Draft Report

City of Santa Barbara

Water Rate Study

May 2024

May 14, 2024

Mr. Joshua Haggmark
Water Resources Manager
City of Santa Barbara
630 Garden Street
Santa Barbara, CA 93101

Subject: Water Rate Study Draft Report

Dear Mr. Haggmark:

HDR Engineering, Inc. (HDR) is pleased to present to the City of Santa Barbara (City) the draft report for the water rate study (Study). The City's Study was developed using industry standard approaches and includes a revenue requirement, cost of service, and rate design analyses. This approach results in proposed water rates that are cost-based and proportional for the City's customers while also providing sufficient revenues to fund the operating and capital expenses of the water utility. This report outlines the overall approach used to achieve these objectives, along with our findings, conclusions, and recommendations for the Study.

The City owns and operates a water supply, treatment, transmission, and distribution system. The City utilizes a variety of different water supply sources – depending on different operational and environment factors - including ground water, surface water, recycled water, desalinated water, and purchased water. The costs associated with developing and purchasing water supplies, plus the costs of distributing water to customers has been based on the information provided by the City and included within the development of the proposed water rates. This report provides the basis for developing and implementing water rates which are cost-based, proportional, and consistent with the requirements of Proposition 218.

We appreciate the assistance provided by the City's management and staff in the development of the Study. More importantly, HDR appreciates the opportunity to provide these technical and professional services to the City.

Sincerely yours,
HDR Engineering, Inc.

Shawn Koorn
Associate Vice President

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Executive Summary

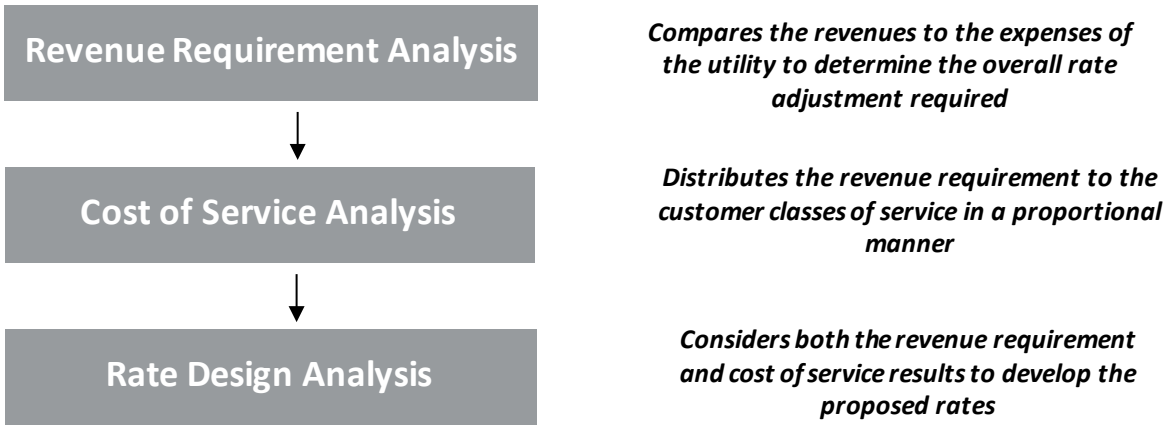
HDR Engineering Inc. (HDR) was retained by the City of Santa Barbara (City) to conduct a water rate study (Study). The objective of the Study was to review the City's operating and capital costs and propose cost-based and proportional water rates which adequately and prudently fund the expenses of the City's water utility. The Study determined the overall adequacy of the existing water revenues and provides the framework and cost-basis for adjustments over the Study time period. The City has historically used rate studies to establish water rates and the Study is a continuation of that approach.

The City owns and operates the water system which includes transmission and distribution infrastructure as well as production and treatment infrastructure. The City has a wide variety of water supply sources including groundwater, surface water, State (imported) water, recycled water, and desalinated water. The costs associated with providing water supply, treatment, transmission, and distribution service to the City's customers have been provided by the City and incorporated into the water rate analyses used to develop the proposed rates.

Overview of the Rate Study Process

A water rate study is based on three interrelated analyses that address the adequacy and proportional cost sharing of a utility's rates. These three analyses are a revenue requirement analysis, a cost of service analysis, and a rate design analysis. These three analyses are illustrated below in Figure ES - 1.

Figure ES – 1
Overview of the Comprehensive Water Rate Analyses



The Study used the above framework for reviewing and evaluating the City's water rates.

Key Water Rate Study Results

The water rate study technical analysis was developed based on the operating and capital costs necessary to provide water service to the City's customers. The Study resulted in the following key findings, conclusions, and recommendations.

- A revenue requirement analysis was developed for the projected time period of Fiscal Year (FY) 2025 through FY 2028
- The City's FY 2024 budget was used as the starting point for the revenue requirement analysis
- Operation and maintenance expenses (O&M) are projected to increase at inflationary levels
  - ✓ Additional staffing expenses are included in FY 2026 to maintain and support the water utility infrastructure
  - ✓ Customer assistance program funding through existing miscellaneous, non-rate revenue sources
- The proposed overall water system rate revenue adjustments are 10.5% annually in FY 2025 and FY 2026 followed by 10.0% annually in FY 2027 and FY 2028
- A cost of service analysis was developed to review the cost basis of the existing water rates and proportionally distribute the FY 2025 revenue requirement between the City's customer classes of service (e.g., rate schedules)
- The results of the cost of service analysis provided average unit costs (i.e., cost-basis) which were used to establish the proposed rates in FY 2025
- The Study has developed proposed water rates by customer class of service (i.e., rate schedules) for the FY 2025 – FY 2028 time period.

Summary of the Revenue Requirement Analysis

A revenue requirement analysis is the first analytical step in the development of the water rate study. The revenue requirement analysis determines the adequacy of the current level of water rate revenues. From this analysis, a determination can be made as to the overall level of water rate revenue adjustments needed to provide adequate and prudent funding for both operating and capital needs.

The revenue requirement analysis was developed for the review period (FY 2024 – FY 2033) with the Proposition 218 rate setting period identified as FY 2025 through FY 2028. Reviewing a multi-year time frame is recommended to better anticipate future financial requirements and allow the City to begin planning for these impacts sooner, thereby minimizing short-term rate impacts and overall long-term rate levels. For the revenue requirement analysis, a "cash basis" approach was utilized. The cash basis approach is the most commonly used methodology by municipal utilities to set their revenue requirement and it includes the sum of the annual O&M expenses, taxes or transfer payments, debt service payments, and capital projects funded from rates. The primary financial inputs in the development of the revenue requirement analysis were the City's FY 2024 budget, FY 2023 billed customer and consumption data, and the City's water utility

capital improvement plan. Total O&M is budgeted at approximately $49.1 million in FY 2024 and increases to $64.2 million by FY 2028. The O&M is significantly impacted by inflationary impacts on budgeted costs, in particular, the cost of health, liability, and property insurance. This is not uncommon or unique to the City's water utility in the current public utility environment. Per the City's staffing plan, the Study has also included the addition of staff in FY 2026 to support and maintain the water system infrastructure.

Once the O&M expenses have been projected over the review period, the next step is to review the capital improvement plan (CIP) and develop a capital infrastructure funding analysis. The proper and adequate funding of capital maintenance, renewal, and replacement is important in minimizing reactive and emergency maintenance costs, which can lead to higher customer rates over time. A general financial guideline states that, at a minimum, a utility should fund an amount equal to or greater than annual depreciation expense through rates. Annual depreciation expense for the City's water utility in FY 2023 was approximately $9.9 million. Currently, the City is projecting in the financial plan to fund an amount greater than the annual estimated depreciation expense over the next five year period, ranging from $11.2 million in FY 2024 to $22.5 million in FY 2028 and averaging $19.4 million per year. It is assumed that – in addition to the rate funded capital improvements – the City will need to utilize other funding sources in order to fully fund the planned capital expenses. Provided below in Table ES - 1 is a summary of the capital improvement funding plan, including the assumed funding sources, over the rate setting period.

Table ES – 1
Summary of the Annual Rate Funded Capital ($000)

	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Total Capital Projects	$30,880	$38,503	$36,649	$36,543	$36,125
Less: Other Funding Sources	19,700	19,650	14,605	14,162	13,643
Total Rate Funded Capital	**$11,180**	**$18,853**	**$22,044**	**$22,380**	**$22,482**

As can be seen, where annual rate funded capital is insufficient to fund annual capital improvements, the difference will need to be made up through other funding sources. In general, this is funded through available cash reserves or long-term borrowing. In FY 2025 through FY 2028, the City is planning on using low interest loans to fund future capital needs (specifically, the Cater Reservoir and Vic Trace projects) to minimize the impact of rate funded capital and complete necessary capital improvements. A priority of the Study is continuing to increase the level of rate funded capital (i.e., pay-as-you-go) to meet the City Council's policy of replacing six miles of water mains per year and increase its investment in replacing aging infrastructure. The full capital improvement plan is found in the Technical Appendix in Exhibit 4.

The revenue requirement analysis for the City's water utility was developed to determine the rate revenue projections based on the specific costs of the City's water system to provide service to City customers. Provided below, in Table ES – 2, is a summary of the revenue requirement analysis (financial plan) developed for the water utility as part of the Study. A more detailed

discussion of the revenue requirement analysis can be found in Section 2 of this report and the detailed technical analysis is provided in the Technical Appendix in Exhibit 3.

Table ES - 2
Summary of the Revenue Requirement Analysis ($000)

	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Revenues					
Rate Revenues	$60,137	$60,160	$60,183	$60,207	$60,230
Misc. Revenues	10,852	13,142	12,859	12,537	12,501
Total Revenues	**$70,989**	**$73,302**	**$73,042**	**$72,743**	**$72,731**
Expenses					
O&M Expenses	$49,074	$52,817	$56,587	$60,257	$64,189
Rate Funded Capital	11,180	18,853	22,044	22,380	22,482
Debt Service [1]	8,915	9,312	8,901	8,926	8,189
Reserve Funding	1,820	(1,366)	(1,193)	1,830	6,616
Total Expenses	**$70,989**	**$79,616**	**$86,339**	**$93,394**	**$101,476**
Bal./(Def.) of Funds	$0	($6,314)	($13,297)	($20,651)	($28,745)
Bal. as a % of Rate Rev.	0.0%	10.5%	22.1%	34.3%	47.7%
Proposed Rate Revenue Adjst.	**0.0%**	**10.5%**	**10.5%**	**10.0%**	**10.0%**
Additional Revenue from Rate Adj.	$0	$6,314	$13,297	$20,651	$28,745
Total Bal./(Def.) of Funds	0	0	0	0	0

[1] Annual debt service payments do not include CCWA debt as it is included in O&M expenses

As can be seen, the revenue requirement analysis has summed the O&M expenses, rate funded capital, net debt service, and reserve funding. The total expenses (i.e., the revenue requirement) is then compared to the total revenues for the City's water utility which are the rate revenues, at present rate levels, and other or miscellaneous revenues. From this comparison, a balance (+) or deficiency (-) of funds in each year can be determined. This calculation is then compared to the current water rate revenues to determine the level of rate revenue adjustment necessary to meet the revenue requirement as developed in each year of the review period. It is important to note, the "Bal. / (Def.) of Funds" row is cumulative. That is, rate revenue adjustments in the initial years will reduce the deficiency in the later years. Over the rate setting period, the total deficiency of rate revenues is 47.7% for the water utility. To meet the overall revenue needs of the four-year rate period, annual rate revenue adjustments of 10.5%, are proposed annually in FY 2025 and FY 2026 followed by 10.0% annually in FY 2027 and FY 2028.

The above rate adjustments, on a cumulative basis, meet the overall revenue deficiency over the time period reviewed. Based on the revenue requirement analysis developed, HDR has concluded that the City will need to adjust the level of water rate revenues as noted above to maintain cost-based rates. HDR has reached this conclusion for the following reasons:

- Funding the City's capital improvement plan and the replacement of aging infrastructure

- Address inflationary impacts to costs and reflect the annual inflationary increases in the costs of providing water service to customers
- Maintain the City's financial health and provide long-term, sustainable funding levels to meet reserve and debt service requirements

In reaching this conclusion, HDR would recommend that the City adopt the proposed water rate revenue adjustments for FY 2025 to FY 2028 in accordance with the results shown in Table ES – 2. Adopting the proposed adjustments would provide sufficient funding for the projected operating and capital needs of the water utility. Detailed technical exhibits of the revenue requirement analysis have been included within the Technical Appendix in Exhibits 1 - 6. Once the overall system rate revenue need is identified, the next step is to develop the cost of service analysis to proportionally distribute the total revenue requirement to the customer classes of service for purposes of developing the proposed rates.

Summary of the Water Cost of Service Analysis

A cost of service analysis determines the proportional distribution of the revenue requirement to the customer classes of service (Single Family Residential, Multi-Family Residential, Commercial, Irrigation, etc.). The objective of the cost of service analysis is different from the revenue requirement analysis. Whereas a revenue requirement analysis determines the utility's overall level of rate revenues, the cost of service analysis determines the proportional distribution of the total revenue requirement among the customer classes of service.

In summary form, the City's cost of service analysis is based on four primary components; the cost of water supply, the impact of sizing the system to meet customer class peak demands, the cost of water delivery, and customer related costs associated with providing service. Based on generally accepted methodologies, as outlined in the American Water Works Association (AWWA), M1 Manual, Principles of Water Rates, Fees, and Charges, each of these costs are distributed to the customer classes of service based on each customer classes' proportional share of each cost component. At the conclusion of the cost of service analysis, these components result in average unit costs, or the variable consumption rate and the fixed monthly service or meter rate for each customer class of service. In this way, the costs associated with providing each component reflect the benefit, and proportional share, each customer class receives based on their use of the system. A more detailed discussion of the development of the cost of service analysis is included in Section 3 of this report.

Water Supply Costs – The City has multiple water supply resources. Each water supply resource has a different supply yield and a separate and distinct per unit cost. The City Council has a well-established formal policy (most recently approved as Resolution No. 23-078) to allocate the lowest-cost water, within the rate model, to the highest priority uses. For example, Irrigation-Agriculture is priority 1 and receives the lowest cost water supply for the City, which is groundwater. Priority 2, which includes remaining groundwater along with other surface water sources is for basic health and sanitation needs for Single Family Residential and Multi-Family Residential customers, and for tier 1 Irrigation-Recreation. Based on the cost of providing each water supply source, and the total metered consumption of each source, the cost can be calculated for each customer class and tier, budget, or allotment. The approach to prioritizing

and costing of the water supply is consistent with the City's past water rate studies. These costs are proportionally distributed to each customer class, and the average unit costs as calculated in the cost of service become one of the components of the consumption charge for each customer class of service.

Peak Demand Costs – A component of the costs related to providing water service is the sizing of system infrastructure to meet peak day and peak hour demands. For the City's study, the functionalized revenue requirement was allocated to the different cost components (i.e., base, extra-capacity max day, extra-capacity max hour, meter). The costs allocated to extra-capacity max day and max hour reflects the sizing of the system to meet peak demands on the system. As an example, the City must size the system's facilities with sufficient capacity to meet the City's peak demand periods; this is critical as the City must plan for and install sufficiently sized infrastructure regardless of when the peak event occurs. These peak events drive the sizing and operation of the system as the movement of water takes up space and has significant weight; the City must plan accordingly by sizing and installing the appropriate infrastructure. This results in system infrastructure being sized to meet these peak demands. This available capacity, and sizing of the system to meet the peak demands, is not generally used in the off-peak or winter period. Since the City must provide this peak demand service, regardless of when it occurs, and has sized the water system facilities to accommodate peak demands, the higher proportion of the cost of operating and maintaining the over-sized facilities (i.e., their proportional share of the costs associated with extra capacity peak day and extra capacity peak hour) should be proportionally distributed in a manner to customers who create the higher peak demands on the system. The Study has proportionally assigned peak demand costs according to the system peak demands attributable to each of the customer classes. This results in distinct peaking costs and average unit costs for each class of service based on each tier or allotment/budget. Similar to the water supply costs, the unit costs developed for each customer class of service become another component of the consumption charge for each customer class of service.

Water Delivery Costs – Water delivery costs reflect the costs associated with distributing water to all customers throughout the City's service area. The costs associated with delivery costs are determined by taking the costs allocated as base related less the cost of water supply costs. This cost is uniformly distributed (e.g., assigned) to all customers and is calculated by dividing the total delivery costs by the total metered water consumption. In this way, and given that these are base related costs, all customers share equally in the cost of water delivery (distribution) on a per consumption unit basis. This is the final component included in the calculation of the consumption charges for each customer class of service.

Customer Costs – The cost of service allocated a portion of the operating costs to the customer component. These costs are collected through the monthly fixed meter charge and the monthly billing charge. As a point of reference, the cost of service analysis is not a fixed variable analysis. The cost of service allocates the costs associated with providing service regardless of consumptive use and those costs related to reading meters and billing of customers. The meter reading costs are distributed equally between all customers and included in the monthly fixed charge. In addition to the customer meter reading and billing costs, the cost of service analysis allocates costs related to water utility management, overall system infrastructure needs, and

annual debt service. These costs are then divided by the total number of equivalent meters on the system to develop a 5/8-inch equivalent meter charge. The 5/8-inch meter is then used to establish the monthly meter charge for larger meters based on the meter ratios which reflect the demands or capacity the larger meters place on the system as outlined in the AWWA M1 Manual.

As a point of reference, this cost allocation results in a total "fixed" cost of approximately 30% of the annual rate revenue. This is consistent with the revenue ratio targeted by the California Water Efficiency Partnership as a best management practice for water conservation, as well as an industry-accepted ratio. This results in a rate structure that is conservation-oriented and provides customers with the opportunity to adopt water efficient practices and fixtures to reduce their consumption component of the water bill.

Based on this approach, the cost of service analysis developed for the City proportionally distributes the revenue requirement to each rate component for each customer class based on their respective demands on the system and the facilities required to provide service. The key outcome of the cost of service analysis is the average unit costs (e.g., $ / customer or $ / HCF). The average unit costs provide the cost basis for the development of the City's proposed water rates. Section 3 of this report provides a detailed discussion of the cost of service analysis conducted for the City's water utility and the development of the average unit costs. The Technical Appendix contains additional details associated with the cost of service analysis calculation and can be found in Exhibits 7 – 14.

Summary of the Present and Proposed Water Rate Designs

The final step of the rate study process is the design of the City's proposed water rates to collect the required level of revenue, based on the results of the revenue requirement and cost of service analyses. As mentioned previously, the revenue requirement analysis provides a set of recommendations related to the level of annual rate revenue adjustments, or the level of total rate revenues necessary to provide sufficient funding. The cost of service analysis resulted in recommendations as to how the revenue is collected proportionally from each of the rate structure components for each customer class of service (i.e., average unit costs).

Developing cost-based and proportional water rates are of paramount importance. Given this, the City's proposed water rates have been developed with the intent of meeting the requirements of California Constitution article XIII D, section 6 (Article XIII D), also known as Proposition 218. A key component of Article XIII D is the development of rates which reflect the cost of providing service and are proportionally distributed among the customer classes of service. HDR would point out that there is no single methodology for proportionally assigning costs to the various customer groups. The American Water Works Association (AWWA) M1 Manual clearly delineates various methodologies which may be used to establish cost-based rates. Article XIII D also does not prescribe a particular methodology for establishing cost-based rates. Consequently, HDR and the City have developed the proposed water rates based on the AWWA M1 manual methodology adapted to meet the requirements of Article XIII D.

HDR is of the opinion that the proposed rates comply with the legal requirements of Article XIII D. HDR reaches this conclusion based upon the following:

- **The revenue derived from water rates does not exceed the funds required to provide the property related service (i.e., water service).** The proposed rates are designed to collect the overall revenue requirement of the City's water utility.
- **The revenues derived from water rates shall not be used for any purpose other than that for which the fee or charge is imposed.** The revenues derived from the City's water rates are used exclusively to operate and maintain the City's water system.
- **The amount of a fee or charge imposed upon a parcel or person as an incident of property ownership shall not exceed the proportional costs of the service attributable to the parcel.** Section 3 of this study focuses exclusively on the issue of proportional assignment of costs to customer classes of service. The proposed water rates have appropriately grouped customers into customer classes of service (Single Family Residential, Multi-Family, Irrigation-Agriculture, etc.) that reflect the varied consumption patterns and system requirements of each customer class of service. As described in Section 3, the cost of service process results in the proportionality required under Article XIII D by having differing rates by customer classes of service that reflect the manner in which these costs are incurred and which are proportionally assigned to customer classes of service based upon their demands placed on the City's water system and water resources.

Given the approach of calculating water rates based on cost of service principles, the resulting unit costs are used to design the proposed water rates for the City's customer classes of service so that the rates meet the intent and requirements of Proposition 218.

All customers are charged the same schedule for the fixed component which varies depending on the customer's meter size. The consumption charges are specific to each customer class of service. The basis for the unit costs for each consumption charge is based on the costs and prioritization associated with each source of supply (e.g., groundwater, desalination). Each water source of supply was evaluated, and the total costs associated with the source were combined and divided by the yield of the source. The yield for each source is the total potential yield, adjusted proportionally by the ratio of total yield of all sources vs actual customer consumption, ensuring all sources were within their sustainable yield. Together with delivery and peak demand costs, water supply costs are then used to calculate the per unit costs in conjunction with the City's prioritization of the consumption within each tier for each customer class. This analysis results in the development of the average unit cost for each customer class of service and the consumption tiers, allotments, prioritizations, and budgets for each customer class of service.

Provided below in Table ES - 3 is a summary of the present and proposed water rates for the rate setting period. If adopted, the proposed FY 2025 rates will be effective July 2, 2024 and the rates for FY 2026 – FY 2028 become effective at the start of each fiscal year, or July 1st.

Table ES - 3
Summary of the Proposed Water Rates

	Present Rate	FY 2025	FY 2026	FY 2027	FY 2028
Fixed Charge	***$/Acct/Mo***	***$/Acct/Mo***	***$/Acct/Mo***	***$/Acct/Mo***	***$/Acct/Mo***
5/8"	$32.60	$36.21	$40.01	$44.01	$48.41
3/4"	47.73	52.50	58.01	63.81	70.19
1"	77.97	85.09	94.02	103.42	113.76
1 1/2"	153.59	166.55	184.04	202.44	222.68
2"	244.33	264.30	292.05	321.26	353.39
3"	531.67	573.86	634.12	697.53	767.28
4"	955.12	1,030.06	1,138.22	1,252.04	1,377.24
6"	1,968.37	2,121.66	2,344.43	2,578.87	2,836.76
8"	3,631.93	3,913.84	4,324.79	4,757.27	5,233.00
10”	5,749.18	6,194.80	6,845.25	7,529.78	8,282.76
Consumption Charge	***$ / HCF***	***$ / HCF***	***$ / HCF***	***$ / HCF***	***$ / HCF***
Single Family					
Tier 1 (0 – 4 HCF)	$5.10	$5.49	$6.06	$6.67	$7.34
Tier 2 (4 – 16 HCF)	15.19	15.31	16.92	18.61	20.47
Tier 3 (16 + HCF)	28.54	34.90	38.56	42.42	46.66
Multi-Family					
Tier 1 (0 – 4 HCF/DU)	$5.10	$5.49	$6.06	$6.67	$7.34
Tier 2 (4 – 8 HCF/DU)	15.19	15.31	16.92	18.61	20.47
Tier 3 (8 + HCF/DU)	28.54	34.90	38.56	42.42	46.66
Recycled Water					
All Usage	$4.99	$6.10	$6.74	$7.41	$8.15
Commercial					
Within Base Allotment	$7.77	$8.19	$9.05	$9.96	$10.96
Over Base Allotment	28.45	37.82	41.80	45.98	50.58
Industrial					
Within Base Allotment	$7.77	$8.19	$9.05	$9.96	$10.96
Over Base Allotment	28.45	37.82	41.80	45.98	50.58
Irrigation Agriculture					
Within Monthly Budget	$3.98	$5.13	$5.67	$6.24	$6.86
Over Monthly Budget	28.54	34.90	38.56	42.42	46.66
Irrigation Recreation					
Within Monthly Budget	$5.98	$7.26	$8.02	$8.82	$9.70
Over Monthly Budget	28.54	34.90	38.56	42.42	46.66
Irrigation Urban					
Within Monthly Budget	$15.19	$15.31	$16.92	$18.61	$20.47
Over Monthly Budget	28.54	34.90	38.56	42.42	46.66

As can be seen, the proposed rates maintain the current rate structure. The level of the monthly fixed charges and consumption charges has been adjusted for each customer class based on the results of the revenue requirement (overall system revenue needs) and cost of service (proportional distribution) analyses based on the average unit costs as developed for FY 2025.

Section 4 of this report provides a detailed discussion of the current and proposed water rates along with a component by component summary of the proposed water rates for FY 2025 – FY 2028.

Water Rate Study Recommendations

Based on the results of the water rate study, HDR recommends the following:

- Rate revenue adjustments are necessary to prudently fund operating expenses and necessary capital investment in renewal and replacement of the existing system
- Water rate revenues should be adjusted 10.5%, annually, in FY 2025 and FY 2026 then 10.0% annually in FY 2027 and FY 2028
- The proposed water rates reflect the results of the cost of service analysis on average unit costs and the proportional distribution of costs to the customer classes of service which results in the proposed fixed and variable charges
- Prior to implementing rates after FY 2028 the City should complete a water rate study to establish the cost-basis for the next rate setting period

Rate Adoption

Proposition 218 outlines the process to legally adopt and implement the proposed water rates. The first requirement is that the rates must be cost-based and proportional, which is the purpose of completing the water rate study. Once the proposed water rates have been developed, a public process must be undertaken to adopt the proposed rates. This began with the presentation of the proposed rates to the Finance Committee and City Council in April 2024. At the completion of this meeting, the City mailed the Proposition 218 notices – shown in the Proposition 218 Appendix – to the City's customers which outlines the proposed changes in rates and the time, date, and location of the public hearing. The City Council will hold a public hearing on June 25, 2024, to discuss the publicly noticed and proposed rates.

Summary of the Water Rate Study

The focus of the Study has been the prudent and adequate funding of the annual water utility operation, including maintenance expenses and capital funding needs. Furthermore, the proposed rates were developed based on a proportional distribution of costs through the cost of service analysis, which resulted in the development of the proposed water rates for each customer class of service. A full and complete discussion of the development of the City's comprehensive water rate study can be found in the following sections of this report.

1 Overview of the Rate Setting Process

The City owns and operates a public water system including water supply, treatment, transmission, and distribution facilities. The determination of the total costs associated with providing water service to the City's customers is developed based on the City's accounting, budgeting, operating, and customer billing records along with other system operational and cost information.

The objective of the Study is to develop cost-based, proportional water rates which are compliant with the requirements of Proposition 218. This is accomplished by first reviewing and analyzing the City's water operating and capital costs and developing a projection of the overall revenue requirement of the water utility. Next, the City's revenue requirement is proportionally distributed to the customer classes of service. The findings and conclusions from the cost of service process is then used to develop the City's proposed water rates which are reflective of how the City incurs costs in order to provide water service. The end result of the comprehensive rate study process is cost-based, proportional water rates reflective of the City's specific costs and customer consumption characteristics.

This section of the report provides background information about the water rate setting process, including descriptions of generally accepted principles, types of utilities, and methods of determining the revenue requirement, cost of service, and rate design analyses. This information is useful for gaining a better understanding of the technical rate setting details and analyses presented in Sections 2 through 4 of this report.

1.1 Goals and Objectives

The City had a number of key objectives in developing the water rate study. These key objectives provided a framework for policy decisions in the analysis that follows. These key objectives were as follows:

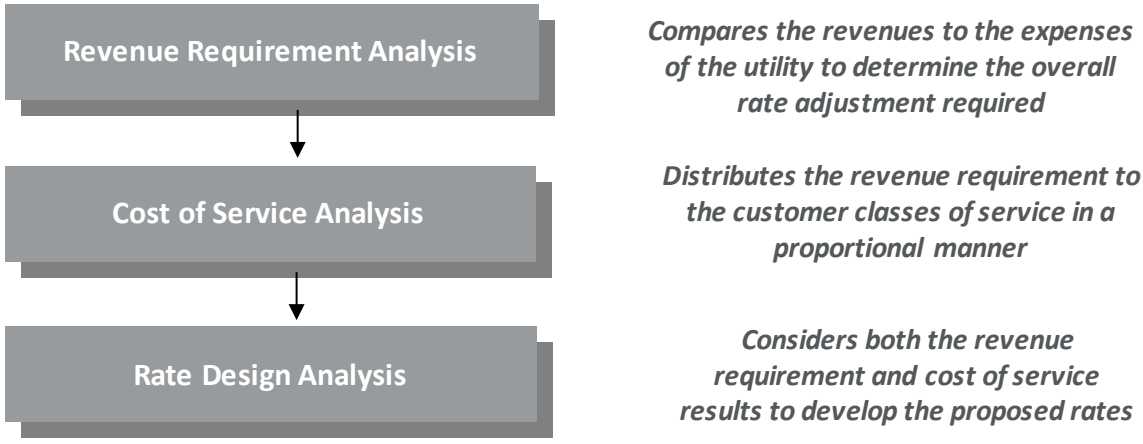
- Develop the Study in a manner that is consistent with the cost of service principles and methodologies established by the American Water Works Association (AWWA), M1 Manual, Principles of Water Rates, Fees, and Charges
- In financial planning and establishing the City's proposed water rates, utilize best industry practices, while also recognizing and acknowledging the specific and unique characteristics of both the City's water supplies, water system, and water customers
- Review the City's water rates utilizing "generally accepted" rate making methodologies to determine adequacy and equity of the current utility rates
- Meet the City's financial planning criteria as it relates to legally required debt service coverage ratios, adequate funding of capital infrastructure, and maintenance of adequate and prudent reserve levels, as determined by City Council policies
- Develop a final proposed rate transition plan which adequately supports the utility's funding requirements, while attempting to minimize overall customer bill impacts

- Provide proposed water rates designed to meet the intent and requirements of California Constitution article XIII D, section 6 (commonly referred to as Proposition 218)

1.2 Overview of the Rate Study Process

The rates an agency charges must be set at a level where a utility's operating and capital expenses are met with the revenues received from customers. This is an important point, as failure to achieve this objective may lead to insufficient funds to maintain system integrity. To evaluate the adequacy of the existing rates, a comprehensive rate study is often performed. A comprehensive water rate study consists of three interrelated analyses. Figure 1 - 1 below provides an overview of these analyses.

Figure 1 – 1
Overview of the Comprehensive Water Rate Analyses



The above framework was utilized for reviewing and evaluating the City's water utility rates.

1.3 Generally Accepted Rate Setting Principles

As a practical matter, all utilities should consider setting rates based on generally accepted principles and guidelines. Utility rates should be:

- Cost-based, proportional, and set at a level that meets the utility's full revenue requirement
- Easy to understand and administer
- Designed to conform to generally accepted rate setting techniques such as the AWWA M1 Manual and meet the requirements of Proposition 218
- Stable in their ability to provide adequate revenues for meeting the utility's financial, operating, and regulatory requirements
- Established at a level that is stable from year-to-year from a customer's perspective

1.4 Determining the Revenue Requirement

Most public utilities use the "cash basis" [1] approach for establishing their revenue requirement and setting rates. This approach conforms to most public utility budgetary requirements. A public utility totals its cash expenditures for a period of time to determine the required revenues. The revenue requirement for a public utility is usually comprised of the following costs or expenses:

- **Total Operating Expenses:** This includes a utility's operation and maintenance (O&M) expenses, plus any applicable taxes or transfer payments. Operation and maintenance expenses include the materials, electricity, labor, supplies, etc., needed to keep the utility functioning.
- **Total Capital Expenses:** Capital expenses are calculated by adding annual debt service payments (principal and interest) to capital improvements financed with rate revenues (i.e., Rate Funded Capital). In lieu of including capital improvements financed with rate revenues, a utility sometimes includes depreciation expense to stabilize the annual revenue requirement.

