Final Report

City of Santa Barbara

2021 Water Rate Study

June 2021

June 21, 2021

Mr. Joshua Haggmark
Acting Public Works Director
City of Santa Barbara
630 Garden Street
Santa Barbara, CA 93101

Subject: 2021 Water Rate Study Final Report

Dear Mr. Haggmark:

HDR Engineering, Inc. (HDR) is pleased to present to the City of Santa Barbara (City) with the final report for the 2021 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 rates that are equitable and proportional to the City's customers and sufficient to fund the operating and capital needs 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, desalination water, and purchased water. The costs associated with developing and purchasing water supplies, plus the costs of distributing water to customers has been developed 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, equitable, and consistent with the requirements of Proposition 218.

We appreciate the assistance provided by the City's management and staff in the development of this 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

591 Camino de la Reina, Suite 300, San Diego, CA 92108-3104
(858) 712-8400

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Executive Summary

Introduction

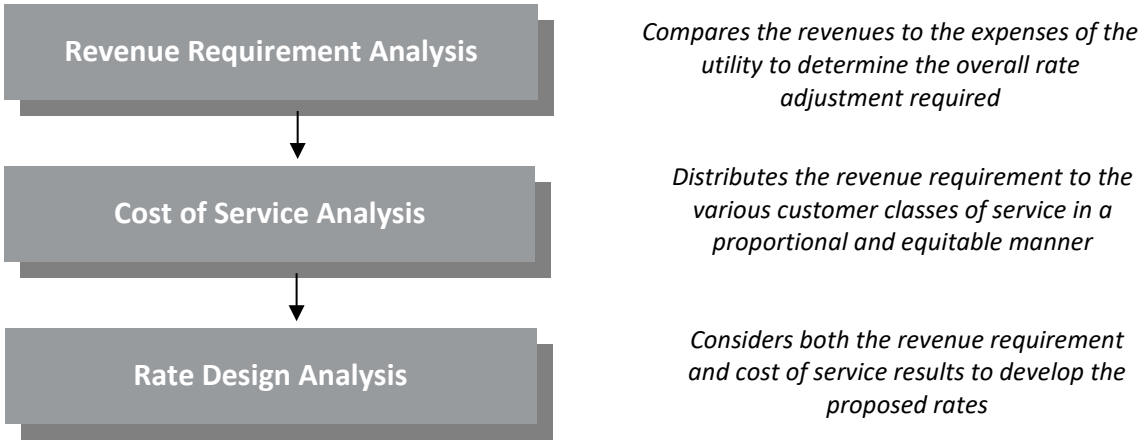
HDR Engineering Inc. (HDR) was retained by the City of Santa Barbara (City) to conduct the 2021 Water Rate Study (Study). The objective of the Study was to review the City's operating and capital costs in order to develop and propose equitable and proportional water rates which adequately and prudently fund the annual expenses of the City's water system. This study determined the adequacy of the existing water rate levels and provides the framework and cost basis for any needed future adjustments. The City has historically used water rate studies to establish their rates and this 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 ground water, surface water, imported water, recycled water, and desalinated water. The costs associated with providing water supply, treatment, transmission, and distribution service to the City's customers has 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 addresses the adequacy and equity 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 above framework for reviewing and evaluating the City's water rates and was utilized in the development of this study.

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) 2022 through FY 2029.
- The City's FY 2021 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.
- Customer consumption levels have been adjusted to reflect the lower bound of projected demands based on recent long-term water supply planning. Although COVID-19 has caused a sustained reduction in commercial demands, residential demands have increased in FY 2021, resulting in a minimal overall projected change in water consumption over the rate study period.
- The proposed overall water system rate revenue adjustments are 5.0% annually in FY 2022 through FY 2024.
- A cost of service analysis was developed to review the equity of the existing rates and proportionally distribute the revenue requirement between the City's various customer classes (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 2022.
- The study has developed proposed rates, both the fixed and variable components, by customer class of service (i.e., rate schedules) for the FY 2022 – FY 2024 time period.

Summary of the Water 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.

For this study, the revenue requirement was developed for a projected time period (FY 2021 – FY 2029) with the Proposition 218 rate setting period identified as FY 2022 through FY 2024. 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 rates. 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 an analysis of O&M expenses, taxes or transfer payments, annual debt service, and capital projects funded from rates. The primary financial inputs in the development of the revenue requirement analysis

were the City's FY 2021 budget, FY 2019 billed customer and consumption data adjusted for recent planning and consumption developments, and the City's water utility capital improvement plan.

Once the operation and maintenance expenses have been projected over the time period, the next step is to develop the capital improvement plan (CIP) and the 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. The most recently available annual depreciation expense for the City's water utility was FY 2019 at approximately $9.3 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 $12.5 million to $15.8 million and averaging $13.6 million per year for the rate setting period of FY 2022 through FY 2024. 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 three-year rate setting period.

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

	Historical Average*	FY 2021	FY 2022	FY 2023	FY 2024
Total Capital Projects	$8,608	$18,972	$15,867	$12,523	$28,765
Less: Low Interest Loans	0	4,620	0	0	16,281
Total Rate Funded Capital	**$8,608**	**$14,352**	**$15,867**	**$12,523**	**$12,485**

*The existing rate schedule supports an average annual rate funded capital level of approximately $8.6 million.

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 alternative funding sources. In general, this is funded through available cash reserves or long-term borrowing. In FY 2024, the City is planning a low interest loan to fund future capital needs to minimize the impact of rate funded capital and complete necessary capital improvements. It should also be noted that the City is transitioning to a higher level of rate funded capital (e.g., pay as you go) from its prior rate study, to meet the City Council's policy of replacing six miles of water mains per year and increase its investment in aging infrastructure. The full capital improvement plan is found in the Technical Appendix in Exhibit 4.

The revenue requirement analysis for the City's customers was developed to determine the rate projections based on the specific costs of the City's water utility. 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 3 of this report as well as in the Technical Appendix in Exhibit 3.

Table ES - 2
Summary of the Revenue Requirement Analysis ($000) [1]

	FY 2021 Base Year	FY 2022 Forecast	FY 2023 Forecast	FY 2024 Forecast
Revenues				
Rate Revenues	$51,001	$51,001	$51,001	$51,396
Misc. Revenues	5,239	6,417	8,619	8,627
Total Revenues	**$56,240**	**$57,417**	**$59,620**	**$60,023**
Expenses				
O&M Expenses	$40,359	$42,274	$44,021	$45,849
Rate Funded Capital	14,352	15,867	12,523	12,485
Debt Service [2]	9,271	9,422	9,427	9,942
Reserve Funding	(7,742)	(7,596)	(1,124)	(213)
Total Expenses	**$56,240**	**$59,967**	**$64,847**	**$68,062**
Bal./(Def.) of Funds	$0	($2,550)	($5,228)	($8,039)
Bal. as a % of Rate Rev.	0.0%	5.0%	10.3%	15.6%
Proposed Rate Revenue Adjst.	**0.0%**	**5.0%**	**5.0%**	**5.0%**
Additional Revenue from Rate Adj.	$0	$2,550	$5,228	$8,039
Total Bal./(Def.) of Funds	$0	$0	$0	$0

[1] Table may not foot due to rounding to the nearest $1,000

[2] 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 balance or deficiency of funds is then compared to the current 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 to say, any adjustments in the initial years will reduce the deficiency in the later years. Over the rate setting period, the total deficiency of rates is 15.6% for the water utility. To meet the overall revenue needs of the three-year rate period, annual rate revenue adjustments of 5.0% annually are proposed in FY 2022 through FY 2024.

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:

- Rate adjustments are necessary to fund the City's capital improvement plan and increase the replacement of aging infrastructure.
- Rate adjustments are necessary, in part, to reflect the annual inflationary increases in the costs of providing water service to customers.
- The proposed rate revenue adjustments maintain the City's financial health and provide long-term, sustainable funding levels to meet reserve and debt service requirements.
- Prior to the implementation of the third (FY 2024), and final, proposed rate revenue adjustment the City should complete another rate study to establish future water rates.

In reaching this conclusion, HDR would recommend that the City adopt the proposed rate adjustments for FY 2022 to FY 2024 in order to provide sufficient funding for the projected operating and capital needs of the water utility over the next three year period. Detailed technical exhibits of the revenue requirement analysis have been included within the Technical Appendix in Exhibits 1 - 6.

Summary of the Water Cost of Service Analysis

A cost of service analysis determines the equitable and proportional distribution of the revenue requirement to the various customer classes of service (single family, multi-family, commercial, industrial, 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 financial needs, the cost of service analysis determines the proportional and equitable manner to apportion the total revenue requirement among the various customers according to class 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 various 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 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 reflects 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 4 of this report.

Water Supply Costs – The City has multiple water supply resources. Each water supply resource has a different long-term supply yield (sustainable volume of water) and has a separate and distinct per unit cost. Given that, the City Council has a well-established formal policy (Resolution No. 20-047) 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 and multi-family 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.

Peaking Costs – A component of the costs related to providing water service is the sizing of system infrastructure to meet peak day and peak hour needs. For the City's study, the functionalized revenue requirement was allocated into the various cost components (i.e., base, extra-capacity max day, extra-capacity max hour, meter, etc.). 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 use periods, this is critical as the City must plan for, and install, sufficiently sized facilities 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 and 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. This study has equitably and proportionally assigned peak costs according the system peak demands attributable to the various 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 to customers to reflect the costs associated with providing service regardless of consumption 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 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 30% of the annual rate revenue – this is consistent with the revenue ratio targeted by the California Urban Water Conservation Council 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 are 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 4 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 comprehensive 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 classes of service (i.e., average unit costs).

Developing cost-based and equitable rates is of paramount importance in developing the City's proposed water rates. Given this, the City's proposed water rates have been developed with the intent of meeting the legal 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 allocated among the various customer classes of service. HDR would point out that there is no single methodology for equitably 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 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 and recent legal decisions.

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 4 of this study focuses 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, multi-family, etc.) that reflect the varying consumption patterns and system requirements of each customer class of service. As described in Section 4, the cost of service process results in the equity and proportionality expected under Article XIII D by having differing rates by customer classes of service that reflects the manner in which these costs are incurred and equitably assigned to customer classes of service based upon their proportional impacts and burdens on City's the 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 associated with each source of supply (e.g., groundwater, desalination, etc.). Each source is limited to the long-term potential supply yield, which is the amount of water from each source that can be delivered reliably over the long term. Together with delivery and peaking 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, and budgets, as appropriate, within each customer class of service.

It is important to note that after developing the proposed consumption charges, certain customer classes had greater than average rate and customer bill impacts. In discussion with the City, it was decided to mitigate the impacts by utilizing a multi-year rate transition. Specifically, the Irrigation Agriculture and Irrigation Recreation customers had rates transitioned over the

three-year setting period. With this approach, the City will under collect revenue until year 3 of this plan when these two customer classes reach the cost of service results.

Provided below in Table ES - 3 is a summary of the present and proposed water rates for the three-year rate setting period. The proposed rates are effective at the start of each fiscal year, or July 1st.

Table ES - 3
Summary of the Proposed Water Rates

	Present Rate	FY 2022	FY 2023	FY 2024
Fixed Charge	***$/Acct/Mo***			
5/8"	$28.92	$29.57	$31.05	$32.60
3/4"	42.10	43.29	45.45	47.73
1"	68.45	70.72	74.26	77.97
1 1/2"	134.34	139.31	146.27	153.59
2"	213.40	221.61	232.69	244.33
3"	463.80	482.24	506.35	531.67
4"	832.79	866.32	909.64	955.12
6"	1,715.72	1,785.37	1,874.64	1,968.37
8"	3,165.32	3,294.26	3,458.98	3,631.93
10”	4,949.80	5,214.67	5,475.41	5,749.18
Consumption Charge	***$ / HCF***			
Single Family				
0 – 4	$4.44	$4.62	$4.85	$5.10
4 – 16	12.96	13.77	14.46	15.19
16 +	23.98	25.89	27.19	28.54
Multi-Family				
Tier 1	$4.44	$4.62	$4.85	$5.10
Tier 2	12.96	13.77	14.46	15.19
Tier 3	23.98	25.89	27.19	28.54
Recycled Water				
All Usage	$4.40	$4.53	$4.75	$4.99
Commercial				
Up to Base Allotment	$7.01	$7.05	$7.40	$7.77
Over Base Allotment	23.91	25.81	27.10	28.45
Industrial				
Up to Base Allotment	$7.01	$7.05	$7.40	$7.77
Over Base Allotment	23.91	25.81	27.10	28.45
Irrigation Agriculture				
Up to Base Allotment	$3.01	$3.31	$3.63	$3.98
Over Base Allotment	23.98	25.41	26.93	28.54
Irrigation Recreation				
Up to Base Allotment	$4.88	$5.22	$5.59	$5.98
Over Base Allotment	23.98	25.41	26.93	28.54
Irrigation Urban				
Up to Base Allotment	$12.96	$13.77	$14.46	$15.19
Over Base Allotment	23.98	25.89	27.19	28.54

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.

Section 5 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 2022 – FY 2024.

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 5.0% annually in FY 2022 through FY 2024.
- The proposed 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 2024 the City should complete a water rate study to establish the cost-basis for the next rate setting period.

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 in March 2021. 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 then held a public hearing on June 15, 2021 to discuss the publicly noticed and proposed rates. Absent sufficient written protest by customers, the City Council moved to adopt the proposed water rates as outlined in the customer notification over the next three-year period.

Summary of the Water Rate Study

This completes the summary of the development of the comprehensive rate study for the City's water utility. The focus of this 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 an equitable and proportional distribution of costs through the cost of service analysis. A full and complete discussion of the development of the City's comprehensive water rate study can be found in following sections of this report.

1 Introduction and Overview

1.1 Introduction

HDR was retained by the City of Santa Barbara (City) to conduct a comprehensive water rate study (Study). The objective of a comprehensive water rate study is to develop equitable and proportional water rates which are compliant with the legal 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 equitably and proportionally distributed to the water customer classes of service (e.g., residential, commercial, irrigation, etc.). 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 are cost-based, equitable, and proportional water rates reflective of the City's specific costs and customer consumption characteristics.

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

1.2 Goals and Objectives

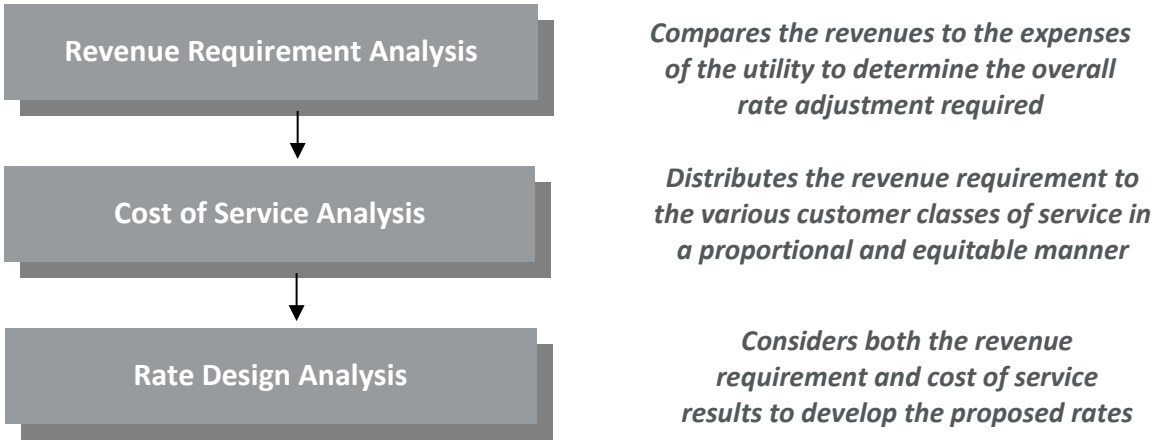
The City had a number of key objectives in developing the water rate study. These key objectives provided a framework for policy decisions in the analysis that follows. These key objectives were as follows:

- 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 rates, utilize best industry practices, while also recognizing and acknowledging the specific and unique characteristics of both the City's water system and 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 from rates.
- Provide proposed rates designed to meet the intent and legal requirements of California Constitution article XIII D, section 6 (commonly referred to as Proposition 218).

1.3 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 ES – 1
Overview of the Comprehensive Water Rate Analyses



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

1.4 Organization of the Study

This report is organized in a sequential manner that first provides an overview of utility rate setting principles, followed by sections that detail the specific steps used to review the City's water rates. The following sections comprise the City's water rate study report:

- **Section 2** – Overview of Water Rate Setting Principles
- **Section 3** – Development of the Revenue Requirement Analysis
- **Section 4** – Development of the Cost of Service Analysis
- **Section 5** – Development of the Proposed Rate Designs

A Technical Appendix is attached at the end of this report, which details the various technical analyses that were undertaken in the preparation of the City's Study.

1.5 Summary

This report will review the comprehensive water rate analyses prepared for the City. This report has been prepared utilizing generally accepted water rate setting techniques.

2 Overview of Water Rate Setting Principles

2.1 Introduction

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 3 through 5 of this report.

2.2 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, equitable, 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.

2.3 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 and the calculation is easy to understand. A public utility totals its cash expenditures for a period of time to determine 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

[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.

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 any selected period of time (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 2 - 1) to earn a fair return on the investment needed to serve the wholesale or large contract customer.

Table 2 – 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**

2.4 Analyzing Cost of Service

After the total revenue requirement is determined, it is equitably allocated 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 cost components. 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 into the cost components, they are proportionally ***distributed*** to each of the customer classes of service (residential, multi-family, industrial, irrigation, etc.), or rate schedule. The proportional distribution of the costs is based on each customer class' 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 system which is discussed in more detail in Section 4 of this report.

2.5 Designing Water Rates

Rates that meet the utility's cost-based and equitable objectives are designed based upon 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, equitable 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 take into consideration each customer class's proportional share of costs allocated through the cost of service analysis to meet the legal requirements of establishing the proposed rates to meet the intent and requirement of Proposition 218. The development of the City's proposed water rate designs are discussed in more detail in Section 5 of this report.

2.6 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.

3 Development of the Revenue Requirement

3.1 Introduction

The development of a revenue requirement analysis is the first analytical step in the three-step 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.

3.2 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.

3.3 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 this study, the revenue requirement was developed for a projected nine-year time period (FY 2021 – FY 2029). The FY 2021 adopted budget is the base year, which was then projected through FY 2029. While the revenue requirement was developed for a nine-year period, the focus for rate setting purposes was the immediate three-year period of FY 2022 – FY 2024. 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 2, 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.

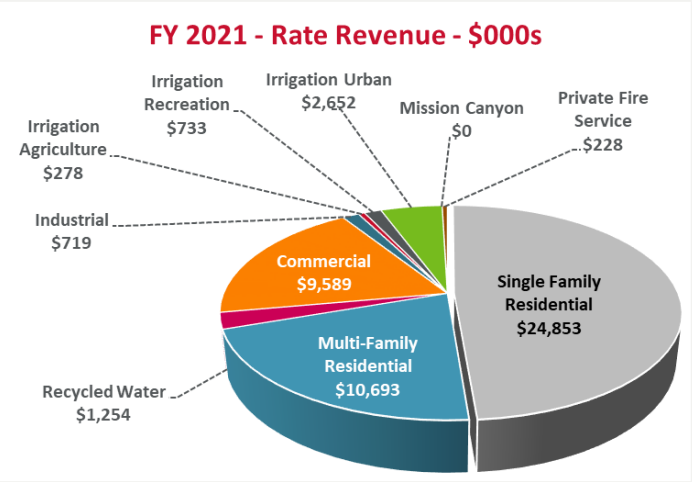
Given a time period around which to develop the revenue requirement and a method to accumulate the costs, the focus shifts to the development and projection of the revenues and expenses of the City's water rate study.

The primary financial inputs in the development of the revenue requirement were the City's FY 2021 budget document, FY 2019 customer and consumption data, the Draft Enhanced Urban Water Management Plant (DEUWMP) , Water Distribution Infrastructure Plan (WDIP), and baseline 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.

3.4 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 group (e.g., single family, multi family, commercial, irrigation, etc.) based on historical billing records as provided by the City. The billing units for each customer group were then multiplied by the current 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, equitably and proportionally 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 2018 through June 2019 was reviewed to develop a projection of customer consumption characteristics. In an effort to reflect anticipated future consumption levels, and in discussion with City staff, it was determined that the consumption would be adjusted to reflect the actual revenues received in FY 2019 as well as future projections based on the DEUWMP. This was done in large part due to the current COVID pandemic and impacts on water consumption characteristics as well as recent weather patterns in the area.



The City currently has separate rate schedule for each of the eleven (11) customer groups. All customers have a fixed charge by service meter size and a variable consumption charge. The consumption charge for single family and multi-family is an increasing three-tiered rate structure. 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, and all use over, or 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 48.5% of the total rate revenues in FY 2021. Including all customer classes - at currently rate levels - the City is projected to receive approximately $51.0 million in rate revenue in FY 2021. The rate study has assumed a conservative level of consumption growth over the review period with flat consumption through FY 2023 followed by annual consumption growth averaging 0.7% per year, thereafter which reflects the recent water demand study completed by the City. In FY 2024, the rate revenues, given assumed growth and at current rate levels, are projected to be approximately $51.4 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 $5.2 million in miscellaneous revenues in FY 2021. This amount is anticipated to increase over the projected five-year time period as the revenues from the Water Sales Agreement (WSA) with the Montecito Water District is anticipated to start midway through FY 2022 and reach the full amount of $4.5 million by FY 2023. In total, miscellaneous revues are approximately $8.6 million by FY 2024.

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 $56.2 million in FY 2021 which increases to approximately $60.0 million by FY 2024.

3.5 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 (discussed in Section 3.6) for the water utility. The budgeted FY 2021 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 3 - 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 3 – 1 Summary of the Capital Improvement Plan ($000)						
	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
Labor	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%
Benefits	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
Benefits - Other	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Insurance	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Materials & Supplies	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
Equipment	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Miscellaneous	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Utilities	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
O&M Other	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
PERS	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
ENR	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%
General	3.8%	3.8%	3.8%	3.8%	3.8%	3.8%
Purchased Water	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%

The total O&M expenses for the City are budgeted at approximately $40.3 million for FY 2021. Over the planning horizon, the total O&M expenses for the City is projected to increase to approximately $45.8 million by FY 2024 based on assumed inflationary impacts shown in Table 3 – 1.

3.6 Projecting Capital Funding Needs

A key component in the development of the water revenue requirement was to properly and adequately fund capital improvement needs for the infrastructure of the system. 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. The City has understood this key issue and recently increased the level of annual water main replacement from three miles to six miles to address this issue.

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.
- **Growth / Capacity Expansion** - A utility may make capital investments to expand the capacity of facilities to accommodate future capacity needs (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, at the time, and Water Distribution Infrastructure Plan. Provided in Table 3 - 2 is a summary of the capital funding plan based on the overall capital plan as developed by the City based on current needs and improvements. As noted, the focus of the City's water rate study was on the next five-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 3 – 2
Summary of the Capital Improvement Plan ($000)

	FY 2021	FY 2022	FY 2023	FY 2024
Total Capital Projects	$18,972	$15,867	$12,523	$28,765
Less: Low Interest Loans	4,621	0	0	16,281
Rate Funded Capital (PayGo)	**$14,352**	**$15,867**	**$12,523**	**$12,485**

As can be seen in Table 3 - 2, there are a number of projects which vary from year-to-year. The funding of the capital projects is provided primarily through annual rate funded capital, with the balance needing to be provided through existing available reserves or long-term borrowing, such as in FY 2024 where the City is anticipating the need to borrow for major infrastructure projects. In reviewing the capital projects, they are primarily related to renewal and replacement needs with a large component being the water main replacement program, which as noted above, has been increased to reflect the impacts of aging infrastructure. 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 $13.6 million per year (as highlighted in Table 3 - 2) during the projected rate setting period. As a point of reference, the City's annual depreciation expense was approximately $9.3 million for FY 2019. 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., $9.3 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.

3.7 Projection of Debt Service

The City currently has four outstanding debt issues for the water utility: 2019 State Water Resources Control Board SFR (Desal), 2002 SRF Loan (Cater), 2011 Safe Drinking Water Loan

(Ortega) and the 2013 Certificate of Participation. In total, these issuances have an annual debt service payment of approximately $9.1 million per year in FY 2021. 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 $15 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 2021 – FY 2024 period to fund capital improvement projects. In total, it is assumed that the debt service will increase by approximately $800,000 by FY 2024. It is also important to note, however, 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, this rate study has identified projections of future funding needs and utilized general assumptions for long-term debt terms for modeling and projection purposes.

3.8 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 reserves and rate stabilization reserves are being utilized to minimize the impact to rates during this three year period.

