply, base delivery, peaking, meters, customer, etc. The revenue requirement is allocated to the cost causation components and results in the total revenue requirement for each cost causation component.
3. **Unit cost development:** The revenue requirement for each cost causation component is divided by the appropriate units of service to determine the unit cost for each cost causation component.
4. **Revenue requirement distribution:** The unit cost is utilized to distribute the revenue requirement for each cost causation component to customer classes based on each customer class's individual service units and cost responsibility.

This method of functionalizing costs is consistent with the AWWA Manual M1 and is used in the water industry to perform COS analyses and align with the requirements of Proposition 218.

### 6.2. Revenue Requirement

**Table 6-1** shows the rate revenue requirement for FYE 2026 (also referred to as the test year or rate-setting year). The revenue requirement is divided into operating and capital categories (Columns C and D), which are later allocated based on O&M expenses and capital assets, respectively. The revenue requirements (Lines 2-4) are equal to FYE 2026 expenses. The revenue offsets (Lines 8-9) include interest earnings and miscellaneous revenues that are applied as offsets to the final rate revenue requirement. The cash adjustment (Line 13) is equal to FYE 2026 positive net cash change to reserves. All values are from the proposed financial plan pro forma (**Table 5-12**). The final rate revenue requirement (Line 16) is calculated as follows:

$$\text{Total revenue required from rates (Line 16)} = \text{Revenue requirements (Line 5)} - \text{Revenue offsets (Line 10)} - \text{Adjustments (Line 14)}$$

**Table 6-1: FYE 2026 Revenue Required from Rates**

[A] Line	[B] Description	[C] Operating	[D] Capital	[E] Total
1	<b>Revenue Requirements</b>			
2	O&M Expenses	\$37,395,037	\$0	\$37,395,037
3	Debt Service	\$0	\$3,594,125	\$3,594,125
4	Cash Funded IIP	\$0	\$19,055,000	\$19,055,000
5	<b>Total Revenue Requirements</b>	<b>\$37,395,037</b>	<b>\$22,649,125</b>	<b>\$60,044,162</b>
6				
7	<b>Less Revenue Offsets</b>			
8	Interest Earnings	\$750,489	\$0	\$750,489
9	Miscellaneous Revenue	\$921,374	\$0	\$921,374
10	<b>Total Revenue Offsets</b>	<b>\$1,671,863</b>	<b>\$0</b>	<b>\$1,671,863</b>
11				
12	<b>Less Adjustments</b>			
13	Cash from (to) Reserves	\$0	(\$2,197,969)	(\$2,197,969)
14	<b>Total Adjustments</b>	<b>\$0</b>	<b>(\$2,197,969)</b>	<b>(\$2,197,969)</b>
15				
16	<b>Total Revenue Required from Rates</b>	<b>\$35,723,174</b>	<b>\$24,847,094</b>	<b>\$60,570,268</b>

### 6.3. System Peaking Factors

A significant portion of the costs of the water system are based on the peaking characteristics of the different customer classes. Different facilities of a water system are designed to meet different extra-capacity (i.e., peaking) requirements. Traditionally, peaking costs are further divided into maximum day (Max Day) and maximum hour (Max Hour) demand. The Max Day demand is the maximum amount of water required in a single day over a full year. The Max Hour demand is the maximum use in an hour on the Max Day. For example, storage and treatment components of the water system are designed for system Max Day requirements while the distribution system is designed for Max Hour demands.

**Table 6-2** shows the system-wide peaking factors provided by District staff for the most recent year, FYE 2024, which are used to derive the cost component allocation bases for Base Delivery (i.e. Average Day Demand (ADD), Max Day, and Max Hour costs. Base Delivery use is considered ADD over one year, which is normalized to a factor of 1.00 (Column C, Line 1). The Max Day peaking factor (Column C, Line 2) indicates that the Max Day demand is 1.61 times greater than the average daily demand. Similarly, the Max Hour peaking factor (Column C, Line 3) shows that the Max Hour demand is 2.07 times greater than average demand. The allocation bases (Columns D to F) are calculated using the equations outlined below. Columns are represented in these equations as letters, and rows are represented as numbers. For example, Column D, Line 2 is shown as D2.

The Max Day allocations are calculated as follows:

- » Base Delivery:  $C1 / C2 \times 100\% = D2$
- » Max Day:  $(C2 - C1) / C2 \times 100\% = E2$

The Max Hour allocations are calculated as follows:

- » Base Delivery:  $C1 / C3 \times 100\% = D3$
- » Max Day:  $(C2 - C1) / C3 \times 100\% = E3$

- » Max Hour:  $(C3 - C2) / C3 \times 100\% = F3$

**Table 6-2: System Peaking Factor Allocations**

[A]	[B]	[C]	[D]	[E]	[F]	[G]
Line	Description	Factor	Base	Max Day	Max Hour	Total
1	Base	1.00	100.0%	0.0%	0.0%	100.0%
2	Max Day	1.61 <sup>16</sup>	62.1%	37.9%	0.0%	100.0%
3	Max Hour	2.07 <sup>17</sup>	48.3%	29.5%	22.2%	100.0%

## 6.4. Functionalization and Allocation of Expenses

After determining the revenue requirement and systemwide peaking allocation basis, the next step of the COS analysis is to allocate O&M expenses and capital assets to the following functional categories:

- » **Cachuma Supply:** various Cachuma water supply costs and other minor miscellaneous supply costs
- » **CCWA Supply:** costs incurred to import SWP water from CCWA
- » **Water Resources:** costs associated with the Water Resources are related to managing water supply agreements and coordinating District planning document updates
- » **GWC:** costs directly attributed to the Goleta West Conduit system
- » **Cross-Connection Control:** costs related to backflow prevention within the system as well as costs related to the Recycled Water distribution system
- » **Reservoir:** costs related to the District's water storage system
- » **Wells:** costs of well maintenance, operations, and groundwater production
- » **Pumping:** costs associated with moving water through the system
- » **Transmission:** costs associated with the District's water transmission system
- » **Treatment:** costs associated with the District's water treatment system
- » **Distribution:** costs related to the District's water distribution system
- » **Meters:** costs of meter servicing, maintenance, and repair
- » **Hydrants:** cost associated with public fire hydrants
- » **Customer Service:** costs of meter reading, billing, and other customer service related activities
- » **Recycled Water:** costs directly attributed to the recycled water system, including O&M expenses within cost center #600 (Recycled Water) and recycled water purchases (within cost center #100)
- » **Conservation:** costs associated with conservation/efficiency programs and augmentation of potable water demand with recycled water use
- » **Engineering:** capital and/or engineering-relating costs not directly attributable to the above functions are allocated based on the overall cost functionalization of the District's capital asset base
- » **General:** costs for general administration and operational expenses or any other costs that do not clearly relate to a specific functional category

The functionalization of costs allows for the allocation of costs to cost causation components. Some cost causation components correspond directly to a functional category listed above. Other cost components do not directly correspond with one functional category but are spread among several. The cost causation components include:

<sup>16</sup> Estimated by District staff by dividing maximum day water use rate by average day water use rate in FY 2023-24.

<sup>17</sup> Estimated by District staff by dividing estimated maximum hour water use rate by average day water use rate in FY 2023-24.

- » **Cachuma Supply:** directly associated with the Cachuma Supply functional category
- » **CCWA Supply:** directly associated with the CCWA Supply functional category
- » **Base:** costs associated with providing water under average water demand conditions
- » **Max Day and Max Hour:** extra-capacity costs associated with providing water during peak demand conditions
- » **Recycled Water:** directly associated with the Recycled Water functional category
- » **Fire Protection:** costs associated with providing water for fire protection purposes, both public and private
- » **Meters:** directly associated with the Meters functional category
- » **Customer:** directly associated with the Customer functional category
- » **Conservation:** directly associated with the Conservation functional category
- » **GWC:** directly associated with the GWC functional category
- » **Urban Ag:** costs directly associated with providing service to Urban Agriculture customers
- » **General:** directly associated with the General functional category
- » **Revenue Offsets:** non-rate revenues which offset the rate revenue requirement

**Table 6-3** shows the basis for allocating each functional category to the various cost causation components. This provides the basis for allocating O&M and capital expenses in the following subsections. Most functional categories are allocated entirely to the corresponding cost causation component. Because Goleta West Conduit and Recycled customers are essentially served by independent water systems (compared to the main potable water system), these costs are assigned a unique cost causation factor. Similarly, Urban Ag utilizes a unique cost causation factor by estimating their unique service within the larger potable water system. The allocation basis for functional categories not allocated entirely to a single cost causation component is as follows:

- » **Water Resources:** This cost center is allocated to cost components in proportion to the amount of forecasted supply of each source of water for the test year. Cachuma Supply is allocated to the Cachuma Supply cost component, CCWA supply is allocated to the CCWA Supply component, and groundwater is allocated to base.
- » **Cross-Connection Control:** This cost center is allocated 60 percent to Recycled Water and 40 percent to Meters based on GWD staff's estimate of costs incurred.
- » **Reservoir:** Because storage/reservoir facilities are typically designed to accommodate maximum day water demand, all Reservoir costs are allocated to the Base Delivery and Max Day cost causation components based on the Max Day allocation from **Table 6-2**.
- » **Pumping:** Because pumping facilities are typically designed to accommodate maximum day water demand, all Pumping costs are allocated to the Base Delivery and Max Day cost causation components based on the Max Day allocation from **Table 6-2**.
- » **Wells:** Urban Ag benefits from local groundwater and is allocated a share of Wells costs based on the proportion of Urban Agricultural water use relative to total potable system water use. The District's well infrastructure can support maximum day water demand, so all remaining Wells costs are allocated to the Base Delivery and Max Day cost causation components based on the Max Day allocation from **Table 6-2**.

- » **Transmission:** Because transmission systems are typically designed to accommodate maximum day water demand, all Transmission costs are allocated to the Base Delivery and Max Day cost causation components based on the Max Day allocation from **Table 6-2**.
- » **Treatment:** Because water treatment facilities are typically designed to accommodate maximum day water demand, all Treatment-related costs are allocated to the Base Delivery and Max Day cost causation components based on the Max Day allocation from **Table 6-2**.
- » **Distribution:** Urban Ag benefits from the District's potable distribution system and is therefore allocated a share of Distribution costs based on the proportion of 3/4" equivalent Urban Agricultural metered connections relative to total equivalent meters on the potable system. Because Distribution infrastructure is typically designed to accommodate maximum hour water demand, all remaining Distribution-related costs are allocated to the Base Delivery, Max Day, and Max Hour cost causation components based on the Max Hour allocation from **Table 6-2**.
- » **Hydrants:** Hydrants costs are allocated entirely to the Fire Protection cost causation component.
- » **Engineering:** Engineering costs are allocated based on the final capital allocation (calculated subsequently in **Table 6-8**, Line 12). The functional breakdown of the District's capital assets is used here as a proxy to allocate engineering-related O&M costs that are not directly attributable to a specific cost causation factor.

**Table 6-3: Allocation of Functional Categories to Cost Causation Components**

[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]	[I]	[J]	[K]	[L]	[M]	[N]	[O]	[P]
Line	Functional Category	Cachuma Supply	CCWA Supply	Base Delivery	Max Day	Max Hour	Recycled Water	Fire Protection	Meters	Customer	Conservation	GWC	Urban Ag	General	Total
1	Cachuma Supply	100.0%													100.0%
2	CCWA Supply		100.0%												100.0%
3	Water Resources	89.7%	10.3%	0.0%											100.0%
4	GWC											100.0%			100.0%
5	Cross-Connection Control						60.0%		40.0%						100.0%
6	Reservoir			62.1%	37.9%										100.0%
7	Wells			52.4%	32.1%								15.5%		100.0%
8	Pumping			62.1%	37.9%										100.0%
9	Transmission			62.1%	37.9%										100.0%
10	Treatment			62.1%	37.9%										100.0%
11	Distribution			46.6%	28.5%	21.4%							3.5%		100.0%
12	Meters								100.0%						100.0%
13	Hydrants							100.0%							100.0%
14	Customer									100.0%					100.0%
15	Recycled Water						100.0%								100.0%
16	Conservation										100.0%				100.0%
17	Engineering <sup>18</sup>			31.3%	19.1%	7.8%	11.6%	2.8%	6.2%				2.4%	18.7%	100.0%
18	General													100.0%	100.0%

<sup>18</sup> Based on capital allocation subsequently determined in **Section 6.6**

## 6.5. O&M Expense Allocation

The next step of the COS analysis is to develop an allocation basis for the operating revenue requirement based on the functionalization of the District's O&M expenses. **Table 6-4** shows the District's FYE 2026 O&M expenses by cost center in Column D (from **Table 5-5**). Each cost center is allocated to the most appropriate functional category (see Column C). Water Supply costs (cost center #100) are functionalized in greater detail to differentiate between costs associated with Cachuma Supply, CCWA Supply, and recycled water purchases.

**Table 6-4: Functionalization of O&M by Cost Center**

[A]	[B]	[C]	[D]
Line	Cost Center	Functional Category	FYE 2026 Expenses
1	100: Water Supply		
2	CCWA Costs	CCWA Supply	\$7,390,777
3	Cachuma Costs	Cachuma Supply	\$4,460,583
4	Recycled Water Purchases	Recycled Water	\$861,463
5	City of SB Interagency Exchange	Cachuma Supply	\$60,874
6	Water Supply Personnel Costs	Cachuma Supply	\$123,073
7	Total Water Supply		\$12,896,770
8			
9	200: Wells Operation & Maintenance	Wells	\$729,916
10	360: Cross-connection Control	Cross-Connection Control	\$166,689
11	400: Water Treatment	Treatment	\$6,642,031
12	510: Reservoirs	Reservoir	\$666,152
13	520: Booster Pumps	Pumping	\$334,921
14	530: Mains & Appurtenances	Distribution	\$2,124,073
15	532: Goleta West Conduit	GWC	\$219,483
16	540: Meters / Services Installation	Meters	\$548,393
17	590: General Operations	General	\$2,182,114
18	600: Recycled Water	Recycled Water	\$243,618
19	750: Meter Reading	Meters	\$922,978
20	841: Capital Improvements	Engineering	\$225,695
21	843: Plan Review	Engineering	\$62,030
22	845: Analysis and Research	Engineering	\$410,225
23	849: Geographic Information System	Engineering	\$381,782
24	300: Water Conservation Programs	Conservation	\$515,475
25	320: New Water Services	General	\$543,566
26	350: Water Resources	Water Resources	\$710,337
27	370: Public Outreach	Conservation	\$388,775
28	710: Customer Service	Customer	\$1,392,481
29	810: Reporting and Financial Management	General	\$2,898,616
30	870: Human Resources / Payroll	General	\$310,207
31	910: District General Management	General	\$1,878,710
32	Total O&M Expenses		\$37,395,037

**Table 6-5** shows a summary of FYE 2026 expenses by functional category based on the allocation of cost centers to functional categories (from **Table 6-4**). This intermediate step is necessary to apportion total O&M to the appropriate cost causation components.