Under the cash basis approach, the sum of the total O&M expenses plus the total capital expenses equals the utility's total revenue requirement during the selected time period (historical or projected).

Note that the two portions of the capital expense component (debt service and capital improvements financed from rate revenues) are necessary under the cash basis approach because utilities generally cannot finance all their capital facilities with long-term debt. At the same time, it is often difficult to pay for all capital expenditures on a "pay-as-you-go" basis given that some major capital projects may have significant financial/rate impacts upon the utility. Many utilities have found that some combination of pay-as-you-go funding and long-term financing will often lead to minimization of rate increases over time.

As noted, public utilities typically use the cash basis methodology or approach to establish their revenue requirements. An exception occurs if a public utility provides service to a wholesale or large contract customer. In this situation, a public utility could use the "utility basis" approach (see Table 1 - 1) to earn a fair return on the investment needed to serve the wholesale or large contract customer.

[1] "Cash basis" as used in the context of rate setting is not the same as the terminology used for accounting purposes and recognition of revenues and expenses. As used for rate setting, "cash basis" simply refers to the specific cost components to be included within the revenue requirement analysis.

Table 1 – 1
Cash versus Utility Basis Comparison

	Cash Basis		Utility Basis (Accrual)
+	O&M Expenses	+	O&M Expenses
+	Taxes/Transfer Payments	+	Taxes/Transfer Payments
+	Capital Improv. Funded from Rates (≥ Depreciation Expense)	+	Depreciation Expense
+	Debt Service (Principal + Interest)	+	Return on Investment
=	**Total Revenue Requirement**	=	**Total Revenue Requirement**

1.5 Analyzing Cost of Service

After the total revenue requirement is determined, it is allocated to the appropriate cost component(s), and proportionally distributed to the users of the service. The allocation and distribution process, as analyzed through a cost of service analysis, reflects the cost relationships for producing and delivering water services to the customer classes of service. A cost of service analysis requires three analytical steps:

1. Costs are ***functionalized*** or grouped into the various cost categories related to providing service (supply, treatment, distribution, pumping, etc.). This step is largely accomplished by the utility's accounting system.
2. The functionalized costs are then ***allocated*** to specific cost components. Allocation refers to the arrangement of the functionalized data into the appropriate cost component(s). For example, a water utility's costs – such as for the City - are typically allocated as average day, peak day, or customer-related.
3. Once the costs are allocated to the appropriate cost component(s), they are proportionally ***distributed*** to each of the customer classes of service, or rate schedule. The proportional distribution of the costs is based on each customer class's relative contribution to the cost component (i.e., benefits received from and burdens placed on the system and its resources). For example, customer-related costs can be proportionally distributed to each class of service based on the total number of customers in that class of service, relative to all other customer classes of service. Once the total costs (i.e., revenue requirement) are proportionally distributed, the revenues from each customer class of service required to achieve cost-based rates can be determined.

The City's cost of service analysis was developed based on generally accepted approaches and methodologies, while taking into consideration the unique customer and system characteristics of the City's water utility which is discussed in more detail in Section 4 of this report.

1.6 Designing Water Rates

Rates that meet the utility's cost-based and proportionality objectives are designed based on the results and findings from the revenue requirement and cost of service analyses. Using the cost

information from these two analyses results in water rates that are strictly cost-based and proportional. The average unit costs (i.e., cost-based rates) from the cost of service does not consider other non-cost-based goals and objectives (e.g., conservation, economic development, ability to pay, revenue stability). In designing the final proposed rates, factors such as ability to pay, continuity of past rate philosophy, economic development, ease of administration, and customer understanding may be taken into consideration. However, the proposed rates must reflect each customer class's proportional share of costs allocated through the cost of service analysis to meet the legal requirements of establishing proposed rates to meet the intent and requirement of Proposition 218. The development of the City's proposed water rate design is discussed in more detail in Section 4 of this report.

1.7 Summary

This section of the report has provided a brief introduction to the general principles, techniques, and economic theory used to set water rates. These principles and techniques provide the theoretical and technical basis for the analysis used to develop the City's comprehensive water rate study.

2 Revenue Requirement Analysis

The development of a revenue requirement analysis is the first analytical step in the rate study process. This section describes the development of the revenue requirement for the City's water utility. The City has provided detailed revenue and expenses data for the water system that provided the cost-basis for the development of the revenue requirement analysis.

The revenue requirement analysis, as developed for the City's water utility, determines the adequacy of water rates at current rate levels. From this analysis, a determination can be made as to the overall level of rate revenue adjustment needed to provide adequate and prudent funding for both operating and capital expenses. HDR developed an independent analysis based on information provided by the City as part of the study.

2.1 Determining the Revenue Requirement

In developing the City's water revenue requirement, the water utility - as an enterprise fund - must financially "stand on its own" and be properly funded. That is to say, there are no transfers from other City of Santa Barbara funds, such as the General Fund or the Measure C Capital Fund, to support the City's water utility. As a result, the revenue requirement analysis assumes the full and proper funding needed to operate and maintain the City's water system on a financially sound and prudent basis.

2.2 Establishing a Time Frame and Approach

The first step in developing the revenue requirement for the City's water utility was to establish a time frame for the revenue requirement analysis. For the Study, the revenue requirement was developed for a review time period (FY 2024 – FY 2033) based on the FY 2024 adopted budget and which was then projected through FY 2033. While the revenue requirement was developed for a ten-year period, the focus for rate setting purposes was the immediate four-year period of FY 2025 – FY 2028. Reviewing a multi-year time period is always recommended in order to identify any major financial impacts that may be on the horizon. By anticipating future financial requirements sooner, the City can begin planning for these changes, thereby minimizing short-term rate impacts and overall long-term rate levels.

The second step in determining the revenue requirement was to decide on the basis of accumulating costs. In this particular case, for the revenue requirement analysis a "cash basis" approach was utilized. As noted in Section 1, the cash basis approach is the most common methodology used by municipal utilities to establish their revenue requirement. This is also the methodology that the City has used in prior rate studies to determine its water revenue requirement.

Given a time period around which to develop the revenue requirement and a method to accumulate the costs, the focus shifts to the development and projection of the revenues and expenses of the City's water rate study.

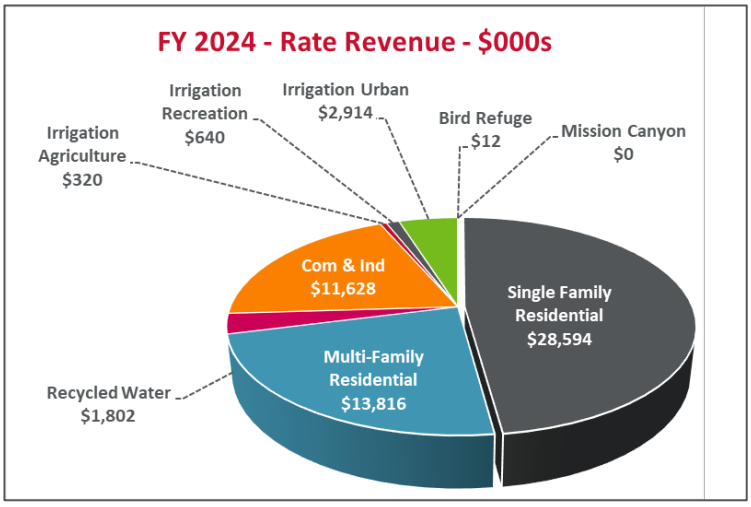
The primary financial inputs in the development of the revenue requirement were the City's FY 2024 water utility budget, FY 2023 customer and consumption data, and the water utility capital improvement plan (CIP). Presented below is a detailed discussion of the steps and key assumptions contained in the development of the City's water revenue requirement analysis.

2.3 Projecting Rate and Other Miscellaneous Revenues

Once the overall methodology and time period for developing the revenue requirement was established, the next step in the revenue requirement analysis was to develop a projection of the water rate revenues, at present rate levels. In general, this process involved developing projected billing units (i.e., meter size, metered consumption) for each customer class of service (Single Family Residential, Multi-Family Residential, Commercial, Irrigation-Recreation, etc.) based on historical billing records as provided by the City. The billing units for each customer group were then multiplied by the current applicable water rates for each customer group. This method of independently calculating revenues links the projected revenues used within the Study to the projected billing units. Additionally, the rate revenue calculation aids in confirming that the billing units used within the Study are reasonable for purposes of projecting future revenues, allocating and distributing costs, and – ultimately – the establishment of the proposed water rates.

A key aspect of the projection of water rate revenues was to develop a projection of consumption levels. To accomplish this, the consumption data from July 2022 through June 2023 was reviewed to develop a projection of customer consumption characteristics. It was determined that the consumption from this period reasonably reflected the consumption by class of service and in total for the City's water utility for a typical fiscal year. Therefore, no changes to the water consumption levels were made in the development of the Study.

The City currently has separate rate schedule for each of its customer classes of service. All customers are charged a fixed charge by service meter size and a consumption charge that varies by customer class. The consumption charge for single family and multi-family is an increasing three-tiered rate structure where the higher tiers reflect a higher cost of service. For recycled water customers, the consumption charge is a uniform rate which means all water is charged the same rate per hundred cubic feet (HCF). All other customers are charged a two-tiered rate structure where the first tier is based on the customers' base allotment or budget. The use greater than the allotment or budget is in the second 'tier' and charged a higher rate. The majority of the City's water rate revenues are derived from the Single Family Residential customer class which is approximately 47.5% of the total rate revenues in FY 2024. Including all customer classes - at



current rate levels - the City is projected to receive approximately $60.1 million in rate revenue in FY 2024. In FY 2028, the rate revenues, given limited customer growth and at current rate levels, are projected to be approximately $60.2 million.

The City's water utility also receives miscellaneous revenues in addition to the rate revenues described above. These revenues are related to reimbursements, interest earnings, fees, wholesale water agreements, and other miscellaneous revenues. In total, the City is projected to receive approximately $10.9 million in miscellaneous revenues in FY 2024. This amount is anticipated to increase over the projected rate setting period as the revenues from the Water Sales Agreement (WSA) with Montecito Water District are anticipated to increase as the proposed desal O&M costs increase. In total, miscellaneous revenues are projected to be approximately $12.5 million by FY 2028.

On a total combined basis, incorporating the water rate revenues and the miscellaneous revenues, the City's water utility has total projected total revenues of approximately $71.0 million in FY 2024 which increases to approximately $72.7 million by FY 2028.

2.4 Projecting Operation and Maintenance Expenses

Operation and maintenance (O&M) expenses are the normal and recurring costs incurred by the City to provide water service 24 hours a day, 365 days a year (i.e., supply, treatment, transmission, and distribution). For the development of the revenue requirement, the City provided detailed historical and budgeted O&M expenses and capital improvement needs for the water utility. The budgeted FY 2024 O&M expenses were projected over the review period based on annual inflationary factors experienced by the City and the general economy, as well as known changes in City water utility O&M. Provided in Table 2 - 1 is a summary of the O&M expense escalation factors used to project the City's water O&M expenses for the Study.

Table 2 – 1
Summary of the O&M Expenses Escalation Factors ($000)

	FY 2025	FY 2026	FY 2027	FY 2028
Labor	5.5%	7.5%	7.5%	7.5%
Benefits	17.6%	20.0%	20.0%	20.0%
Benefits - Other	4.0%	4.0%	4.0%	4.0%
Insurance	20.0%	20.0%	20.0%	20.0%
Materials & Supplies	3.5%	3.5%	3.5%	3.5%
Equipment	4.0%	4.0%	4.0%	4.0%
Miscellaneous	2.5%	2.5%	2.5%	2.5%
Utilities	4.0%	4.0%	4.0%	4.0%
O&M Other	3.0%	3.0%	3.0%	3.0%
PERS	6.0%	6.0%	6.0%	6.0%
CIP	5.0%	4.0%	3.2%	3.2%
General	6.8%	7.1%	7.1%	7.1%
Purchased Water	4.0%	4.0%	4.0%	4.0%

The total O&M expenses for the City are budgeted at approximately $49.1 million for FY 2024. Over the planning horizon, the total O&M expenses for the City are projected to increase to approximately $64.2 million by FY 2028. As outlined in Tabel 2 – 1, the projection of O&M is significantly impacted by inflationary impacts on budgeted costs, in particular, costs for health, liability, and property insurance. This is not uncommon or unique to the City's water utility in the current public utility environment. In addition, the Study has included City identified additional expenses over the Study time period. These additional expenses include costs associated with the customer assistance program which is funded through existing miscellaneous, non-rate revenues, as well as additional staff levels starting in FY 2026 to support the water utility infrastructure and customer needs as outlined in the City's staffing plan.

2.5 Projecting Capital Funding Needs

A key component in the development of the water revenue requirement was to develop a capital funding analysis for the proper and adequate funding of the City's water utility capital improvement needs. One of the major issues facing utilities across the U.S. is the amount of deferred capital projects and the funding pressure from growth/expansion- and/or regulatory-related improvements. The proper and adequate funding of capital projects is an important issue for all water utilities and is not just a local issue or concern of the City.

In general, there are three general types of capital projects that a utility may need to fund. These include the following types:

- **Renewal & Replacement** - A renewal and replacement project is an infrastructure project required for maintaining the existing system that is in place today. As the existing plant or pipelines become worn out, obsolete, etc., the utility should be making continuous (annual) investments to maintain the integrity of the facilities (e.g., annual main replacements).
- **Growth / Capacity Expansion** - A utility may make capital investments to expand the capacity of facilities to accommodate future capacity needs (new customers).
- **Regulatory-Related** - Another type of project may be a function of a regulatory requirement in which the Federal or State government mandates the need for an improvement to the system to meet a regulatory standard (e.g., water quality).

For purposes of developing the capital funding plan the City provided its adopted long-term CIP. Provided in Table 2 - 2 is a summary of the capital funding plan based on the overall capital plan as developed by the City based on identified current needs and improvements. As noted, the focus of the City's Study was on the next four-year period for rate setting purposes. The capital plan detail has been simplified to the main categories for ease of reading. Exhibit 4 in the Technical Appendix details the individual capital projects and identified funding sources.

Table 2 – 2 Summary of the Capital Improvement Plan ($000)					
	FY 2024	**FY 2025**	**FY 2026**	**FY 2027**	**FY 2028**
Total Capital Projects	**$30,880**	**$38,503**	**$36,649**	**$36,543**	**$36,125**
Less: Funding Sources					
Reserves	$18,700	$4,650	$605	$0	$0
FEMA Grant	0	1,000	0	0	0
Long-Term Debt	1,000	14,000	14,000	14,162	13,643
Rate Funded Capital	**$11,180**	**$18,853**	**$22,044**	**$22,380**	**$22,482**

As can be seen in Table 2 - 2, the required funding for capital projects varies from year-to-year. The funding of the capital projects is provided primarily through annual rate funded capital (pay-as-you-go), with the balance needing to be provided through existing available reserves or long-term borrowing. The City has a number of large capital projects, such as the Cater Reservoir Resiliency and Vic Trace Reservoir projects, which are why the City has anticipated the need for additional long-term borrowing in FY 2025 through FY 2028. In reviewing the capital projects, they are primarily related to renewal and replacement needs with a large component being the water main replacement program.

While the total amount required to fund projects may vary from year-to-year, the rate study capital funding plan has attempted to provide a consistent funding source, on a pay-as-you-go basis, for capital improvements (i.e., rate funded capital). In this case, rates will annually fund on average $19.4 million per year (as highlighted in Table 2 - 2) during the rate setting period. As a point of reference, the City's annual depreciation expense was approximately $9.9 million for FY 2023. A desirable and recommended minimum funding target for rate funded capital is an amount equal to or greater than annual depreciation expense. The capital funding analysis has established a level of annual rate funding that is greater than annual depreciation. It is important to note and understand that depreciation expense is not the same as replacement cost, which can be 1.5 to 2.0 times the original cost of the project. Thus, funding an amount which exceeds depreciation expense (i.e., $9.9 million) is both prudent and appropriate. However, it is important that the City continue to monitor annual renewal and replacement needs and increase levels of rate funded capital over time to keep up with the cost escalation of capital projects. In developing this financial plan, HDR and the City have attempted to minimize rate impacts while funding the planned capital improvement projects of the City's water utility.

2.6 Projection of Debt Service

The City currently has four outstanding debt obligations for the water utility: 2015 State Water Resources Control Board SFR, 2002 SRF Loan, 2011 Safe Drinking Water Loan, and the 2013 Certificate of Participation. In total, these existing debt obligations have an annual debt service payment of approximately $9.2 million per year in FY 2024. Additionally, contract payments to the Central Coast Water Authority (CCWA) for State Water Project water are, by the terms of the City's contract with CCWA, parity obligations and included in debt coverage calculations.

Including the CCWA contract payments, total parity obligations are approximately $14 million, annually. As mentioned in the previous capital project funding analysis, the City has anticipated the need to issue additional (new) long-term debt issues over the FY 2024 – FY 2028 period to fund capital improvement projects. In total, it is assumed that the debt service will increase by approximately $2.6 million by FY 2028. It is also important to note, that the 2002 SRF Loan will be retired in FY 2025 and the 2013 Certificate of Participation will be retired in 2027, which together will remove approximately $2.6 million in annual debt service expenses.

As a point of reference, HDR is not providing municipal advice as it relates to long-term debt issuance terms, or the structures of debt issuances. Rather, the Study has identified projections of future funding needs and utilized general assumptions for long-term debt terms for modeling and projection purposes.

2.7 Reserve Funding

The final component of the revenue requirement analysis is the reserve funding, that is additional transfers to, or from, reserve funds to maintain prudent ending fund balances or for future funding of capital projects. Also, any additional balance of funds after the transfers are made is transferred to the operating fund to maintain the minimum fund balance. Funding from reserves may also be used to meet operating and capital needs in a deficient year. In the City's case, existing operating and capital reserves are being utilized to minimize the impact to rates. A more detailed summary of the reserves is provided in Section 2.9.

2.8 Summary of the Revenue Requirement

Given the above projections of revenue and expense components, a summary of the City's water revenue requirement analysis can be developed. In developing the revenue requirement analysis, consideration was given to the financial planning goals and objectives of the City. In particular, emphasis was placed on minimizing long-term rate impacts while still adequately funding the operational activities and capital improvement needs throughout the review period. Table 2 - 3 provides a summary of the City's water revenue requirement based on projected expenses, current rates, and current consumption patterns. Detailed exhibits of this analysis can be found in the Technical Appendix in Exhibits 1 - 6.

Table 2 - 3 Summary of the Revenue Requirement Analysis ($000)					
	FY 2024	**FY 2025**	**FY 2026**	**FY 2027**	**FY 2028**
Revenues					
Rate Revenues	$60,137	$60,160	$60,183	$60,207	$60,230
Misc. Revenues	10,852	13,142	12,859	12,537	12,501
Total Revenues	**$70,989**	**$73,302**	**$73,042**	**$72,743**	**$72,731**
Expenses					
O&M Expenses	$49,074	$52,817	$56,587	$60,257	$64,189
Rate Funded Capital	11,180	18,853	22,044	22,380	22,482
Debt Service [1]	8,915	9,312	8,901	8,926	8,189
Reserve Funding	1,820	(1,366)	(1,193)	1,830	6,616
Total Expenses	**$70,989**	**$79,616**	**$86,339**	**$93,394**	**$101,476**
Bal./(Def.) of Funds	$0	($6,314)	($13,297)	($20,651)	($28,745)
Bal. as a % of Rate Rev.	0.0%	10.5%	22.1%	34.3%	47.7%
Proposed Rate Revenue Adjst.	**0.0%**	**10.5%**	**10.5%**	**10.0%**	**10.0%**
Additional Revenue from Rate Adj.	$0	$6,314	$13,297	$20,651	$28,745
Total Bal./(Def.) of Funds	0	0	0	0	0

[1] Annual debt service payments do not include CCWA debt as it is included in O&M expenses

As can be seen, the revenue requirement has summed the O&M, rate funded capital, debt service, and reserve funding. The total revenue requirement is then compared to the total revenues which include the rate revenues - at present rate levels - and other miscellaneous, non-rate revenues. From this comparison, a balance or deficiency of funds in each year can be determined. This balance or deficiency of funds is then compared to the rate revenues to determine the level of rate adjustment needed to meet the revenue requirement. It is important to note the "Bal. / (Def.) of Funds" row is cumulative. That is, any adjustments in the initial years will reduce the deficiency in the later years. The proposed rate adjustment for FY 2025 is proposed to be implemented in July of 2024, the first month of the fiscal year. It is important to note that even with the proposed revenue adjustments, available reserves are being used in FY 2025 and FY 2026 to balance the overall revenues and expenses. Over the rate setting period, the total deficiency of rates is 47.7% for the City's water utility.

Based on the revenue requirement analysis developed for the City's water utility, HDR has concluded that the rate revenues will need to be adjusted over the next four years (FY 2025 – FY 2028) to maintain prudent funding of expenses and establish cost-based water rates. Based on the rate transition plan, as can be seen above in Table 2 – 3, the proposed annual rate adjustments (blue shaded line) have been developed to meet the operating and capital needs of the City's water utility and to maintain strong financial metrics.

2.9 Reserve Levels

Another key element of determining the financial health and sustainability of the City's water utility is a review of the level of available reserve levels after the proposed rate adjustments.

Utilities can have several different reserves, each with a different and specific purpose. The typical types of reserves utilities maintain are generally referenced as an operating reserve, a capital reserve, a connection fee reserve, and in some cases an emergency reserve. Each of these reserve funds can have a target minimum ending balance that, if reached or falls below, is a signal that the City should review the revenue sources associated with each fund. The minimum ending balances will vary depending on the purpose of the fund and the expected revenue sources.

For the City, there are a number of reserve funds for the water utility that serve a variety of functions. Each of these is discussed further below.

- **Water Operating Fund –** The operating reserve accumulates total Water Fund reserves in excess of the Council Policy reserves (described below) and is available to meet the City's cash flow needs.

For the City, the reserves (discussed below) are segregated and have target minimums set per City Council policy:

- **Capital Reserve–** A capital reserve typically is in place to help accumulate funding for current or future capital projects. Additionally, if a project is delayed or not completed in a single fiscal year, funding that has been set aside can reside in the capital fund reserve until it is needed to fund the capital project(s). The current target is set at the lessor of the average of the adopted capital budget for the future 3 years less debt funded projects or 5% of the net capital asset value of the water utility. For FY 2024, the target is set at $12.6 million, which reflects the lessor of the capital for the next three years or 5% of net capital asset value.
- **Disaster Reserve –** As the name implies, this reserve fund is in place to help the water utility should a disaster take place and impact either the operating or capital components of the utility. It can only be used after all reserve funds – including the contingency reserve – have been used. The target for this reserve is currently set at 15% of the operating budget (O&M expenses). For FY 2024, the target is $7.4 million.
- **Contingency Reserve –** The contingency reserve is in place to help fund ongoing water utility operations should it be negatively impacted by unexpected and unplanned (including natural disasters) events. If the funds are utilized, the policy states that there should be a plan in place to replenish the reserve. The target for the contingency reserve is set at 10% of the operating budget (O&M expenses). For FY 2024, the target is $4.9 million.
- **Water Desal Plant Reserve –**The goal of the reserve is to utilize a portion of the revenues from the Water Supply Agreement (WSA) with Montecito Water District to build up a reserve that can help to fund capital projects related to the desal plant and infrastructure. There is currently no target set for the reserve, but the current balance is $424,000.
- **Debt and Rate Stabilization Reserve:** This fund is to hold an amount aside as a buffer for the outstanding long-term debt issuances as well as to provide emergency funding should wastewater rate revenues be substantially low. There is no target for this reserve fund at this time. There was no additions or uses of funds assumed over the review period and so the balance remained flat.

Each of these funds were reviewed during the development of the rate study process with the focus being on maintaining the target level of reserves. As part of this Study, the use of reserves

was discussed and over the rate setting time period reserves are expended and less than the target minimum levels. However, with the proposed rate adjustments, reserve target minimum levels are met in 2029.

2.10 Debt Service Coverage Ratios

When long-term debt is issued - and explicitly for municipal revenue bonds or certificates of participation - the City enters into agreements that require a specific level of revenue be generated each year in excess of O&M expenses and annual debt service payments. When evaluating the capital funding plan for the water utility, care should be given to the debt service coverage (DSC) ratio so as to not fall below the minimum target. The establishment of a minimum DSC is designed to help assure repayment of outstanding debt, but to also guard against the water utility becoming too leveraged with long-term debt issuances and risking a technical default. The City's DSC on parity obligations is 1.25. Provided in Table 2 - 4 is a summary of the DSC ratio calculations for the City's water utility before and after the proposed rate adjustments. It is important to note that this calculation includes all debt issuances and includes capacity charges in the calculation of coverage.

Table 2 - 4
Summary of the Debt Service Coverage Ratios

	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Before Rate Adjustment	1.98	1.80	1.55	1.26	1.03
After Rate Adjustment	1.98	2.26	2.51	2.74	3.19

As can be seen in Table 2 - 4, with the proposed rate adjustments, the City is meeting the debt service coverage ratios for all debt service. As noted above, it is a prudent financial practice to target a DSC which is sufficiently above the 1.25 minimum (e.g., target a 1.50 or above DSC ratio) to buffer against any unexpected rises in operating expenses or declines in operating revenues. As shown in Table 2 – 4, over the review period, after the proposed rate revenue adjustments have been implemented, a strong DSC ratio is maintained. The City should continue to monitor revenues and expenses to maintain sufficient debt service coverage ratios. As a point of reference, HDR is not calculating the debt service coverage ratio for reporting or as a municipal advisor to the City. Rather, the calculation is being made for modeling and projection purposes for the City to continue to independently evaluate the financial needs of the water utility.

2.11 Consultant's Conclusions

The revenue requirement developed above for the City's water utility has indicated the need for annual rate revenue increases to adequately fund the City's operating and capital needs for the water utility. The proposed rate revenue adjustments are 10.5%, annually, in FY 2025 and FY 2026 followed by 10.0% annually in FY 2027 and FY 2028. HDR has reached this conclusion for the following reasons:

- Rate adjustments are necessary to fund the City's capital improvement plan and the City's increased level of replacement funding of aging infrastructure

- Rate adjustments are necessary to reflect the annual inflationary increases in the costs of providing water service to customers
- The proposed rate revenue adjustments maintain the water utility's financial health and provide long-term, sustainable funding levels

Based upon the above observations and conclusions, HDR would recommend that the City adopt the proposed annual rate adjustments through FY 2028 to provide sufficient funding for the projected operating expenses and capital improvement program. Should the assumptions used within this Study change, then the results and recommendations would need to be updated to reflect the changes in the assumptions.

3 Cost of Service Analysis

In the previous section, the revenue requirement analysis focused on the total revenues and expenses required to adequately fund the City's water utility. This section will provide an overview and detailed discussion of the cost of service analysis. The cost of service analysis is the second step in the water rate study developed for the City.

The water cost of service analysis determines the proportional distribution of the total revenue requirement between the customer classes of service. This analysis provides the cost-basis for the City's fixed and variable consumption charges for each customer class of service. The previously developed revenue requirement for FY 2025 has been identified as the 'test year', as it is the first year of the proposed rate adjustments and utilized in the development of the cost of service analysis.

3.1 Objectives of a Cost of Service Study

There are two primary objectives in conducting a cost of service analysis:

- ✓ Proportionally distribute the City's water revenue requirement among the customer classes of service based on industry standard approaches (AWWA M1) that result in meeting the requirements of Proposition 218, and
- ✓ Derive average unit costs (i.e., cost-based rates) for the development of the proposed rates by class of service.

The objectives of the cost of service analysis are different from determining a revenue requirement. As noted in the previous section, a revenue requirement analysis determines the utility's overall financial needs, while the cost of service analysis determines the proportional manner to collect the revenue requirement from each customer class of service.

The results of the cost of service analysis determine the average unit costs which are used in the development of the final step of the rate study process, the rate design analysis. The cost of service analysis provides a per unit cost of water consumption based on each customer class's proportional share of costs. For example, a water utility generally incurs costs related to meeting average day, peak day, peak hour, fire protection, and customer-related demands (needs). This means that a water utility must build sufficient system capacity[2] to meet seasonal demands for peak day and peak hour capacity needs. Therefore, customers contributing to peak demands on the system should pay their proportionate share of the costs to provide the available capacity in the water system. The calculation of average unit costs provides the per unit cost relationship

[2] System capacity is the system's ability to supply water to all delivery points at the time when demanded. Coincident peaking factors are calculated for each customer class at the time of greatest system demand. The time of greatest demand is known as peak demand. Both the operating and capital assets related costs incurred to accommodate the peak demands are generally allocated to each customer class based upon the class's contribution to the peak month, day, and hour event.

between these various components which are then used to set cost-based rates. Similarly, the customer-related costs are totaled and allocated proportionately on an equivalent meter basis.

3.2 Determining the Customer Classes of Service

The first step in a cost of service analysis is to determine the customer classes of service. Based on discussion with City staff, the classes of service used within the cost of service analysis were:

- Single Family
- Multi-Family
- Recycled Water
- Commercial
- Industrial
- Irrigation – Agriculture
- Irrigation – Recreation
- Irrigation – Urban
- Private Fire Protection

As a point of reference, these are the current customers classes of service utilized by the City. In determining classes of service for cost of service purposes, the objective is to group customers together into similar or homogeneous groups based upon similar facility requirements and/or demand characteristics. HDR reviewed the current customer characteristics and facility requirements to review the current classes of service. In reviewing the customer classes of service, it was noted that the current groupings reflect the differences between customer consumption characteristics and the priority of water supply allocations established by the City, and are consistent with industry practices. As noted, the City currently uses the customer classes as part of the prioritization of water source allocations which is outlined in Resolution No. 23-078.

3.3 General Cost of Service Procedures

In order to determine the proportional distribution of costs to serve each customer class of service on the City's water system, a cost of service analysis is conducted. A cost of service analysis utilizes a three-step approach to review costs. These steps take the form of functionalization, allocation, and distribution. Provided below is a summary overview of the water cost of service approach. The approach used for the City's Study is the base extra-capacity methodology as outlined in the AWWA M1 Manual, Principles of Water Rates, Fees and Charges. Because the M1 Manual is a document of nationwide application, it is necessary to adjust the analysis as appropriate to meet the specific limitations and requirements applicable in California, such as those imposed by Proposition 218, and the City's specific and unique customer and system characteristics.

3.3.1 Functionalization of Costs

The first analytical step in a cost of service process is called functionalization. Functionalization is the arrangement of expenses and asset data by major operating functions (e.g., supply,

transmission, storage, distribution). There is a limited amount of functionalization of the cost data required since it is largely accomplished within the City's system of financial accounts.