3.9 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 3 - 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 3 - 3
Summary of the Revenue Requirement Analysis ($000) [1]

	FY 2021	FY 2022	FY 2023	FY 2024
Revenues				
Rate Revenues	$51,001	$51,001	$51,001	$51,396
Misc. Revenues	5,239	6,417	8,619	8,627
Total Revenues	**$56,240**	**$57,417**	**$59,620**	**$60,023**
Expenses				
O & M	$40,359	$42,274	$44,021	$45,849
Rate Funded Capital	14,352	15,867	12,523	12,485
Debt Service [2]	9,271	9,422	9,427	9,942
Reserve Funding	(7,742)	(7,596)	(1,124)	(213)
Total Expenses	**$56,240**	**$59,967**	**$64,847**	**$68,062**
Bal. / (Def.) of Funds	$0	($2,550)	($5,228)	($8,039)
Bal. as a % of Rate Rev.	0.0%	5.0%	10.3%	15.6%
Proposed Rate Adjustment	**0.0%**	**5.0%**	**5.0%**	**5.0%**
Add'l Rev. from Rate Adj.	$0	$2,550	$5,228	$8,039
Total Bal. / (Def.) of Funds	$0	$0	$0	($0)

[1] Table may not foot due to rounding to the nearest $1,000

[2] 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 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. In FY 2022 the proposed rate adjustment, which is proposed to be implemented in July of 2021, 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 2021 through FY 2023 to balance the overall revenues and expenses. Over this project time period, the total deficiency of rates is 15.6% 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 three years (FY 2022 – FY 2024) to maintain prudent funding of expenses and establish cost-based rates. Based on the rate transition plan, as can be seen above in Table 3 – 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 as well as maintain strong financial metrics.

3.10 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 or rate stabilization 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, three 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 project. 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 3-year average annual capital.
- **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).
- **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).
- **Water Desal Plant Reserve –** A new reserve for the water utility will be funded as part of this study. 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 annual payments are starting at $238,000 in FY 2022 and increase to $267,000 by FY 2026.

Each of these funds was reviewed during the development of the rate study process with the focus being on the maintaining the target level of reserves. It should be noted that, as part of the study, prior reserves such as the rate stabilization and drought fund were utilized for capital project funding as well as maintaining other target reserve levels.

3.11 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 3 - 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 3 - 4
Summary of the Debt Service Coverage Ratios

	FY 2021	FY 2022	FY 2023	FY 2024
Before Rate Adjustment	1.97	1.42	1.36	1.38
After Rate Adjustment	1.97	1.42	1.52	1.70

As can be seen in Table 3 - 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 above 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 3 – 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.

3.12 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 5.0% annually in FY 2022 through FY 2024. 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.
- Prior to the implementation of the third (FY 2024), and final, proposed rate revenue adjustment the City should complete a review of the water rates.

Based upon the above observations and conclusions, HDR would recommend that the City adopt the proposed annual rate adjustments through FY 2024 in order to provide sufficient funding for the projected operating expenses and capital improvement program.

4 Development of the Cost of Service Analysis

4.1 Introduction

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 a water rate study developed for the City of Santa Barbara.

The water cost of service analysis determines the equitable and proportional distribution of the total revenue requirement between the various customer classes of service (e.g., residential, multi-family, commercial). 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 2022, which has been identified as the 'test year' as it is the first year of the proposed rate adjustments, was utilized in the development of the cost of service analysis.

4.2 Objectives of a Cost of Service Study

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

- ✓ Equitably and 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 equitable and proportional manner to collect the calculated revenue requirement from each customer class.

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 equitable and proportional share of costs. For example, a water utility incurs costs related to meeting average day, peak day, peak hour, fire protection, and customer-related demands (needs). For example, this means that a water utility must build sufficient capacity[2] to meet seasonal demands for peak day and peak hour capacity needs. Therefore, customers contributing

[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.

to peak demands on the system should pay their proportionate share of the costs to provide the capacity in the system. The calculation of average unit costs provides the per unit cost relationship 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.

4.3 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 various differences between customer consumption characteristics, 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. 20-047.

4.4 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 generally 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 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.

4.4.1 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). Generally, 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.

4.4.2 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 which allocates costs between base (average day) and extra-capacity (peak day). The following cost allocators are typically used to develop a water cost of service analysis:

- **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 cost 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

4.4.3 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' 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 District'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.).

4.5 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 and revenue requirement.

4.5.1 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 allocators 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 assumed that 36.6% would be allocated to base related costs to reflect the use of average day demands. The remainder, 63.4%, would be allocated on an equivalent meter basis to reflect the capacity demands of the system on per equivalent meter basis.

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 and equivalent meter in order to capture both the average day needs while also reflecting the capacity component. 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% to base. This is due to pumping costs being incurred to meet average day needs.

Firelines/Hydrants – Firelines and hydrants were allocated as 100% to fire protection related as these assets provide public and private fire protection needs.

Meters – Meters were allocated 100% to meter related and included in the customer component.

Recycled Water – Recycled water assets were allocated as 100% to recycled to reflect the assets in place to provide this service.

Table 4 - 1 provides a summary of the basic functionalization and allocation of the major water plant items for the City's water system.

4.5.2 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. 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 2022 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.

4.5.3 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, produces 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 each source of supply, the long-term sustainable yield for each specific source of supply, and the City's prioritized supply by customer and tier/allotment/budget. The remining delivery and other costs were equitably distributed using the allocations for base, extra capacity day and hour, and customer-related components.

4.6 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 2022. 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.

- The development of the cost of water, by source, was based on the average yield and metered consumption by prioritized customer class.
- The prioritization of water supply allocation to the various customer classes of service was consistent with Resolution No. 20-047.
- The consumption data used within this 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 upon each customer group's average to peak month relationship and system average peak day and peak hour.

4.7 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 various customer classes of service. HDR would point out that there is no single prescribed methodology for equitably 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 does not prescribe a particular methodology for establishing cost-based rates, consequently, HDR developed the City's proposed water rates based on the methodologies provided in the AWWA M1 Manual 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 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 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 almost 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, multi-family, 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 equity and fairness 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 equitably 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 this 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.

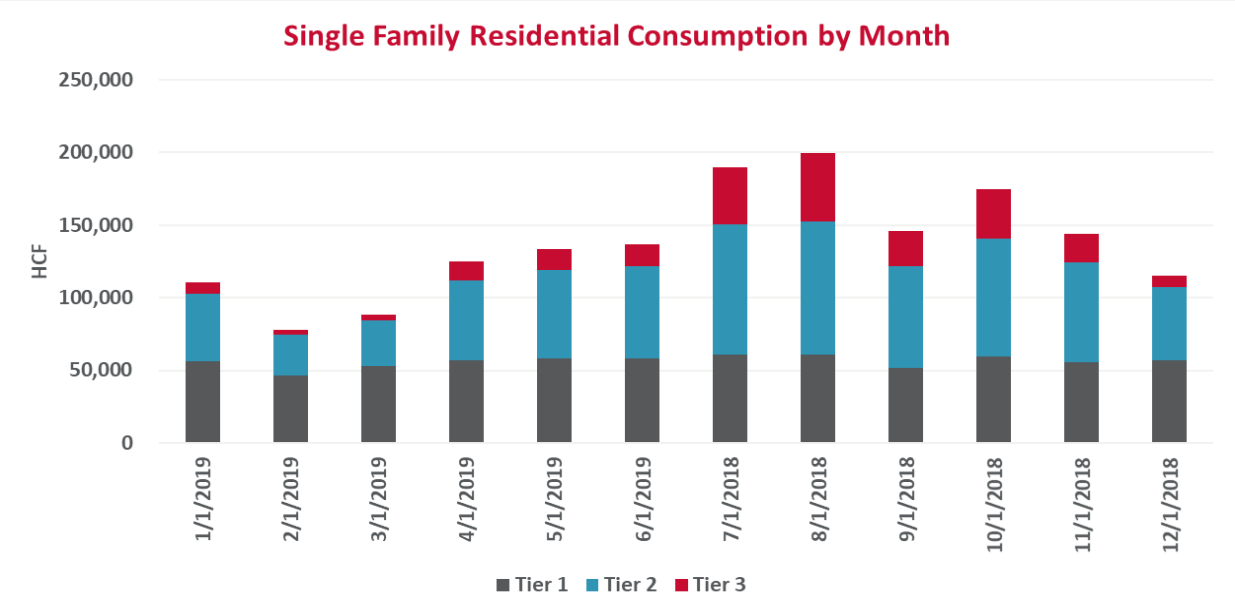
4.7.1 Determination of Sizing and Number of Tiers

To equitably and proportionally allocate and 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 residential and multi-family customers have a three-tierd 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 customers usage characteristics and water needs. As part of this study, the sizing and number of tiers (for single family and multi-family) were reviewed in light of recent consumption data to evaluate if any adjustments are recommended. Shown in Table 4 – 1 is a summary of the amount of consumption in each tier by customer class.

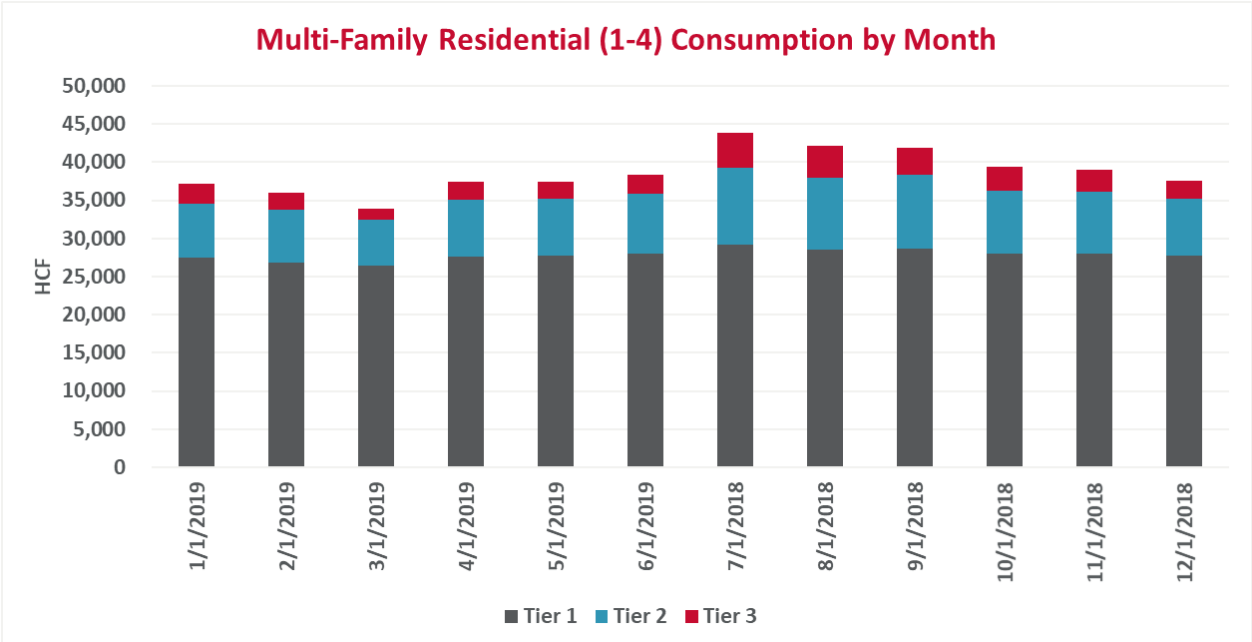
Table 4 - 1 Summary of Annual Consumption by Customer Class and Tier			
Class	Tier 1 / Allotment / Budget	Tier 2 / > Allotment / > Budget	Tier 3
Single Family Residential	41.2%	44.9%	13.9%
Multi-Family Residential (1-4)	72.1%	20.6%	7.3%
Multi-Family Residential (5+)	80.6%	16.3%	3.1%
Commercial	84.9%	15.1%	--
Industrial	91.9%	8.1%	--
Recycled Water	100.0%	--	--
Irrigation Commercial	63.0%	37.0%	--
Irrigation Recreation	72.6%	27.4%	--
Irrigation Residential	58.5%	41.5%	--
Irrigation Agriculture	91.3%	8.7%	--

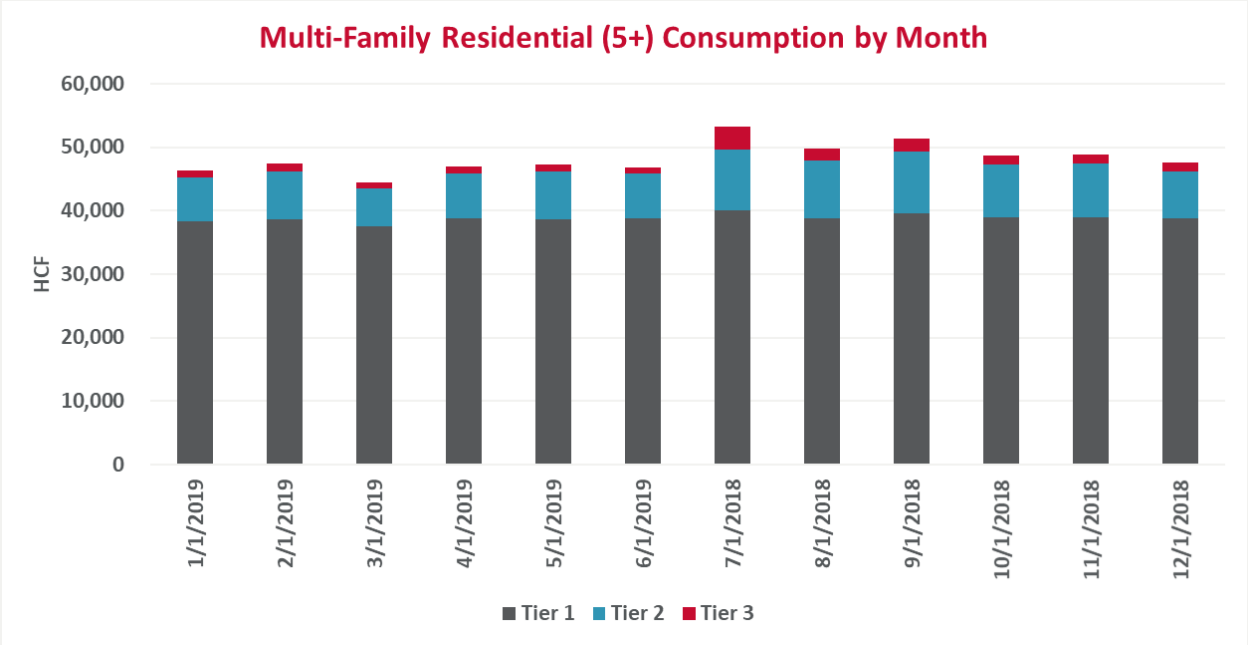
After reviewing the consumption data, it was determined that the current tier sizes and number was appropriate given how the City's customers use water over the course of a year. The customer classes that utilize a budget or allotment determination for the first tier show a majority of the consumption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

In order to evaluate this more closely, the charts below show the consumption by tier by month starting with Single Family customers. For example, for single family customers, Tier 1 (health and sanitation) reflects over 40% of the total annual consumption. As shown in the summary chart below, this reflects the indoor use as this is relatively flat from month to month. While Tier 2 (efficient outdoor use) makes up another 45% of the consumption, where the vast majority is consumed in the summer period.



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 is still relatively flat from month to month but there is the appearance of peak usage 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. The third tier shows little use in any months except in the summer months where it appears to be additional outdoor and discretionary use.





The two charts above show the consumption by tier and by month for multi-family customers. As noted, the tier sizes for multi-family are based on the number of dwelling units for each common meter, and in many cases, the multi-family customers have a separate irrigation meter for landscape watering. Given this, the consumption pattern for multi-family 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, the tiers for multi-family 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.

4.7.2 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 the tiers. 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 watering their lawn, the supply and distribution system must be sized to meet those peak use demands. Economic theory clearly states that equity is achieved when those that create the demand event, pay for the demand event. In this particular case, this has implications upon the equitable 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 customers in overall water consumption use and habits.

4.8 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 between the various cost components which are then distributed between the volumetric and fixed charges.

4.8.1 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. 20-047. This resolution notes, for each customer class and tier, the priority of water the usage should be charged based on the average cost of the water supply components. This is to say, that the higher the priority of water, the least expensive source of supply should be utilized to provide service. In Table 4 – 2 below the water source prioritization is shown.

Table 4 - 2
Summary of the Water Supply Allocation Prioritization

Customer Class/Tier/Allotment/Budget	Priority	Demand (HCF)
Tier 1 Irrigation Agriculture	1	43,555
Tier 1 Irrigation Recreation	2	36,108
Tier 1 Single Family Residential	2	648,965
Tier 1 Multi-Family Residential	2	768,330
Tier 1 Commercial	3	682,577
Tier 2 Single Family Residential	4	707,135
Tier 2 Multi-Family Residential	4	182,342
Tier 1 Irrigation Urban (Res/Comm)	4	70,022
Tier 2 Commercial	5	115,488
Tier 3 Single Family Residential	5	219,363
Tier 3 Multi-Family Residential	5	49,730
Tier 2 Irrigation Agriculture	5	4,163
Tier 2 Irrigation Recreation	5	13,644
Tier 2 Irrigation Urban (Res/Comm)	5	47,460

The prioritization is then used in conjunction with the long-term 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 4 - 2. Each water source of supply was evaluated, and the total costs associated with the source were combined and divided by the total potential yield for each source. Provided in Table 4 – 3 is a summary of each water supply source with the average unit cost calculation.

Table 4 - 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	$199	165,222	$1.20
Ortega GWTP	609	297,697	2.04
Gibraltar	3,097	937,596	3.30
Lake Cachuma	19,517	1,232,018	5.41
State Water Project	8,131	491,200	16.55
Desalination	9,632	465,151	20.71
Recycled Water	1,504	258,807	3.34

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 $1.20/hundred cubic feet (HCF). Unfortunately, there is a limited amount (yield) of groundwater available. Thus, other water supply resources are required in order 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 $20.71/HCF. As the yields indicate, the largest source of supply is from Lake Cachuma with an average unit cost of $5.41/HCF.

Given the assignment of volumes of water to each customer class of service (Table 4-2) and the amount (yield) of available supply resources and their costs (Table 4-3), 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 4 – 4 is the development of the average unit costs for source of supply by customer class tier, budget, or allotment.

Table 4 - 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	43,555							**43,555**	$1.20
Tier 1 Irrigation Recreation	3,023	7,396	23,294	2,396				**36,108**	3.01
Tier 1 Single Family Residential	54,326	132,926	418,649	43,064				**648,965**	3.01
Tier 1 Multi-Family Residential	64,318	157,375	495,653	50,985				**768,330**	3.01
Tier 1 Commercial				682,577				**682,577**	5.41
Tier 2 Single Family Residential				333,850	362,006	11,279		**707,135**	11.36
Tier 2 Multi-Family Residential				86,087	93,347	2,908		**182,342**	11.36
Tier 1 Irrigation Urban (Res/Comm)				33,059	35,847	1,117		**70,022**	11.36
Tier 2 Commercial						115,488		**115,488**	20.71
Tier 3 Single Family Residential						219,363		**219,363**	20.71
Tier 3 Multi-Family Residential						49,730		**49,730**	20.71
Tier 2 Irrigation Agriculture						4,163		**4,163**	20.71
Tier 2 Irrigation Recreation						13,644		**13,644**	20.71
Tier 2 Irrigation Urban (Res/Comm)						47,460		**47,460**	20.71
Recycled Water							258,807	**258,807**	3.34
Water Source Cost ($ / HCF)	**$1.20**	**$2.04**	**$3.30**	**$5.41**	**$16.55**	**$20.71**	**$3.34**		

Table 4 – 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's Councils water supply prioritization allocations (Resolution No. 20-047). To calculation 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 4 – 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 4 -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 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 comprise or 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 the 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, stated in HCF. This results in a proportional delivery cost stated in $/HCF which can be applied equally across all water customers. In this case, the calculated delivery cost was $1.27/HCF, and the $1.27/HCF 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 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. Shown in Table 4 – 5 is a summary of the additional volumetric billing components.

Table 4 - 5
Summary of the Other Variable/Volumetric Average Unit Costs

Component	Total Cost ($000s)	Total Consumption	Unit Cost ($ / HCF)
Delivery Charge	$4,553,587	3,588,882	$1.27
Peaking Charge			
SFR & MFR Tier 1	$4786	1,417,295	$0.34
Res Tier 2/All Irrig* Tier 1	1,189	1,039,164	1.14
Res Tier 3/All Irrig* Tier 2	8959	334,358	2.87
Commercial Tier 1	253	682,577	0.37
Commercial Tier 2	321	115,488	2.78
Conservation Charge	$470	449,846	$1.05

* - All Irrigation includes Agriculture, Recreation, Residential, and Commercial 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 4-4 and 4-5. When properly combined and summed, the result is the average unit for each customer class of service and by tier/allotment/budget. Table 4 – 6 provides the total average unit costs for the variable charge portion of each customer class and tier/allotment.

Table 4 - 6 Summary of the Total Volumetric Average Unit Costs ($ / HCF)					
	Water Supply Cost (Table 4-4)	Delivery Cost (Table 4-45	Peaking Cost (Table 4-5)	Conservation Cost (Table 4-5)	Total Variable Rate $/HCF
Single Family					
0 - 4	$3.01	$1.27	$0.34	$0.00	**$4.62**
4 - 16	11.36	1.27	1.14	0.00	**13.77**
16 +	20.71	1.27	2.87	1.05	**25.89**
Multi-Family					
Tier 1	$3.01	$1.27	$0.34	$0.00	**$4.62**
Tier 2	11.36	1.27	1.14	0.00	**13.77**
Tier 3	20.71	1.27	2.87	1.05	**25.89**
Recycled Water	$3.34	$1.19	$0.00	$0.00	**$4.53**
Commercial					
Up to Base Allotment	$5.41	$1.27	$0.37	$0.00	**$7.05**
Over Base Allotment	20.71	1.27	2.78	1.05	**25.81**
Industrial					
Up to Base Allotment	$5.41	$1.27	$0.37	$0.00	**$7.05**
Over Base Allotment	20.71	1.27	2.78	1.05	**25.81**
Irrigation Agriculture					
Up to Monthly Budget	$1.20	$1.27	$1.14	$0.00	**$3.61**
Over Monthly Budget	20.71	1.27	2.87	1.05	**25.89**
Irrigation Recreational					
Up to Monthly Budget	$3.01	$1.27	$1.14	$0.00	**$5.42**
Over Monthly Budget	20.71	1.27	2.87	1.05	**25.89**
Irrigation Urban					
Up to Monthly Budget	$11.36	$1.27	$1.14	$0.00	**$13.77**
Over Monthly Budget	20.71	1.27	2.87	1.05	**25.89**

4.8.2 Fixed Charge

The final unit cost development is the monthly fixed meter charge which varies by meter size. To determine the average unit costs for the meter 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 equitable 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 4 – 7 shows the meter equivalency ratios that were used in the development of the City's average unit costs for the monthly fixed meter charge.

Table 4 - 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

To better understand Table 4-7 and the concept of equivalencies, as outlined in the AWWA M1 manual a 5/8" meter has the safe operating capacity (i.e., capacity rating) of 20 gallons per minute. In contrast to this, a 2" meter has a safe operating capacity of 160 gallons/minute. That means, that on a capacity basis, a 2" meter has 8 times the capacity of a 5/8" meter (160 gallons/minute ÷ 20 gallons/minute = 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 4 – 8 is a summary of the fixed meter charge on an average unit cost basis.

Table 4 - 8 Summary of the Fixed Meter Charge Cost Basis [1]		
Fixed Charge Component	**Total Cost – Per Unit Cost**	
Water		
Total Customer Costs	$14,776,715	
# of Equiv. Meters	44,885	
Unit Cost *($ / eq. mtr)*	$27.43	*per eq. mtr/month*
Private Fire Protection		
Total Fire Protection Costs	$321,137	
# of Equiv. Meters	273	
Unit Cost *($ / eq.6-inch service)*	$98.07	*per eq. service/month*
Billing Charge		
Total Billing Cost	$713,738	
# of Meters	27,837	
Unit Cost	$2.14	*per account/month*
Total Unit Cost		
Water	**$29.57**	*(5/8" mtr eq.)*
Fire Protection	**$100.20**	*(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 2022.

4.9 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 into the appropriate cost components based on industry standard methodologies. The individual allocated totals were then distributed to the various customer classes of service based on the appropriate distribution factors. The distributed expenses for each customer class were then aggregated to determine each customer class's overall revenue responsibility i.e., cost to provide service. Provided below in Table 4 - 9 is the summary of the City's water cost of service analysis.

