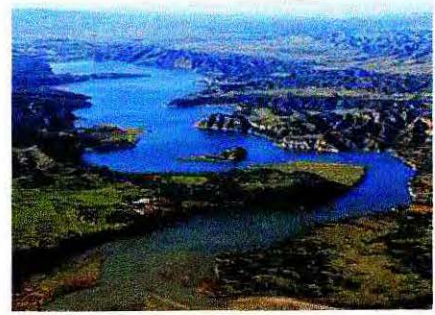




## Santa Ynez River Water Conservation District Improvement District No. 1



## Water Financial Plan & Rate Study

October 26, 2016



**BARTLE WELLS ASSOCIATES**  
INDEPENDENT PUBLIC FINANCE ADVISORS

Proposed Water Rates						
	Current Water Rates	Proposed Rates Effective on or After				
		Feb-1 2017	Jan-1 2018	Jan-1 2019	Jan-1 2020	Jan-1 2021
<b>MONTHLY METER CHARGES</b>						
<b>Domestic &amp; Rural Residential/Limited Agriculture</b>						
<u>Meter Size</u>						
5/8-inch	\$38.78	\$38.78	\$39.86	\$41.40	\$42.98	\$44.19
3/4-inch	46.42	46.42	47.83	49.68	51.57	53.03
1-inch	76.98	76.98	79.72	82.80	85.96	88.38
1-1/2-inch	153.62	153.62	159.44	165.60	171.91	176.76
2-inch	243.80	243.80	255.10	264.97	275.06	282.82
3-inch	490.60	490.60	478.31	496.81	515.73	530.29
4-inch	691.91	691.91	797.18	828.02	859.56	883.81
6-inch	1,543.43	1,543.43	1,594.36	1,656.04	1,719.12	1,767.62
8-inch	2,455.55	2,455.55	2,550.98	2,649.66	2,750.59	2,828.19
<b>Agricultural</b>						
<u>Meter Size</u>						
1-1/2-inch	\$62.40	\$62.40	\$66.16	\$68.72	\$71.34	\$73.35
2-inch	103.14	103.14	105.86	109.96	114.15	117.37
3-inch	207.56	207.56	209.71	211.87	214.02	220.06
4-inch	289.06	289.06	330.82	343.62	356.71	366.77
6-inch	645.61	645.61	661.64	687.24	713.41	733.54
<b>Private Fire Protection</b>						
<u>Service Connection or Meter Size</u>						
Up to 1-inch	\$19.40	\$7.70	\$8.00	\$8.30	\$8.60	\$8.80
1-1/2-inch	19.40	15.40	15.90	16.60	17.20	17.70
2-inch	19.40	24.40	25.50	26.50	27.50	28.30
3-inch	29.10	49.10	47.80	49.70	51.60	53.00
4-inch	38.80	69.20	79.70	82.80	86.00	88.40
6-inch	97.00	154.30	159.40	165.60	171.90	176.80
8-inch	194.00	245.60	255.10	265.00	275.10	282.80
<b>CONSUMPTION CHARGES</b>						
<i>Charge per hundred cubic feet (hcf) of metered water consumption.</i>						
Domestic (Residential & Comm'l)	\$3.81	\$4.30	\$4.80	\$4.95	\$5.05	\$5.15
<b>Rural Residential/Limited Agriculture</b>						
First 125 units	3.81	4.30	4.80	4.95	5.05	5.15
Over 125 units	1.31	1.65	1.98	2.22	2.46	2.69
Agriculture (No Domestic Use)	0.50	0.77	1.04	1.31	1.59	1.87
On-Demand	6.08	8.60	9.60	9.90	10.10	10.30
Temporary	6.25	12.90	14.40	14.85	15.15	15.46
Cachuma Park	1.38	1.48	1.55	1.63	1.71	1.80

Note: One hundred cubic feet (hcf) = 748 gallons

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# 1 BACKGROUND & OBJECTIVES

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## 1.1 Background

The Santa Ynez River Water Conservation District, Improvement District No. 1 (District) provides water service to a roughly 17-square-mile service area that includes the towns of Santa Ynez, Los Olivos, Ballard, City of Solvang and the unincorporated areas in between. The District provides water service to approximately 2,511 domestic, commercial, and on-demand accounts including the City of Solvang and two mutual water companies together representing 2,623 accounts. The District also serves 112 agricultural customers.

The District is located in Santa Barbara County, approximately 30 miles northwest of the City of Santa Barbara. The District was formed in 1959 and is governed by a five-member Board of Trustees, with four members elected from different divisions and one member elected at large.

The District owns and operates a water system that includes three pressure zones, 17 active wells, approximately 87 miles of water transmission and distribution pipelines, four booster pump stations, one State Water Project turnout, and two reservoirs and two water tanks with a combined capacity of 16.75 million gallons. The District has four sources of water supply including groundwater, Santa Ynez River underflow, State Water Project entitlements, and water supply from the USBR Cachuma Project which is subject to an Exchange Agreement with a number of water agencies in southern Santa Barbara County. The District's State Water Project supplies are imported and treated by the Central Coast Water Authority, a joint powers authority which includes the District as one of eight member agencies.

Financially, the District relies primarily on revenues from water rates to fund the costs of providing service. As such, rates must be set at levels adequate to fund the costs of operating and maintaining the water distribution and storage system, pay for the purchase of wholesale water and production of water supply, and fund necessary capital improvements including compliance with State regulatory requirements for Chromium-6. In order to comply with stringent new Chromium-6 concentration limits, the District must construct and begin operating a new Chromium-6 water treatment facility by 2020 pursuant to a State-approved Compliance Plan.

The District last conducted a water rate study in 2013. Since the prior rate study was conducted, the District has been faced with substantial new financial challenges.

Like many other agencies in California, the District is currently facing substantial financial challenges due to drought. California is currently in the fifth year of a severe drought and has been under a “drought State of Emergency” since January 2014. The State’s mandatory water conservation regulations and restrictions have caused a substantial reduction in District revenues of up to 39 percent.

In response to the State’s mandated water conservation measures imposed on the District, its customers have substantially reduced water consumption, resulting in a significant decrease in water sales revenues. Together, the impacts of the State’s regulations for water conservation and Chromium-6 have significantly impacted the District’s financial health and are driving the need to increase rates and revenues in order to fund the District’s cost of providing service and maintaining financial solvency.

## 1.2 Rate Study Objectives

The District retained Bartle Wells Associates (BWA) to develop a long-term financial plan and water rate study. Key goals and objectives of the study include developing water rates that:

- Restore lost revenues from State-imposed water conservation regulations and drought measures;
- Recapture funding to meet the costs of providing water service, including operating, capital, and water supply funding needs;
- Are fair and equitable to all customers;
- Comply with the substantive cost-of-service requirements of the California Constitution, Article 13D, Section 6 (established by Proposition 218);
- Fund capital and operating costs including required for compliance with the State’s Chromium-6 regulations;
- Support the District’s operational and financial stability.

This report summarizes key findings and recommendations for water rates over the next five years. Final recommendations can be refined with additional input from District staff and the District’s Board of Trustees.

## 2 WATER RATES

### 2.1 Current & Historical Water Rates

Table 1 shows the District's current water rates, which were approved as part of a multi-year rate increase adopted in May 2013.

Table 1. Current Water Rates

<b>MONTHLY METER CHARGES</b>			
<b>Meter Size</b>	<b>Domestic, RR/Ltd Ag</b>	<b>Agricultural</b>	<b>Private Fire</b>
5/8"	\$38.78	-	-
3/4"	46.42	-	-
1"	76.98	-	19.40
1-1/2"	153.62	62.40	19.40
2"	243.80	103.14	19.40
3"	490.60	207.56	29.10
4"	691.91	289.06	38.80
6"	1,543.43	645.61	97.00
8"	2,455.55	-	194.00
<b>CONSUMPTION CHARGES</b>			
<i>Charge per hundred cubic feet of metered water use</i>			
<b>Domestic</b>			\$3.81
<b>Rural Residential/Limited Agriculture</b>			
First 125 units			3.81
Over 125 units			1.31
<b>Agriculture (No Dwellings)</b>			0.50
<b>On-Demand</b>			6.08
<b>Temporary</b>			6.25
<b>Cachuma Park</b>			1.38

The District's water rates include two components:

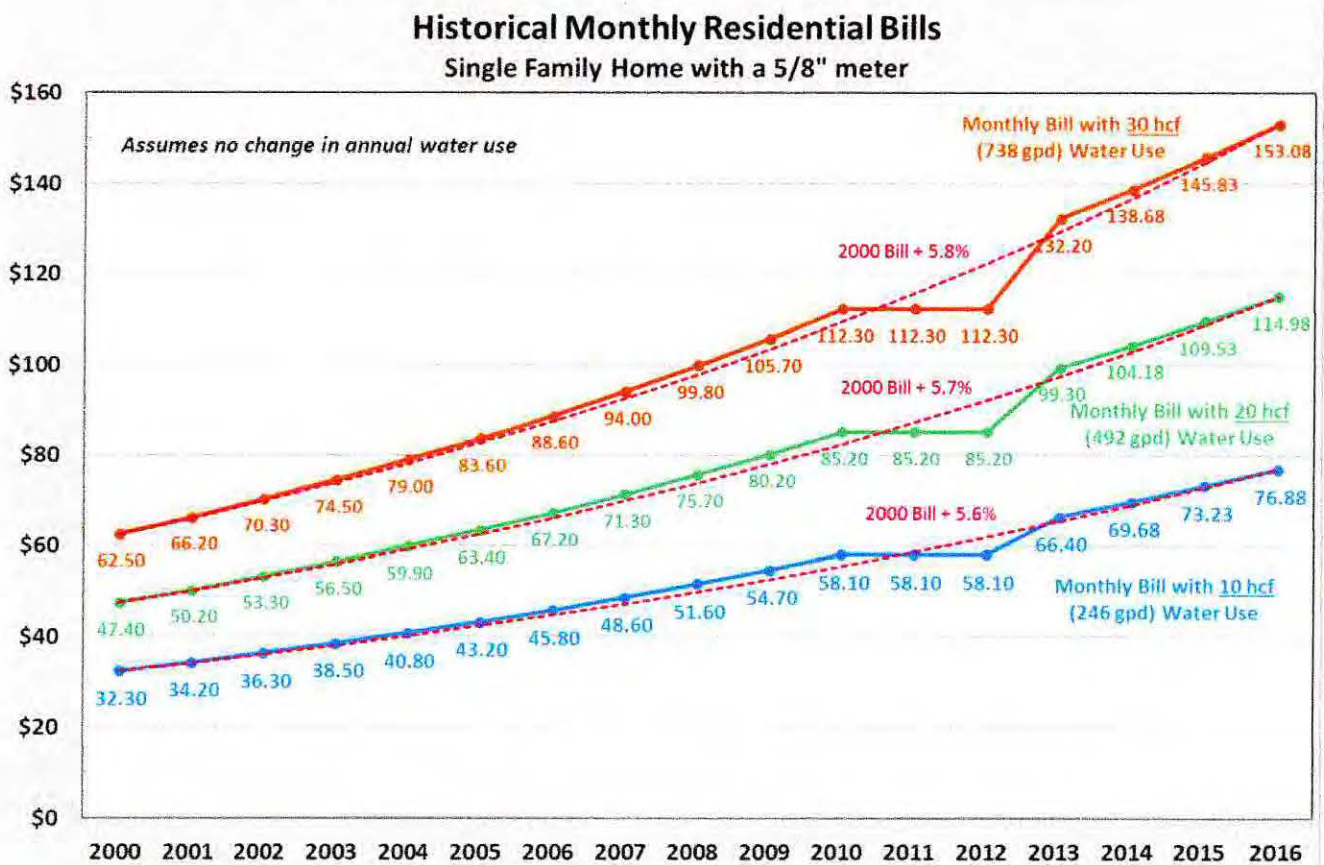
- Fixed **Monthly Meter Charges** are based on customer class and meter size – These charges recover a portion of the District's fixed costs for providing service and are levied independent of the District's volumetric consumption charges. The District incurs a substantial amount of costs ensuring that water is available and deliverable at all times to meet customer needs upon demand. The Monthly Meter Charge varies by meter size, with larger meters paying higher charges based on the increased capacity needs and demand placed on the water system. The District's fixed Monthly Meter Charges previously generated about 35% of total

rate revenues. However, due to a reduction in water sales in response to the current multi-year drought, fixed charges currently generate a little over 45% of total rate revenues.

- Volumetric **Water Consumption Charges** billed are based on metered water use – Water Consumption Charges differ by customer class and are billed per hundred cubic feet (hcf), with 1 hcf equal to approximately 748 gallons of water. The District’s Domestic charge, which is charged to residential and commercial customers, is currently \$3.81 per hcf which equates roughly half a cent per gallon, or about 50 cents per 100 gallons. The District’s Limited Agricultural Rate of \$1.31 per hcf equates to roughly 17.5 cents per 100 gallons. The District’s Agricultural rate of \$0.50 per hcf equates to less than 7 cents per 100 gallons.
- **Private Fire Service** - A limited number of accounts also pay fixed monthly charges for private fire service connections.

Figure 1 shows a history of monthly water bills for a single family residential customer with a 5/8" meters with 10 hcf, 20 hcf, and 30 hcf monthly water consumption. Since 2000, the bill for a single family home with no change in water consumption has increased at the average rate of roughly 5.7% per year.

**Figure 1: Historical Monthly Residential Bills without Conservation**



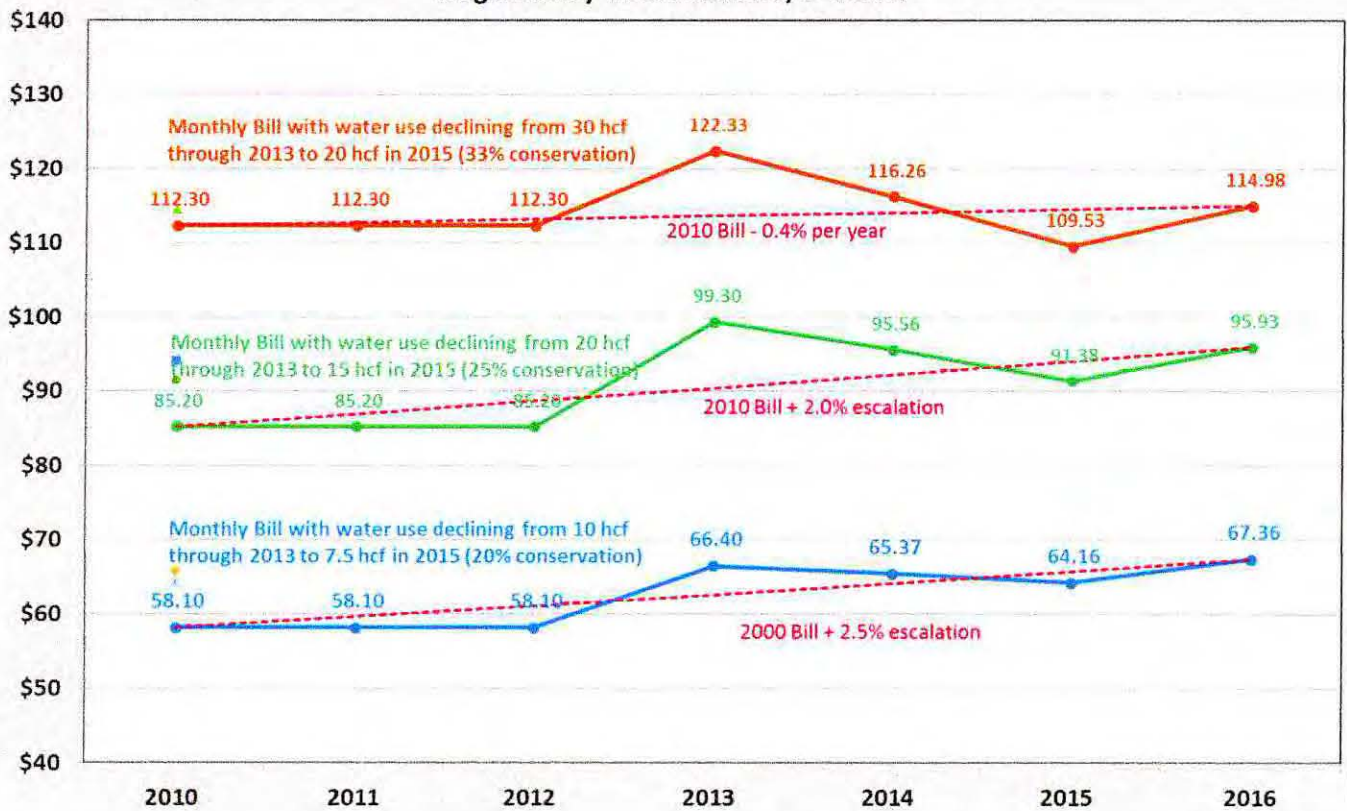


However, many customers have substantially cut back on water consumption over the past few years in response to California’s drought and the State’s mandated restrictions. The reduction in water sales has offset much if not all of the rate increases implemented over the past 5 years. Adjusted for inflation, many customers are paying roughly the same monthly bills as they did 5 years ago, despite the District’s rate increases in 3 of the past 5 years.