3.3.2 Allocation of Costs

Once the cost data is functionalized, the next step is the allocation of the costs. The allocation of costs examines why each cost identified in the revenue requirement was incurred or what type of need is being met. As noted, the base extra-capacity methodology was used, which allocates costs to the following cost allocators:

- **Base-Related Costs:** Base costs are those costs which tend to vary with the total quantity of water used under average load conditions (average day demands) and are generally specified for a period of time such as a month or year. Chemicals or utilities (e.g., electricity) are examples of base-related costs as these costs tend to follow (i.e., correlate to) the average daily demand of water.
- **Extra-Capacity-Related Costs:** Extra-capacity costs are those capacity-related costs which are incurred in excess of average day (base) demands. System capacity is required when there are large demands for water placed upon the system (e.g., outdoor landscape use). For water utilities, extra capacity-related costs are generally related to the sizing of facilities needed to meet a customer's maximum water demand at any point in time. For example, portions of distribution storage reservoirs and mains (pipes) must be adequately sized to meet the extra-capacity demand. Extra capacity-related costs can be further broken down into costs related to maximum day and maximum hour.
- **Customer-Related Costs:** Customer costs are those costs which vary with the number of customers on the water system. They do not vary with system output or consumption levels. Customer costs may also be further allocated between various types of customer-related costs. For example, customer billing is a customer-related cost which varies proportionally, from customer to customer, based upon the addition or deletion of a customer, regardless of the type or usage characteristics of the customer. In contrast to this, the customer-related cost of meter maintenance is a function of meter size and is allocated based upon equivalent meters. This then reflects the difference in the demands a customer places on the system based on the size of the meter.
- **Fire Protection-Related Costs:** Fire protection costs are those costs related to the public and private fire protection functions. Usually, such costs are those related to public fire hydrants and private fire services, along with the appropriate sizing of mains and distribution storage reservoirs to provide the capacity needed for fire protection purposes.

3.3.3 Distribution of Costs

Once the allocation process is complete, distribution factors are developed for each allocation component that reflects the proportional share of each customer class. For example, for base-related costs, the distribution factor is generally based on each customer class's average day demand (i.e., total annual use ÷ number of days in time period). For extra capacity-related costs, excess capacity is defined as the amount of peak day or peak hour demand over and above (i.e., in excess of) their average daily (base) demand. As noted in the allocation discussion, the customer distribution factor is based on the number of actual accounts, meters, or equivalent meters. For purposes of the City's Study, the data for each distribution factor was developed

based on the City's specific customer billing characteristics (e.g., number of customers, monthly metered water data, annual water data, etc.).

3.4 Functionalization and Allocation

The City's cost of service analysis followed generally accepted cost of service methodologies to develop the allocation and distribution approach. Provided below is a summary of the allocation of plant in service (the infrastructure or assets in place to provide water service) and the revenue requirement.

3.4.1 Functionalization and Allocation of Plant in Service

As noted, one of the first steps of the cost of service is the functionalization and allocation of plant in service. In performing the functionalization of plant in service, HDR utilized the City's historical plant (asset) records. Once the plant assets were functionalized, the analysis shifted to the allocation of the asset. The allocation process included reviewing each group of assets and determining which cost allocator(s) the assets were related to. For example, the City's assets were allocated as: base-related, extra capacity max day-related, extra capacity max hour-related, customer-related, fire-related, equivalent meter-related, billing-related, recycled water-related, desal-related, or conservation-related. Provided below is a summary of the allocations for the major asset components. The approach follows generally accepted methodologies as described in the AWWA M1 Manual.

Source of Supply – Based on the operation of the system, the source of supply assets were allocated 100.0% to base costs (average day demands) as the assets are in service in order to supply requirements on an average day basis.

Storage / Reservoir – Distribution storage reservoirs, or water tanks, are typically designed to meet at least two types of needs – average and peak day needs, and in some cases public and private fire protection. For the City's Study, it was determined that 38.6% would be allocated to base related costs to reflect the use of average day demands. The remainder, 61.4%, would be allocated on an equivalent meter basis to reflect the capacity demands of the system on per equivalent meter basis. This reflects the design and operation of these assets, to meet both base, or average day, related needs as well as capacity related needs to meet system peak demands.

Treatment – Consistent with the allocation of source of supply, the treatment assets were allocated 100.0% to base. This reflects the operation of the treatment facilities as meeting average day needs on the system.

Transmission – Transmission and distribution lines (mains) are typically assumed to meet base and peak day needs. This is because a transmission main is in service to not only move water throughout the system, but also provide the sizing to meet the capacity requirements needed for system operation. For the City's Study, the transmission assets were allocated between base (43.9%) and equivalent meter (56.1%) in order to capture both the average day needs while also reflecting the capacity component of transmission services. The use of equivalent meters reflects the differences in system capacity required to meet the demand or service potential that each meter size places on the system.

Pump Stations – Pumping was allocated as 100.0% to base. This is due to pumping costs being incurred to meet average day needs.

Firelines / Hydrants – Firelines and hydrants were allocated as 100.0% to fire protection related as these assets provide public and private fire protection needs.

Meters – Meters were allocated 100.0% to meter related and included in the customer component.

Recycled Water – Recycled water assets were allocated as 100.0% to recycled to reflect the assets in place to provide this service.

3.4.2 Functionalization and Allocation of Operating Expenses

As noted in the AWWA M1 Manual, operating expenses are generally allocated in a manner similar to the corresponding functionalized plant account (i.e., asset/expense type). For example, maintenance of transmission mains is typically allocated in the same manner (allocation percentages) as the plant account for transmission mains. This approach to the allocation of the City's water utility operating expenses was used for this analysis. The City's revenue requirement for FY 2025 was functionalized and allocated. As noted in Section 3, the City utilized a cash basis revenue requirement, which was comprised of operation and maintenance expenses, rate funded capital, debt service, and reserve funding. The detailed exhibit of the functionalization and allocation of the City's operating expenses and revenue requirement can be found in the Technical Appendix on Exhibit 7.

3.4.3 Summary of the City's Approach

The above approach functionalized and allocated the City's total revenue requirement. These allocated costs, when divided by billing units, produce an average unit cost (i.e., a cost-based rate). In developing the City's cost of service analysis, average unit costs were calculated for the specific components of water supply costs, delivery costs, peaking costs, conservation costs, and customer costs. The development of the water supply cost is based upon a review of the yield of each source of supply, and the City's prioritized supply by customer and tier/allotment/budget. The remaining delivery and other costs were distributed using the allocations for base, extra capacity day and hour, and customer-related components.

3.5 Major Assumptions of the Cost of Service Study

A number of key assumptions were used within the City's Study. Below is a brief discussion of the major assumptions used.

- The test period used for the water cost of service analysis was FY 2025. The revenue and expense data was previously developed within the revenue requirement analysis.
- A cash basis methodology was utilized which conforms to generally accepted water cost of service approaches and methodologies.
- The allocation of plant in service was developed based upon generally accepted cost allocation techniques. Furthermore, they were developed using the City's water utility specific data.

- Each water source of supply was evaluated, and the total costs associated with the source were combined and divided by the yield of the source. The yield for each source is the total potential yield, adjusted proportionally by the ratio of total yield of all sources vs actual customer consumption, ensuring all sources were within their sustainable yield.
- The prioritization of water supply distribution to the customer classes of service was consistent with Resolution No. 23-078.
- The consumption data used within the Study was developed for each class of service from historical usage information provided by the City and reflects recent water consumption trends and projections.
- The extra-capacity max day and max hour distribution factors were estimated based on each customer group's average to peak month relationship and system average peak day and peak hour.

3.6 Development of Cost-Based Water Rates

The City's proposed water rates have been developed to meet the legal requirements of the California constitution, specifically article XIII D, section 6 (often referred to in this study as Proposition 218). As stated in the Constitution these legal requirements are:

(1) Revenues derived from the fee or charge shall not exceed the funds required to provide the property related service.

(2) Revenues derived from the fee or charge shall not be used for any purpose other than that for which the fee or charge was imposed.

(3) The amount of a fee or charge imposed upon any parcel or person as an incident of property ownership shall not exceed the proportional cost of the service attributable to the parcel.

(4) No fee or charge may be imposed for a service unless that service is actually used by, or immediately available to, the owner of the property in question. Fees or charges based on potential or future use of a service are not permitted. Standby charges, whether characterized as charges or assessments, shall be classified as assessments and shall not be imposed without compliance with Section 4.

(5) No fee or charge may be imposed for general governmental services including, but not limited to, police, fire, ambulance or library services, where the service is available to the public at large in substantially the same manner as it is to property owners.

A key component of Article XIII D is the development of rates which reflect the cost of providing service and are proportionally distributed among the identified customer classes of service. HDR would point out that there is no single prescribed methodology for proportionally assigning costs to the customer classes of service. The American Water Works Association (AWWA) M1 Manual clearly delineates various methodologies which may be used to establish cost-based rates. Article XIII D, however, does not prescribe a particular methodology for establishing cost-based rates, consequently. Therefore, HDR developed the City's proposed water rates based on the

methodologies provided in the AWWA M1 Manual applied to meet the requirements of Article XIII D.

HDR is of the opinion that the proposed rates comply with legal requirements of Article XIII D. HDR reached this conclusion based upon the following:

- **The revenue derived from water rates does not exceed the funds required to provide the property related service (i.e., water service).** The proposed rates are designed to collect the overall revenue requirements of the City's water utility.
- **The revenues derived from water rates shall not be used for any purpose other than that for which the fee or charge is imposed.** The revenues derived from the City's water rates are used exclusively to operate and maintain the City's water system.
- **The amount of a fee or charge imposed upon a parcel or person as an incident of property ownership shall not exceed the proportional costs of the service attributable to the parcel.** This section of the report has focused exclusively on the issue of proportional assignment of costs to customer classes of service. The proposed rates have appropriately grouped customers into customer classes of service (Single Family Residential, Multi-Family Residential, etc.) that reflect the varying consumption patterns and system requirements of each customer class of service. The grouping of customers and rates into these classes of service creates the proportionality expected under Article XIII D by having differing rates by customer classes of service which reflect both the level of revenue to be collected by the utility, but also the manner in which these costs are incurred and proportionally assigned to customer classes of service based upon their proportional impacts and burdens on City's the water system.

Given the prior discussion on the California legal requirements of setting rates, and the development of a cost of service analysis for the City, the development and derivation of average unit costs, provided the cost basis for the development of the proposed water rates for the City.

As a part of the Study, HDR developed a water rate design discussion to clearly demonstrate and support the proposed water rates and tiered pricing. The following discussion provides a more detailed analysis of the costing techniques and methodologies used to support the City's proposed rate design.

3.6.1 Determination of Sizing and Number of Tiers

To allocate and proportionally distribute costs, the customer consumption characteristics must be developed, as this provides the basis for the pricing of the tiers/allotment/budget and fixed charges. Currently, the City's Single Family Residential and Multi-Family Residential customers have a three-tiered consumption charge based on appropriate tier levels for basic health and sanitation needs, efficient indoor and outdoor water use, and discretionary water use. All other customers, with the exception of recycled water, which is a uniform structure, employ a two-tiered structure. The first tier is either an allotment or budget based on a customer specific calculation that reflects the customer's usage characteristics and water needs. As part of the Study, the sizing and number of tiers (for Single Family Residential and Multi-Family Residential)

were reviewed in light of recent consumption data to evaluate if any adjustments are recommended. Shown in Table 3 – 1 is a summary of the amount of consumption in each tier by customer class.

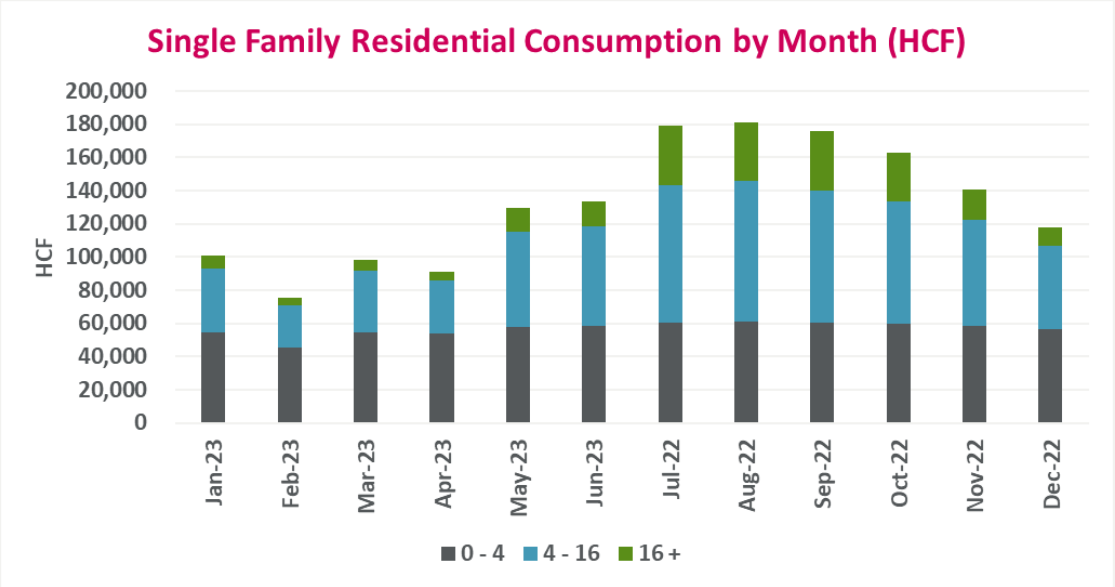
Table 3 - 1
Summary of Annual Consumption by Customer Class and Tier

Class	Tier 1 / Allotment / Budget	Tier 2 / > Allotment / > Budget	Tier 3
Single Family Residential	43.0%	43.2%	13.8%
Multi-Family Residential	75.1%	18.7%	6.2%
Recycled Water	100.0%	--	--
Com & Ind	84.7%	15.3%	--
Irrigation Agriculture	98.4%	1.6%	--
Irrigation Recreation	93.2%	6.8%	--
Irrigation Urban	77.8%	22.2%	--

After reviewing the consumption data, it was determined that the current tier sizes and number was appropriate given how the City's customers use water over the course of a year. The customer classes that utilize a budget or allotment determination for the first tier show that a majority of the consumption occurs in the first tier. For Single Family Residential and Multi-Family Residential customers that have a three-tiered structure there is a delineation of the usage across all tiers.

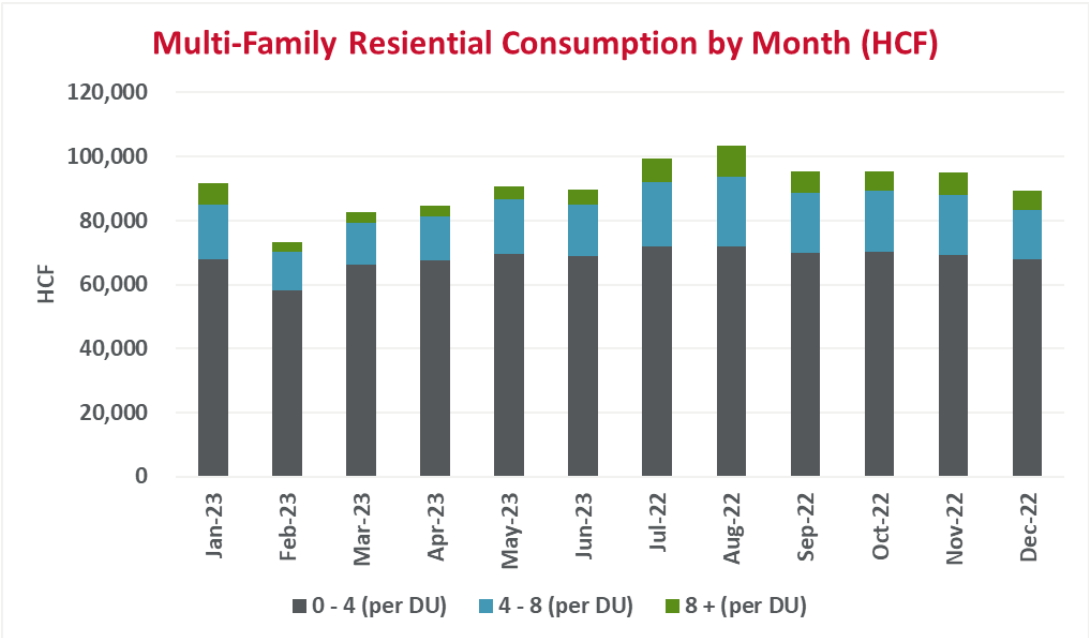
In order to evaluate this more closely, Chart 1 and Chart 2 show the consumption by tier by month starting with Single Family Residential customers in Chart 1. For example, Tier 1 (health and sanitation) reflects 43.0% of the total annual consumption. As shown in the summary chart below, Tier 1 use reflect indoor uses as this is relatively flat from month to month. Tier 2 (efficient outdoor use) makes up another 43.2% of the consumption, with the vast majority consumed in the summer period.

Chart 1



The chart above shows how the current tiers are effectively being used by single family customers. As noted, the usage in Tier 1 remains relatively flat year-round which shows that the vast majority of usage in this tier is average day use and related to indoor or domestic use for basic health and sanitation needs. Tier 2 use is found in all months but shows that peak usage occurs in the summer months indicating that Tier 2 provides for efficient outdoor water use. Again, we would anticipate this to be the case given additional outdoor use during the summer months, and where outdoor irrigation is more prevalent. Tier 3 shows little use in any months except in the summer months where it appears to be additional outdoor and discretionary use.

Chart 2



The chart above shows the consumption by tier and by month for Multi-Family Residential customers. As noted, the tier sizes are based on the number of dwelling units served by each meter, and in many cases, the Multi-Family Residential customers have a separate irrigation meter for landscape watering. Given this, the consumption pattern for Multi-Family Residential customers is relatively flat. It is also important to note that the majority of usage is in Tier 1, which reflects typical indoor consumption, as well as some in Tier 2 with the peak usage being captured in Tier 3. Similar to Single Family Residential, the tiers for Multi-Family Residential reflect customer consumption characteristics and the City's rate design goals and objectives.

For the remaining customer classes of service, commercial and irrigation, the tier sizes are based on individual customer average use or specific outdoor watering characteristics. Given this approach, the tier sizes are developed for each individual customer and are recommended to be maintained. After the number and size of tiers and the seasonal periods have been identified, the pricing of the tiers is the next analytical step.

3.6.2 Establishing the Cost-Basis for Pricing Tiers

HDR has concluded that utilities have at least three technical approaches available to be able to demonstrate (i.e., cost justify) the individual pricing of each tier. These technical approaches encompass the following areas:

1. Cost differences in water supply (i.e., stacking of water supply resources to tiers)
2. Cost differences from high peak use consumers (relationship of average use to peak use)
3. Direct assignment of costs to specific tiers (e.g., conservation program costs, etc.)

In certain cases, the cost differences may be related to the cost of water supply when a utility has more than one source of water supply, such as the City, which has numerous water supply sources, each with a different unit cost to supply.

The second possible source of cost differences for the pricing of tiers is related to high-peak use (peak demand) customers. Customers that use more water create greater demands and costs on the system (see graphs above). A water supply and distribution system must be sized to meet these peak use requirements. In other words, on the hottest day of the year when everyone is irrigating, the supply and distribution system must be sized to meet those peak use demands. Economic theory clearly states that parity is achieved when those that create the demand event, pay for the demand event. This has implications on the proportional allocation of capacity-related costs to the different usage tiers (low use vs. high peak use).

Finally, certain costs may be directly assigned to specific tiers. For example, a conservation program which focuses on outdoor water use may be directly assigned to the upper water tier, or summer season, which are most directly related to discretionary outdoor use. The direct assignment to a specific price tier will create a price differential for that tier.

For the City's water study, the focus of the analysis was on the first method of determining the cost impacts and cost differences associated with different water supply sources. The pricing of the tiers, which is based on the different supply costs and City Council's adopted priority

allocations, was developed to provide the cost-basis, and meet the proportionality requirements of Proposition 218. However, the second two approaches were also utilized to allocate and distribute specific costs included within the revenue requirement. For example, approach #2 was utilized to distribute the cost of extra-capacity max day and max hour impacts on the system related to meeting these higher demands of water. In addition, approach #3 was used to distribute conservation related costs to the third tier of single family and multi-family customers, and the second tier for all other non-residential customers. These programs specifically place an emphasis on reducing discretionary water demands. In other words, these conservation programs expend funds to assist higher water use customers to reduce their overall water consumption and water use habits.

3.7 Development of the Unit Costs for Rate Designs

To begin the assignment of costs related to the fixed and variable charges, the results of the cost of service analysis are accumulated by component and utilized to develop average unit costs, or cost-based rates used to set the proposed water rate by class of service. The cost of service analysis allocates the revenue requirement to the appropriate cost component(s) which are then distributed between the volumetric and fixed charges.

3.7.1 Volumetric (Variable) Charges

For the volumetric charges, the primary basis for the rates is on the City's adopted schedule of allocation of water supply prioritization based on Resolution No. 23-078. This resolution assigns a priority level to each customer class and tier, and notes that the higher the priority, the least expensive source of supply should be utilized to provide service to that class and tier. Table 3 – 2 below shows the customer class/tier prioritization.

Table 3 - 2
Summary of the Water Supply Allocation Prioritization

Customer Class/Tier/Allotment/Budget	Priority	Demand (HCF)
Tier 1 Irrigation Agriculture	1	43,662
Tier 1 Irrigation Recreation	2	46,360
Tier 1 Single Family Residential	2	681,764
Tier 1 Multi-Family Residential	2	819,235
Tier 1 Commercial	3	665,981
Tier 2 Single Family Residential	4	685,009
Tier 2 Multi-Family Residential	4	203,482
Tier 1 Irrigation Urban (Res/Comm)	4	94,672
Tier 2 Commercial	5	120,122
Tier 3 Single Family Residential	5	219,400
Tier 3 Multi-Family Residential	5	67,879
Tier 2 Irrigation Agriculture	5	688
Tier 2 Irrigation Recreation	5	3,406
Tier 2 Irrigation Urban (Res/Comm)	5	26,973

The prioritization is then used in conjunction with the long-term reliable and sustainable yield of each water source to determine which customer class receives an allocated supply from which water supply resource. The total cost for each water supply resource is then used to calculate the unit cost by dividing by the total usage in each category.

As discussed above, the major component of the cost-basis of the consumption charges is the assignment and distribution of the City's different water supply resources to the different customer classes of service based on the City's adopted prioritization shown in Table 3 - 2. Each water source of supply was evaluated, and the total costs associated with the source were combined and divided by the yield of the source. The yield for each source is the total potential yield, adjusted proportionally by the ratio of total yield of all sources vs actual customer consumption, ensuring all sources were within their sustainable yield. Provided in Table 3 – 3 is a summary of each water supply source with the average unit cost calculation.

Table 3 - 3 Summary of the Water Supply Unit Cost by Resource			
Water Source	Total Costs ($000s) [A]	Yield (HCF) [B]	Average Unit Cost ($ / HCF) [C]
Groundwater	$300	188,802	$1.59
Ortega GWTP	956	348,262	2.74
Gibraltar	4,591	1,060,069	4.33
Lake Cachuma	8,432	1,326,810	6.35
State Water Project	5,506	253,916	21.68
Desalination	14,654	500,819	29.26
Recycled Water	1,306	274,784	4.75

As can be seen in the above table, the average unit cost of each source of supply resource is different. The City's lowest cost resource is groundwater, with an average unit cost of $1.59/hundred cubic feet (HCF). However, there is a limited amount (yield) of groundwater available. Thus, other water supply resources are required to meet total supply demands on the system. In contrast to the cost of groundwater supply, desalination is the City's most expensive source of supply at $29.26/HCF. As the yields indicate, the largest source of supply is from Lake Cachuma with an average unit cost of $6.35/HCF.

Given the assignment of volumes of water to each customer class of service (Table 3 - 2) and the yield of available supply resources and their costs (Table 3 - 3), these can be combined to determine the average unit cost of water supply for each customer class of service and tier. Shown below in Table 3 – 4 is the development of the average unit costs for source of supply by customer class tier, budget, or allotment.

Table 3 - 4
Summary of the Water Source of Supply Costs – Variable Charge

	Ground-Water	GW - Ortega GWTP	Gibraltar	Lake Cachuma	SWP / Purch. Water	Desal Water	Recycled Water	Total Demand (HCF)	Avg Unit Cost ($ /
Tier 1 Irrigation Agriculture	43,662							**43,662**	$1.59
Tier 1 Irrigation Recreation	4,348	10,434	31,577					**46,360**	3.72
Tier 1 Single Family Residential	63,949	153,444	464,372					**681,764**	3.72
Tier 1 Multi-Family Residential	76,843	184,384	558,008					**819,235**	3.72
Tier 1 Commercial			6,113	659,868				**665,981**	6.34
Tier 2 Single Family Residential				464,685	176,914	43,410		**685,009**	11.77
Tier 2 Multi-Family Residential				138,035	52,552	12,895		**203,482**	11.77
Tier 1 Irrigation Urban (Res/Comm)				64,222	24,450	6,000		**94,672**	11.77
Tier 2 Commercial						120,122		**120,122**	29.26
Tier 3 Single Family Residential						219,400		**219,400**	29.26
Tier 3 Multi-Family Residential						67,879		**67,879**	29.26
Tier 2 Irrigation Agriculture						688		**688**	29.26
Tier 2 Irrigation Recreation						3,406		**3,406**	29.26
Tier 2 Irrigation Urban (Res/Comm)						26,973		**26,973**	29.26
Recycled Water	43,662						274,784	**43,662**	4.75
Water Source Cost ($ / HCF)	**$1.59**	**$2.74**	**$4.33**	**$6.35**	**$21.68**	**$29.26**	**$4.75**		

Table 3 – 4 shows the development of the average unit cost for water source of supply for each customer class tier/allotment/budget of usage. To develop the average unit costs, the first step is to allocate the water source to each customer class tier based on the City Council's water supply prioritization allocations (most recently approved as Resolution No. 23-078). To calculate the average unit cost for water supply, the total amount of water from each source is multiplied by the applicable unit cost calculated in Table 3 – 3. The total cost is then summed and divided by the total water consumption to calculate the average unit cost for each customer class tier. The results from Table 3 - 4 are then used in the rate design section to develop the water supply component of the City's proposed water rates. As noted, each tier is charged the weighted average cost of water based on the allocated and prioritized sources. The highest priority customer tiers receive the least expensive sources of water, limited to that tier's percentage of each priorities' total demand multiplied by the water source (or remaining water source remaining from a higher priority).

After the water supply average unit costs have been developed, the focus can shift to the calculation of the other variable cost components that will sum to the final variable average unit cost. The first additional variable cost component is the delivery charge which is designed to recover the costs associated with distributing/delivering water to customers. This charge is calculated by subtracting the water supply costs from the total allocated base and desalination costs from the cost of service analysis (Exhibit 11). This total delivery cost is then divided by the total water demand in HCF. This results in a proportional delivery cost stated in $/HCF which can be applied across all water customers. In this case, the calculated delivery cost was $1.37/HCF and is added to the variable charge portion of all potable customers.

The next component of the variable charge is the peaking component. This component of the variable charge is intended to recover the extra capacity-related costs associated with supplying water over and above (extra-capacity) average day (base) needs. The distribution of peak demand costs on the basis of customer peak demands is an equitable and proportional methodology for assigning these costs directly to each customer class and tier based on contributions to peak demand events. As noted previously, peak demands drive the size and cost of facilities on the water system necessary to meet these peak demand needs. The sizing of the system results in larger water mains and other facilities being installed to meet the system peak, as a result of meeting the sum of the customer class peaks. The City must oversize the system to meet these peaks regardless of when they occur. The sizing of the system is not based on the season, or timing of the peak, rather the level of peak water consumption driven by customer class peak demands. The peaking component is calculated based on the costs that are allocated to extra-capacity max day and max hour in the cost of service analysis.

The final cost component of the variable charge is the conservation charge. The conservation charge is added to the third tier of Single Family Residential and Multi-Family Residential customers, as well as Tier 2 use for all other potable, non-residential customers. The calculation is developed by dividing the total allocated costs for conservation from the cost of service analysis by the total water usage in the applicable tiers. Table 3 – 5 provides a summary of the additional volumetric billing components.

Table 3 - 5
Summary of the Other Variable/Volumetric Average Unit Costs

Component	Total Cost ($000s)	Total Consumption (HCF)	Unit Cost ($ / HCF)
Delivery Charge	$5,055	3,678,632	$1.37
Peaking Charge			
SFR & MFR Tier 1	$592	1,500,999	$0.39
Res Tier 2/All Irrig* Tier 1	2,326	1,073,185	2.17
Res Tier 3/All Irrig* Tier 2	1,024	318,346	3.22
Commercial Tier 1	318	665,981	0.48
Commercial Tier 2	738	120,122	6.14
Total	**$4,998**	**3,678,632**	
Conservation Charge	$459	438,467	$1.05

* - All Irrigation includes Agriculture, Recreation, and Urban Irrigation usage

Given the development of the average unit costs for the variable charge, the final step is to assemble or accumulate the average unit costs for each class of service and tier/allotment. This $/HCF information is derived from the prior Tables 3 - 4 and Table 3 - 5. When properly combined and summed, the result is the average unit cost for each customer class of service and tier/allotment/budget. Table 3 – 6 provides the total average unit costs for the variable charge portion of each customer class and tier/allotment.

Table 3 - 6 Summary of the Total Volumetric Average Unit Costs ($ / HCF)					
	Water Supply Cost (Table 3 - 4)	Delivery Cost (Table 3 – 5)	Peaking Cost (Table 3 - 5)	Conservation Cost (Table 3 - 5)	Total Variable Rate $/HCF
Single Family					
Tier 1 (0 - 4HCF)	$3.72	$1.37	$0.39	$0.00	**$5.49**
Tier 2 (5 - 16HCF)	11.77	1.37	2.17	0.00	**15.31**
Tier 3 (Over 16HCF)	29.26	1.37	3.22	1.05	**34.90**
Multi-Family					
Tier 1 (0 - 4HCF/DU)	$3.72	$1.37	$0.39	$0.00	**$5.49**
Tier 2 (5 - 8HCF/DU)	11.77	1.37	2.17	0.00	**15.31**
Tier 3 (Over 8HCF/DU)	29.26	1.37	3.22	1.05	**34.90**
Recycled Water	$4.75	$1.35	$0.00	$0.00	**$6.10**
Commercial					
Up to Base Allotment	$6.34	$1.37	$0.48	$0.00	**$8.19**
Over Base Allotment	29.26	1.37	6.14	1.05	**37.82**
Industrial					
Within Base Allotment	$6.34	$1.37	$0.48	$0.00	**$8.19**
Over Base Allotment	29.26	1.37	6.14	1.05	**37.82**
Irrigation Agriculture					
Within Monthly Budget	$1.59	$1.37	$2.17	$0.00	**$5.13**
Over Monthly Budget	29.26	1.37	3.22	1.05	**34.90**
Irrigation Recreational					
Within Monthly Budget	$3.72	$1.37	$2.17	$0.00	**$7.26**
Over Monthly Budget	29.26	1.37	3.22	1.05	**34.90**
Irrigation Urban					
Within Monthly Budget	$11.77	$1.37	$2.17	$0.00	**$15.31**
Over Monthly Budget	29.26	1.37	3.22	1.05	**34.90**

3.7.2 Fixed Charge

The final unit cost development is the fixed monthly service charge which varies by meter size. To determine the average unit costs for the fixed monthly service charge a similar exercise was completed as was done for the variable components. This resulted in the total allocated customer costs being divided by the number of equivalent meters on the system. An equivalent meter uses the capacity ratio of a 5/8-inch meter to the larger meter sizes to determine the pricing for each meter size. In this way the meter charge reflects the proportion of fixed costs on the system

based on the capacity demands the customer can place on the system in relation to the size of a customer's specific meter.