**Table 6-5: Summary of O&M Expenses by Functional Category**

[A]	[B]	[C]
Line	Functional Category	FYE 2026 Expenses
1	Cachuma Supply	\$4,644,529
2	CCWA Supply	\$7,390,777
3	Water Resources	\$710,337
4	GWC	\$219,483
5	Cross-Connection Control	\$166,689
6	Reservoir	\$666,152
7	Wells	\$729,916
8	Pumping	\$334,921
9	Treatment	\$6,642,031
10	Distribution	\$2,124,073
11	Meters	\$1,471,371
12	Customer	\$1,392,481
13	Recycled Water	\$1,105,081
14	Conservation	\$904,250
15	Engineering	\$1,079,732
16	General	\$7,813,213
17	<b>Total O&amp;M Expenses</b>	<b>\$37,395,037</b>

**Table 6-6** shows the allocation of FYE 2026 O&M expenses by functional category to each cost causation component. The percentage allocation of each functional category (Columns C-O) to the various cost causation components was determined in **Table 6-3**. Total O&M expenses associated with each functional category (Column P) were determined in **Table 6-5**. The total dollar amount allocated to each cost causation component (Line 17) is determined by multiplying the total expense associated with each functional category by the corresponding percentage allocation and then summing across all functional categories.

For example, 100 percent (Column C, Line 1) of Cachuma Supply costs (Column P, Line 1) are allocated to the Cachuma Supply cost causation factor total (Column C, Line 17). The same calculation is performed for the remaining functional categories (i.e. Column C  $\times$  Column P in Lines 2-16). The subtotals of Column C  $\times$  Column P in Lines 1-16 are summed to determine the total dollar amount allocated to the Cachuma Supply cost causation factor (Column C, Line 17). The same calculations are repeated for the remaining cost causation components (Columns D-O) to determine the allocation of O&M expenses to each cost causation component (Line 17).

The final O&M Allocation percentages (Line 19) represent the proportion of total O&M expenses allocated to each cost causation component (Line 17). These O&M allocation percentages are used to allocate the total operating revenue requirement. The total operating revenue requirement (Column P, Line 21) equals the operating revenue requirement (from **Table 6-1**, Column C, Line 5) less operating adjustments (from **Table 6-1**, Column C, Line 14). This total is allocated to each cost causation component (Columns C-O, Line 21) based on the final O&M allocation percentages (Columns C-O, Line 19). Note that the total operating revenue requirement (Line 21) simply equals total O&M (Line 17). This is because the total operating revenue requirement consists solely of O&M expenses.

**Table 6-6: Allocation of O&M Expenses to the Cost Causation Components**

[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]	[I]	[J]	[K]	[L]	[M]	[N]	[O]	[P]
Line	Functional Category	Cachuma Supply	CCWA Supply	Base Delivery	Max Day	Max Hour	Recycled Water	Fire Protection	Meters	Customer	Conservation	GWC	Urban Ag	General	FYE 2026 Expense
1	Cachuma Supply	100.0%													\$4,644,529
2	CCWA Supply		100.0%												\$7,390,777
3	Water Resources	89.7%	10.3%	0.0%											\$710,337
4	GWC											100.0%			\$219,483
5	Cross-Connection Control						60.0%		40.0%						\$166,689
6	Reservoir			62.1%	37.9%										\$666,152
7	Wells			52.4%	32.1%								15.5%		\$729,916
8	Pumping			62.1%	37.9%										\$334,921
9	Treatment			62.1%	37.9%										\$6,642,031
10	Distribution			46.6%	28.5%	21.4%							3.5%		\$2,124,073
11	Meters								100.0%						\$1,471,371
12	Customer									100.0%					\$1,392,481
13	Recycled Water						100.0%								\$1,105,081
14	Conservation										100.0%				\$904,250
15	Engineering			31.3%	19.1%	7.8%	11.6%	2.8%	6.2%				2.4%	18.7%	\$1,079,732
16	General													100.0%	\$7,813,213
17	<b>Total O&amp;M</b>	<b>\$5,281,569</b>	<b>\$7,464,075</b>	<b>\$6,454,945</b>	<b>\$3,945,645</b>	<b>\$538,889</b>	<b>\$1,329,963</b>	<b>\$30,685</b>	<b>\$1,605,323</b>	<b>\$1,392,481</b>	<b>\$904,250</b>	<b>\$219,483</b>	<b>\$212,532</b>	<b>\$8,015,197</b>	<b>\$37,395,037</b>
18															
19	<b>O&amp;M Allocation</b>	<b>14.1%</b>	<b>20.0%</b>	<b>17.3%</b>	<b>10.6%</b>	<b>1.4%</b>	<b>3.6%</b>	<b>0.1%</b>	<b>4.3%</b>	<b>3.7%</b>	<b>2.4%</b>	<b>0.6%</b>	<b>0.6%</b>	<b>21.4%</b>	<b>100.0%</b>
20															
21	<b>Operating Revenue Requirement</b>	<b>\$5,281,569</b>	<b>\$7,464,075</b>	<b>\$6,454,945</b>	<b>\$3,945,645</b>	<b>\$538,889</b>	<b>\$1,329,963</b>	<b>\$30,685</b>	<b>\$1,605,323</b>	<b>\$1,392,481</b>	<b>\$904,250</b>	<b>\$219,483</b>	<b>\$212,532</b>	<b>\$8,015,197</b>	<b>\$37,395,037</b>

## 6.6. Capital Allocation

Capital assets are utilized in COS analyses to allocate the proportion of capital revenue requirement to the various cost causation components. The distribution of a short-term IIP can be heavily weighted to specific cost causation components based on the type of projects. Using short-term planned IIP to allocate capital costs may cause rates to fluctuate and cause customer confusion. Conversely, the overall capital asset base is considerably more stable in the long-term, and therefore is more representative of long-term capital re-investment in a water system. Thus, functionalized capital assets are used to allocate capital costs.

District staff provided Raftelis with a detailed asset listing that included the original cost of each individual asset. Raftelis calculated the estimated replacement cost of each asset based on original cost and acquisition year using the Engineering News-Record's 20-City Average Cost Construction Index (CCI) to account for capital cost escalation. This financial reporting methodology does not reflect the true current replacement cost. This approach is to illustrate the asset base in present value terms, however, it does not represent an appraisal of the water system. Rather, the estimates are used to apportion capital costs across water system components in relation to the relative share of each. As part of the capital asset analysis, Raftelis assigned each individual asset to the most appropriate functional category. Assets associated with the recycled water system are assigned to the Conservation functional category, as the recycled water system benefits non-recycled customers by augmenting potable water demand. Total asset value, in estimated replacement cost dollars, by functional category is shown in **Table 6-7**.

**Table 6-7: Summary of Capital Assets by Functional Category**

[A]	[B]	[C]
Line	Functional Category	Asset Value (Replacement Cost)
1	Reservoir	\$39,455,714
2	Wells	\$37,841,651
3	Transmission	\$4,573,252
4	Treatment	\$42,996,092
5	Distribution	\$188,982,494
6	Meters	\$32,240,396
7	Hydrants	\$14,705,017
8	Conservation	\$59,839,301
9	General	\$96,794,802
10	Total Asset Value <sup>19</sup>	\$517,428,719

**Table 6-8** shows the allocation of capital assets by functional category to each cost causation component. The percentage allocation of each functional category (Columns C-O) to the various cost causation components was determined in **Table 6-3**. Total asset value associated with each functional category (Column P) was determined in **Table 6-7**. The Capital Revenue Requirement in Column P, Line 14 was determined in **Table 6-1**, Column D, Line 16 and is multiplied by the percent capital allocations in Line 12 to calculate the revenue requirement for each cost causation component in Columns C to O, Line 14.

<sup>19</sup> Total asset value in this study is based on escalating the original cost by historical construction cost inflation and is therefore an estimate of replacement cost. It does not represent an appraisal of system infrastructure or relate to the book value of the system documented in financial reports of the District.

**Table 6-8: Allocation of Functionalized Capital Assets to Cost Causation Components**

[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]	[I]	[J]	[K]	[L]	[M]	[N]	[O]	[P]
Line	Functional Category	Cachu- ma Supply	CCWA Supply	Base Delivery	Max Day	Max Hour	Recycled Water	Fire Protec- tion	Meters	Customer	Conser- vation	GWC	Urban Ag	General	Asset Value
1	Reservoir			62.1%	37.9%										\$39.46M
2	Wells			52.4%	32.1%								15.5%		\$37.84M
3	Transmission			62.1%	37.9%										\$4.58M
4	Treatment			62.1%	37.9%										\$43.00M
5	Distribution			46.6%	28.5%	21.4%							3.5%		\$188.98M
6	Meters								100.0%						\$32.24M
7	Hydrants							100.0%							\$14.71M
8	Conservation										100.0%				\$59.84M
9	General													100.0%	\$96.79M
10	<b>Total Assets</b>	\$0.00M	\$0.00M	\$161.99M	\$99.02M	\$40.44M	\$0.00M	\$14.71M	\$32.24M	\$0.00M	\$59.84M <sup>20</sup>	\$0.00M	\$12.40M	\$96.79M	\$517.43M
11															
12	<b>Capital Allocation</b>	<b>0.0%</b>	<b>0.0%</b>	<b>31.3%</b>	<b>19.1%</b>	<b>7.8%</b>	<b>0.0%</b>	<b>2.8%</b>	<b>6.2%</b>	<b>0.0%</b>	<b>11.6%</b>	<b>0.0%</b>	<b>2.4%</b>	<b>18.7%</b>	<b>100.00%</b>
13															
14	<b>Capital Revenue Requirement</b>	<b>\$0</b>	<b>\$0</b>	<b>\$7,778,789</b>	<b>\$4,754,857</b>	<b>\$1,941,852</b>	<b>\$0</b>	<b>\$706,140</b>	<b>\$1,548,194</b>	<b>\$0</b>	<b>\$2,873,503</b>	<b>\$0</b>	<b>\$595,643</b>	<b>\$4,648,118</b>	<b>\$24,847,094</b>

<sup>20</sup> Recycled Water capitalized asset costs are included in the Conservation cost component. While Recycled Water assets are treated as part of the conservation cost component, the proportion of operating costs identified are allocated to Recycled Water within the engineering functional category, while Recycled Water capital costs are recovered from the potable conservation rate component.

## 6.7. Preliminary Cost of Service Allocation

**Table 6-9** shows the preliminary allocation of the total FYE 2026 rate revenue requirement to the various cost causation components. The preliminary COS allocations (Column G) are subject to further adjustments based on additional reallocations developed in the following subsections. The results shown in **Table 6-9** are calculated as follows based on intermediate results developed in the preceding subsections:

1. **Operating Revenue Requirement** (Column C): The total operating revenue requirement consists solely of the District's O&M expenses. The allocation of the total operating revenue requirement to each cost causation component was previously determined in **Table 6-6**, Columns C-O, Line 21.
2. **Capital Revenue Requirement** (Column D): The total capital revenue requirement consists of IIP expenditures, debt service payments, and adjustments to account for changes in reserve levels. The allocation of the total capital revenue requirement to each cost causation component was previously determined in **Table 6-8**, Columns C-O, Line 14).
3. **Revenue Offsets** (Column E): Total revenue offsets (from **Table 6-1**, Column E, Line 10) are allocated fully to a Revenue Offsets cost causation factor (Column E, Line 14). Note that the Revenue Offsets cost causation factor was not included within the operation or capital revenue requirement allocation, as it pertains exclusively to non-rate revenues used to offset the total revenue required from rates.
4. **Reallocation of General Costs** (Column F): The total General cost allocation equals the operating revenue requirement (Column C, Line 13) and capital revenue requirement (Column D, Line 13) allocated to the General cost causation component. The total General revenue requirement (Column, F, Line 13) is fully reallocated to all other cost causation components on a pro rata basis<sup>21</sup> (Column F, Lines 3-12) excluding the Cachuma Supply, CCWA Supply, and Revenue Offsets cost causation components (which General costs do not pertain to). Note that the reallocation results in a shifting of costs between cost causation components, but does not change the total rate revenue requirement.
5. **Preliminary Cost of Service Allocation** (Column G): The preliminary COS allocation to each cost causation component (Column G, Lines 1-14) equals the sum of Columns C-G. Note that the total COS allocation (Column G, Line 15) equals the total FYE 2026 rate revenue requirement (from **Table 6-1**, Column E, Line 16).

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<sup>21</sup> The operating (Column C) and capital (Column D) revenue requirements are summed for each cost causation component shown in Lines 3-12. The percentage of this sum falling within each cost causation component (Lines 3-12) is multiplied by total reallocated General costs (Column F, Line 13) to determine the share of General costs reallocated to each cost causation component (Column F, Lines 3-12).

Table 6-9: Preliminary Cost of Service Allocation

[A]	[B]	[C]	[D]	[E]	[F]	[G]
Line	Cost Causation Component	Operating Revenue Requirement	Capital Revenue Requirement	Revenue Offsets	Reallocation of General Cost	Preliminary COS Allocation
1	Cachuma Supply	\$5,281,569	\$0	\$0	\$0	\$5,281,569
2	CCWA Supply	\$7,464,075	\$0	\$0	\$0	\$7,464,075
3	Base Delivery	\$6,454,945	\$7,778,789	\$0	\$4,893,585	\$19,127,319
4	Max Day	\$3,945,645	\$4,754,857	\$0	\$2,991,249	\$11,691,750
5	Max Hour	\$538,889	\$1,941,852	\$0	\$852,883	\$3,333,623
6	Recycled Water	\$1,329,963	\$0	\$0	\$457,244	\$1,787,207
7	Fire Protection	\$30,685	\$706,140	\$0	\$253,322	\$990,147
8	Meters	\$1,605,323	\$1,548,194	\$0	\$1,084,185	\$4,237,703
9	Customer	\$1,392,481	\$0	\$0	\$478,738	\$1,871,219
10	Conservation	\$904,250	\$2,873,503	\$0	\$1,298,799	\$5,076,551
11	GWC	\$219,483	\$0	\$0	\$75,459	\$294,942
12	Urban Ag	\$212,532	\$595,643	\$0	\$277,852	\$1,086,027
13	General	\$8,015,197	\$4,648,118	\$0	(\$12,663,315)	\$0
14	Revenue Offsets	\$0	\$0	(\$1,671,863)	\$0	(\$1,671,863)
15	Total	\$37,395,037	\$24,847,094	(\$1,671,863)	\$0	\$60,570,268

## 6.8. Allocation of Public and Private Fire Protection Costs

Water systems provide two types of fire protection: public fire protection for firefighting (i.e. fire hydrants) and private fire protection (i.e. fire lines for private structures with sprinkler systems for fire suppression). Raftelis performed a fire flow demand analysis to determine the share of Fire Protection costs allocated to public versus private fire protection. The District provided Raftelis with a count of fire hydrants. The number of private fire lines is shown in **Table 4-6**.

**Table 6-10** shows the calculation of equivalent fire demand associated with public hydrants and private fire lines. Each connection size has a fire flow demand factor like the hydraulic capacity factor of a water meter. The diameter of the connection (in inches) is raised to the 2.63 power to determine the fire flow demand factor (Column C).<sup>22</sup> The fire flow demand factor (Column C) is multiplied by the number of connections by size (Column D) to calculate equivalent fire demand (Column E). Total equivalent fire demand is shown for public hydrants and private fire lines are shown in Lines 6 and 15 respectively.