Table 4 - 9 Summary of the Water Cost of Service Analysis ($000)				
Class of Service	Present Rate Revenues	Allocated Costs	$ Difference	% Difference
Single Family	$24,853	$26,166	$1,313	*5.3%*
Multi-Family	10,693	11,186	493	*4.6%*
Recycled Water	1,254	1,290	37	*2.9%*
Commercial	9,579	9,903	324	*3.4%*
Industrial	719	737	18	*2.5%*
Irrigation Agriculture	278	313	36	*12.9%*
Irrigation Recreation	733	787	54	*7.4%*
Irrigation Urban	2,652	2,821	168	*6.4%*
Private Fire Service	228	336	108	*47.1%*
Total	**$50,991**	**$53,540**	**$2,550**	***5.0%***

The City's cost of service analysis equitably and proportionally aligns the operating and capital costs to each customer class with their respective benefit received from and burdens placed on the water system (proportional distribution) based on the service requirements. The results of the analysis show that some cost differences exist between the various customer classes of service. It is important to understand that a cost of service analysis is based on one year's O&M and capital expense data in conjunction with the projected customer usage information. The analysis can be impacted by a number of variables such as budgetary changes or a change in consumption characteristics. Given this, the results of the cost of service analysis reflect the best estimate of future financial events given all available data at the time of rate development. As the City continues to monitor water rates and cost of service results through future studies, additional cost of service adjustments may be necessary in the future.

4.10 Consultant's Conclusions and Recommendations

While cost differences exist, 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. However, given the requirements of Article XIII D, section 6 of the California Constitution, the results of the cost of service, 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 5.

4.11 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.

5 Development of the Rate Designs

5.1 Introduction

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 (charged) from the customers.

The overall revenue level for the City has been established in the revenue requirement analysis (Section 3). The equitable and proportional distribution of costs, between the various customer classes of service, was developed in the cost of service analysis (Section 4). 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.

5.2 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
- Equitable and non-discriminatory (cost-based)
- Legally 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 that it may be difficult to design 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.

5.3 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:

- Equitable, 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 legal 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 an equitable and proportional allocation and distribution of the revenue requirement. This process was discussed in detail in Section 4 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. In addition, the City actively seeks out grants and low interest loan funding to minimize long-term borrowing needs. Furthermore, the City has recently executed wholesale water agreements that provide additional revenue to offset operating and capital costs. The City has also set aside funding to expand customer assistance programs aimed at reducing customer bills.

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 monthly fixed meter 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 and multi-family 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 4, 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.

5.4 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 3 and reflect the cost of service results – including the average unit cost development - shown in Section 4. 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.

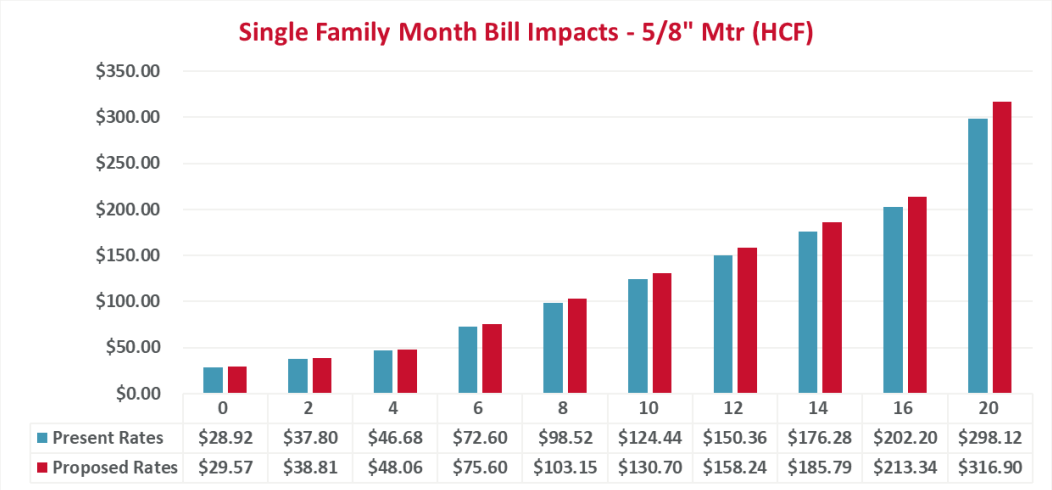
5.4.1 Review of the Present and Proposed Single Family Water Rates

The City's proposed rate structure for the single family residential class remains unchanged from the current structure. As discussed in Section 4, 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 or excessive water use. The pricing of the tiers and meter charge are based on the unit costs from the cost of service study for FY 2022. The proposed FY 2023 – FY 2024 rates are increased by the overall system average to reflect the overall revenue needs and movement to cost of service results in FY 2022. The single family and multi-family rate structure consists of a monthly fixed charge by meter size and a consumption charge that is a three-tiered increasing block rate structure. Provided below in Table 5 - 1 is a summary of the present and proposed rates for the City's single family customers.

Table 5 - 1
Summary of the Monthly Single Family Water Rates

	Meter Equiv.	Present Rate	FY 2022	FY 2023	FY 2024
Fixed Charge		***$ / Mtr***			
5/8"	*1.00*	$28.92	$29.57	$31.05	$32.60
3/4"	*1.50*	42.10	43.29	45.45	47.73
1"	*2.50*	68.45	70.72	74.26	77.97
1 1/2"	*5.00*	134.34	139.31	146.27	153.59
2"	*8.00*	213.40	221.61	232.69	244.33
3"	*17.50*	463.80	482.24	506.35	531.67
4"	*31.50*	832.79	866.32	909.64	955.12
6"	*65.00*	1,715.72	1,785.37	1,874.64	1,968.37
8"	*120.00*	3,165.32	3,294.26	3,458.98	3,631.93
10"	*190.00*	4,979.80	5,214.67	5,475.41	5,749.18
Variable Charge		***$ / HCF***			
Tier 1 (0 – 4 HCF)		$4.44	$4.62	$4.85	$5.10
Tier 2 (5 – 16 HCF)		12.96	13.77	14.46	15.19
Tier 3 (16+ HCF)		23.98	25.89	27.19	28.54

Table 5 – 1 shows the fixed meter 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 4 - 9. 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 2022 which are taken directly from Table 4 – 7, or the calculated unit costs from the cost of service analysis. The chart below shows the impact to single-family residential customers at varying water usage levels for a 5/8" service meter.



5.4.2 Review of the Present and Proposed Multi-Family Water Rates

For multi-family customers, the approach to developing the proposed water rates was done in a manner similar to single-family. Multi-family 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 a common service meter. Table 5 – 2 shows a summary of the present and proposed multi-family rates.

Table 5 - 2 Summary of the Monthly Multi-Family Water Rates					
	Meter Equiv.	**Present Rate**	**FY 2022**	**FY 2023**	**FY 2024**
Fixed Charge		***$ / Mtr***			
5/8"	*1.00*	$28.92	$29.57	$31.05	$32.60
3/4"	*1.50*	42.10	43.29	45.45	47.73
1"	*2.50*	68.45	70.72	74.26	77.97
1 1/2"	*5.00*	134.34	139.31	146.27	153.59
2"	*8.00*	213.40	221.61	232.69	244.33
3"	*17.50*	463.80	482.24	506.35	531.67
4"	*31.50*	832.79	866.32	909.64	955.12
6"	*65.00*	1,715.72	1,785.37	1,874.64	1,968.37
8"	*120.00*	3,165.32	3,294.26	3,458.98	3,631.93
10"	*190.00*	4,979.80	5,214.67	5,475.41	5,749.18
Variable Charge *(per dwelling unit)*		***$ / HCF***			
Tier 1 (0 – 4 HCF)		$4.44	$4.62	$4.85	$5.10
Tier 2 (5 – 8 HCF)		12.96	13.77	14.46	15.19
Tier 3 (8+ HCF)		23.98	25.89	27.19	28.54

Similar to the single family rates, the multi-family fixed and variable rates are based on the average unit costs developed in the cost of service analysis in Table 4 – 9 and Table 4 – 7, respectively. It is important to understand that even though the rates by tier are the same as single family, the tier size is multiplied by the number of dwelling units associated with the meter. Additionally, Tier 2 for multi-family customers is allocated 4 HCF as opposed to 12 HCF for single-family customers.

5.4.3 Review of the Present and Proposed Non-Residential Water Rates

The non-residential customers consist of commercial and industrial class of service and the rate schedule is the same for both classes. The proposed 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 meter charge, which is the same for all classes, based on the size of meter and a two-tiered variable charge. Unlike the single family and multi-family 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 budget/base allotment, is calculated as the average monthly off-peak water usage for bills dated January through June. 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 allocated in the cost of service analysis for each customer class of service. Provided below in Table 5 - 3 is a summary of the present and water rates for commercial and industrial customers.

Table 5 - 3
Summary of the Monthly Commercial and Industrial Water Rates

	Meter Equiv.	Present Rate	FY 2022	FY 2023	FY 2024
Fixed Charge		***$ / Mtr***			
5/8"	*1.00*	$28.92	$29.57	$31.05	$32.60
3/4"	*1.50*	42.10	43.29	45.45	47.73
1"	*2.50*	68.45	70.72	74.26	77.97
1 1/2"	*5.00*	134.34	139.31	146.27	153.59
2"	*8.00*	213.40	221.61	232.69	244.33
3"	*17.50*	463.80	482.24	506.35	531.67
4"	*31.50*	832.79	866.32	909.64	955.12
6"	*65.00*	1,715.72	1,785.37	1,874.64	1,968.37
8"	*120.00*	3,165.32	3,294.26	3,458.98	3,631.93
10"	*190.00*	4,979.80	5,214.67	5,475.41	5,749.18
Variable Charge		***$ / HCF***			
Budget		$7.01	$7.05	$7.40	$7.77
Over Budget		23.91	25.81	27.10	28.45

As can be seen in Table 5 - 3, the proposed commercial and industrial water rates are based on each customer's budget and use up to, and in excess of, the budget 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 meter charge and consumption charges are based on the average unit costs as developed in the cost of service analysis and provided in Tables 4-7 and 4-8.

5.4.4 Review of the Present and Proposed Irrigation Water Rates

There are three different irrigation customer classes of service. These are irrigation agriculture customers, irrigation recreation customers, and irrigation urban (residential/commercial) customers. 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 differing peak demands that are specific to irrigation customers, historical and projected consumption patterns, and the prioritization of water supply allocations as set by City Council. This results in different monthly budget rates for the irrigation customers. However, the use in excess of the monthly budget is the same for all irrigation customers, as they 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 cost of service analysis and shown in Table 4 – 7 and Table 4 - 8. For agriculture and recreation irrigation customers, the results of the cost of service showed a significant impact. In discussion with the City staff and management, it was determined that these customers would be transitioned over a three year period to the cost of service based rates. This transition period will help to reduce the immediate bill impacts to these customers. In doing this, the City did not subsidize the lost revenues from other customer classes. It is important to note that the total revenues lost due to the transition of the rates should not adversely impact the City's water utility. Provided in Table 5 - 4 is a summary of the present and proposed rates for the irrigation grouping of customers.

Table 5 - 4
Summary of the Monthly Irrigation Water Rates

	Meter Equiv.	Present Rate	FY 2022	FY 2023	FY 2024
Fixed Charge *(Ag, Rec, & Urban)*		***$ / Mtr***			
5/8"	*1.00*	$28.92	$29.57	$31.05	$32.60
3/4"	*1.50*	42.10	43.29	45.45	47.73
1"	*2.50*	68.45	70.72	74.26	77.97
1 1/2"	*5.00*	134.34	139.31	146.27	153.59
2"	*8.00*	213.40	221.61	232.69	244.33
3"	*17.50*	463.80	482.24	506.35	531.67
4"	*31.50*	832.79	866.32	909.64	955.12
6"	*65.00*	1,715.72	1,785.37	1,874.64	1,968.37
8"	*120.00*	3,165.32	3,294.26	3,458.98	3,631.93
10"	*190.00*	4,979.80	5,214.67	5,475.41	5,749.18
Variable Charge		***$ / HCF***			
Agriculture					
Budget		$3.01	$3.31	$3.63	$3.98
Over Budget		23.98	25.41	26.93	28.54
Recreation					
Budget		$4.88	$5.22	$5.59	$5.98
Over Budget		23.98	25.41	26.93	28.54
Urban					
Budget		$12.96	$13.77	$14.46	$15.19
Over Budget		23.98	25.89	27.19	28.54

5.4.5 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. 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 are the direct output of the calculated cost of service average unit costs as shown in Table 4 – 7 and Table 4 - 8. Provided below in Table 5 - 5 is a summary of the present and proposed rates for the recycled water customers.

Table 5 - 5
Summary of the Monthly Recycled Water Rates

	Meter Equiv.	Present Rate	FY 2022	FY 2023	FY 2024
Fixed Charge		***$ / Mtr***			
5/8"	*1.00*	$28.92	$29.57	$31.05	$32.60
3/4"	*1.50*	42.10	43.29	45.45	47.73
1"	*2.50*	68.45	70.72	74.26	77.97
1 1/2"	*5.00*	134.34	139.31	146.27	153.59
2"	*8.00*	213.40	221.61	232.69	244.33
3"	*17.50*	463.80	482.24	506.35	531.67
4"	*31.50*	832.79	866.32	909.64	955.12
6"	*65.00*	1,715.72	1,785.37	1,874.64	1,968.37
8"	*120.00*	3,165.32	3,294.26	3,458.98	3,631.93
10"	*190.00*	4,979.80	5,214.67	5,475.41	5,749.18
Variable Charge		***$ / HCF***			
All Usage		$4.40	$4.53	$4.75	$4.99

5.4.6 Fireline Rates

Proposed rates were also developed for private firelines. The present rate structure is comprised of a fixed monthly service 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 4 – 9) to calculate the fixed charge on a 1" meter equivalency. Shown in Table 5 – 6 below are the present and proposed fire protection rates based on the unit cost developed in the cost of service analysis. Public fire service provided by fire hydrants is charged to all customers through the water rate structure.

Table 5 - 6 Summary of the Monthly Private Fire Service Rates					
	Meter Equiv.	Present Rate	FY 2022	FY 2023	FY 2024
Fixed Charge		***$ / Mtr***			
1"	*0.01*	$3.14	$3.02	$3.17	$3.33
1 1/2"	*0.03*	4.24	4.70	4.93	5.18
2"	*0.06*	6.14	7.59	7.97	8.37
4"	*0.34*	24.70	35.90	37.69	39.58
6"	*1.00*	66.89	100.20	105.21	110.47
8"	*2.13*	139.63	211.12	221.67	232.76
10"	*3.83*	249.06	377.96	396.85	416.70
12”	*6.19*	400.73	609.19	639.65	671.63

5.5 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 2022 proposed rates. The proposed rates for FY 2023 and FY 2024 are based on the overall system revenue adjustment as calculated in the revenue requirement analysis. The proposed revenues closely reflect the proportional allocation of costs to the various customer classes of service. Provided below in Table 5 – 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 5 - 7 Summary of the Water Utility FY 2022 Revenue Projections ($000)			
FY 2022	Present Revenues	Distributed Costs	Proposed Revenues
Single Family Residential	$24,853	$26,166	$26,166
Multi-Family Residential	10,693	11,186	11,186
Recycled Water	1,254	1,290	1,290
Commercial	9,579	9,903	9,903
Industrial	719	737	737
Irrigation Agriculture	278	313	298
Irrigation Recreation	733	787	773
Irrigation Urban	2,652	2,821	2,821
Private Fire Service	228	336	336
Total	**$50,991**	**$53,540**	**$53,511**

As shown in Table 5 – 7 the distributed costs, the cost of service results, are comparable to the proposed revenues at proposed rates. This shows the relationship between the implementation

of the average unit costs for rate design, and resulting revenues that reflect the cost of service results. As noted, the exception to this is the irrigation recreation and irrigation agricultural customers who are being transitioned to the cost of service results over the three year rate setting period. This concludes the discussion of the proposed water rates. Detailed exhibits for the various rate designs are included within the Technical Appendices.

5.6 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 5.0% annually in FY 2022 through FY 2024.
- The proposed rates should be implemented to reflect each customer class' proportional allocation of costs as calculated in the cost of service analysis.
- The rates are proposed to be implemented and effective each year on July 1.
- Prior to the implementation of the final, proposed rate adjustment in FY 2024, the City should complete a review of the water rates to determine future water rate levels.

5.7 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 in March 2021. 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 then held a public hearing on June 15, 2021 to discuss the publicly noticed and proposed rates. Absent sufficient written protest by customers, the City Council moved to adopt the proposed water rates as outlined in the customer notification over the next three-year period.

5.8 Summary of the Water Rate Study

This completes the analysis for the City of Santa Barbara's water utility. This 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 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Revenues										
Total Rate Revenues	$51,001	$51,001	$51,001	$51,001	$51,396	$51,795	$52,200	$52,609	$52,609	$52,609
Total Other Revenues	7,828	5,239	6,417	8,619	8,627	8,650	8,681	8,717	8,771	8,798
Total Revenue	**$58,829**	**$56,240**	**$57,417**	**$59,620**	**$60,023**	**$60,445**	**$60,880**	**$61,325**	**$61,379**	**$61,407**
Expenses										
Total O&M	$35,328	$40,300	$42,212	$43,956	$45,779	$47,343	$49,441	$51,004	$52,944	$54,962
Rate Funded Capital	13,267	14,352	15,867	12,523	12,485	12,791	14,245	14,875	15,612	21,898
Transfers	55	59	62	66	70	74	78	83	88	93
Debt Service	9,127	9,271	9,422	9,427	9,942	10,463	10,297	10,578	9,131	9,131
Reserve Funding + / (-)	1,051	(7,742)	(7,596)	(1,124)	(213)	851	814	1,542	3,272	(2,119)
Total Revenue Requirement	**$58,829**	**$56,240**	**$59,967**	**$64,847**	**$68,062**	**$71,522**	**$74,876**	**$78,082**	**$81,047**	**$83,965**
Balance/Deficiency of Funds	$0	$0	($2,550)	($5,228)	($8,039)	($11,076)	($13,995)	($16,757)	($19,668)	($22,559)
Rate Adj. as a % of Rate Rev	0.0%	0.0%	5.0%	10.3%	15.6%	21.4%	26.8%	31.9%	37.4%	42.9%
Proposed Rate Adjustment	**0.0%**	**0.0%**	**5.0%**	**5.0%**	**5.0%**	**5.0%**	**4.5%**	**4.0%**	**4.0%**	**4.0%**
Rate Revenue After Adjustment	**$51,001**	**$51,001**	**$53,551**	**$56,228**	**$59,435**	**$62,872**	**$66,195**	**$69,365**	**$72,276**	**$75,167**
Debt Service Coverage Ratio										
Before Rate Adjustment	1.97	1.42	1.36	1.38	1.25	1.15	1.06	0.99	0.96	0.85
After Rate Adjustment	1.97	1.42	1.52	1.70	1.72	1.76	1.83	1.88	2.07	2.10
Average Residential Bill (5/8" meter + 8 HCF)	$98.52	$98.52	$103.45	$108.62	$114.05	$119.75	$125.14	$130.15	$135.35	$140.77
$ Change Per Month		0.00	4.93	5.17	5.43	5.70	5.39	5.01	5.21	5.41
Cumulative $ Change per Month		0.00	4.93	10.10	15.53	21.23	26.62	31.63	36.83	42.25
Total Cash Reserves	**$40,517**	**$32,761**	**$24,914**	**$23,715**	**$23,419**	**$24,180**	**$24,896**	**$26,332**	**$29,490**	**$27,675**

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

	Budget	*Budget*	*Projected*								
	FY 2020	**FY 2021**	**FY 2022**	**FY 2023**	**FY 2024**	**FY 2025**	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**	***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%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
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	-4.0%	0.0%	0.0%	0.0%	1.0%	1.0%	1.0%	1.0%	0.0%	0.0%	
MFR Cons. Growth	-4.0%	0.0%	0.0%	0.0%	1.0%	1.0%	1.0%	1.0%	0.0%	0.0%	
Com Cons. Growth	-8.2%	0.0%	0.0%	0.0%	1.5%	1.5%	1.5%	1.5%	0.0%	0.0%	
Recycled Cons. Growth	-4.0%	0.0%	0.0%	0.0%	1.0%	1.0%	1.0%	1.0%	0.0%	0.0%	
Ind Cons. Growth	-8.2%	0.0%	0.0%	0.0%	1.5%	1.5%	1.5%	1.5%	0.0%	0.0%	
Irr Cons. Growth	-4.0%	0.0%	0.0%	0.0%	1.0%	1.0%	1.0%	1.0%	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%	
One-Time	-100.0%	-100.0%	-100.0%	-100.0%	-100.0%	-100.0%	-100.0%	-100.0%	-100.0%	-100.0%	
Misc. Revenue	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	
Flat	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
Expenses											
Labor	Budget	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	
Benefits	Budget	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	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	3.0%	3.0%	3.0%	3.0%	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%	
ENR	Budget	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%	
General	Budget	3.8%	3.8%	3.8%	3.8%	3.8%	3.8%	3.8%	3.8%	3.8%	
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%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	
New Long-Term Debt Assumptions											
Revenue Bond											
Rate	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	
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	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	
Term	20	20	20	20	20	20	20	20	20	20	
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	*Budget*	*Projected*								
	FY 2020	**FY 2021**	**FY 2022**	**FY 2023**	**FY 2024**	**FY 2025**	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**	***Notes***
Revenues											
Rate Revenues											
Single Family Residential	$24,853,451	$24,853,451	$24,853,451	$24,853,451	$25,026,513	$25,201,305	$25,377,846	$25,556,152	$25,556,152	$25,556,152	*Calc'd in Cust Data Tab*
Multi-Family Residential	10,693,456	10,693,456	10,693,456	10,693,456	10,763,126	10,833,494	10,904,565	10,976,347	10,976,347	10,976,347	*Calc'd in Cust Data Tab*
Recycled Water	1,253,839	1,253,839	1,253,839	1,253,839	1,265,226	1,276,728	1,288,344	1,300,076	1,300,076	1,300,076	*Calc'd in Cust Data Tab*
Commercial	9,579,353	9,579,353	9,579,353	9,579,353	9,683,128	9,788,458	9,895,369	10,003,884	10,003,884	10,003,884	*Calc'd in Cust Data Tab*
Industrial	719,350	719,350	719,350	719,350	728,768	738,328	748,031	757,880	757,880	757,880	*Calc'd in Cust Data Tab*
Irrigation Agriculture	277,641	277,641	277,641	277,641	279,950	282,283	284,638	287,017	287,017	287,017	*Calc'd in Cust Data Tab*
Irrigation Recreation	733,077	733,077	733,077	733,077	738,111	743,195	748,330	753,517	753,517	753,517	*Calc'd in Cust Data Tab*
Irrigation Urban	2,652,302	2,652,302	2,652,302	2,652,302	2,672,758	2,693,418	2,714,285	2,735,361	2,735,361	2,735,361	*Calc'd in Cust Data Tab*
Bird Refuge	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	*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	228,274	228,274	228,274	228,274	228,274	228,274	228,274	228,274	228,274	228,274	*Calc'd in Cust Data Tab*
Total Rate Revenues	**$51,000,743**	**$51,000,743**	**$51,000,743**	**$51,000,743**	**$51,395,855**	**$51,795,484**	**$52,199,683**	**$52,608,508**	**$52,608,508**	**$52,608,508**	
Other Revenues											
Other Revenues	$2,579,627	$0	$0	$0	$0	$0	$0	$0	$0	$0	As Misc. Revenue
JPA Reimb Goleta Water Trans	12,040	12,040	12,160	12,282	12,405	12,529	12,654	12,781	12,909	13,038	As Misc. Revenue
Emerg Service Worker Reimburse	14,540	14,540	14,685	14,832	14,981	15,130	15,282	15,435	15,589	15,745	As Misc. Revenue
Cater Treatment - Phase III	3,720	920	929	938	948	957	967	977	986	996	As Misc. Revenue
JPA Reimb - Cater SRF Loan	743,168	743,120	750,551	758,057	765,637	773,294	781,027	788,837	796,725	804,692	As Misc. Revenue
Joint Powers Reimb. - Cater	2,305,682	2,359,556	2,157,741	2,161,521	2,165,403	2,169,390	2,173,485	2,177,690	2,182,009	2,186,444	40% of Cater Capital + Qtrly Billing
Water Turn On Fees	254,210	261,836	261,836	261,836	261,836	261,836	261,836	261,836	261,836	261,836	As Flat
Water Tap Fees	229,394	236,276	236,276	236,276	236,276	236,276	236,276	236,276	236,276	236,276	As Flat
Water Exams - Other Depts.	4,062	5,000	5,050	5,101	5,152	5,203	5,255	5,308	5,361	5,414	As Misc. Revenue
Hydrant Rental	1,370	47,940	48,419	48,904	49,393	49,887	50,385	50,889	51,398	51,912	As Misc. Revenue
Backflow Fees	11,692	3,500	3,535	3,570	3,606	3,642	3,679	3,715	3,752	3,790	As Misc. Revenue
Hydroelectric Energy Savings	185,319	185,319	185,319	185,319	185,319	185,319	185,319	185,319	185,319	185,319	As Flat
Misc. Revenue - Noc	30,000	30,000	30,300	30,603	30,909	31,218	31,530	31,846	32,164	32,486	As Misc. Revenue
Compensation - Property Damage	13,386	13,386	13,520	13,655	13,792	13,930	14,069	14,210	14,352	14,495	As Misc. Revenue
Interest Income	1,439,700	1,326,000	446,317	386,259	381,458	391,360	408,852	431,409	472,276	485,556	*Calculated on Reserves*
Change in Revenue + / (-)	0	0	2,250,000	4,500,000	4,500,000	4,500,000	4,500,000	4,500,000	4,500,000	4,500,000	*From Dashboard*
Total Other Revenues	**$7,827,910**	**$5,239,433**	**$6,416,640**	**$8,619,153**	**$8,627,114**	**$8,649,971**	**$8,680,615**	**$8,716,526**	**$8,770,951**	**$8,797,999**	
Total Revenues	**$58,828,653**	**$56,240,176**	**$57,417,383**	**$59,619,896**	**$60,022,969**	**$60,445,455**	**$60,880,298**	**$61,325,033**	**$61,379,459**	**$61,406,507**	