For the City, the fixed charge schedule is the same for all customer classes. The fixed charge varies by meter size and the ratio between sizes is based on the equivalent 5/8" meters as determined by the AWWA's standard meter flow ratios. Table 3 – 7 shows the meter equivalency ratios that were used in the development of the City's average unit costs for the fixed monthly service charge.

Table 3 - 7
Equivalent Meter Ratios

Meter Size	5/8" Equivalency
5/8"	1.00
3/4"	1.50
1"	2.50
1 1/2"	5.00
2"	8.00
3"	17.50
4"	31.50
6"	65.00
8"	120.00
10"	190.00

The AWWA M1 Manual outlines the concept of meter equivalencies as show in Table 3 – 7. Per the M1 Manual, a 5/8" meter has the safe operating capacity (i.e., capacity rating) of 20 gallons per minute (gpm). In contrast to this, a 2" meter has a safe operating capacity of 160 gpm. That means, that on a capacity basis, a 2" meter has 8 times the capacity of a 5/8" meter (160 gpm ÷ 20 gpm = 8). In other words, one 2" meter is the equivalent of eight 5/8" meters. The number of meters on the City's system were weighted using these meter equivalencies and the total number of equivalent meters was determined. As a point of reference, there are 27,263 meters on the City's system. On an equivalent 5/8" capacity basis, there are 44,855 equivalent 5/8" meters.

Given the meter equivalencies, the total customer related costs are then divided by the total number of equivalent 5/8" meters to come up with the equivalent meter average unit cost per 5/8" meter. In addition, there is a per meter billing charge which is the same for all meter sizes. As discussed previously, billing costs do not vary by meter capacity or customer usage. Provided in Table 3 – 8 is a summary of the fixed monthly service charge on an average unit cost basis.

Table 3 - 8 Summary of the Fixed Monthly Service Charge Cost Basis [1]		
Fixed Charge Component	**Total Cost – Per Unit Cost**	
Water		
Total Customer Costs	$18,186,616	
# of Equiv. Meters	46,510	
Unit Cost *($ / eq. mtr)*	**$32.59**	*per eq. mtr/month*
Private Fire Protection		
Total Fire Protection Costs	$425,061	
# of Equiv. Meters	303	
Unit Cost *($ / eq.6-inch service)*	**$116.89**	*per eq. service/month*
Billing Charge		
Total Billing Cost	$1,224,681	
# of Meters	28,171	
Unit Cost	**$3.62**	*per account/month*
Total Unit Cost		
Water	**$36.21**	*(5/8" mtr eq.)*
Fire Protection	**$120.51**	*(6" mtr eq.)*

[1] calculations may not foot due to rounding and decimal places in the formulas and calculations

These average unit costs, both the volumetric or variable and the fixed charges, are the basis for the proposed water rates in FY 2025.

3.8 Summary Results of the Cost of Service Analysis

In summary form, the cost of service analysis began by functionalizing the City's revenue requirement. The functionalized revenue requirement was then allocated to the appropriate cost component(s) based on industry standard methodologies. The individual allocated totals were then proportionally distributed to the customer classes of service to develop average unit costs as described in the preceding sections. The City's cost of service analysis proportionally aligns the operating and capital costs to each customer class with their respective benefit received from and burdens placed on the water system (i.e. proportional distribution) based on the service requirements. As the City continues to monitor water rates and cost of service results through future rate studies, additional cost of service adjustments may be necessary in the future.

3.9 Consultant's Conclusions and Recommendations

The overall allocation of costs between customer classes appears to be reasonable and reflects the impacts each customer class of service places on the system. Given the requirements of Article XIII D, section 6 of the California Constitution, the results of the cost of service analysis, and specifically the average unit costs as developed, will be used to establish the proposed rates

for each of the City's water customer classes of service. More specifically, it is recommended that the unit costs derived from the cost of service results be utilized as the basis for the rate design for each water customer class in Section 4.

3.10 Summary of the Cost of Service Analysis

This section of the report has provided the recommendations resulting from the cost of service analysis developed for the City's water utility. This analysis was prepared using generally accepted cost of service techniques as provided in the AWWA M1 Manual. The next section of the report will provide a summary of the present and proposed rates for the City's water utility. The Technical Appendix provides the detail of the cost of service analysis.

4 Rate Design Analysis

The final step of the City's water rate study is the design of rates to collect the desired levels of revenues, based on the results of both the revenue requirement and the cost of service analyses. In developing the City's proposed water rates, consideration is given to the level of the rates as well as the structure of the rates. The level of rates reflects the amount of revenues that should be collected while the structure of the rates is how it is collected from the customers.

The overall revenue level for the City has been established in the revenue requirement analysis (Section 2). The proportional distribution of costs, between the various customer classes of service, was developed in the cost of service analysis (Section 3). The cost of service provides the cost-basis for the revenues to be collected from each class of service based on cost causation and the average unit costs for each rate component.

4.1 Rate Design Criteria and Considerations

Prudent rate administration dictates that several criteria must be considered when setting utility rates. Some of these rate design criteria are listed below:

- Rates which are easy to understand from the customer's perspective
- Rates which are easy for the City to administer
- Customer affordability
- Continuity, over time, of the rate making philosophy
- Policy considerations (encourage efficient use, economic development, etc.)
- Provide revenue stability from month-to-month and year-to-year
- Promote efficient allocation of the resource
- Proportional and non-discriminatory (cost-based)
- Defensible (Proposition 218 compliant)

It is important that the City provide its water customers with a proper and accurate price signal as to what their demand requirements are costing. This goal may be approached through rate level and structure. When developing the proposed rate designs, all the above-listed criteria were taken into consideration. However, it should be noted that it is difficult - if not impossible - to design a rate that meets all the goals and objectives listed above. A good example of this is difficulty inherent in designing a rate that takes into consideration the customer's ability to pay while at the same time being cost-based. In designing rates, there are always trade-offs between these various goals and objectives to achieve the best overall balance.

4.2 Overview of the Proposed Rate Structures

In discussion with City staff, several of the above goals and objectives were highlighted as key elements to be included within the proposed rate structure. These were:

- Proportional, cost-based, and consistent with Proposition 218
- Customer affordability
- Revenue stability for operating and capital needs
- Efficient use of water resources

The first goal was to provide the cost basis, or justification, for the proposed rate structure to reflect the rate setting requirements in California. This was accomplished through the development of the cost of service analysis using industry standard approaches (i.e., AWWA M1 Manual) tailored to the City's specific and unique facilities and customers. By following this approach, the cost of service analysis results in a proportional distribution of the revenue requirement. This process was discussed in detail in Section 3 of this report.

A second goal the City had for the proposed rates was to take into consideration the affordability of rates and impacts on customer bills. This is accomplished through the proactive approach to setting rates and minimizing impacts over multiple years to limit unexpected rate increases and rate volatility. Recently, the City completed an affordability study and the results and recommendations are anticipated to impact future actions by the City and future rate studies. The City is also exploring the expansion of the customer assistance programs aimed at reducing customer bills by identifying non-rate revenue sources to fund these programs. In addition, the City actively seeks out grants and low interest loan funding to minimize long-term borrowing costs.

The next goal was to maintain the revenue stability of the current rate structure. Based on the costs allocated to meter and billing (i.e., customer related cost), the resulting revenue maintained the current level of revenues collected through the fixed monthly service charge and the volume charge. In other words, the ratio of revenue collected through the current fixed charge portion of the rate structure is similar to the fixed revenue collected from the proposed rate structures.

The final goal was to continue to encourage efficient use of water resources. This is accomplished by maintaining the three-tiered rate structure for Single Family Residential and Multi-Family Residential customers, and for non-residential customers a two-tiered structure with the first tier based on a budget or allocation based on customer type and characteristics. As noted in Section 3, the cost of service analysis provided the cost basis for the pricing of the tiers/allotment/budget based on the cost of water source of supply, delivery, and system use characteristics.

4.3 Summary of the Present and Proposed Water Rates

The proposed rates for the City's water utility were designed to meet the total system revenue needs discussed in Section 2 and reflect the cost of service results – including the average unit cost development - shown in Section 3. The proposed water rates have been developed for each customer class of service based on the development of the pricing through the cost of service analysis.

4.3.1 Review of the Present and Proposed Single Family Residential Rates

The City's proposed rate structure for the Single Family Residential class remains unchanged from the current structure. As discussed in Section 3, the tier sizing reflects the City's goals to prioritize basic health and sanitation water use, reflect efficient indoor and outdoor water use, and appropriately classify discretionary water use. The pricing of the tiers and meter charge are based on the unit costs from the cost of service analysis for FY 2025. The proposed FY 2025 – FY 2028 rates are increased by the overall system average to reflect the overall revenue needs and implementing the cost of service results in FY 2025. The Single Family Residential rate structure consists of a fixed monthly service charge by meter size and a consumption charge that is a three-tiered increasing block rate structure. Provided below in Table 4 - 1 is a summary of the present and proposed rates.

Table 4 - 1
Summary of the Monthly Single Family Residential Rates

	Meter Equiv.	Present Rate	FY 2025	FY 2026	FY 2027	FY 2028
Fixed Charge		***$ / Mtr***				
5/8"	*1.00*	$32.60	$36.21	$40.01	$44.01	$48.41
3/4"	*1.50*	47.73	52.50	58.01	63.81	70.20
1"	*2.50*	77.97	85.09	94.02	103.42	113.76
1 1/2"	*5.00*	153.59	166.55	184.04	202.44	222.68
2"	*8.00*	244.33	264.30	292.06	321.26	353.39
3"	*17.50*	531.67	573.86	634.12	697.53	767.28
4"	*31.50*	955.12	1,030.06	1,138.21	1,252.03	1,377.24
6"	*65.00*	1,968.37	2,121.66	2,344.43	2,578.87	2,836.76
8"	*120.00*	3,631.93	3,913.84	4,324.79	4,757.27	5,233.00
10"	*190.00*	5,749.18	6,194.80	6,845.26	7,529.78	8,282.76
Variable Charge		***$ / HCF***				
Tier 1 (0 – 4 HCF)		$5.10	$5.49	$6.06	$6.67	$7.34
Tier 2 (5 – 16 HCF)		15.19	15.31	16.92	18.61	20.47
Tier 3 (over 16 HCF)		28.54	34.90	38.56	42.42	46.66

Table 4 – 1 shows the fixed monthly service charge for a 5/8" meter based on the results of the unit costs developed in the cost of service analysis and summarized in Table 3 - 8. The subsequent meter sizes are adjusted by the meter equivalency. The meter equivalencies reflect the capacity of the larger meter sizes, and the fixed costs associated with providing that level of capacity. Also shown in the table are the proposed tiered rates for FY 2025 which are taken directly from Table 3 – 6, or the calculated unit costs from the cost of service analysis.

4.3.2 Review of the Present and Proposed Multi-Family Residential Rates

For Multi-Family Residential customers, the approach to developing the proposed water rates was done in a manner similar to Single Family Residential. The Multi-Family Residential class has the same fixed monthly service charge by meter size and tiered variable (consumption) rates as single-family customers. The proposed consumption charge, however, is assessed on a per dwelling unit basis, meaning each tier is multiplied by the number of multi-family dwelling units connected to the water meter. Table 4 – 2 shows a summary of the present and proposed multi-family rates.

Table 4 - 2
Summary of the Monthly Multi-Family Residential Rates

	Meter Equiv.	Present Rate	FY 2025	FY 2026	FY 2027	FY 2028
Fixed Charge		***$ / Mtr***				
5/8"	*1.00*	$32.60	$36.21	$40.01	$44.01	$48.41
3/4"	*1.50*	47.73	52.50	58.01	63.81	70.20
1"	*2.50*	77.97	85.09	94.02	103.42	113.76
1 1/2"	*5.00*	153.59	166.55	184.04	202.44	222.68
2"	*8.00*	244.33	264.30	292.06	321.26	353.39
3"	*17.50*	531.67	573.86	634.12	697.53	767.28
4"	*31.50*	955.12	1,030.06	1,138.21	1,252.03	1,377.24
6"	*65.00*	1,968.37	2,121.66	2,344.43	2,578.87	2,836.76
8"	*120.00*	3,631.93	3,913.84	4,324.79	4,757.27	5,233.00
10"	*190.00*	5,749.18	6,194.80	6,845.26	7,529.78	8,282.76
Variable Charge		***$ / HCF***				
Tier 1 (0 – 4 HCF per DU)		$5.10	$5.49	$6.06	$6.67	$7.34
Tier 2 (5 – 8 HCF per DU)		15.19	15.31	16.92	18.61	20.47
Tier 3 (over 8 HCF per DU)		28.54	34.90	38.56	42.42	46.66

Similar to the Single Family Residential rates, the Multi-Family Residential fixed and variable rates are based on the average unit costs developed in the cost of service analysis in Table 3 – 8 and Table 3 – 6 respectively. The tier sizes are based on the average use of the multi-family customers, similar to the approach taken for single family customers. The tier sizes are different as the consumption characteristics are different and that multi-family accounts generally have a dedicated irrigation meter for outdoor use if over a specific irrigable area. In addition, the tier sizes are per dwelling unit for the multi-family customer class of service.

4.3.3 Review of the Present and Proposed Commercial and Industrial Rates

Non-residential customers consist of the Commercial and Industrial classes of service and the rate schedule is the same for both classes. The proposed water rates were adjusted to reflect the overall revenue needs from the revenue requirement analysis and the average unit costs as calculated in the cost of service analysis. The current rate structure has a fixed monthly service

charge, which is the same for all classes and is based on the size of meter, and a two-tiered variable charge. Unlike the residential consumption charges with predefined tier sizes, the tier sizes for Commercial and Industrial customers are tailored to each customer's usage characteristics. The first tier, or base allotment, is calculated as the average monthly off-peak water usage for bills dated January through June, adjusted for the maximum days in a billing cycle. The second tier is all water use over the base allotment. The rates for the Commercial and Industrial customers are based on the specific costs distributed in the cost of service analysis for each customer class of service. Provided below in Table 4 - 3 is a summary of the present and proposed water rates for Commercial and Industrial customers.

Table 4 - 3
Summary of the Monthly Commercial and Industrial Rates

	Meter Equiv.	Present Rate	FY 2025	FY 2026	FY 2027	FY 2028
Fixed Charge		***$ / Mtr***				
5/8"	*1.00*	$32.60	$36.21	$40.01	$44.01	$48.41
3/4"	*1.50*	47.73	52.50	58.01	63.81	70.20
1"	*2.50*	77.97	85.09	94.02	103.42	113.76
1 1/2"	*5.00*	153.59	166.55	184.04	202.44	222.68
2"	*8.00*	244.33	264.30	292.06	321.26	353.39
3"	*17.50*	531.67	573.86	634.12	697.53	767.28
4"	*31.50*	955.12	1,030.06	1,138.21	1,252.03	1,377.24
6"	*65.00*	1,968.37	2,121.66	2,344.43	2,578.87	2,836.76
8"	*120.00*	3,631.93	3,913.84	4,324.79	4,757.27	5,233.00
10"	*190.00*	5,749.18	6,194.80	6,845.26	7,529.78	8,282.76
Variable Charge		***$ / HCF***				
Within Base Allotment		$7.77	$8.19	$9.05	$9.96	$10.96
Over Base Allotment		28.45	37.82	41.80	45.98	50.58

As can be seen in Table 4 - 3, the proposed commercial and industrial water rates are based on each customer's base allotment and use up to, and in excess of, the allotment calculated for each customer. Again, and as noted, the proposed fixed monthly service charge by meter size is identical for all customers, and both the fixed monthly service charge and consumption charges are based on the average unit costs as developed in the cost of service analysis and provided in Tables 3 - 6 and 3 - 8.

4.3.4 Review of the Present and Proposed Irrigation Rates

There are three different irrigation customer classes of service. These are Irrigation Agriculture, Irrigation Recreation, and Irrigation Urban (residential/commercial). The current rate structure, which is recommended to continue unchanged, is based on a monthly service charge for the 5/8-inch meter equivalency and a two-tiered consumption charge. Similar to commercial and industrial customers, the first tier, or monthly budget, is calculated for each individual customer

based on their own customer characteristics, including local weather factors, plant or crop types, and irrigated area. The second tier is any amount in excess of the monthly budget.

It is important to note that the cost differences among the irrigation customers, and between the other customer classes, is due to the prioritization of water supply allocations as set by the City Council and the differing capacity demands that are specific to irrigation customers. This results in different rates for each class of irrigation customers for usage within their monthly budgets. However, the rate for use in excess of the monthly budget is the same for all irrigation customers, because the usage over the budget tier for all irrigation classes share the same priority allocation.

As with the previously proposed rates for other customer classes, the proposed rates for the irrigation customers are based on the results of the cost of service analysis. For the urban irrigation customers, the proposed rates are the direct output of the average unit costs as calculated in the cost of service analysis and shown in Table 3 – 6 and Table 3 - 8. Provided in Table 4 - 4 below is a summary of the present and proposed water rates for the irrigation grouping of customers.

Table 4 - 4
Summary of the Monthly Irrigation Rates

	Meter Equiv.	Present Rate	FY 2025	FY 2026	FY 2027	FY 2028
Fixed Charge		***$ / Mtr***				
5/8"	*1.00*	$32.60	$36.21	$40.01	$44.01	$48.41
3/4"	*1.50*	47.73	52.50	58.01	63.81	70.20
1"	*2.50*	77.97	85.09	94.02	103.42	113.76
1 1/2"	*5.00*	153.59	166.55	184.04	202.44	222.68
2"	*8.00*	244.33	264.30	292.06	321.26	353.39
3"	*17.50*	531.67	573.86	634.12	697.53	767.28
4"	*31.50*	955.12	1,030.06	1,138.21	1,252.03	1,377.24
6"	*65.00*	1,968.37	2,121.66	2,344.43	2,578.87	2,836.76
8"	*120.00*	3,631.93	3,913.84	4,324.79	4,757.27	5,233.00
10"	*190.00*	5,749.18	6,194.80	6,845.26	7,529.78	8,282.76
Variable Charge		***$ / HCF***				
Agriculture						
Within Budget		$3.98	$5.13	$5.67	$6.24	$6.86
Over Budget		28.54	34.90	38.56	42.42	46.66
Recreation						
Within Budget		$5.98	$7.26	$8.02	$8.82	$9.70
Over Budget		28.54	34.90	38.56	42.42	46.66
Urban						
Within Budget		$15.19	$15.31	$16.92	$18.61	$20.47
Over Budget		28.54	34.90	38.56	42.42	46.66

4.3.5 Review of the Present and Proposed Recycled Water Rates

The final class of service is recycled water. This rate was developed using the same approach as the other customer classes of service. The recycled water rates reflect the O&M expenses related to the recycled water program, and the proportion of capital costs related to providing annual system renewal and replacement needs of the recycled water system. The proposed recycled water rate structure maintains the current approach to fixed monthly service charges, utilizing a 5/8-inch equivalency, and a uniform variable charge. The derivation of the recycled water rates is the direct output of the calculated cost of service average unit costs as shown in Table 3 – 6 and Table 3 - 8. Provided below in Table 4 - 5 is a summary of the present and proposed rates for the recycled water customers.

Table 4 - 5 Summary of the Monthly Recycled Water Rates						
	Meter Equiv.	Present Rate	FY 2025	FY 2026	FY 2027	FY 2028
Fixed Charge		***$ / Mtr***				
5/8"	*1.00*	$32.60	$36.21	$40.01	$44.01	$48.41
3/4"	*1.50*	47.73	52.50	58.01	63.81	70.20
1"	*2.50*	77.97	85.09	94.02	103.42	113.76
1 1/2"	*5.00*	153.59	166.55	184.04	202.44	222.68
2"	*8.00*	244.33	264.30	292.06	321.26	353.39
3"	*17.50*	531.67	573.86	634.12	697.53	767.28
4"	*31.50*	955.12	1,030.06	1,138.21	1,252.03	1,377.24
6"	*65.00*	1,968.37	2,121.66	2,344.43	2,578.87	2,836.76
8"	*120.00*	3,631.93	3,913.84	4,324.79	4,757.27	5,233.00
10"	*190.00*	5,749.18	6,194.80	6,845.26	7,529.78	8,282.76
Variable Charge		***$ / HCF***				
All Usage		$4.99	$6.10	$6.74	$7.41	$8.15

4.3.6 Fireline Rates

Proposed rates were also developed for private firelines. The present rate structure is comprised of a fixed monthly charge that varies by fireline size and is adjusted for each size by a 1" meter equivalency. As part of the cost of service analysis, costs were allocated to private fire protection. These costs we then divided by the total number of equivalent meters (Table 3 – 8) to calculate the fixed charge on a 1" meter equivalency. Shown in Table 4 – 6 below are the present and proposed fire protection rates based on the unit cost developed in the cost of service analysis based on a six-inch equivalent. Public fire service provided by City-owned fire hydrants is charged to all customers through the water rate structure.

Table 4 - 6 Summary of the Monthly Private Fire Service Rates						
	Meter Equiv.	Present Rate	FY 2025	FY 2026	FY 2027	FY 2028
Fixed Charge		***$ / Mtr***				
1"	*0.01*	$3.33	$4.67	$5.16	$5.68	$6.25
1 1/2"	*0.03*	5.18	6.67	7.37	8.11	8.92
2"	*0.06*	8.37	10.12	11.18	12.30	13.53
4"	*0.34*	39.58	43.86	48.47	53.32	58.65
6"	*1.00*	110.47	120.51	133.16	146.48	161.13
8"	*2.13*	232.76	252.72	279.26	307.19	337.91
10"	*3.83*	416.70	451.58	499.00	548.90	603.79
12”	*6.19*	671.63	727.20	803.56	883.92	972.31

4.4 Summary of the Proposed Rate Revenues

The rates for each customer class of service reflect the results of the revenue requirement and cost of service results, and specifically the average unit costs for the FY 2025 proposed rates. The proposed rates for FY 2026 through FY 2028 are based on the overall system revenue adjustment as calculated in the revenue requirement analysis. The proposed revenues closely reflect the proportional distribution of costs to the customer classes of service. Provided below in Table 4 – 7 is a summary of the present revenue levels, cost of service distributed costs (cost-based revenues), and the proposed revenues based on the proposed rates.

Table 4 - 7 Summary of the Water Utility FY 2025 Revenue Projections ($000)			
FY 2025	Present Revenues	Distributed Costs	Proposed Revenues
Residential	$42,433	$46,273	$46,273
Recycled Water	1,802	2,141	2,141
Com / Ind	11,628	13,305	13,305
Irrigation Agriculture	320	385	385
Irrigation Recreation	640	743	743
Irrigation Urban	2,914	3,160	3,160
Private Fire Service	411	452	452
Total	**$60,148**	**$66,461**	**$66,460**

As shown in Table 4 – 7 the distributed costs (the cost of service results) are comparable to the proposed revenues at proposed rates. This shows that the relationship between the implementation of the average unit costs (i.e., proposed rates) for rate design, and resulting

revenues reflect the cost of service results. That is the proposed revenues equal the distributed costs, and are based on the cost of service results and average unit costs.

This concludes the discussion of the proposed water rates. Detailed exhibits for the various rate designs are included within the Technical Appendices.

4.5 Water Rate Study Recommendations

Based on the results of the City's water rate study, HDR recommends the following:

- Rate revenue levels for the City's water utility should be adjusted by 10.5% annually in FY 2025 and FY 2026 followed by 10.0% annually in FY 2027 and FY 2028
- The proposed rates should be implemented to reflect each customer class's proportional distribution of costs as calculated in the cost of service analysis
- The rates are proposed to be implemented and effective July 2 for FY 2025, and July 1 for each subsequent year if adopted by the City Council
- Prior to the implementation of the final, proposed rate adjustment in FY 2028, the City should complete a review of the water rates to determine future water rate levels

4.6 Rate Adoption

Proposition 218 outlines a specific process to legally adopt and implement the proposed water rates. The first requirement is that the rates must be cost-based and proportional, which is the purpose of completing the water rate study. Once the proposed water rates have been developed, a public process must be undertaken to adopt the proposed rates. This began with the presentation of the proposed rates to the Finance Committee and City Council in April 2024. In late April, the City mailed the Proposition 218 notices – shown in the Proposition 218 Appendix – to the City's customers which outlines the proposed changes in rates and the time, date, and location of the public hearing. The City Council will hold a public hearing on June 25, 2024, to discuss the publicly noticed and proposed rates.

4.7 Summary of the Water Rate Study

The Study has provided a comprehensive review and development of proposed water rates for the City. Adoption of the proposed water rates will allow the City to meet their current and projected water system financial obligations for the time period reviewed based on the assumed customer growth, capital plan, and projected increases in operating costs. Should these assumptions change, the proposed rate adjustments may also need to be revised to reflect the current conditions.

Water Technical Appendix

City of Santa Barbara
Water Cost of Service Study
Revenue Requirement Summary

	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033
Revenues										
Total Rate Revenues	$60,137	$60,160	$60,183	$60,206	$60,230	$60,253	$60,277	$60,301	$60,325	$60,349
Total Other Revenues	10,852	13,142	12,859	12,537	12,501	12,984	13,425	13,258	20,630	21,486
Total Revenue	**$70,989**	**$73,302**	**$73,042**	**$72,743**	**$72,731**	**$73,238**	**$73,702**	**$73,559**	**$80,955**	**$81,835**
Expenses										
Total O&M	$49,074	$52,817	$56,587	$60,257	$64,189	$67,029	$69,778	$72,720	$75,700	$78,731
Rate Funded Capital	11,180	18,853	22,044	22,380	22,482	25,746	29,595	32,311	31,660	34,361
Transfers	0	0	0	0	0	0	0	0	0	0
Debt Service	8,915	9,312	8,901	8,926	8,189	8,878	9,218	9,318	9,700	10,261
Reserve Funding + / (-)	1,820	(1,366)	(1,193)	1,830	6,615	4,790	3,003	2,026	11,885	11,906
Total Revenue Requirement	**$70,989**	**$79,616**	**$86,339**	**$93,394**	**$101,476**	**$106,443**	**$111,594**	**$116,375**	**$128,945**	**$135,260**
Balance/Deficiency of Funds	$0	($6,314)	($13,297)	($20,650)	($28,745)	($33,205)	($37,892)	($42,816)	($47,990)	($53,425)
Rate Adj. as a % of Rate Rev	0.0%	10.5%	22.1%	34.3%	47.7%	55.1%	62.9%	71.0%	79.6%	88.5%
Proposed Rate Adjustment	**0.0%**	**10.5%**	**10.5%**	**10.0%**	**10.0%**	**5.0%**	**5.0%**	**5.0%**	**5.0%**	**5.0%**
Rate Revenue After Adjustment	**$60,137**	**$66,474**	**$73,480**	**$80,857**	**$88,975**	**$93,459**	**$98,169**	**$103,117**	**$108,314**	**$113,774**
Debt Service Coverage Ratio										
Before Rate Adjustment	1.98	1.80	1.55	1.26	1.03	0.81	0.64	0.44	0.72	0.57
After Rate Adjustment	1.98	2.26	2.51	2.74	3.19	3.15	3.21	3.28	3.78	3.81
Average Residential Bill (5/8" meter + 8 HCF)	$113.76	$125.70	$138.90	$152.79	$168.07	$176.48	$185.30	$194.57	$204.29	$214.51
$ Change Per Month		11.94	13.20	13.89	15.28	8.40	8.82	9.27	9.73	10.21
Cumulative $ Change per Month		11.94	25.14	39.03	54.31	62.72	71.54	80.81	90.53	100.75
Total Cash Reserves	**$32,568**	**$26,549**	**$24,748**	**$26,575**	**$33,187**	**$37,974**	**$38,474**	**$40,497**	**$52,379**	**$64,282**

City of Santa Barbara
Water Cost of Service Study
Revenue Requirement
Exhibit 1 - Escalation Factors

	Budget	*Projected*									
	FY 2024	**FY 2025**	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**	**FY 2031**	**FY 2032**	**FY 2033**	***Notes***
Revenues											
SFR Cust. Growth	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
MFR Cust. Growth	0.0%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	
Com Cust. Growth	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
Recycled Cust. Growth	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
Ind Cust. Growth	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
Irr Cust. Growth	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
Other Cust. Growth	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
SFR Cons. Growth	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
MFR Cons. Growth	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
Com Cons. Growth	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
Recycled Cons. Growth	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
Ind Cons. Growth	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
Irr Cons. Growth	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
Other Cons. Growth	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
Wholesale Water Sales	0.0%	10.5%	10.5%	10.0%	10.0%	5.0%	5.0%	5.0%	5.0%	5.0%	
One-Time	-100.0%	-100.0%	-100.0%	-100.0%	-100.0%	-100.0%	-100.0%	-100.0%	-100.0%	-100.0%	
Misc. Revenue	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	
Flat	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
Expenses											
Labor	Budget	5.5%	7.5%	7.5%	7.5%	3.5%	3.5%	3.5%	3.5%	3.5%	
Benefits	Budget	17.6%	20.0%	20.0%	20.0%	9.0%	8.0%	7.0%	6.0%	6.0%	
Benefits - Other	Budget	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	
Insurance	Budget	20.0%	20.0%	20.0%	20.0%	3.0%	3.0%	3.0%	3.0%	3.0%	
Materials & Supplies	Budget	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	
Equipment	Budget	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	
Miscellaneous	Budget	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	
Utilities	Budget	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	
O&M Other	Budget	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	
PERS	Budget	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	
CIP	Budget	5.0%	4.0%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%	
General	Budget	6.8%	7.1%	7.1%	7.1%	4.2%	4.1%	4.0%	3.9%	3.9%	
Purchased Water	Budget	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	
Flat	Budget	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
One-time	-100.0%	-100.0%	-100.0%	-100.0%	-100.0%	-100.0%	-100.0%	-100.0%	-100.0%	-100.0%	
Investment Interest	1.5%	5.0%	4.0%	3.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	
New Long-Term Debt Assumptions											
Revenue Bond											
Rate	6.0%	6.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	
Term	20	20	20	20	20	20	20	20	20	20	
Revenue Bond Issuance Costs	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	
Low Interest Loan											
Rate	3.3%	3.3%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	
Term	30	30	30	30	30	30	30	30	30	30	
Low Interest Loan Fees	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	

City of Santa Barbara
Water Cost of Service Study
Revenue Requirement
Exhibit 2 - Revenues & Expenses