<sup>22</sup> Hazen-Williams equation and AWWA Manual M1

**Table 6-10: Equivalent Fire Demand**

[A]	[B]	[C]	[D]	[E]
Line	Connection Size	Demand Factor	Unit Counts	Equivalent Fire Demand
1	<b>Public Hydrants</b>			
2	2.5-inch	11.13	2	22
3	4-inch	38.32	4	153
4	6-inch	111.31	1,510	168,079
5	10-inch	426.58	0	0
6	<b>Total</b>		<b>1,516</b>	<b>168,255</b>
7				
8	<b>Private Fire Lines</b>			
9	0.625-inch	0.29	115	33
10	0.75-inch	0.47	280	131
11	1-inch	1.00	42	42
12	1.5-inch	2.90	45	131
13	2-inch	6.19	14	87
14	3-inch	17.98	0	0
15	<b>Total</b>		<b>496</b>	<b>424</b>

**Table 6-11** shows the number of equivalent fire demand units associated with public and private fire protection (from **Table 6-10**). The proportional share of equivalent fire demand (Column D) provides the basis for which Fire Protection costs are allocated between public and private in subsequent steps of the COS analysis.

**Table 6-11: Public vs. Private Fire Protection**

[A]	[B]	[C]	[D]
Line	Connection Size	Equivalent Fire Demand	% of Equivalent Fire Demand
1	Public Hydrants	168,225	99.75%
2	Private Fire Lines	424	0.25%
3	<b>Total</b>	<b>168,679</b>	<b>100.00%</b>

## 6.9. Peaking Units of Service

Peaking costs and units of service are developed to calculate unit costs (Max Day and Max Hour) which provides a basis to reallocate peaking costs to Fire Protection in subsequent steps of the COS analysis. Public hydrants and private fire lines contribute to system capacity-related costs (i.e. peaking costs), and therefore are reallocated a portion of Max Day and Max Hour costs.

**Table 6-12** shows the calculation of peaking units of service for non-fire related water service. Only customer classes which contribute to systemwide peaking during periods of maximum water demand are included. Single Family Residential Tier 1 water use is consistent across time. It therefore does not contribute to system peaking, which includes portions of Storage, Wells, Transmission, Treatment, and Distribution costs. The proportional share of these costs for Tier 1 are captured in the Base rate component. Urban Agriculture customers' peaking is captured within the Urban Ag cost causation component. Therefore, peaking costs are directly applied to the Urban Agriculture customer class and excluded from the peaking units of service in

**Table 6-12.** Goleta West Conduit and Recycled customers are served by independent distribution systems, and therefore also do not contribute to potable system peaking.

**Table 6-12** shows the calculations to allocate peaking requirements to specific customer classes based on actual water use patterns. Raftelis estimated Max Day (Column E) and Max Hour (Column H) factors based on actual FYE 2024 customer water use and actual systemwide peaking factors from **Table 6-2**. Projected FYE 2026 water use in Column C (from **Table 4-7**) is divided by 365 days to determine average daily water use (Column D). Average daily use in Column D is then multiplied by the Max Day factor (Column E) to determine Max Day demand (Column F). Max Day requirements (Column G) are determined by subtracting average daily water use (Column D) from Max Day demand (Column F). Max Hour requirements (Column J) are similarly calculated. Max Hour demand (Column I) equals average daily water use (Column D) multiplied by the Max Hour factor (Column H). Max Hour requirements (Column J) equal Max Hour demand (Column I) less Max Day requirements (Column F).

**Table 6-12: Peaking Units by Customer Class**

[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]	[I]	[J]
Line	Customer Class	Annual Water Use (HCF)	Average Daily Water Use (HCF)	Max Day Factor	Max Day Demand (HCF/Day)	Max Day Requirements (HCF/Day)	Max Hour Factor	Max Hour Demand (HCF/Day)	Max Hour Requirements (HCF/Day)
1	SFR Tier 2	338,040	926	1.53	1,412	486	1.96	1,814	402
2	SFR Tier 3	285,183	781	1.92	1,500	719	2.47	1,927	427
3	Urban	1,693,891	4,638	1.37	6,358	1,721	1.76	8,169	1,811
4	Recreation Irrigation	184,392	505	1.87	944	439	2.40	1,213	269
5	Temporary	3,120	8.5	2.37	20.2	11.7	3.04	26.0	5.8

**Table 6-13** shows a distinct methodology<sup>23</sup> used to calculate peaking units of service associated with Fire Protection based on estimates regarding the duration and water use rate associated with an urban fire:

$$\text{Max Day Requirements (HCF/day)} = \text{Duration of Fire (hrs)} \times \text{Water Use Rate (gpm)} \times 60 \text{ mins/hr} \div 748.05 \text{ gallons/HCF}$$

$$\text{Max Hour Requirements (HCF/day)} = [\text{Water Use Rate (gpm)} \times 60 \text{ mins/hr} \times 24 \text{ hrs/day} \div 748.05 \text{ gallons/HCF}] - \text{Max Day Requirements (HCF/day)}$$

<sup>23</sup> Per the AWWA Manual M1.

**Table 6-13: Peaking Units for Fire Protection**

[A]	[B]	[C]
Line	Description	Value
1	Duration of Fire (Hours)	4.0
2	Water Use Rate (gallons per minute)	6,000
3	Max Day Requirements (HCF/Day)	1,925.01
4	Max Hour Requirements (HCF/Day)	9,625.03

Peaking units of service (from **Table 6-12** and **Table 6-13**) are summarized below in **Table 6-14**. The distribution of Fire Protection units in Lines 6-7 (from **Table 6-13**) is based on proportional equivalent fire demand (from **Table 6-11**). The proportional shares of Max Day and Max Hour units of service are also shown in Columns D and F, respectively.

**Table 6-14: Summary of Total Peaking Units**

[A]	[B]	[C]	[D]	[E]	[F]
Line	Customer Class	Max Day Requirements (HCF/Day)	% of Max Day Requirements	Max Hour Requirements (HCF/Day)	% of Max Hour Requirements
1	SFR Tier 2	486	9.2%	402	3.2%
2	SFR Tier 3	719	13.6%	427	3.4%
3	Urban	1,721	32.5%	1,811	14.4%
4	Recreation Irrigation	439	8.3%	269	2.1%
5	Temporary	11.7	9.2%	5.8	3.2%
6	Public Fire Protection	1,920	36.2%	9,601	76.6%
7	Private Fire Protection	4.8	0.1%	24.2	0.2%
8	<b>Total</b>	<b>5,302</b>	<b>100.0%</b>	<b>12,539</b>	<b>100.0%</b>

## 6.10. Reallocation of Recycled Water Costs

The District provides Recycled Water to certain customers under contract (such as UCSB) at lower rates than the current Recycled Commodity Charge rates shown in **Table 4-1**. This results in reduced Recycled Commodity Charge revenues that must be recovered elsewhere. At the same time, non-recycled District customers benefit from recycled water use, by preserving local sources otherwise used to serve recycled connections and by mitigating the need to obtain additional water supplies from supplemental sources at higher marginal supply rates. A portion of Recycled Water costs are therefore re-allocated to the Conservation cost causation component (recovered by non-recycled water Commodity Charges) to reflect how higher levels of consumption contribute to the need for recycled water sources. This both accounts for reduced Recycled revenue recovered from contracted recycled customers and provides a reasonable estimate of the benefit recycled water provides to higher levels of consumption.

Raftelis analyzed projected FYE 2025 Recycled Commodity Charge revenues to determine the appropriate reallocation of Recycled Water costs to the Conservation cost causation component of potable customers. **Table 6-15** shows FYE 2025 projected recycled water use by contract type (provided by the District). Column E shows calculated Recycled Commodity Charge revenue based on the actual rates shown in Column D.

Column F shows the Recycled Commodity Charge revenue if all Recycled use was charged at the current non-contract rate of \$5.59/HCF. The difference between Column E and F represents unrecoverable Recycled Commodity Charge revenue.

**Table 6-15: Recycled Water Contract Revenue Analysis**

[A]	[B]	[C]	[D]	[E]	[F]
Line	Customer Class	FYE 2025 Water Use (HCF)	Commodity Charge Rate (\$/HCF)	Revenue at Actual Rate	Revenue at Non-Contract Rate
1	Recycled Water (Non-Contract)	135,442	\$5.59	\$757,123	\$757,123
2	Recycled Water (Contract Type 1)	91,951	\$2.11	\$194,017	\$514,008
3	Recycled Water (Contract Type 2)	74,343	\$0.89	\$65,853	\$415,576
4	<b>Total Recycled</b>	<b>301,736</b>		<b>\$1,016,993</b>	<b>\$1,686,707</b>

**Table 6-16** shows the Recycled Commodity Charge revenue for FYE 2025 with and without reduced contract rates (from **Table 6-15**). The difference (Line 3) represents unrecoverable revenue resulting from the lower contract rates. Unrecoverable revenue (Line 3) is divided by total revenue if no contracts (Line 1) to calculate the percent of Recycled Commodity Charge revenue unrecoverable due to reduced contract rates (Line 5). This percentage is used in subsequent steps of the COS analysis. This is necessary to ensure full recovery of Recycled Water costs.

**Table 6-16: Reallocation of Recycled Water Costs to Conservation**

[A]	[B]	[C]
Line	Description	Value
1	Revenue if no Contracts	\$1,686,707
2	Actual Revenue with Reduced Contract Rates	\$1,016,993
3	Difference	\$669,714
4		
5	<b>% of Recycled Water Costs to Conservation</b>	<b>39.71%</b>

## 6.11. Adjusted Cost of Service Allocation

**Table 6-17** shows the adjusted allocation of the rate revenue requirement to the various cost causation components. The adjusted COS allocations (Column H) incorporate adjustments to the preliminary COS allocations developed in **Section 6.7**, and provides the underlying basis for proposed FYE 2026 rate calculations in **Section 7**. The results shown in **Table 6-17** are calculated based on intermediate results developed in the preceding subsections:

- 1. Preliminary Cost of Service Allocation** (Column C): The preliminary COS allocations were previously developed in **Section 6.7** (see **Table 6-9**, Column G, Lines 1-14). The General cost causation component is excluded because all General costs were previously reallocated to other costs causation components.
- 2. Reallocation of Public Fire Costs** (Column D): Public fire protection represents a common benefit across users. Therefore, all public fire protection costs are reallocated to the Meters cost causation component to be recovered from all metered connections based on hydraulic capacity. Preliminary Max Day (Column C, Line 4) and Max Hour costs (Column C, Line 5) associated with public fire protection are reallocated from Max Day (Column D, Line 4) and Max Hour (Column D, Line 5) to Meters (Column D, Line 8) based on

the percentage of fire flow associated with public fire protection (**Table 6-14**, Column D and F, Line 6). Additionally, preliminary direct Fire Protection costs (Column C, Line 7) associated with public fire protection (i.e. Hydrants) are reallocated from the Fire Protection cost causation component (Column D, Line 7) to the Meters (Column D, Line 8) based on the percentage of fire protection costs allocated to public (from **Table 6-11**, Column D, Line 1). This is necessary because the residual Fire Protection cost causation component is to be solely recovered by the Private Fire Line Fixed Charge. Note that the reallocation results in a shifting of costs between cost causation components, but does not change the total rate revenue requirement.

3. **Reallocation of Private Fire Costs** (Column E): Preliminary peaking costs (Column C, Lines 4-5) associated with private fire protection are reallocated from Max Day (Column E, Line 4) and Max Hour (Column E, Line 5) to Fire Protection (Column E, Line 7) based on the percentage of peaking units associated with private fire protection (**Table 6-14**, Column D and F, Line 7). Note that the reallocation results in a shifting of costs between cost causation components, but does not change the total rate revenue requirement.
4. **Reallocation of Recycled Water Costs** (Column F): A portion of Recycled Water costs are reallocated to the Conservation cost causation component to account for the benefits of recycled water to higher levels of potable water consumption. Approximately 40 percent (from **Table 6-16**, Column C, Line 5) of Recycled Water costs (Column C Line 6) are reallocated from Recycled Water (Column F, Line 6) to Conservation (Column F, Line 10).
5. **Reallocation of Peaking Costs to Meters** (Column G): Utilities invest in, and continuously maintain, facilities to provide capacity to meet all levels of water consumption, including peak demand. These costs must be recovered regardless of the amount of water used during a given period, so peaking costs are considered as fixed water system costs. To balance between affordability and revenue stability, it is a common practice that a portion of peaking, or extra-capacity, costs are recovered in the monthly service charge, along with customer-related costs and meter-related costs.

The District collects approximately 31 percent of its rate revenues from Monthly Service Charges. To maintain roughly the same proportion of fixed revenue recovery, two-thirds (66 percent) of Max Day (sum of Columns C-E, Line 4) and Max Hour costs (sum of Columns C-E, Line 5) are reallocated to Meters (Column G, Line 8) and recovered from Monthly Service Charges.

6. **Final Cost of Service Allocation** (Column H): The final COS allocation (Column H) equals the sum of Columns C to G and represents the final apportionment of the total revenue requirement (from **Table 6-1**, Column E, Line 16) to the various cost causation components.

**Table 6-17: Adjusted Cost of Service Allocation**

[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]
Line	Cost Causation Component	Preliminary COS Allocation	Reallocation of Public Fire Costs	Reallocation of Private Fire Costs	Reallocation of Recycled Water Costs	Reallocation of Peaking to Meters	Final COS Allocation
1	Cachuma Supply	\$5,281,569	\$0	\$0	\$0	\$0	\$5,281,569
2	CCWA Supply	\$7,464,075	\$0	\$0	\$0	\$0	\$7,464,075
3	Base Delivery	\$19,127,319	\$0	\$0	\$0	\$0	\$19,127,319
4	Max Day	\$11,691,750	(\$4,234,492)	(\$10,675)	\$0	(\$4,914,745)	\$2,531,838
5	Max Hour	\$3,333,623	(\$2,552,429)	(\$6,435)	\$0	(\$511,342)	\$263,418
6	Recycled Water	\$1,787,207	\$0	\$0	(\$709,617)	\$0	\$1,077,589
7	Fire Protection	\$990,147	(\$987,657)	\$17,110	\$0	\$0	\$19,600
8	Meters	\$4,237,703	\$7,774,578	\$0	\$0	\$5,426,086	\$17,438,367
9	Customer	\$1,871,219	\$0	\$0	\$0	\$0	\$1,871,219
10	Conservation	\$5,076,551	\$0	\$0	\$709,617	\$0	\$5,786,169
11	GWC	\$294,942	\$0	\$0	\$0	\$0	\$294,942
12	Urban Ag	\$1,086,027	\$0	\$0	\$0	\$0	\$1,086,027
13	Revenue Offsets	(\$1,671,863)	\$0	\$0	\$0	\$0	(\$1,671,863)
14	<b>Total</b>	<b>\$60,570,268</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$60,570,268</b>

## 6.12. Unit Cost Development

Units of service are used to convert total adjusted costs allocated to each cost causation component (from **Table 6-17**) into unit costs, which are directly incorporated into the proposed rate calculations for FYE 2026 in **Section 7**. Units of service relating to water use and peaking were previously determined (see **Table 4-7** and **Table 6-14**). However, additional units of service must be determined to develop Customer, Meters, and Fire Protection unit costs.

### 6.12.1. Additional Units of Service

**Table 6-18** shows the development of additional units of service needed to develop unit costs for Customer, Meters, and Fire Protection cost causation components. Customer unit costs are calculated on a per account basis, as these costs do not vary based on connection type or size. Total accounts are approximated by summing total water meters in Column C, Lines 1-11 (from **Table 4-5**) and total fire lines in Column C, Line 12 (from **Table 4-6**).