Figure 2 below shows a history of monthly water bills for domestic customers at various level of water consumption that have reduced water use by 20% to 33% over the past few years. This table more accurately reflects the historical bills of typical residential customers in recent years.

**Figure 2: Historical Monthly Residential Bills with Conservation**

**Historical Monthly Residential Bills with Conservation**  
Single Family Home with a 5/8" meter



The District's rates are in the middle range compared to other water agencies in Santa Barbara County. Tables 3 and 4 show surveys of monthly regional water bills for domestic customers with 10 hcf and 20 hcf of monthly water use. Surveys at other levels of water use are included in the appendix to this report.

**Figure 3: Survey of Monthly Residential Water Bills at 10 hcf**

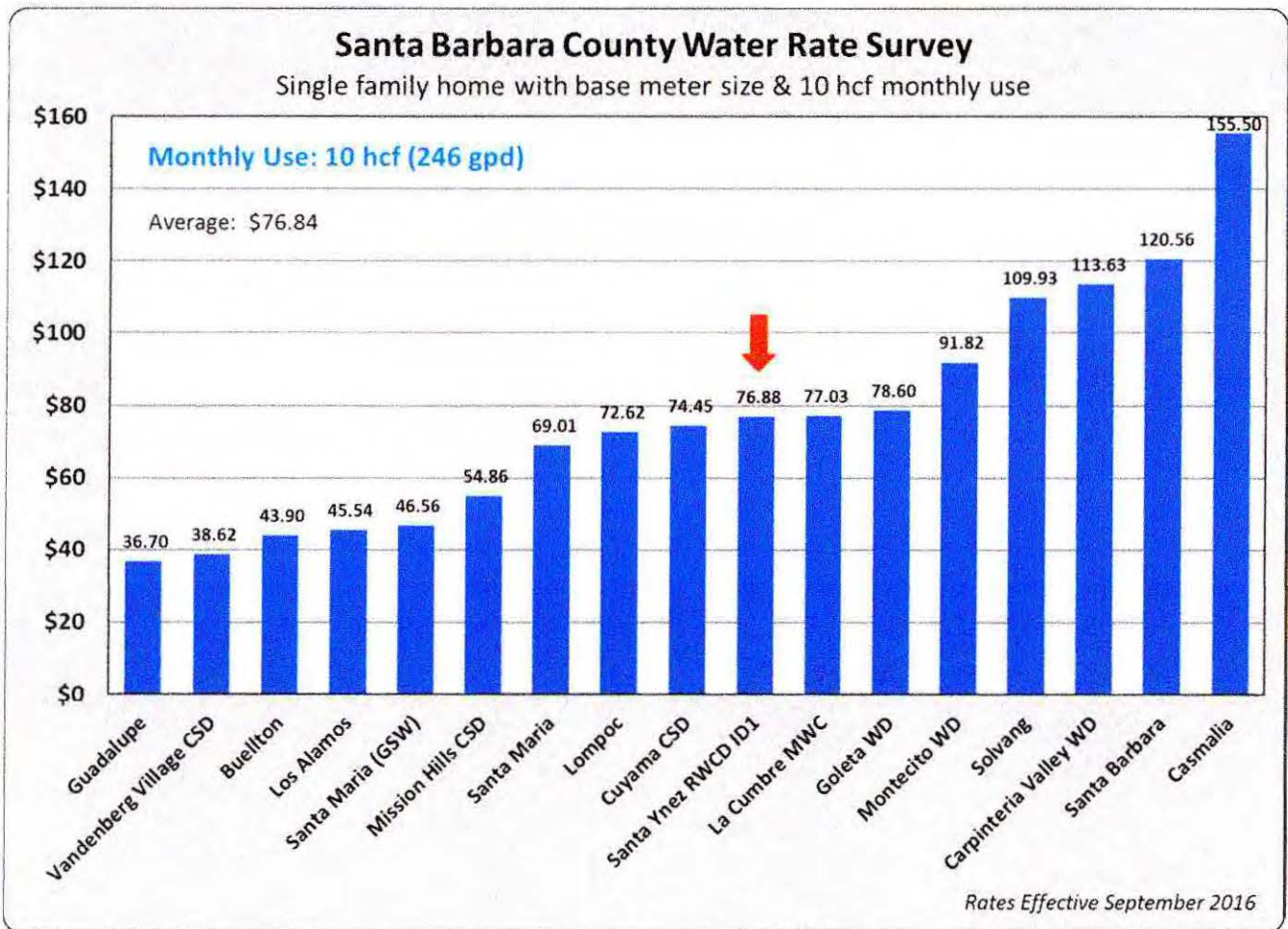
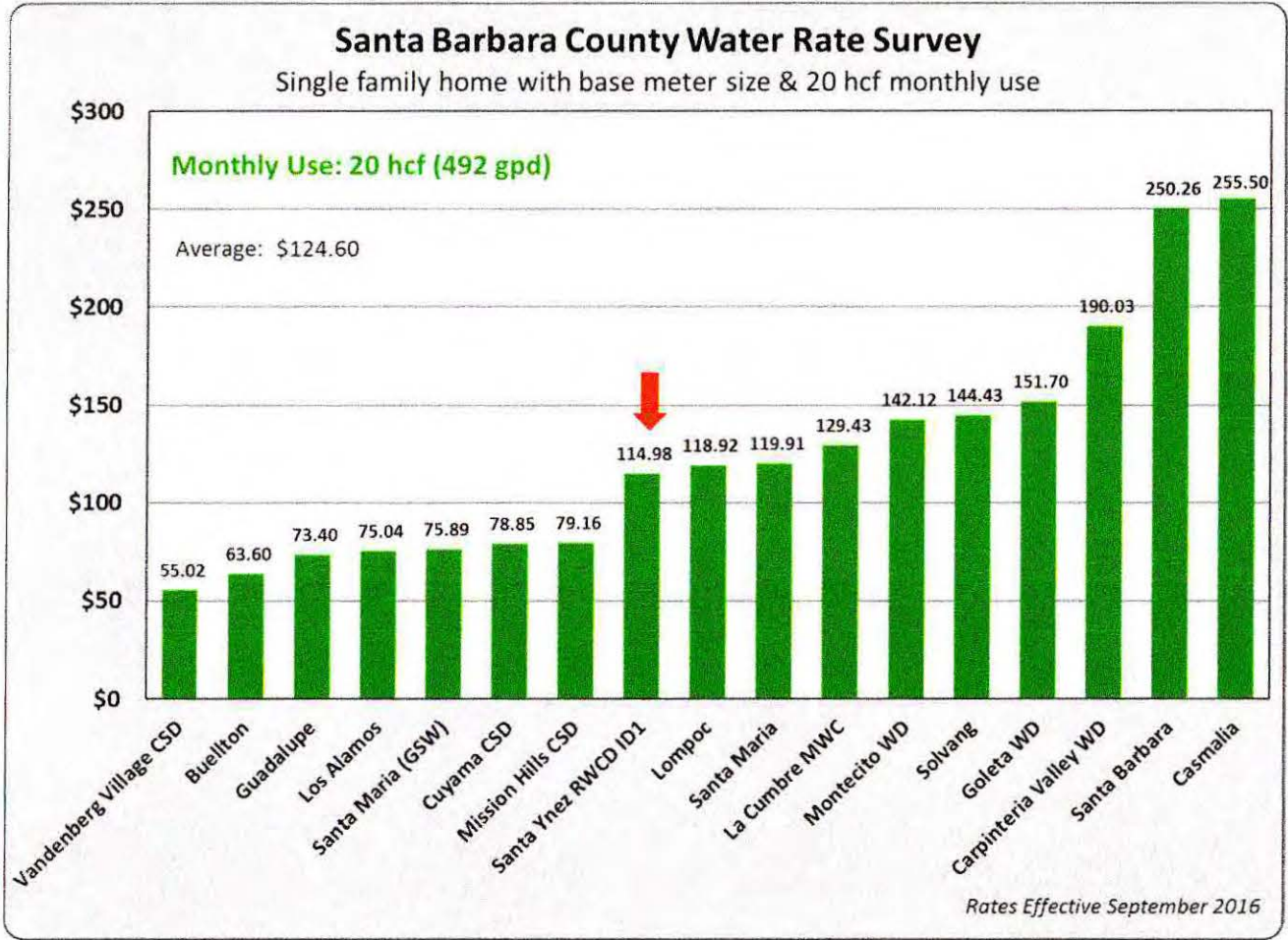


Figure 4: Survey of Monthly Residential Water Bills at 20 hcf



The following table shows a comparison of regional agricultural water rates. The District's ag rates are substantially lower than those of other regional agencies.

**Table 2. Regional Ag Water Rates**

Agency	Fixed Meter Charges		Consumption Charges (\$/hcf)	
SYRWCD ID#1 (Ag Rates)	2"	\$103.14	Ag	\$0.50
	4"	289.06	Limited Ag	1.31
	6"	645.61		
Carpenteria VWD	2"	228.40	Irrigation	
	4"	713.75	Tier 1	1.91
	6"	1,427.50	Tier 2 (temporary)	2.50
	Surcharge	345.00		
Montecito WD	2"	237.84	Ag <870 hcf/acre/year	3.00
	4"	891.90	Ag >870 hcf/acre/year	5.40
	6"	1,468.51		
Santa Barbara	2"	164.03	Ag	3.42
	4"	409.28		
	6"	819.79		
Nipomo CSD	2"	128.42	Ag	3.41
	4"	385.16	Supplemental Chg	<u>1.00</u>
	6"	762.43	Total	4.41
Goleta WD	2"	204.82	Ag	1.86
	4"	779.95	Drought Surcharge	<u>2.68</u>
	6"	1,722.21	Total	4.54

### 3 WATER ACCOUNTS, SUPPLY & DEMAND

#### 3.1 Water Accounts

The District provides water service to over 2,600 separate accounts including 2,511 domestic, commercial and on-demand accounts, which include the City of Solvang and two mutual water companies that together serve approximately 2,623 local connections. The District also serves 112 agricultural customers. A small number of water accounts also have private fire service connections.

Pursuant to long-standing District policy, the meter size for each property is based on the size of each parcel served, with larger meters required for larger properties. Almost 98% of domestic, including commercial accounts are served by meters up to 1". Rural Residential/Limited Ag accounts have substantially larger parcels and are served by 1-1/2", 2", or 3" meters; this customer classification applies to larger lots with a residential dwelling unit. The Agricultural customer class is designated for larger commercial agricultural enterprises without residential dwelling units or domestic water use.

**Table 3. Accounts by Customer Class & Meter Size**

Meter Size	Domestic	RR/Ltd Ag	Ag	Solvang	Cachuma Pk	On-Demand	Temp	Subtotal	Fire Svc	Total
5/8"	780	-	-	-	-	-	-	780	-	780
3/4"	616	-	-	-	-	-	-	616	1	617
1"	592	-	-	-	-	-	-	592	17	609
1-1/2"	13	181	3	-	-	-	-	197	8	205
2"	27	202	29	-	-	1	-	259	5	264
3"	5	2	5	-	1	-	1 (Ag)	14	-	14
4"	1	-	47	-	-	1	-	49	29	78
6"	-	-	27	1	-	-	-	28	17	45
8"	-	-	-	1	-	-	-	1	9	10
<b>Total</b>	<b>2,034</b>	<b>385</b>	<b>111</b>	<b>2</b>	<b>1</b>	<b>2</b>	<b>1</b>	<b>2,536</b>	<b>86</b>	<b>2,622</b>

Master Meter/On Demand Accounts

City of Solvang  
 Rancho Marcelino Water & Service Company  
 Skyline Park & Water Service Company

Local Accounts/Parcels Served

2,178  
 80  
 98

### 3.2 Water Consumption

District water consumption has declined substantially in recent years. Table 3 shows historical water consumption by customer class from 2005 through 2015.

**Table 4. Historical Water Consumption**

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Annual Water Sales (hcf)</b>											
Domestic	738,692	777,600	914,557	879,549	842,390	726,724	728,493	760,365	782,136	657,365	549,873
Rural Resid/Ltd Ag	554,615	575,288	677,437	676,130	623,829	533,741	526,498	601,188	619,651	501,110	406,178
Agriculture	771,636	759,465	950,270	968,150	882,572	757,549	689,370	820,127	916,447	808,831	779,394
Solvang	14,162	13,634	13,595	22,040	36,396	40,373	22,708	24,202	46,527	23,030	12,264
Cachuma Park	28,035	28,468	36,050	37,048	33,965	34,311	33,536	43,387	31,745	12,265	11,417
Temporary	1,449	2,525	5,760	3,419	3,116	1,798	1,484	1,756	648	1,417	1,464
On Demand	0	0	0	0	0	0	0	0	5,832	1,237	329
Annual Total	2,108,589	2,156,980	2,597,669	2,586,336	2,422,268	2,094,496	2,002,089	2,251,025	2,402,986	2,005,255	1,760,919
% Annual Change	-15.9%	2.3%	20.4%	-0.4%	-6.3%	-13.5%	-4.4%	12.4%	6.8%	-16.6%	-12.2%
% Change from 2013										-16.6%	-26.7%
% Change Excluding Commercial Ag										-19.5%	-34.0%

California is experiencing one of the most serious droughts on record. On April 1, 2015 the Governor issued an Executive Order directing the State Water Resources Control Board (SWRCB) to implement water conservation regulations to reduce water usage by 25% statewide. The District has implemented a number of measures to comply with the SWRCB's regulations.

The District's domestic, commercial, and rural residential/limited agriculture customers reduced water consumption by 32.5% from 2013 to July 2016, with calendar year-to-date conservation savings of 40% for domestic and commercial customers and 49% for rural residential accounts.

Tables 4 and 5 show historical and projected water consumption by fiscal year. Table 4 shows water consumption by customer class and Table 5 shows consumption by month. Water consumption in 2015/16 was approximately 14.5% lower than the prior fiscal year 2014/15, and 32.7% below water use in calendar year 2013, the State's benchmark year for measuring water conservation.

**Table 5. Historical Water Consumption by Fiscal Year**

	2013 Benchmark	2012/13	2013/14	2014/15	2015/16	% Change
<b>Water Sales (hcf)</b>						
Domestic	782,136	773,495	763,214	601,225	507,987	-15.5%
Rural Residential ≤125 (est)	304,651	309,171	279,916	197,202	134,772	-31.7%
Limited Ag >125 (est)	315,000	315,000	320,000	248,000	225,000	-9.3%
Agriculture	916,447	895,973	887,305	807,138	729,505	-9.6%
Solvang	46,527	24,365	49,888	23,717	8,275	
Cachuma	31,745	33,726	23,361	12,018	10,286	
Temporary	648	651	1,481	1,218	766	
On Demand	5,832	0	6,877	520	264	
<b>Total</b>	<b>2,402,986</b>	<b>2,352,381</b>	<b>2,332,042</b>	<b>1,891,038</b>	<b>1,616,855</b>	<b>-14.5%</b>
Annual Change %			-0.9%	-18.9%	-14.5%	
Change since 2013 Benchmark				-21.3%	-32.7%	

**Table 6. Historical Water Consumption by Month**

	2011/12	2012/13	2013/14	2014/15	2015/16
JUL	300,530	299,551	375,609	272,387	217,395
AUG	313,053	353,567	283,142	232,234	204,564
SEP	241,866	251,931	264,655	220,775	149,958
OCT	195,224	232,037	219,404	189,974	166,991
NOV	126,066	158,421	136,852	93,928	104,971
DEC	77,075	45,287	111,722	55,314	90,612
JAN	93,082	40,958	156,427	65,810	35,318
FEB	79,842	56,585	87,831	60,217	60,252
MAR	123,484	127,585	76,904	153,175	52,645
APR	107,892	226,545	148,158	194,902	135,924
MAY	208,325	280,781	227,558	149,304	188,056
JUN	297,606	279,133	242,762	203,018	210,167
<b>TOTAL (HCF)</b>	<b>2,164,045</b>	<b>2,352,381</b>	<b>2,331,024</b>	<b>1,891,038</b>	<b>1,616,853</b>
<i>Total AF</i>	<i>4,968</i>	<i>5,400</i>	<i>5,351</i>	<i>4,341</i>	<i>3,712</i>
% Change		8.7%	-0.9%	-18.9%	-14.5%

Figure 5 shows a breakdown of historical water consumption by customer class by calendar year.