	Budget	*Projected*									
	FY 2024	**FY 2025**	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**	**FY 2031**	**FY 2032**	**FY 2033**	***Notes***
Revenues											
Rate Revenues											
Single Family Residential	$28,594,013	$28,594,013	$28,594,013	$28,594,013	$28,594,013	$28,594,013	$28,594,013	$28,594,013	$28,594,013	$28,594,013	*Calc'd in Cust Data Tab*
Multi-Family Residential	13,816,276	13,839,413	13,862,618	13,885,951	13,909,381	13,932,938	13,956,593	13,980,364	14,004,243	14,028,225	*Calc'd in Cust Data Tab*
Recycled Water	1,801,643	1,801,643	1,801,643	1,801,643	1,801,643	1,801,643	1,801,643	1,801,643	1,801,643	1,801,643	*Calc'd in Cust Data Tab*
Com & Ind	11,628,402	11,628,402	11,628,402	11,628,402	11,628,402	11,628,402	11,628,402	11,628,402	11,628,402	11,628,402	*Calc'd in Cust Data Tab*
Industrial	0	0	0	0	0	0	0	0	0	0	*Calc'd in Cust Data Tab*
Irrigation Agriculture	319,998	319,998	319,998	319,998	319,998	319,998	319,998	319,998	319,998	319,998	*Calc'd in Cust Data Tab*
Irrigation Recreation	639,642	639,642	639,642	639,642	639,642	639,642	639,642	639,642	639,642	639,642	*Calc'd in Cust Data Tab*
Irrigation Urban	2,914,075	2,914,075	2,914,075	2,914,075	2,914,075	2,914,075	2,914,075	2,914,075	2,914,075	2,914,075	*Calc'd in Cust Data Tab*
Bird Refuge	11,743	11,743	11,743	11,743	11,743	11,743	11,743	11,743	11,743	11,743	*Calc'd in Cust Data Tab*
Mission Canyon	0	0	0	0	0	0	0	0	0	0	*Calc'd in Cust Data Tab*
Private Fire Service	410,959	410,959	410,959	410,959	410,959	410,959	410,959	410,959	410,959	410,959	*Calc'd in Cust Data Tab*
Total Rate Revenues	**$60,136,751**	**$60,159,887**	**$60,183,093**	**$60,206,426**	**$60,229,856**	**$60,253,413**	**$60,277,067**	**$60,300,839**	**$60,324,718**	**$60,348,700**	
Other Revenues											
Other Revenues	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	As Misc. Revenue
JPA Reimb Goleta Water Trans	12,000	12,060	12,120	12,181	12,242	12,303	12,365	12,426	12,488	12,551	As Misc. Revenue
Emerg Service Worker Reimburse	14,540	14,613	14,686	14,759	14,833	14,907	14,982	15,057	15,132	15,208	As Misc. Revenue
Cater Treatment - Phase III	750	754	758	761	765	769	773	777	781	784	As Misc. Revenue
JPA Reimb - Cater SRF Loan	466,822	469,156	471,502	473,859	476,229	478,610	481,003	483,408	485,825	488,254	As Misc. Revenue
Joint Powers Reimb. - Cater	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000	1,810,000	1,820,000	1,830,000	40% of Cater Capital + Qtrly Billing
Water Turn On Fees	130,632	130,632	130,632	130,632	130,632	130,632	130,632	130,632	130,632	130,632	As Flat
Water Tap Fees	111,328	111,328	111,328	111,328	111,328	111,328	111,328	111,328	111,328	111,328	As Flat
Water Exams - Other Depts.	5,000	5,025	5,050	5,075	5,101	5,126	5,152	5,178	5,204	5,230	As Misc. Revenue
Hydrant Rental	1,000	1,005	1,010	1,015	1,020	1,025	1,030	1,036	1,041	1,046	As Misc. Revenue
Backflow Fees	3,500	3,518	3,535	3,553	3,571	3,588	3,606	3,624	3,642	3,661	As Misc. Revenue
Hydroelectric Energy Savings	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	As Flat
Misc. Revenue - NOC	25,548	25,676	25,676	25,804	25,933	26,063	26,193	26,324	26,456	26,588	As Misc. Revenue
Compensation - Property Damage	7,345	7,382	7,419	7,456	7,493	7,530	7,568	7,606	7,644	7,682	As Misc. Revenue
Interest Income	1,914,400	1,859,947	1,343,552	1,017,041	768,418	888,413	947,285	978,515	1,123,562	1,367,415	*Calculated on Reserves*
Montecito Water District	5,500,000	6,944,253	7,132,563	7,331,340	7,541,908	7,735,340	7,934,451	8,139,095	8,349,126	8,566,849	45.8% of Desal O&M Plus
MWD - Capital Contribution		880,880	904,675	688,240	666,293	822,076	989,938	1,161,070	8,151,882	8,518,943	45.8% of Desal Capital
La Cumbre Mutual Water Company	159,000	175,695	194,143	213,557	234,913	246,659	258,992	271,941	285,538	299,815	As Wholesale Water Sales
Change in Revenue + / (-)	0	0	0	0	0	0	0	0	0	0	*From Dashboard*
Total Other Revenues	**$10,851,865**	**$13,141,922**	**$12,858,648**	**$12,536,602**	**$12,500,679**	**$12,984,370**	**$13,425,298**	**$13,258,017**	**$20,630,280**	**$21,485,985**	
Total Revenues	**$70,988,616**	**$73,301,810**	**$73,041,741**	**$72,743,028**	**$72,730,535**	**$73,237,782**	**$73,702,365**	**$73,558,856**	**$80,954,998**	**$81,834,685**	

	Budget	*Projected*									
	FY 2024	**FY 2025**	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**	**FY 2031**	**FY 2032**	**FY 2033**	***Notes***
Expenses											
Cater Treatment - 4632											
Allocated Costs	$234,525	$224,957	$241,011	$258,035	$276,262	$287,739	$299,432	$311,328	$323,413	$335,967	As Allocated Costs
Benefits	906,973	1,066,147	1,279,376	1,535,251	1,842,302	2,008,109	2,168,757	2,320,570	2,459,805	2,607,393	As Benefits
Cap Outlay Capitaliz	52,600	55,230	57,439	59,277	61,174	63,132	65,152	67,237	69,388	71,609	As CIP
Cap Outlay Non-Cap	18,000	18,900	19,656	20,285	20,934	21,604	22,295	23,009	23,745	24,505	As CIP
Salaries	1,762,969	1,859,932	1,999,427	2,149,384	2,310,588	2,391,459	2,475,160	2,561,790	2,651,453	2,744,254	As Labor
Supplies & Services	3,194,694	3,306,508	3,422,236	3,542,014	3,665,985	3,794,294	3,927,095	4,064,543	4,206,802	4,354,040	As Materials & Supplies
Total Cater Treatment - 4632	**$6,169,761**	**$6,531,675**	**$7,019,146**	**$7,564,247**	**$8,177,245**	**$8,566,337**	**$8,957,891**	**$9,348,477**	**$9,734,606**	**$10,137,768**	
Gibraltor Dam - 4621											
Allocated Costs	$14,832	$17,114	$18,335	$19,630	$21,017	$21,890	$22,780	$23,685	$24,604	$25,559	As Allocated Costs
Benefits	120,352	141,474	169,769	203,722	244,467	266,469	287,786	307,931	326,407	345,992	As Benefits
Cap Outlay Non-Cap	1,500	1,575	1,638	1,690	1,745	1,800	1,858	1,917	1,979	2,042	As CIP
Salaries	257,188	271,333	291,683	313,560	337,077	348,874	361,085	373,723	386,803	400,341	As Labor
Special Projects	190,000	194,750	199,619	204,609	209,724	214,968	220,342	225,850	231,497	237,284	As Miscellaneous
Supplies & Services	177,838	184,062	190,505	197,172	204,073	211,216	218,608	226,260	234,179	242,375	As Materials & Supplies
Total Gibraltor Dam - 4621	**$761,710**	**$810,308**	**$871,548**	**$940,384**	**$1,018,102**	**$1,065,217**	**$1,112,459**	**$1,159,366**	**$1,205,468**	**$1,253,593**	
Meter Readers - 4636											
Allocated Costs	$91,881	$96,431	$103,312	$110,610	$118,423	$123,343	$128,355	$133,454	$138,635	$144,016	As Allocated Costs
Benefits	362,488	426,105	511,326	613,591	736,309	802,577	866,783	927,458	983,105	1,042,091	As Benefits
Cap Outlay Non-Cap	2,000	2,100	2,184	2,254	2,326	2,400	2,477	2,557	2,638	2,723	As CIP
Salaries	813,784	858,542	922,933	992,153	1,066,564	1,103,894	1,142,530	1,182,519	1,223,907	1,266,744	As Labor
Supplies & Services	76,085	78,748	81,504	84,357	87,309	90,365	93,528	96,801	100,189	103,696	As Materials & Supplies
Total Meter Readers - 4636	**$1,346,238**	**$1,461,925**	**$1,621,259**	**$1,802,964**	**$2,010,931**	**$2,122,579**	**$2,233,673**	**$2,342,789**	**$2,448,475**	**$2,559,270**	
Water Distribution - 4635											
Allocated Costs	$1,287,875	$1,361,316	$1,458,465	$1,561,485	$1,671,783	$1,741,238	$1,811,995	$1,883,981	$1,957,114	$2,033,085	As Allocated Costs
Benefits	1,810,870	2,128,678	2,554,413	3,065,296	3,678,355	4,009,407	4,330,160	4,633,271	4,911,267	5,205,943	As Benefits
Cap Outlay Capitaliz	190,000	199,500	207,480	214,119	220,971	228,042	235,340	242,870	250,642	258,663	As CIP
Cap Outlay Non-Cap	156,422	164,243	170,813	176,279	181,920	187,741	193,749	199,949	206,347	212,950	As CIP
Salaries	3,808,978	4,018,472	4,319,857	4,643,846	4,992,135	5,166,860	5,347,700	5,534,869	5,728,590	5,929,090	As Labor
Special Projects	131,562	134,851	138,222	141,678	145,220	148,850	152,572	156,386	160,296	164,303	As Miscellaneous
Supplies & Services	3,410,792	3,530,170	3,653,726	3,781,606	3,913,962	4,050,951	4,192,734	4,339,480	4,491,362	4,648,559	As Materials & Supplies
Total Water Distribution - 4635	**$10,796,499**	**$11,537,229**	**$12,502,976**	**$13,584,310**	**$14,804,346**	**$15,533,089**	**$16,264,249**	**$16,990,806**	**$17,705,617**	**$18,452,594**	

	Budget	*Projected*									
	FY 2024	**FY 2025**	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**	**FY 2031**	**FY 2032**	**FY 2033**	***Notes***
Water Laboratory - 4641											
Allocated Costs	$36,132	$39,872	$42,717	$45,734	$48,965	$50,999	$53,072	$55,180	$57,322	$59,547	As Allocated Costs
Benefits	232,494	273,297	327,956	393,547	472,257	514,760	555,941	594,856	630,548	668,381	As Benefits
Cap Outlay Capitaliz	79,983	83,982	87,341	90,136	93,021	95,997	99,069	102,240	105,511	108,888	As CIP
Cap Outlay Non-Cap	40,167	42,175	43,862	45,266	46,714	48,209	49,752	51,344	52,987	54,683	As CIP
Salaries	512,062	540,225	580,742	624,298	671,120	694,610	718,921	744,083	770,126	797,080	As Labor
Supplies & Services	318,692	329,846	341,391	353,340	365,706	378,506	391,754	405,465	419,657	434,344	As Materials & Supplies
Total Water Laboratory - 4641	**$1,219,530**	**$1,309,397**	**$1,424,010**	**$1,552,321**	**$1,697,784**	**$1,783,081**	**$1,868,508**	**$1,953,168**	**$2,036,151**	**$2,122,923**	
Water Reclamation - Recycled - 4622											
Allocated Costs	$31,162	$35,630	$38,173	$40,869	$43,756	$45,574	$47,426	$49,310	$51,224	$53,212	As Allocated Costs
Benefits	286,564	336,856	404,227	485,073	582,087	634,475	685,233	733,199	777,191	823,823	As Benefits
Salaries	591,356	623,881	670,672	720,972	775,045	802,171	830,247	859,306	889,382	920,510	As Labor
Supplies & Services	873,664	904,242	935,891	968,647	1,002,550	1,037,639	1,073,956	1,111,545	1,150,449	1,190,714	As Materials & Supplies
Total Water Reclamation - Recycled - 4622	**$1,782,746**	**$1,900,609**	**$2,048,962**	**$2,215,561**	**$2,403,437**	**$2,519,859**	**$2,636,862**	**$2,753,360**	**$2,868,246**	**$2,988,260**	
Water Supply Management - 4612											
Allocated Costs	$75,404	$75,342	$80,719	$86,420	$92,525	$96,369	$100,285	$104,269	$108,316	$112,521	As Allocated Costs
Benefits	383,722	451,065	541,278	649,534	779,441	849,590	917,558	981,787	1,040,694	1,103,135	As Benefits
Cap Outlay Non-Cap	78,300	82,215	85,504	88,240	91,063	93,977	96,985	100,088	103,291	106,596	As CIP
Salaries	804,427	848,670	912,321	980,745	1,054,301	1,091,201	1,129,393	1,168,922	1,209,834	1,252,178	As Labor
Special Projects											
All Others	443,023	$454,098	$465,451	$477,087	$489,014	$501,239	$513,770	$526,615	$539,780	$553,274	As Miscellaneous
Water Purchases	0	0	0	0	0	0	0	0	0	0	As Purchased Water
Cachuma COMB	2,200,000	3,100,000	3,100,000	3,200,000	3,200,000	3,328,000	3,461,120	3,599,565	3,743,547	3,893,289	As Purchased Water
Cachuma CCRB	500,000	600,000	520,000	540,800	562,432	584,929	608,326	632,660	657,966	684,285	As Purchased Water
State Water Project - CCWA	4,300,000	4,600,000	4,900,000	5,010,000	5,100,000	5,304,000	5,516,160	5,736,806	5,966,279	6,204,930	As Purchased Water
Supplies & Services	714,410	739,414	765,294	792,079	819,802	848,495	878,192	908,929	940,742	973,667	As Materials & Supplies
Total Water Supply Management - 4612	**$9,499,286**	**$10,950,805**	**$11,370,566**	**$11,824,905**	**$12,188,577**	**$12,697,801**	**$13,221,789**	**$13,759,640**	**$14,310,449**	**$14,883,877**	

	Budget	*Projected*									
	FY 2024	**FY 2025**	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**	**FY 2031**	**FY 2032**	**FY 2033**	***Notes***
Water Treatment - 4631											
Allocated Costs	$32,339	$14,074	$15,078	$16,143	$17,284	$18,002	$18,733	$19,478	$20,234	$21,019	As Allocated Costs
Benefits	107,702	126,604	151,924	182,309	218,771	238,461	257,537	275,565	292,099	309,625	As Benefits
Cap Outlay Capitaliz	49,300	51,765	53,836	55,558	57,336	59,171	61,064	63,018	65,035	67,116	As CIP
Salaries	217,239	229,187	246,376	264,854	284,718	294,684	304,998	315,672	326,721	338,156	As Labor
Special Projects	0	0	0	0	0	0	0	0	0	0	As Materials & Supplies
Supplies & Services	495,753	513,104	531,063	549,650	568,888	588,799	609,407	630,736	652,812	675,660	As Materials & Supplies
Total Water Treatment - 4631	**$902,333**	**$934,734**	**$998,278**	**$1,068,516**	**$1,146,998**	**$1,199,116**	**$1,251,740**	**$1,304,470**	**$1,356,901**	**$1,411,577**	
Water Utilities Management - 4611											
Allocated Costs	$4,338,300	$4,833,339	$5,178,264	$5,544,037	$5,935,648	$6,182,247	$6,433,471	$6,689,056	$6,948,712	$7,218,449	As Allocated Costs
Benefits	255,087	299,855	359,826	431,791	518,149	564,782	609,965	652,663	691,822	733,332	As Benefits
Cap Outlay Non-Cap	4,500	4,725	4,914	5,071	5,234	5,401	5,574	5,752	5,936	6,126	As CIP
Salaries	510,391	523,151	536,230	549,635	563,376	577,461	591,897	606,695	621,862	637,408	As Miscellaneous
Special Projects	76,413	78,323	80,281	82,288	84,346	86,454	88,616	90,831	93,102	95,429	As Miscellaneous
Supplies & Services	1,578,851	1,634,111	1,691,305	1,750,500	1,811,768	1,875,180	1,940,811	2,008,739	2,079,045	2,151,812	As Materials & Supplies
Total Water Utilities Management - 4611	**$6,763,542**	**$7,373,504**	**$7,850,819**	**$8,363,324**	**$8,918,520**	**$9,291,525**	**$9,670,334**	**$10,053,735**	**$10,440,480**	**$10,842,556**	
Desalination - 4675											
Allocated Costs	$239,855	$9,803	$10,503	$11,244	$12,039	$12,539	$13,048	$13,567	$14,093	$14,640	As Allocated Costs
Benefits	195,929	230,315	276,377	331,653	397,984	433,802	468,506	501,302	531,380	563,263	As Benefits
Cap Outlay Capitaliz	40,000	42,000	43,680	45,078	46,520	48,009	49,545	51,131	52,767	54,455	As CIP
Cap Outlay Non-Cap	15,000	15,750	16,380	16,904	17,445	18,003	18,579	19,174	19,788	20,421	As CIP
Salaries	418,187	441,187	474,276	509,847	548,086	567,269	587,123	607,672	628,941	650,954	As Labor
Supplies & Services	9,325,647	9,410,100	9,739,454	10,080,334	10,433,146	10,798,306	11,176,247	11,567,416	11,972,275	12,391,305	As Materials & Supplies
Total Desalination - 4675	**$10,234,618**	**$10,149,155**	**$10,560,670**	**$10,995,061**	**$11,455,219**	**$11,877,928**	**$12,313,049**	**$12,760,261**	**$13,219,243**	**$13,695,038**	
Additional O&M											
Input from Dashboard	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	
Debt Issuance Costs	10,000	140,000	140,000	141,623	136,433	133,333	0	38,000	110,000	110,000	Bonds = 1.5% & Loans = 1%
Salary Savings	0	(700,000)	(700,000)	(700,000)	(700,000)	(700,000)	(700,000)	(700,000)	(700,000)	(700,000)	As Flat
Unfunded Liability	0	700,000	700,000	700,000	700,000	700,000	700,000	700,000	700,000	700,000	
Additional Staffing Needs	0	0	475,000	510,625	548,922	568,134	588,019	608,599	629,900	651,947	As Labor
Customer Assistance Program	0	150,000	153,750	157,594	161,534	165,572	169,711	173,954	178,303	182,760	As Miscellaneous
Less: Capitalized O&M	(411,883)	(432,477)	(449,776)	(464,169)	(479,022)	(494,351)	(510,170)	(526,496)	(543,344)	(560,731)	
Total Additional O&M	**($401,883)**	**($142,477)**	**$318,974**	**$345,673**	**$367,866**	**$372,688**	**$247,560**	**$294,058**	**$374,860**	**$383,977**	
Total Operations & Maintenance Expense	**$49,074,380**	**$52,816,865**	**$56,587,207**	**$60,257,265**	**$64,189,026**	**$67,029,221**	**$69,778,114**	**$72,720,129**	**$75,700,495**	**$78,731,432**	

	Budget	*Projected*									
	FY 2024	**FY 2025**	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**	**FY 2031**	**FY 2032**	**FY 2033**	***Notes***
Rate Funded Capital (Pay Go)	**$11,179,883**	**$18,853,477**	**$22,044,276**	**$22,380,189**	**$22,481,583**	**$25,746,472**	**$29,595,372**	**$32,310,650**	**$31,659,771**	**$34,361,302**	*Exhibit 3*
											FY 2022 Dep. Exp. = $9,902,849
Transfers											
Constituent Relationship Mgmt	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	As Benefits
Total Transfers	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	
Debt Service											
SWRCB SRF Loan (Desal)	$4,209,611	$4,209,611	$4,209,611	$4,209,611	$4,209,611	$4,209,611	$4,209,611	$4,209,611	$4,209,611	$4,209,611	Debt Schedule
2002 SRF Loan (Cater)	1,144,246	1,144,246	0	0	0	0	0	0	0	0	Debt Schedule
2011 Safe Drinking Water Loan (Ortega)	1,699,680	1,699,680	1,699,680	1,699,680	1,699,680	1,699,680	1,699,680	1,699,680	1,699,680	1,699,680	Debt Schedule
2013 COP Debt	2,134,575	2,133,950	2,138,850	1,446,375	0	0	0	0	0	0	Debt Schedule
Assumed Low Interest Loan	26,509	424,140	1,152,397	1,870,808	2,580,120	3,268,285	3,608,413	3,628,821	3,929,835	4,491,046	Calculated @ 3.06% for 30 yrs
Assumed Revenue Bond	0	0	0	0	0	0	0	80,243	160,485	160,485	Calculated @ 5.2% for 20 yrs
Add'l Long-Term Debt	0	0	0	0	0	0	0	0	0	0	Calculated @ 5.2% for 20 yrs
Less: Capacity Charge Use	(300,000)	(300,000)	(300,000)	(300,000)	(300,000)	(300,000)	(300,000)	(300,000)	(300,000)	(300,000)	Input
Total Debt Service	**$8,914,620**	**$9,311,626**	**$8,900,538**	**$8,926,474**	**$8,189,411**	**$8,877,576**	**$9,217,704**	**$9,318,354**	**$9,699,611**	**$10,260,822**	
Reserve Funding + / (-)											
Water Operating Fund	$997,538	($1,665,800)	($1,493,441)	$454,574	$3,345,486	$2,889,972	$2,573,212	$875,836	$8,834,812	$3,356,494	
Water Capital Fund (5010)	0	0	0	1,075,000	2,970,000	1,600,000	130,000	850,000	2,750,000	8,250,000	
Disaster Reserves (15% of O&M)	493,317	0	0	0	0	0	0	0	0	0	
Contingency Reserves (10% of O&M)	328,878	0	0	0	0	0	0	0	0	0	
Rate Stabilization Reserve	0	0	0	0	0	0	0	0	0	0	
Water Debt Reserves	0	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	
Water Drought Fund	0	0	0	0	0	0	0	0	0	0	
Water Desal Plant Reserve	0	0	0	0	0	0	0	0	0	0	
Total Reserve Funding + / (-)	**$1,819,733**	**($1,365,800)**	**($1,193,441)**	**$1,829,574**	**$6,615,486**	**$4,789,972**	**$3,003,212**	**$2,025,836**	**$11,884,812**	**$11,906,494**	
Total Revenue Requirements	**$70,988,616**	**$79,616,169**	**$86,338,580**	**$93,393,502**	**$101,475,505**	**$106,443,241**	**$111,594,403**	**$116,374,969**	**$128,944,689**	**$135,260,050**	
Annual % Change in Revenue Requirement		*12.2%*	*8.4%*	*8.2%*	*8.7%*	*4.9%*	*4.8%*	*4.3%*	*10.8%*	*4.9%*	
Balance / (Deficiency) of Funds	$0	($6,314,359)	($13,296,839)	($20,650,474)	($28,744,971)	($33,205,458)	($37,892,038)	($42,816,113)	($47,989,691)	($53,425,365)	
Rate Adjust. as a % of Rate Rev	0.0%	10.5%	22.1%	34.3%	47.7%	55.1%	62.9%	71.0%	79.6%	88.5%	
Proposed Rate Adjustment	**0.0%**	**10.5%**	**10.5%**	**10.0%**	**10.0%**	**5.0%**	**5.0%**	**5.0%**	**5.0%**	**5.0%**	*From Dashboard*
Months of Adjustment	*12*	*12*	*12*	*12*	*12*	*12*	*12*	*12*	*12*	*12*	
Addt'l Rev from Proposed Adj.	$0	$6,314,359	$13,296,839	$20,650,474	$28,744,971	$33,205,458	$37,892,038	$42,816,113	$47,989,691	$53,425,365	
Net Bal/(Def) of Funds After Rate Adj.	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	
Additional Rate Increase Needed	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	

	Budget	*Projected*									
	FY 2024	**FY 2025**	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**	**FY 2031**	**FY 2032**	**FY 2033**	***Notes***
Average Residential Bill (5/8" meter + 8 HCF)	**$113.76**										
Average Residential Bill	$113.76	$125.70	$138.90	$152.79	$168.07	$176.48	$185.30	$194.57	$204.29	$214.51	
$ Change Per Month	0.00	11.94	13.20	13.89	15.28	8.40	8.82	9.27	9.73	10.21	
Cumulative $ Change per Month	0.00	11.94	25.14	39.03	54.31	62.72	71.54	80.81	90.53	100.75	
Debt Service Coverage w/o Cap Charge (parity debt only)											
Before Rate Adjustment	2.12	1.98	1.65	1.41	1.24	1.03	0.83	0.56	0.94	0.77	
After Rate Adjustment	2.12	2.48	2.68	3.08	3.85	3.99	4.14	4.24	4.99	5.18	
Debt Service Coverage w/o Cap Charge (all debt w/SWP)											
Before Rate Adjustment	1.98	1.80	1.55	1.26	1.03	0.81	0.64	0.44	0.72	0.57	
After Rate Adjustment	1.98	2.26	2.51	2.74	3.19	3.15	3.21	3.28	3.78	3.81	
Debt Service Coverage w/Cap Charge (all debt w/SWP)											
Before Rate Adjustment	2.03	1.85	1.59	1.30	1.07	0.85	0.68	0.48	0.75	0.60	
After Rate Adjustment	2.03	2.30	2.55	2.78	3.23	3.20	3.25	3.32	3.82	3.85	
Cash Reserves											
Total Beginning Balance	**$56,641,599**	**$40,058,332**	**$34,339,532**	**$32,838,092**	**$34,964,666**	**$41,877,152**	**$46,964,124**	**$47,764,336**	**$50,087,171**	**$62,268,984**	
Water Operating Fund											
Beginning Balance	**$20,894,623**	**$4,553,540**	**$2,242,155**	**$128,200**	**($103,167)**	**$2,829,270**	**$5,329,019**	**$7,463,727**	**$7,891,472**	**$16,265,550**	
Plus: Additions	997,538	0	0	454,574	3,345,486	2,889,972	2,573,212	875,836	8,834,812	3,356,494	
Plus: Grant Funds	0	0	0	0	0	0	0	0	0	0	
Plus: One-Time Settlement Deposit	0	0	0	0	0	0	0	0	0	0	
Plus: Transfer of Drought Fund	0	0	0	0	0	0	0	0	0	0	
Water Capacity Charge	597,000	597,000	597,000	597,000	597,000	597,000	597,000	597,000	597,000	597,000	As Flat
Less: Uses	(17,000,000)	(1,965,800)	(1,793,441)	(300,000)	(300,000)	(300,000)	(300,000)	(300,000)	(300,000)	(300,000)	
Ending Balance	**$5,489,161**	**$3,184,740**	**$1,045,714**	**$879,774**	**$3,539,319**	**$6,016,242**	**$8,199,231**	**$8,636,563**	**$17,023,284**	**$19,919,044**	
Water Capital Fund (5010)											
Beginning Balance	**$9,310,538**	**$7,310,538**	**$2,660,538**	**$2,055,538**	**$3,130,538**	**$6,100,538**	**$7,700,538**	**$5,330,538**	**$6,180,538**	**$8,930,538**	
Plus: Additions	0	0	0	1,075,000	2,970,000	1,600,000	130,000	850,000	2,750,000	8,250,000	
Plus: Settlement	0	0	0	0	0	0	0	0	0	0	
Less: Uses	(2,000,000)	(4,650,000)	(605,000)	0	0	0	(2,500,000)	0	0	0	
Ending Balance	**$7,310,538**	**$2,660,538**	**$2,055,538**	**$3,130,538**	**$6,100,538**	**$7,700,538**	**$5,330,538**	**$6,180,538**	**$8,930,538**	**$17,180,538**	
Target: 3-yr avg capital less debt funded	*$25,677,545*	*$23,177,647*	*$22,503,683*	*$23,536,081*	*$26,774,476*	*$30,050,831*	*$32,021,931*	*$32,777,241*	*$33,010,536*	*$34,361,302*	
Target: 5% of capital asset value	*$12,589,678*	*$13,199,352*	*$14,042,822*	*$14,796,371*	*$15,521,243*	*$16,208,032*	*$16,970,424*	*$17,474,589*	*$18,062,458*	*$18,882,368*	
Disaster Reserves (15% of O&M)											
Beginning Balance	**$6,867,840**	**$7,922,530**	**$8,488,081**	**$9,038,590**	**$9,628,354**	**$10,054,383**	**$10,466,717**	**$10,908,019**	**$11,355,074**	**$11,809,715**	
Plus: Additions	493,317	0	0	0	0	0	0	0	0	0	
Less: Uses	0	0	0	0	0	0	0	0	0	0	
Ending Balance	**$7,361,157**	**$7,922,530**	**$8,488,081**	**$9,038,590**	**$9,628,354**	**$10,054,383**	**$10,466,717**	**$10,908,019**	**$11,355,074**	**$11,809,715**	
Contingency Reserves (10% of O&M)											
Beginning Balance	**$4,578,560**	**$5,281,686**	**$5,658,721**	**$6,025,726**	**$6,418,903**	**$6,702,922**	**$6,977,811**	**$7,272,013**	**$7,570,049**	**$7,873,143**	
Plus: Additions	328,878	0	0	0	0	0	0	0	0	0	
Less: Uses	0	0	0	0	0	0	0	0	0	0	
Ending Balance	**$4,907,438**	**$5,281,686**	**$5,658,721**	**$6,025,726**	**$6,418,903**	**$6,702,922**	**$6,977,811**	**$7,272,013**	**$7,570,049**	**$7,873,143**	

	Budget	*Projected*									
	FY 2024	**FY 2025**	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**	**FY 2031**	**FY 2032**	**FY 2033**	***Notes***
Rate Stabilization Reserve											
Beginning Balance	**$7,500,000**	**$7,500,000**	**$7,500,000**	**$7,500,000**	**$7,500,000**	**$7,500,000**	**$7,500,000**	**$7,500,000**	**$7,500,000**	**$7,500,000**	
Plus: Additions	0	0	0	0	0	0	0	0	0	0	
Less: Uses	0	0	0	0	0	0	0	0	0	0	
Ending Balance	**$7,500,000**	**$7,500,000**	**$7,500,000**	**$7,500,000**	**$7,500,000**	**$7,500,000**	**$7,500,000**	**$7,500,000**	**$7,500,000**	**$7,500,000**	
Minimum Target	*$2,900,000*	*$2,900,000*	*$2,900,000*	*$2,900,000*	*$2,900,000*	*$2,900,000*	*$2,900,000*	*$2,900,000*	*$2,900,000*	*$2,900,000*	
Water Debt Reserves											
Beginning Balance	**$7,490,038**	**$7,490,038**	**$7,790,038**	**$8,090,038**	**$8,390,038**	**$8,690,038**	**$8,990,038**	**$9,290,038**	**$9,590,038**	**$9,890,038**	
Plus: Additions	0	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	
Less: Uses	0	0	0	0	0	0	0	0	0	0	
Ending Balance	**$7,490,038**	**$7,790,038**	**$8,090,038**	**$8,390,038**	**$8,690,038**	**$8,990,038**	**$9,290,038**	**$9,590,038**	**$9,890,038**	**$10,190,038**	
Water Drought Fund											
Beginning Balance	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	
Plus: Additions	0	0	0	0	0	0	0	0	0	0	
Less: Uses	0	0	0	0	0	0	0	0	0	0	
Ending Balance	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	
Water Desal Plant Reserve											
Beginning Balance	**$423,529**	**$423,529**	**$423,529**	**$423,529**	**$423,529**	**$423,529**	**$423,529**	**$423,529**	**$423,529**	**$423,529**	
Plus: Additions	0	0	0	0	0	0	0	0	0	0	
Less: Uses	0	0	0	0	0	0	0	0	0	0	
Ending Balance	**$423,529**	**$423,529**	**$423,529**	**$423,529**	**$423,529**	**$423,529**	**$423,529**	**$423,529**	**$423,529**	**$423,529**	
Total Ending Balance (no desal or SRF reserves)	**$32,568,294**	**$26,549,494**	**$24,748,054**	**$26,574,628**	**$33,187,114**	**$37,974,086**	**$38,474,298**	**$40,497,133**	**$52,378,946**	**$64,282,440**	
Total Council Reserve Targets	*$27,758,273*	*$29,303,568*	*$31,089,624*	*$32,760,687*	*$34,468,499*	*$35,865,337*	*$37,314,953*	*$38,554,621*	*$39,887,582*	*$41,465,226*	
Total Ending Balance Above Target	***$4,810,021***	***($2,754,073)***	***($6,341,570)***	***($6,186,059)***	***($1,281,385)***	***$2,108,749***	***$1,159,345***	***$1,942,512***	***$12,491,364***	***$22,817,213***	