Meter unit costs are calculated per equivalent meter unit. Equivalent meter units are used to allocate meter-related costs appropriately and equitably. Larger meters generally impose larger demands, are more expensive to install, maintain, and replace than smaller meters, and require greater capacity within the water system. Equivalent meter units in this study are based on AWWA-rated hydraulic capacities and are calculated to represent the potential demand of a connection on the water system relative to a base meter size.

Capacity ratios are calculated by dividing larger meter capacities by the base meter capacity. The base meter in this study is a 3/4-inch meter, which is used to approximate the capacity of 5/8-inch and 3/4-inch (All

Other) meters.<sup>24</sup> AWWA capacity ratios (Column E) are calculated by dividing the capacity of each meter size (Column D) by the capacity of a 3/4-inch meter (Column D, Line 3). The projected number of meters (Column C) are multiplied by the AWWA capacity ratios (Column E) to determine equivalent meter units (Column F).

Equivalent meter peaking units (Column H) are not used to develop unit costs. However, they are referenced subsequently in **Section 7** to calculate the component of the proposed Monthly Service Charges related to peaking costs. Equivalent meter peaking units are calculated by multiplying the number of meters (Column C) by the meter peaking ratios (Column G). Note that meter peaking ratios (Column G) match AWWA capacity ratios (Column E) with the exception of 5/8-inch and 3/4-inch (Ultra-Low Flow) meters. Ultra-Low Flow meters are assigned a meter peaking ratio of zero because Ultra-Low customers (Residential Tier 1) do not contribute to systemwide peaking demands, as previously discussed in Section 6.9.

**Table 6-18: Monthly Service Charge Units of Service**

[A] Line	[B] Water Meter Size	[C] Number of Meters/Fire Lines	[D] AWWA Capacity (gpm)	[E] AWWA Capacity Ratio	[F] Equivalent Meter Units	[G] Meter Peaking Ratio	[H] Equivalent Meter Peaking Units
1	5/8 & 3/4-inch - Ultra-Low Flow	7,865	15	0.50	3,933	0.00	0
2	5/8 & 3/4-inch - Low Flow	3,016	20	0.67	2,011	0.67	2,011
3	5/8 & 3/4-inch - All Other	3,157	30	1.00	3,157	1.00	3,157
4	1-inch	1,791	50	1.67	2,985	1.67	2,985
5	1.5-inch	491	100	3.33	1,637	3.33	1,637
6	2-inch	548	160	5.33	2,923	5.33	2,923
7	3-inch	24	350	11.67	280	11.67	280
8	4-inch	36	630	21.00	756	21.00	756
9	6-inch	33	1400	46.67	1,540	46.67	1,540
10	8-inch	8	2400	80.00	640	80.00	640
11	10-inch	3	3800	126.67	380	126.67	380
12	Fire Lines	496	N/A	N/A	N/A	N/A	N/A
13	<b>Total</b>	<b>17,468</b>			<b>20,240</b>		<b>16,308</b>

### 6.12.2. Unit Costs

Unit costs comprise the constituent parts from which proposed FYE 2026 rates are calculated in **Section 7**. **Table 6-19** shows unit costs for each cost causation component (Column F), which are calculated by dividing the final COS allocation in Column C (**Table 6-17**, Column H) by the relevant units of service (Column D). The units of service vary by cost component and are based on either FYE 2026 water use (from **Table 4-7**), peaking units (from **Table 6-14**), or the number of accounts, fire lines, or equivalent meter units (from **Table 6-18**).

<sup>24</sup> Low Flow 5/8-inch & 3/4-inch meter capacity is based on a 5/8-inch meter capacity. Ultra-Low Flow 5/8-inch & 3/4-inch meter capacity is based on a 1/2-inch meter capacity.

Table 6-19: Development of Unit Costs

[A]	[B]	[C]	[D]	[E]	[F]
Line	Cost Causation Component	Final COS Allocation	Units of Service	Units	Unit Cost
1	Cachuma Supply	\$5,281,569	4,441,741	Billed Water Use excl. Recycled (HCF)	\$1.189
2	CCWA Supply	\$7,464,075	3,350,218	Billed Water Use excl. Urban Ag/GWC/Recycled (HCF)	\$2.228
3	Base	\$19,127,319	3,350,218	Billed Water Use excl. Urban Ag/GWC/Recycled (HCF)	\$5.709
4	Max Day	\$7,446,583	3,377 <sup>25</sup>	Max Day Requirements (HCF/Day)	\$749.794
5	Max Hour	\$774,760	2,914 <sup>26</sup>	Max Hour Requirements (HCF/Day)	\$90.391
6	Recycled Water	\$1,077,589	126,102 <sup>27</sup>	Recycled Water Use (HCF)	\$8.545
7	Fire Protection	\$19,600	496	Number of Fire Lines	\$39.517
8	Meters	\$12,012,280	20,240	Equivalent Meter Units	\$861.562
9	Customer	\$1,871,219	17,468	Accounts	\$107.123
10	Conservation	\$5,786,169	4,441,741	Billed Water Use excl. Recycled (HCF)	\$1.303
11	GWC	\$294,942	476,376	GWC Water Use (HCF)	\$0.619
12	Urban Ag	\$1,086,027	615,148	Urban Ag Water Use (HCF)	\$1.765
13	Revenue Offsets	(\$1,671,863)	4,722,669	Total Billed Water Use (HCF)	(\$0.354)
14	Total	\$60,570,268			

### 6.13. Customer Class Cost of Service

Unit costs developed in **Table 6-19** are allocated for recovery by the District's charges as follows:

- » Monthly Service Charges (Water Meters): Customer, Meters, and a portion of Max Day and Max Hour
- » Monthly Service Charges (Fire Lines): Customer, Fire Protection
- » Commodity Charges: Cachuma Supply, CCWA Supply, Base, Max Day, Max Hour, Recycled Water, Conservation, GWC, Urban Ag, Revenue Offsets

Not all customer classes are subject to each unit cost applied to the Commodity Charges. Exceptions are outlined in greater detail in **Table 6-20** below and are based on benefit, or not, of specific cost components. The rationale is described in further detail in **Section 7**.

<sup>25</sup> Max Day units of service exclude Max Day requirements associated with Fire Protection.

<sup>26</sup> Max Hour units of service exclude Max Hour requirements associated with Fire Protection.

<sup>27</sup> Recycled units of service are adjusted to account for revenue generated by recycled contract customers. Only projected non-contract recycled water use in FYE 2026 is included (from **Table 6-15**, Column C, Line 1) to calculate the adjusted Recycled water units of service. This is necessary to incorporate estimates of rate revenue collected from recycled contract customers.

**Table 6-20: Recovery of Cost Causation Components by Charge Type**

[A]	[B]	[C]
Line	Cost Causation Component	Associated Charge
1	Cachuma Supply	Commodity Charges (excl. Recycled)
2	CCWA Supply	Commodity Charges (excl. Urban Ag/GWC/Recycled)
3	Base	Commodity Charges (excl. Urban Ag/GWC/Recycled)
4	Max Day	Commodity Charges (excl. Urban Ag/GWC/Recycled/Fire Service)
5	Max Hour	Commodity Charges (excl. Urban Ag/GWC/Recycled/Fire Service)
6	Recycled Water	Recycled Commodity Charge
7	Fire Protection	Fire Line Monthly Service Charge
8	Meters	Monthly Service Charges (excl. Fire Lines)
9	Customer	Monthly Service Charges
10	Conservation	Commodity Charges (excl. Recycled)
11	GWC	GWC Commodity Charge
12	Urban Ag	Urban Ag Commodity Charges
13	Revenue Offsets	Commodity Charges

**Table 6-21** presents the cost of service by class. The table shows the change in the class cost of service between current revenue recovery by rate charge type or customer class (i.e., the previous cost of service analysis) and the proposed (i.e. new) cost of service.<sup>28</sup> The Proposed FYE 2026 column includes both the results of the cost of service analysis as well as the overall 7 percent revenue adjustment from **Section 5**. The goal of a COS analysis is to ensure that customers are charged fairly and in proportion to the costs that they cause the agency to incur. Over time, changes in water use patterns and cost structure result in changes to the distribution of revenue requirements across the various charges/customer classes. Note that the results shown are based on detailed calculations that are dependent on rate design considerations addressed subsequently in **Section 7**.

**Table 6-21: Cost to Serve by Customer Class**

[A]	[B]	[C]	[D]	[E]
Line	Charge/Customer Class	Current FYE 2026	Proposed FYE 2026	Difference
1	Monthly Service Charges (Water Service)	\$17,676,028	\$19,256,453	\$1,580,425
2	Monthly Service Charges (Private Fire)	\$69,142	\$72,733	\$3,591
3	Single Family Residential Commodity Charges	\$14,941,684	\$15,689,776	\$748,092
4	Urban Commodity Charges <sup>29</sup>	\$17,551,858	\$18,639,165	\$1,087,307
5	Recreation Irrigation Commodity Charges	\$2,017,246	\$2,219,631	\$202,385
6	Urban Agriculture Commodity Charges	\$2,085,350	\$2,401,058	\$315,707
7	GWC Commodity Charges	\$1,319,562	\$1,313,314	(\$6,248)
8	Recycled Commodity Charges	\$946,856	\$978,139	\$31,283
9	<b>Total</b>	<b>\$56,607,727</b>	<b>\$60,570,268</b>	<b>\$3,962,541</b>

<sup>28</sup> Temporary Commodity Charge revenue and Fire Service (i.e. penalty charges for non-fire related water use by fire lines) Commodity Charge revenues (less than 0.1% of total rate revenue) are included with the Urban customer class.

<sup>29</sup> Temporary Commodity Charge revenue and Fire Service (i.e. penalty charges for non-fire related water use by fire lines) Commodity Charge revenues (less than 0.1% of total rate revenue) are included with the Urban customer class.

# 7. Proposed Water Rates

**Section 7** details the proposed water rate calculations. Proposed FYE 2026 rates are calculated directly from the results of the COS analysis (from **Section 6**). All proposed rates beginning in FYE 2027 are calculated by increasing the prior year rate by the annual revenue adjustment (from **Table 5-11**).

## 7.1. Proposed FYE 2026 Monthly Service Charges

Monthly Service Charges are designed to recover the portion of the revenue requirement allocated to the Customer, Meters, and Fire Protection cost causation components. Customer and Private Fire Protection unit costs (from **Table 6-19**, Column F, Lines 7 and 9) are directly incorporated into the FYE 2026 Monthly Service Charge calculations as “unit rates” after converting each unit cost to monthly basis:

$$\begin{aligned}
 \text{Unit Rate} &= \text{Unit Cost} \div 12 \text{ monthly billing periods per year} \\
 \text{Customer Unit Rate} &= \$107.123 \div 12 = \$8.93 \\
 \text{Fire Protection Unit Rate} &= \$39.517 \div 12 = \$3.29
 \end{aligned}$$

The Meters unit cost (from **Table 6-19**, Column F, Lines 8) must be refined into two components to account for peaking versus non-peaking related costs. This is necessary because a portion of peaking costs were reallocated to Meters as part of the adjusted cost of service allocation. **Table 7-1** shows the development of two distinct unit rates associated with the Meters cost causation component: Non-Peaking and Peaking. The total Meters revenue requirement in Column C, Line 4 (from **Table 6-17**, Column H, Lines 8) is divided into a peaking component in Line 3 (from **Table 6-17**, Column G, sum of Lines 4-5) and a non-peaking component in Line 2 (Line 4 minus Line 3).

Unit rates (Column E) are calculated by dividing the revenue requirement (Column C) by units of service (Column D). Non-peaking units of service (Column D, Line 2) are equal to total equivalent meter units (from **Table 6-18**, Column F, Line 13). Peaking-related Meters costs are not attributed to Ultra-Low Flow meters, which have a negligible peaking effect on the system. Therefore, peaking units of service (Column D, Line 3) are equal to total equivalent meter peaking units (from **Table 6-18**, Column H, Line 13), which exclude Ultra-Low Flow meters.

**Table 7-1: Monthly Service Charge Unit Costs**

[A]	[B]	[C]	[D]	[E]
Line	Cost Causation Component	Revenue Requirement	Units of Service	Unit Rate
1	<b>Meters</b>			
2	Meters (Non-Peaking)	\$12,012,280	20,240 Equivalent Meter Units	\$49.46
3	Meters (Peaking)	\$5,426,086	16,308 Equivalent Meter Peaking Units	\$27.73
4	<b>Total Meters</b>	<b>\$17,438,367</b>		

### 7.1.1. Proposed FYE 2026 Monthly Service Charge Calculation

**Table 7-2** shows the detailed calculation of proposed FYE 2026 Monthly Service Charges based on Customer, Meters, and Fire Protection unit rates. Customer costs do not vary by connection type or size. Therefore, the Customer unit rate is applied uniformly to all Monthly Service Charges (Column E).

Meters costs are applied to all water meters but not to fire lines. Because Meters costs vary by meter size based on hydraulic capacity, AWWA capacity ratios in Column C (from **Table 6-18**, Columns E) and meter peaking ratios in Column D (from **Table 6-18**, Columns G) are used to differentiate the Meters unit rates by meter size. The Meters (non-peaking) rate components (Column F) are calculated by multiplying the Meters (non-peaking) unit rate (from **Table 7-1**, Column E, Line 2) by the AWWA capacity ratio (Column C). The Meters (peaking) rate components (Column G) are calculated by multiplying the peaking Meters (peaking) unit rate (from **Table 7-1**, Column E, Line 3) by the meter peaking capacity ratio (Column D).

The Fire Protection unit rate is applied only to Fire Lines (Column H, Line 12). The proposed FYE 2026 Monthly Service Charges (Column I) equal the sum of Columns E-H. Columns K-L show the difference between proposed FYE 2026 Monthly Service Charges (Column I) and current FYE 2025 Monthly Service Charges in Column J (from **Table 4-1**).

Table 7-2: Proposed FYE 2026 Monthly Service Charge Calculation

[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]	[I]	[J]	[K]	[L]
Line	Water Meter Size	AWWA Capacity Ratio	Meter Peaking Ratio	Customer	Meters (Non-Peaking)	Meters (Peaking)	Fire Protection	Proposed Monthly Charge	Current Monthly Charge	Difference (\$)	Difference (%)
1	5/8 & 3/4-inch - Ultra-Low Flow	0.50	0.00	\$8.93	\$24.73	\$0.00	N/A	<b>\$33.66</b>	\$31.83	\$1.83	5.7%
2	5/8 & 3/4-inch - Low Flow	0.67	0.67	\$8.93	\$32.97	\$18.48	N/A	<b>\$60.39</b>	\$57.19	\$3.20	5.6%
3	5/8 & 3/4-inch - All Other	1.00	1.00	\$8.93	\$49.46	\$27.73	N/A	<b>\$86.12</b>	\$81.11	\$5.01	6.2%
4	1-inch	1.67	1.67	\$8.93	\$82.43	\$46.21	N/A	<b>\$137.57</b>	\$129.00	\$8.57	6.6%
5	1.5-inch	3.33	3.33	\$8.93	\$164.86	\$92.42	N/A	<b>\$266.21</b>	\$248.68	\$17.53	7.0%
6	2-inch	5.33	5.33	\$8.93	\$263.77	\$147.88	N/A	<b>\$420.58</b>	\$392.31	\$28.27	7.2%
7	3-inch	11.67	11.67	\$8.93	\$576.99	\$323.48	N/A	<b>\$909.41</b>	\$847.14	\$62.27	7.4%
8	4-inch	21.00	21.00	\$8.93	\$1,038.59	\$582.27	N/A	<b>\$1,629.79</b>	\$1,517.39	\$112.40	7.4%
9	6-inch	46.67	46.67	\$8.93	\$2,307.98	\$1,293.94	N/A	<b>\$3,610.85</b>	\$3,360.61	\$250.24	7.4%
10	8-inch	80.00	80.00	\$8.93	\$3,956.53	\$2,218.18	N/A	<b>\$6,183.65</b>	\$5,754.42	\$429.23	7.5%
11	10-inch	126.67	126.67	\$8.93	\$6,264.51	\$3,512.12	N/A	<b>\$9,785.57</b>	\$9,105.71	\$679.86	7.5%
12	Fire Lines	N/A	N/A	\$8.93	N/A	N/A	\$3.29	<b>\$12.22</b>	\$11.57	\$0.65	5.6%

## 7.2. Proposed FYE 2026 Commodity Charges

Commodity Charges are designed to recover the portion of the rate revenue requirement allocated to the following cost causation components: Cachuma Supply, CCWA Supply, Base Delivery, Peaking (Max Day and Max Hour), Conservation, Urban Ag, GWC, Recycled Water, and Revenue Offsets. However, the unit costs associated with each cost causation component listed above are not uniformly applied to each customer class. Customer classes are only subject to each unit cost if the service they receive contributes to the District incurring costs associated with that specific cost causation component. **Table 7-3** shows which unit costs (Columns C-K) each customer class (Lines 1-7) are subject to.