	Budget	*Budget*	*Projected*								
	FY 2020	**FY 2021**	**FY 2022**	**FY 2023**	**FY 2024**	**FY 2025**	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**	***Notes***
Expenses											
Cater Treatment - 4632											
Allocated Costs	$131,786	$125,120	$129,886	$134,833	$139,969	$145,301	$150,836	$156,581	$162,545	$168,737	As General
Benefits	694,896	761,076	806,741	855,145	906,454	960,841	1,018,491	1,079,601	1,144,377	1,213,040	As Benefits
Cap Outlay Capitaliz	40,509	40,750	41,891	43,064	44,270	45,509	46,784	48,093	49,440	50,824	As ENR
Cap Outlay Non-Cap	19,594	24,000	24,672	25,363	26,073	26,803	27,554	28,325	29,118	29,933	As ENR
Salaries	1,384,797	1,582,604	1,653,710	1,704,975	1,757,829	1,812,321	1,868,503	1,926,427	1,986,146	2,047,717	As Labor
Supplies & Services	1,546,542	2,295,053	2,400,508	2,484,525	2,571,484	2,661,486	2,754,638	2,851,050	2,950,837	3,054,116	As Materials & Supplies
Total Cater Treatment - 4632	**$3,818,124**	**$4,828,603**	**$5,057,407**	**$5,247,905**	**$5,446,078**	**$5,652,261**	**$5,866,805**	**$6,090,077**	**$6,322,463**	**$6,564,367**	
Gibraltor Dam - 4621											
Allocated Costs	$1,321	$1,137	$1,180	$1,225	$1,272	$1,320	$1,371	$1,423	$1,477	$1,533	As General
Benefits	81,380	88,883	94,216	99,869	105,861	112,213	118,946	126,082	133,647	141,666	As Benefits
Cap Outlay Non-Cap	0	1,500	1,542	1,585	1,630	1,675	1,722	1,770	1,820	1,871	As ENR
Salaries	189,560	227,451	234,502	241,772	249,266	256,994	264,961	273,174	281,643	290,374	As Labor
Special Projects	77,976	75,000	76,875	78,797	80,767	82,786	84,856	86,977	89,151	91,380	As Miscellaneous
Supplies & Services	65,077	136,250	141,019	145,954	151,063	156,350	161,822	167,486	173,348	179,415	As Materials & Supplies
Total Gibraltor Dam - 4621	**$415,316**	**$530,221**	**$549,334**	**$569,202**	**$589,859**	**$611,338**	**$633,677**	**$656,913**	**$681,086**	**$706,239**	
Meter Readers - 4636											
Allocated Costs	$49,394	$52,172	$54,159	$56,222	$58,364	$60,587	$62,895	$65,290	$67,777	$70,359	As General
Benefits	230,129	251,164	266,234	282,208	299,140	317,089	336,114	356,281	377,658	400,317	As Benefits
Cap Outlay Non-Cap	1,183	4,000	4,112	4,227	4,345	4,467	4,592	4,721	4,853	4,989	As ENR
Salaries	512,849	563,219	580,679	598,680	617,239	636,373	656,101	676,440	697,410	719,029	As Labor
Supplies & Services	31,781	33,850	35,035	36,261	37,530	38,844	40,203	41,610	43,067	44,574	As Materials & Supplies
Total Meter Readers - 4636	**$825,336**	**$904,405**	**$940,219**	**$977,598**	**$1,016,619**	**$1,057,360**	**$1,099,905**	**$1,144,343**	**$1,190,765**	**$1,239,269**	
Water Distribution - 4635											
Allocated Costs	$947,944	$943,697	$979,643	$1,016,959	$1,055,696	$1,095,908	$1,137,652	$1,180,986	$1,225,971	$1,272,670	As General
Benefits	1,257,130	1,545,951	1,638,708	1,737,031	1,841,252	1,951,728	2,068,831	2,192,961	2,324,539	2,464,011	As Benefits
Cap Outlay Capitaliz	94,076	183,745	188,890	194,179	199,616	205,205	210,951	216,857	222,929	229,171	As ENR
Cap Outlay Non-Cap	83,103	128,891	132,500	136,210	140,024	143,944	147,975	152,118	156,378	160,756	As ENR
Salaries	2,780,989	3,908,478	4,068,778	4,194,911	4,324,953	4,459,026	4,597,256	4,739,771	4,886,704	5,038,192	As Labor
Special Projects	44,206	125,000	128,125	131,328	134,611	137,977	141,426	144,962	148,586	152,300	As Miscellaneous
Supplies & Services	2,419,981	2,927,207	2,747,268	2,843,422	2,942,942	3,045,945	3,152,553	3,262,892	3,377,094	3,495,292	As Materials & Supplies
Total Water Distribution - 4635	**$7,627,428**	**$9,762,969**	**$9,883,912**	**$10,254,039**	**$10,639,094**	**$11,039,733**	**$11,456,644**	**$11,890,548**	**$12,342,200**	**$12,812,392**	

	Budget FY 2020	Budget FY 2021	Projected FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	Notes
Water Drought Fund											
Allocated Costs	$867	$791	$0	$0	$0	$0	$0	$0	$0	$0	As General
Benefits	59,366	4,092	0	0	0	0	0	0	0	0	As Benefits
Cap Outlay Capitaliz	43,104	0	0	0	0	0	0	0	0	0	As ENR
Salaries	24,053	0	0	0	0	0	0	0	0	0	As Labor
Special Projects											
Smart Lndscp Incentives	$34,842	$0	$0	$0	$0	$0	$0	$0	$0	$0	As Miscellaneous
Cachuma COMB	0	0	0	0	0	0	0	0	0	0	As Miscellaneous
State Water Project - CCWA	0	0	0	0	0	0	0	0	0	0	As Miscellaneous
CCWA - State Water Conveyance	77,040	0	0	0	0	0	0	0	0	0	As Miscellaneous
Supplies & Services	100,005	0	0	0	0	0	0	0	0	0	As Materials & Supplies
Transfer from Utilities Management	(3,297,566)	0	0	0	0	0	0	0	0	0	
Total Water Drought Fund	**($2,958,288)**	**$4,883**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	
Water Laboratory - 4641											
Allocated Costs	$26,063	$19,561	$20,306	$21,080	$21,883	$22,716	$23,581	$24,480	$25,412	$26,380	As General
Benefits	145,344	156,180	165,551	175,484	186,013	197,174	209,004	221,544	234,837	248,927	As Benefits
Cap Outlay Capitaliz	1,166	15,000	15,420	15,852	16,296	16,752	17,221	17,703	18,199	18,708	As ENR
Cap Outlay Non-Cap	12,941	27,000	27,756	28,533	29,332	30,153	30,998	31,866	32,758	33,675	As ENR
Salaries	299,663	302,782	312,168	321,845	331,823	342,109	352,715	363,649	374,922	386,544	As Labor
Supplies & Services	130,837	249,500	258,233	267,271	276,625	286,307	296,328	306,699	317,434	328,544	As Materials & Supplies
Total Water Laboratory - 4641	**$616,014**	**$770,023**	**$799,434**	**$830,064**	**$861,971**	**$895,211**	**$929,846**	**$965,941**	**$1,003,561**	**$1,042,779**	
Water Reclamation - Recycled - 4622											
Allocated Costs	$14,017	$11,703	$12,149	$12,612	$13,092	$13,591	$14,108	$14,646	$15,204	$15,783	As General
Benefits	212,121	224,685	238,166	252,456	267,603	283,660	300,679	318,720	337,843	358,114	As Benefits
Salaries	452,094	458,412	482,518	497,477	512,898	528,798	545,191	562,092	579,517	597,482	As Labor
Supplies & Services	427,483	421,260	557,847	577,372	597,580	618,495	640,143	662,548	685,737	709,738	As Materials & Supplies
Total Water Reclamation - Recycled - 4622	**$1,105,715**	**$1,116,060**	**$1,290,681**	**$1,339,916**	**$1,391,174**	**$1,444,544**	**$1,500,121**	**$1,558,005**	**$1,618,300**	**$1,681,116**	
Water Supply Management - 4612											
Allocated Costs	$91,434	$88,750	$92,131	$95,640	$99,283	$103,065	$106,991	$111,066	$115,296	$119,688	As General
Benefits	330,996	389,086	412,431	437,177	463,408	491,212	520,685	551,926	585,041	620,144	As Benefits
Cap Outlay Non-Cap	5,035	31,100	31,971	32,866	33,786	34,732	35,705	36,704	37,732	38,789	As ENR
Salaries	579,626	799,867	824,957	850,530	876,897	904,081	932,107	961,002	990,793	1,021,508	As Labor
Special Projects											
All Others	248,443	408,500	$418,713	$429,180	$439,910	$450,908	$462,180	$473,735	$485,578	$497,718	As Miscellaneous
Water Purchases	35,000	35,000	36,400	37,856	39,370	40,945	42,583	44,286	46,058	47,900	As Purchased Water
Cachuma COMB	2,459,474	2,695,263	2,803,074	2,915,196	3,031,804	3,153,076	3,279,200	3,410,368	3,546,782	3,688,654	As Purchased Water
Cachuma CCRB	468,486	498,576	518,519	539,260	560,830	583,263	606,594	630,858	656,092	682,336	As Purchased Water
State Water Project - CCWA	5,750,615	6,499,466	6,759,445	7,029,822	7,311,015	7,603,456	7,907,594	8,223,898	8,552,854	8,894,968	As Purchased Water
Supplies & Services	568,900	443,523	490,433	507,598	525,364	543,751	562,783	582,480	602,867	623,967	As Materials & Supplies
Total Water Supply Management - 4612	**$10,538,009**	**$11,889,131**	**$12,388,072**	**$12,875,126**	**$13,381,667**	**$13,908,490**	**$14,456,421**	**$15,026,323**	**$15,619,094**	**$16,235,671**	

	Budget	*Budget*	*Projected*								
	FY 2020	**FY 2021**	**FY 2022**	**FY 2023**	**FY 2024**	**FY 2025**	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**	***Notes***
Water Treatment - 4631											
Allocated Costs	$34,646	$30,125	$31,272	$32,464	$33,700	$34,984	$36,317	$37,700	$39,136	$40,627	As General
Benefits	53,703	61,019	64,680	68,561	72,675	77,035	81,657	86,557	91,750	97,255	As Benefits
Cap Outlay Capitaliz	24,244	9,300	9,560	9,828	10,103	10,386	10,677	10,976	11,283	11,599	As ENR
Salaries	107,303	126,430	138,775	143,077	147,513	152,086	156,800	161,661	166,672	171,839	As Labor
Supplies & Services	359,650	157,330	324,487	335,844	347,599	359,765	372,356	385,389	398,877	412,838	As Materials & Supplies
Total Water Treatment - 4631	**$579,546**	**$384,204**	**$568,775**	**$589,774**	**$611,589**	**$634,255**	**$657,807**	**$682,282**	**$707,719**	**$734,158**	
Water Utilities Management - 4611											
Allocated Costs	$3,217,849	$3,301,363	$3,427,115	$3,557,657	$3,693,171	$3,833,847	$3,979,882	$4,131,480	$4,288,851	$4,452,218	As General
Benefits	237,557	299,097	317,043	336,065	356,229	377,603	400,259	424,275	449,731	476,715	As Benefits
Cap Outlay Non-Cap	832	3,465	3,562	3,662	3,764	3,870	3,978	4,089	4,204	4,322	As ENR
Salaries	485,614	602,091	617,143	632,572	648,386	664,596	681,211	698,241	715,697	733,589	As Miscellaneous
Special Projects	34,219	37,170	38,099	39,052	40,028	41,029	42,054	43,106	44,183	45,288	As Miscellaneous
Supplies & Services	1,109,699	795,488	823,330	852,147	881,972	912,841	944,790	977,858	1,012,083	1,047,506	As Materials & Supplies
Transfer to Drought Fund	3,297,566	0	0	0	0	0	0	0	0	0	
Total Water Utilities Management - 4611	**$8,383,337**	**$5,038,674**	**$5,226,292**	**$5,421,154**	**$5,623,551**	**$5,833,786**	**$6,052,175**	**$6,279,048**	**$6,514,750**	**$6,759,638**	
Desalination - 4675											
Allocated Costs	$57,100	$48,531	$50,380	$52,299	$54,291	$56,359	$58,505	$60,734	$63,047	$65,449	As General
Benefits	37,095	71,422	75,707	80,250	85,065	90,169	95,579	101,313	107,392	113,836	As Benefits
Salaries	86,125	145,538	316,609	326,424	336,543	346,976	357,732	368,822	380,255	392,043	As Labor
Supplies & Services	4,400,367	4,508,333	4,805,071	4,973,249	5,147,313	5,327,468	5,513,930	5,706,917	5,906,660	6,113,393	As Materials & Supplies
Total Desalination - 4675	**$4,580,686**	**$4,773,824**	**$5,247,767**	**$5,432,221**	**$5,623,211**	**$5,820,971**	**$6,025,746**	**$6,237,786**	**$6,457,354**	**$6,684,720**	
Additional O&M											
Input from Dashboard	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	
Debt Issuance Costs	0	46,206	0	0	162,806	0	303,393	0	0	0	Bonds = 1.5% & Loans = 1%
CCE Incremental - Admin Costs	0	0	0	0	0	0	0	0	0	0	
CCE Incremental - Electric Costs	0	0	0	0	0	0	0	0	0	0	
Additional Staffing Needs	0	500,000	515,500	531,481	547,956	564,943	582,456	600,512	619,128	638,321	As Labor
Customer Assistance Program	0	0	0	150,000	153,750	157,594	161,534	165,572	169,711	173,954	As Miscellaneous
Less: Capitalized O&M	(203,100)	(248,795)	(255,761)	(262,923)	(270,284)	(277,852)	(285,632)	(293,630)	(301,852)	(310,303)	
Total Additional O&M	**($203,100)**	**$297,411**	**$259,739**	**$418,558**	**$594,228**	**$444,684**	**$761,750**	**$472,454**	**$486,988**	**$501,972**	
Total Operations & Maintenance Expense	**$35,328,124**	**$40,300,408**	**$42,211,631**	**$43,955,558**	**$45,779,040**	**$47,342,633**	**$49,440,898**	**$51,003,721**	**$52,944,281**	**$54,962,321**	

	Budget	*Budget*	*Projected*								
	FY 2020	**FY 2021**	**FY 2022**	**FY 2023**	**FY 2024**	**FY 2025**	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**	***Notes***
Rate Funded Capital (Pay Go)	**$13,267,072**	**$14,351,748**	**$15,867,079**	**$12,523,136**	**$12,484,735**	**$12,790,552**	**$14,245,210**	**$14,875,048**	**$15,611,885**	**$21,897,588**	*Exhibit 3* FY 2019 Dep. Exp. = $9,309,100
Transfers											
Constituent Relationship Mgmt	$55,339	$58,659	$62,179	$65,910	$69,864	$74,056	$78,499	$83,209	$88,202	$93,494	As Benefits
Total Transfers	**$55,339**	**$58,659**	**$62,179**	**$65,910**	**$69,864**	**$74,056**	**$78,499**	**$83,209**	**$88,202**	**$93,494**	
Debt Service											
SWRCB SRF Loan (Desal)	$4,144,637	$4,144,637	$4,144,637	$4,144,637	$4,144,637	$4,144,637	$4,144,637	$4,144,637	$4,144,637	$4,144,637	Calc'd $70 M @ 1.667% for 20 yrs
2002 SRF Loan (Cater)	1,144,246	1,144,246	1,144,246	1,144,246	1,144,246	1,144,246	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	2,138,900	2,134,300	2,137,100	2,142,000	2,134,575	2,133,950	2,138,850	1,446,375	0	0	Debt Schedule
Assumed Low Interest Loan	0	148,199	296,398	296,398	818,575	1,340,752	2,313,840	3,286,929	3,286,929	3,286,929	Calculated @ 2.5% for 20 yrs
Assumed Revenue Bond	0	0	0	0	0	0	0	0	0	0	Calculated @ 4.5% for 20 yrs
Add'l Long-Term Debt	0	0	0	0	0	0	0	0	0	0	Calculated @ 4.5% for 20 yrs
Less: Capacity Charge Use	0	0	0	0	0	0	0	0	0	0	Input
Total Debt Service	**$9,127,463**	**$9,271,062**	**$9,422,061**	**$9,426,961**	**$9,941,713**	**$10,463,264**	**$10,297,007**	**$10,577,621**	**$9,131,246**	**$9,131,246**	
Reserve Funding + / (-)											
Water Operating Fund	$1,050,655	($887,861)	($8,934,190)	($2,228,328)	($1,324,966)	($292,057)	($731,888)	($11,770)	$1,709,477	($3,271,353)	
Water Capital Fund	0	0	0	0	0	0	400,000	400,000	400,000	400,000	
Disaster Reserves	0	21,000	294,000	260,000	247,000	267,000	271,000	271,000	271,000	280,000	
Contingency Reserves	0	14,000	196,000	172,000	185,000	189,000	180,000	180,000	180,000	180,000	
Rate Stabilization Reserve	0	(7,500,000)	0	0	0	0	0	0	0	0	
Water SRF Loan Reserves	0	611,160	611,160	427,611	427,611	427,611	427,611	427,611	427,611	0	
Water Drought Fund	0	0	0	0	0	0	0	0	0	0	
Water Desal Plant Reserve	0	0	237,500	244,625	251,964	259,523	267,309	275,328	283,588	292,096	
Total Reserve Funding + / (-)	**$1,050,655**	**($7,741,701)**	**($7,595,530)**	**($1,124,092)**	**($213,391)**	**$851,077**	**$814,032**	**$1,542,169**	**$3,271,676**	**($2,119,257)**	
Total Revenue Requirements	**$58,828,653**	**$56,240,176**	**$59,967,420**	**$64,847,473**	**$68,061,961**	**$71,521,583**	**$74,875,647**	**$78,081,768**	**$81,047,290**	**$83,965,392**	
Annual % Change in Revenue Requirement		*-4.4%*	*6.6%*	*8.1%*	*5.0%*	*5.1%*	*4.7%*	*4.3%*	*3.8%*	*3.6%*	
Balance / (Deficiency) of Funds	$0	$0	($2,550,037)	($5,227,576)	($8,038,992)	($11,076,128)	($13,995,348)	($16,756,735)	($19,667,832)	($22,558,885)	
Rate Adjust. as a % of Rate Rev	0.0%	0.0%	5.0%	10.3%	15.6%	21.4%	26.8%	31.9%	37.4%	42.9%	
Proposed Rate Adjustment	**0.0%**	**0.0%**	**5.0%**	**5.0%**	**5.0%**	**5.0%**	**4.5%**	**4.0%**	**4.0%**	**4.0%**	*From Dashboard*
Months of Adjustment	*12*	*6*	*12*	*12*	*12*	*12*	*12*	*12*	*12*	*12*	
Addt'l Rev from Proposed Adj.	$0	$0	$2,550,037	$5,227,576	$8,038,992	$11,076,128	$13,995,348	$16,756,735	$19,667,832	$22,558,885	
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 FY 2020	*Budget* FY 2021	*Projected* FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	*Notes*
Average Residential Bill (5/8" meter + 8 HCF)	**$98.52**										
Average Residential Bill	$98.52	$98.52	$103.45	$108.62	$114.05	$119.75	$125.14	$130.15	$135.35	$140.77	
$ Change Per Month	0.00	0.00	4.93	5.17	5.43	5.70	5.39	5.01	5.21	5.41	
Cumulative $ Change per Month	0.00	0.00	4.93	10.10	15.53	21.23	26.62	31.63	36.83	42.25	
Debt Service Coverage w/o Cap Charge (parity debt only)											
Before Rate Adjustment	2.13	1.55	1.49	1.51	1.41	1.33	1.22	1.20	1.18	1.04	
After Rate Adjustment	2.13	1.55	1.66	1.86	1.94	2.04	2.10	2.28	2.55	2.57	
Debt Service Coverage w/o Cap Charge (all debt w/SWP)											
Before Rate Adjustment	1.97	1.42	1.36	1.38	1.25	1.15	1.06	0.99	0.96	0.85	
After Rate Adjustment	1.97	1.42	1.52	1.70	1.72	1.76	1.83	1.88	2.07	2.10	
Debt Service Coverage w/Cap Charge (all debt w/SWP)											
Before Rate Adjustment	2.01	1.46	1.39	1.42	1.28	1.18	1.10	1.02	0.99	0.88	
After Rate Adjustment	2.01	1.46	1.55	1.73	1.75	1.79	1.86	1.91	2.11	2.14	
Cash Reserves											
Total Beginning Balance	**$36,483,630**	**$40,517,189**	**$33,372,488**	**$26,136,458**	**$25,364,741**	**$25,496,386**	**$26,684,940**	**$27,828,663**	**$29,692,504**	**$33,277,592**	
Water Operating Fund											
Beginning Balance	**$1,847,127**	**$5,880,686**	**$5,589,825**	**$2,939,335**	**$1,308,007**	**$580,041**	**$884,984**	**$750,096**	**$1,335,326**	**$3,641,803**	
Plus: Additions	1,050,655	0	0	0	0	0	0	0	1,709,477	0	
Plus: Grant Funds	0	0	0	0	0	0	0	0	0	0	
Plus: One-Time Settlement Deposit	2,385,904	0	0	0	0	0	0	0	0	0	
Plus: Transfer of Drought Fund	0	0	5,686,700	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	0	(887,861)	(8,934,190)	(2,228,328)	(1,324,966)	(292,057)	(731,888)	(11,770)	0	(3,271,353)	
Ending Balance	**$5,880,686**	**$5,589,825**	**$2,939,335**	**$1,308,007**	**$580,041**	**$884,984**	**$750,096**	**$1,335,326**	**$3,641,803**	**$967,450**	
Water Capital Fund											
Beginning Balance	**$11,421,200**	**$11,421,200**	**$11,421,200**	**$11,421,200**	**$11,421,200**	**$11,421,200**	**$11,421,200**	**$11,821,200**	**$12,221,200**	**$12,621,200**	
Plus: Additions	0	0	0	0	0	0	400,000	400,000	400,000	400,000	
Plus: Settlement	18,860,047	0	0	0	0	0	0	0	0	0	
Less: Uses	(18,860,047)	0	0	0	0	0	0	0	0	0	
Ending Balance	**$11,421,200**	**$11,421,200**	**$11,421,200**	**$11,421,200**	**$11,421,200**	**$11,421,200**	**$11,821,200**	**$12,221,200**	**$12,621,200**	**$13,021,200**	
Target: 3-yr avg annual capital	*$12,209,564*	*$13,782,980*	*$14,002,259*	*$13,624,983*	*$12,599,474*	*$13,173,499*	*$13,383,736*	*$14,001,486*	*$15,884,057*	*$16,657,433*	
Disaster Reserves											
Beginning Balance	**$6,017,162**	**$6,017,162**	**$6,038,162**	**$6,332,162**	**$6,592,162**	**$6,839,162**	**$7,106,162**	**$7,377,162**	**$7,648,162**	**$7,919,162**	
Plus: Additions	0	21,000	294,000	260,000	247,000	267,000	271,000	271,000	271,000	280,000	
Less: Uses	0	0	0	0	0	0	0	0	0	0	
Ending Balance	**$6,017,162**	**$6,038,162**	**$6,332,162**	**$6,592,162**	**$6,839,162**	**$7,106,162**	**$7,377,162**	**$7,648,162**	**$7,919,162**	**$8,199,162**	
Target: 15% of O&M	*$5,299,219*	*$6,045,061*	*$6,331,745*	*$6,593,334*	*$6,866,856*	*$7,101,395*	*$7,416,135*	*$7,650,558*	*$7,941,642*	*$8,244,348*	
Contingency Reserves											
Beginning Balance	**$4,011,441**	**$4,011,441**	**$4,025,441**	**$4,221,441**	**$4,393,441**	**$4,578,441**	**$4,767,441**	**$4,947,441**	**$5,127,441**	**$5,307,441**	
Plus: Additions	0	14,000	196,000	172,000	185,000	189,000	180,000	180,000	180,000	180,000	
Less: Uses	0	0	0	0	0	0	0	0	0	0	
Ending Balance	**$4,011,441**	**$4,025,441**	**$4,221,441**	**$4,393,441**	**$4,578,441**	**$4,767,441**	**$4,947,441**	**$5,127,441**	**$5,307,441**	**$5,487,441**	
Target: 10% of O&M	*$3,532,812*	*$4,030,041*	*$4,221,163*	*$4,395,556*	*$4,577,904*	*$4,734,263*	*$4,944,090*	*$5,100,372*	*$5,294,428*	*$5,496,232*	