Figure 5: Historical Water Consumption by Fiscal Year

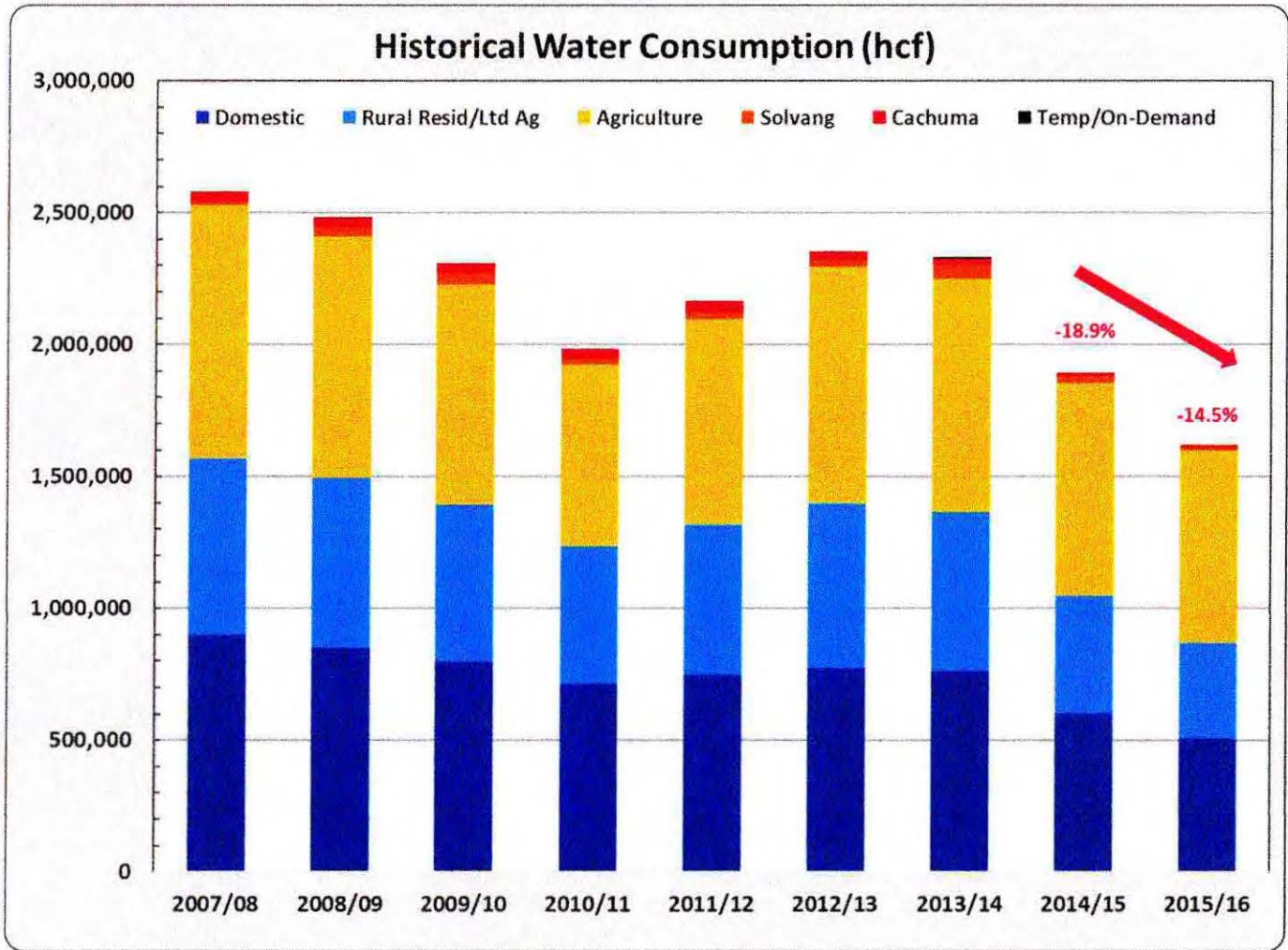




Figure 6 shows a history of monthly water consumption by fiscal year.

**Figure 6: Historical Water Consumption by Month**

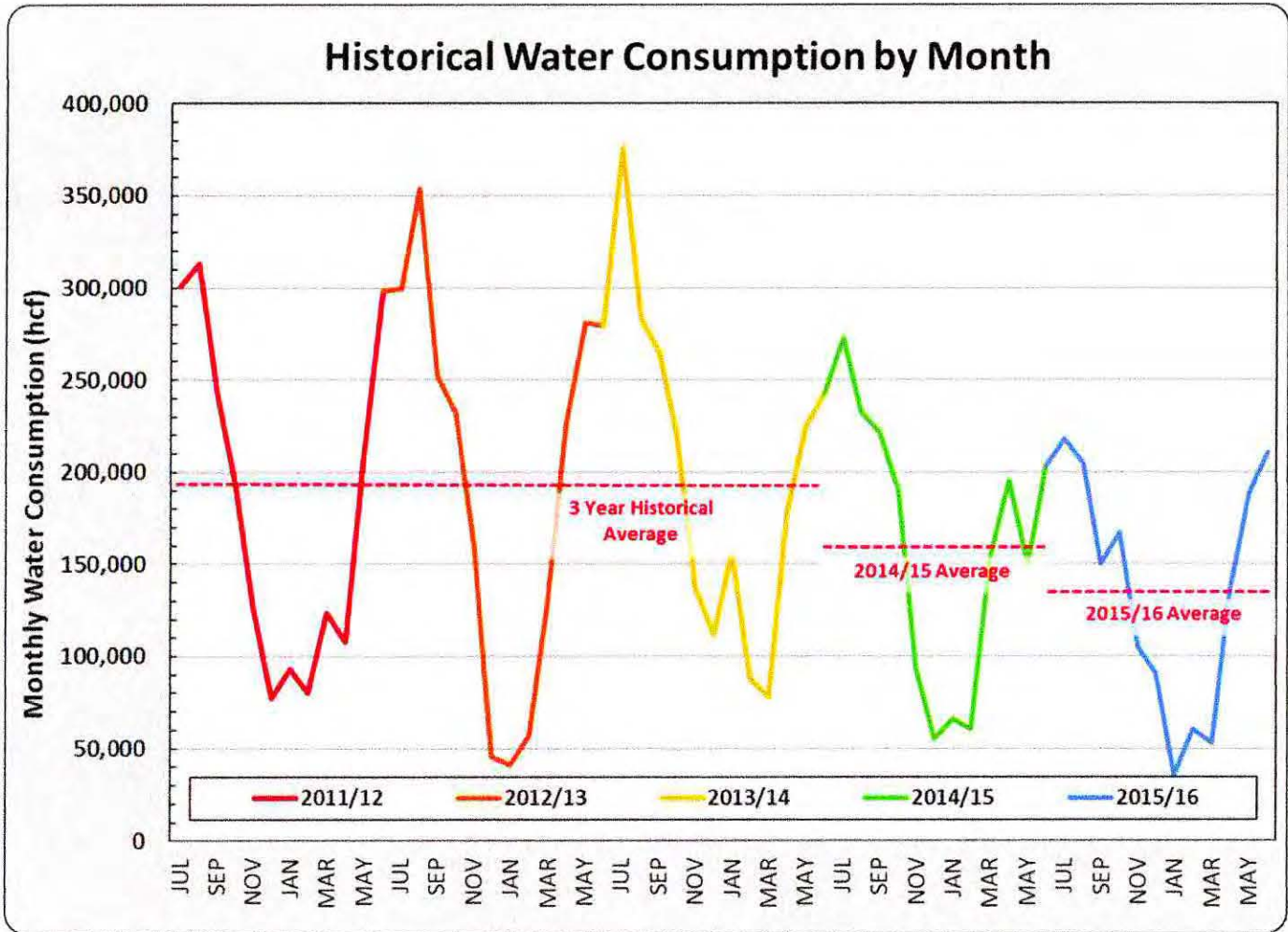
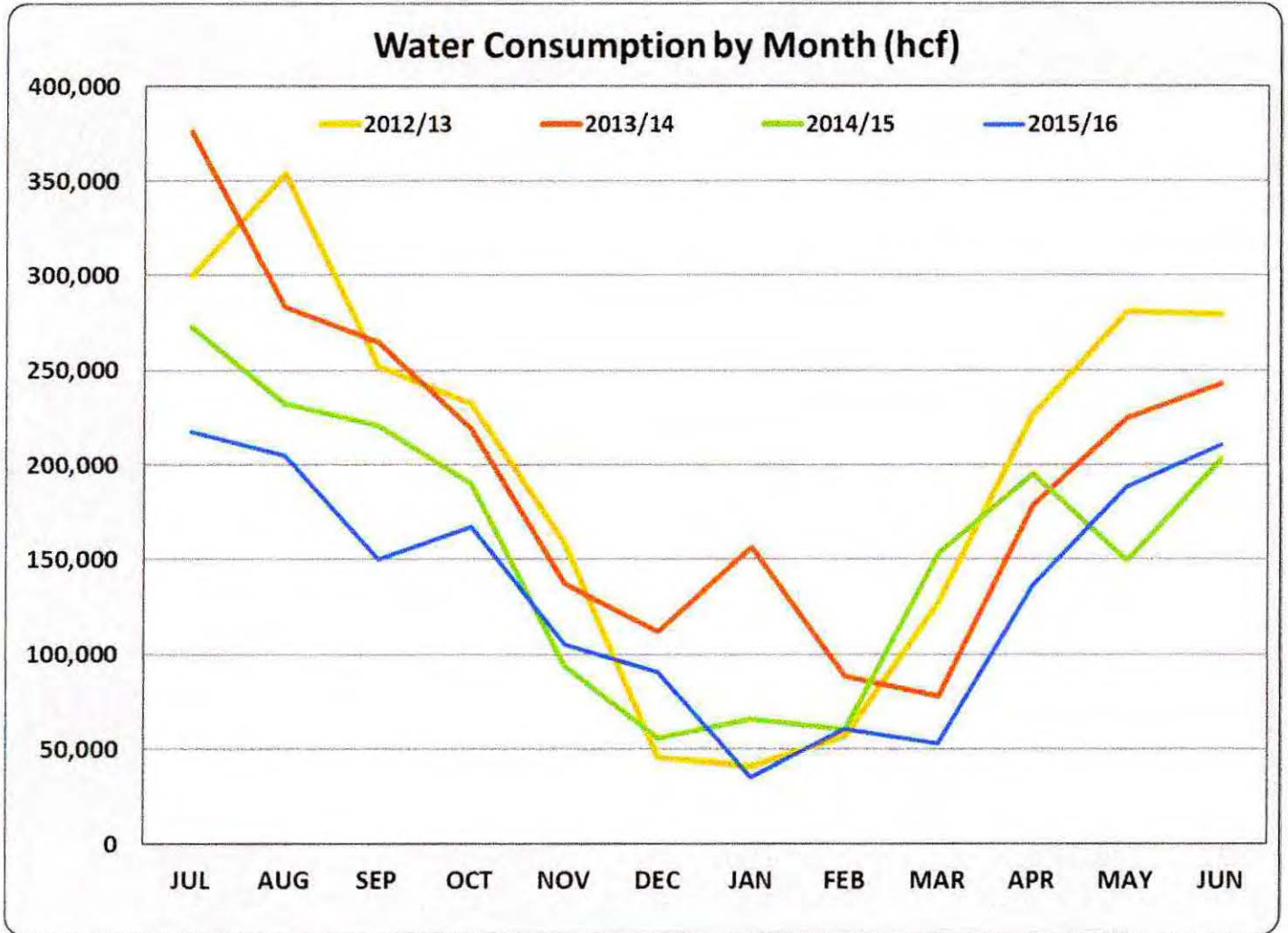


Figure 7 shows the same data as Figure 6 with all years compared on a month-to-month basis.

Figure 7: Historical Water Consumption Compared by Month



## 4 LEGAL REQUIREMENTS & RATE METHODOLOGY

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### 4.1 Constitutional Rate Requirements

The California Constitution includes two key articles that directly govern or impact the District's water rates: Article 10 and Article 13D. The water rates developed in this study were designed to comply with both of these constitutional mandates as well as various provisions of the California Water Code and Government Code that support and add further guidance for implementing these constitutional requirements. In accordance with the constitutional provisions, the proposed rates are designed to a) recover the District's cost of providing service, b) recover revenues in proportion to the cost for serving each customer, and c) promote conservation and discourage waste.

#### 4.1.1 Article 10, Section 2

Article 10, Section 2 of the California Constitution was established by voter-approval in 1976 and requires public agencies to maximize the beneficial use of water, prevent waste, and encourage conservation. Section 2 states that:

*It is hereby declared that because of the conditions prevailing in this State the general welfare requires that the water resources of the State be put to beneficial use to the fullest extent of which they are capable, and that the waste or unreasonable use or unreasonable method of use of water be prevented, and that the conservation of such waters is to be exercised with a view to the reasonable and beneficial use thereof in the interest of the people and for the public welfare.*

#### 4.1.2 Article 13D, Section 6

Proposition 218 was adopted by California voters in 1996 and added Articles 13C and 13D to the California Constitution. Article 13D, Section 6 governs property-related charges, which the California Supreme Court subsequently ruled includes ongoing utility System Charges such as water, sewer, and garbage rates. Article 13D, Section 6 establishes a) procedural requirements for imposing or increasing property-related charges, and b) substantive requirements for those charges. Article 13D also requires voter approval for new or increased property-related charges but exempts rates for water, sewer, and garbage service from this voting requirement if the appropriate procedure is followed.

The substantive requirements of Article 13D, Section 6 require the District's water rates to meet the following conditions:

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

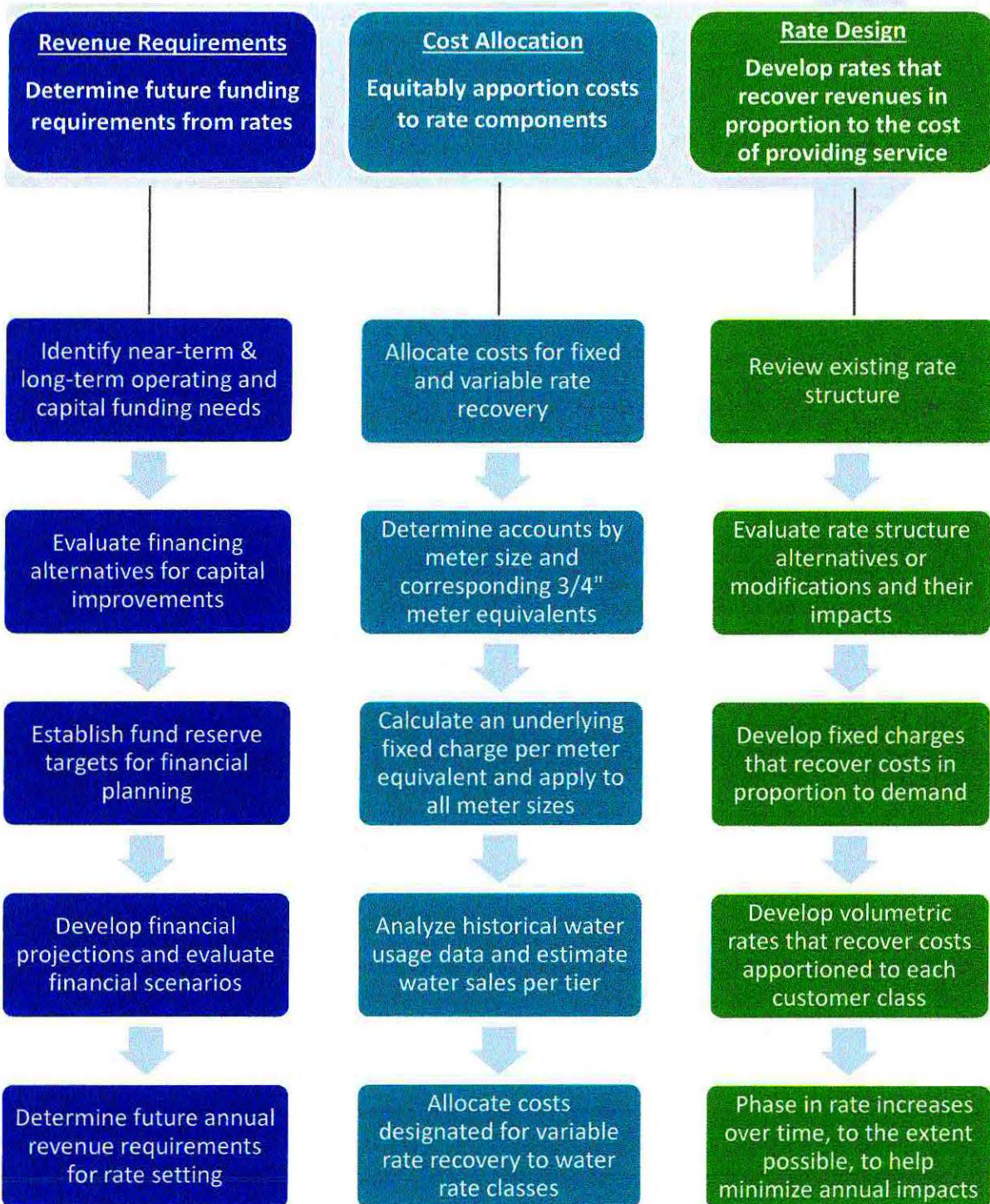
- 2) Revenues derived from the fee or charge shall not be used for any purpose other than that for which the fee or charge was imposed.
- 3) The amount of a fee or charge imposed upon any parcel or person as an incident of property ownership shall not exceed the proportional cost of the service attributable 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.
- 5) No fee or charge may be imposed for general governmental services, such as police or fire services, where the service is available to the public at large in substantially the same manner as it is to property owners.