The District will maintain the same tiered rate structure for Single Family Residential customers established in the previous rate study. The tiers are designed based on the District's own data regarding its customers' seasonal demand patterns. The Tier 1 monthly maximum (6 HCF per month) is based on average Single Family Residential water use during the lowest use month; this volume also corresponds to efficient indoor requirements of a typical household in the District's service area<sup>30</sup>. The Tier 2 maximum (12 HCF per month) is based on average Single Family Residential water use during the highest use (i.e. peak) month. Tier 3 includes all water use greater than 12 HCF per month. The tier definitions were established using the FYE 2019 consumption data, and analysis of the FYE 2024 consumption data shows similar demand patterns.

Customer classes are only subject to Cachuma Supply or CCWA supply costs if they receive water supplied from those sources. Base Delivery and Peaking costs are not allocated to Urban Agriculture customers because they are not subject to treatment costs captured within the Base Delivery and Peaking cost causation components. Base Delivery and Peaking costs are not allocated to Goleta West Conduit or Recycled customers because these customer classes effectively function as independent water systems. Conservation costs are incurred primarily to mitigate pressure on potable water supplies. Recycled customers are not served by the District's potable water supplies and are therefore exempt from Conservation costs. Urban Ag, GWC, and Recycled Water costs are customer class specific, and are therefore only applied to the associated customer class. Lastly, revenue offsets are applied equally to all customer classes.

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<sup>30</sup> 47.5 gallons per person per day (gpcd) and an average household size of 3 people corresponds to approximately 6 HCF per monthly billing period

**Table 7-3: Allocation of Unit Costs to Customer Classes**

[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]	[I]	[J]	[K]
Line	Customer Class	Cachuma Supply	CCWA Supply	Base Delivery	Peaking	Conser- vation	Urban Ag	GWC	Recycled Water	Revenue Offsets
1	Single Family Residential	✓	✓	✓	✓	✓				✓
2	Urban	✓	✓	✓	✓	✓				✓
3	Recreation Irrigation	✓	✓	✓	✓	✓				✓
4	Urban Agriculture	✓				✓	✓			✓
5	Goleta West Conduit	✓				✓		✓		✓
6	Recycled								✓	✓
7	Temporary	✓	✓	✓	✓	✓				✓

Some unit costs developed within the cost of service analysis (see **Table 6-19**) are applied directly as unit rates to the proposed FYE 2026 Commodity Charge calculations. However, CCWA Supply, Peaking, Conservation, and Revenue Offset unit costs are further refined as necessary in the following subsections in order to appropriately differentiate the associated unit rates by customer class and tier.

**7.2.1. CCWA Supply Unit Rates**

The CCWA Supply cost causation component consists solely of O&M expenses associated with CCWA supply. Projected FYE 2026 CCWA expenses are based on detailed estimates by CCWA. These estimates are broken down by CCWA into fixed costs as well as variable costs which vary based on the quantity of water delivered. **Table 7-4** shows a breakdown of total CCWA Supply costs in Line 1 (from **Table 6-17**, Column H, Line 2 into variable costs (Line 2) and fixed costs (Line 3).

Fixed costs do not vary based on the quantity of water delivered and are therefore applied equally to all customer classes that benefit from imported SWP water from CCWA. These customer classes include Single Family Residential, Urban, Recreation Irrigation, and Temporary. Total projected FYE 2026 water use associated with these customer classes is shown in Line 5 (from **Table 4-7**). The fixed portion of the CCWA Supply unit rate (Line 7) is calculated by dividing fixed CCWA Supply costs (Line 3) by total water use subject to CCWA costs (Line 5). The fixed CCWA Supply unit rate is applied uniformly to all customer classes and tiers that benefit from imported water from CCWA.

**Table 7-4: Fixed CCWA Supply Unit Rates**

[A]	[B]	[C]
Line	Description	FYE 2026
1	Total CCWA Supply Costs	\$7,464,075
2	Variable CCWA Supply Costs	\$773,503
3	Fixed CCWA Supply Costs	\$6,690,572
4		
5	Total Water Use Subject to CCWA Costs (HCF)	3,350,218
6		
7	<b>Fixed CCWA Supply Unit Rate</b>	<b>\$1.997</b>

Variable CCWA Supply costs (from **Table 7-4**, Line 2) vary based on actual water deliveries from CCWA, and are therefore applied to customer classes based on the supply mix allocation shown in **Table 7-5**. Customer classes and tiers are allocated variable CCWA Supply costs in proportion to the amount of CCWA water each is allocated. FYE 2026 water use (Column C) is based on projections previously shown in **Table 4-7**. Column D estimates the quantity of water supply required to meet demand (Column C) assuming a 5.8 percent water loss factor (from **Table 4-8**). Column E shows the conversion of projected water supply (Column D) from HCF to AF.<sup>31</sup> The amount of required water supply (Column E) assumed to be met by local groundwater, Lake Cachuma, and CCWA are shown in Columns F-H respectively. Total available supply met by each source in FYE 2026 (Columns F-H, Line 18) was previously determined in **Table 4-8**.

The quantity of supply from each source (Columns F-H, Line 18) is first allocated proportionally based on projected water use to Single Family Residential customers and all other customers. The quantity from each supply source allocated to Single Family Residential (Columns F-H, Lines 5) is allocated within each tier. Since there is no groundwater production projected for FYE 2026, all water use will be sourced from Cachuma and CCWA. Tier 1 represents the lowest level of water use with sufficient Cachuma water available to satisfy demand in Single Family Residential Tier 1 (Column G, Line 2). Similarly, Tier 2's required supply can be met entirely by Lake Cachuma (Column G, Line 3). Tier 3 is allocated any remaining Lake Cachuma water available to the class (Column G, Line 4). All other Tier 3 use is assumed to be met by CCWA (Column H, Line 4), which represents the most expensive supply source. Non-residential customer classes are proportionally allocated supplies from each of the three sources (Columns F-H, Lines 8-15) with the following exceptions: 1) Urban Agriculture does not receive CCWA water as it does not benefit from the source of supply; and 2) the Goleta West Conduit is served exclusively by Lake Cachuma water and does not benefit from CCWA or groundwater.

The proportion of total CCWA supply (Column H, Line 18) associated with each customer class and tier (Column I, Lines 2-16) provides the basis for allocating variable CCWA Water Supply costs to each customer class. Total variable CCWA Water Supply costs (from **Table 7-4**, Line 2) are multiplied by these percent allocations (Column I) to determine total variable CCWA Water Supply costs allocated to each customer class and tier (Column J). The variable CCWA Water Supply unit rate (Column K) is then calculated by dividing allocated costs (Column J) by projected FYE 2026 water use in HCF (Column C).

<sup>31</sup> 1 AF equals approximately 435.6 HCF

Table 7-5: Variable CCWA Supply Unit Rates

[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]	[I]	[J]	[K]
Line	Description	FYE 2026 Water Use (HCF)	Required Supply with Loss (HCF)	Required Supply with Loss (AF)	Ground-water Allocation (AF)	Cachuma Allocation (AF)	CCWA Allocation (AF)	% of CCWA Variable Costs	Allocated Variable CCWA Costs	Variable CCWA Supply Rate
1	<b>SFR</b>									
2	Tier 1	845,229	897,271	2,060	0	2,060	0	0.00%	\$0	<b>\$0.00</b>
3	Tier 2	338,040	358,853	824	0	824	0	0.00%	\$0	<b>\$0.00</b>
4	Tier 3	285,183	302,742	695	0	326	369	33.07%	\$255,773	<b>\$0.897</b>
5	<b>Total SFR</b>	<b>1,488,821</b>	<b>1,580,489</b>	<b>3,579</b>	<b>0</b>	<b>3,209</b>	<b>369</b>	<b>33.07%</b>	<b>\$255,773</b>	
6										
7	<b>Non-SFR</b>									
8	Urban	1,693,891	1,798,186	4,128	0	3,455	673	60.26%	\$466,041	<b>\$0.275</b>
9	Recreation Irrigation	184,392	195,745	449	0	376	73	6.56%	\$50,732	<b>\$0.275</b>
10	Urban Agriculture	615,148	653,023	1,499	0	1,499	0	N/A	N/A	<b>N/A</b>
11	Goleta West Conduit	476,376	505,707	1,161	0	1,161	0	N/A	N/A	<b>N/A</b>
13	Temporary	3,120	3,312	7.6	0	6.4	1.2	0.11%	\$858	<b>\$0.275</b>
14	Fire Service <sup>32</sup>	363	385	0.9	0	0.7	0.1	0.01%	\$100	<b>N/A</b>
15	Unbilled	1,509	1,602	3.7	0	3.1	0.6	N/A	N/A	<b>N/A</b>
16	<b>Total Non-SFR</b>	<b>2,974,798</b>	<b>3,157,960</b>	<b>7,250</b>	<b>0</b>	<b>6,502</b>	<b>748</b>	<b>66.93%</b>	<b>\$517,730</b>	
17										
18	<b>Total</b>	<b>4,443,250</b>	<b>4,716,826</b>	<b>10,828</b>	<b>0</b>	<b>9,711</b>	<b>1,117</b>	<b>100%</b>	<b>\$773,503</b>	

<sup>32</sup> Fire Service water use (i.e. non-fire related use from private fire lines) is shown to ensure proportional allocation of water supplies between customer classes. However, unit rates are not developed for Fire Service as the District may charge for Fire Service at its discretion.

**Table 7-6** shows the total CCWA Supply unit rates for customer classes that receive water from CCWA. The total CCWA Supply unit rate (Column E) equals the sum of the fixed unit rate in Column C (from **Table 7-4**, Line 7) and the variable unit rate in Column D (from **Table 7-5**, Column K).

**Table 7-6: Total CCWA Supply Unit Rates**

[A]	[B]	[C]	[D]	[E]
Line	Customer Class	Fixed CCWA Supply Rate	Variable CCWA Supply Rate	Total CCWA Supply Rate
1	SFR Tier 1	\$1.997	\$0.000	\$1.997
2	SFR Tier 2	\$1.997	\$0.000	\$1.997
3	SFR Tier 3	\$1.997	\$0.897	\$2.894
4	Urban	\$1.997	\$0.275	\$2.272
5	Recreation Irrigation	\$1.997	\$0.275	\$2.272
6	Temporary	\$1.997	\$0.275	\$2.272

## 7.2.2. Peaking Unit Rates

**Table 7-7** shows the development of Peaking unit rates for all customer classes that are allocated Max Day and Max Hour costs. Total Max Day and Max Hour costs are allocated to each customer class and tier based on the Max Day and Max Hour requirements respectively. Max Day requirements in Column C (from **Table 6-14**, Column C) are multiplied by the Max Day unit cost (from **Table 6-19**, Column F, Line 4) to determine allocated Max Day costs (Column D). Max Hour requirements in Column E (from **Table 6-14**, Column E) are multiplied by the Max Hour unit cost (from **Table 6-19**, Column F, Line 5) to determine allocated Max Hour costs (Column F).

Total allocated peaking costs (Column G) equal the sum of allocated Max Day costs (Column D) and allocated Max Hour costs (Column F). The Peaking unit rate (Column I) is calculated by dividing total allocated peaking costs (Column G) by projected FYE 2026 water use in Column C (from **Table 6-12**, Column C).

**Table 7-7: Peaking Unit Rates**

[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]	[I]
Line	Customer Class/Tier	Max Day Requirements (HCF/Day)	Allocated Max Day Costs	Max Hour Requirements (HCF/Day)	Allocated Max Hour Costs	Total Allocated Peaking Costs	FY 2020-21 Water Use (HCF)	Peaking Unit Rate (\$/HCF)
1	SFR Tier 1	N/A	N/A	N/A	N/A	N/A	845,229	\$0.000
2	SFR Tier 2	486	\$364,495	402	\$36,335	\$400,830	338,040	\$1.186
3	SFR Tier 3	719	\$539,012	427	\$38,601	\$577,613	285,183	\$2.025
4	Urban	1,721	\$1,290,160	1,811	\$163,660	\$1,453,820	1,693,891	\$0.858
5	Recreation Irrigation	439	\$329,428	269	\$24,303	\$353,731	184,392	\$1.918
6	Temporary	12	\$8,743	6	\$520	\$9,263	3,120	\$2.969
7	<b>Total</b>	<b>3,377</b>	<b>\$2,531,838</b>	<b>2,914</b>	<b>\$263,418</b>	<b>\$2,795,257</b>		

### 7.2.3. Conservation Unit Rates

The Conservation unit cost developed in **Section 6** (\$1.303/HCF) is applied uniformly to all customer classes except for Recycled and Single Family Residential. Recycled customers are exempted from Conservation costs due to their use of non-potable sources. For Single Family Residential customers, Conservation unit costs are differentiated by tier. This is necessary because conservation efforts are generally aimed at increased water use that requires the District to expand its capacity, procure water from more expensive sources, and which water use is represented by Tier 2 and Tier 3. Tier 1 use represents typical indoor water needs of the District’s customers. Conversely, conservation programs focus on reducing outdoor irrigation typically do not aim to address. Therefore, Raftelis recommends that Tier 1 rates are not allocated Conservation costs and that conservation costs are further differentiated within the class between direct conservation costs and indirect conservation costs (discussed in the following sub-sections). **Table 7-8** through **Table 7-15** detail the Conservation unit rate calculation for Single Family Residential customers.

**Table 7-8** shows the percent allocation calculation by tier and for the customer class. Total Single Family Residential use (Column C, Line 5) is divided by customer use excluding Recycled Water (Column C, Line 6) to determine the percent of Conservation costs allocated to the class (Column E, Line 6). Additionally, Public Outreach and a portion of Conservation Program costs are allocated based on the proportion of usage in Tier 2 and Tier 3, shown in Column E, Lines 3 and 4.

