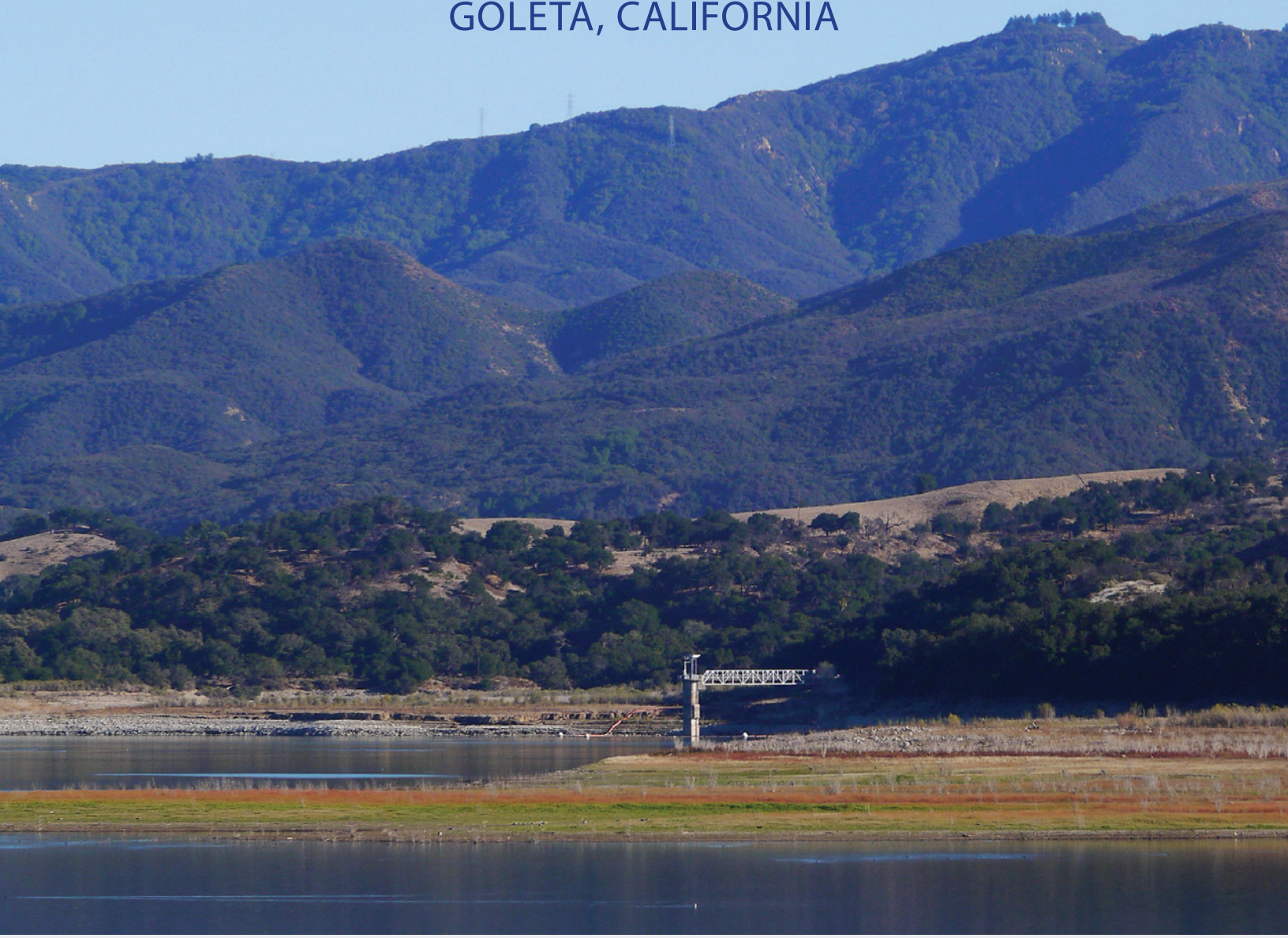
GOLETA WATER DISTRICT

GOLETA, CALIFORNIA



Fiscal Year 2022–23

FINAL BUDGET

Mission

To provide a reliable supply of quality water at the most reasonable cost
to the present and future customers within the Goleta Water District

Cover photo: A view of Lake Cachuma, the District's primary source of water supply.

GOLETA WATER DISTRICT

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List of Acronyms and Abbreviations