The water rates derived in this report are based on a cost-of-service methodology that reasonably and equitably apportions costs to each of the District's water rate components.

## 4.2 Rate-Setting Methodology

The rates developed in this report use a straightforward methodology to establish an equitable system of fixed and variable charges that recover the cost of providing service and fairly apportion costs to each rate component. The general methodology used in this study is summarized on the diagram on the following page.

# Cost of Service Rate-Setting Methodology



## 5 DISTRICT FINANCES & CASH FLOW PROJECTIONS

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### 5.1 Financial Overview

The District is a financially self-supporting agency that relies primarily on revenues from water sales to fund the costs of providing service. The District historically adjusted water rates in accordance with a pre-Proposition 218 adopted 15-year water rate schedule sufficient to maintain the District's financial stability as well as set aside a prudent level of fund reserves for future water supplies, capital projects, and unforeseen events. The District also historically recovered \$750,000 per year in property tax assessments on the value of land within the District. Together, the gradual annual rate increases and tax assessments helped maintain the District's financial health for many years.

In 2011, the District ended its long-standing practice of implementing gradual annual rate adjustments and also suspended its tax assessments as a means to reduce customer costs. The combination of these actions contributed to a substantial decline in financial health, annual budget deficits, and depletion of fund reserves.

In 2013, the District completed a Water Rate Study which was intended to serve as financial recovery plan. Subsequently, although the District approved a series of rate increases, the adopted rate increases were lower than recommended in the rate study to provide financial stability. This action resulted in the continued erosion of the District's financial health.

Additionally, since the governor's declaration of a drought emergency in 2014, water sales revenues have plummeted due to a substantial decrease in water sales as customers have cut back on water consumption in response to the drought. Other water agencies in California have experienced similar reduction in revenue.

The District's financial health has deteriorated over the past four fiscal years leading to substantial annual budget deficits. The District has been able to continue funding operations by reducing expenditures, deferring maintenance projects and programs, and implementing other cost-cutting measures while also drawing down fund reserves.

To restore financial stability, water rates must be set at levels adequate to fund the costs of operating and maintaining the water system, pay for fixed and variable costs related to the District's purchase and production of water supply, meet debt service requirements, and fund capital improvement projects.

## 5.2 Historical Finances

The following table shows a summary of historical financial results since 2010/11 and includes unaudited estimates for fiscal year 2015/16.

**Table 7. Historical Financial Results**

	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
<b>REVENUES</b>						
Water Services & Sales	5,011,032	5,372,439	5,531,585	6,889,555	6,215,872	5,922,875
Special Assessments	748,892	5,219	274	626	17	0
Solvang SWP Payment	2,656,830	2,630,941	2,510,824	3,245,931	3,095,118	2,870,556
Other	<u>304,228</u>	<u>205,544</u>	<u>195,732</u>	<u>421,465</u>	<u>225,026</u>	<u>861,700</u>
<b>Total Revenues</b>	<b>8,720,982</b>	<b>8,214,143</b>	<b>8,238,415</b>	<b>10,557,577</b>	<b>9,536,033</b>	<b>9,655,131</b>
<b>EXPENSES</b>						
<b>Operating &amp; Maintenance Expenses</b>						
Operations & Maintenance	1,246,682	1,355,774	1,499,356	2,131,642	1,921,347	1,696,597
District SWP Expense	1,296,561	1,592,377	1,456,306	1,553,532	1,732,709	1,476,124
Solvang SWP Expense	2,656,830	2,630,941	2,510,824	3,245,931	3,095,118	2,870,556
General & Administrative	<u>1,741,065</u>	<u>1,643,461</u>	<u>1,834,418</u>	<u>1,770,153</u>	<u>1,905,864</u>	<u>2,163,882</u>
Subtotal	6,941,138	7,222,553	7,300,904	8,701,258	8,655,039	8,207,159
<b>Debt Service</b>						
USBR SOD Repayment	16,998	16,998	16,998	16,998	16,998	16,998
Series 2004A Bonds	<u>305,199</u>	<u>312,049</u>	<u>308,666</u>	<u>316,225</u>	<u>310,733</u>	<u>312,925</u>
Subtotal	322,197	329,047	325,664	333,223	327,731	329,923
<b>Non-Operating Expenses</b>						
Special Studies	63,886	178,291	191,551	647,996	468,551	48,755
Special Legal & Eng Svcs	191,513	287,456	133,969	249,411	416,604	189,035
Non-Recurring/Other	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,806</u>	<u>149,908</u>
Subtotal	255,399	465,747	325,520	897,407	886,962	387,698
<b>Capital Improvements</b>						
CIP Expenditures	290,528	197,835	517,831	568,587	598,703	1,207,699
Chrome 6 Planning & CIP	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>291,099</u>
Subtotal	290,528	197,835	517,831	568,587	598,703	1,498,797
<b>Total Expenses</b>	<b>7,809,262</b>	<b>8,215,182</b>	<b>8,469,919</b>	<b>10,500,475</b>	<b>10,468,434</b>	<b>10,423,577</b>
<b>Revenues Less Expenses</b>	<b>911,720</b>	<b>(1,039)</b>	<b>(231,504)</b>	<b>57,102</b>	<b>(932,401)</b>	<b>(768,446)</b>
Coverage on District Bonds	5.52	3.01	2.88	5.57	2.69	4.39
CCWA Covg, w/o Bond Rsrvs	1.45	1.23	1.24	1.39	1.18	1.33
CCWA Covg, with Bond Rsrvs	1.71	1.48	1.49	1.60	1.39	1.57

### 5.3 Reserves

Maintaining a prudent minimal level of reserve funds provides a financial cushion for dealing with unanticipated and emergency expenses, revenue shortfalls, and mismatches in the timing of revenues and expenditures. The District has historically maintained a prudent level of reserve funds which has enabled the District to continue operating in recent years despite substantial annual budget deficits.

The following table shows reserves as of June 30, 2015 and 2016. As of June 30, 2016, the District had about \$1.7 million remaining in operating and capital reserves (excluding the \$3 million in designated State Water Project Reserves). This amount is expected to be further depleted in the current fiscal year as a substantial budget deficit is projected for 2016/17.

**Table 8. Reserves**

	June 30 2015	June 30 2016
<b>Fund Reserves</b>		
Repairs & Replacements	\$1,403,594	\$622,735
Contingency	207,584	-
Plant Expansion	<u>1,477,016</u>	<u>1,087,774</u>
Subtotal	3,088,194	1,710,509
State Water Project Reserves	3,000,000	3,000,000
Total	6,088,194	4,710,509

Source: Balance Sheet by Net Position Category (Detailed)



## 5.4 Financial Challenges

The District is facing a number of financial challenges that will require an increase in District revenues in upcoming years. Key drivers of future revenue increases are summarized as below.

### 5.4.1 Eliminate Annual Budget Deficit

Revenue increases are needed to eliminate the annual budget deficits and restore financial stability. As noted, the District experienced over \$1.7 million of budget deficits in the past two fiscal years and is projecting an additional substantial deficit in the current fiscal year.

### 5.4.2 Chromium 6 Treatment Project

Chromium 6 (hexavalent chromium) is a naturally occurring compound that is common in groundwater. While the District's water supply has historically met all regulatory requirements, some of the District's groundwater supply has been found to have levels of Chromium 6 that exceed strict, new statewide regulatory limits. The District needs to comply with the new regulations by January 1, 2020 or face the potential for permit violations and substantial penalties. In order to meet the new regulations, the District evaluated a number of project alternatives and is moving forward with a new Chromium 6 treatment facility and subsequent water blending project. Total project costs are estimated at \$12.7 million including a) an initial treatment facility, b) a Phase 2 treatment plant expansion including construction of a new groundwater well, and c) a future blending facility as shown on the following table.

**Table 9. Projected Chromium 6 Project Expenditures**

	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	Total
Chrome 6 Treatment	\$1,800,000	\$2,850,000	\$2,850,000					\$7,500,000
Phase 2 TP Expn/Well				1,000,000	1,200,000			2,200,000
Blending						1,500,000	1,500,000	3,000,000
<b>Total</b>	<b>1,800,000</b>	<b>2,850,000</b>	<b>2,850,000</b>	<b>1,000,000</b>	<b>1,200,000</b>	<b>1,500,000</b>	<b>1,500,000</b>	<b>12,700,000</b>
Cumulative	1,800,000	4,650,000	7,500,000	8,500,000	9,700,000	11,200,000	12,700,000	

The following table shows debt service estimates for a proposed issuance of long-term debt to a) finance \$8.5 million of initial costs for the Chromium-6 Treatment facility, and b) refinance the District's outstanding Series 2004A Bonds for savings.

**Table 10. Estimated Debt Service**

	\$8.5M Chrome-6 Project Funding	Refinancing of Series 2004 Bonds	Total
2016/17	\$95,000	\$15,000	\$110,000
2017/18	369,000	299,000	668,000
2018/19	369,000	296,000	665,000
2019/20	369,000	291,000	660,000
2020/21	369,000	276,000	645,000
2021/22	369,000	216,000	585,000
2022/23	369,000	216,000	585,000
2023/24	530,000		530,000
2024/25	530,000		530,000
2025/26	530,000		530,000
2026/27	530,000		530,000
2027/28	530,000		530,000
2028/29	530,000		530,000
2029/30	530,000		530,000
2030/31	530,000		530,000
2031/32	530,000		530,000
2032/33	530,000		530,000
2033/34	530,000		530,000
2034/35	530,000		530,000
2035/36	530,000		530,000
2036/37	530,000		530,000
2037/38	530,000		530,000
2038/39	530,000		530,000
2039/40	530,000		530,000
2040/41	530,000		530,000
2041/42	530,000		530,000
2042/43	530,000		530,000
2043/44	530,000		530,000
2044/45	530,000		530,000
2045/46	530,000		530,000
2046/47	530,000		530,000

Based on August 2016 estimates provided by Citigroup.

### 5.4.3 Infrastructure Repairs & Replacements

In addition to the initial Chromium 6 Project, the District also needs ongoing funding for repair, rehabilitation, and replacement of aging pipelines and other essential infrastructure. The

financial projections including \$915,000 of funding for infrastructure improvements in 2016/17 including \$800,000 for the Zone 1 reservoir relining project. Going forward, the projections include \$500,000 per year for future infrastructure repairs and replacements with future costs escalating at the annual rate of 3% to account for construction cost inflation.

#### **5.4.4 Decline in Water Sales**

In recent years, water sales revenues have plummeted due to a substantial decrease in water sales as customers have cut back on water use in response to the drought. Water sales are currently over 30% lower than pre-drought norms. Reduced water sales put upward pressure on rates as the District relies on usage-based water consumption charges to fund a significant portion of its fixed annual expenses.

#### **5.4.5 CCWA Wholesale Water Rate Increases**

The District relies on imported State Water Project water for a portion of its supply portfolio. CCWA projects its wholesale water charges will increase in upcoming years, partially in response to increases in the cost of water supply from the Department of Water Resources (DWR). The following table shows a 10-year projection of water sales and projected expenses from CCWA's 2016/17 Budget. Roughly 80% of annual charges are fixed costs that must be paid regardless of the volume of water deliveries. The CCWA table conservatively estimates a lower level of water deliveries than the District's anticipated full allotment of 500 AF of Table A and 200 AF of Drought Buffer deliveries. The table also accounts for savings attained by CCWA's issuance of 2016 Refunding Revenue Bonds, which occurred after CCWA developed its financial projections.

**Table 11. CCWA Cost Projections for the District**

	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
<b>SYRWCD ID1</b>										
<b>Water Deliveries</b>										
Table A Deliveries (AF)	250	250	250	250	250	250	250	250	250	250
Exchange Deliveries (AF)	2,614	2,580	2,580	2,580	2,580	2,580	2,580	2,580	2,580	2,580
Total	2,864	2,830	2,830	2,830	2,830	2,830	2,830	2,830	2,830	2,830
<b>CCWA Charges</b>										
CCWA Fixed Charges	639,000	731,000	753,000	776,000	799,000	823,000	586,000	611,000	638,000	665,000
CCWA Variable Charges	279,000	274,000	282,000	291,000	299,000	308,000	317,000	327,000	337,000	347,000
CCWA Bond Payments & O&M Credits	89,000	335,000	333,000	333,000	333,000	332,000	0	0	0	0
CCWA 2016 Refi Bond Savings (est)	(16,000)	(32,000)	(32,000)	(32,000)	(32,000)	(32,000)				
Subtotal	991,000	1,308,000	1,336,000	1,368,000	1,399,000	1,431,000	903,000	938,000	975,000	1,012,000
<b>DWR Charges</b>										
DWR Fixed Charges	425,000	432,000	421,000	418,000	431,000	434,000	444,000	429,000	429,000	420,000
DWR Variable Charges	49,000	92,000	96,000	101,000	106,000	112,000	118,000	124,000	130,000	136,000
Future Bay-Delta Conservation Plan	-	-	-	-	tbd	tbd	tbd	tbd	tbd	tbd
Subtotal	474,000	524,000	517,000	519,000	537,000	546,000	562,000	553,000	559,000	556,000
<b>Total Charges</b>	<b>1,465,000</b>	<b>1,832,000</b>	<b>1,853,000</b>	<b>1,887,000</b>	<b>1,936,000</b>	<b>1,977,000</b>	<b>1,465,000</b>	<b>1,491,000</b>	<b>1,534,000</b>	<b>1,568,000</b>
Blended Cost per AF	512	647	655	667	684	699	518	527	542	554

Source: Central Coast Water Authority, Financial Projections in 2016/17 Budget (page 249 & 250) and estimated CCWA bond refinancing numbers.

The District’s payment obligations for its share of CCWA Bond Payments will end after final maturity of the bonds in 2021/22. While this will reduce the District’s future funding obligations, these reduced costs may be more than offset by new funding requirements related to the potential Bay-Delta Conservation Plan.

Contracts with State Water Project contractors will likely need to be renewed and renegotiated in order to facilitate financing for the Bay-Delta Conservation Plan. This would likely result in a large increase in contractually required costs for water supply from the State Water Project.

As a CCWA contractor, the District contracts a portion of its State Water Project allocation to the City of Solvang pursuant to a Water Supply Agreement. The following table shows a projection of CCWA costs for the City of Solvang. These costs are passed through to Solvang.

**Table 12. CCWA Cost Projections for Solvang**

	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
<b>SOLVANG</b>										
<b>Water Deliveries (AF)</b>	1,251	1,251	1,251	1,251	1,251	1,251	1,251	1,251	1,251	1,251
<b>CCWA Charges</b>										
CCWA Fixed Charges	347,000	390,000	401,000	413,000	426,000	438,000	420,000	433,000	447,000	462,000
CCWA Variable Charges	122,000	121,000	125,000	128,000	132,000	136,000	140,000	145,000	149,000	153,000
CCWA Bond Payments & O&M Credits	871,000	892,000	888,000	887,000	886,000	885,000	0	0	0	0
CCWA 2016 Refi Bond Savings (est)	(83,000)	(85,000)	(84,000)	(84,000)	(84,000)	(84,000)				
Subtotal	1,257,000	1,318,000	1,330,000	1,344,000	1,360,000	1,375,000	560,000	578,000	596,000	615,000
<b>DWR Charges</b>										
DWR Fixed Charges	1,090,000	1,226,000	1,191,000	1,179,000	1,221,000	1,230,000	1,260,000	1,211,000	1,214,000	1,185,000
DWR Variable Charges	198,000	309,000	325,000	341,000	358,000	377,000	396,000	416,000	437,000	459,000
Future Bay-Delta Conservation Plan	-	-	-	-	tbd	tbd	tbd	tbd	tbd	tbd
Subtotal	1,288,000	1,535,000	1,516,000	1,520,000	1,579,000	1,607,000	1,656,000	1,627,000	1,651,000	1,644,000
<b>Total Charges</b>	<b>2,545,000</b>	<b>2,853,000</b>	<b>2,846,000</b>	<b>2,864,000</b>	<b>2,939,000</b>	<b>2,982,000</b>	<b>2,216,000</b>	<b>2,205,000</b>	<b>2,247,000</b>	<b>2,259,000</b>
Cost per AF	2,034	2,281	2,275	2,289	2,349	2,384	1,771	1,763	1,796	1,806

Source: Central Coast Water Authority, Financial Projections in 2016/17 Budget (pages 247 & 248)

#### 5.4.6 Compliance with Bond Covenants

The District has a legal obligation to comply with covenants established to secure debt repayment for outstanding debt obligations. Pursuant to contractual agreements with each agency, the District is legally obligated to raise rates, fees, and tax assessments as needed to generate net revenues (revenues remaining after paying operating expenses) that are adequate to fund 125% of the contractual payments owed respectively to CCWA and COMB.