City of Santa Barbara
Water Cost of Service Study
Revenue Requirement
Exhibit 3 - Debt

Fiscal Year	*SWRCB SRF Loan (Desal)*	*2002 SRF Loan (Cater)*	*2011 Safe Drinking Water Loan (Ortega)*	*2013 COP Debt*	Fiscal Year Total
FY 2020	$4,209,611	$1,144,246	$1,699,680	$2,138,900	$9,192,437
FY 2021	4,209,611	1,144,246	1,699,680	2,134,300	9,187,837
FY 2022	4,209,611	1,144,246	1,699,680	2,137,100	9,190,637
FY 2023	4,209,611	1,144,246	1,699,680	2,142,000	9,195,537
FY 2024	4,209,611	1,144,246	1,699,680	2,134,575	9,188,112
FY 2025	4,209,611	1,144,246	1,699,680	2,133,950	9,187,487
FY 2026	4,209,611	0	1,699,680	2,138,850	8,048,141
FY 2027	4,209,611	0	1,699,680	1,446,375	7,355,666
FY 2028	4,209,611	0	1,699,680	0	5,909,291
FY 2029	4,209,611	0	1,699,680	0	5,909,291
FY 2030	4,209,611	0	1,699,680	0	5,909,291
FY 2031	4,209,611	0	1,699,680	0	5,909,291
FY 2032	4,209,611	0	1,699,680	0	5,909,291
FY 2033	4,209,611	0	1,699,680	0	5,909,291
FY 2034	4,209,611	0	1,699,680	0	5,909,291
FY 2035	4,209,611	0	1,699,680	0	5,909,291
FY 2036	4,209,611	0	849,840	0	5,059,451
FY 2037	4,209,611	0	0	0	4,209,611
FY 2038	4,209,611	0	0	0	4,209,611
FY 2039	2,104,297	0	0	0	2,104,297
FY 2040	0	0	0	0	0
Total	**$82,086,899**	**$6,865,474**	**$28,044,724**	**$16,406,050**	**$133,403,147**

Notes

City of Santa Barbara
Water Cost of Service Study
Revenue Requirement
Exhibit 3 - Debt

	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	*Notes*
Assumed Revenue Bond											
FY 2024	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	
FY 2025		$0	0	0	0	0	0	0	0	0	
FY 2026			$0	0	0	0	0	0	0	0	
FY 2027				$0	0	0	0	0	0	0	
FY 2028					$0	0	0	0	0	0	
FY 2029						$0	0	0	0	0	
FY 2030							$0	0	0	0	
FY 2031								$80,243	160,485	160,485	
FY 2032									$0	0	
FY 2033										$0	
	$0	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$80,243**	**$160,485**	**$160,485**	
Assumed Low Interest Loan											
FY 2024	$26,509	$53,017	$53,017	$53,017	$53,017	$53,017	$53,017	$53,017	$53,017	$53,017	
FY 2025		$371,122	742,245	742,245	742,245	742,245	742,245	742,245	742,245	742,245	
FY 2026			$357,135	714,270	714,270	714,270	714,270	714,270	714,270	714,270	
FY 2027				$361,276	722,552	722,552	722,552	722,552	722,552	722,552	
FY 2028					$348,036	696,073	696,073	696,073	696,073	696,073	
FY 2029						$340,128	680,257	680,257	680,257	680,257	
FY 2030							$0	0	0	0	
FY 2031								$20,408	40,815	40,815	
FY 2032									$280,606	561,212	
FY 2033										$280,606	
	$26,509	**$424,140**	**$1,152,397**	**$1,870,808**	**$2,580,120**	**$3,268,285**	**$3,608,413**	**$3,628,821**	**$3,929,835**	**$4,491,046**	

City of Santa Barbara
Water Cost of Service Study
Revenue Requirement
Exhibit 4 - CIP

	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	Total	*Notes*
Capital Improvement Projects												
Cater Treatment Plant Equipment	$0	$700,000	$405,000	$426,000	$950,000	$2,000,000	$2,000,000	$525,000	$550,000	$575,000	$8,131,000	
Water Meter Replacement Prgrm	0	171,000	178,000	116,000	122,500	130,000	135,000	145,000	150,000	155,000	1,302,500	
Small Tunnel Air Binding	0	0	0	0	0	0	0	0	0	0	0	
Main Replacement	13,833,000	16,450,000	17,350,000	16,850,000	17,675,000	18,550,000	19,800,000	20,500,000	21,500,000	23,300,000	185,808,000	
Recycled Water/City Facilities (Distribution)	100,000	255,000	116,000	122,500	128,000	135,000	145,000	150,000	155,000	165,000	1,471,500	
Recycled Water Plant (Treatment)	0	110,000	116,000	122,500	128,000	134,000	145,000	150,000	155,000	165,000	1,225,500	
Ground Water Development	200,000	460,000	235,000	595,000	255,000	675,000	4,300,000	300,000	315,000	330,000	7,665,000	
Pump Station Rehabilitatio	200,000	1,150,000	120,000	125,000	130,000	135,000	141,000	148,000	156,000	170,000	2,475,000	
Distribution Reservoir Maint.	5,735,000	1,200,000	1,050,000	1,400,000	500,000	520,000	545,000	575,000	650,000	650,000	12,825,000	
Sea-Level Rise	0	50,000	52,500	55,000	58,000	61,000	64,000	67,000	71,000	74,000	552,500	
Cater Reservoir Resiliency	1,000,000	14,000,000	14,000,000	0	0	0	0	0	0	0	29,000,000	*SRF*
Vic Trace Reservior Upgrade	0	0	0	14,162,333	13,643,333	13,333,333	0	0	0	0	41,139,000	*SRF*
El Cielito Res Rebuild	0	0	0	0	0	0	0	7,511,850	0	0	7,511,850	*SRF*
Capitalized O&M	411,883	432,477	449,776	464,169	479,022	494,351	510,170	526,496	543,344	560,731	4,872,420	*From O&M*
Future Unidentified CIP	0	0	0	0	0	0	0	0	0	0	0	*From Dashboard*
Total Capital Improvement Projects	**$21,479,883**	**$34,978,477**	**$34,072,276**	**$34,438,502**	**$34,068,856**	**$36,167,685**	**$27,785,170**	**$30,598,346**	**$24,245,344**	**$26,144,731**	**$303,979,270**	
Capital Improvement Projects - Desal												
25% Membrane Replacement	$0	$200,000	$202,000	$204,020	$206,060	$208,121	$210,202	$212,304	$214,427	$216,571	1,873,705	
Desal Intake Pump Platform Hardening Project	800,000	1,000,000	0	0	0	0	0	0	0	0	1,800,000	
Desal Plant Strategic Plan	500,000	0	0	0	0	0	0	0	0	0	500,000	
Water Resources Maintenance Building	600,000	0	0	0	0	750,000	2,250,000	2,000,000	0	0	5,600,000	
Pump Station Upgrades	4,500,000	0	0	0	0	0	0	0	0	0	4,500,000	
Plant Expansion (5,000 AF)	0	0	0	0	0	0	0	500,000	9,500,000	10,000,000	20,000,000	*SFR*
Intake Pump Relocation Project	0	0	0	0	0	0	0	300,000	7,200,000	7,500,000	15,000,000	*SFR*
Intake Pump - R&R	0	600,000	300,000	300,000	350,000	350,000	350,000	0	0	0	2,250,000	
Plant Modifications (With IDE)	0	0	0	0	0	0	0	0	0	0	0	
Baseline Capital to Resolve Plant Issues	0	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	13,500,000	
Desal Conveyance Main	0	0	0	0	0	0	0	0	0	0	0	
Transmission Main Renewal	2,000,000	0	0	0	0	0	0	0	0	0	2,000,000	
Cater Reservoir Resiliency Project	1,000,000	0	0	0	0	0	0	0	0	0	1,000,000	
Purchase 3rd Intake Pump	0	0	300,000	0	0	0	0	0	0	0	300,000	
Intake and HP Pump Rebuilds	0	0	0	100,000	0	104,000	0	0	0	0	204,000	
Algea Study / Pretreatment Pilots	0	225,000	275,000	0	0	0	0	0	0	0	500,000	
Total Capital Improvement Projects - Desal	**$9,400,000**	**$3,525,000**	**$2,577,000**	**$2,104,020**	**$2,056,060**	**$2,912,121**	**$4,310,202**	**$4,512,304**	**$18,414,427**	**$19,216,571**	**$69,027,705**	
Transfer to Operating Fund	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	
Total Capital Funding Needs	**$30,879,883**	**$38,503,477**	**$36,649,276**	**$36,542,522**	**$36,124,916**	**$39,079,805**	**$32,095,372**	**$35,110,650**	**$42,659,771**	**$45,361,302**	**$373,006,975**	
Other Funding Sources												
Water Operating Fund	$16,700,000	$0	$0	$0	$0	$0	$0	$0	$0	$0	$16,700,000	*From Dashboard*
Water Capital Fund (5010)	2,000,000	4,650,000	605,000	0	0	0	2,500,000	0	0	0	9,755,000	*From Dashboard*
FEMA Grant	0	1,000,000	0	0	0	0	0	0	0	0	1,000,000	*From Dashboard*
Borrowing Proceeds	0	0	0	0	0	0	0	0	0	0	0	*From Dashboard*
Assumed Low Interest Loan	1,000,000	14,000,000	14,000,000	14,162,333	13,643,333	13,333,333	0	800,000	11,000,000	11,000,000	92,939,000	*From Dashboard*
Assumed Revenue Bond	0	0	0	0	0	0	0	2,000,000	0	0	2,000,000	*From Dashboard*
Add'l Long-Term Debt	0	0	0	0	0	0	0	0	0	0	0	
Total Other Funding Sources	**$19,700,000**	**$19,650,000**	**$14,605,000**	**$14,162,333**	**$13,643,333**	**$13,333,333**	**$2,500,000**	**$2,800,000**	**$11,000,000**	**$11,000,000**	**$122,394,000**	
Rate Funded Capital (PayGo)	**$11,179,883**	**$18,853,477**	**$22,044,276**	**$22,380,189**	**$22,481,583**	**$25,746,472**	**$29,595,372**	**$32,310,650**	**$31,659,771**	**$34,361,302**	**$250,612,975**	

Effective 7/1/2023		Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Total / Avg
Single Family Residential														
Monthly Service Charge	*$ / Mtr*													
5/8"	$32.60	13,162	13,162	13,162	13,162	13,162	13,162	13,162	13,162	13,162	13,162	13,162	13,162	**13,162**
3/4"	47.73	944	944	944	944	944	944	944	944	944	944	944	944	**944**
1"	77.97	2,393	2,393	2,393	2,393	2,393	2,393	2,393	2,393	2,393	2,393	2,393	2,393	**2,393**
1 1/2"	153.59	162	162	162	162	162	162	162	162	162	162	162	162	**162**
2"	244.33	76	76	76	76	76	76	76	76	76	76	76	76	**76**
3"	531.67	0	0	0	0	0	0	0	0	0	0	0	0	**0**
4"	955.12	0	0	0	0	0	0	0	0	0	0	0	0	**0**
6"	1,968.37	0	0	0	0	0	0	0	0	0	0	0	0	**0**
8"	3,631.93	0	0	0	0	0	0	0	0	0	0	0	0	**0**
10"	5,749.18	0	0	0	0	0	0	0	0	0	0	0	0	**0**
Total Monthly Service Charge		**16,737**	**16,737**	**16,737**	**16,737**	**16,737**	**16,737**	**16,737**	**16,737**	**16,737**	**16,737**	**16,737**	**16,737**	**16,737**
Metered Water Charge	*$ / HCF*													
0 - 4	$5.10	60,503	60,837	60,149	59,558	58,678	56,674	54,697	45,633	54,540	54,172	58,038	58,285	**681,764**
4 - 16	15.19	82,603	84,777	79,676	74,049	63,998	49,970	38,332	25,250	37,103	31,965	57,317	59,969	**685,009**
16 +	28.54	36,173	35,484	35,782	29,033	18,289	11,146	7,658	4,248	6,825	5,225	14,239	15,298	**219,400**
Total Metered Water Charge		**179,279**	**181,098**	**175,607**	**162,640**	**140,965**	**117,790**	**100,687**	**75,131**	**98,468**	**91,362**	**129,594**	**133,552**	**1,586,173**
Revenue														
Monthly Service Charge		$704,171	$704,171	$704,171	$704,171	$704,171	$704,171	$704,171	$704,171	$704,171	$704,171	$704,171	$704,171	**$8,450,054**
Metered Water Charge		2,595,682	2,610,745	2,538,257	2,257,152	1,793,355	1,366,189	1,079,777	737,514	1,036,534	910,947	1,573,020	1,644,788	**20,143,959**
Total Revenue		**$3,299,853**	**$3,314,916**	**$3,242,428**	**$2,961,323**	**$2,497,527**	**$2,070,360**	**$1,783,948**	**$1,441,685**	**$1,740,705**	**$1,615,118**	**$2,277,191**	**$2,348,959**	**$28,594,013**

Effective 7/1/2023		Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Total / Avg
Multi-Family Residential														
Monthly Service Charge	*$ / Mtr*													
5/8"	$32.60	5,393	5,393	5,393	5,393	5,393	5,393	5,393	5,393	5,393	5,393	5,393	5,393	**5,393**
3/4"	47.73	241	241	241	241	241	241	241	241	241	241	241	241	**241**
1"	77.97	882	882	882	882	882	882	882	882	882	882	882	882	**882**
1 1/2"	153.59	343	343	343	343	343	343	343	343	343	343	343	343	**343**
2"	244.33	201	201	201	201	201	201	201	201	201	201	201	201	**201**
3"	531.67	12	12	12	12	12	12	12	12	12	12	12	12	**12**
4"	955.12	5	5	5	5	5	5	5	5	5	5	5	5	**5**
6"	1,968.37	4	4	4	4	4	4	4	4	4	4	4	4	**4**
8"	3,631.93	2	2	2	2	2	2	2	2	2	2	2	2	**2**
10"	5,749.18	0	0	0	0	0	0	0	0	0	0	0	0	**0**
Total Monthly Service Charge		**7,083**	**7,083**	**7,083**	**7,083**	**7,083**	**7,083**	**7,083**	**7,083**	**7,083**	**7,083**	**7,083**	**7,083**	7,083
	$ / DU													
Dwelling Units	$0.00	25,053	25,053	25,053	25,053	25,053	25,053	25,053	25,053	25,053	25,053	25,053	25,053	**25,053**
		25,053	**25,053**	**25,053**	**25,053**	**25,053**	**25,053**	**25,053**	**25,053**	**25,053**	**25,053**	**25,053**	**25,053**	25,053
Metered Water Charge	*$ / HCF*													
0 - 4 (per DU)	$5.10	71,771	71,865	69,836	70,346	69,211	67,744	67,920	58,208	66,343	67,599	69,600	68,793	**819,235**
4 - 8 (per DU)	15.19	20,313	21,853	18,858	18,966	18,820	15,638	17,202	11,908	12,901	13,850	16,900	16,273	**203,482**
8 + (per DU)	28.54	7,161	9,769	6,754	6,011	7,099	5,873	6,521	3,102	3,465	3,282	4,132	4,710	**67,879**
Total Metered Water Charge		**99,245**	**103,487**	**95,448**	**95,323**	**95,130**	**89,255**	**91,643**	**73,218**	**82,709**	**84,731**	**90,631**	**89,776**	1,090,596
Revenue														
Monthly Service Charge		$384,169	$384,169	$384,169	$384,169	$384,169	$384,169	$384,169	$384,169	$384,169	$384,169	$384,169	$384,169	**$4,610,027**
Dwelling Units		0	0	0	0	0	0	0	0	0	0	0	0	**0**
Metered Water Charge		878,962	977,266	835,376	818,412	841,457	750,651	793,800	566,274	633,207	648,803	729,587	732,455	**9,206,249**
Total Revenue		**$1,263,130**	**$1,361,435**	**$1,219,545**	**$1,202,581**	**$1,225,626**	**$1,134,820**	**$1,177,969**	**$950,443**	**$1,017,376**	**$1,032,972**	**$1,113,756**	**$1,116,624**	$13,816,276

Effective 7/1/2023		Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Total / Avg
Recycled Water														
Monthly Service Charge	*$ / Mtr*													
5/8"	$32.60	8	8	8	8	8	8	8	8	8	8	8	8	**8**
3/4"	47.73	9	9	9	9	9	9	9	9	9	9	9	9	**9**
1"	77.97	16	16	16	16	16	16	16	16	16	16	16	16	**16**
1 1/2"	153.59	1	1	1	1	1	1	1	1	1	1	1	1	**1**
2"	244.33	64	64	64	64	64	64	64	64	64	64	64	64	**64**
3"	531.67	20	20	20	20	20	20	20	20	20	20	20	20	**20**
4"	955.12	2	2	2	2	2	2	2	2	2	2	2	2	**2**
6"	1,968.37	1	1	1	1	1	1	1	1	1	1	1	1	**1**
8"	3,631.93	1	1	1	1	1	1	1	1	1	1	1	1	**1**
10"	5,749.18	0	0	0	0	0	0	0	0	0	0	0	0	**0**
Total Monthly Service Charge		**122**	**122**	**122**	**122**	**122**	**122**	**122**	**122**	**122**	**122**	**122**	**122**	**122**
Metered Water Charge	*$ / HCF*													
All Usage	$4.99	51,406	53,140	35,987	39,267	19,303	7,104	2,017	5,076	4,576	9,217	20,821	26,870	**274,784**
Total Metered Water Charge		**51,406**	**53,140**	**35,987**	**39,267**	**19,303**	**7,104**	**2,017**	**5,076**	**4,576**	**9,217**	**20,821**	**26,870**	**274,784**
Revenue														
Monthly Service Charge		$35,873	$35,873	$35,873	$35,873	$35,873	$35,873	$35,873	$35,873	$35,873	$35,873	$35,873	$35,873	**$430,470**
Metered Water Charge		256,516	265,169	179,575	195,942	96,322	35,449	10,065	25,329	22,834	45,993	103,897	134,081	**1,371,172**
Total Revenue		**$292,388**	**$301,041**	**$215,448**	**$231,815**	**$132,195**	**$71,322**	**$45,937**	**$61,202**	**$58,707**	**$81,865**	**$139,769**	**$169,954**	**$1,801,643**
Com & Ind														
Monthly Service Charge	*$ / Mtr*													
5/8"	$32.60	1,521	1,521	1,521	1,521	1,521	1,521	1,521	1,521	1,521	1,521	1,521	1,521	**1,521**
3/4"	47.73	109	109	109	109	109	109	109	109	109	109	109	109	**109**
1"	77.97	434	434	434	434	434	434	434	434	434	434	434	434	**434**
1 1/2"	153.59	212	212	212	212	212	212	212	212	212	212	212	212	**212**
2"	244.33	358	358	358	358	358	358	358	358	358	358	358	358	**358**
3"	531.67	13	13	13	13	13	13	13	13	13	13	13	13	**13**
4"	955.12	11	11	11	11	11	11	11	11	11	11	11	11	**11**
6"	1,968.37	10	10	10	10	10	10	10	10	10	10	10	10	**10**
8"	3,631.93	2	2	2	2	2	2	2	2	2	2	2	2	**2**
10"	5,749.18	0	0	0	0	0	0	0	0	0	0	0	0	**0**
Total Monthly Service Charge		**2,670**	**2,670**	**2,670**	**2,670**	**2,670**	**2,670**	**2,670**	**2,670**	**2,670**	**2,670**	**2,670**	**2,670**	**2,670**
Metered Water Charge	*$ / HCF*													
Up to Base Allotment	$7.77	56,932	57,378	56,383	57,130	55,519	51,855	52,665	51,454	52,145	55,366	59,589	59,565	**665,981**
Over Base Allotment	28.45	20,274	25,888	12,687	11,955	17,248	4,493	5,003	4,007	2,039	2,733	5,693	8,102	**120,122**
Total Metered Water Charge		**77,206**	**83,266**	**69,070**	**69,085**	**72,767**	**56,348**	**57,668**	**55,461**	**54,184**	**58,099**	**65,282**	**67,667**	**786,102**
Revenue														
Monthly Service Charge		$253,023	$253,023	$253,023	$253,023	$253,023	$253,023	$253,023	$253,023	$253,023	$253,023	$253,023	$253,023	**$3,036,276**
Metered Water Charge		1,019,157	1,182,341	799,041	784,020	922,088	530,739	551,542	513,797	463,176	507,938	624,966	693,322	**8,592,127**
Total Revenue		**$1,272,180**	**$1,435,364**	**$1,052,064**	**$1,037,043**	**$1,175,111**	**$783,762**	**$804,565**	**$766,820**	**$716,199**	**$760,961**	**$877,989**	**$946,345**	**$11,628,402**

Effective 7/1/2023		Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Total / Avg
Irrigation Agriculture														
Monthly Service Charge	*$ / Mtr*													
5/8"	$32.60	15	15	15	15	15	15	15	15	15	15	15	15	**15**
3/4"	47.73	36	36	36	36	36	36	36	36	36	36	36	36	**36**
1"	77.97	0	0	0	0	0	0	0	0	0	0	0	0	**0**
1 1/2"	153.59	3	3	3	3	3	3	3	3	3	3	3	3	**3**
2"	244.33	14	14	14	14	14	14	14	14	14	14	14	14	**14**
3"	531.67	3	3	3	3	3	3	3	3	3	3	3	3	**3**
4"	955.12	3	3	3	3	3	3	3	3	3	3	3	3	**3**
6"	1,968.37	0	0	0	0	0	0	0	0	0	0	0	0	**0**
8"	3,631.93	0	0	0	0	0	0	0	0	0	0	0	0	**0**
10"	5,749.18	0	0	0	0	0	0	0	0	0	0	0	0	**0**
Total Monthly Service Charge		**74**	**74**	**74**	**74**	**74**	**74**	**74**	**74**	**74**	**74**	**74**	**74**	**74**
Metered Water Charge	*$ / HCF*													
Up to Monthly Budget	$3.98	7,808	7,949	8,626	6,714	4,092	1,907	615	505	696	354	1,899	2,496	**43,662**
Over Monthly Budget	28.54	64	110	205	194	38	38	32	0	0	0	0	8	**688**
Total Metered Water Charge		**7,872**	**8,059**	**8,831**	**6,908**	**4,130**	**1,945**	**647**	**505**	**696**	**354**	**1,899**	**2,504**	**44,350**
Revenue														
Monthly Service Charge		$10,549	$10,549	$10,549	$10,549	$10,549	$10,549	$10,549	$10,549	$10,549	$10,549	$10,549	$10,549	**$126,588**
Metered Water Charge		32,898	34,783	40,170	32,255	17,366	8,678	3,352	2,010	2,770	1,409	7,558	10,160	**193,410**
Total Revenue		**$43,447**	**$45,332**	**$50,719**	**$42,804**	**$27,915**	**$19,227**	**$13,901**	**$12,559**	**$13,319**	**$11,958**	**$18,107**	**$20,709**	**$319,998**

Effective 7/1/2023		Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Total / Avg
Irrigation Recreation														
Monthly Service Charge	*$ / Mtr*													
5/8"	$32.60	47	47	47	47	47	47	47	47	47	47	47	47	**47**
3/4"	47.73	4	4	4	4	4	4	4	4	4	4	4	4	**4**
1"	77.97	41	41	41	41	41	41	41	41	41	41	41	41	**41**
1 1/2"	153.59	16	16	16	16	16	16	16	16	16	16	16	16	**16**
2"	244.33	42	42	42	42	42	42	42	42	42	42	42	42	**42**
3"	531.67	3	3	3	3	3	3	3	3	3	3	3	3	**3**
4"	955.12	3	3	3	3	3	3	3	3	3	3	3	3	**3**
6"	1,968.37	0	0	0	0	0	0	0	0	0	0	0	0	**0**
8"	3,631.93	0	0	0	0	0	0	0	0	0	0	0	0	**0**
10"	5,749.18	0	0	0	0	0	0	0	0	0	0	0	0	**0**
Total Monthly Service Charge		**156**	**156**	**156**	**156**	**156**	**156**	**156**	**156**	**156**	**156**	**156**	**156**	**156**
Metered Water Charge	*$ / HCF*													
Up to Monthly Budget	$5.98	8,676	8,398	7,335	5,629	3,837	1,737	1,132	482	1,364	938	3,085	3,746	**46,360**
Over Monthly Budget	28.54	699	126	222	456	162	176	184	402	164	206	265	345	**3,406**
Total Metered Water Charge		**9,375**	**8,524**	**7,557**	**6,085**	**3,999**	**1,913**	**1,316**	**884**	**1,528**	**1,144**	**3,350**	**4,091**	**49,766**
Revenue														
Monthly Service Charge		$22,100	$22,100	$22,100	$22,100	$22,100	$22,100	$22,100	$22,100	$22,100	$22,100	$22,100	$22,100	**$265,195**
Metered Water Charge		71,822	53,808	50,188	46,675	27,562	15,412	12,019	14,364	12,838	11,491	26,010	32,258	**374,447**
Total Revenue		**$93,921**	**$75,908**	**$72,288**	**$68,774**	**$49,661**	**$37,512**	**$34,119**	**$36,464**	**$34,938**	**$33,591**	**$48,110**	**$54,357**	**$639,642**
Irrigation Urban														
Monthly Service Charge	*$ / Mtr*													
5/8"	$32.60	316	316	316	316	316	316	316	316	316	316	316	316	**316**
3/4"	47.73	22	22	22	22	22	22	22	22	22	22	22	22	**22**
1"	77.97	171	171	171	171	171	171	171	171	171	171	171	171	**171**
1 1/2"	153.59	44	44	44	44	44	44	44	44	44	44	44	44	**44**
2"	244.33	110	110	110	110	110	110	110	110	110	110	110	110	**110**
3"	531.67	1	1	1	1	1	1	1	1	1	1	1	1	**1**
4"	955.12	0	0	0	0	0	0	0	0	0	0	0	0	**0**
6"	1,968.37	0	0	0	0	0	0	0	0	0	0	0	0	**0**
8"	3,631.93	0	0	0	0	0	0	0	0	0	0	0	0	**0**
10"	5,749.18	0	0	0	0	0	0	0	0	0	0	0	0	**0**
Total Monthly Service Charge		**664**	**664**	**664**	**664**	**664**	**664**	**664**	**664**	**664**	**664**	**664**	**664**	**664**
Metered Water Charge	*$ / HCF*													
Up to Monthly Budget	$15.19	13,897	15,610	14,477	12,715	9,121	3,822	1,857	1,266	2,631	2,148	7,952	9,177	**94,672**
Over Monthly Budget	28.54	3,564	3,638	3,149	3,597	3,329	2,513	1,210	1,497	1,134	545	1,014	1,782	**26,973**
Total Metered Water Charge		**17,461**	**19,248**	**17,626**	**16,312**	**12,450**	**6,335**	**3,067**	**2,763**	**3,765**	**2,693**	**8,966**	**10,959**	**121,645**
Revenue														
Monthly Service Charge		$58,850	$58,850	$58,850	$58,850	$58,850	$58,850	$58,850	$58,850	$58,850	$58,850	$58,850	$58,850	**$706,206**
Metered Water Charge		312,816	340,943	309,779	295,796	233,561	129,782	62,743	61,952	72,329	48,186	149,731	190,250	**2,207,869**
Total Revenue		**$371,667**	**$399,793**	**$368,629**	**$354,647**	**$292,412**	**$188,633**	**$121,593**	**$120,802**	**$131,180**	**$107,037**	**$208,581**	**$249,101**	**$2,914,075**

Effective 7/1/2023		Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Total / Avg
Bird Refuge														
Monthly Service Charge	*$ / Mtr*													
5/8"	$32.60	0	0	0	0	0	0	0	0	0	0	0	0	**0**
3/4"	47.73	0	0	0	0	0	0	0	0	0	0	0	0	**0**
1"	77.97	0	0	0	0	0	0	0	0	0	0	0	0	**0**
1 1/2"	153.59	0	0	0	0	0	0	0	0	0	0	0	0	**0**
2"	244.33	0	0	0	0	0	0	0	0	0	0	0	0	**0**
3"	531.67	0	0	0	0	0	0	0	0	0	0	0	0	**0**
4"	955.12	1	1	1	1	1	1	1	1	1	1	1	1	**1**
6"	1,968.37	0	0	0	0	0	0	0	0	0	0	0	0	**0**
8"	3,631.93	0	0	0	0	0	0	0	0	0	0	0	0	**0**
10"	5,749.18	0	0	0	0	0	0	0	0	0	0	0	0	**0**
Total Monthly Service Charge		**1**	**1**	**1**	**1**	**1**	**1**	**1**	**1**	**1**	**1**	**1**	**1**	**1**
Metered Water Charge	*$ / HCF*													
Up to Base Allotment	$5.98	0	0	0	0	0	0	4	32	9	2	0	0	**47**
Over Base Allotment	23.98	0	0	0	0	0	0	0	0	0	0	0	0	**0**
Total Metered Water Charge		**0**	**0**	**0**	**0**	**0**	**0**	**4**	**32**	**9**	**2**	**0**	**0**	**47**
Revenue														
Monthly Service Charge		$955	$955	$955	$955	$955	$955	$955	$955	$955	$955	$955	$955	**$11,461**
Metered Water Charge		0	0	0	0	0	0	24	191	54	12	0	0	**281**
Total Revenue		**$955**	**$955**	**$955**	**$955**	**$955**	**$955**	**$979**	**$1,146**	**$1,009**	**$967**	**$955**	**$955**	**$11,743**
Mission Canyon														
Monthly Service Charge	*$ / Mtr*													
5/8"	$32.60		0	0	0	0	0	0	0	0	0	0	0	**0**
3/4"	47.73		0	0	0	0	0	0	0	0	0	0	0	**0**
1"	77.97		0	0	0	0	0	0	0	0	0	0	0	**0**
1 1/2"	153.59		0	0	0	0	0	0	0	0	0	0	0	**0**
2"	244.33		0	0	0	0	0	0	0	0	0	0	0	**0**
3"	531.67		0	0	0	0	0	0	0	0	0	0	0	**0**
4"	955.12		0	0	0	0	0	0	0	0	0	0	0	**0**
6"	1,968.37		0	0	0	0	0	0	0	0	0	0	0	**0**
8"	3,631.93		0	0	0	0	0	0	0	0	0	0	0	**0**
10"	5,749.18		0	0	0	0	0	0	0	0	0	0	0	**0**
Total Monthly Service Charge		**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Metered Water Charge	*$ / HCF*													
														0
Total Metered Water Charge		**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Revenue														
Monthly Service Charge		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	**$0**
Metered Water Charge		0	0	0	0	0	0	0	0	0	0	0	0	**0**
Total Revenue		**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**