ACWA	Association of California Water Agencies
AF	Acre Feet
AFY	Acre Feet per Year
AWWA	American Water Works Association
BDCP	Bay Delta Conservation Plan
CalPERS	California Public Employees' Retirement System
CDMWTP	Corona Del Mar Water Treatment Plant
CCRB	Cachuma Conservation and Release Board
CCWA	Central Coast Water Authority
COMB	Cachuma Operation and Maintenance Board
COP	Certificates of Participation
CUWCC	California Urban Water Conservation Council
DWR	Department of Water Resources
EPA	Environmental Protection Agency
FY	Fiscal Year
GIS	Geographic Information System
GPM	Gallons per Minute
GSD	Goleta Sanitary District
GWC	Goleta West Conduit
GWD	Goleta Water District
HCF	Hundred Cubic Feet
ID #1	Santa Ynez River Water Conservation District, Improvement District #1
IIP	Infrastructure Improvement Plan
JPIA	Joint Powers Insurance Authority
LAIF	Local Agency Investment Fund
NMFS	National Marine Fisheries Service
NWSC	New Water Supply Charge
O&M	Operations and Maintenance
OPEB	Other Post-Employment Benefits
PEPRA	Public Employees' Pension Reform Act
SCADA	Supervisory Control and Data Acquisition
SBCWA	Santa Barbara County Water Agency
SEIU	Service Employees International Union
SWP	State Water Project
USBR	United States Bureau of Reclamation
WS&C	Water Supply & Conservation Department
E&I	Engineering & Infrastructure Department

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SECTION I – OVERVIEW

About Goleta Water District

Goleta Water District (District) provides safe and reliable water supplies to over 87,000 residents in the Goleta Valley. Established in 1944 through a vote of the people, the service area spans approximately 29,000 acres along the South Coast of Santa Barbara County between the ocean and the foothills, west from Santa Barbara to El Capitan.

A publicly elected, five-member Board of Directors governs the District. Board members serve four-year terms, with elections held every two years and terms staggered to ensure continuity. The District is transitioning from at-large elections, in which residents may vote for multiple candidates, to district elections, in which voters elect a single board member to represent their specific district or area. The first district-based election will take place November 8, 2022, with two seats contested. The Board is responsible for setting District policy on a variety of issues including financial planning, infrastructure investment and water rates. Day-to-day operations are run by the General Manager who oversees a staff responsible for executing ongoing operational and administrative functions. The District employees include certified treatment and distribution operators, water quality scientists, engineers, policy and financial analysts, and administrative staff.

The District delivers water to its customers through a complex treatment and distribution system that includes over 270 miles of pipeline, nine active groundwater wells, a state-of-the-art water treatment plant, nine reservoirs and a host of other critical water transmission and distribution facilities. The District benefits from a diverse water supply portfolio comprised of local supplies from Lake Cachuma, the Goleta Groundwater Basin, and supplemental imported supplies from the California State Water Project (SWP). Additionally, the District provides recycled water for irrigation and has a multi-faceted water conservation program to extend available supplies in a sustainable manner. The ability to draw from a variety of water supply sources provides flexibility for dealing with supply challenges and financial volatility associated with drought conditions, natural disasters and changing state and federal regulatory requirements.

The local climate is generally characterized as Mediterranean coastal with mild, dry summers and cool winters. High temperatures average about 80 degrees while low temperatures rarely fall below 40 degrees. The area is semi-arid with average rainfall of approximately 18 inches per year, primarily occurring between November and March. Historically, rainfall fluctuates significantly ranging from just under 6 inches in 1990 to more than 40 inches in 1983. Rainfall during the recent historic drought ranged from as low as 7 to a high of 14 inches, and even a few dry years can significantly reduce reservoir levels at Lake Cachuma. This winter's La Niña weather pattern produced another extremely dry, below average year of rainfall, with the first two months of 2022 being the driest consecutive January and February on record.

Ongoing issues related to unusual weather, the COVID-19 pandemic, and historically high levels of inflation create uncertainty in forecasting both revenue and expenses, particularly since these problems affect one another in complex ways. COVID-19 continues to produce global supply chain disruptions affecting supplies, ordering times

and driving price inflation. Shortages and pricing pressures associated with materials procurement have had compounding effects on delivery costs and labor, affecting the cost and construction timing for capital projects. Inflation in the construction industry has been well above the Consumer Price Index (CPI), leading to higher prices and contractor bids being limited to 30 days with cost increases built in for any delays. The volatility in oil prices and commodity market resulting from the Russian invasion of Ukraine threaten to further disrupt supply chains and add additional inflationary pressure. These challenges are unlikely to abate over the next year, and will have future impacts on budget, capital planning and project schedules. Together, they highlight the need to be flexible and adaptable in responding to unforeseen change.

The Goleta Valley relies on a diverse water supply that includes surface water from Lake Cachuma, groundwater, imported State Water, and recycled water. However, as with all complex systems the infrastructure required to access and deliver this reliable portfolio is energy and resource intensive, necessitating significant investment in equipment and funding for operations and maintenance.

The previous drought demonstrated the sensitivity of the District's water supply portfolio to cyclic drought and associated water quality challenges. Accordingly, conjunctive use, by which the District relies on the coordinated use of surface and groundwater supplies to meet customer needs, will continue to provide important redundancies. Maintaining the ability to rely on sustainable groundwater reserves will require ongoing investment in the infrastructure necessary to access and replenish it, as well as efforts to protect and safeguard the Goleta Groundwater Basin. Reliance on the District's diverse water supply portfolio also means that the cost of providing water to the Goleta Valley will continue to be more expensive in the future than was historically the case when Lake Cachuma served as the primary and most reliable supply source.