#### CCWA Bonds & Contractual Payments

The District’s payments to CCWA are secured by a Water Supply Agreement that secures the District’s repayment of its share of CCWA’s operating and administrative expenses, and debt service payments. Pursuant to this Agreement, the District is required to set rates and charges adequate to fund 125% of the District’s total contract payments to CCWA.

The District’s contract payments to CCWA include payments for both: a) the District’s contractual water supply; and b) contractual water supply for the City of Solvang, which is not a CCWA contract agency. As a CCWA contract agency, the District maintains contractual rights for water supply from CCWA on behalf of Solvang and is directly obligated to pay CCWA for Solvang’s share of CCWA costs. The District in turn, passes these costs through to Solvang. However, the District is responsible for meeting its 125% coverage requirements for all contractual payments to CCWA, including pass-through payments made on behalf of Solvang.

To help meet its 125% coverage requirement, the District and the City have funded a rate coverage reserve fund with CCWA that allows the District to meet up to 25% of the 125%

coverage requirement with fund reserves held by CCWA. The District also maintains a rate coverage reserve fund on behalf of Solvang, which was funded by Solvang. Currently, the District maintains rate coverage reserve funds of approximately \$419,000 for itself, and about \$608,000 on behalf of Solvang.

The rate coverage reserve funds can potentially be applied to the District's contractual payments to CCWA (on behalf of itself and Solvang) when the CCWA bonds reach final maturity in fiscal year 2021/22.

#### **Series 2004A Bonds & 2016 Refunding Certificates of Participation**

The District's payments for its share of the Series 2004A bonds is secured by two Joint Participation Agreements that secure payments by both: a) the District's annual net revenues and rates as well as; b) the District's tax assessments. Under the Joint Participation Agreements, the District is required to set rates and tax assessments that are adequate to generate net revenues sufficient to pay 125% of contractual payments. The District's legal obligations for the Series 2004 Bonds will terminate and be replaced by new legal covenants when the District issues its anticipated 2016 Certificates of Participation to refund the outstanding Series 2004 Bonds and help finance the District's Chromium-6 water treatment facility.

#### **5.4.7 Replenish Reserves**

The District has drawn down its reserves by approximately \$1.7 million over the past two fiscal years and anticipates additional depletion of reserves in the current fiscal year. The District may experience additional deficits in upcoming years until rates are phased in to adequate levels to fully support the District's revenue requirements. Subsequently, the ongoing phase-in of additional rate increases would enable the District to eventually start replenishing reserves. However, the District has a few options for restoring reserves sooner including:

- Increase the tax assessment to generate additional revenues.
- Issue additional debt to help finance other District capital improvements over the next few years. For example, the District could opt to issue an additional \$1 to \$2 million of bonds when it issues debt for the Chromium 6 treatment facility. The additional funding would enable the District to retain funds it otherwise would have spent on capital projects in the near term at a cost of approximately \$65,000 per year of additional debt service for each \$1 million of additional funding.
- Front-load the rate increases more than currently proposed.

### 5.4.8 Ongoing Cost Inflation

The District faces ongoing operating cost inflation due to annual increases in a range of expenses including materials, utilities, insurance, supplies, etc. In addition to other revenue increases, small annual rate increases are generally needed to keep revenues aligned with cost inflation and prevent rates from falling behind the cost of providing service.

## 5.5 Water Enterprise Financial Projections

BWA developed 10-year cash flow projections to determine the District's annual revenue requirements and revenue increases. The financial projections incorporate the latest information available as well as a number of reasonable and slightly conservative assumptions developed with input from the District. Key assumptions include:

### WATER SALES & PURCHASES

- Water sales are based on actual sales from 2015/16. The projections assume future water sales remain at current low levels. Any future rebound in water sales would increase revenues and either provide the District with some additional funding for capital needs and replenishment of reserves, or potentially enable the District to implement a lower level of rate increases in future years.
- Wholesale water purchases and payments to CCWA are based on CCWA's 10-year projections adjusted to account for savings attained by CCWA's issuance of 2016 refunding bonds. As noted, roughly 80% of these payments are fixed and do not vary with changes in actual water supply.

### REVENUE PROJECTIONS

- Future revenues assume future rate increases go into effect on February 1, 2017 and January 1 of each future year.
- Water sales are based on 2015/16 consumption levels and are projected to gradually increase by 3% per year in each of the next 4 fiscal years, from 2017/18 through 2021/22, resulting in a total rebound in consumption of roughly 12.5%.
- Tax assessments are re-established at the annual level of \$750,000 in 2016/17 and gradually increase to \$1,250,000 per year over 5 years through 2021/22. These levels of assessments are substantially lower than the District's appropriations limit, which is currently approximately \$1.7 million and is projected to increase to about \$2.0 million over the next 5 years, and is roughly equal to the District's historical level of \$750,000 adjusted for inflation. The District retains flexibility to change the level of assessments in response to future funding needs.

- Interest earnings are projected based on the beginning fund balance projected each year and projected interest rates as shown on the table.
- The projections assume Solvang continues to pay for its share of CCWA contractual payments on a pass-through basis.
- Capital facilities fees from new development are projected at \$50,000 per year.
- Other miscellaneous revenues are projected at \$50,000 per year starting 2017/18.

### **EXPENSE PROJECTIONS**

- District operating and maintenance expenses are based on the 2016/17 budget.
- CCWA expenses projected based on CCWA's 10-year budget projections adjusted to account for reduced debt service due to CCWA's recent refinancing of outstanding bonds.
- Costs for USBR Irrigation or Agricultural water supply is projected to increase from \$105 per AF in 2016/17 to \$505 per AF starting 2017/18. In prior years, USBR's Irrigation rate was maintained at low levels as certain costs were deferred from recovery for a number of years
- Infrastructure Maintenance expenses are projected to increase from current, temporarily depressed levels, to \$200,000 per year starting 2017/18.
- The projections include a preliminary placeholder estimate of an additional \$500,000 per year in new costs for Chromium 6 treatment and operations starting 2019/20.
- Operating and maintenance expenses are based on the District's 2016/17 budget.
- Future operating cost inflation is projected at 4% per year.
- Debt service for the Chromium 6 project assumes issuance of 30-year bonds to finance the initial \$8.5 million Chromium 6 Treatment Facility, associated infrastructure and replacement wells. Debt service is layered over outstanding debt in order to result in more level annual debt service in future years. Costs and timing of a) the Chromium 6 treatment improvements, b) future Phase 2 expansion with new well, and c) future blending infrastructure are shown on the table.
- Infrastructure repairs and replacements are projected at \$500,000 per year escalating at the annual rate of 2%.
- The projections include \$200,000 per year for special legal costs and other non-operating costs.

### **MINIMUM RESERVE TARGET**

- The projections include a *minimum* reserve target equal to 40% of annual operating, maintenance and debt service costs plus \$1 million for emergency capital reserves.



Maintaining a prudent level of reserves is an important component of financial management and provides the District with a financial cushion for dealing with revenue shortfalls, unanticipated and emergency expenditures, and mismatches in the timing of revenues and expenses. This is a minimum target level; the District has historically aimed to maintain a higher level of reserves.

The table on the following page shows 10-year cash flow projections incorporating the assumptions described above. The projections shown on the table are designed to fund the District's cost of providing service while aiming for future balanced budgets and maintenance of prudent minimal levels of fund reserves each year.

**Santa Ynez River Water Conservation District ID#1 Cash Flow Projections**

	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Effective Date	Feb-1	Jan-1	Jan-1	Jan-1	Jan-1	Jan-1	Jan-1	Jan-1	Jan-1	Jan-1
Target Rate Revenue Adjustment	15%	15%	5%	5%	5%	0%	0%	0%	0%	0%
Annual % Change in Water Sales	0.0%	3.0%	3.0%	3.0%	3.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Interest Earnings Rate	0.5%	0.75%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
District Cost Escalation	-	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
<b>Beginning Fund Balances</b>	\$4,710,000	\$4,120,000	\$3,979,000	\$4,615,000	\$5,254,000	\$5,200,000	\$4,801,000	\$4,700,000	\$5,438,000	\$5,872,000
<b>REVENUES</b>										
Water Sales & Services	6,020,000	7,015,000	7,861,000	8,456,000	9,089,000	9,258,000	9,258,000	9,258,000	9,258,000	9,258,000
Solvang SWP Passthrough	2,525,000	2,853,000	2,846,000	2,864,000	2,939,000	2,982,000	2,216,000	2,205,000	2,247,000	2,259,000
Special Assessments	750,000	875,000	1,000,000	1,125,000	1,250,000	1,250,000	1,250,000	1,250,000	1,250,000	1,250,000
Interest Earnings	24,000	31,000	40,000	46,000	53,000	52,000	48,000	47,000	54,000	59,000
Capital Facilities & Related Fees	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
Other/Miscellaneous	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
<b>Total Revenues</b>	<b>9,419,000</b>	<b>10,874,000</b>	<b>11,847,000</b>	<b>12,591,000</b>	<b>13,431,000</b>	<b>13,642,000</b>	<b>12,872,000</b>	<b>12,860,000</b>	<b>12,909,000</b>	<b>12,926,000</b>
Bond Proceeds for Chrome 6 Projects	1,800,000	2,850,000	2,850,000	1,000,000						
<b>EXPENSES</b>										
<u>Operating &amp; Maintenance</u>										
Sources of Supply										
CCWA/DWR Fixed Charges ID-1	1,064,000	1,163,000	1,174,000	1,194,000	1,230,000	1,257,000	1,030,000	1,040,000	1,067,000	1,085,000
CCWA/DWR Variable Charges ID-1	328,000	366,000	378,000	392,000	405,000	420,000	435,000	451,000	467,000	483,000
CCWA Bonds/Credits ID-1	89,000	335,000	333,000	333,000	333,000	332,000	0	0	0	0
CCWA/DWR Charges/CCWA Bonds Solvang	2,545,000	2,853,000	2,846,000	2,864,000	2,939,000	2,982,000	2,216,000	2,205,000	2,247,000	2,259,000
Cachuma Project/USBR Water Supply	500,000	653,000	653,000	653,000	653,000	653,000	653,000	653,000	653,000	653,000
Grndwtr/State Licenses/Cloud Seeding	58,000	60,000	62,000	64,000	67,000	70,000	73,000	76,000	79,000	82,000
Infrastructure Maintenance	48,000	200,000	208,000	216,000	225,000	234,000	243,000	253,000	263,000	274,000
Pumping/Treatment	651,000	677,000	704,000	732,000	761,000	791,000	823,000	856,000	890,000	926,000
Transmission/Distribution	923,000	960,000	998,000	1,038,000	1,080,000	1,123,000	1,168,000	1,215,000	1,264,000	1,315,000
General & Administrative	2,174,000	2,261,000	2,351,000	2,445,000	2,543,000	2,645,000	2,751,000	2,861,000	2,975,000	3,094,000
Special Studies/Legal/Engin Services	92,000	100,000	104,000	108,000	112,000	116,000	121,000	126,000	131,000	136,000
Chromium 6 Operating & Maintenance	0	0	0	500,000	520,000	541,000	563,000	586,000	609,000	633,000
Subtotal	8,472,000	9,628,000	9,811,000	10,539,000	10,868,000	11,164,000	10,076,000	10,322,000	10,645,000	10,940,000
<u>District Debt Service</u>										
USBR SDD/Irrig Repayment	17,000	17,000	17,000	17,000	17,000	17,000	17,000	17,000	17,000	17,000
Series 2004 Bonds	290,000	0	0	0	0	0	0	0	0	0
Series 2016 Bonds, Refl 2004 & Chrome 6	110,000	670,000	665,000	660,000	645,000	585,000	585,000	530,000	530,000	530,000
Subtotal	417,000	687,000	682,000	677,000	662,000	602,000	602,000	547,000	547,000	547,000
<u>Capital &amp; Non-Operating</u>										
Capital Rehab/Replacement (+2%)	915,000	500,000	510,000	520,000	530,000	541,000	552,000	1,000,000	1,020,000	1,040,000
Legal/Other Non-Operating	205,000	200,000	208,000	216,000	225,000	234,000	243,000	253,000	263,000	274,000
Chromium 6 Project Expenditures	1,800,000	2,850,000	2,850,000	0	0	0	0	0	0	0
Phase 2 Chrome 6 TP Expansion/Well	0	0	0	1,000,000	1,200,000	0	0	0	0	0
Phase 3 Blending	0	0	0	0	0	1,500,000	1,500,000	0	0	0
Subtotal	2,920,000	3,550,000	3,568,000	1,736,000	1,955,000	2,275,000	2,295,000	1,253,000	1,283,000	1,314,000
<b>Total Expenses</b>	<b>11,809,000</b>	<b>13,865,000</b>	<b>14,061,000</b>	<b>12,952,000</b>	<b>13,485,000</b>	<b>14,041,000</b>	<b>12,973,000</b>	<b>12,122,000</b>	<b>12,475,000</b>	<b>12,801,000</b>
<b>Revenues Less Expenses</b>	<b>(590,000)</b>	<b>(141,000)</b>	<b>636,000</b>	<b>639,000</b>	<b>(54,000)</b>	<b>(399,000)</b>	<b>(101,000)</b>	<b>738,000</b>	<b>434,000</b>	<b>125,000</b>
<b>Ending Fund Balances</b>	<b>4,120,000</b>	<b>3,979,000</b>	<b>4,615,000</b>	<b>5,254,000</b>	<b>5,200,000</b>	<b>4,801,000</b>	<b>4,700,000</b>	<b>5,438,000</b>	<b>5,872,000</b>	<b>5,997,000</b>
Min Fund Reserve Target (40%O&M&D+\$1M)	4,556,000	5,126,000	5,197,000	5,486,000	5,612,000	5,706,000	5,271,000	5,348,000	5,477,000	5,595,000
Debt Svc Coverage on District Debt	2.27	1.81	2.99	3.03	3.87	4.12	4.64	4.64	4.14	3.63
Debt Svc Cvg on CCWA Bonds, w/o Bond Rsrvs	1.24	1.26	1.43	1.43	1.52	1.50	-	-	-	-
Debt Svc Cvg on CCWA Bonds, w/ Bond Rsrvs	1.49	1.48	1.65	1.64	1.73	1.70	-	-	-	-

**Table 13. Cash Flow Projections**

## 5.6 Projected Rate Revenue Increases

The following table shows projected overall increases needed to meet the District's annual revenue requirements. The proposed increases are phased in over 5 years. The projections assume the rate increases would go into effect starting on February 1, 2017, and each year thereafter on January 1.

**Table 14. Projected Overall Rate Revenue Increases**

	Feb-1 2017	Jan-1 2018	Jan-1 2019	Jan-1 2020	Jan-1 2021
Target Rate Revenue Increase	15%	15%	5%	5%	5%

Due to modifications to the rate structure, impacts to customers' monthly water bills may vary widely based on customer class and water use. Note that water consumption typically varies due to seasonal variations in weather and/or other factors. Hence a single customer could face a range of impacts throughout the year depending on their variations in monthly water use.

In future years, the District can re-evaluate its future rate and revenue requirements based on future updates of long-term financial projections. The District always has the flexibility to implement rates that are lower than those adopted pursuant to the Proposition 218 process. However, future rates cannot exceed levels adopted via the Proposition 218 process without going through the Proposition 218 process for any additional increases. Rates adopted pursuant to Proposition 218 process are essentially future rate caps.