Effective 7/1/2023		Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Total / Avg
Private Fire Service														
Monthly Service Charge	*$ / Mtr*													
1"	$3.33	0	0	0	0	0	0	0	0	0	0	0	0	**0**
1 1/2"	5.18	0	0	0	0	0	0	0	0	0	0	0	0	**0**
2"	8.37	182	182	182	182	182	182	182	182	182	182	182	182	**182**
4"	39.58	305	305	305	305	305	305	305	305	305	305	305	305	**305**
6"	110.47	108	108	108	108	108	108	108	108	108	108	108	108	**108**
8"	232.76	31	31	31	31	31	31	31	31	31	31	31	31	**31**
10"	416.70	2	2	2	2	2	2	2	2	2	2	2	2	**2**
12"	671.63	1	1	1	1	1	1	1	1	1	1	1	1	**1**
Total Monthly Service Charge		**629**	**629**	**629**	**629**	**629**	**629**	**629**	**629**	**629**	**629**	**629**	**629**	**629**
Revenue		**$34,247**	**$34,247**	**$34,247**	**$34,247**	**$34,247**	**$34,247**	**$34,247**	**$34,247**	**$34,247**	**$34,247**	**$34,247**	**$34,247**	**$410,959**

Effective 7/1/2023	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Total / Avg
Summary													
Number of Customers													
Single Family Residential	16,737	16,737	16,737	16,737	16,737	16,737	16,737	16,737	16,737	16,737	16,737	16,737	**16,737**
Multi-Family Residential	7,083	7,083	7,083	7,083	7,083	7,083	7,083	7,083	7,083	7,083	7,083	7,083	**7,083**
Recycled Water	122	122	122	122	122	122	122	122	122	122	122	122	**122**
Com & Ind	2,670	2,670	2,670	2,670	2,670	2,670	2,670	2,670	2,670	2,670	2,670	2,670	**2,670**
Industrial	0	0	0	0	0	0	0	0	0	0	0	0	**0**
Irrigation Agriculture	74	74	74	74	74	74	74	74	74	74	74	74	**74**
Irrigation Recreation	156	156	156	156	156	156	156	156	156	156	156	156	**156**
Irrigation Urban	664	664	664	664	664	664	664	664	664	664	664	664	**664**
Bird Refuge	1	1	1	1	1	1	1	1	1	1	1	1	**1**
Mission Canyon	0	0	0	0	0	0	0	0	0	0	0	0	**0**
Private Fire Service	629	629	629	629	629	629	629	629	629	629	629	629	**629**
Total	**28,136**	**28,136**	**28,136**	**28,136**	**28,136**	**28,136**	**28,136**	**28,136**	**28,136**	**28,136**	**28,136**	**28,136**	28,136
Consumption (HCF)													
Single Family Residential	179,279	181,098	175,607	162,640	140,965	117,790	100,687	75,131	98,468	91,362	129,594	133,552	**1,586,173**
Multi-Family Residential	99,245	103,487	95,448	95,323	95,130	89,255	91,643	73,218	82,709	84,731	90,631	89,776	**1,090,596**
Recycled Water	51,406	53,140	35,987	39,267	19,303	7,104	2,017	5,076	4,576	9,217	20,821	26,870	**274,784**
Com & Ind	77,206	83,266	69,070	69,085	72,767	56,348	57,668	55,461	54,184	58,099	65,282	67,667	**786,102**
Industrial	0	0	0	0	0	0	0	0	0	0	0	0	**0**
Irrigation Agriculture	7,872	8,059	8,831	6,908	4,130	1,945	647	505	696	354	1,899	2,504	**44,350**
Irrigation Recreation	9,375	8,524	7,557	6,085	3,999	1,913	1,316	884	1,528	1,144	3,350	4,091	**49,766**
Irrigation Urban	17,461	19,248	17,626	16,312	12,450	6,335	3,067	2,763	3,765	2,693	8,966	10,959	**121,645**
Bird Refuge	0	0	0	0	0	0	4	32	9	2	0	0	**47**
Mission Canyon	0	0	0	0	0	0	0	0	0	0	0	0	**0**
Private Fire Service	0	0	0	0	0	0	0	0	0	0	0	0	**0**
Total	**441,844**	**456,822**	**410,126**	**395,620**	**348,744**	**280,690**	**257,049**	**213,070**	**245,935**	**247,601**	**320,543**	**335,419**	3,953,463
FY 19 Metered Sales Report	*437,120*	*450,820*	*390,126*	*390,812*	*350,983*	*288,359*	*269,972*	*227,403*	*232,111*	*310,319*	*328,418*	*331,334*	***4,007,777***
Revenues													
Single Family Residential	$3,299,853	$3,314,916	$3,242,428	$2,961,323	$2,497,527	$2,070,360	$1,783,948	$1,441,685	$1,740,705	$1,615,118	$2,277,191	$2,348,959	**$28,594,013**
Multi-Family Residential	1,263,130	1,361,435	1,219,545	1,202,581	1,225,626	1,134,820	1,177,969	950,443	1,017,376	1,032,972	1,113,756	1,116,624	**13,816,276**
Recycled Water	$292,388	$301,041	$215,448	$231,815	$132,195	$71,322	$45,937	$61,202	$58,707	$81,865	$139,769	$169,954	**1,801,643**
Com & Ind	1,272,180	1,435,364	1,052,064	1,037,043	1,175,111	783,762	804,565	766,820	716,199	760,961	877,989	946,345	**11,628,402**
Industrial	0	0	0	0	0	0	0	0	0	0	0	0	**0**
Irrigation Agriculture	43,447	45,332	50,719	42,804	27,915	19,227	13,901	12,559	13,319	11,958	18,107	20,709	**319,998**
Irrigation Recreation	93,921	75,908	72,288	68,774	49,661	37,512	34,119	36,464	34,938	33,591	48,110	54,357	**639,642**
Irrigation Urban	371,667	399,793	368,629	354,647	292,412	188,633	121,593	120,802	131,180	107,037	208,581	249,101	**2,914,075**
Bird Refuge	955	955	955	955	955	955	979	1,146	1,009	967	955	955	**11,743**
Mission Canyon	0	0	0	0	0	0	0	0	0	0	0	0	**0**
Private Fire Service	34,247	34,247	34,247	34,247	34,247	34,247	34,247	34,247	34,247	34,247	34,247	34,247	**410,959**
Total	**$6,671,789**	**$6,968,990**	**$6,256,322**	**$5,934,189**	**$5,435,649**	**$4,340,837**	**$4,017,259**	**$3,425,368**	**$3,747,679**	**$3,678,715**	**$4,718,705**	**$4,941,250**	$60,136,751
			5,760,611									**FY 2024 Budget**	**$61,627,176**
												Difference	*($1,490,425)*
												Percent	*-2.4%*
												FY 2023 Actual	**$56,733,802**
												Difference	*$3,402,949*
												Percent	*6.0%*

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		Exhibit 5 - RPR	*Projected*									
		FY 2024	**FY 2025**	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**	**FY 2031**	**FY 2032**	**FY 2033**	***Notes***
Single Family Residential												
Monthly Service Charge												
5/8"	$32.60	13,162	13,162	13,162	13,162	13,162	13,162	13,162	13,162	13,162	13,162	As SFR Cust. Growth
3/4"	47.73	944	944	944	944	944	944	944	944	944	944	As SFR Cust. Growth
1"	77.97	2,393	2,393	2,393	2,393	2,393	2,393	2,393	2,393	2,393	2,393	As SFR Cust. Growth
1 1/2"	153.59	162	162	162	162	162	162	162	162	162	162	As SFR Cust. Growth
2"	244.33	76	76	76	76	76	76	76	76	76	76	As SFR Cust. Growth
3"	531.67	0	0	0	0	0	0	0	0	0	0	As SFR Cust. Growth
4"	955.12	0	0	0	0	0	0	0	0	0	0	As SFR Cust. Growth
6"	1,968.37	0	0	0	0	0	0	0	0	0	0	As SFR Cust. Growth
8"	3,631.93	0	0	0	0	0	0	0	0	0	0	As SFR Cust. Growth
10"	5,749.18	0	0	0	0	0	0	0	0	0	0	As SFR Cust. Growth
		16,737	**16,737**	**16,737**	**16,737**	**16,737**	**16,737**	**16,737**	**16,737**	**16,737**	**16,737**	
Revenue		*$8,450,054*	*$8,450,054*	*$8,450,054*	*$8,450,054*	*$8,450,054*	*$8,450,054*	*$8,450,054*	*$8,450,054*	*$8,450,054*	*$8,450,054*	
Metered Water Charge												
0 - 4	$5.10	681,764	681,764	681,764	681,764	681,764	681,764	681,764	681,764	681,764	681,764	As SFR Cons. Growth
4 - 16	15.19	685,009	685,009	685,009	685,009	685,009	685,009	685,009	685,009	685,009	685,009	As SFR Cons. Growth
16 +	28.54	219,400	219,400	219,400	219,400	219,400	219,400	219,400	219,400	219,400	219,400	As SFR Cons. Growth
		1,586,173	**1,586,173**	**1,586,173**	**1,586,173**	**1,586,173**	**1,586,173**	**1,586,173**	**1,586,173**	**1,586,173**	**1,586,173**	
Revenue		*$20,143,959*	*$20,143,959*	*$20,143,959*	*$20,143,959*	*$20,143,959*	*$20,143,959*	*$20,143,959*	*$20,143,959*	*$20,143,959*	*$20,143,959*	
Total Revenue		**$28,594,013**	**$28,594,013**	**$28,594,013**	**$28,594,013**	**$28,594,013**	**$28,594,013**	**$28,594,013**	**$28,594,013**	**$28,594,013**	**$28,594,013**	

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		Exhibit 5 - RPR	*Projected*									
		FY 2024	**FY 2025**	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**	**FY 2031**	**FY 2032**	**FY 2033**	***Notes***
Multi-Family Residential												
Monthly Service Charge												
5/8"	$32.60	5,393	5,420	5,447	5,474	5,502	5,529	5,557	5,585	5,613	5,641	As MFR Cust. Growth
3/4"	47.73	241	242	243	245	246	247	248	250	251	252	As MFR Cust. Growth
1"	77.97	882	886	891	895	900	904	909	913	918	922	As MFR Cust. Growth
1 1/2"	153.59	343	345	346	348	350	352	353	355	357	359	As MFR Cust. Growth
2"	244.33	201	202	203	204	205	206	207	208	209	210	As MFR Cust. Growth
3"	531.67	12	12	12	12	12	12	12	12	12	13	As MFR Cust. Growth
4"	955.12	5	5	5	5	5	5	5	5	5	5	As MFR Cust. Growth
6"	1,968.37	4	4	4	4	4	4	4	4	4	4	As MFR Cust. Growth
8"	3,631.93	2	2	2	2	2	2	2	2	2	2	As MFR Cust. Growth
10"	5,749.18	0	0	0	0	0	0	0	0	0	0	As MFR Cust. Growth
		7,083	**7,118**	**7,154**	**7,190**	**7,226**	**7,262**	**7,298**	**7,335**	**7,371**	**7,408**	
Revenue		*$4,610,027*	*$4,633,164*	*$4,656,369*	*$4,679,702*	*$4,703,132*	*$4,726,689*	*$4,750,344*	*$4,774,115*	*$4,797,994*	*$4,821,976*	
Dwelling Units	$0.00	25,053	25,178	25,304	25,431	25,558	25,686	25,814	25,943	26,073	26,203	As MFR Cust. Growth
		25,053	**25,178**	**25,304**	**25,431**	**25,558**	**25,686**	**25,814**	**25,943**	**26,073**	**26,203**	
Revenue		*$0*	*$0*	*$0*	*$0*	*$0*	*$0*	*$0*	*$0*	*$0*	*$0*	
Metered Water Charge												
0 - 4 (per DU)	$5.10	819,235	819,235	819,235	819,235	819,235	819,235	819,235	819,235	819,235	819,235	As MFR Cons. Growth
4 - 8 (per DU)	15.19	203,482	203,482	203,482	203,482	203,482	203,482	203,482	203,482	203,482	203,482	As MFR Cons. Growth
8 + (per DU)	28.54	67,879	67,879	67,879	67,879	67,879	67,879	67,879	67,879	67,879	67,879	As MFR Cons. Growth
		1,090,596	**1,090,596**	**1,090,596**	**1,090,596**	**1,090,596**	**1,090,596**	**1,090,596**	**1,090,596**	**1,090,596**	**1,090,596**	
Revenue		*$9,206,249*	*$9,206,249*	*$9,206,249*	*$9,206,249*	*$9,206,249*	*$9,206,249*	*$9,206,249*	*$9,206,249*	*$9,206,249*	*$9,206,249*	
Total Revenue		**$13,816,276**	**$13,839,413**	**$13,862,618**	**$13,885,951**	**$13,909,381**	**$13,932,938**	**$13,956,593**	**$13,980,364**	**$14,004,243**	**$14,028,225**	

		Exhibit 5 - RPR	*Projected*									
		FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	*Notes*
Recycled Water												
Monthly Service Charge												
5/8"	$32.60	8	8	8	8	8	8	8	8	8	8	As Recycled Cust. Growth
3/4"	47.73	9	9	9	9	9	9	9	9	9	9	As Recycled Cust. Growth
1"	77.97	16	16	16	16	16	16	16	16	16	16	As Recycled Cust. Growth
1 1/2"	153.59	1	1	1	1	1	1	1	1	1	1	As Recycled Cust. Growth
2"	244.33	64	64	64	64	64	64	64	64	64	64	As Recycled Cust. Growth
3"	531.67	20	20	20	20	20	20	20	20	20	20	As Recycled Cust. Growth
4"	955.12	2	2	2	2	2	2	2	2	2	2	As Recycled Cust. Growth
6"	1,968.37	1	1	1	1	1	1	1	1	1	1	As Recycled Cust. Growth
8"	3,631.93	1	1	1	1	1	1	1	1	1	1	As Recycled Cust. Growth
10"	5,749.18	0	0	0	0	0	0	0	0	0	0	As Recycled Cust. Growth
		122	**122**	**122**	**122**	**122**	**122**	**122**	**122**	**122**	**122**	
Revenue		*$430,470*	*$430,470*	*$430,470*	*$430,470*	*$430,470*	*$430,470*	*$430,470*	*$430,470*	*$430,470*	*$430,470*	
Metered Water Charge												
All Usage	$4.99	274,784	274,784	274,784	274,784	274,784	274,784	274,784	274,784	274,784	274,784	As Recycled Cons. Growth
		274,784	**274,784**	**274,784**	**274,784**	**274,784**	**274,784**	**274,784**	**274,784**	**274,784**	**274,784**	
		$1,371,172	*$1,371,172*	*$1,371,172*	*$1,371,172*	*$1,371,172*	*$1,371,172*	*$1,371,172*	*$1,371,172*	*$1,371,172*	*$1,371,172*	
Total Revenue		**$1,801,643**	**$1,801,643**	**$1,801,643**	**$1,801,643**	**$1,801,643**	**$1,801,643**	**$1,801,643**	**$1,801,643**	**$1,801,643**	**$1,801,643**	
Com & Ind												
Monthly Service Charge												
5/8"	$32.60	1,521	1,521	1,521	1,521	1,521	1,521	1,521	1,521	1,521	1,521	As Com Cust. Growth
3/4"	47.73	109	109	109	109	109	109	109	109	109	109	As Com Cust. Growth
1"	77.97	434	434	434	434	434	434	434	434	434	434	As Com Cust. Growth
1 1/2"	153.59	212	212	212	212	212	212	212	212	212	212	As Com Cust. Growth
2"	244.33	358	358	358	358	358	358	358	358	358	358	As Com Cust. Growth
3"	531.67	13	13	13	13	13	13	13	13	13	13	As Com Cust. Growth
4"	955.12	11	11	11	11	11	11	11	11	11	11	As Com Cust. Growth
6"	1,968.37	10	10	10	10	10	10	10	10	10	10	As Com Cust. Growth
8"	3,631.93	2	2	2	2	2	2	2	2	2	2	As Com Cust. Growth
10"	5,749.18	0	0	0	0	0	0	0	0	0	0	As Com Cust. Growth
		2,670	**2,670**	**2,670**	**2,670**	**2,670**	**2,670**	**2,670**	**2,670**	**2,670**	**2,670**	
Revenue		*$3,036,276*	*$3,036,276*	*$3,036,276*	*$3,036,276*	*$3,036,276*	*$3,036,276*	*$3,036,276*	*$3,036,276*	*$3,036,276*	*$3,036,276*	
Metered Water Charge												
Up to Base Allotment	$7.77	665,981	665,981	665,981	665,981	665,981	665,981	665,981	665,981	665,981	665,981	As Com Cons. Growth
Over Base Allotment	28.45	120,122	120,122	120,122	120,122	120,122	120,122	120,122	120,122	120,122	120,122	As Com Cons. Growth
		786,102	**786,102**	**786,102**	**786,102**	**786,102**	**786,102**	**786,102**	**786,102**	**786,102**	**786,102**	
Revenue		*$8,592,127*	*$8,592,127*	*$8,592,127*	*$8,592,127*	*$8,592,127*	*$8,592,127*	*$8,592,127*	*$8,592,127*	*$8,592,127*	*$8,592,127*	
Total Revenue		**$11,628,402**	**$11,628,402**	**$11,628,402**	**$11,628,402**	**$11,628,402**	**$11,628,402**	**$11,628,402**	**$11,628,402**	**$11,628,402**	**$11,628,402**	

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		Exhibit 5 - RPR	*Projected*									
		FY 2024	**FY 2025**	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**	**FY 2031**	**FY 2032**	**FY 2033**	***Notes***
Industrial												
Monthly Service Charge												
5/8"	$32.60	0	0	0	0	0	0	0	0	0	0	As Ind Cust. Growth
3/4"	47.73	0	0	0	0	0	0	0	0	0	0	As Ind Cust. Growth
1"	77.97	0	0	0	0	0	0	0	0	0	0	As Ind Cust. Growth
1 1/2"	153.59	0	0	0	0	0	0	0	0	0	0	As Ind Cust. Growth
2"	244.33	0	0	0	0	0	0	0	0	0	0	As Ind Cust. Growth
3"	531.67	0	0	0	0	0	0	0	0	0	0	As Ind Cust. Growth
4"	955.12	0	0	0	0	0	0	0	0	0	0	As Ind Cust. Growth
6"	1,968.37	0	0	0	0	0	0	0	0	0	0	As Ind Cust. Growth
8"	3,631.93	0	0	0	0	0	0	0	0	0	0	As Ind Cust. Growth
10"	5,749.18	0	0	0	0	0	0	0	0	0	0	As Ind Cust. Growth
		0	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	
Revenue		*$0*	*$0*	*$0*	*$0*	*$0*	*$0*	*$0*	*$0*	*$0*	*$0*	
Metered Water Charge												
Up to Base Allotment	$7.77	0	0	0	0	0	0	0	0	0	0	As Ind Cons. Growth
Over Base Allotment	28.45	0	0	0	0	0	0	0	0	0	0	As Ind Cons. Growth
		0	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	
Revenue		*$0*	*$0*	*$0*	*$0*	*$0*	*$0*	*$0*	*$0*	*$0*	*$0*	
Total Revenue		**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	
Irrigation Agriculture												
Monthly Service Charge												
5/8"	$32.60	15	15	15	15	15	15	15	15	15	15	As Irr Cust. Growth
3/4"	47.73	36	36	36	36	36	36	36	36	36	36	As Irr Cust. Growth
1"	77.97	0	0	0	0	0	0	0	0	0	0	As Irr Cust. Growth
1 1/2"	153.59	3	3	3	3	3	3	3	3	3	3	As Irr Cust. Growth
2"	244.33	14	14	14	14	14	14	14	14	14	14	As Irr Cust. Growth
3"	531.67	3	3	3	3	3	3	3	3	3	3	As Irr Cust. Growth
4"	955.12	3	3	3	3	3	3	3	3	3	3	As Irr Cust. Growth
6"	1,968.37	0	0	0	0	0	0	0	0	0	0	As Irr Cust. Growth
8"	3,631.93	0	0	0	0	0	0	0	0	0	0	As Irr Cust. Growth
10"	5,749.18	0	0	0	0	0	0	0	0	0	0	As Irr Cust. Growth
		74	**74**	**74**	**74**	**74**	**74**	**74**	**74**	**74**	**74**	
Revenue		*$126,588*	*$126,588*	*$126,588*	*$126,588*	*$126,588*	*$126,588*	*$126,588*	*$126,588*	*$126,588*	*$126,588*	
Metered Water Charge												
Up to Monthly Budget	$3.98	43,662	43,662	43,662	43,662	43,662	43,662	43,662	43,662	43,662	43,662	As Irr Cons. Growth
Over Monthly Budget	28.54	688	688	688	688	688	688	688	688	688	688	As Irr Cons. Growth
		44,350	**44,350**	**44,350**	**44,350**	**44,350**	**44,350**	**44,350**	**44,350**	**44,350**	**44,350**	
Revenue		*$193,410*	*$193,410*	*$193,410*	*$193,410*	*$193,410*	*$193,410*	*$193,410*	*$193,410*	*$193,410*	*$193,410*	
Total Revenue		**$319,998**	**$319,998**	**$319,998**	**$319,998**	**$319,998**	**$319,998**	**$319,998**	**$319,998**	**$319,998**	**$319,998**	

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		Exhibit 5 - RPR	*Projected*									
		FY 2024	**FY 2025**	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**	**FY 2031**	**FY 2032**	**FY 2033**	***Notes***
Irrigation Recreation												
Monthly Service Charge												
5/8"	$32.60	47	47	47	47	47	47	47	47	47	47	As Irr Cust. Growth
3/4"	47.73	4	4	4	4	4	4	4	4	4	4	As Irr Cust. Growth
1"	77.97	41	41	41	41	41	41	41	41	41	41	As Irr Cust. Growth
1 1/2"	153.59	16	16	16	16	16	16	16	16	16	16	As Irr Cust. Growth
2"	244.33	42	42	42	42	42	42	42	42	42	42	As Irr Cust. Growth
3"	531.67	3	3	3	3	3	3	3	3	3	3	As Irr Cust. Growth
4"	955.12	3	3	3	3	3	3	3	3	3	3	As Irr Cust. Growth
6"	1,968.37	0	0	0	0	0	0	0	0	0	0	As Irr Cust. Growth
8"	3,631.93	0	0	0	0	0	0	0	0	0	0	As Irr Cust. Growth
10"	5,749.18	0	0	0	0	0	0	0	0	0	0	As Irr Cust. Growth
		156	**156**	**156**	**156**	**156**	**156**	**156**	**156**	**156**	**156**	
Revenue		*$265,195*	*$265,195*	*$265,195*	*$265,195*	*$265,195*	*$265,195*	*$265,195*	*$265,195*	*$265,195*	*$265,195*	
Metered Water Charge												
Up to Monthly Budget	$5.98	46,360	46,360	46,360	46,360	46,360	46,360	46,360	46,360	46,360	46,360	As Irr Cons. Growth
Over Monthly Budget	28.54	3,406	3,406	3,406	3,406	3,406	3,406	3,406	3,406	3,406	3,406	As Irr Cons. Growth
		49,766	**49,766**	**49,766**	**49,766**	**49,766**	**49,766**	**49,766**	**49,766**	**49,766**	**49,766**	
Revenue		*$374,447*	*$374,447*	*$374,447*	*$374,447*	*$374,447*	*$374,447*	*$374,447*	*$374,447*	*$374,447*	*$374,447*	
Total Revenue		**$639,642**	**$639,642**	**$639,642**	**$639,642**	**$639,642**	**$639,642**	**$639,642**	**$639,642**	**$639,642**	**$639,642**	
Irrigation Urban												
Monthly Service Charge												
5/8"	$32.60	316	316	316	316	316	316	316	316	316	316	As Irr Cust. Growth
3/4"	47.73	22	22	22	22	22	22	22	22	22	22	As Irr Cust. Growth
1"	77.97	171	171	171	171	171	171	171	171	171	171	As Irr Cust. Growth
1 1/2"	153.59	44	44	44	44	44	44	44	44	44	44	As Irr Cust. Growth
2"	244.33	110	110	110	110	110	110	110	110	110	110	As Irr Cust. Growth
3"	531.67	1	1	1	1	1	1	1	1	1	1	As Irr Cust. Growth
4"	955.12	0	0	0	0	0	0	0	0	0	0	As Irr Cust. Growth
6"	1,968.37	0	0	0	0	0	0	0	0	0	0	As Irr Cust. Growth
8"	3,631.93	0	0	0	0	0	0	0	0	0	0	As Irr Cust. Growth
10"	5,749.18	0	0	0	0	0	0	0	0	0	0	As Irr Cust. Growth
		664	**664**	**664**	**664**	**664**	**664**	**664**	**664**	**664**	**664**	
Revenue		*$706,206*	*$706,206*	*$706,206*	*$706,206*	*$706,206*	*$706,206*	*$706,206*	*$706,206*	*$706,206*	*$706,206*	
Metered Water Charge												
Up to Monthly Budget	$15.19	94,672	94,672	94,672	94,672	94,672	94,672	94,672	94,672	94,672	94,672	As Irr Cons. Growth
Over Monthly Budget	28.54	26,973	26,973	26,973	26,973	26,973	26,973	26,973	26,973	26,973	26,973	As Irr Cons. Growth
		121,645	**121,645**	**121,645**	**121,645**	**121,645**	**121,645**	**121,645**	**121,645**	**121,645**	**121,645**	
Revenue		*$2,207,869*	*$2,207,869*	*$2,207,869*	*$2,207,869*	*$2,207,869*	*$2,207,869*	*$2,207,869*	*$2,207,869*	*$2,207,869*	*$2,207,869*	
Total Revenue		**$2,914,075**	**$2,914,075**	**$2,914,075**	**$2,914,075**	**$2,914,075**	**$2,914,075**	**$2,914,075**	**$2,914,075**	**$2,914,075**	**$2,914,075**	

		Exhibit 5 - RPR	*Projected*									
		FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	*Notes*
Bird Refuge												
Monthly Service Charge												
5/8"	$32.60	0	0	0	0	0	0	0	0	0	0	As Flat
3/4"	$47.73	0	0	0	0	0	0	0	0	0	0	As Flat
1"	$77.97	0	0	0	0	0	0	0	0	0	0	As Flat
1 1/2"	$153.59	0	0	0	0	0	0	0	0	0	0	As Flat
2"	$244.33	0	0	0	0	0	0	0	0	0	0	As Flat
3"	$531.67	0	0	0	0	0	0	0	0	0	0	As Flat
4"	$955.12	1	1	1	1	1	1	1	1	1	1	As Flat
6"	$1,968.37	0	0	0	0	0	0	0	0	0	0	As Flat
8"	$3,631.93	0	0	0	0	0	0	0	0	0	0	As Flat
10"	$5,749.18	0	0	0	0	0	0	0	0	0	0	As Flat
		1	**1**	**1**	**1**	**1**	**1**	**1**	**1**	**1**	**1**	
Revenue		*$11,461*	*$11,461*	*$11,461*	*$11,461*	*$11,461*	*$11,461*	*$11,461*	*$11,461*	*$11,461*	*$11,461*	
Metered Water Charge												
Up to Base Allotment	$5.98	47	47	47	47	47	47	47	47	47	47	As Other Cons. Growth
Over Base Allotment	$23.98	0	0	0	0	0	0	0	0	0	0	As Other Cons. Growth
		47	**47**	**47**	**47**	**47**	**47**	**47**	**47**	**47**	**47**	
Revenue		*$281*	*$281*	*$281*	*$281*	*$281*	*$281*	*$281*	*$281*	*$281*	*$281*	
Total Revenue		**$11,743**	**$11,743**	**$11,743**	**$11,743**	**$11,743**	**$11,743**	**$11,743**	**$11,743**	**$11,743**	**$11,743**	
Mission Canyon												
Monthly Service Charge												
5/8"	$32.60	0	0	0	0	0	0	0	0	0	0	As Other Cust. Growth
3/4"	47.73	0	0	0	0	0	0	0	0	0	0	As Other Cust. Growth
1"	77.97	0	0	0	0	0	0	0	0	0	0	As Other Cust. Growth
1 1/2"	153.59	0	0	0	0	0	0	0	0	0	0	As Other Cust. Growth
2"	244.33	0	0	0	0	0	0	0	0	0	0	As Other Cust. Growth
3"	531.67	0	0	0	0	0	0	0	0	0	0	As Other Cust. Growth
4"	955.12	0	0	0	0	0	0	0	0	0	0	As Other Cust. Growth
6"	1,968.37	0	0	0	0	0	0	0	0	0	0	As Other Cust. Growth
8"	3,631.93	0	0	0	0	0	0	0	0	0	0	As Other Cust. Growth
10"	5,749.18	0	0	0	0	0	0	0	0	0	0	As Other Cust. Growth
		0	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	
Revenue		*$0*	*$0*	*$0*	*$0*	*$0*	*$0*	*$0*	*$0*	*$0*	*$0*	
Metered Water Charge												
0	$0.00	0	0	0	0	0	0	0	0	0	0	As Other Cons. Growth
		0	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	
Revenue		*$0*	*$0*	*$0*	*$0*	*$0*	*$0*	*$0*	*$0*	*$0*	*$0*	
Total Revenue		**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	

City of Santa Barbara
Customer Data Projection
Revenue Requirement
Exhibit 6 - Customer Data

		Exhibit 5 - RPR	*Projected*									
		FY 2024	**FY 2025**	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**	**FY 2031**	**FY 2032**	**FY 2033**	***Notes***
Private Fire Service												
Monthly Service Charge												
1"	$3.33	0	0	0	0	0	0	0	0	0	0	As Other Cust. Growth
1 1/2"	5.18	0	0	0	0	0	0	0	0	0	0	As Other Cust. Growth
2"	8.37	182	182	182	182	182	182	182	182	182	182	As Other Cust. Growth
4"	39.58	305	305	305	305	305	305	305	305	305	305	As Other Cust. Growth
6"	110.47	108	108	108	108	108	108	108	108	108	108	As Other Cust. Growth
8"	232.76	31	31	31	31	31	31	31	31	31	31	As Other Cust. Growth
10"	416.70	2	2	2	2	2	2	2	2	2	2	As Other Cust. Growth
12"	671.63	1	1	1	1	1	1	1	1	1	1	As Other Cust. Growth
		629	**629**	**629**	**629**	**629**	**629**	**629**	**629**	**629**	**629**	
Total Revenue		**$410,959**	**$410,959**	**$410,959**	**$410,959**	**$410,959**	**$410,959**	**$410,959**	**$410,959**	**$410,959**	**$410,959**	
Revenues												
Fixed		$18,047,237	$18,070,373	$18,093,579	$18,116,911	$18,140,341	$18,163,898	$18,187,553	$18,211,325	$18,235,204	$18,259,186	
Variable		42,089,514	42,089,514	42,089,514	42,089,514	42,089,514	42,089,514	42,089,514	42,089,514	42,089,514	42,089,514	
		$60,136,751	**$60,159,887**	**$60,183,093**	**$60,206,426**	**$60,229,856**	**$60,253,413**	**$60,277,067**	**$60,300,839**	**$60,324,718**	**$60,348,700**	