	Budget	*Budget*	*Projected*								
	FY 2020	**FY 2021**	**FY 2022**	**FY 2023**	**FY 2024**	**FY 2025**	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**	***Notes***
Rate Stabilization Reserve											
Beginning Balance	**$7,500,000**	**$7,500,000**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	
Plus: Additions	0	0	0	0	0	0	0	0	0	0	
Less: Uses	0	(7,500,000)	0	0	0	0	0	0	0	0	
Ending Balance	**$7,500,000**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	
Water SRF Loan Reserves											
Beginning Balance	**$0**	**$0**	**$611,160**	**$1,222,320**	**$1,649,931**	**$2,077,542**	**$2,505,153**	**$2,932,764**	**$3,360,375**	**$3,787,986**	
Plus: Additions	0	611,160	611,160	427,611	427,611	427,611	427,611	427,611	427,611	0	
Less: Uses	0	0	0	0	0	0	0	0	0	0	
Ending Balance	**$0**	**$611,160**	**$1,222,320**	**$1,649,931**	**$2,077,542**	**$2,505,153**	**$2,932,764**	**$3,360,375**	**$3,787,986**	**$3,787,986**	
Water Drought Fund											
Beginning Balance	**$5,686,700**	**$5,686,700**	**$5,686,700**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	
Plus: Additions	0	0	0	0	0	0	0	0	0	0	
Less: Uses	0	0	(5,686,700)	0	0	0	0	0	0	0	
Ending Balance	**$5,686,700**	**$5,686,700**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	
Water Desal Plant Reserve											
Beginning Balance	**$0**	**$0**	**$0**	**$237,500**	**$482,125**	**$734,089**	**$993,612**	**$1,260,921**	**$1,536,249**	**$1,819,837**	
Plus: Additions	0	0	237,500	244,625	251,964	259,523	267,309	275,328	283,588	292,096	
Less: Uses	0	0	0	0	0	0	0	0	0	0	
Ending Balance	**$0**	**$0**	**$237,500**	**$482,125**	**$734,089**	**$993,612**	**$1,260,921**	**$1,536,249**	**$1,819,837**	**$2,111,933**	
Total Ending Balance (no desal or SRF reserves)	**$40,517,189**	**$32,761,328**	**$24,914,138**	**$23,714,810**	**$23,418,844**	**$24,179,787**	**$24,895,899**	**$26,332,129**	**$29,489,606**	**$27,675,253**	
Total Council Reserve Targets	*$21,041,595*	*$23,858,082*	*$24,555,167*	*$24,613,873*	*$24,044,234*	*$25,009,157*	*$25,743,961*	*$26,752,416*	*$29,120,127*	*$30,398,013*	
Total Ending Balance Above Target	***$19,475,594***	***$8,903,246***	***$358,972***	***($899,063)***	***($625,390)***	***($829,370)***	***($848,061)***	***($420,287)***	***$369,479***	***($2,722,760)***	

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	$4,144,637	$1,144,246	$1,699,680	$2,138,900	$9,127,463
FY 2021	$4,144,637	1,144,246	1,699,680	2,134,300	9,122,863
FY 2022	$4,144,637	1,144,246	1,699,680	2,137,100	9,125,663
FY 2023	$4,144,637	1,144,246	1,699,680	2,142,000	9,130,563
FY 2024	$4,144,637	1,144,246	1,699,680	2,134,575	9,123,138
FY 2025	$4,144,637	1,144,246	1,699,680	2,133,950	9,122,513
FY 2026	$4,144,637	0	1,699,680	2,138,850	7,983,167
FY 2027	$4,144,637	0	1,699,680	1,446,375	7,290,692
FY 2028	$4,144,637	0	1,699,680	0	5,844,317
FY 2029	$4,144,637	0	1,699,680	0	5,844,317
FY 2030	$4,144,637	0	1,699,680	0	5,844,317
FY 2031	$4,144,637	0	1,699,680	0	5,844,317
FY 2032	$4,144,637	0	1,699,680	0	5,844,317
FY 2033	$4,144,637	0	1,699,680	0	5,844,317
FY 2034	$4,144,637	0	1,699,680	0	5,844,317
FY 2035	$4,144,637	0	1,699,680	0	5,844,317
FY 2036	$4,144,637	0	849,840	0	4,994,477
FY 2037	$4,144,637	0	0	0	4,144,637
FY 2038	$4,144,637	0	0	0	4,144,637
FY 2039	0	0	0	0	0
FY 2040	0	0	0	0	0
Total	**$78,748,099**	**$6,865,474**	**$28,044,724**	**$16,406,050**	**$130,064,347**

Notes

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

	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	*Notes*
Assumed Revenue Bond											
FY 2020	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	
FY 2021		$0	0	0	0	0	0	0	0	0	
FY 2022			$0	0	0	0	0	0	0	0	
FY 2023				$0	0	0	0	0	0	0	
FY 2024					$0	0	0	0	0	0	
FY 2025						$0	0	0	0	0	
FY 2026							$0	0	0	0	
FY 2027								$0	0	0	
FY 2028									$0	0	
FY 2029										$0	
	$0	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	
Assumed Low Interest Loan											
FY 2020	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	
FY 2021		$148,199	296,398	296,398	296,398	296,398	296,398	296,398	296,398	296,398	
FY 2022			$0	0	0	0	0	0	0	0	
FY 2023				$0	0	0	0	0	0	0	
FY 2024					$522,177	1,044,354	1,044,354	1,044,354	1,044,354	1,044,354	
FY 2025						$0	0	0	0	0	
FY 2026							$973,088	1,946,177	1,946,177	1,946,177	
FY 2027								$0	0	0	
FY 2028									$0	0	
FY 2029										$0	
	$0	**$148,199**	**$296,398**	**$296,398**	**$818,575**	**$1,340,752**	**$2,313,840**	**$3,286,929**	**$3,286,929**	**$3,286,929**	

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

ENR CCI = **2.7%**

	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	*Notes*
Capital Improvement Projects										
WDIP - Transmission & Dist. Main	2,429,953	867,815	1,413,337	5,895,894	0	0	0	2,729,890	0	
WDIP - Storage Reservoir (Capacity)	4,620,600	0	0	16,280,596	0	30,339,266	0	0	7,298,901	
WDIP - Valve (Capacity)	0	1,091,666	273,182	0	0	0	0	0	0	
WDIP - Water Main (Rehab)	0	8,477,885	8,184,697	3,961,287	10,203,930	11,704,101	12,055,224	9,686,991	12,789,387	
WDIP - Fire Flow	2,613,000	0	0	0	0	0	0	0	0	
WDIP - Pump Station	716,000	17,459	0	0	0	0	0	210,284	0	
WDIP - Storage Reservoir (Rehab)	247,000	0	0	0	0	179,108	348,054	190,016	195,716	
WDIP - Valve (Rehab)	0	425,178	0	394,287	0	0	43,046	44,337	45,667	
WDIP - Groundwater (Rehab)	0	212,180	327,818	0	0	0	0	0	0	
WDIP - System Upgrades	0	159,135	163,909	168,826	173,891	179,108	184,481	190,016	195,716	
WDIP - Studies	0	0	218,545	0	289,819	0	0	253,354	0	
WDIP Subtotal		**11,251,318**	**10,581,488**	**26,700,891**	**10,667,640**	**42,401,582**	**12,630,805**	**13,304,886**	**20,525,387**	
Cater Treatment Plant Program	$700,000	$350,000	$359,450	$369,155	$379,122	$389,359	$399,871	$410,668	$421,756	
Desalination Conveyance Pipeline	0	0	0	0	0	0	0	0	0	
Desalination Program	250,000	602,500	250,000	689,560	710,247	731,554	753,501	776,106	799,389	
Groundwater Program	100,000		150,000	$154,050	$158,209	$162,481	$166,868	$171,373	$176,001	
Pump Station Program	200,000									
Recycled Water Program	560,000	100,000	$102,700	$105,473	$108,321	$111,245	$114,249	$117,334	$120,502	
Reservoir Program	600,000	50,000	$51,350	$52,736	$54,160	$55,623	$57,124	$58,667	$60,251	
Water Main Replc. Program	2,437,000									
Water Meter Program	3,250,000	4,257,500	2,265,225	423,182	435,000	447,000	459,000	471,000	484,000	AMI and then baselir
Capitalized O&M	248,795	255,761	262,923	270,284	277,852	285,632	293,630	301,852	310,303	*From O&M*
Future Unidentified CIP	0	(1,000,000)	(1,500,000)	0	0	0	0	0	(1,000,000)	*From Dashboard*
Total Capital Improvement Projects	**$18,972,348**	**$15,867,079**	**$12,523,136**	**$28,765,332**	**$12,790,552**	**$44,584,476**	**$14,875,048**	**$15,611,885**	**$21,897,588**	
Transfer to Operating Fund	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	
Total Capital Funding Needs	**$18,972,348**	**$15,867,079**	**$12,523,136**	**$28,765,332**	**$12,790,552**	**$44,584,476**	**$14,875,048**	**$15,611,885**	**$21,897,588**	
Other Funding Sources										
Water Operating Fund	$0	$0	$0	$0	$0	$0	$0	$0	$0	*From Dashboard*
Water Capital Fund	0	0	0	0	0	0	0	0	0	*From Dashboard*
Borrowing Proceeds	0	0	0	0	0	0	0	0	0	*From Dashboard*
Assumed Low Interest Loan	4,620,600	0	0	16,280,596	0	30,339,266	0	0	0	*From Dashboard*
Assumed Revenue Bond	0	0	0	0	0	0	0	0	0	*From Dashboard*
Add'l Long-Term Debt	0	0	0	0	0	0	0	0	0	
Total Other Funding Sources	**$4,620,600**	**$0**	**$0**	**$16,280,596**	**$0**	**$30,339,266**	**$0**	**$0**	**$0**	
Rate Funded Capital (PayGo)	**$14,351,748**	**$15,867,079**	**$12,523,136**	**$12,484,735**	**$12,790,552**	**$14,245,210**	**$14,875,048**	**$15,611,885**	**$21,897,588**	

City of Santa Barbara
Water Cost of Service Study
Revenue Requirement
Exhibit 5 - Revenue at Present Rates

Effective 7/1/2019		Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Total / Avg
Single Family Residential														
Monthly Service Charge	*$ / Mtr*													
5/8"	$28.92	13,342	13,342	13,342	13,342	13,342	13,342	13,342	13,342	13,342	13,342	13,342	13,342	**13,342**
3/4"	42.10	928	928	928	928	928	928	928	928	928	928	928	928	**928**
1"	68.45	2,405	2,405	2,405	2,405	2,405	2,405	2,405	2,405	2,405	2,405	2,405	2,405	**2,405**
1 1/2"	134.34	163	163	163	163	163	163	163	163	163	163	163	163	**163**
2"	213.40	82	82	82	82	82	82	82	82	82	82	82	82	**82**
3"	463.80	0	0	0	0	0	0	0	0	0	0	0	0	**0**
4"	832.79	0	0	0	0	0	0	0	0	0	0	0	0	**0**
6"	1,715.72	0	0	0	0	0	0	0	0	0	0	0	0	**0**
8"	3,165.32	0	0	0	0	0	0	0	0	0	0	0	0	**0**
10"	4,979.80	0	0	0	0	0	0	0	0	0	0	0	0	**0**
Total Monthly Service Charge		**16,920**	**16,920**	**16,920**	**16,920**	**16,920**	**16,920**	**16,920**	**16,920**	**16,920**	**16,920**	**16,920**	**16,920**	16,920
Metered Water Charge	*$ / HCF*													
0 - 4	$4.44	60,785	60,868	51,825	59,812	55,989	57,151	56,281	46,339	53,161	57,129	58,139	58,526	**676,005**
4 - 16	12.96	89,913	91,878	70,102	80,842	68,351	50,377	46,579	28,574	31,000	54,644	61,018	63,321	**736,599**
16 +	23.98	38,745	46,683	24,186	34,017	19,724	7,430	7,885	3,124	4,100	13,114	14,387	15,108	**228,503**
Total Metered Water Charge		**189,443**	**199,429**	**146,113**	**174,671**	**144,064**	**114,958**	**110,745**	**78,037**	**88,261**	**124,887**	**133,544**	**136,955**	1,641,107
Revenue														
Monthly Service Charge		$628,938	$628,938	$628,938	$628,938	$628,938	$628,938	$628,938	$628,938	$628,938	$628,938	$628,938	$628,938	**$7,547,255**
Metered Water Charge		2,364,263	2,580,451	1,718,605	2,129,005	1,607,402	1,084,808	1,042,634	650,978	736,113	1,276,313	1,393,931	1,442,785	**18,027,287**
Total Revenue		**$2,993,201**	**$3,209,389**	**$2,347,543**	**$2,757,943**	**$2,236,340**	**$1,713,746**	**$1,671,572**	**$1,279,916**	**$1,365,051**	**$1,905,251**	**$2,022,869**	**$2,071,723**	$25,574,542

Effective 7/1/2019		Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Total / Avg
Multi-Family Residential														
Monthly Service Charge	*$ / Mtr*													
1 - 4 Units														
5/8"	$28.92	4,580	4,580	4,580	4,580	4,580	4,580	4,580	4,580	4,580	4,580	4,580	4,580	**4,580**
3/4"	42.10	207	207	207	207	207	207	207	207	207	207	207	207	**207**
1"	68.45	626	626	626	626	626	626	626	626	626	626	626	626	**626**
1 1/2"	134.34	25	25	25	25	25	25	25	25	25	25	25	25	**25**
2"	213.40	26	26	26	26	26	26	26	26	26	26	26	26	**26**
3"	463.80	0	0	0	0	0	0	0	0	0	0	0	0	**0**
4"	832.79	0	0	0	0	0	0	0	0	0	0	0	0	**0**
6"	1,715.72	0	0	0	0	0	0	0	0	0	0	0	0	**0**
8"	3,165.32	0	0	0	0	0	0	0	0	0	0	0	0	**0**
10"	4,979.80	0	0	0	0	0	0	0	0	0	0	0	0	**0**
5 + Units														
5/8"	$28.92	462	462	462	462	462	462	462	462	462	462	462	462	**462**
3/4"	42.10	16	16	16	16	16	16	16	16	16	16	16	16	**16**
1"	68.45	231	231	231	231	231	231	231	231	231	231	231	231	**231**
1 1/2"	134.34	318	318	318	318	318	318	318	318	318	318	318	318	**318**
2"	213.40	170	170	170	170	170	170	170	170	170	170	170	170	**170**
3"	463.80	6	6	6	6	6	6	6	6	6	6	6	6	**6**
4"	832.79	1	1	1	1	1	1	1	1	1	1	1	1	**1**
6"	1,715.72	3	3	3	3	3	3	3	3	3	3	3	3	**3**
8"	3,165.32	0	0	0	0	0	0	0	0	0	0	0	0	**0**
10"	4,979.80	0	0	0	0	0	0	0	0	0	0	0	0	**0**
Total Monthly Service Charge		**6,671**	**6,671**	**6,671**	**6,671**	**6,671**	**6,671**	**6,671**	**6,671**	**6,671**	**6,671**	**6,671**	**6,671**	6,671
Dwelling Units	*$ / DU*													
1 - 4 Units	$0.00	9,128	9,128	9,128	9,128	9,128	9,128	9,128	9,128	9,128	9,128	9,128	9,128	**109,536**
5 + Units	0.00	12,616	12,616	12,616	12,616	12,616	12,616	12,616	12,616	12,616	12,616	12,616	12,616	**151,392**
		21,744	**21,744**	**21,744**	**21,744**	**21,744**	**21,744**	**21,744**	**21,744**	**21,744**	**21,744**	**21,744**	**21,744**	260,928
Metered Water Charge	*$ / HCF*													
1 - 4 Units														
0 - 4 (per DU)	$4.44	29,222	28,480	28,649	28,051	28,064	27,737	27,484	26,884	26,480	27,603	27,712	28,000	**334,366**
4 - 8 (per DU)	12.96	10,044	9,490	9,623	8,233	8,062	7,488	7,027	6,857	5,939	7,401	7,453	7,873	**95,490**
8 + (per DU)	23.98	4,609	4,146	3,556	3,080	2,814	2,348	2,648	2,230	1,413	2,438	2,211	2,404	**33,897**
5 + Units														
0 - 4 (per DU)	$4.44	40,097	38,802	39,595	38,974	38,937	38,776	38,245	38,657	37,579	38,802	38,702	38,812	**465,978**
4 - 8 (per DU)	12.96	9,466	9,161	9,712	8,308	8,423	7,450	6,955	7,566	5,926	7,032	7,473	6,978	**94,450**
8 + (per DU)	23.98	3,624	1,736	2,001	1,355	1,543	1,321	1,052	1,184	902	1,082	1,064	1,041	**17,905**
Total Metered Water Charge		**97,062**	**91,815**	**93,136**	**88,001**	**87,843**	**85,120**	**83,411**	**83,378**	**78,239**	**84,358**	**84,615**	**85,108**	1,042,086
Revenue														
Monthly Service Charge: 1 - 4 Units		$192,925	$192,925	$192,925	$192,925	$192,925	$192,925	$192,925	$192,925	$192,925	$192,925	$192,925	$192,925	**$2,315,099**
Monthly Service Charge: 5 + Units		117,607	117,607	117,607	117,607	117,607	117,607	117,607	117,607	117,607	117,607	117,607	117,607	**1,411,290**
Dwelling Units: 1 - 4 Units		0	0	0	0	0	0	0	0	0	0	0	0	**0**
Dwelling Units: 5 + Units		0	0	0	0	0	0	0	0	0	0	0	0	**0**
Metered Water Charge - 1 - 4 Units		370,440	348,863	337,189	305,105	296,567	276,502	276,598	261,707	228,424	276,938	272,652	284,002	**3,534,986**
Metered Water Charge - 5 + Units		387,614	332,637	349,653	313,209	319,044	300,395	285,172	298,085	265,282	289,362	294,202	287,723	**3,722,376**
Total Revenue		**$1,068,586**	**$992,032**	**$997,374**	**$928,846**	**$926,143**	**$887,429**	**$872,302**	**$870,324**	**$804,238**	**$876,832**	**$877,386**	**$882,258**	$10,983,750

Effective 7/1/2019		Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Total / Avg
Recycled Water														
Monthly Service Charge	*$ / Mtr*													
5/8"	$28.92	8	8	8	8	8	8	8	8	8	8	8	8	**8**
3/4"	42.10	15	15	15	15	15	15	15	15	15	15	15	15	**15**
1"	68.45	67	67	67	67	67	67	67	67	67	67	67	67	**67**
1 1/2"	134.34	18	18	18	18	18	18	18	18	18	18	18	18	**18**
2"	213.40	2	2	2	2	2	2	2	2	2	2	2	2	**2**
3"	463.80	1	1	1	1	1	1	1	1	1	1	1	1	**1**
4"	832.79	1	1	1	1	1	1	1	1	1	1	1	1	**1**
6"	1,715.72	0	0	0	0	0	0	0	0	0	0	0	0	**0**
8"	3,165.32	0	0	0	0	0	0	0	0	0	0	0	0	**0**
10"	4,979.80	0	0	0	0	0	0	0	0	0	0	0	0	**0**
Total Monthly Service Charge		**112**	**112**	**112**	**112**	**112**	**112**	**112**	**112**	**112**	**112**	**112**	**112**	**112**
Metered Water Charge	*$ / HCF*													
All Usage	$4.40	38,861	43,821	41,243	29,314	25,938	12,096	7,643	2,426	3,317	18,514	23,005	23,413	**269,591**
Total Metered Water Charge		**38,861**	**43,821**	**41,243**	**29,314**	**25,938**	**12,096**	**7,643**	**2,426**	**3,317**	**18,514**	**23,005**	**23,413**	**269,591**
Revenue														
Monthly Service Charge		$9,591	$9,591	$9,591	$9,591	$9,591	$9,591	$9,591	$9,591	$9,591	$9,591	$9,591	$9,591	**$115,086**
Metered Water Charge		170,988	192,812	181,469	128,982	114,127	53,222	33,629	10,674	14,595	81,462	101,222	103,017	**1,186,200**
Total Revenue		**$180,579**	**$202,403**	**$191,060**	**$138,572**	**$123,718**	**$62,813**	**$43,220**	**$20,265**	**$24,185**	**$91,052**	**$110,813**	**$112,608**	**$1,301,287**
Commercial														
Monthly Service Charge	*$ / Mtr*													
5/8"	$28.92	1,514	1,514	1,514	1,514	1,514	1,514	1,514	1,514	1,514	1,514	1,514	1,514	**1,514**
3/4"	42.10	103	103	103	103	103	103	103	103	103	103	103	103	**103**
1"	68.45	430	430	430	430	430	430	430	430	430	430	430	430	**430**
1 1/2"	134.34	207	207	207	207	207	207	207	207	207	207	207	207	**207**
2"	213.40	362	362	362	362	362	362	362	362	362	362	362	362	**362**
3"	463.80	14	14	14	14	14	14	14	14	14	14	14	14	**14**
4"	832.79	11	11	11	11	11	11	11	11	11	11	11	11	**11**
6"	1,715.72	10	10	10	10	10	10	10	10	10	10	10	10	**10**
8"	3,165.32	2	2	2	2	2	2	2	2	2	2	2	2	**2**
10"	4,979.80	0	0	0	0	0	0	0	0	0	0	0	0	**0**
Total Monthly Service Charge		**2,653**	**2,653**	**2,653**	**2,653**	**2,653**	**2,653**	**2,653**	**2,653**	**2,653**	**2,653**	**2,653**	**2,653**	**2,653**
Metered Water Charge	*$ / HCF*													
Up to Base Allotment	$7.01	56,051	56,719	57,209	55,861	55,607	55,018	52,273	52,654	51,837	58,158	59,219	57,966	**668,572**
Over Base Allotment	23.91	13,190	17,047	16,470	9,763	8,259	33,666	2,560	2,168	1,485	3,790	6,119	4,662	**119,179**
Total Metered Water Charge		**69,241**	**73,766**	**73,679**	**65,624**	**63,866**	**88,684**	**54,833**	**54,822**	**53,322**	**61,948**	**65,338**	**62,628**	**787,751**
Revenue														
Monthly Service Charge		$221,756	$221,756	$221,756	$221,756	$221,756	$221,756	$221,756	$221,756	$221,756	$221,756	$221,756	$221,756	**$2,661,067**
Metered Water Charge		708,290	805,194	794,833	625,019	587,278	1,190,630	427,643	420,941	398,884	498,306	561,430	517,810	**7,536,260**
Total Revenue		**$930,046**	**$1,026,950**	**$1,016,588**	**$846,775**	**$809,033**	**$1,412,386**	**$649,399**	**$642,697**	**$620,639**	**$720,062**	**$783,186**	**$739,566**	**$10,197,327**