**Table 7-8: Single Family Residential Conservation Usage Allocations**

[A] Line	[B] Description	[C] FYE 2026	[D] Tier 2 & 3	[E] Percent Allocation
1	SFR Water Use (HCF)			
2	Tier 1	845,229		
3	Tier 2	338,040	338,040	54.24%
4	Tier 3	285,183	285,183	45.76%
5	Total SFR Water Use (HCF)	1,468,452	623,223	100.00%
6	Total Use (less recycled)	4,441,741		33.06%

**Table 7-9** shows the breakdown of Conservation costs and the respective allocation to Single Family Residential customers. Conservation Capital cost of service requirement is sourced from **Table 6-9**, Column D, Line 10. Public Outreach, Conservation Programs, and General Conservation Operating Costs are from **Table 6-4**. Contract Loss costs are from **Table 6-17**, Column F, Line 10. Total cost of service in Column C is multiplied by the percentage in **Table 7-8**, Column E, Line 6 to derive the Single Family costs in Column D.

**Table 7-9: Single Family Residential Conservation Cost of Service Allocations**

[A]	[B]	[C]	[D]
Line	Conservation Cost of Service Components	FYE 2026 Total COS	SFR Allocation
1	Public Outreach	\$388,775	\$128,530
2	Conservation Programs	\$515,475	\$170,418
3	Conservation Capital	\$2,873,503	\$949,988
4	Contract Loss	\$709,617	\$234,601
5	General	\$1,298,799	\$429,386
6	<b>Total Conservation Cost</b>	<b>\$5,786,169</b>	<b>\$1,912,923</b>

**Table 7-10** shows the allocation of Public Outreach costs. Public Outreach costs are general in nature and are allocated proportionally to Tier 2 and 3. Total Public Outreach Costs (Column D, Line 3) from **Table 7-9** are multiplied by the usage allocation in Column C (from **Table 7-8**, Column E) to calculate the Public Outreach cost responsibility for Single Family Residential Tier 2 and Tier 3.

**Table 7-10: Single Family Residential Conservation Public Outreach Allocation**

[A]	[B]	[C]	[D]
Line	Tiers	Percent Usage Allocation	Public Outreach
1	Tier 2	54.24%	\$69,716
2	Tier 3	45.76%	\$58,815
3	Total	100.00%	\$128,530

**Table 7-11** shows the breakdown of direct Conservation Program costs by type. Actual program costs were estimated by District staff (from **Table 7-9**).

**Table 7-11: Single Family Residential Conservation Program Cost Division**

[A]	[B]	[C]
Line	Programs	Conservation Program Costs
1	Mulch Rebate Program	\$68,167
2	Smart Landscape Rebate Program	\$102,251
3	Total	\$170,418

**Table 7-12** shows the allocation of direct Conservation Program costs to Single Family Residential Tier 2 and Tier 3. Mulch Rebate Program costs are divided into each tier using the percent usage allocation from **Table 7-8**. Smart Landscape Rebate Program costs are targeted to the District’s highest users recovered solely by Tier 3 usage. The total Conservation Program costs by tier are shown Column F.

**Table 7-12: Single Family Residential Conservation Program Cost Allocation**

[A]	[B]	[C]	[D]	[E]	[F]
Line	Tiers	Percent Usage Allocation	Mulch Rebate Program	Smart Landscape Rebate Program	Subtotal
1	Tier 2	54.24%	\$36,974	\$0	\$36,974
2	Tier 3	45.76%	\$31,193	\$102,250.50	\$133,443
3	Total	100.00%	\$68,167	\$102,250.50	\$170,418

Table 7-13 shows the subtotal of Public Outreach and Conservation Program costs for Single Family Residential Customers. The resulting percent cost allocation (Column F) is then used to allocate remaining Conservation costs including capital (related to Recycled Water infrastructure), contract loss (unrecoverable Recycled Water revenues), and the share of general costs to each tier.

**Table 7-13: Single Family Residential Public Outreach & Conservation Program Percent Allocation**

[A]	[B]	[C]	[D]	[E]	[F]
Line	Tiers	Public Outreach	Conservation Programs	Subtotal	Percent Cost Allocation
1	Tier 2	\$69,716	\$36,974	\$106,690	35.69%
2	Tier 3	\$58,815	\$133,443	\$192,258	64.31%
3	Total	\$128,530	\$170,418	\$298,948	100.00%

Table 7-14 shows the allocation of Conservation Capital, Contract Loss, and General costs (from Table 7-9) to Single Family Residential Tier 2 and Tier 3 using the percent allocations from Table 7-13. The total cost of all the cost components of the Conservation revenue requirement for Single Family Residential Customers by Tier are shown in Column I.

**Table 7-14: Single Family Residential Conservation Capital, Contract Loss, and General Cost Allocation**

[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]	[I]
Line	Tiers	Percent Cost Allocation	Conserv. Capital	Contract Loss	General Cost	Subtotal	Public Outreach + Conserv. Programs	Total Conserv. Cost
1	Tier 2	35.69%	\$339,036	\$83,726	\$153,241	\$576,003	\$106,690	\$682,692
2	Tier 3	64.31%	\$610,952	\$150,876	\$276,145	\$1,037,973	\$192,258	\$1,230,231
3	Total	100.00%	\$949,988	\$234,601	\$429,386	\$1,613,976	\$298,948	\$1,912,923

Table 7-15 shows the calculation of the Conservation unit rate for Single Family Residential Tier 2 and Tier 3. Total Conservation costs by tier in Column D (from Table 7-14, Column I) are divided by the usage in each tier in Column C (from Table 7-8) to calculate the unit rates in Column E, Lines 1 and 2.

**Table 7-15: Single Family Residential Conservation Unit Rate Calculation**

[A]	[B]	[C]	[D]	[E]
Line	Tiers	Usage	Total Conservation Cost	Conservation Unit Rate (\$/HCF)
1	Tier 2	338,040	\$682,692	\$2.020
2	Tier 3	285,183	\$1,230,231	\$4.314
3	Total	623,223	\$1,912,923	

#### 7.2.4. Revenue Offset Unit Rates

The Revenue Offsets unit cost developed in **Section 6** is applied uniformly as a unit rate to all customer classes except Single Family Residential. Revenue Offsets unit rates are differentiated by tier for Single Family Residential customers. Revenue offsets are non-rate sources and may be applied to offset various charges at the District's discretion. Because affordability for essential water use is a core policy objective of the District, Raftelis therefore recommends that all Single Family Residential revenue offsets are applied to Tier 1 rates only. This helps minimize the Tier 1 rate and promotes affordability. All Single Family Residential customers use Tier 1 water and therefore benefit from the Tier 1 reduction resulting from revenue offsets.

**Table 7-16** shows the reallocation of Single Family Residential revenue offsets to Tier 1 only. Total Single Family Residential water use in Line 5 (from **Table 4-7**) is multiplied by the Revenue Offsets unit cost in Line 7 (from **Table 6-19**, Column F, Line 13) to determine the total revenue offsets assigned to the Single Family Residential customer class (Line 9). Tier 1 water use (Line 1) equals the adjusted units of service (Line 11). The adjusted unit rate (Line 13) equals total Single Family Residential revenue offsets (Line 9) divided by the adjusted units of service (Line 11). This represents the Revenue Offsets unit rate to be applied to Tier 1 only (Lines 15). Tiers 2 and 3 are not allocated any revenue offsets (Lines 16-17).

**Table 7-16: Single Family Residential Revenue Offsets Unit Rates**

[A]	[B]	[C]	[D]
Line	Description	FYE 2026	Notes
1	SFR Water Use (HCF)		
2	Tier 1	845,229	
3	Tier 2	338,040	
4	Tier 3	285,183	
5	Total SFR Water Use (HCF)	1,468,452	
6			
7	Revenue Offsets Unit Cost (per HCF)	(\$0.354)	
8			
9	Total SFR Revenue Offsets	(\$1,912,923)	= Line 5 × Line 7
10			
11	Adjusted Units of Service ( <i>Tier 1 Water Use only</i> )	845,229	= Line 2
12			
13	Adjusted Unit Rate ( <i>Tier 1 only</i> )	(\$0.615)	= Line 9 ÷ Line 11
14			
15	<b>Tier 1 Revenue Offsets Unit Rate</b>	<b>(\$0.615)</b>	= Line 13
16	<b>Tier 2 Revenue Offsets Unit Rate</b>	<b>\$0.000</b>	
17	<b>Tier 3 Revenue Offsets Unit Rate</b>	<b>\$0.000</b>	

### 7.2.5. Proposed FYE 2026 Commodity Charge Calculation

**Table 7-17** shows the proposed FYE 2026 Commodity Charge calculations. The proposed rate (Column C) is calculated by summing all constituent unit rates (Columns C-K). Unit rates are applied to each customer class in accordance with **Table 7-3**. Most unit rates simply equal the associated unit cost developed in **Section 6** (see **Table 6-19**). The following unit rates, however, are differentiated by customer class and were calculated in detail in the preceding subsections:

- » CCWA Supply unit rates in Column E (from **Table 7-6**)
- » Peaking unit rates in Column F (from **Table 7-7**)
- » Single Family Residential Conservation unit rates in Column G, Lines 2-3 (from **Table 7-15**)
- » Single Family Residential Revenue Offsets unit rates in Column K, Line 1 (from **Table 7-16**)

**Table 7-17: Proposed FYE 2026 Commodity Charge Calculation**

[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]	[I]	[J]	[K]	[L]
Line	Customer Class	Cachuma Supply Unit Rate	CCWA Supply Unit Rate	Base Delivery Unit Rate	Peaking Unit Rate	Conservation Unit Rate	Urban Ag Unit Rate	GWC Unit Rate	Recycled Water Unit Rate	Revenue Offset Unit Rate	Proposed Rate
1	Single Family Residential (First 6 HCF/month)	\$1.189	\$1.997	\$5.709	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	(\$0.615)	<b>\$8.29</b>
2	Single Family Residential (Next 6 HCF/ month)	\$1.189	\$1.997	\$5.709	\$1.186	\$2.020	\$0.000	\$0.000	\$0.000	\$0.000	<b>\$12.11</b>
3	Single Family Residential (All additional HCF)	\$1.189	\$2.894	\$5.709	\$2.025	\$4.314	\$0.000	\$0.000	\$0.000	\$0.000	<b>\$16.14</b>
4	Urban	\$1.189	\$2.272	\$5.709	\$0.858	\$1.303	\$0.000	\$0.000	\$0.000	(\$0.354)	<b>\$10.98</b>
5	Recreation Irrigation	\$1.189	\$2.272	\$5.709	\$1.918	\$1.303	\$0.000	\$0.000	\$0.000	(\$0.354)	<b>\$12.04</b>
6	Urban Agriculture	\$1.189	\$0.000	\$0.000	\$0.000	\$1.303	\$1.765	\$0.000	\$0.000	(\$0.354)	<b>\$3.91</b>
7	Goleta West Conduit	\$1.189	\$0.000	\$0.000	\$0.000	\$1.303	\$0.000	\$0.619	\$0.000	(\$0.354)	<b>\$2.76</b>
8	Recycled	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$8.545	(\$0.354)	<b>\$8.20</b>
9	Temporary	\$1.189	\$2.272	\$5.709	\$2.969	\$1.303	\$0.000	\$0.000	\$0.000	(\$0.354)	<b>\$13.09</b>

**Table 7-18** shows the difference between proposed FYE 2026 Commodity Charges (from **Table 7-17**) and current FYE 2025 Commodity Charges (from **Table 4-1**). Distributional impacts to the various customer classes are a result of the cost of service analysis including changes to cost structure, water use patterns relative to the prior rate study, and due to refinements in methodology to ensure fair and objective cost recovery.

**Table 7-18: Proposed FYE 2026 Commodity Charges**

[A]	[B]	[C]	[D]	[E]	[F]
Line	Customer Class	Proposed Rate (\$/HCF)	Current Rate (\$/HCF)	Difference (\$)	Difference (%)
1	Single Family Residential (First 6 HCF/month)	<b>\$8.29</b>	\$8.34	(\$0.05)	-0.6%
2	Single Family Residential (Next 6 HCF/ month)	<b>\$12.11</b>	\$11.25	\$0.86	7.6%
3	Single Family Residential (All additional HCF)	<b>\$16.14</b>	\$14.34	\$1.80	12.6%
4	Urban	<b>\$10.98</b>	\$10.33	\$0.65	6.3%
5	Recreation Irrigation	<b>\$12.04</b>	\$10.94	\$1.10	10.1%
6	Urban Agriculture	<b>\$3.91</b>	\$3.39	\$0.52	15.3%
7	Goleta West Conduit	<b>\$2.76</b>	\$2.77	(\$0.01)	-0.4%
8	Recycled	<b>\$8.20</b>	\$5.59	\$2.61	46.7%
9	Temporary	<b>\$13.09</b>	\$12.14	\$0.95	7.8%

### 7.3. Proposed Five-Year Rate Schedule

**Table 7-19** shows the proposed five-year schedule of water rates through FYE 2030. Proposed FYE 2026 Monthly Service Charges (see **Table 7-2**) and Commodity Charges (see **Table 7-17**) were calculated in the preceding subsections. All proposed rates beginning in FYE 2027 are calculated by increasing the prior year’s proposed rate by the proposed annual revenue adjustment (from **Table 5-11**). For example, the proposed FYE 2027 Ultra-Low Flow Monthly Service Charge (\$34.84) is calculated by increasing the proposed FYE 2026 Ultra-Low Flow Monthly Service Charge (\$33.66) by 3.5 percent. All proposed rates are rounded up to the nearest cent to ensure full cost recovery. Current FYE 2025 water rates (from **Table 4-1**) are also shown.

Table 7-19: Proposed Five-Year Water Rate Schedule

Description	FYE 2025 (Current)	FYE 2026 (7/1/2025)	FYE 2027 (7/1/2026)	FYE 2028 (7/1/2027)	FYE 2029 (7/1/2028)	FYE 2030 (7/1/2029)
<b>Proposed Revenue Adjustment</b>		7.0%	3.5%	3.5%	3.5%	3.5%
<b>Monthly Service Charges</b>						
5/8" & 3/4" - Ultra-Low Flow (6 HCF or less)	\$31.83	\$33.66	\$34.84	\$36.06	\$37.33	\$38.64
5/8" & 3/4" - Low Flow (7-12 HCF)	\$57.19	\$60.39	\$62.51	\$64.70	\$66.97	\$69.32
5/8 & 3/4-inch - All Other	\$81.11	\$86.12	\$89.14	\$92.26	\$95.49	\$98.84
1-inch	\$129.00	\$137.57	\$142.39	\$147.38	\$152.54	\$157.88
1.5-inch	\$248.68	\$266.21	\$275.53	\$285.18	\$295.17	\$305.51
2-inch	\$392.31	\$420.58	\$435.31	\$450.55	\$466.32	\$482.65
3-inch	\$847.14	\$909.41	\$941.24	\$974.19	\$1,008.29	\$1,043.59
4-inch	\$1,517.39	\$1,629.79	\$1,686.84	\$1,745.88	\$1,806.99	\$1,870.24
6-inch	\$3,360.61	\$3,610.85	\$3,737.23	\$3,868.04	\$4,003.43	\$4,143.56
8-inch	\$5,754.42	\$6,183.65	\$6,400.08	\$6,624.09	\$6,855.94	\$7,095.90
10-inch	\$9,105.71	\$9,785.57	\$10,128.07	\$10,482.56	\$10,849.45	\$11,229.19
Fire Line Charge	\$11.57	\$12.22	\$12.65	\$13.10	\$13.56	\$14.04
<b>Commodity Charges (per HCF)</b>						
Single Family Residential (First 6 HCF/month)	\$8.34	\$8.29	\$8.59	\$8.90	\$9.22	\$9.55
Single Family Residential (Next 6 HCF/ month)	\$11.25	\$12.11	\$12.54	\$12.98	\$13.44	\$13.92
Single Family Residential (All additional HCF)	\$14.34	\$16.14	\$16.71	\$17.30	\$17.91	\$18.54
Urban	\$10.33	\$10.98	\$11.37	\$11.77	\$12.19	\$12.62
Recreation Irrigation	\$10.94	\$12.04	\$12.47	\$12.91	\$13.37	\$13.84
Urban Agriculture	\$3.39	\$3.91	\$4.05	\$4.20	\$4.35	\$4.51
Goleta West Conduit	\$2.77	\$2.76	\$2.86	\$2.97	\$3.08	\$3.19
Recycled	\$5.59	\$8.20	\$8.49	\$8.79	\$9.10	\$9.42
Temporary	\$12.14	\$13.09	\$13.55	\$14.03	\$14.53	\$15.04

**Table 7-20** shows projected rate revenues by charge and customer class over the next five years. Revenues beyond FYE 2026 are calculated based on estimated units of service consistent with the growth assumptions outlined in **Section 4**. Note that total rate revenues slightly exceed projected rate revenues under the proposed financial plan in **Section 5** due to rounding up of rates to the nearest whole penny.