RPR = $60,136,751

O&M Allocation	FY 2025	Base	Max Day (MD)	Max Hour (MH)	Fire	Meter	Billing	Recycled Water	Desal	Conservation	General	*Basis of Allocation*
Operations & Maintenance Expenses												
Cater Treatment - 4632	$6,531,675	$6,531,675	$0	$0	$0	0	$0	$0	$0	$0	$0	100.0% Base 0.0% Meter
Gibraltor Dam - 4621	810,308	0	0	0	0	810,308	0	0	0	0	0	100.0% Meter
Meter Readers - 4636	1,461,925	0	0	0	0	0	1,461,925	0	0	0	0	100.0% Billing
Water Distribution - 4635	11,537,229	3,677,729	4,244,954	1,722,675	507,404	1,384,468	0	0	0	0	0	43.9% Base 36.8% MD 14.9% MH 12.0% Meter 4.4% Fire
Water Drought Fund	0	0	0	0	0	0	0	0	0	0	0	95.0% Base 5.0% Conserv
Water Laboratory - 4641	1,309,397	0	0	0	0	1,309,397	0	0	0	0	0	100.0% Meter
Water Reclamation - Recycled - 4622	1,900,609	0	0	0	0	0	0	1,900,609	0	0	0	100.0% Recyld
Water Supply Management - 4612	10,950,805	10,403,265	0	0	0	0	0	0	0	547,540	0	95.0% Base 5.0% Conserv
Water Treatment - 4631	934,734	0	0	0	0	934,734	0	0	0	0	0	100.0% Meter
Water Utilities Management - 4611	7,373,504	0	0	0	0	7,373,504	0	0	0	0	0	100.0% Meter
Desalination - 4675	10,149,155	0	0	0	0	0	0	0	10,149,155	0	0	100.0% Desal
Additional O&M	(142,477)	(142,477)	0	0	0	0	0	0	0	0	0	100.0% Base
Total O&M Expenses	**$52,816,865**	**$20,470,191**	**$4,244,954**	**$1,722,675**	**$507,404**	**$11,812,411**	**$1,461,925**	**$1,900,609**	**$10,149,155**	**$547,540**	**$0**	
Rate Funded Capital (Pay Go)	**$18,853,477**	**$13,958,189**	**$0**	**$0**	**$0**	**$4,795,289**	**$0**	**$100,000**	**$0**	**$0**	**$0**	As Capital
Transfers	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	$0.0 $0.0
Debt Service												
SWRCB SRF Loan (Desal)	$4,209,611	$0	$0	$0	$0	$0	$0	$0	$4,209,611	$0	$0	100.0% Desal
2002 SRF Loan (Cater)	1,144,246	0	0	0	0	1,144,246	0	0	0	0	0	100.0% Meter
2011 Safe Drinking Water Loan (Ortega)	1,699,680	0	0	0	0	1,699,680	0	0	0	0	0	100.0% Meter
2013 COP Debt	2,133,950	0	0	0	0	2,133,950	0	0	0	0	0	100.0% Meter
Assumed Low Interest Loan	424,140	0	0	0	0	424,140	0	0	0	0	0	100.0% Meter
Assumed Revenue Bond	0	0	0	0	0	0	0	0	0	0	0	As Above
Add'l Long-Term Debt	0	0	0	0	0	0	0	0	0	0	0	As Above
Less: Capacity Charge Use	(300,000)	0	0	0	0	(300,000)	0	0	0	0	0	100.0% Meter
Total Debt Service	**$9,311,626**	**$0**	**$0**	**$0**	**$0**	**$5,102,016**	**$0**	**$0**	**$4,209,611**	**$0**	**$0**	
Reserve Funding + / (-)	**($1,365,800)**	**($1,365,800)**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	100.0% Base
Less: Misc. Revenue	**($13,141,922)**	**($5,587,109)**	**($688,880)**	**($279,559)**	**($82,343)**	**($3,523,098)**	**($237,244)**	**($324,663)**	**($2,330,170)**	**($88,856)**	**$0**	As Above
Total Revenue Requirements	**$66,474,246**	**$27,475,471**	**$3,556,074**	**$1,443,116**	**$425,061**	**$18,186,618**	**$1,224,681**	**$1,675,946**	**$12,028,595**	**$458,684**	**$0**	
% Allocation		*41.3%*	*5.3%*	*2.2%*	*0.6%*	*27.4%*	*1.8%*	*2.5%*	*18.1%*	*0.7%*	*0.0%*	
Allocated Costs	**$38,889,627**	**$16,074,057**	**$2,080,421**	**$844,270**	**$248,675**	**$10,639,771**	**$716,479**	**$980,484**	**$7,037,125**	**$268,345**	**$0**	

Capital Allocation	Total Assets	Base	Max Day (MD)	Max Hour (MH)	Fire	Meter	Billing	Recycled Water	Desal	Conservation	General	*Basis of Allocation*	
Source of Supply	$11,319,027	$11,319,027	$0	$0	$0	$0	$0	$0	$0	$0	$0	100.0% Base	
Storage	16,774,118	6,476,790	0	0	0	10,297,328	0	0	0	0	0	38.6% Base	61.4% Meter Equiv
Treatment Plant	110,253,033	110,253,033	0	0	0	0	0	0	0	0	0	100.0% Base	
Transmission	81,009,062	35,544,389	0	0	0	45,464,673	0	0	0	0	0	43.9% Base	56.1% Meter
Distribution	0	0	0	0	0	0	0	0	0	0	0	100.0% Meter	
Pump Stations	10,504,188	10,504,188	0	0	0	0	0	0	0	0	0	100.0% Base	
Firelines / Hydrants	0	0	0	0	0	0	0	0	0	0	0	100.0% Fire	
Meters	751,479	0	0	0	0	751,479	0	0	0	0	0	100.0% Meter	
Billing	0	0	0	0	0	0	0	0	0	0	0	100.0% Billing	
Recycled Water	14,817,984	0	0	0	0	0	0	14,817,984	0	0	0	100.0% Recyld	
General	4,081,483	0	0	0	0	4,081,483	0	0	0	0	0	100.0% Meter	
Land	2,283,187	2,283,187	0	0	0	0	0	0	0	0	0	100.0% Base	
Total	**$251,793,561**	**$176,380,613**	**$0**	**$0**	**$0**	**$60,594,964**	**$0**	**$14,817,984**	**$0**	**$0**	**$0**		
% Allocation		*70.0%*	*0.0%*	*0.0%*	*0.0%*	*24.1%*	*0.0%*	*5.9%*	*0.0%*	*0.0%*	*0.0%*		
		74%	0%	0%	0%	26%	0%						
Allocated Costs	**$23,375,009**	**$16,374,122**	**$0**	**$0**	**$0**	**$5,625,274**	**$0**	**$1,375,613**	**$4,209,611**	**$0**	**$0**		

City of Santa Barbara
Water Cost of Service Study
Cost Allocation Summary
Exhibit 8 - Cost Allocation Summary

	Operating	Capital	Total
Revenue Requirements			
O&M Expenses	$48,216,865	$0	**$48,216,865**
CCWA Fixed Expenses	4,600,000	0	**4,600,000**
Rate Funded Capital (Pay Go)	0	18,853,477	**18,853,477**
Transfers	0		**0**
Existing Debt Service	0	4,977,876	**4,977,876**
Desal Debt Service	0	4,209,611	**4,209,611**
Proposed Debt Service	0	424,140	**424,140**
Less: Capacity Charge Use	0	(300,000)	**(300,000)**
Total Revenue Requirements	**$52,816,865**	**$28,165,104**	**$80,981,968**
Less: Revenue from Other Sources			
Interest Income	$1,859,947	$0	**$1,859,947**
Misc & Other Revenues	10,701,492	$580,484	**10,701,492**
Total Revenue from Other Sources	**$12,561,438**	**$580,484**	**$13,141,922**
Plus: Adjustments			
Adj. for Midyear Increases	$0	$0	**$0**
Adj. for Net Cash Balance	(1,365,800)	0	**(1,365,800)**
Total Adjustments	**($1,365,800)**	**$0**	**($1,365,800)**
Total Revenue Requirement	**$38,889,627**	**$27,584,619**	**$66,474,246**

$66,474,246 (Rev Req - Misc Rev)

	Total	Base	Max Day (MD)	Max Hour (MH)	Fire	Meter	Billing	Recycled Water	Desal	Conservation	General	*Basis of Allocation*
O&M Allocation	$0											
Capital Allocation	0											
Total Allocated Costs	**$66,474,246**	**$27,475,471**	**$3,556,074**	**$1,443,116**	**$425,061**	**$18,186,618**	**$1,224,681**	**$1,675,946**	**$12,028,595**	**$458,684**	**$0**	
Reallocation of Other Costs												
General Costs	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	
Public Fire Costs	0	0	0	0	0	0	0	0	0	0	0	
Allocation Peak to Meter	0	0	0	0	0	0	0	0	0	0	0	
Allocation of Base to Meter	0	0	0	0	0	0	0	0	0	0	0	
Net Total Allocation of Costs	**$66,474,246**	**$27,475,471**	**$3,556,074**	**$1,443,116**	**$425,061**	**$18,186,618**	**$1,224,681**	**$1,675,946**	**$12,028,595**	**$458,684**	**$0**	

Private Fire					*Public Fire - Hydrants*				
Connection Size	**# of Connections**	**Factor [1]**	**Equivalent Services**	**% of Total**	**Hydrant Size**	**# of Hydrants**	**Factor [2]**	**Equivalent Services**	**% of Total**
1"	0	1.00	0	0.0%	1"	0	1.00	0	0.0%
1 1/2"	0	2.90	0	0.0%	1 1/2"	0	2.90	0	0.0%
2"	182	6.19	1,127	3.4%	2"	0	6.19	0	0.0%
4"	305	38.32	11,688	35.4%	4"	0	38.32	0	0.0%
6"	108	111.31	12,021	36.4%	6"	2,601	111.31	289,517	100.0%
8"	31	237.21	7,354	22.3%	8"	0	237.21	0	0.0%
10"	2	426.58	853	2.6%	10"	0	426.58	0	0.0%
	628		**33,042**	**100.0%**		**2,601**		**289,517**	**100.0%**
				10.2%					***89.8%***

[1] - Based on demand factors from the AWWA M1 Manual, 7th Edition, page 163

City of Santa Barbara
Water Cost of Service Study
Water Supply Development
Exhibit 9 - Water Supply Development

	Potential Yield (AF)	Available Amount (AF)	% of Total	*Individual Override*
Water Source of Supply				
Surface Water				
Lake Cachuma	8,277	3,046	36.1%	
Gibraltar				
Reservoir	4,550	1,674	19.8%	
Devil's Canyon	0	0	0.0%	
Mission Tunnel	2,063	759	9.0%	
Groundwater	890	433	5.1%	48.7%
GW - Ortega GWTP	2,460	800	9.5%	32.5%
SWP / Purch. Water	1,584	583	6.9%	
Desal Water	3,125	1,150	13.6%	
Adjustments				
	22,949	**8,445**	**100.0%**	
	Adjustment	36.8%		
Recycled Water	1,050	1,050		100.0%
Total w/ Recycled	**23,999**	**9,495**		

Priority	Usage	% of Total	Groundwater	GW - Ortega GWTP	Gibraltar	Lake Cachuma	SWP / Purch. Water	Desal Water	Recycled Water	Total	Unit Cost ($ / HCF)
1	43,662	1.1%	43,662	0	0	0	0	0	0	**43,662**	$1.59
2	1,547,359	39.1%	145,140	348,262	1,053,957	0	0	0	0	**1,547,359**	3.72
3	665,981	16.8%	0	0	6,113	659,868	0	0	0	**665,981**	6.34
4	983,163	24.9%	0	0	0	666,942	253,916	62,305	0	**983,163**	11.77
5	438,514	11.1%	0	0	0	0	0	438,514	0	**438,514**	29.26
RW	274,784	7.0%	0	0	0	0	0	0	274,784	**274,784**	4.75
	3,953,463		**188,802**	**348,262**	**1,060,069**	**1,326,810**	**253,916**	**500,819**	**274,784**	**3,953,463**	

Customer / Tier	Priority	FY 2025 Usage	% of Total	Groundwater	GW - Ortega GWTP	Gibraltar	Lake Cachuma	SWP / Purch. Water	Desal Water	Recycled Water	Total	Unit Cost ($ / HCF)	Allocated Costs
Tier 1 Ag	1	43,662	1.2%	43,662							**43,662**	$1.59	$69,423
Tier 1 Rec	2	46,360	1.3%	4,348	10,434	31,577					**46,360**	3.72	172,458
Tier 1 SFR	2	681,764	18.5%	63,949	153,444	464,372					**681,764**	3.72	2,536,162
Tier 1 MFR	2	819,235	22.3%	76,843	184,384	558,008					**819,235**	3.72	3,047,555
Tier 1 Commercial	3	665,981	18.1%			6,113	659,868				**665,981**	6.34	4,222,318
Tier 2 SFR	4	685,009	18.6%				464,685	176,914	43,410		**685,009**	11.77	8,062,556
Tier 2 MFR	4	203,482	5.5%				138,035	52,552	12,895		**203,482**	11.77	2,394,981
Tier 1 Irrig (Res/Comm)	4	94,672	2.6%				64,222	24,450	6,000		**94,672**	11.77	1,114,291
Tier 2 Commercial	5	120,122	3.3%						120,122		**120,122**	29.26	3,514,755
Tier 3 SFR	5	219,400	6.0%						219,400		**219,400**	29.26	6,419,644
Tier 3 MFR	5	67,879	1.8%						67,879		**67,879**	29.26	1,986,134
Tier 2 Ag	5	688	0.0%						688		**688**	29.26	20,130
Tier 2 Rec	5	3,406	0.1%						3,406		**3,406**	29.26	99,669
Tier 2 Irrig (Res/Comm)	5	26,973	0.7%						26,973		**26,973**	29.26	789,220
		3,678,632	**100.0%**	**188,802**	**348,262**	**1,060,069**	**1,326,810**	**253,916**	**500,772**	**0**	**3,678,632**		**$34,449,295**
Recycled Water	RW	274,784								274,784	**274,784**	$4.75	1,305,224
Bird Refuge	5	47							47		**47**	$29.26	1,375
Mission Canyon	5	0							0		**0**	#DIV/0!	
		3,953,463		**188,802**	**348,262**	**1,060,069**	**1,326,810**	**253,916**	**500,819**	**274,784**	**3,953,463**		$35,755,894
Cost				**$1.59**	**$2.74**	**$4.33**	**$6.35**	**$21.68**	**$29.26**	**$4.75**			

City of Santa Barbara
Water Cost of Service Study
Water Supply Costs
Exhibit 10 - Supply Cost

FY 2025	Supply Costs	Treatment Costs	Lab Costs	Supply Mngmnt	Capacity (AF)	Unit Cost ($ / AF)	Unit Cost ($ / HCF)
Source of Supply							
Lake Cachuma							
Cachuma COMB	$3,100,000				3,046	$1,018	
Cachuma CCRB	600,000				3,046	197	
Cachuma COMB (Drought)	0				3,046	0	
Total Cater Treatment - 4632		$6,531,675			6,062	1,077	
Total Water Laboratory - 4641			$1,309,397		6,062	216	
Other O&M				$2,196,707	8,445	260	
Total Lake Cachuma						**$2,768**	**$6.35**
Gibraltar							
Total Gibraltor Dam - 4621	$810,308				2,434	$333	
Total Cater Treatment - 4632		$6,531,675			6,062	1,077	
Total Water Laboratory - 4641			$1,309,397		6,062	216	
Other O&M				$2,196,707	8,445	260	
Total Gibraltar						**$1,886**	**$4.33**
Groundwater							
Total Water Treatment - 4631 (20%)		$186,947			433	$431	
Other O&M				$2,196,707	8,445	260	
Total Groundwater						**$691**	**$1.59**
GW - Ortega GWTP							
Total Water Treatment - 4631 (80%)		$747,787			800	$935	
Other O&M				$2,196,707	8,445	260	
Total GW - Ortega GWTP						**$1,195**	**$2.74**
SWP / Purch. Water							
State Water Project - CCWA	$4,600,000				583	$7,891	
Water Purchases	0				583	0	
State Water Project - CCWA (Drought)	0				583	0	
Total Cater Treatment - 4632		$6,531,675			6,062	1,077	
Total Water Laboratory - 4641			$1,309,397		6,062	216	
Other O&M				$2,196,707	8,445	260	
Total SWP / Purch. Water						**$9,445**	**$21.68**
Desal Water							
Total Desalination - 4675	$4,209,611	$10,149,155			1,150	$12,486	
Other O&M				$2,196,707	8,445	260	
Total Desal Water						**$12,746**	**$29.26**
Recycled Water							
Total Water Reclamation - Recycled - 4622		$1,900,609			1,050	$1,810	
Other O&M				$2,196,707	8,445	260	
Total Recycled Water						**$2,070**	**$4.75**

City of Santa Barbara
Water Cost of Service Study
Delivery Cost
Exhibit 11 - Delivery Cost

Delivery Cost Calculation	**Cost of Service**	*Notes*
Total Base Cost	$39,504,066	base + desal cost
Less: Supply Cost	34,449,295	
Net Delivery Cost	**$5,054,771**	
Total Potable Usage (hcf)	3,678,632	
Unit Delivery Cost	$1.37	

City of Santa Barbara
Water Cost of Service Study
Peaking Cost
Exhibit 12 - Peaking Cost

Peaking Cost Calculation	Max Day Unit Cost	Max Day Extra Capacity	Max Day Costs	Max Hour Unit Cost	Max Hour Extra Capacity	Max Hour Costs	Total Peaking Costs	Potable Use (HCF)	Peaking Unit Cost
SFR & MFR Tier 1	$1,076.85	250	$269,727	$347.90	926	$322,056	$591,784	1,500,999	$0.39
Res Tier 2/All Irrig* Tier 1	$1,076.85	1,647	$1,774,088	$347.90	1,586	$551,828	$2,325,916	1,073,185	$2.17
Res Tier 3/All Irrig* Tier 2	1,076.85	788	848,051	347.90	507	176,237	1,024,288	318,346	3.22
Commercial Tier 1	$1,076.85	134	$144,817	$347.90	497	$172,937	$317,754	665,981	$0.48
Commercial Tier 2	1,076.85	481	518,396	347.90	631	219,669	738,065	120,122	6.14
							$4,997,807	**3,678,632**	

Notes

* - All Irrigation includes Agriculture, Recreation, Residential, and Commercial Irrgiation usage

System Peaking Factors (FY 2023)	Peaking Factors	Base	Max Day	Max Hour	Fire	MGD		*2020*	
Base	1.00	100.0%				8.61		9.67	
Max Day	1.84	54.4%	45.6%			15.83	*1.84*	15.12	*1.56*
Max Hour	2.18	45.9%	38.5%	15.6%		18.76	*2.18*	22.42	*2.32*
Fire Event	2.28	43.9%	36.8%	14.9%	4.4%	19.62	*2.28*	23.28	*2.41*

City of Santa Barbara
Water Cost of Service Study
Volumetric Rates
Exhibit 13 - Volumetric Rates

	Supply Cost	Delivery Cost	Peaking Cost	Conserv Cost	Total Rate	Revenue Generation	Usage (HCF)
Single Family Residential							**1,586,173**
0 - 4	$3.72	$1.37	$0.39	$0.00	**$5.49**	$3,741,759	681,764
4 - 16	11.77	1.37	2.17	0.00	**15.31**	10,488,442	685,009
16 +	29.26	1.37	3.22	1.05	**34.90**	7,656,563	219,400
Multi-Family Residential							**1,090,596**
Tier 1	$3.72	$1.37	$0.39	$0.00	**$5.49**	$4,496,249	819,235
Tier 2	11.77	1.37	2.17	0.00	**15.31**	3,115,590	203,482
Tier 3	29.26	1.37	3.22	1.05	**34.90**	2,368,816	67,879
Recycled Water							**274,784**
All Usage	$4.75	$1.35	$0.00	$0.00	**$6.10**	$1,675,946	274,784
Com & Ind							**786,102**
Up to Base Allotment	$6.34	$1.37	$0.48	$0.00	**$8.19**	$5,455,189	665,981
Over Base Allotment	29.26	1.37	6.14	1.05	**37.82**	4,543,538	120,122
Irrigation Agriculture							**44,350**
Up to Monthly Budget	$1.59	$1.37	$2.17	$0.00	**$5.13**	$224,047	43,662
Over Monthly Budget	29.26	1.37	3.22	1.05	**34.90**	24,009	688
Irrigation Recreation							**49,766**
Up to Monthly Budget	$3.72	$1.37	$2.17	$0.00	**$7.26**	$336,636	46,360
Over Monthly Budget	29.26	1.37	3.22	1.05	**34.90**	118,873	3,406
Irrigation Urban							**121,645**
Up to Monthly Budget	$11.77	$1.37	$2.17	$0.00	**$15.31**	$1,449,562	94,672
Over Monthly Budget	29.26	1.37	3.22	1.05	**34.90**	941,284	26,973
Bird Refuge							**47**
Up to Base Allotment					**$8.19**	$385	47
Over Base Allotment					**37.82**	0	0

City of Santa Barbara
Water Cost of Service Study
Fixed Rates
Exhibit 14 - Fixed Rate

Meter Size	# of Meters	Meter Ratio	Equiv. Mtrs	Meter Component	Billing Component	Total Charge	Revenue Generation
5/8"	20,489	1.00	20,489	$32.59	$3.62	$36.21	$8,902,341
3/4"	1,366	1.50	2,049	48.88	3.62	52.50	860,720
1"	3,941	2.50	9,854	81.46	3.62	85.09	4,024,287
1 1/2"	783	5.00	3,914	162.93	3.62	166.55	1,564,330
2"	866	8.00	6,928	260.68	3.62	264.30	2,746,679
3"	52	17.50	911	570.24	3.62	573.86	358,504
4"	25	31.50	788	1,026.43	3.62	1,030.06	309,387
6"	15	65.00	976	2,118.04	3.62	2,121.66	382,408
8"	5	120.00	601	3,910.22	3.62	3,913.84	235,300
10"	0	190.00	0	6,191.18	3.62	6,194.80	0
	27,542		**46,510**				**$19,383,955**

Meter Size	# of Meters	Meter Ratio	Equiv. Mtrs	Meter Component	Billing Component	Total Charge	Revenue Generation
1"	0	0.01	0	$1.05	$3.62	$4.67	$0
1 1/2"	0	0.03	0	3.05	3.62	6.67	0
2"	182	0.06	10	6.50	3.62	10.12	22,109
4"	305	0.34	105	40.24	3.62	43.86	160,537
6"	108	1.00	108	116.89	3.62	120.51	156,184
8"	31	2.13	66	249.09	3.62	252.72	94,011
10"	2	3.83	8	447.96	3.62	451.58	10,838
12"	1	6.19	6	723.58	3.62	727.20	8,726
	629		**303**	10.4%			**$452,405**

Proposition 218 Notice

NOTICE OF PUBLIC HEARING:
PROPOSED CHANGES TO CITY OF SANTA BARBARA WATER RATES

Date: Tuesday, June 25, 2024, 2:00 p.m.
Place: City of Santa Barbara Council Chambers, City Hall, 735 Anacapa Street, Santa Barbara
Meeting details will be posted no less than 72 hours prior to the start of the Public Hearing on the City Council meeting agenda located at SantaBarbaraCA.gov/CAP

PROPOSED WATER RATES FOR: FISCAL YEARS 2025, 2026, 2027, AND 2028

You are receiving this notice because our records indicate that you are a City of Santa Barbara utility customer. If you are not a City *water* customer, please disregard this Notice.

This Notice describes proposed changes to water rates and explains how you can participate in the public process. The City's water rate structure is based on a comprehensive rate study that uses a rate model to evaluate the cost of water service, as required by Article XIII D, Section 6 of the California constitution.

Why are water rates changing?
The proposed water rates will ensure that the City continues to provide safe and reliable water service by funding the ongoing cost of operating and maintaining the City's water system, including investing in capital infrastructure, meeting water quality standards, servicing debt obligations, and funding reserves.

What goes into a water bill?
Most water bills are made up of two key components: (1) a volumetric charge based on water usage, and (2) a fixed monthly service charge based on meter size. The City's rate structure limits the amount of revenue recovered from fixed charges, resulting in customers having more control over the total cost of their water bill by reducing water usage. Please refer to the second page of this notice for detailed information on proposed volumetric and fixed monthly charges.

How will the proposed changes impact my water bill?
Customers are encouraged to use the online water rate calculator at SantaBarbaraCA.gov/RateCalculator to see how the new rates could impact their bill. The table below shows sample water bills for single family homes based on various levels of usage and a 5/8" meter for Fiscal Years (FY) 2025 - 2028.

Usage Level	Monthly Usage (HCF)	Current Bill	Proposed FY25 Bill	Proposed FY26 Bill	Proposed FY27 Bill	Proposed FY28 Bill
Low	4	$53.00	$58.17	$64.25	$70.69	$77.77
Moderate	10	$144.14	$150.03	$165.77	$182.35	$200.59
High	20	$349.44	$381.49	$421.53	$463.69	$510.05

The average single family home uses 8 HCF per month and would see their water bill increase from $113.76 to $119.41 for FY25, reflecting a difference of $5.65 (or an increase of approximately 5%).

When do the new rates take effect? City Council will consider adopting water rates on July 2, 2024. The new rates will be effective July 2, 2024.

How do I stay informed?
- ***Watch*** City Council meetings online at SantaBarbaraCA.gov/CityTV or tune in to City TV Channel 18.
- ***Explore*** updated information on water rate changes at SantaBarbaraCA.gov/RateChanges.
- ***Contact*** City staff at (805) 564-5387.
- ***Attend*** City Council meetings in person or electronically; visit SantaBarbaraCA.gov/CAP for meeting details.

Please note, the rates included in this Notice are the highest possible rates that could go into effect July 2, 2024.

CHECK OUT THE WATER RATE CALCULATOR AT:
WWW.SANTABARBARACA.GOV/RATECALCULATOR

TABLE 1—PROPOSED MAXIMUM VOLUMETRIC CHARGES
All rates are in $/HCF. (1 HCF [Hundred Cubic Feet] = 748 gallons)

Customer Class	Tiers	Current	Proposed FY25	Proposed FY26	Proposed FY27	Proposed FY28
Single Family Residential	First 4 HCF	$5.10	$5.49	$6.06	$6.67	$7.34
	Next 12 HCF	$15.19	$15.31	$16.92	$18.61	$20.47
	All other HCF	$28.54	$34.90	$38.56	$42.42	$46.66
Multi-Family Residential	First 4 HCF (per dwelling unit)	$5.10	$5.49	$6.06	$6.67	$7.34
	Next 4 HCF (per dwelling unit)	$15.19	$15.31	$16.92	$18.61	$20.47
	All other HCF	$28.54	$34.90	$38.56	$42.42	$46.66
Commercial/Industrial	100% of base allotment	$7.77	$8.19	$9.05	$9.96	$10.96
	All other HCF	$28.45	$37.82	$41.80	$45.98	$50.58
Irrigation – Residential & Commercial	100% of monthly water budget*	$15.19	$15.31	$16.92	$18.61	$20.47
	All other HCF	$28.54	$34.90	$38.56	$42.42	$46.66
Irrigation – Recreation/Parks/ Schools	100% of monthly water budget*	$5.98	$7.26	$8.02	$8.82	$9.70
	All other HCF	$28.54	$34.90	$38.56	$42.42	$46.66
Irrigation – Agriculture	100% of monthly water budget*	$3.98	$5.13	$5.67	$6.24	$6.86
	All other HCF	$28.54	$34.90	$38.56	$42.42	$46.66
Recycled Water	All HCF	$4.99	$6.10	$6.74	$7.41	$8.15

***What is a Monthly Water Budget?** *The Monthly Water Budget for irrigation accounts is a calculation of Tier 1 allotment based on the property's irrigated landscape area and the monthly watering needs of plants.*

TABLE 2—PROPOSED MAXIMUM FIXED MONTHLY SERVICE CHARGES

		5/8"	3/4"	1"	1 ½"	2"	3"	4"	6"	8"	10"
Current		$32.60	$47.73	$77.97	$153.59	$244.33	$531.67	$955.12	$1,968.37	$3,631.93	$5,749.18
Proposed	**FY25**	$36.21	$52.50	$85.09	$166.55	$264.30	$573.86	$1,030.06	$2,121.66	$3,913.84	$6,194.80
	FY26	$40.01	$58.01	$94.02	$184.04	$292.05	$634.12	$1,138.22	$2,344.43	$4,324.79	$6,845.25
	FY27	$44.01	$63.81	$103.42	$202.44	$321.26	$697.53	$1,252.04	$2,578.87	$4,757.27	$7,529.78
	FY28	$48.41	$70.19	$113.76	$222.68	$353.39	$767.28	$1,377.24	$2,836.76	$5,233.00	$8,282.76

Note: Multi-family auxiliary master meters that serve submeters owned by the City are subject to a monthly operations and maintenance fee not to exceed $123 per month in FY25, escalated annually by the Engineering News-Record Construction Cost Index.

TABLE 3—PROPOSED MAXIMUM FIXED MONTHLY PRIVATE FIRE SERVICE CHARGES (IF REQUIRED)

		1"	1 ½"	2"	4"	6"	8"	10"	12"
Current		$3.33	$5.18	$8.37	$39.58	$110.47	$232.76	$416.70	$671.63
Proposed	**FY25**	$4.67	$6.67	$10.12	$43.86	$120.51	$252.72	$451.58	$727.20
	FY26	$5.16	$7.37	$11.18	$48.47	$133.16	$279.26	$499.00	$803.56
	FY27	$5.68	$8.11	$12.30	$53.32	$146.48	$307.19	$548.90	$883.92
	FY28	$6.25	$8.92	$13.53	$58.65	$161.13	$337.91	$603.79	$972.31

How do I protest? If you wish to submit a written protest of any of the above increases, your protest must be received by the City Clerk of the City of Santa Barbara at 735 Anacapa Street, Santa Barbara, CA, 93101, prior to the close of the public hearing on June 25, 2024. **Protests must include your name, service address, and whether you are protesting the amount of the fee increase, the basis for calculation of the fee, or both.** Written protests may be mailed to or delivered in-person at the address above, or deposited in the bill payment drop box slot located on the exterior of the City Hall building on the De La Guerra Plaza side. Only written protests received before the close of the public hearing on June 25, 2024, will be counted. During the hearing, City Council will consider all protests and public testimony. Protests are public records. One written protest per parcel or service address will be tabulated. If you later challenge the rates in court, you may be limited to the grounds stated in your protest. If you challenge the City's rate setting action in court, you may be limited to the issues and grounds raised in a written protest or in public testimony at the public hearing. There is a 120-day statute of limitation for challenging any new, increased, or extended fee or charge (California Government Code Section 53759).