## 6 RATE ANALYSIS

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### 6.1 Rate Derivation

The California Constitution does not give agencies leeway to arbitrarily set rates purely based on policy preferences. Instead, it provides agencies with flexibility to implement rates within a framework established by Articles 10 and 13D. Together, these Articles establish that rates should both a) discourage waste and encourage conservation of water, and b) not exceed the costs of service attributable to each parcel or customer.

In reality, many costs of providing service do not exclusively tie in to specific components of an agency's rate structure; some costs can be attributed to different components of an agency's rate structure based on a range of reasonable approaches. For example, costs for water system administration, debt service, and capital improvements can reasonably be treated as a) fixed annual costs that should be recovered from fixed charges, b) costs related to providing water supply and system capacity to meet customer demand and therefore costs that should be recovered from variable rates based on each customer's water use, or c) costs that can be recovered by both fixed and variable rates, a middle-road approach. Likewise, costs related to providing ongoing water service to the District's domestic customers 24/7 on demand, differs from costs related to providing interruptible service to agricultural customers, who the District can stop supplying if ever needed. The differences between permanent and interruptible service can be quantified via a range of perspectives and reasonable approaches.

Ultimately, there is no single correct way to allocate or attribute costs. Hence, five similar agencies may have five different rate structures provided each agency can establish a reasonable cost basis for their own particular rate structure within the parameters of meeting the various requirements of the California Constitution.

While there is no single correct approach for cost attribution and rate-setting, BWA believes that costs should be allocated within a reasonable range that reflects both a) underlying cost causation, to the extent such causation can reasonably be determined or estimated, and b) the policy preferences of the agency within the parameters of having a reasonable cost basis. The rates developed in this report are designed to achieve the District's policy preferences while complying with the requirements of the California Constitution.

The District's service requirements vary by customer type. This in turn has an impact on the costs of providing service to each customer. The District serves a few types of customers including:

- **Domestic** – These customers include residential, commercial, and institutional accounts. The District provides these customers with permanent ongoing service to meet health and safety requirements and customer needs upon demand.
- **Agricultural** – These customers include commercial agricultural enterprises. These customers typically only use water on a seasonal basis, typically 6 to 8 months per year. Water service to these customers is interruptible; the District can temporarily terminate water service if ever needed, such as during supply shortages. Additionally, agricultural use provides some groundwater recharge, which is a benefit to the District.
- **Rural Residential/Limited Ag** – These customers are residential accounts on large lots that sometimes use water for limited agricultural purposes.

The cost-recovery allocations developed in this report reflect the costs for serving each type of customer class and account for cost-differences for domestic vs. agricultural water supplies and operations considering ag customers are only operational approximately 60% of the year and receive interruptible water service that can be shut off if ever needed.

The District also serves a limited number of special customers as follows.

- **On-Demand Customers** – These customers serve their own local service areas and require access to District water supply on an uninterruptible basis to supplement other sources of supply. Although these customers have historically only relied on the District for limited amounts of water purchases most years, the District incurs substantial costs maintaining the operational and water supply capacity to serve these customers on demand. Unlike the District’s water service contract accounts, which pay charges based on the number and type of end users in reflection of the underlying demand placed on the water system, the District’s On-Demand customers only pay fixed charges based on the single “master meter” connection, which is substantially lower. Additionally, these customers never paid connection fees to buy-in for their share of District infrastructure based on their potential actual demand that could be placed on the District.
- **Temporary Customers** – These customers do not become ongoing District customers and do not pay any connection fees since they only require a temporary water service connection, such as for a construction meter. The rates charged to these customers should be substantially higher in order to ensure adequate cost recovery for District infrastructure and water supply.
- **Cachuma Park** – This account receives untreated water from the District directly from Lake Cachuma and has historically paid the District a cost-of-service rate that reflects the District’s expenses for providing the water supply.

The cost-recovery allocations developed in this report reflect the costs for serving each type of customer class and account for cost-differences for domestic vs. agricultural water supplies and operations considering ag customers are only operational approximately 60% of the year and receive interruptible water service that can be shut off if ever needed.

The following tables calculate rates over the next five years through fiscal year 2020/21. In order to help minimize the annual impact due to overall rate increases and rate structure modifications, rates in intervening years are phased in from current levels to the proposed levels calculated for 2020/21 based on annual revenue requirements each year.

### 6.1.1 Fixed vs. Variable Revenue Recovery

Table 15 allocates costs projected for 2020/21 for recovery from the District's fixed vs. variable rates. Key cost-recovery allocations are summarized as follows:

- Variable costs of water supply are allocated for 100% recovery from variable water rates to ensure that the District's water consumption charges recover the variable costs of obtaining water supply.
- Most other costs are allocated for a balanced recovery of 40% to 50% from fixed meter charges and 50% to 60% from water consumption charges. This ensures a reasonable level of revenue stability and also reflects that although most of these costs are fixed costs that do not vary based on water consumption, it is also reasonable and equitable to allocate and recover these costs based on actual water use.

**Table 15. Fixed vs. Variable Revenue Recovery**

	Projected 2020/21	Cost Recovery %		Cost Recovery \$	
		Fixed	Variable	Fixed	Variable
<b>EXPENSES</b>					
<b>Operating &amp; Maintenance</b>					
Sources of Supply					
CCWA: DWR Fixed Charges, District	788,000	50%	50%	394,000	394,000
CCWA: DWR Variable Charges	264,000	0%	100%	0	264,000
CCWA: Cachuma Exchange Fixed	442,000	50%	50%	221,000	221,000
CCWA: Cachuma Exchange Variable	141,000	0%	100%	0	141,000
District Share of CCWA Bonds	333,000	50%	50%	166,500	166,500
Solvang CCWA/DWR Charges	pass-through	-	-	-	-
Cachuma Project/USBR Supply	653,000	0%	100%	0	653,000
Grndwtr/State Licenses/Cloud Seeding	67,000	40%	60%	26,800	40,200
Infrastructure Maintenance	225,000	40%	60%	90,000	135,000
Pumping/Treatment	761,000	0%	100%	0	761,000
Transmission/Distribution	1,080,000	40%	60%	432,000	648,000
General & Administrative	2,543,000	50%	50%	1,271,500	1,271,500
Special Studies/Legal/Engin Services	112,000	40%	60%	44,800	67,200
Chromium 6 Operating & Maintenance	520,000	0%	100%	0	520,000
Subtotal	7,929,000	33%	67%	2,646,600	5,282,400
<b>District Debt Service</b>					
USBR SOD Repayment	17,000	40%	60%	6,800	10,200
2016 Bonds - Refi of Series 2004A Bonds	220,000	40%	60%	88,000	132,000
2016 Bonds - Chrome 6 Funding (\$8.5M)	425,000	40%	60%	170,000	255,000
Subtotal	662,000	40%	60%	264,800	397,200
<b>Capital &amp; Non-Operating</b>					
Capital Rehab/Replacement	530,000	40%	60%	212,000	318,000
Legal/Other Non-Operating	225,000	40%	60%	90,000	135,000
Chromium 6 Project Expenditures	debt financed	-	-	-	-
Phase 2 Chr 6 Expn/Other (Target)	1,000,000	40%	60%	400,000	600,000
Subtotal	1,755,000	40%	60%	702,000	1,053,000
<b>Total Expenses</b>	<b>10,346,000</b>	<b>35%</b>	<b>65%</b>	<b>3,613,400</b>	<b>6,732,600</b>
<b>NET FUNDING REQUIRED FROM WATER RATES</b>					
Total Expenses	10,346,000	35%	65%	3,613,400	6,732,600
Less Tax Assessments	(1,250,000)	35%	65%	(437,500)	(812,500)
Less Other Funding Sources	(157,000)	100%	0%	(157,000)	0
Contingency/Contrib to Fund Reserves	100,000	40%	60%	40,000	60,000
Net Funding Req't from Water Rates	9,039,000	<b>33.8%</b>	<b>66.2%</b>	3,058,900	5,980,100

*Excludes capital improvement projects funded by debt, but includes associated debt service.*

## 6.1.2 Fixed Rate Recovery

Costs allocated for recovery from the District's fixed charges are further allocated for recovery from the District's domestic rates vs. interruptible agricultural rates as shown on Table 16. Key fixed cost-recovery allocations are summarized as follows:

- Costs related to domestic water supplies are allocated for recovery from domestic charges and costs related to agricultural supplies are allocated for recovery from ag charges.
  - Costs related to water supply from California's Department of Water Resources (DWR) is 100% for domestic purposes.
  - Costs related to Cachuma Exchange/USBR supply is allocated based on the District's anticipated allocation of USBR water supply requests at 67% for domestic supply and 33% for agricultural supply.
  - Chromium 6 treatment facilities and operations are required to meet stringent new drinking water regulations and hence are allocated for recovery from domestic water rates.
- General and Administrative costs are allocated to domestic and ag customers based on a weighted average of a) number of accounts, and b) meter equivalents adjusted to reflect that ag customers are typically in operation approximately 60% of the year.
- Most other operating and capital costs are allocated for recovery based on a weighted allocation that accounts for a) the number of domestic vs. agricultural meter equivalents, adjusted to reflect that ag customers are typically in operation or only approximately 60% of the year.

The costs allocated for recovery from domestic vs. agricultural customers are subsequently divided by the number of domestic and agricultural meter equivalents, respectively, to determine the base fixed meter charges for each type of account. The number of meter equivalents for a given meter size is based on the capacity of each meter in relation to a 5/8-inch domestic meter, or 1-1/2-inch agricultural meter. For example, a 1-inch meter has two times the capacity of a 5/8-inch meter and hence is assigned the equivalent capacity and charge of two 5/8-inch meters.

Table 17 calculates the number of meter equivalents for domestic and agricultural accounts.

Table 18 calculates fixed meter charges for each year through 2020/21. The table phases in meter charges over the next 5 years to a targeted level of a little under 34% of total rate revenue recovery based on fixed rate cost-recovery allocation previously calculated.



**Table 16. Fixed Rate Revenue Allocation**

			Domestic+	Ag	Total	
<b>Accounts</b>			2,424	111	2,535	
% of Total			96%	4%		
<b>Meter Equivalents (5/8")</b>			5,191	2,278	7,469	
Adjustment to Account for Interruptible & Partial Year Svc			100%	60.0%		
Adjusted Meter Equivalents			5,191	1,367	6,558	
% of Total			79.2%	20.8%	100.0%	
<b>Water Demand</b>			1,000,000	800,000	1,800,000	
% of Total			55.6%	44.4%	100.0%	
<b>1/2 Accounts &amp; 1/2 Adjusted Meter Equivalents %</b>			87.4%	12.6%	100.0%	
	Fixed % Recovery	Fixed Rate Cost Recovery	Cost Recovery %		Cost Recovery \$	
			Domestic	Ag	Domestic	Ag
<b>FIXED RATE COST RECOVERY</b>						
<b>Operating &amp; Maintenance Expenses</b>						
Sources of Supply						
CCWA/DWR Fixed Charges, District	50%	394,000	100.0%	0.0%	394,000	0
CCWA/DWR Variable Charges	0%	0	-	-	-	-
CCWA: Cachuma Exchange Fixed	50%	221,000	67.0%	33.0%	148,070	72,930
CCWA: Cachuma Exchange Variable	0%	0	-	-	-	-
District Share of CCWA Bonds	50%	166,500	100.0%	0.0%	166,500	0
Solvang CCWA/DWR Charges	-	pass-through	-	-	-	-
Cachuma Project/USBR	0%	0	-	-	-	-
Grndwtr/State Licenses/Cloud Seeding	40%	26,800	70.0%	30.0%	18,760	8,040
Infrastructure Maintenance	40%	90,000	79.2%	20.8%	71,245	18,755
Pumping/Treatment	0%	0	-	-	-	-
Transmission/Distribution	40%	432,000	79.2%	20.8%	341,976	90,024
General & Administrative	50%	1,271,500	87.4%	12.6%	1,111,180	160,320
Special Studies/Legal/Engin Services	40%	44,800	79.2%	20.8%	35,464	9,336
Chromium 6 Operating & Maintenance	0%	0	-	-	-	-
Subtotal		2,646,600	86.4%	13.6%	2,287,195	359,405
<b>District Debt Service</b>						
USBR SOD Repayment	40%	6,800	67.0%	33.0%	4,556	2,244
2016 Bonds - Refi of Series 2004A Bonds	40%	88,000	67.0%	33.0%	58,960	29,040
2016 Bonds - Chrome 6 Funding	40%	170,000	100.0%	0.0%	170,000	0
Subtotal		264,800	88.2%	11.8%	233,516	31,284
<b>Capital &amp; Non-Operating Expenses</b>						
Capital Improvements	40%	212,000	79.2%	20.8%	167,822	44,178
Legal/Other Non-Operating	40%	90,000	79.2%	20.8%	71,245	18,755
Chromium 6 Project Expenditures	-	-	-	-	-	-
Phase 2 Chr 6 Expn/Other (Target)	40%	400,000	85.0%	15.0%	340,000	60,000
Subtotal		702,000	82.5%	17.5%	579,067	122,933
<b>Total Expenses</b>		3,613,400	85.8%	14.2%	3,099,778	513,622
<b>NET FUNDING REQUIRED FROM WATER RATES</b>						
Total Expenses	35%	3,613,400	85.8%	14.2%	3,099,778	513,622
Less Tax Assessments	35%	(437,500)	79.2%	20.8%	(346,330)	(91,170)
Less Other Funding Sources	100%	(157,000)	79.2%	20.8%	(124,283)	(32,717)
Contingency/Contrib to Fund Reserves	40%	100,000	79.2%	20.8%	79,161	20,839
Net Funding Requirement from Water Rates		3,118,900	<b>86.8%</b>	<b>13.2%</b>	2,708,326	410,574

**Table 17. Meter Equivalents**

Meter Size	Number of Accounts			Est. Meter Capacity (gpm)	Meter Ratios	Meter Equivalents
<b>Domestic/Rural Residential</b>						
	<u>Domestic</u>	<u>RR/Ltd Ag</u>	<u>Temp</u>	<u>Subtotal</u>		
5/8"	779	1	-	780	25	780.0
3/4"	616	-	-	616	30	739.2
1"	592	-	-	592	50	1,184.0
1-1/2"	13	181	-	194	100	776.0
2"	27	202	-	229	160	1,465.6
3"	5	2	1	8	300	96.0
4"	1	-	-	1	500	20.0
6"	-	-	-	-	1,000	-
8"	-	-	-	-	1,600	-
Subtotal	2,033	386	1	2,420		5,060.8
<b>Master Meter Accounts (with other sources of water supply)</b>						
<i>These accounts are served by one or two meters, but provide ongoing water service to a larger number of parcels.</i>						
		<u>Meters</u>	<u>Parcels</u>			
City of Solvang		6" & 8"	2,178	2,600		104.0
Rancho Marcelino Wtr & Svc Co		2"	80	160		6.4
Skyline Park & Wtr Svc Co		4"	98	500		20.0
Subtotal			2,356			130.4
<b>Total Domestic/RR/MM</b>						<b>5,191.2</b>
<b>Agricultural Accounts</b>						
<i>With interruptible water supply.</i>				<u>Accounts</u>		
1-1/2"			3	100	4.0	12.0
2"			29	160	6.4	185.6
3"			5	300	12.0	60.0
4"			47	500	20.0	940.0
6"			27	1,000	40.0	1,080.0
Total			111			2,277.6

**Table 18. Fixed Meter Rate Calculation**

	Meter Capacity	Current Rates	Jan-1 2017	Jan-1 2018	Jan-1 2019	Jan-1 2020	Jan-1 2021
<b>Total Rate Revenue Requirement</b>							
With Annualized Rate Increase			\$6,613,000	\$7,729,000	\$8,251,000	\$8,810,000	\$9,408,000
Fixed Charge Recovery %			42.1%	37.0%	36.0%	35.0%	33.7%
Fixed Charge Recovery \$			\$2,782,089	\$2,859,730	\$2,970,360	\$3,083,500	\$3,170,496
<b>Domestic Cost Recovery %</b>							
Domestic Cost Recovery %			86.8%	86.8%	86.8%	86.8%	86.8%
Domestic Cost Recovery \$			2,415,853	2,483,273	2,579,340	2,677,586	2,753,130
Domestic Meter Equivalents			5,191.2	5,191.2	5,191.2	5,191.2	5,191.2
Annual Charge per Meter Equivalent			465.37	478.36	496.87	515.79	530.35
Monthly Charge per Meter Equivalent			38.78	39.86	41.41	42.98	44.20
<b>MONTHLY METER CHARGE</b>							
<b>Domestic &amp; Rural Residential/Limited Agriculture</b>							
<u>Meter Size</u>			<u>No Change</u>				
5/8"	25	\$38.78	\$38.78	\$39.86	\$41.41	\$42.98	\$44.20
3/4"	30	46.42	46.42	47.84	49.69	51.58	53.03
1"	50	76.98	76.98	79.73	82.81	85.97	88.39
1-1/2"	100	153.62	153.62	159.45	165.62	171.93	176.78
2"	160	243.80	243.80	255.13	265.00	275.09	282.85
3"	300	490.60	490.60	478.36	496.87	515.79	530.35
4"	500	661.91	661.91	797.27	828.11	859.66	883.91
6"	1,000	1,543.43	1,543.43	1,594.54	1,656.23	1,719.31	1,767.82
8"	1,600	2,455.55	2,455.55	2,551.26	2,649.96	2,750.90	2,828.51
<b>Ag Cost Recovery %</b>							
Ag Cost Recovery %			13.2%	13.2%	13.2%	13.2%	13.2%
Ag Cost Recovery \$			\$366,236	\$376,457	\$391,020	\$405,914	\$417,366
Ag Meter Equivalents			2,277.6	2,277.6	2,277.6	2,277.6	2,277.6
Annual Charge per Meter Equivalent			\$160.80	\$165.29	\$171.68	\$178.22	\$183.25
Monthly Charge per 5/8" Mtr Equivalent			\$16.08	\$16.53	\$17.17	\$17.82	\$18.32
<i>Assumes 8 months in service, 4 months offline</i>							
Adjusted by Capacity Ratio to 1-1/2" Meter			\$64.32	\$66.11	\$68.67	\$71.29	\$73.30
<b>MONTHLY METER CHARGE</b>							
<i>Charge applied during periods of water service, 50% of charge applied during periods of non-operation.</i>							
<b>Agricultural</b>							
<u>Meter Size</u>			<u>No Change</u>				
1-1/2"	100	\$62.40	\$62.40	\$66.11	\$68.67	\$71.29	\$73.30
2"	160	103.14	103.14	105.78	109.88	114.06	117.28
3"	300	207.56	207.56	209.66	211.76	213.86	219.90
4"	500	289.06	289.06	330.57	343.36	356.44	366.50
6"	1,000	645.61	645.61	661.15	686.72	712.88	732.99

### 6.1.3 Water Consumption Charge Derivation

The following tables derive proposed water consumption charges for each of the District's customer classes. On Table 19, costs allocated for variable rate recovery are further allocated for recovery from domestic vs. agricultural supply. The table assumes water supply for Limited Ag customers is based on 75% agricultural water supply and 25% domestic supply.