Effective 7/1/2019		Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Total / Avg
Industrial														
Monthly Service Charge	*$ / Mtr*													
5/8"	$28.92	15	15	15	15	15	15	15	15	15	15	15	15	**15**
3/4"	42.10	9	9	9	9	9	9	9	9	9	9	9	9	**9**
1"	68.45	5	5	5	5	5	5	5	5	5	5	5	5	**5**
1 1/2"	134.34	21	21	21	21	21	21	21	21	21	21	21	21	**21**
2"	213.40	1	1	1	1	1	1	1	1	1	1	1	1	**1**
3"	463.80	0	0	0	0	0	0	0	0	0	0	0	0	**0**
4"	832.79	0	0	0	0	0	0	0	0	0	0	0	0	**0**
6"	1,715.72	2	2	2	2	2	2	2	2	2	2	2	2	**2**
8"	3,165.32	0	0	0	0	0	0	0	0	0	0	0	0	**0**
10"	4,979.80	0	0	0	0	0	0	0	0	0	0	0	0	**0**
Total Monthly Service Charge		**53**	**53**	**53**	**53**	**53**	**53**	**53**	**53**	**53**	**53**	**53**	**53**	**53**
Metered Water Charge	*$ / HCF*													
Up to Base Allotment	$7.01	6,589	6,069	6,517	6,514	6,309	6,025	5,764	5,870	5,518	6,611	6,516	6,674	**74,976**
Over Base Allotment	23.91	1,512	1,011	1,435	648	609	450	67	30	1	236	244	382	**6,625**
Total Metered Water Charge		**8,101**	**7,080**	**7,952**	**7,162**	**6,918**	**6,475**	**5,831**	**5,900**	**5,519**	**6,847**	**6,760**	**7,056**	**81,601**
Revenue														
Monthly Service Charge		$7,621	$7,621	$7,621	$7,621	$7,621	$7,621	$7,621	$7,621	$7,621	$7,621	$7,621	$7,621	**$91,451**
Metered Water Charge		82,341	66,717	79,995	61,157	58,787	52,995	42,008	41,866	38,705	51,986	51,511	55,918	**683,986**
Total Revenue		**$89,962**	**$74,338**	**$87,616**	**$68,778**	**$66,408**	**$60,616**	**$49,629**	**$49,487**	**$46,326**	**$59,607**	**$59,132**	**$63,539**	**$775,437**
Irrigation Agriculture														
Monthly Service Charge	*$ / Mtr*													
5/8"	$28.92	13	13	13	13	13	13	13	13	13	13	13	13	**13**
3/4"	42.10	34	34	34	34	34	34	34	34	34	34	34	34	**34**
1"	68.45	3	3	3	3	3	3	3	3	3	3	3	3	**3**
1 1/2"	134.34	14	14	14	14	14	14	14	14	14	14	14	14	**14**
2"	213.40	0	0	0	0	0	0	0	0	0	0	0	0	**0**
3"	463.80	0	0	0	0	0	0	0	0	0	0	0	0	**0**
4"	832.79	0	0	0	0	0	0	0	0	0	0	0	0	**0**
6"	1,715.72	0	0	0	0	0	0	0	0	0	0	0	0	**0**
8"	3,165.32	0	0	0	0	0	0	0	0	0	0	0	0	**0**
10"	4,979.80	0	0	0	0	0	0	0	0	0	0	0	0	**0**
Total Monthly Service Charge		**64**	**64**	**64**	**64**	**64**	**64**	**64**	**64**	**64**	**64**	**64**	**64**	**64**
Metered Water Charge	*$ / HCF*													
Up to Monthly Budget	$3.01	6,753	7,451	5,179	6,696	4,976	2,040	1,536	603	796	3,060	2,662	3,618	**45,370**
Over Monthly Budget	23.98	745	1,630	471	800	458	0	0	0	56	91	0	85	**4,336**
Total Metered Water Charge		**7,498**	**9,081**	**5,650**	**7,496**	**5,434**	**2,040**	**1,536**	**603**	**852**	**3,151**	**2,662**	**3,703**	**49,706**
Revenue														
Monthly Service Charge		$3,893	$3,893	$3,893	$3,893	$3,893	$3,893	$3,893	$3,893	$3,893	$3,893	$3,893	$3,893	**$46,722**
Metered Water Charge		38,192	61,515	26,883	39,339	25,961	6,140	4,623	1,815	3,739	11,393	8,013	12,928	**240,541**
Total Revenue		**$42,085**	**$65,408**	**$30,777**	**$43,232**	**$29,854**	**$10,034**	**$8,517**	**$5,709**	**$7,632**	**$15,286**	**$11,906**	**$16,822**	**$287,263**

Effective 7/1/2019		Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Total / Avg
Irrigation Recreation														
Monthly Service Charge	*$ / Mtr*													
5/8"	$28.92	45	45	45	45	45	45	45	45	45	45	45	45	**45**
3/4"	42.10	4	4	4	4	4	4	4	4	4	4	4	4	**4**
1"	68.45	39	39	39	39	39	39	39	39	39	39	39	39	**39**
1 1/2"	134.34	16	16	16	16	16	16	16	16	16	16	16	16	**16**
2"	213.40	42	42	42	42	42	42	42	42	42	42	42	42	**42**
3"	463.80	3	3	3	3	3	3	3	3	3	3	3	3	**3**
4"	832.79	3	3	3	3	3	3	3	3	3	3	3	3	**3**
6"	1,715.72	0	0	0	0	0	0	0	0	0	0	0	0	**0**
8"	3,165.32	0	0	0	0	0	0	0	0	0	0	0	0	**0**
10"	4,979.80	0	0	0	0	0	0	0	0	0	0	0	0	**0**
Total Monthly Service Charge		**152**	**152**	**152**	**152**	**152**	**152**	**152**	**152**	**152**	**152**	**152**	**152**	**152**
Metered Water Charge	*$ / HCF*													
Up to Monthly Budget	$4.88	5,131	5,310	5,055	4,143	4,156	1,980	1,152	502	686	3,056	3,098	3,344	**37,613**
Over Monthly Budget	23.98	2,669	3,680	3,028	1,501	1,285	109	693	139	84	546	296	182	**14,212**
Total Metered Water Charge		**7,800**	**8,990**	**8,083**	**5,644**	**5,441**	**2,089**	**1,845**	**641**	**770**	**3,602**	**3,394**	**3,526**	**51,825**
Revenue														
Monthly Service Charge		$19,141	$19,141	$19,141	$19,141	$19,141	$19,141	$19,141	$19,141	$19,141	$19,141	$19,141	$19,141	**$229,696**
Metered Water Charge		89,042	114,159	97,280	56,212	51,096	12,276	22,240	5,783	5,362	28,006	22,216	20,683	**524,355**
Total Revenue		**$108,183**	**$133,301**	**$116,421**	**$75,353**	**$70,237**	**$31,418**	**$41,381**	**$24,924**	**$24,503**	**$47,148**	**$41,358**	**$39,824**	**$754,052**
Irrigation Urban														
Monthly Service Charge	*$ / Mtr*													
5/8"	$28.92	303	303	303	303	303	303	303	303	303	303	303	303	**303**
3/4"	42.10	15	15	15	15	15	15	15	15	15	15	15	15	**15**
1"	68.45	165	165	165	165	165	165	165	165	165	165	165	165	**165**
1 1/2"	134.34	41	41	41	41	41	41	41	41	41	41	41	41	**41**
2"	213.40	112	112	112	112	112	112	112	112	112	112	112	112	**112**
3"	463.80	1	1	1	1	1	1	1	1	1	1	1	1	**1**
4"	832.79	0	0	0	0	0	0	0	0	0	0	0	0	**0**
6"	1,715.72	0	0	0	0	0	0	0	0	0	0	0	0	**0**
8"	3,165.32	0	0	0	0	0	0	0	0	0	0	0	0	**0**
10"	4,979.80	0	0	0	0	0	0	0	0	0	0	0	0	**0**
Total Monthly Service Charge		**637**	**637**	**637**	**637**	**637**	**637**	**637**	**637**	**637**	**637**	**637**	**637**	**637**
Metered Water Charge	*$ / HCF*													
Up to Monthly Budget	$12.96	7,659	7,923	7,205	7,586	7,010	12,287	3,085	1,213	1,373	5,131	6,283	6,185	**72,940**
Over Monthly Budget	23.98	11,455	8,915	7,064	5,314	4,469	1,919	1,043	383	458	2,246	3,106	3,065	**49,437**
Total Metered Water Charge		**19,114**	**16,838**	**14,269**	**12,900**	**11,479**	**14,206**	**4,128**	**1,596**	**1,831**	**7,377**	**9,389**	**9,250**	**122,377**
Revenue														
Monthly Service Charge		$50,561	$50,561	$50,561	$50,561	$50,561	$50,561	$50,561	$50,561	$50,561	$50,561	$50,561	$50,561	**$606,733**
Metered Water Charge		373,952	316,464	262,772	225,744	198,016	205,257	64,993	24,905	28,777	120,357	155,910	153,656	**2,130,802**
Total Revenue		**$424,513**	**$367,025**	**$313,333**	**$276,305**	**$248,577**	**$255,818**	**$115,554**	**$75,466**	**$79,338**	**$170,918**	**$206,471**	**$204,217**	**$2,737,534**

Effective 7/1/2019		Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Total / Avg
Bird Refuge														
Monthly Service Charge	*$ / Mtr*													
5/8"	$28.92	0	0	0	0	0	0	0	0	0	0	0	0	**0**
3/4"	42.10	0	0	0	0	0	0	0	0	0	0	0	0	**0**
1"	68.45	0	0	0	0	0	0	0	0	0	0	0	0	**0**
1 1/2"	134.34	0	0	0	0	0	0	0	0	0	0	0	0	**0**
2"	213.40	0	0	0	0	0	0	0	0	0	0	0	0	**0**
3"	463.80	0	0	0	0	0	0	0	0	0	0	0	0	**0**
4"	832.79	1	1	1	1	1	1	1	1	1	1	1	1	**1**
6"	1,715.72	0	0	0	0	0	0	0	0	0	0	0	0	**0**
8"	3,165.32	0	0	0	0	0	0	0	0	0	0	0	0	**0**
10"	4,979.80	0	0	0	0	0	0	0	0	0	0	0	0	**0**
Total Monthly Service Charge		**1**	**1**	**1**	**1**	**1**	**1**	**1**	**1**	**1**	**1**	**1**	**1**	**1**
Metered Water Charge	*$ / HCF*													
Up to Base Allotment	$7.01	0	0	1	0	0	0	0	0	0	0	0	0	**1**
Over Base Allotment	23.91	0	0	0	0	0	0	0	0	0	0	0	0	**0**
Total Metered Water Charge		**0**	**0**	**1**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**1**
Revenue														
Monthly Service Charge		$833	$833	$833	$833	$833	$833	$833	$833	$833	$833	$833	$833	**$9,993**
Metered Water Charge		0	0	7	0	0	0	0	0	0	0	0	0	**7**
Total Revenue		**$833**	**$833**	**$840**	**$833**	**$833**	**$833**	**$833**	**$833**	**$833**	**$833**	**$833**	**$833**	**$10,000**
Mission Canyon														
Monthly Service Charge	*$ / Mtr*													
5/8"	$28.92		0	0	0	0	0	0	0	0	0	0	0	**0**
3/4"	42.10		0	0	0	0	0	0	0	0	0	0	0	**0**
1"	68.45		0	0	0	0	0	0	0	0	0	0	0	**0**
1 1/2"	134.34		0	0	0	0	0	0	0	0	0	0	0	**0**
2"	213.40		0	0	0	0	0	0	0	0	0	0	0	**0**
3"	463.80		0	0	0	0	0	0	0	0	0	0	0	**0**
4"	832.79		0	0	0	0	0	0	0	0	0	0	0	**0**
6"	1,715.72		0	0	0	0	0	0	0	0	0	0	0	**0**
8"	3,165.32		0	0	0	0	0	0	0	0	0	0	0	**0**
10"	4,979.80		0	0	0	0	0	0	0	0	0	0	0	**0**
Total Monthly Service Charge		**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Metered Water Charge	*$ / 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 7/1/2019		Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Total / Avg
Private Fire Service														
Monthly Service Charge	*$ / Mtr*													
1"	$3.14	0	0	0	0	0	0	0	0	0	0	0	0	**0**
1 1/2"	4.24	0	0	0	0	0	0	0	0	0	0	0	0	**0**
2"	6.14	175	175	175	175	175	175	175	175	175	175	175	175	**175**
4"	24.70	272	272	272	272	272	272	272	272	272	272	272	272	**272**
6"	66.89	96	96	96	96	96	96	96	96	96	96	96	96	**96**
8"	139.63	28	28	28	28	28	28	28	28	28	28	28	28	**28**
10"	249.06	2	2	2	2	2	2	2	2	2	2	2	2	**2**
12"	400.73	1	1	1	1	1	1	1	1	1	1	1	1	**1**
Total Monthly Service Charge		**574**	**574**	**574**	**574**	**574**	**574**	**574**	**574**	**574**	**574**	**574**	**574**	**574**
Revenue		**$19,023**	**$19,023**	**$19,023**	**$19,023**	**$19,023**	**$19,023**	**$19,023**	**$19,023**	**$19,023**	**$19,023**	**$19,023**	**$19,023**	**$228,274**

Effective 7/1/2019	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Total / Avg
Summary													
Number of Customers													
Single Family Residential	16,920	16,920	16,920	16,920	16,920	16,920	16,920	16,920	16,920	16,920	16,920	16,920	**16,920**
Multi-Family Residential	6,671	6,671	6,671	6,671	6,671	6,671	6,671	6,671	6,671	6,671	6,671	6,671	**6,671**
Recycled Water	112	112	112	112	112	112	112	112	112	112	112	112	**112**
Commercial	2,653	2,653	2,653	2,653	2,653	2,653	2,653	2,653	2,653	2,653	2,653	2,653	**2,653**
Industrial	53	53	53	53	53	53	53	53	53	53	53	53	**53**
Irrigation Agriculture	64	64	64	64	64	64	64	64	64	64	64	64	**64**
Irrigation Recreation	152	152	152	152	152	152	152	152	152	152	152	152	**152**
Irrigation Urban	637	637	637	637	637	637	637	637	637	637	637	637	**637**
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	574	574	574	574	574	574	574	574	574	574	574	574	**574**
Total	**27,837**	**27,837**	**27,837**	**27,837**	**27,837**	**27,837**	**27,837**	**27,837**	**27,837**	**27,837**	**27,837**	**27,837**	**27,837**
Consumption (HCF)													
Single Family Residential	189,443	199,429	146,113	174,671	144,064	114,958	110,745	78,037	88,261	124,887	133,544	136,955	**1,641,107**
Multi-Family Residential	97,062	91,815	93,136	88,001	87,843	85,120	83,411	83,378	78,239	84,358	84,615	85,108	**1,042,086**
Recycled Water	38,861	43,821	41,243	29,314	25,938	12,096	7,643	2,426	3,317	18,514	23,005	23,413	**269,591**
Commercial	69,241	73,766	73,679	65,624	63,866	88,684	54,833	54,822	53,322	61,948	65,338	62,628	**787,751**
Industrial	8,101	7,080	7,952	7,162	6,918	6,475	5,831	5,900	5,519	6,847	6,760	7,056	**81,601**
Irrigation Agriculture	7,498	9,081	5,650	7,496	5,434	2,040	1,536	603	852	3,151	2,662	3,703	**49,706**
Irrigation Recreation	7,800	8,990	8,083	5,644	5,441	2,089	1,845	641	770	3,602	3,394	3,526	**51,825**
Irrigation Urban	19,114	16,838	14,269	12,900	11,479	14,206	4,128	1,596	1,831	7,377	9,389	9,250	**122,377**
Bird Refuge	0	0	1	0	0	0	0	0	0	0	0	0	**1**
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	**437,120**	**450,820**	**390,126**	**390,812**	**350,983**	**325,668**	**269,972**	**227,403**	**232,111**	**310,684**	**328,707**	**331,639**	**4,046,045**
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	$2,993,201	$3,209,389	$2,347,543	$2,757,943	$2,236,340	$1,713,746	$1,671,572	$1,279,916	$1,365,051	$1,905,251	$2,022,869	$2,071,723	**$25,574,542**
Multi-Family Residential	1,068,586	992,032	997,374	928,846	926,143	887,429	872,302	870,324	804,238	876,832	877,386	882,258	**10,983,750**
Recycled Water	$180,579	$202,403	$191,060	$138,572	$123,718	$62,813	$43,220	$20,265	$24,185	$91,052	$110,813	$112,608	**1,301,287**
Commercial	930,046	1,026,950	1,016,588	846,775	809,033	1,412,386	649,399	642,697	620,639	720,062	783,186	739,566	**10,197,327**
Industrial	89,962	74,338	87,616	68,778	66,408	60,616	49,629	49,487	46,326	59,607	59,132	63,539	**775,437**
Irrigation Agriculture	42,085	65,408	30,777	43,232	29,854	10,034	8,517	5,709	7,632	15,286	11,906	16,822	**287,263**
Irrigation Recreation	108,183	133,301	116,421	75,353	70,237	31,418	41,381	24,924	24,503	47,148	41,358	39,824	**754,052**
Irrigation Urban	424,513	367,025	313,333	276,305	248,577	255,818	115,554	75,466	79,338	170,918	206,471	204,217	**2,737,534**
Bird Refuge	833	833	840	833	833	833	833	833	833	833	833	833	**10,000**
Mission Canyon	0	0	0	0	0	0	0	0	0	0	0	0	**0**
Private Fire Service	19,023	19,023	19,023	19,023	19,023	19,023	19,023	19,023	19,023	19,023	19,023	19,023	**228,274**
Total	**$5,857,010**	**$6,090,700**	**$5,120,575**	**$5,155,660**	**$4,530,166**	**$4,454,115**	**$3,471,428**	**$2,988,643**	**$2,991,769**	**$3,906,011**	**$4,132,975**	**$4,150,413**	**$52,849,465**

FY 2020 Budget	**$54,921,409**
Difference	*($2,071,944)*
Percent	*-3.8%*
FY 2019 Actual	**$54,622,049**
Difference	*($1,772,584)*
Percent	*-3.2%*

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		Exhibit 5 - RPR	*Projected*									
		FY 2020	**FY 2021**	**FY 2022**	**FY 2023**	**FY 2024**	**FY 2025**	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**	***Notes***
Single Family Residential												
Monthly Service Charge												
5/8"	$28.92	13,342	13,342	13,342	13,342	13,342	13,342	13,342	13,342	13,342	13,342	As SFR Cust. Growth
3/4"	42.10	928	928	928	928	928	928	928	928	928	928	As SFR Cust. Growth
1"	68.45	2,405	2,405	2,405	2,405	2,405	2,405	2,405	2,405	2,405	2,405	As SFR Cust. Growth
1 1/2"	134.34	163	163	163	163	163	163	163	163	163	163	As SFR Cust. Growth
2"	213.40	82	82	82	82	82	82	82	82	82	82	As SFR Cust. Growth
3"	463.80	0	0	0	0	0	0	0	0	0	0	As SFR Cust. Growth
4"	832.79	0	0	0	0	0	0	0	0	0	0	As SFR Cust. Growth
6"	1,715.72	0	0	0	0	0	0	0	0	0	0	As SFR Cust. Growth
8"	3,165.32	0	0	0	0	0	0	0	0	0	0	As SFR Cust. Growth
10"	4,979.80	0	0	0	0	0	0	0	0	0	0	As SFR Cust. Growth
		16,920	**16,920**	**16,920**	**16,920**	**16,920**	**16,920**	**16,920**	**16,920**	**16,920**	**16,920**	
Revenue		*$7,547,255*	*$7,547,255*	*$7,547,255*	*$7,547,255*	*$7,547,255*	*$7,547,255*	*$7,547,255*	*$7,547,255*	*$7,547,255*	*$7,547,255*	
Metered Water Charge												
0 - 4	$4.44	648,965	648,965	648,965	648,965	655,454	662,009	668,629	675,315	675,315	675,315	As SFR Cons. Growth
4 - 16	12.96	707,135	707,135	707,135	707,135	714,206	721,348	728,562	735,848	735,848	735,848	As SFR Cons. Growth
16 +	23.98	219,363	219,363	219,363	219,363	221,557	223,772	226,010	228,270	228,270	228,270	As SFR Cons. Growth
		1,575,463	**1,575,463**	**1,575,463**	**1,575,463**	**1,591,217**	**1,607,130**	**1,623,201**	**1,639,433**	**1,639,433**	**1,639,433**	
Revenue		*$17,306,196*	*$17,306,196*	*$17,306,196*	*$17,306,196*	*$17,479,258*	*$17,654,050*	*$17,830,591*	*$18,008,897*	*$18,008,897*	*$18,008,897*	
Total Revenue		**$24,853,451**	**$24,853,451**	**$24,853,451**	**$24,853,451**	**$25,026,513**	**$25,201,305**	**$25,377,846**	**$25,556,152**	**$25,556,152**	**$25,556,152**	

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		Exhibit 5 - RPR	*Projected*									
		FY 2020	**FY 2021**	**FY 2022**	**FY 2023**	**FY 2024**	**FY 2025**	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**	***Notes***
Multi-Family Residential												
Monthly Service Charge												
1 - 4 Units												
5/8"	$28.92	4,580	4,580	4,580	4,580	4,580	4,580	4,580	4,580	4,580	4,580	As MFR Cust. Growth
3/4"	42.10	207	207	207	207	207	207	207	207	207	207	As MFR Cust. Growth
1"	68.45	626	626	626	626	626	626	626	626	626	626	As MFR Cust. Growth
1 1/2"	134.34	25	25	25	25	25	25	25	25	25	25	As MFR Cust. Growth
2"	213.40	26	26	26	26	26	26	26	26	26	26	As MFR Cust. Growth
3"	463.80	0	0	0	0	0	0	0	0	0	0	As MFR Cust. Growth
4"	832.79	0	0	0	0	0	0	0	0	0	0	As MFR Cust. Growth
6"	1,715.72	0	0	0	0	0	0	0	0	0	0	As MFR Cust. Growth
8"	3,165.32	0	0	0	0	0	0	0	0	0	0	As MFR Cust. Growth
10"	4,979.80	0	0	0	0	0	0	0	0	0	0	As MFR Cust. Growth
5 + Units												
5/8"	$28.92	462	462	462	462	462	462	462	462	462	462	As MFR Cust. Growth
3/4"	42.10	16	16	16	16	16	16	16	16	16	16	As MFR Cust. Growth
1"	68.45	231	231	231	231	231	231	231	231	231	231	As MFR Cust. Growth
1 1/2"	134.34	318	318	318	318	318	318	318	318	318	318	As MFR Cust. Growth
2"	213.40	170	170	170	170	170	170	170	170	170	170	As MFR Cust. Growth
3"	463.80	6	6	6	6	6	6	6	6	6	6	As MFR Cust. Growth
4"	832.79	1	1	1	1	1	1	1	1	1	1	As MFR Cust. Growth
6"	1,715.72	3	3	3	3	3	3	3	3	3	3	As MFR Cust. Growth
8"	3,165.32	0	0	0	0	0	0	0	0	0	0	As MFR Cust. Growth
10"	4,979.80	0	0	0	0	0	0	0	0	0	0	As MFR Cust. Growth
		6,671	**6,671**	**6,671**	**6,671**	**6,671**	**6,671**	**6,671**	**6,671**	**6,671**	**6,671**	
Revenue		*$3,726,388*	*$3,726,388*	*$3,726,388*	*$3,726,388*	*$3,726,388*	*$3,726,388*	*$3,726,388*	*$3,726,388*	*$3,726,388*	*$3,726,388*	
Dwelling Units												
1 - 4 Units	$0.00	9,128	9,128	9,128	9,128	9,128	9,128	9,128	9,128	9,128	9,128	As MFR Cust. Growth
5 + Units	0.00	12,616	12,616	12,616	12,616	12,616	12,616	12,616	12,616	12,616	12,616	As MFR Cust. Growth
		21,744	**21,744**	**21,744**	**21,744**	**21,744**	**21,744**	**21,744**	**21,744**	**21,744**	**21,744**	
Revenue		*$0*	*$0*	*$0*	*$0*	*$0*	*$0*	*$0*	*$0*	*$0*	*$0*	
Metered Water Charge												
1 - 4 Units												
0 - 4 (per DU)	$4.44	320,991	320,991	320,991	320,991	324,201	327,443	330,718	334,025	334,025	334,025	As MFR Cons. Growth
4 - 8 (per DU)	12.96	91,670	91,670	91,670	91,670	92,587	93,513	94,448	95,393	95,393	95,393	As MFR Cons. Growth
8 + (per DU)	23.98	32,541	32,541	32,541	32,541	32,867	33,195	33,527	33,862	33,862	33,862	As MFR Cons. Growth
5 + Units												
0 - 4 (per DU)	$4.44	447,339	447,339	447,339	447,339	451,812	456,330	460,894	465,503	465,503	465,503	As MFR Cons. Growth
4 - 8 (per DU)	12.96	90,672	90,672	90,672	90,672	91,579	92,495	93,419	94,354	94,354	94,354	As MFR Cons. Growth
8 + (per DU)	23.98	17,189	17,189	17,189	17,189	17,361	17,534	17,710	17,887	17,887	17,887	As MFR Cons. Growth
		1,000,403	**1,000,403**	**1,000,403**	**1,000,403**	**1,010,407**	**1,020,511**	**1,030,716**	**1,041,023**	**1,041,023**	**1,041,023**	
Revenue		*$6,967,067*	*$6,967,067*	*$6,967,067*	*$6,967,067*	*$7,036,738*	*$7,107,105*	*$7,178,176*	*$7,249,958*	*$7,249,958*	*$7,249,958*	
Total Revenue		**$10,693,456**	**$10,693,456**	**$10,693,456**	**$10,693,456**	**$10,763,126**	**$10,833,494**	**$10,904,565**	**$10,976,347**	**$10,976,347**	**$10,976,347**	