Table 7-20: Projected Rate Revenue by Customer Class

Description	FYE 2025	FYE 2026	FYE 2027	FYE 2028	FYE 2029	FYE 2030
<b>Monthly Service Charges</b>						
5/8" & 3/4" - Ultra-Low Flow Projected Revenue	\$3,002,206	\$3,174,811	\$3,288,199	\$3,405,506	\$3,529,925	\$3,658,435
5/8" & 3/4" - Low Flow Projected Revenue	\$2,784,238	\$2,940,027	\$3,046,987	\$3,157,619	\$3,272,422	\$3,391,412
5/8" & 3/4" - All Other Projected Revenue	\$2,022,559	\$2,147,488	\$2,258,094	\$2,386,951	\$2,519,790	\$2,641,400
1" Projected Revenue	\$2,758,536	\$2,941,797	\$3,060,246	\$3,197,556	\$3,340,626	\$3,485,990
1 1/2" Projected Revenue	\$1,459,254	\$1,562,120	\$1,623,423	\$1,687,125	\$1,753,310	\$1,822,062
2" Projected Revenue	\$2,561,000	\$2,745,546	\$2,862,599	\$2,979,037	\$3,088,904	\$3,202,865
3" Projected Revenue	\$233,811	\$250,997	\$271,077	\$280,567	\$290,388	\$300,554
4" Projected Revenue	\$637,304	\$684,512	\$728,715	\$775,171	\$823,987	\$875,272
6" Projected Revenue	\$1,330,802	\$1,429,897	\$1,479,943	\$1,531,744	\$1,585,358	\$1,640,850
8" Projected Revenue	\$552,424	\$593,630	\$614,408	\$635,913	\$658,170	\$681,206
10" Projected Revenue	\$327,806	\$352,281	\$364,611	\$377,372	\$390,580	\$404,251
Private Fire Line Projected Revenue	\$68,726	\$72,586	\$75,293	\$78,128	\$81,035	\$84,072
<b>Commodity Charges (per HCF)</b>						
SFR Tier 1 Projected Revenue	\$6,304,256	\$6,998,070	\$7,260,520	\$7,533,197	\$7,819,159	\$8,114,668
SFR Tier 2 Projected Revenue	\$3,401,055	\$4,088,474	\$4,239,020	\$4,393,972	\$4,558,498	\$4,730,423
SFR Tier 3 Projected Revenue	\$3,657,345	\$4,597,019	\$4,765,407	\$4,940,654	\$5,124,763	\$5,315,280
Urban Projected Revenue <sup>33</sup>	\$16,899,949	\$18,450,380	\$19,308,000	\$20,246,236	\$21,236,902	\$22,183,992
Recreation Irrigation Projected Revenue	\$1,713,160	\$2,220,077	\$2,299,366	\$2,402,540	\$2,510,972	\$2,599,241
Urban Agriculture Projected Revenue	\$1,613,376	\$2,388,407	\$2,491,348	\$2,619,755	\$2,713,317	\$2,832,518
Goleta West Conduit Projected Revenue	\$873,882	\$1,314,799	\$1,362,436	\$1,414,838	\$1,467,239	\$1,519,640
Recycled Projected Revenue	\$879,679	\$1,228,722	\$1,312,550	\$1,450,409	\$1,492,396	\$1,535,738
<b>Total</b>	<b>\$53,081,366</b>	<b>\$60,181,641</b>	<b>\$62,712,241</b>	<b>\$65,494,289</b>	<b>\$68,257,741</b>	<b>\$71,019,868</b>

## 7.4. Monthly Bill Impacts

Figure 7-1 shows sample monthly bills for Single Family Residential customers with a 5/8-inch or 3/4-inch water meter at varying levels of water use. Note that approximately 90 percent of Single Family Residential customers have either a 5/8-inch or 3/4-inch water meter. The three water use levels represent a typical Ultra-Low Flow (less than 6 HCF), Low Flow (less than 12 HCF), and All Other (greater than 12 HCF) customers.

The dark blue bars represent an estimated monthly bill at current FYE 2025 water rates while the light blue bars represent an estimated monthly bill at proposed FYE 2026 water rates.

Assuming the same level of use, Single Family Residential monthly bills in the Ultra-Low Flow usage range will experience a change to their bill for service of less than \$2 per month. Single Family customers in the Low-Flow usage range will experience changes between about \$4.00 to \$8.00 per bill. Single Family Customers using

<sup>33</sup> Temporary Commodity Charge revenue and Fire Service (i.e. penalty charges for non-fire related water use by fire lines) Commodity Charge revenues (less than 0.1% of total rate revenue) are included with the Urban customer class.

above 12 HCF per month will experience the largest increases to their bill as a result of the increase to the Tier 3 SFR Commodity Charge as well as the increase in the Monthly Service Charge.

**Figure 7-1: Single Family Residential Monthly Bill Impacts (FYE 2026)**

**Single Family Residential Monthly Bill Impacts for 5/8" & 3/4" Meter**

■ Current Monthly Bill  
 ■ Proposed Monthly Bill  
 ■ Difference (%)

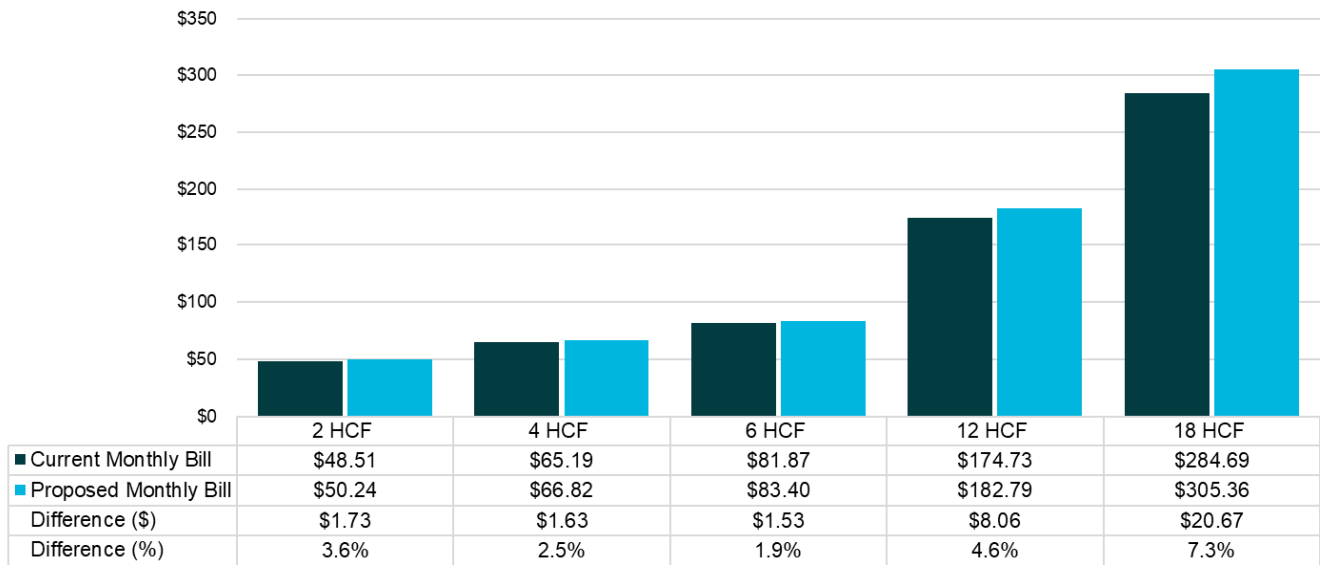


Figure 7-2 through Figure 7-7 show monthly bill impacts for all other customer classes. Monthly bills are estimated based on a variety of usage levels and the most common meter size for each class. The middle column on each chart is representative of the median monthly water use of the class.

Figure 7-2: Multi Family Residential Monthly Bill Impacts (FYE 2026)

### Urban Monthly Bill Impacts for 1" Meter

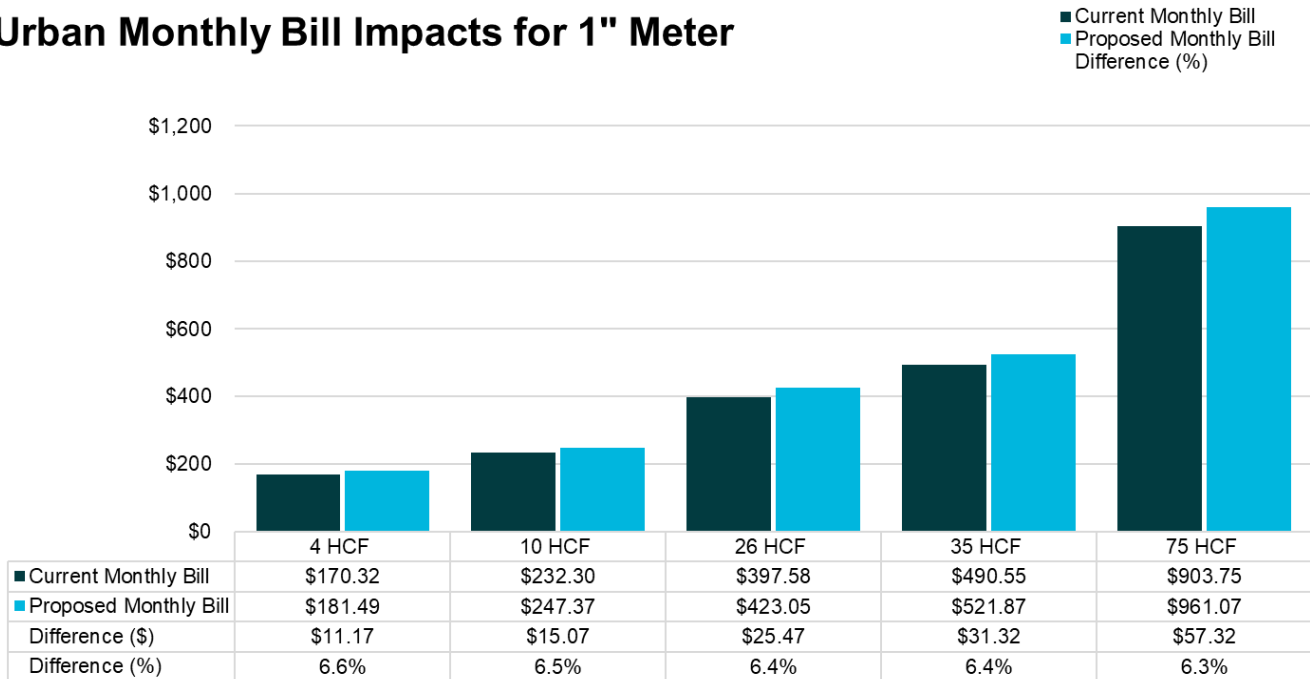


Figure 7-3: Commercial Monthly Bill Impacts (FYE 2026)

### Urban Monthly Bill Impacts for 5/8" & 3/4" Meter

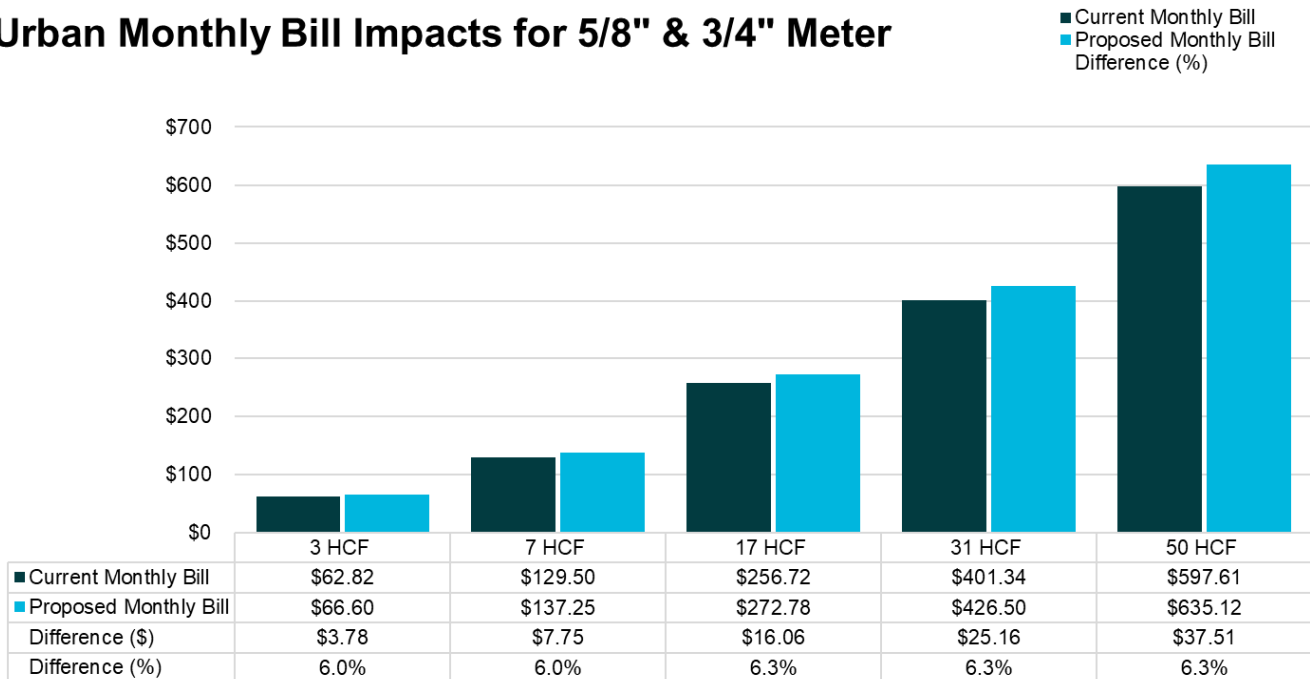


Figure 7-4: Recreation Irrigation Monthly Bill Impacts (FYE 2026)