Key variable cost-recovery allocations are summarized as follows:

- Costs related to domestic water supplies are allocated for recovery from domestic charges and costs related to agricultural supplies are allocated for recovery from ag charges.
  - Costs related to water supply from California's Department of Water Resources (DWR) is 100% for domestic purposes.
  - Costs related to Cachuma Exchange/USBR supply is allocated based on the District's anticipated allocation of USBR water supply requests at 67% for domestic supply and 33% for agricultural supply, with the exception that costs for the actual water purchases are allocated based on the price of purchasing domestic vs. ag supplies. The District recently received notice from United States Bureau of Reclamation that the wholesale rate for ag water is increasing from \$105 to slightly over \$505 per acre-foot, while the rate for domestic supply is increasing to \$119 per acre-foot.
  - Costs related to Chromium 6 treatment facilities and operations are allocated for recovery from domestic water rates since these costs are being incurred due to drinking water regulations.
- Some costs are allocated for recovery based on the percentage share of projected domestic vs. agricultural water use, as shown on the table.
- Cost recovery for most other operating, maintenance, and capital expenses are allocated for recovery based on the share of projected domestic vs. ag water use adjusted to reflect that ag customers are typically in operation for only approximately 60% of the year.

				Domestic	Ag	Total	Domestic			Ag	
Projected Water Use 2020/21 (hcf)					850,000	950,000	1,800,000	<b>Calculation of Cost per hcf</b>			
% of Total Water Use				A	47.2%	52.8%	100.0%	Costs	\$4,251,629	\$1,729,471	
% of Adjusted Water Use (with 60% factor for partial year interruptible supply)				B	68.3%	31.7%	100.0%	Use (hcf)	<u>850,000</u>	<u>950,000</u>	
Cachuma/USBR Water Supply				C	67.0%	33.0%	100.0%	<b>Cost per hcf</b>	<b>\$5.00</b>	<b>\$1.82</b>	
DWR Water Supply				D	100.0%	0.0%	100.0%	<i>Note: Ltd Ag based on 1/3 Dom &amp; 2/3 Ag</i>			
Projected 2020/21		Variable Cost Recovery		Cost Recovery Allocation %			Cost Recovery Allocation \$				
		%	\$	Domestic	Ag	Total	Domestic	Ag	Total		
<b>EXPENSES</b>											
<b>Operating &amp; Maintenance</b>											
Sources of Supply											
CCWA: DWR Fixed Charges, District	788,000	50%	394,000	D	100.0%	0.0%	100.0%	394,000	0	394,000	
CCWA: DWR Variable Charges	264,000	100%	264,000	D	100.0%	0.0%	100.0%	264,000	0	264,000	
CCWA: Cachuma Exchange Fixed	442,000	50%	221,000	C	67.0%	33.0%	100.0%	148,070	72,930	221,000	
CCWA: Cachuma Exchange Variable	141,000	100%	141,000	C	67.0%	33.0%	100.0%	94,470	46,530	141,000	
District Share of CCWA Bonds	333,000	50%	166,500	D	100.0%	0.0%	100.0%	166,500	0	166,500	
Solvang CCWA/DWR Charges	pass-through	-	-	-	-	-	-	-	-	-	
Cachuma Project/USBR Supply	653,000	100%	653,000	USBR Cost	33.0%	67.0%	100.0%	215,490	437,510	653,000	
Grndwtr/State Licenses/Cloud Seeding	67,000	60%	40,200	A	47.2%	52.8%	100.0%	18,983	21,217	40,200	
Infrastructure Maintenance	225,000	60%	135,000	A	47.2%	52.8%	100.0%	63,750	71,250	135,000	
Pumping	690,000	100%	690,000	A	47.2%	52.8%	100.0%	325,833	364,167	690,000	
Treatment	72,000	100%	72,000	A	47.2%	52.8%	100.0%	34,000	38,000	72,000	
Transmission/Distribution	1,080,000	60%	648,000	A	47.2%	52.8%	100.0%	306,000	342,000	648,000	
General & Administrative	2,543,000	50%	1,271,500	B	68.3%	31.7%	100.0%	868,858	402,642	1,271,500	
Special Studies/Legal/Engin Services	112,000	60%	67,200	A	47.2%	52.8%	100.0%	31,733	35,467	67,200	
Chromium 6 Operating & Maintenance	520,000	100%	520,000	Drinking	<u>100.0%</u>	<u>0.0%</u>	100.0%	<u>520,000</u>	<u>0</u>	<u>520,000</u>	
Subtotal	7,930,000	67%	5,283,400		65.3%	34.7%	100.0%	3,451,688	1,831,712	5,283,400	
<b>District Debt Service</b>											
USBR SOD Repayment	17,000	60%	10,200	C	67.0%	33.0%	100.0%	6,834	3,366	10,200	
2016 Bonds - Refi of Series 2004A Bonds	220,000	60%	132,000	C	67.0%	33.0%	100.0%	88,440	43,560	132,000	
2016 Bonds - Chrome 6 Funding	425,000	60%	255,000	Drinking	<u>100.0%</u>	<u>0.0%</u>	100.0%	<u>255,000</u>	<u>0</u>	<u>255,000</u>	
Subtotal	662,000	60%	397,200		88.2%	11.8%	100.0%	350,274	46,926	397,200	
<b>Capital &amp; Non-Operating</b>											
Capital Improvements	530,000	60%	318,000	A	47.2%	52.8%	100.0%	150,167	167,833	318,000	
Legal/Other Non-Operating	225,000	60%	135,000	A	47.2%	52.8%	100.0%	63,750	71,250	135,000	
Chromium 6 Project Expenditures	debt financed	-	-	-	-	-	-	-	-	-	
Phase 2 Chr 6 Expn/Other (Target)	1,000,000	60%	600,000	Drinking	<u>100.0%</u>	<u>0.0%</u>	100.0%	<u>600,000</u>	<u>0</u>	<u>600,000</u>	
Subtotal	1,755,000	60%	1,053,000		77.3%	22.7%	100.0%	813,917	239,083	1,053,000	
<b>Total Expenses</b>	<b>10,347,000</b>	<b>65%</b>	<b>6,733,600</b>		<b>68.5%</b>	<b>31.5%</b>	<b>100.0%</b>	<b>4,615,879</b>	<b>2,117,721</b>	<b>6,733,600</b>	
<b>NET FUNDING REQUIRED FROM WATER RATES</b>											
Total Expenses	10,347,000	65%	6,733,600		68.5%	31.5%	100.0%	4,615,879	2,117,721	6,733,600	
Less Tax Assessments	(1,250,000)	65%	(812,500)		50.0%	50.0%	100.0%	(406,250)	(406,250)	(812,500)	
Less Other Funding Sources	(157,000)	0%	0		50.0%	50.0%	100.0%	0	0	0	
Contingency/Contrib to Fund Reserves	100,000	60%	60,000	% revs	<u>70.0%</u>	<u>30.0%</u>	100.0%	<u>42,000</u>	<u>18,000</u>	<u>60,000</u>	
Net Funding Req't from Water Rates	9,097,000	<b>65.7%</b>	5,981,100		71.1%	28.9%	100.0%	4,251,629	1,729,471	5,981,100	

Table 19. Variable Cost per Unit

Table 20 summarizes the underlying costs of service for domestic, limited ag, and agricultural customers based on the cost-recovery allocations developed in the prior tables.

**Table 20. Water Quantity Charges per Customer Class**

	Domestic	Ag	Total	
<b>Projected Water Use 2020/21 (hcf)</b>				
Domestic	800,000	0	800,000	
Limited Ag	50,000	150,000	200,000	
Ag	<u>0</u>	<u>800,000</u>	<u>800,000</u>	
Total	850,000	950,000	1,800,000	
<b>Projected Cost per Unit (\$/hcf)</b>				
	\$5.00	\$1.82		
<b>Total Cost per Customer Class</b>				
Domestic	\$4,001,533	\$0	\$4,001,533	
Limited Ag	250,096	273,074	523,170	
Ag	<u>0</u>	<u>1,456,397</u>	<u>1,456,397</u>	
Total	4,251,629	1,729,471	5,981,100	
<b>Cost per Unit per Customer Class</b>				
	<b>Costs</b>	<b>hcf</b>	<b>Avg Cost/hcf</b>	<b>Rate Req't</b>
			<b>2020/21*</b>	<b>01/01/21</b>
Domestic	\$4,001,533	800,000	\$5.00	<b>\$5.15</b>
Limited Ag	523,170	200,000	2.62	<b>2.69</b>
Ag	1,456,397	800,000	1.82	<b>1.88</b>
* These rate represent the average rate that needs to be charged over the course of the full fiscal year in order to generate the target level of revenues. Rates that become effective on Jan-1, half way through the fiscal year need to be a little higher in order to result in the fiscal year average calculated above.				

## 7 PROPOSED RATES & IMPACTS

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### 7.1 Proposed Water Rates

Table 21 projects rates over the next five fiscal years incorporating a) the overall level of rate increases required to fund the District's projected costs of providing service, and b) the proposed rate structure modifications and revenue recovery allocations developed to equitably recover costs from the District's customer base.

#### Fixed Meter Charges

- The proposed rates include **no increases to fixed meter charges in 2017** followed by small gradual increases in subsequent years.
- Domestic meter charges increase approximately 14% through 2021, which equates to an average annual increase of 2.6% over the next 5 years.
- Agricultural meter charges, which are currently significantly lower than comparable domestic charges, increase by approximately 17.5% through 2021, which equates to an average annual increase of 3.3% over the next five years. With the proposed increases, ag meter charges will remain substantially less than half of comparative domestic meter charges based on the cost allocations.

#### Water Consumption Charges

- Domestic water rates (which apply to residential and commercial use) increase by \$1.34 per hundred cubic feet of water (748 gallons) over the next 5 years. This equates to an increase of approximately 17.9 cents per 100 gallons of water over the next 5 years.
- Agricultural water rates increase by \$1.37 per hundred cubic feet over the next 5 years, partially in response to an increase in the cost of USBR agricultural water supply. This equates to an increase of approximately 18.4 cents per 100 gallons of water over the next 5 years. Note that while the ag rates increase a less than domestic rates in dollars, the percentage increase is substantially higher for ag customers since ag rates are currently substantially lower than domestic rates. Ag rates are projected to remain substantially lower than domestic rates, but increase from about 13% to roughly 36% of domestic water rates. With the proposed increase, the District's ag rates in 5 years will remain below the current ag rates of other regional water agencies as previously summarized on Table 2.

**Table 21. Proposed Water Rates**

Number of Accounts	Meter Capacity	Meter Capacity Ratio	Current Water Rates	Proposed Rates Effective on or After					
				Feb-1 2017	Jan-1 2018	Jan-1 2019	Jan-1 2020	Jan-1 2021	
<b>MONTHLY METER CHARGE</b>									
<b>Domestic, Commercial &amp; Rural Residential/Limited Agriculture</b>									
<u>Meter Size</u>									
5/8"	780	25	1.0	\$38.78	\$38.78	\$39.86	\$41.40	\$42.98	\$44.19
3/4"	616	30	1.2	46.42	46.42	47.83	49.68	51.57	53.03
1"	592	50	2.0	76.98	76.98	79.72	82.80	85.96	88.38
1-1/2"	194	100	4.0	153.62	153.62	159.44	165.60	171.91	176.76
2"	229	160	6.4	243.80	243.80	255.10	264.97	275.06	282.82
3"	8	300	12.0	490.60	490.60	478.31	496.81	515.73	530.29
4"	1	500	20.0	691.91	691.91	797.18	828.02	859.56	883.81
6"	0	1,000	40.0	1,543.43	1,543.43	1,594.36	1,656.04	1,719.12	1,767.62
8"	0	1,600	64.0	2,455.55	2,455.55	2,550.98	2,649.66	2,750.59	2,828.19
<b>Agricultural</b>									
<u>Meter Size</u>									
1-1/2"	3	100	4.0	\$62.40	\$62.40	\$66.16	\$68.72	\$71.34	\$73.35
2"	29	160	6.4	103.14	103.14	105.86	109.96	114.15	117.37
3"	5	300	12.0	207.56	207.56	209.71	211.87	214.02	220.06
4"	47	500	20.0	289.06	289.06	330.82	343.62	356.71	366.77
6"	27	1,000	40.0	645.61	645.61	661.64	687.24	713.41	733.54
<b>Private Fire Protection</b>									
<u>Service Connection or Meter Size</u>									
Up to 1"	22	50	2.0	\$19.40	\$7.70	\$8.00	\$8.30	\$8.60	\$8.80
1-1/2"	7	100	4.0	19.40	15.40	15.90	16.60	17.20	17.70
2"	7	160	6.4	19.40	24.40	25.50	26.50	27.50	28.30
3"	-	300	12.0	29.10	49.10	47.80	49.70	51.60	53.00
4"	29	500	20.0	38.80	69.20	79.70	82.80	86.00	88.40
6"	16	1,000	40.0	97.00	154.30	159.40	165.60	171.90	176.80
8"	11	1,600	64.0	194.00	245.60	255.10	265.00	275.10	282.80
<b>CONSUMPTION CHARGES</b>									
<i>Charge per hundred cubic feet (hcf) of metered water consumption.</i>									
Domestic (Residential & Commercial)				\$3.81	\$4.30	\$4.80	\$4.95	\$5.05	\$5.15
Rural Residential/Limited Agriculture									
First 125 units				3.81	4.30	4.80	4.95	5.05	5.15
Over 125 units				1.31	1.65	1.98	2.22	2.46	2.69
Agriculture (No Domestic Use)				0.50	0.77	1.04	1.31	1.59	1.87
On-Demand (2x Domestic Rate)				6.08	8.60	9.60	9.90	10.10	10.30
Temporary (3x Domestic Rate)				6.25	12.90	14.40	14.85	15.15	15.46
Cachuma Park				1.38	1.48	1.55	1.63	1.71	1.80

Note: One hundred cubic feet (hcf) = 748 gallons



## 7.2 Rate Structure Modifications

The proposed rates developed in this report incorporate some modifications to the District's rate structure designed to fairly apportion costs of service to all District customers. Rate structure modifications are summarized as follows.