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		Exhibit 5 - RPR	*Projected*									
		FY 2020	**FY 2021**	**FY 2022**	**FY 2023**	**FY 2024**	**FY 2025**	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**	***Notes***
Recycled Water												
Monthly Service Charge												
5/8"	$28.92	8	8	8	8	8	8	8	8	8	8	As Recycled Cust. Growth
3/4"	42.10	15	15	15	15	15	15	15	15	15	15	As Recycled Cust. Growth
1"	68.45	67	67	67	67	67	67	67	67	67	67	As Recycled Cust. Growth
1 1/2"	134.34	18	18	18	18	18	18	18	18	18	18	As Recycled Cust. Growth
2"	213.40	2	2	2	2	2	2	2	2	2	2	As Recycled Cust. Growth
3"	463.80	1	1	1	1	1	1	1	1	1	1	As Recycled Cust. Growth
4"	832.79	1	1	1	1	1	1	1	1	1	1	As Recycled Cust. Growth
6"	1,715.72	0	0	0	0	0	0	0	0	0	0	As Recycled Cust. Growth
8"	3,165.32	0	0	0	0	0	0	0	0	0	0	As Recycled Cust. Growth
10"	4,979.80	0	0	0	0	0	0	0	0	0	0	As Recycled Cust. Growth
		112	**112**	**112**	**112**	**112**	**112**	**112**	**112**	**112**	**112**	
Revenue		*$115,086*	*$115,086*	*$115,086*	*$115,086*	*$115,086*	*$115,086*	*$115,086*	*$115,086*	*$115,086*	*$115,086*	
Metered Water Charge												
All Usage	$4.40	258,807	258,807	258,807	258,807	261,395	264,009	266,649	269,316	269,316	269,316	As Recycled Cons. Growth
		258,807	**258,807**	**258,807**	**258,807**	**261,395**	**264,009**	**266,649**	**269,316**	**269,316**	**269,316**	
		$1,138,752	*$1,138,752*	*$1,138,752*	*$1,138,752*	*$1,150,140*	*$1,161,641*	*$1,173,258*	*$1,184,990*	*$1,184,990*	*$1,184,990*	
Total Revenue		**$1,253,839**	**$1,253,839**	**$1,253,839**	**$1,253,839**	**$1,265,226**	**$1,276,728**	**$1,288,344**	**$1,300,076**	**$1,300,076**	**$1,300,076**	
Commercial												
Monthly Service Charge												
5/8"	$28.92	1,514	1,514	1,514	1,514	1,514	1,514	1,514	1,514	1,514	1,514	As Com Cust. Growth
3/4"	42.10	103	103	103	103	103	103	103	103	103	103	As Com Cust. Growth
1"	68.45	430	430	430	430	430	430	430	430	430	430	As Com Cust. Growth
1 1/2"	134.34	207	207	207	207	207	207	207	207	207	207	As Com Cust. Growth
2"	213.40	362	362	362	362	362	362	362	362	362	362	As Com Cust. Growth
3"	463.80	14	14	14	14	14	14	14	14	14	14	As Com Cust. Growth
4"	832.79	11	11	11	11	11	11	11	11	11	11	As Com Cust. Growth
6"	1,715.72	10	10	10	10	10	10	10	10	10	10	As Com Cust. Growth
8"	3,165.32	2	2	2	2	2	2	2	2	2	2	As Com Cust. Growth
10"	4,979.80	0	0	0	0	0	0	0	0	0	0	As Com Cust. Growth
		2,653	**2,653**	**2,653**	**2,653**	**2,653**	**2,653**	**2,653**	**2,653**	**2,653**	**2,653**	
Revenue		*$2,661,067*	*$2,661,067*	*$2,661,067*	*$2,661,067*	*$2,661,067*	*$2,661,067*	*$2,661,067*	*$2,661,067*	*$2,661,067*	*$2,661,067*	
Metered Water Charge												
Up to Base Allotment	$7.01	613,749	613,749	613,749	613,749	622,955	632,300	641,784	651,411	651,411	651,411	As Com Cons. Growth
Over Base Allotment	23.91	109,406	109,406	109,406	109,406	111,047	112,713	114,404	116,120	116,120	116,120	As Com Cons. Growth
		723,155	**723,155**	**723,155**	**723,155**	**734,003**	**745,013**	**756,188**	**767,531**	**767,531**	**767,531**	
Revenue		*$6,918,286*	*$6,918,286*	*$6,918,286*	*$6,918,286*	*$7,022,061*	*$7,127,391*	*$7,234,302*	*$7,342,817*	*$7,342,817*	*$7,342,817*	
Total Revenue		**$9,579,353**	**$9,579,353**	**$9,579,353**	**$9,579,353**	**$9,683,128**	**$9,788,458**	**$9,895,369**	**$10,003,884**	**$10,003,884**	**$10,003,884**	

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		Exhibit 5 - RPR	*Projected*									
		FY 2020	**FY 2021**	**FY 2022**	**FY 2023**	**FY 2024**	**FY 2025**	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**	***Notes***
Industrial												
Monthly Service Charge												
5/8"	$28.92	15	15	15	15	15	15	15	15	15	15	As Ind Cust. Growth
3/4"	42.10	9	9	9	9	9	9	9	9	9	9	As Ind Cust. Growth
1"	68.45	5	5	5	5	5	5	5	5	5	5	As Ind Cust. Growth
1 1/2"	134.34	21	21	21	21	21	21	21	21	21	21	As Ind Cust. Growth
2"	213.40	1	1	1	1	1	1	1	1	1	1	As Ind Cust. Growth
3"	463.80	0	0	0	0	0	0	0	0	0	0	As Ind Cust. Growth
4"	832.79	0	0	0	0	0	0	0	0	0	0	As Ind Cust. Growth
6"	1,715.72	2	2	2	2	2	2	2	2	2	2	As Ind Cust. Growth
8"	3,165.32	0	0	0	0	0	0	0	0	0	0	As Ind Cust. Growth
10"	4,979.80	0	0	0	0	0	0	0	0	0	0	As Ind Cust. Growth
		53	**53**	**53**	**53**	**53**	**53**	**53**	**53**	**53**	**53**	
Revenue		*$91,451*	*$91,451*	*$91,451*	*$91,451*	*$91,451*	*$91,451*	*$91,451*	*$91,451*	*$91,451*	*$91,451*	
Metered Water Charge												
Up to Base Allotment	$7.01	68,828	68,828	68,828	68,828	69,860	70,908	71,972	73,052	73,052	73,052	As Ind Cons. Growth
Over Base Allotment	23.91	6,082	6,082	6,082	6,082	6,173	6,266	6,360	6,455	6,455	6,455	As Ind Cons. Growth
		74,910	**74,910**	**74,910**	**74,910**	**76,033**	**77,174**	**78,331**	**79,506**	**79,506**	**79,506**	
Revenue		*$627,899*	*$627,899*	*$627,899*	*$627,899*	*$637,317*	*$646,877*	*$656,580*	*$666,429*	*$666,429*	*$666,429*	
Total Revenue		**$719,350**	**$719,350**	**$719,350**	**$719,350**	**$728,768**	**$738,328**	**$748,031**	**$757,880**	**$757,880**	**$757,880**	
Irrigation Agriculture												
Monthly Service Charge												
5/8"	$28.92	13	13	13	13	13	13	13	13	13	13	As Irr Cust. Growth
3/4"	42.10	34	34	34	34	34	34	34	34	34	34	As Irr Cust. Growth
1"	68.45	3	3	3	3	3	3	3	3	3	3	As Irr Cust. Growth
1 1/2"	134.34	14	14	14	14	14	14	14	14	14	14	As Irr Cust. Growth
2"	213.40	0	0	0	0	0	0	0	0	0	0	As Irr Cust. Growth
3"	463.80	0	0	0	0	0	0	0	0	0	0	As Irr Cust. Growth
4"	832.79	0	0	0	0	0	0	0	0	0	0	As Irr Cust. Growth
6"	1,715.72	0	0	0	0	0	0	0	0	0	0	As Irr Cust. Growth
8"	3,165.32	0	0	0	0	0	0	0	0	0	0	As Irr Cust. Growth
10"	4,979.80	0	0	0	0	0	0	0	0	0	0	As Irr Cust. Growth
		64	**64**	**64**	**64**	**64**	**64**	**64**	**64**	**64**	**64**	
Revenue		*$46,722*	*$46,722*	*$46,722*	*$46,722*	*$46,722*	*$46,722*	*$46,722*	*$46,722*	*$46,722*	*$46,722*	
Metered Water Charge												
Up to Monthly Budget	$3.01	43,555	43,555	43,555	43,555	43,991	44,431	44,875	45,324	45,324	45,324	As Irr Cons. Growth
Over Monthly Budget	23.98	4,163	4,163	4,163	4,163	4,204	4,246	4,289	4,332	4,332	4,332	As Irr Cons. Growth
		47,718	**47,718**	**47,718**	**47,718**	**48,195**	**48,677**	**49,164**	**49,655**	**49,655**	**49,655**	
Revenue		*$230,919*	*$230,919*	*$230,919*	*$230,919*	*$233,229*	*$235,561*	*$237,916*	*$240,296*	*$240,296*	*$240,296*	
Total Revenue		**$277,641**	**$277,641**	**$277,641**	**$277,641**	**$279,950**	**$282,283**	**$284,638**	**$287,017**	**$287,017**	**$287,017**	

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

		Exhibit 5 - RPR	*Projected*									
		FY 2020	**FY 2021**	**FY 2022**	**FY 2023**	**FY 2024**	**FY 2025**	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**	***Notes***
Irrigation Recreation												
Monthly Service Charge												
5/8"	$28.92	45	45	45	45	45	45	45	45	45	45	As Irr Cust. Growth
3/4"	42.10	4	4	4	4	4	4	4	4	4	4	As Irr Cust. Growth
1"	68.45	39	39	39	39	39	39	39	39	39	39	As Irr Cust. Growth
1 1/2"	134.34	16	16	16	16	16	16	16	16	16	16	As Irr Cust. Growth
2"	213.40	42	42	42	42	42	42	42	42	42	42	As Irr Cust. Growth
3"	463.80	3	3	3	3	3	3	3	3	3	3	As Irr Cust. Growth
4"	832.79	3	3	3	3	3	3	3	3	3	3	As Irr Cust. Growth
6"	1,715.72	0	0	0	0	0	0	0	0	0	0	As Irr Cust. Growth
8"	3,165.32	0	0	0	0	0	0	0	0	0	0	As Irr Cust. Growth
10"	4,979.80	0	0	0	0	0	0	0	0	0	0	As Irr Cust. Growth
		152	**152**	**152**	**152**	**152**	**152**	**152**	**152**	**152**	**152**	
Revenue		*$229,696*	*$229,696*	*$229,696*	*$229,696*	*$229,696*	*$229,696*	*$229,696*	*$229,696*	*$229,696*	*$229,696*	
Metered Water Charge												
Up to Monthly Budget	$4.88	36,108	36,108	36,108	36,108	36,470	36,834	37,203	37,575	37,575	37,575	As Irr Cons. Growth
Over Monthly Budget	23.98	13,644	13,644	13,644	13,644	13,780	13,918	14,057	14,198	14,198	14,198	As Irr Cons. Growth
		49,752	**49,752**	**49,752**	**49,752**	**50,250**	**50,752**	**51,260**	**51,772**	**51,772**	**51,772**	
Revenue		*$503,381*	*$503,381*	*$503,381*	*$503,381*	*$508,415*	*$513,499*	*$518,634*	*$523,820*	*$523,820*	*$523,820*	
Total Revenue		**$733,077**	**$733,077**	**$733,077**	**$733,077**	**$738,111**	**$743,195**	**$748,330**	**$753,517**	**$753,517**	**$753,517**	
Irrigation Urban												
Monthly Service Charge												
5/8"	$28.92	303	303	303	303	303	303	303	303	303	303	As Irr Cust. Growth
3/4"	42.10	15	15	15	15	15	15	15	15	15	15	As Irr Cust. Growth
1"	68.45	165	165	165	165	165	165	165	165	165	165	As Irr Cust. Growth
1 1/2"	134.34	41	41	41	41	41	41	41	41	41	41	As Irr Cust. Growth
2"	213.40	112	112	112	112	112	112	112	112	112	112	As Irr Cust. Growth
3"	463.80	1	1	1	1	1	1	1	1	1	1	As Irr Cust. Growth
4"	832.79	0	0	0	0	0	0	0	0	0	0	As Irr Cust. Growth
6"	1,715.72	0	0	0	0	0	0	0	0	0	0	As Irr Cust. Growth
8"	3,165.32	0	0	0	0	0	0	0	0	0	0	As Irr Cust. Growth
10"	4,979.80	0	0	0	0	0	0	0	0	0	0	As Irr Cust. Growth
		637	**637**	**637**	**637**	**637**	**637**	**637**	**637**	**637**	**637**	
Revenue		*$606,733*	*$606,733*	*$606,733*	*$606,733*	*$606,733*	*$606,733*	*$606,733*	*$606,733*	*$606,733*	*$606,733*	
Metered Water Charge												
Up to Monthly Budget	$12.96	70,022	70,022	70,022	70,022	70,723	71,430	72,144	72,866	72,866	72,866	As Irr Cons. Growth
Over Monthly Budget	23.98	47,460	47,460	47,460	47,460	47,934	48,413	48,898	49,387	49,387	49,387	As Irr Cons. Growth
		117,482	**117,482**	**117,482**	**117,482**	**118,657**	**119,843**	**121,042**	**122,252**	**122,252**	**122,252**	
Revenue		*$2,045,570*	*$2,045,570*	*$2,045,570*	*$2,045,570*	*$2,066,025*	*$2,086,686*	*$2,107,552*	*$2,128,628*	*$2,128,628*	*$2,128,628*	
Total Revenue		**$2,652,302**	**$2,652,302**	**$2,652,302**	**$2,652,302**	**$2,672,758**	**$2,693,418**	**$2,714,285**	**$2,735,361**	**$2,735,361**	**$2,735,361**	

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

		Exhibit 5 - RPR	*Projected*									
		FY 2020	**FY 2021**	**FY 2022**	**FY 2023**	**FY 2024**	**FY 2025**	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**	***Notes***
Bird Refuge												
Monthly Service Charge												
5/8"	$28.92	0	0	0	0	0	0	0	0	0	0	As Flat
3/4"	$42.10	0	0	0	0	0	0	0	0	0	0	As Flat
1"	$68.45	0	0	0	0	0	0	0	0	0	0	As Flat
1 1/2"	$134.34	0	0	0	0	0	0	0	0	0	0	As Flat
2"	$213.40	0	0	0	0	0	0	0	0	0	0	As Flat
3"	$463.80	0	0	0	0	0	0	0	0	0	0	As Flat
4"	$832.79	1	1	1	1	1	1	1	1	1	1	As Flat
6"	$1,715.72	0	0	0	0	0	0	0	0	0	0	As Flat
8"	$3,165.32	0	0	0	0	0	0	0	0	0	0	As Flat
10"	$4,979.80	0	0	0	0	0	0	0	0	0	0	As Flat
		1	**1**	**1**	**1**	**1**	**1**	**1**	**1**	**1**	**1**	
Revenue		*$9,993*	*$9,993*	*$9,993*	*$9,993*	*$9,993*	*$9,993*	*$9,993*	*$9,993*	*$9,993*	*$9,993*	
Metered Water Charge												
Up to Base Allotment	$7.01	1	1	1	1	1	1	1	1	1	1	As Other Cons. Growth
Over Base Allotment	$23.91	0	0	0	0	0	0	0	0	0	0	As Other Cons. Growth
		1	**1**	**1**	**1**	**1**	**1**	**1**	**1**	**1**	**1**	
Revenue		*$7*	*$7*	*$7*	*$7*	*$7*	*$7*	*$7*	*$7*	*$7*	*$7*	
Total Revenue		**$10,000**	**$10,000**	**$10,000**	**$10,000**	**$10,000**	**$10,000**	**$10,000**	**$10,000**	**$10,000**	**$10,000**	
Mission Canyon												
Monthly Service Charge												
5/8"	$28.92	0	0	0	0	0	0	0	0	0	0	As Other Cust. Growth
3/4"	42.10	0	0	0	0	0	0	0	0	0	0	As Other Cust. Growth
1"	68.45	0	0	0	0	0	0	0	0	0	0	As Other Cust. Growth
1 1/2"	134.34	0	0	0	0	0	0	0	0	0	0	As Other Cust. Growth
2"	213.40	0	0	0	0	0	0	0	0	0	0	As Other Cust. Growth
3"	463.80	0	0	0	0	0	0	0	0	0	0	As Other Cust. Growth
4"	832.79	0	0	0	0	0	0	0	0	0	0	As Other Cust. Growth
6"	1,715.72	0	0	0	0	0	0	0	0	0	0	As Other Cust. Growth
8"	3,165.32	0	0	0	0	0	0	0	0	0	0	As Other Cust. Growth
10"	4,979.80	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 2020	**FY 2021**	**FY 2022**	**FY 2023**	**FY 2024**	**FY 2025**	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**	***Notes***
Private Fire Service												
Monthly Service Charge												
1"	$3.14	0	0	0	0	0	0	0	0	0	0	As Other Cust. Growth
1 1/2"	4.24	0	0	0	0	0	0	0	0	0	0	As Other Cust. Growth
2"	6.14	175	175	175	175	175	175	175	175	175	175	As Other Cust. Growth
4"	24.70	272	272	272	272	272	272	272	272	272	272	As Other Cust. Growth
6"	66.89	96	96	96	96	96	96	96	96	96	96	As Other Cust. Growth
8"	139.63	28	28	28	28	28	28	28	28	28	28	As Other Cust. Growth
10"	249.06	2	2	2	2	2	2	2	2	2	2	As Other Cust. Growth
12"	400.73	1	1	1	1	1	1	1	1	1	1	As Other Cust. Growth
		574	**574**	**574**	**574**	**574**	**574**	**574**	**574**	**574**	**574**	
Total Revenue		**$228,274**	**$228,274**	**$228,274**	**$228,274**	**$228,274**	**$228,274**	**$228,274**	**$228,274**	**$228,274**	**$228,274**	

Revenues											
Fixed	$15,262,666	$15,262,666	$15,262,666	$15,262,666	$15,262,666	$15,262,666	$15,262,666	$15,262,666	$15,262,666	$15,262,666	
Variable	35,738,077	35,738,077	35,738,077	35,738,077	36,133,189	36,532,818	36,937,017	37,345,842	37,345,842	37,345,842	
	$51,000,743	**$51,000,743**	**$51,000,743**	**$51,000,743**	**$51,395,855**	**$51,795,484**	**$52,199,683**	**$52,608,508**	**$52,608,508**	**$52,608,508**	

RPR = $52,849,465

City of Santa Barbara
Water Cost of Service Study
Cost Allocation - O&M and Capital
Exhibit 7 - Cost Allocation

O&M Allocation	FY 2022	Base	Max Day (MD)	Max Hour (MH)	Fire	Meter	Billing	Recycled Water	Desal	Conservation	General	*Basis of Allocation*
Operations & Maintenance Expenses												
Cater Treatment - 4632	$5,057,407	5,057,407	0	0	0	0	0	0	0	0	0	100.0% Base
Gibraltor Dam - 4621	549,334	0	0	0	0	549,334	0	0	0	0	0	100.0% Meter
Meter Readers - 4636	940,219	0	0	0	0	0	940,219	0	0	0	0	100.0% Billing
Water Distribution - 4635	9,883,912	4,105,381	2,313,788	1,912,283	366,391	1,186,069	0	0	0	0	0	41.5% Base 23.4% MD 31.3% MH 12.0% Meter 3.7% Fire
Water Drought Fund	0	0	0	0	0	0	0	0	0	0	0	95.0% Base 5.0% Conserv
Water Laboratory - 4641	799,434	799,434	0	0	0	0	0	0	0	0	0	100.0% Base
Water Reclamation - Recycled - 4622	1,290,681	0	0	0	0	0	0	1,290,681	0	0	0	100.0% Recyld
Water Supply Management - 4612	12,388,072	11,768,668	0	0	0	0	0	0	0	619,404	0	95.0% Base 5.0% Conserv
Water Treatment - 4631	568,775	0	0	0	0	568,775	0	0	0	0	0	100.0% Meter
Water Utilities Management - 4611	5,226,292	0	0	0	0	5,226,292	0	0	0	0	0	100.0% Meter
Desalination - 4675	5,247,767	0	0	0	0	0	0	0	5,247,767	0	0	100.0% Desal
Additional O&M	259,739	0	0	0	0	259,739	0	0	0	0	0	100.0% Meter
Total O&M Expenses	**$42,211,631**	**$21,730,889**	**$2,313,788**	**$1,912,283**	**$366,391**	**$7,790,210**	**$940,219**	**$1,290,681**	**$5,247,767**	**$619,404**	**$0**	
Rate Funded Capital (Pay Go)	**$15,867,079**	**$9,187,105**	**$0**	**$0**	**$56,432**	**$6,373,542**	**$0**	**$250,000**	**$0**	**$0**	**$0**	As Capital
Transfers	**$62,179**	**$35,215**	**$0**	**$0**	**$216**	**$24,431**	**$0**	**$2,317**	**$0**	**$0**	**$0**	$0.0 $0.0
Debt Service												
SWRCB SRF Loan (Desal)	$4,144,637	$0	$0	$0	$0	$0	$0	$0	$4,144,637	$0	$0	100.0% Desal
2002 SRF Loan (Cater)	1,144,246	0	0	0	0	1,144,246	0	0	0	0	0	As Equiv. Meters
2011 Safe Drinking Water Loan (Ortega)	1,699,680	0	0	0	0	1,699,680	0	0	0	0	0	As Equiv. Meters
2013 COP Debt	2,137,100	0	0	0	0	2,137,100	0	0	0	0	0	As Equiv. Meters
Assumed Low Interest Loan	296,398	0	0	0	0	296,398	0	0	0	0	0	As Equiv. Meters
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	0	0	0	0	0	0	0	0	0	0	0	As Above
Total Debt Service	**$9,422,061**	**$0**	**$0**	**$0**	**$0**	**$5,277,424**	**$0**	**$0**	**$4,144,637**	**$0**	**$0**	
Reserve Funding + / (-)	**($7,595,530)**	**($4,041,668)**	**($302,119)**	**($249,693)**	**($55,238)**	**($2,541,692)**	**($122,768)**	**($201,475)**	**$0**	**($80,878)**	**$0**	As Above <Desal
Less: Misc. Revenue	**($6,416,640)**	**($3,414,367)**	**($255,228)**	**($210,939)**	**($46,664)**	**($2,147,200)**	**($103,713)**	**($170,204)**	**$0**	**($68,325)**	**$0**	As Above <Desal
Total Revenue Requirements	**$53,550,780**	**$23,497,175**	**$1,756,441**	**$1,451,651**	**$321,137**	**$14,776,715**	**$713,738**	**$1,171,319**	**$9,392,404**	**$470,201**	**$0**	
% Allocation		*43.9%*	*3.3%*	*2.7%*	*0.6%*	*27.6%*	*1.3%*	*2.2%*	*17.5%*	*0.9%*	*0.0%*	
Allocated Costs	**$29,248,467**	**$12,833,732**	**$959,336**	**$792,865**	**$175,399**	**$8,070,774**	**$389,831**	**$639,753**	**$5,129,961**	**$256,815**	**$0**	

City of Santa Barbara
Water Cost of Service Study
Cost Allocation - O&M and Capital
Exhibit 7 - Cost Allocation

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	$9,825,847	$9,825,847	$0	$0	$0	$0	$0	$0	$0	$0	$0	100.0%	Base	
Storage / Reservoir	51,601,228	18,861,112	0	0	0	32,740,116	0	0	0	0	0	36.6%	Base	63.4% Meter Equiv
Treatment Plant	50,942,451	50,942,451	0	0	0	0	0	0	0	0	0	100.0%	Base	
Transmission	72,764,416	30,223,422	0	0	0	42,540,994	0	0	0	0	0	41.5%	Base	58.5% Meter
Distribution	1,428,131	0	0	0	0	1,428,131	0	0	0	0	0	100.0%	Meter	
Pump Stations	6,104,939	6,104,939	0	0	0	0	0	0	0	0	0	100.0%	Base	
Firelines / Hydrants	790,111	0	0	0	790,111	0	0	0	0	0	0	100.0%	Fire	
Meters	12,527,128	0	0	0	0	12,527,128	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	8,462,326	0	0	0	0	0	0	8,462,326	0	0	0	100.0%	Recyld	
General	12,671,475	12,671,475	0	0	0	0	0	0	0	0	0	100.0%	Base	
Total	**$227,118,052**	**$128,629,246**	**$0**	**$0**	**$790,111**	**$89,236,369**	**$0**	**$8,462,326**	**$0**	**$0**	**$0**			
% Allocation		*56.6%*	*0.0%*	*0.0%*	*0.3%*	*39.3%*	*0.0%*	*3.7%*	*0.0%*	*0.0%*	*0.0%*			
		59%	0%	0%	0%	41%	0%							
Allocated Costs	**$20,157,676**	**$11,416,383**	**$0**	**$0**	**$70,126**	**$7,920,101**	**$0**	**$751,067**	**$4,144,637**	**$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	$35,452,186	$0	**$35,452,186**
CCWA Fixed Expenses	6,759,445	0	**6,759,445**
Rate Funded Capital (Pay Go)	0	15,867,079	**15,867,079**
Transfers	62,179		**62,179**
Existing Debt Service	0	4,981,026	**4,981,026**
Desal Debt Service	0	4,144,637	**4,144,637**
Proposed Debt Service	0	296,398	**296,398**
Less: Capacity Charge Use	0	0	**0**
Total Revenue Requirements	**$42,273,810**	**$25,289,140**	**$67,562,950**
Less: Revenue from Other Sources			
Interest Income	$446,317	$0	**$446,317**
Misc & Other Revenues	4,983,496	$986,827	**4,983,496**
Total Revenue from Other Sources	**$5,429,813**	**$986,827**	**$6,416,640**
Plus: Adjustments			
Adj. for Midyear Increases	$0	$0	**$0**
Adj. for Net Cash Balance	(7,595,530)	0	**(7,595,530)**
Total Adjustments	**($7,595,530)**	**$0**	**($7,595,530)**
Total Revenue Requirement	**$29,248,467**	**$24,302,313**	**$53,550,780**