### Recreation Irrigation Monthly Bill Impacts for 1" Meter

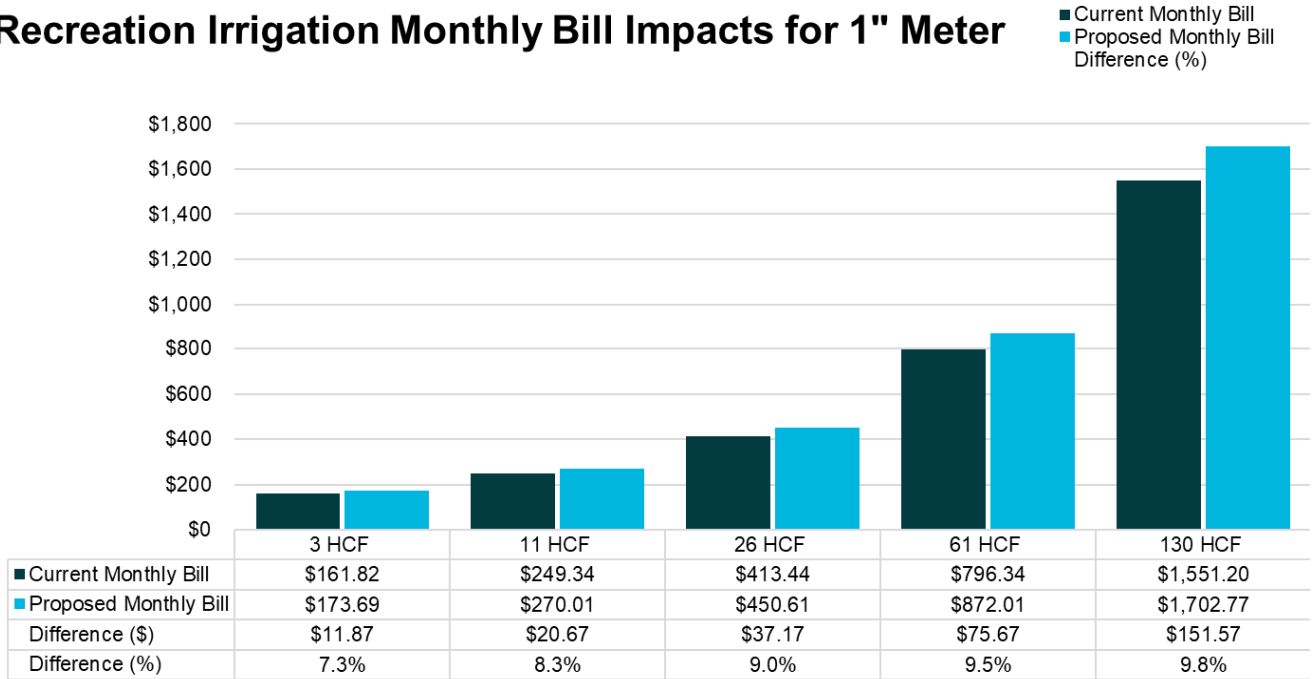


Figure 7-5: Urban Agriculture Monthly Bill Impacts (FYE 2026)

### Urban Agriculture Monthly Bill Impacts for 2" Meter

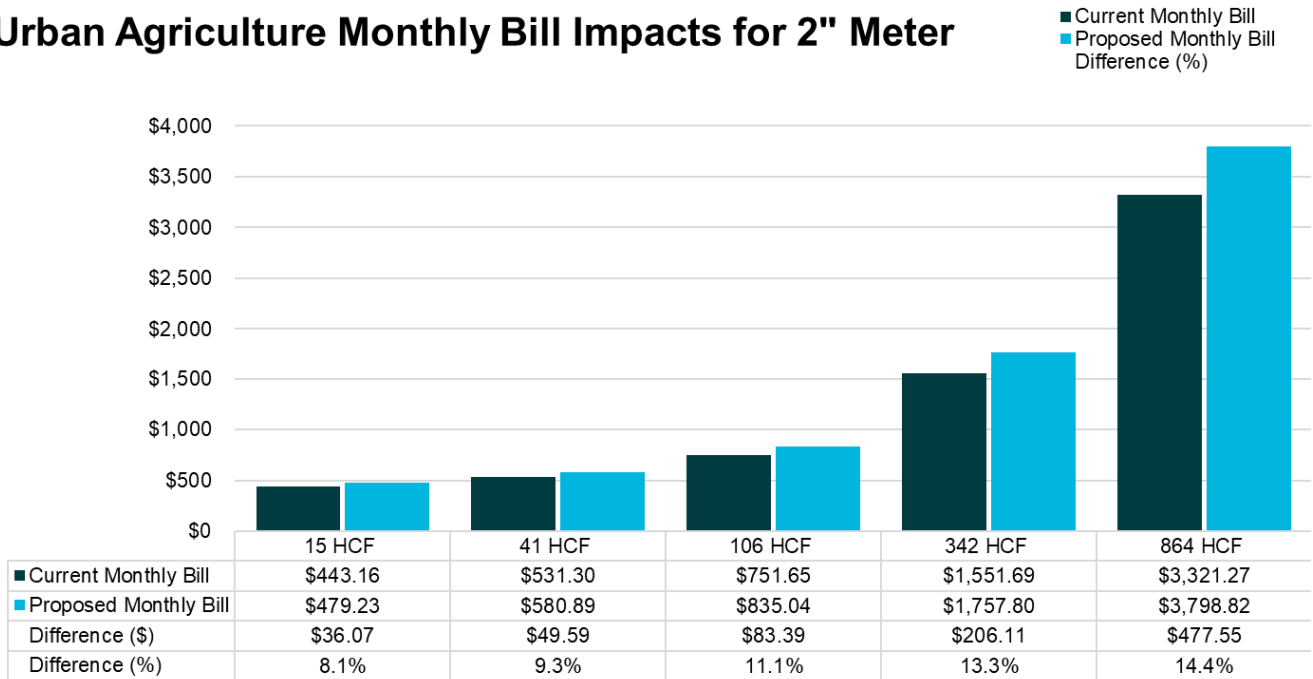


Figure 7-6: Goleta West Conduit Monthly Bill Impacts (FYE 2026)

### Goleta West Conduit Monthly Bill Impacts for 2" Meter

■ Current Monthly Bill  
 ■ Proposed Monthly Bill  
 ■ Difference (%)

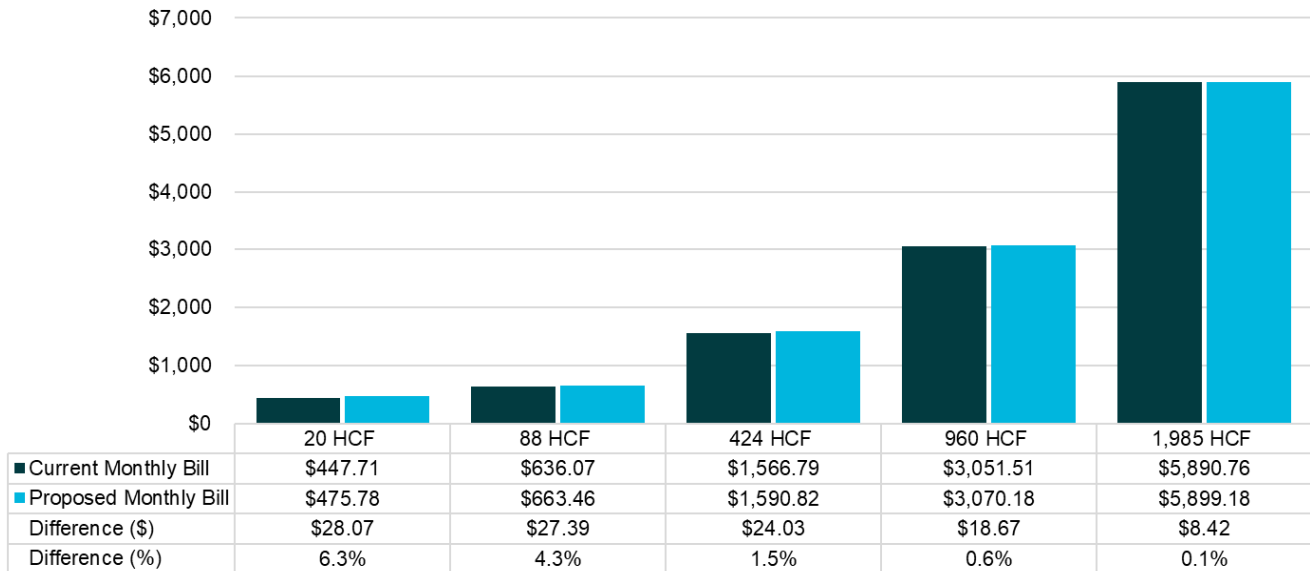
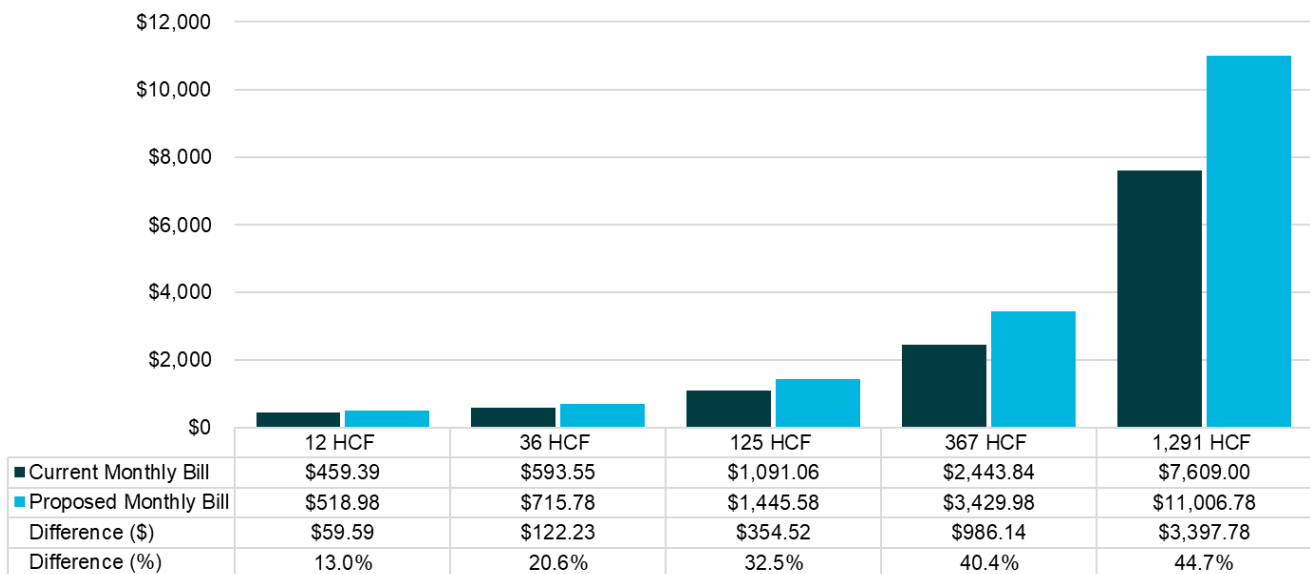


Figure 7-7: Recycled Monthly Bill Impacts (FYE 2026)

### Recycled Monthly Bill Impacts for 2" Meter

■ Current Monthly Bill  
 ■ Proposed Monthly Bill  
 ■ Difference (%)

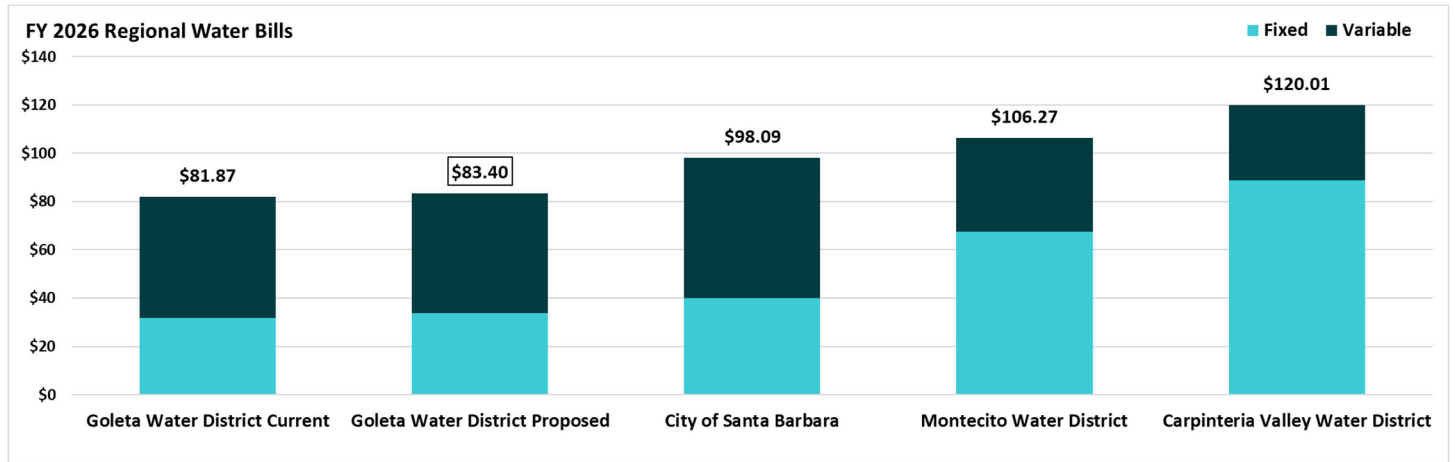


## 7.5. Monthly Bill Comparison

Figure 7-8 provides a comparison of sample Single Family Residential monthly bills with neighboring water agencies. All bills are calculated based on a 5/8-inch or 3/4-inch water meter size and monthly water use of 6

HCF, the District’s typical water use for the class. Monthly bills based on both the District’s current FYE 2025 and proposed FYE 2026 water rates are lower than bills based on neighboring agencies’ proposed FYE 2026 rates.

**Figure 7-8: Single Family Residential Bill Comparison with Neighboring Agencies**



**APPENDIX A:**

# **Peaking Factors by Customer Class/Tier**



Appendix A shows the calculation of Max Day and Max Hour peaking factors for customer classes and tiers that are subject to peaking cost allocation. The peaking analysis shown is based on actual account level water use in FY 2023-24. The ratios of systemwide Max Day (Column F) and Max Hour (Column H) peaking factors to systemwide Max Month factors are used to convert customer class/tier-specific Max Month factors (Column E) into estimated Max Day (Column G) and Max Hour (Column I) peaking factors.

[A]	[B]	[C]	[D]	[E = C÷D]	[F]	[G=E×F]	[H]	[I=E×H]
Line	Customer Class	Max Month Water Use (HCF)	Average Month Water Use (HCF)	Max Month Factor	Ratio of Max Day to Max Month (Systemwide)	Max Day Factor	Ratio of Max Hour to Max Month (Systemwide)	Max Hour Factor
1	SFR Tier 2	34,249	25,193	1.36	1.12	1.53	1.28	1.96
2	SFR Tier 3	36,385	21,254	1.71	1.12	1.92	1.28	2.47
3	Urban	166,305	136,109	1.22	1.12	1.37	1.28	1.76
4	Recreation Irrigation	21,753	13,050	1.67	1.12	1.87	1.28	2.40
5	Temporary	548	260	2.11	1.12	2.37	1.28	3.04

**APPENDIX B:**

# **State Revolving Fund (SRF) Loan Payment Schedule Calculation**