### 7.2.1 Charge 50% of the Fixed Meter Charges when Ag Customers are Offline

The District incurs a substantial amount of costs maintaining capacity to serve its customers, even when they are not using any water. The District's fixed monthly meter charges help ensure all customers are paying in for a share of District costs to be ready to provide service when needed. However, since agricultural water service is interruptible, the proposed rates are designed to recover 50% of the fixed meter charges for ag accounts when ag customers are offline. Currently, these customers do not pay any fixed charges when offline. Proposed rates were derived assuming this modification was implemented otherwise the fixed meter charges for ag customers would have been higher.

### 7.2.2 Phase In Limited Ag Rate to 25% of Domestic Rate & 75% of Ag Rate

Rural Residential/Limited Ag water use includes both domestic water use as well as some agricultural or other non-domestic use. A significant amount of water use by Rural Residential/Limited Ag customers is for purposes that do not meet the USBR's or District's definitions for commercial agricultural. Based on evaluation of alternatives, the proposed water consumption charges for Limited Ag accounts is set to phase in over 5 years to a blended rate equal to 25% of the Domestic Rate and 75% of the Agricultural Rate as an approximation to equitably recover the costs of service.

### 7.2.3 Set On-Demand Consumption Rate to 2x the District's Domestic Rates

As previously discussed, On-Demand customers serve their own local service areas and require access to District water supply on an uninterruptible basis to supplement other sources of supply. Although these customers have historically only relied on the District for limited amounts of water purchases most years, the District incurs substantial costs maintaining the operational and water supply capacity to serve these customers on demand. Unlike the District's water service contract accounts, which pay charges based on the number and type of end users in reflection of the underlying demand placed on the water system, the District's On-Demand customers only pay fixed charges based on a single "master meter" connection, which is substantially lower than what these customers would pay if they were treated the same as other master meter accounts. Unlike other District customers, the On-Demand accounts never paid connection fees to buy-in for their share of District infrastructure. Additionally, these On-Demand customers tend to use water during periods of peak system usage thereby requiring the District to oversize infrastructure to handle peak demands accounting for On-

Demand customer consumption. To help recover costs for infrastructure capacity, maintenance, and water supply needed to serve the District's On-Demand customers, the proposed rate for this customer class is proposed to be set at 2x the District's standard Domestic Rates. Even with these rates, the District may not fully recover its cost of service as these customers tend to use only small amounts of water on a limited basis. Hence the fixed meter charges – which are based on the size of the master service connection and do not reflect end-user demand – may not be adequately supplemented by water consumption charges when water use is low.

As an alternative, the District could opt to treat these customers the same as other water service contract accounts and levy fixed charges based on the number and type of end user. However, since these On-Demand accounts own and operate their own local water systems, fixed charges levied under this alternative approach would need to be scaled down to exclude cost recovery for services not provided by the District.

#### 7.2.4 Private Fire Protection Charges

There are a wide range of perspectives regarding how private fire protection service charges should be recovered.

- At one extreme, one perspective is that the charges could be set at the same level as standard fixed meter charges for water service since the service connection is capable of delivering the same capacity of water, and represents the same level of potential demand on the water system.
- At the other extreme, the charges could be eliminated under a perspective that the District already provides water for fighting fires to all customers regardless of whether they have a separate private fire service connection or not. Hence, a private fire service connection does not put any additional demands on the system. In fact, a private fire service connection can reduce water demands for fire-fighting by more effectively containing a fire at its source. Additionally, private fire service connections benefit all customers via reducing the potential for the spread of fire from the building served.

As a reasonable middle-road approach, BWA recommends setting the private fire service charge at 10% of the standard water meter charges. This a relatively low charge that is both within industry norms and in line with the District's current rates.

### 7.3 Water Rate Impacts

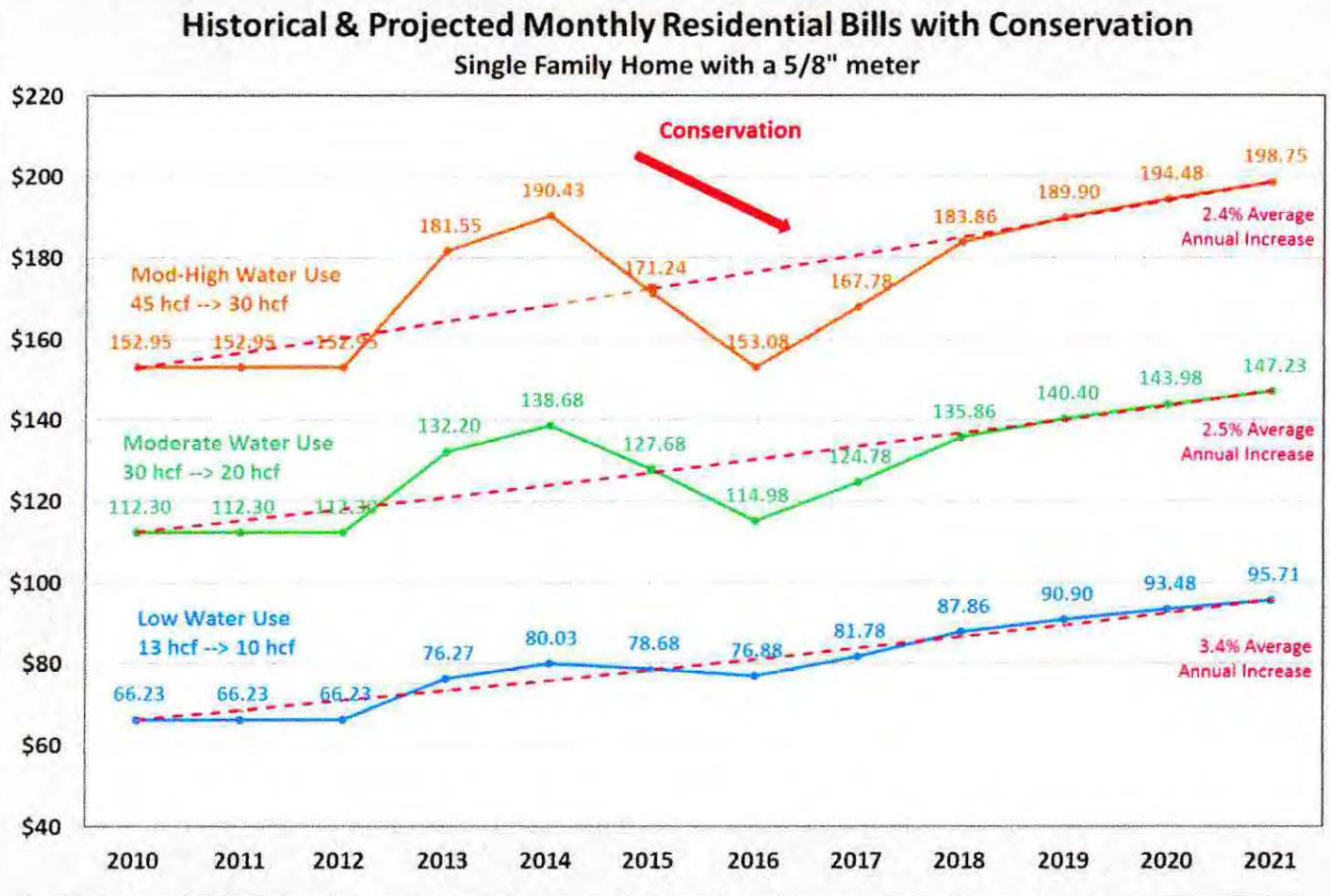
Table 22 projects monthly water bills for different types of customers with a range of water usage levels. Customers can mitigate the impact of rate increases by reducing water use.

**Table 22. Projected Monthly Bills**

	Monthly Use (hcf)	Current Rates	Feb-1 2017	Jan-1 2018	Jan-1 2019	Jan-1 2020	Jan-1 2021
<b>DOMESTIC &amp; COMMERCIAL</b>							
<b>5/8" Meter</b>	5	\$57.83	\$60.28	\$63.86	\$66.15	\$68.23	\$69.95
	10	76.88	81.78	87.86	90.90	93.48	95.71
	20	114.98	124.78	135.86	140.40	143.98	147.23
	30	153.08	167.78	183.86	189.90	194.48	198.75
<b>3/4" Meter</b>	5	65.47	67.92	71.83	74.43	76.82	78.79
	10	84.52	89.42	95.83	99.18	102.07	104.55
	20	122.62	132.42	143.83	148.68	152.57	156.07
	30	160.72	175.42	191.83	198.18	203.07	207.59
<b>1" Meter</b>	10	115.08	119.98	127.72	132.30	136.46	139.90
	20	153.18	162.98	175.72	181.80	186.96	191.42
	50	267.48	291.98	319.72	330.30	338.46	345.98
<b>RURAL RESIDENTIAL/LIMITED AG</b>							
<b>1-1/2" Meter</b>	10	191.72	196.62	207.44	215.10	222.41	228.28
	50	344.12	368.62	399.44	413.10	424.41	434.36
	100	534.62	583.62	639.44	660.60	676.91	691.96
	200	728.12	814.87	907.94	950.85	987.66	1,022.51
<b>2" Meter</b>	10	281.90	286.80	303.10	314.47	325.56	334.34
	50	434.30	458.80	495.10	512.47	527.56	540.42
	100	624.80	673.80	735.10	759.97	780.06	798.02
	200	818.30	905.05	1,003.60	1,050.22	1,090.81	1,128.57
	300	949.30	1,070.05	1,201.60	1,272.22	1,336.81	1,397.57
<b>AGRICULTURAL (INTERRUPTIBLE)</b>							
<b>2" Meter</b>	200	203.14	257.14	313.86	371.96	432.15	492.02
	500	353.14	488.14	625.86	764.96	909.15	1,054.01
	1,000	603.14	873.14	1,145.86	1,419.96	1,704.15	1,990.66
<b>4" Meter</b>	500	539.06	674.06	850.82	998.62	1,151.71	1,303.42
	1,000	789.06	1,059.06	1,370.82	1,653.62	1,946.71	2,240.06
	2,000	1,289.06	1,829.06	2,410.82	2,963.62	3,536.71	4,113.35
	4,000	2,289.06	3,369.06	4,490.82	5,583.62	6,716.71	7,859.93

The following chart shows historical and projected monthly residential water bills for a range of residential customers with different levels of water use, accounting for roughly typical conservation. Although bills rise more significantly from current 2016 levels, the chart shows that over the longer-run, typical bills are projected to increase by the equivalent of a 2.5% to 3.5% average annual increase from 2010 assuming customers continue to conserve at current levels.

Figure 8: Historical & Projected Residential Bills



## 7.4 Water Consumption Charge Revenue Projections

The table on the following page projects future water consumption charge revenues by fiscal year based on projected water sales and rates for each customer class. The table indicates that revenues generated by the proposed rates may fall a little short of the targets initially developed in the cash flow projections due to the proposed phase in of rate increases.

**Table 23. Water Consumption Charge Revenue Projections**

	Current Rates	Feb-1 2017	Jan-1 2018	Jan-1 2019	Jan-1 2020	Jan-1 2021
<b>ANNUALIZED REVENUE REQUIREMENT (with rate increase in effect for full year)</b>						
Total Revenue Target	\$6,613,000	\$7,729,000	\$8,251,000	\$8,810,000	\$9,408,000	
Fixed Rate Recovery	<u>(2,782,000)</u>	<u>(2,860,000)</u>	<u>(2,970,000)</u>	<u>(3,084,000)</u>	<u>(3,170,000)</u>	
Variable Rate Revenue Requirement	3,831,000	4,869,000	5,281,000	5,726,000	6,238,000	
<b>PROJECTED WATER USE</b>						
Domestic & Commercial	520,000	540,000	560,000	580,000	600,000	
Rural Residential/Limited Agriculture						
First 125 units	130,000	135,000	140,000	145,000	150,000	
Over 125 units	210,000	200,000	200,000	200,000	200,000	
Agriculture	680,000	700,000	730,000	760,000	800,000	
On-Demand	15,000	20,000	23,000	26,000	30,000	
Temporary	1,000	1,000	1,000	1,000	1,000	
Cachuma Park	<u>15,000</u>	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	
Total	1,571,000	1,616,000	1,674,000	1,732,000	1,801,000	
<b>CONSUMPTION CHARGES</b>						
<i>Charge per hundred cubic feet of metered water consumption.</i>						
Domestic	\$3.81	\$4.30	\$4.80	\$4.95	\$5.05	\$5.15
Rural Residential/Limited Agriculture						
First 125 units	3.81	4.30	4.80	4.95	5.05	5.15
Over 125 units	1.31	1.65	1.98	2.22	2.46	2.69
Agriculture	0.50	0.77	1.04	1.31	1.59	1.87
On-Demand	6.08	8.60	9.60	9.90	10.10	10.30
Temporary	6.25	12.90	14.40	14.85	15.15	15.46
Cachuma Park	1.38	1.48	1.55	1.63	1.71	1.80
<b>ESTIMATED REVENUES</b>						
Domestic	\$2,236,000	\$2,592,000	\$2,772,000	\$2,929,000	\$3,091,184	
Rural Residential/Limited Agriculture						
First 125 units	559,000	648,000	693,000	732,250	772,796	
Over 125 units	346,500	396,000	444,000	492,000	538,000	
Agriculture (No Dwellings)	523,600	728,000	956,300	1,208,400	1,498,632	
On-Demand	129,000	192,000	227,700	262,600	309,000	
Temporary	12,900	14,400	14,850	15,150	15,460	
Cachuma Park	<u>22,200</u>	<u>31,000</u>	<u>32,600</u>	<u>34,200</u>	<u>36,000</u>	
Total	3,829,200	4,601,400	5,140,450	5,673,600	6,261,073	
Revenue Target	\$3,831,000	\$4,869,000	\$5,281,000	\$5,726,000	\$6,238,000	
Difference	(1,800)	(267,600)	(140,550)	(52,400)	23,073	

Water Rates						Exhibit "A"
	Current Water Rates	Proposed Rates Effective on or After				
		Feb-1 2017	Jan-1 2018	Jan-1 2019	Jan-1 2020	Jan-1 2021
<b>MONTHLY METER CHARGES</b>						
<b>Domestic &amp; Rural Residential/Limited Agriculture</b>						
<u>Meter Size</u>						
5/8-inch	\$38.78	\$38.78	\$39.86	\$41.40	\$42.98	\$44.19
3/4-inch	46.42	46.42	47.83	49.68	51.57	53.03
1-inch	76.98	76.98	79.72	82.80	85.96	88.38
1-1/2-inch	153.62	153.62	159.44	165.60	171.91	176.76
2-inch	243.80	243.80	255.10	264.97	275.06	282.82
3-inch	490.60	490.60	478.31	496.81	515.73	530.29
4-inch	691.91	691.91	797.18	828.02	859.56	883.81
6-inch	1,543.43	1,543.43	1,594.36	1,656.04	1,719.12	1,767.62
8-inch	2,455.55	2,455.55	2,550.98	2,649.66	2,750.59	2,828.19
<b>Agricultural</b>						
<u>Meter Size</u>						
1-1/2-inch	\$62.40	\$62.40	\$66.16	\$68.72	\$71.34	\$73.35
2-inch	103.14	103.14	105.86	109.96	114.15	117.37
3-inch	207.56	207.56	209.71	211.87	214.02	220.06
4-inch	289.06	289.06	330.82	343.62	356.71	366.77
6-inch	645.61	645.61	661.64	687.24	713.41	733.54
<b>Private Fire Protection</b>						
<u>Service Connection or Meter Size</u>						
Up to 1-inch	\$19.40	\$7.70	\$8.00	\$8.30	\$8.60	\$8.80
1-1/2-inch	19.40	15.40	15.90	16.60	17.20	17.70
2-inch	19.40	24.40	25.50	26.50	27.50	28.30
3-inch	29.10	49.10	47.80	49.70	51.60	53.00
4-inch	38.80	69.20	79.70	82.80	86.00	88.40
6-inch	97.00	154.30	159.40	165.60	171.90	176.80
8-inch	194.00	245.60	255.10	265.00	275.10	282.80
<b>CONSUMPTION CHARGES</b>						
<i>Charge per hundred cubic feet (hcf) of metered water consumption.</i>						
Domestic (Residential & Comm'l)	\$3.81	\$4.30	\$4.80	\$4.95	\$5.05	\$5.15
<b>Rural Residential/Limited Agriculture</b>						
First 125 units	3.81	4.30	4.80	4.95	5.05	5.15
Over 125 units	1.31	1.65	1.98	2.22	2.46	2.69
Agriculture (No Domestic Use)	0.50	0.77	1.04	1.31	1.59	1.87
On-Demand	6.08	8.60	9.60	9.90	10.10	10.30
Temporary	6.25	12.90	14.40	14.85	15.15	15.46
Cachuma Park	1.38	1.48	1.55	1.63	1.71	1.80

Note: One hundred cubic feet (hcf) = 748 gallons

**Resolution No. 756 – Approved on December 13, 2016**