$53,550,780 (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	**$53,550,780**	**$23,497,175**	**$1,756,441**	**$1,451,651**	**$321,137**	**$14,776,715**	**$713,738**	**$1,171,319**	**$9,392,404**	**$470,201**	**$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	**$53,550,780**	**$23,497,175**	**$1,756,441**	**$1,451,651**	**$321,137**	**$14,776,715**	**$713,738**	**$1,171,319**	**$9,392,404**	**$470,201**	**$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"	175	6.19	1,083	3.6%	2"	0	6.19	0	0.0%
4"	272	38.32	10,423	35.1%	4"	0	38.32	0	0.0%
6"	96	111.31	10,686	36.0%	6"	2,601	111.31	289,517	100.0%
8"	28	237.21	6,642	22.4%	8"	0	237.21	0	0.0%
10"	2	426.58	853	2.9%	10"	0	426.58	0	0.0%
	---		---	---		---		---	---
	573		**29,687**	**100.0%**		**2,601**		**289,517**	**100.0%**
				9.3%					***90.7%***

[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	2,828	34.3%	
Gibraltar				
Reservoir	5,174	1,768	21.5%	
Devil's Canyon				
Mission Tunnel	1,125	384	4.7%	
Groundwater	1,110	379	4.6%	
GW - Ortega GWTP	2,000	683	8.3%	
SWP / Purch. Water	3,300	1,128	13.7%	
Desal Water	3,125	1,068	13.0%	
	24,111	**8,239**	**100.0%**	
	Adjustment	34.2%		
Recycled Water	1,050	1,050		100.0%
Total w/ Recycled	**25,161**	**9,289**		

Priority	Usage	% of Total	Groundwater	GW - Ortega GWTP	Gibraltar	Lake Cachuma	SWP / Purch. Water	Desal Water	Recycled Water	Total	Unit Cost ($ / HCF)
1	43,555	1.1%	43,555	0	0	0	0	0	0	**43,555**	$1.20
2	1,453,404	37.8%	121,666	297,697	937,596	96,445	0	0	0	**1,453,404**	3.01
3	682,577	17.7%	0	0	0	682,577	0	0	0	**682,577**	5.41
4	959,500	24.9%	0	0	0	452,996	491,200	15,304	0	**959,500**	11.36
5	449,847	11.7%	0	0	0	0	0	449,847	0	**449,847**	20.71
RW	258,807	6.7%	0	0	0	0	0	0	258,807	**258,807**	3.34
	3,847,690		**165,222**	**297,697**	**937,596**	**1,232,018**	**491,200**	**465,152**	**258,807**	**3,847,690**	

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

Customer / Tier	Priority	FY 2022 Usage	% of Total	Groundwater	GW - Ortega GWTP	Gibraltar	Lake Cachuma	SWP / Purch.	Desal Water	Recycled Water	Total	Unit Cost ($ / HCF)	Allocated Costs
Tier 1 Ag	1	43,555	1.2%	43,555							**43,555**	$1.20	$52,266
Tier 1 Rec	2	36,108	1.0%	3,023	7,396	23,294	2,396				**36,108**	3.01	108,687
Tier 1 SFR	2	648,965	18.1%	54,326	132,926	418,649	43,064				**648,965**	3.01	1,953,384
Tier 1 MFR	2	768,330	21.4%	64,318	157,375	495,653	50,985				**768,330**	3.01	2,312,674
Tier 1 Commercial	3	682,577	19.0%				682,577				**682,577**	5.41	3,692,742
Tier 2 SFR	4	707,135	19.7%				333,850	362,006	11,279		**707,135**	11.36	8,033,054
Tier 2 MFR	4	182,342	5.1%				86,087	93,347	2,908		**182,342**	11.36	2,071,410
Tier 1 Irrig (Res/Comm)	4	70,022	2.0%				33,059	35,847	1,117		**70,022**	11.36	795,454
Tier 2 Commercial	5	115,488	3.2%						115,488		**115,488**	20.71	2,391,758
Tier 3 SFR	5	219,363	6.1%						219,363		**219,363**	20.71	4,543,005
Tier 3 MFR	5	49,730	1.4%						49,730		**49,730**	20.71	1,029,907
Tier 2 Ag	5	4,163	0.1%						4,163		**4,163**	20.71	86,207
Tier 2 Rec	5	13,644	0.4%						13,644		**13,644**	20.71	282,557
Tier 2 Irrig (Res/Comm)	5	47,460	1.3%						47,460		**47,460**	20.71	982,887
		3,588,882	**100.0%**	**165,222**	**297,697**	**937,596**	**1,232,018**	**491,200**	**465,151**	**0**	**3,588,882**		**$28,335,991**
Recycled Water	RW	258,807								258,807	**258,807**	$3.34	864,417
Bird Refuge	5	1							1		**1**	$20.71	21
Mission Canyon	5	0									**0**	#DIV/0!	
		3,847,690		**165,222**	**297,697**	**937,596**	**1,232,018**	**491,200**	**465,152**	**258,807**	**3,847,690**		$29,200,429
Cost				**$1.20**	**$2.04**	**$3.30**	**$5.41**	**$16.55**	**$20.71**	**$3.34**			

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

FY 2022	Supply Costs	Treatment Costs	Lab Costs	Supply Mngmnt	Capacity (AF)	Unit Cost ($ / AF)	Unit Cost ($ / HCF)
Source of Supply							
Lake Cachuma							
Cachuma COMB	$2,803,074				2,828	$991	
Cachuma CCRB	518,519				2,828	183	
Cachuma COMB (Drought)	0				2,828	0	
Total Cater Treatment - 4632		$5,057,407			6,108	828	
Total Water Laboratory - 4641			$799,434		6,108	131	
Other O&M				$1,851,922	8,239	225	
Total Lake Cachuma						**$2,358**	**$5.41**
Gibraltar							
Total Gibraltor Dam - 4621	$549,334				2,152	$255	
Total Cater Treatment - 4632		$5,057,407			6,108	828	
Total Water Laboratory - 4641			$799,434		6,108	131	
Other O&M				$1,851,922	8,239	225	
Total Gibraltar						**$1,439**	**$3.30**
Groundwater							
Total Water Treatment - 4631 (20%)		$113,755			379	$300	
Other O&M				$1,851,922	8,239	225	
Total Groundwater						**$525**	**$1.20**
GW - Ortega GWTP							
Total Water Treatment - 4631 (80%)		$455,020			683	$666	
Other O&M				$1,851,922	8,239	225	
Total GW - Ortega GWTP						**$891**	**$2.04**
SWP / Purch. Water							
State Water Project - CCWA	$6,759,445				1,128	$5,994	
Water Purchases	36,400				1,128	32	
State Water Project - CCWA (Drought)	0				1,128	0	
Total Cater Treatment - 4632		$5,057,407			6,108	828	
Total Water Laboratory - 4641			$799,434		6,108	131	
Other O&M				$1,851,922	8,239	225	
Total SWP / Purch. Water						**$7,210**	**$16.55**
Desal Water							
Total Desalination - 4675	$4,144,637	$5,247,767			1,068	$8,796	
Other O&M				$1,851,922	8,239	225	
Total Desal Water						**$9,020**	**$20.71**
Recycled Water							
Total Water Reclamation - Recycled - 4622		$1,290,681			1,050	$1,229	
Other O&M				$1,851,922	8,239	225	
Total Recycled Water						**$1,454**	**$3.34**

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	$32,889,578	base + desal cost
Less: Supply Cost	28,335,991	
Net Delivery Cost	**$4,553,587**	
Total Potable Usage (hcf)	3,588,882	
Unit Delivery Cost	$1.27	

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	$492.85	229	$112,721	$180.29	2,070	$373,231	$485,952	1,417,295	$0.34
Res Tier 2/All Irrig* Tier 1	$492.85	1,467	$722,940	$180.29	2,587	$466,323	$1,189,263	1,039,164	$1.14
Res Tier 3/All Irrig* Tier 2	492.85	1,363	671,800	180.29	1,591	286,793	958,593	334,358	2.87
Commercial Tier 1	$492.85	119	$58,468	$180.29	1,079	$194,443	$252,911	682,577	$0.37
Commercial Tier 2	492.85	387	190,497	180.29	726	130,852	321,349	115,488	2.78
							$3,208,068	**3,588,882**	

Notes

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

System Peaking Factors (2018)	Peaking Factors	Base	Max Day	Max Hour	Fire	MGD
Base	1.00	100.0%				9.67
Max Day	1.56	64.0%	36.0%			15.12
Max Hour	2.32	43.1%	24.3%	32.6%		22.42
Fire Event	2.41	41.5%	23.4%	31.3%	3.7%	23.28

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							**1,575,463**
0 - 4	$3.01	$1.27	$0.34	$0.00	$4.62	$2,999,306	648,965
4 - 16	11.36	1.27	1.14	0.00	13.77	9,739,545	707,135
16 +	20.71	1.27	2.87	1.05	25.89	5,679,528	219,363
Multi-Family Residential							**1,000,403**
Tier 1	$3.01	$1.27	$0.34	$0.00	$4.62	$3,550,974	768,330
Tier 2	11.36	1.27	1.14	0.00	13.77	2,511,447	182,342
Tier 3	20.71	1.27	2.87	1.05	25.89	1,287,558	49,730
Recycled Water							**258,807**
All Usage	$3.34	$1.19	$0.00	$0.00	$4.53	$1,171,319	258,807
Commercial							**723,155**
Up to Base Allotment	$5.41	$1.27	$0.37	$0.00	$7.05	$4,326,518	613,749
Over Base Allotment	20.71	1.27	2.78	1.05	25.81	2,823,404	109,406
Industrial							**74,910**
Up to Base Allotment	$5.41	$1.27	$0.37	$0.00	$7.05	$485,191	68,828
Over Base Allotment	20.71	1.27	2.78	1.05	25.81	156,949	6,082
Irrigation Agriculture							**47,718**
Up to Monthly Budget	$1.20	$1.27	$1.14	$0.00	$3.61	$157,376	43,555
Over Monthly Budget	20.71	1.27	2.87	1.05	25.89	107,773	4,163
Irrigation Recreation							**49,752**
Up to Monthly Budget	$3.01	$1.27	$1.14	$0.00	$5.42	$195,825	36,108
Over Monthly Budget	20.71	1.27	2.87	1.05	25.89	353,245	13,644
Irrigation Urban							**117,482**
Up to Monthly Budget	$11.36	$1.27	$1.14	$0.00	$13.77	$964,436	70,022
Over Monthly Budget	20.71	1.27	2.87	1.05	25.89	1,228,775	47,460
Bird Refuge							**1**
Up to Base Allotment					$7.05	$7	1
Over Base Allotment					25.81	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"	20,282	1.00	20,282	$27.43	$2.14	$29.57	$7,197,122
3/4"	1,331	1.50	1,997	41.15	2.14	43.29	691,400
1"	3,971	2.50	9,928	68.59	2.14	70.72	3,370,076
1 1/2"	823	5.00	4,115	137.17	2.14	139.31	1,375,812
2"	797	8.00	6,376	219.48	2.14	221.61	2,119,496
3"	25	17.50	438	480.10	2.14	482.24	144,672
4"	17	31.50	536	864.18	2.14	866.32	176,729
6"	15	65.00	975	1,783.24	2.14	1,785.37	321,367
8"	2	120.00	240	3,292.13	2.14	3,294.26	79,062
10"	0	190.00	0	5,212.54	2.14	5,214.67	0
	27,263		**44,885**				**$15,475,736**

Meter Size	# of Meters	Meter Ratio	Equiv. Mtrs	Meter Component	Billing Component	Total Charge	Revenue Generation
1"	0	0.01	0	$0.88	$2.14	$3.02	$0
1 1/2"	0	0.03	0	2.56	2.14	4.70	0
2"	175	0.06	10	5.45	2.14	7.59	15,940
4"	272	0.34	94	33.76	2.14	35.90	117,165
6"	96	1.00	96	98.07	2.14	100.20	115,433
8"	28	2.13	60	208.98	2.14	211.12	70,935
10"	2	3.83	8	375.82	2.14	377.96	9,071
12"	1	6.19	6	607.05	2.14	609.19	7,310
	574		**273**	9.5%			**$335,855**

Proposition 218 Notice

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

Date: Tuesday, June 15, 2021, 2:00 p.m.
Place: Electronic Meeting Format—notice of meeting details will be posted no less than 72 hours prior to the start of the Public Hearing at SantaBarbaraCA.gov

PROPOSED WATER RATES FOR: FISCAL YEARS 2022, 2023, AND 2024

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 maintaining reserve levels.

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 is designed to encourage conservation by limiting 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.

Usage Level	Monthly Usage (HCF)	Current Bill	Proposed FY22 Bill	Proposed FY23 Bill	Proposed FY24 Bill
Low	4	$46.68	$48.05	$50.45	$53.00
Moderate	10	$124.44	$130.67	$137.21	$144.14
High	20	$298.12	$316.85	$332.73	$349.44

The average single family home uses 9 HCF per month and would see their water bill increase from $111.48 to $116.90, for FY22, reflecting a difference of $5.42 (or an increase of approximately 5%).

When do the new rates take effect? City Council will consider adopting water rates on **June 15, 2021.** The new rates will be **effective July 1, 2021.**

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/WaterRateChanges.
- ***Contact*** City staff at (805) 564-5387. Para información en Español, llame al (805) 564-5343.
- ***Attend*** City Council meetings electronically; Visit SantaBarbaraCA.gov for meeting participation details.

Please note, the rates included in this Notice are the highest possible rates that could go into effect July 1, 2021.

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 FY22	Proposed FY23	Proposed FY24
Single Family Residential	First 4 HCF	$4.44	$4.62	$4.85	$5.10
	Next 12 HCF	$12.96	$13.77	$14.46	$15.19
	All other HCF	$23.98	$25.89	$27.19	$28.54
Multi-Family Residential	First 4 HCF (per dwelling unit)	$4.44	$4.62	$4.85	$5.10
	Next 4 HCF (per dwelling unit)	$12.96	$13.77	$14.46	$15.19
	All other HCF	$23.98	$25.89	$27.19	$28.54
Commercial/Industrial	100% of base allotment	$7.01	$7.05	$7.40	$7.77
	All other HCF	$23.91	$25.81	$27.10	$28.45
Irrigation – Residential & Commercial	100% of monthly water budget*	$12.96	$13.77	$14.46	$15.19
	All other HCF	$23.98	$25.89	$27.19	$28.54
Irrigation – Recreation/Parks/ Schools	100% of monthly water budget*	$4.88	$5.22	$5.59	$5.98
	All other HCF	$23.98	$25.41	$26.93	$28.54
Irrigation – Agriculture	100% of monthly water budget*	$3.01	$3.31	$3.63	$3.98
	All other HCF	$23.98	$25.41	$26.93	$28.54
Recycled Water	All HCF	$4.40	$4.53	$4.75	$4.99

***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		$28.92	$42.10	$68.45	$134.34	$213.40	$463.80	$832.79	$1,715.72	$3,165.32	$4,979.80
Proposed	**FY22**	$29.57	$43.29	$70.72	$139.31	$221.61	$482.24	$866.32	$1,785.37	$3,294.26	$5,214.67
	FY23	$31.05	$45.45	$74.26	$146.27	$232.69	$506.35	$909.64	$1,874.64	$3,458.98	$5,475.41
	FY24	$32.60	$47.73	$77.97	$153.59	$244.33	$531.67	$955.12	$1,968.37	$3,631.93	$5,749.18

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 $116 per month in FY 2022, $119 per month in FY 2023, and $123 per month in FY 2024.

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

		1"	1 ½"	2"	4"	6"	8"	10"	12"
Current		$3.14	$4.24	$6.14	$24.70	$66.89	$139.63	$249.06	$400.73
Proposed	**FY22**	$3.02	$4.70	$7.59	$35.90	$100.20	$211.12	$377.96	$609.19
	FY23	$3.17	$4.93	$7.97	$37.69	$105.21	$221.67	$396.85	$639.65
	FY24	$3.33	$5.18	$8.37	$39.58	$110.47	$232.76	$416.70	$671.63

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 City Council's consideration of this item on June 15, 2021. **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.** In the event that social distancing practices remain in place, mailed protests are encouraged. Written protests may be delivered in-person at the address above, deposited in the bill payment drop box slot located on the exterior of the building on the De La Guerra Plaza side. Only written protests received before the close of the public hearing on June 15, 2021, will be counted. During the hearing, the City Council will consider all written protests received before the hearing, as well as public testimony. Protests are public records. The public hearing may be conducted via teleconference or other electronic meeting format, and the Council Chambers may not be open to the general public. Submission of written protests by personal delivery during the meeting may not be permitted. 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.

The Value of Water

The City of Santa Barbara's water delivery system is vital to our way of life, the health and well-being of our community, and the success of our local economy. Santa Barbara would not exist as it does today without the safe, clean, and reliable delivery of drinking water throughout our community.

We recognize the tremendous difficulties the COVID-19 pandemic has brought on so many, which is why we have taken assertive measures to reduce bill impacts by deferring infrastructure projects and forgoing last year's planned rate increase. At the same time, our duty and responsibility to deliver safe, high-quality water is of the utmost importance.

For our community to thrive, Santa Barbara's water system needs investment in its aging infrastructure, including the replacement of water main pipelines and reservoirs to ensure a clean, reliable supply.

Water is Essential

Water is a vital resource in our modern life, and still remains one of the least expensive goods we consume.

$0.02
City water

$5.15
Bottled water

$3.83
Milk

$3.72
Gasoline

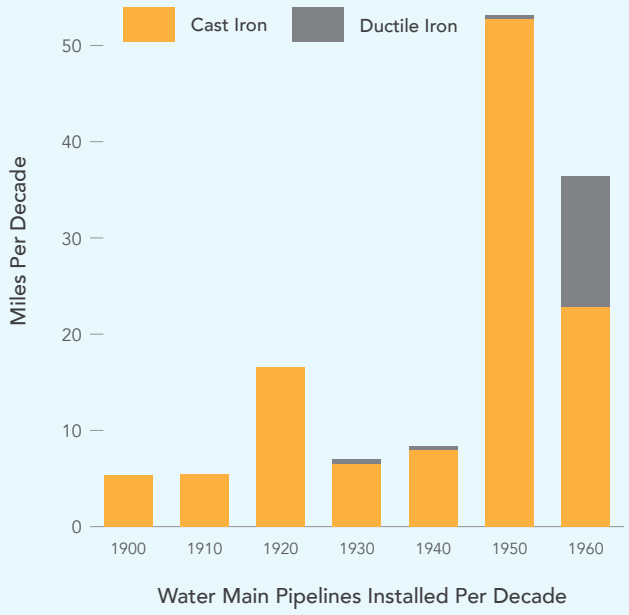
average price per gallon
Sources: Numbeo and Investopedia

Your Water Service

Drinking water travels through hundreds of miles of pipeline, pump stations, and treatment facilities before it arrives in our taps. This process requires dedicated people and resources working around the clock, without interruption to ensure the system performs optimally. As we have seen in other states and nearby communities, water infrastructure does not take care of itself, and failure to maintain water systems can result in catastrophic events. The City's proposed water rate increases will support a higher level of capital investment in the water system and ensure that the City continues to provide safe and reliable drinking water to our customers.

Replacing Aging Infrastructure, Planning for Tomorrow

The Santa Barbara community was not built out steadily over time, but rather experienced a dramatic growth rate in the 1950s and 1960s. The cast iron pipes that were used during this post-World War II period have proven to be of lesser quality and are declining or failing earlier than expected. Approximately 44% (135 miles) of the City's water main pipelines are made of cast iron. Nationwide, cast iron experiences five times more breaks per mile than all other pipe materials used in our system. Rather than waiting for problems to occur, Santa Barbara City Council set a goal in 1987 to replace three miles of water mains annually. Despite this effort, the City is experiencing an increasing number of water main breaks, leading to costly emergency repairs and service interruptions. In response, City Council recently set a new goal to replace six miles annually.



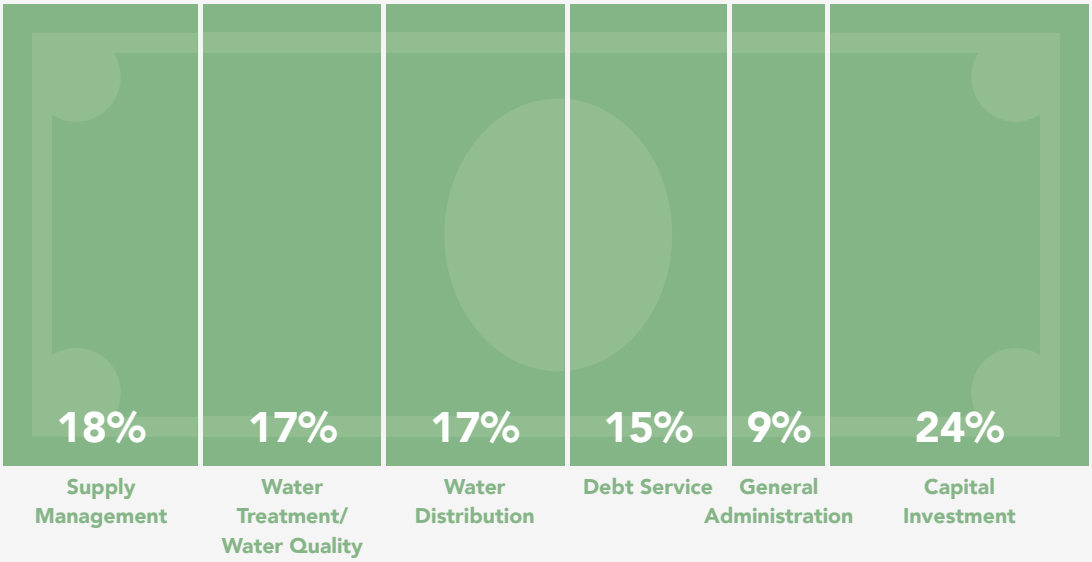
After 1967, all water main pipeline construction focuses on the replacement of cast iron and ductile iron pipeline.

Cost of Service

April 2021

By law, rates may not exceed the cost of providing service, and must be proportionally allocated to the benefit received by each customer class, such as residential, commercial and irrigation users. A comprehensive study has been conducted by an experienced rate consultant to evaluate the total costs needed to provide safe, reliable water service in accordance with industry standards.

The cost-of-service factors include operations and maintenance, securing water supplies, capital improvements, State and Federal drinking water treatment standards, reserve levels, and debt obligations. Revenue for these service costs are generated solely through the assessment of water rates and fees, not through general tax revenues such as Measure C.



Your water bill pays for all the activities needed to deliver clean, safe drinking water to your home or business, 24 hours a day, seven days a week.

Minimizing Rate Increases

While we must keep pace with important water system investments, we also understand the difficulties faced by so many in the last year. We made temporary cuts to operations and capital projects recognizing the unique challenges of the pandemic and delayed the planned rate increase until 2021. We continue to offer customer assistance programs including payment plans, utility tax waivers, leak relief, and rebates.

In 2020, Santa Barbara also entered into a water sales agreement with the Montecito Water District for the long-term wholesale supply of water made available from the operation of the Charles E. Meyer Desalination Plant. This agreement helped to offset costs and keep rates lower for Santa Barbara customers. The City has also implemented a strategy for pursuing grants to reduce the rate burden on customers.

The proper care, maintenance, and operation of our water distribution system requires resources to ensure safe, clean, and reliable drinking water is available in our community.

Scan this code using the camera on your phone to learn more about the proposed rate change and webinar registration.

To learn more, join our informational webinar on Thursday, April 29 at 6:00 pm.