Water Supply Portfolio

The District's diverse water supply portfolio is comprised of supplies from four distinct sources (local surface water, local groundwater, imported water, and recycled water) with availability averaging 16,472 acre-feet per year (AFY). All water supplies are secured through collaborative agreements with Federal, State, and local partners. Actual water availability varies from year to year based on weather, Lake Cachuma volume, exchange agreements, spill water and State Water Project water.

The Urban Water Management Plan, one of the District's foundational water resource management documents, was updated in 2021. The District plans to complete an update to both its Groundwater Management Plan (last updated in 2016) and the Water Supply Management Plan (last updated in 2017), this fiscal year. These documents govern the use of the water supply portfolio.

Local Surface Water – Lake Cachuma

Under normal conditions, approximately 75% of the average annual planned demand can be met with supplies from Lake Cachuma. In non-drought years, the District is entitled to 9,322 AFY of Lake Cachuma supplies through coordinated agreements with the United States Bureau of Reclamation (USBR), the Santa Barbara County Water Agency (SBCWA) and the other Cachuma Member Units: City of Santa Barbara, Montecito Water District, Carpinteria Valley Water District, and Improvement District Number 1 (ID #1). The availability of Lake Cachuma water varies from year to year as a result of weather, runoff, and drought conditions. The amount of Lake Cachuma water the community uses can vary annually because of exchange agreements, availability of other supplies, and customer demand. The USBR owns the Cachuma Project and is responsible for operating Bradbury

Dam. The Cachuma Operation and Maintenance Board (COMB), a Joint Powers Authority comprised of the District, City of Santa Barbara, Montecito Water District and Carpinteria Valley Water District, is responsible for the operations and maintenance of the balance of the Cachuma facilities, including the Tecolote Tunnel, South Coast Conduit, regulating reservoirs and appurtenances. Working with its Member Agencies and USBR, COMB delivers water to the South Coast and maintains project infrastructure to ensure ongoing sustainability of the Cachuma Project.

The USBR holds the Water Rights Permits from the California State Water Resources Control Board (CSWRCB) for water supply from the Cachuma Project on behalf of the Member Units. The Cachuma Conservation and Release Board (CCRB), a Joint Powers Authority comprised of the Goleta Water District, the City of Santa Barbara and the Montecito Water District, is responsible for protecting Cachuma Water Rights, supplies, and other related interests for the South Coast. CCRB works collectively with its members, USBR, Santa Ynez River Conservation District, and ID #1 to advocate for Cachuma Water Rights at the state and federal level and to ensure the implementation of Water Rights Orders and agreements related to downstream water rights and public trust resources.

Local Groundwater – Goleta Groundwater Basin

The Goleta Groundwater Basin is a critical component of the District's water supply portfolio, especially in times of drought and during emergencies when surface water supplies are reduced or inaccessible. The District pumps and treats groundwater supplies from the Goleta Groundwater Basin through its nine groundwater wells. In response to drought conditions, the District invested significantly in increased groundwater production capabilities. The terms of the 1989 Wright Judgment and the voter-approved 1991 SAFE Ordinance and subsequent 1994 amendments defined the basin yield and set the basin management parameters including pumping limits, storage requirements, how supplies are used, and the establishment and maintenance of a drought buffer. The groundwater basin is integral to the District supply portfolio and management strategy as it provides a locally controlled source of supply in the event of an interruption or reduction in Lake Cachuma or State Water supplies resulting from maintenance needs, natural disasters, drought, or water quality conditions. In FY 2022-23, the District plans to increase groundwater production to offset reductions in 2022 surface water allocations. Maintaining the infrastructure necessary to access the basin is an increasingly important, yet expensive, capital priority. Notably, the District's wells are approaching 50 years of age, which is the expected useful life for a groundwater production well. Significant renewal of the well field is anticipated over the next decade.

Groundwater basin recharge occurs naturally through rain and runoff that percolates into the soil, and water from rivers and streams that infiltrate below ground. It typically takes many years for the basin to return to normal levels naturally after drought periods. Recognizing the critical role of the Goleta Groundwater Basin, the State Water Resource Control Board approved the District's permit to inject treated water from Lake Cachuma as part of its Aquifer Storage and Recovery program.

Imported Water – State Water Project

Voters authorized the District to join the State Water Project (SWP) in 1991. The District purchased State water as a member of the Central Coast Water Authority (CCWA), a Joint Powers Authority with responsibility for the ownership and operations of the treatment and distribution systems delivering SWP supplies in Santa Barbara and San Luis Obispo Counties. Annual State water deliveries vary year-to-year based on water demand, availability of State water and local supplies, and exchange and sales agreements. The District stores any undelivered portion of its annual entitlement in San Luis Reservoir; this supply is available as a drought buffer and emergency supply. For FY 2022-23 the District received an initial 15% allocation of its full State water entitlement, which was subsequently reduced to 5% in March of 2022 in response to statewide water supply conditions. Due to low snowpack levels, the Department announced that the allocation would cover only critical health and safety needs of the 29 water agencies that contract to receive State Water Project supplies, and the state is planning for a third dry year. In 2022-23, the District plans to deliver its stored State Water from prior years to serve customers, given the low 2022 allocation from DWR.

A long-standing exchange agreement with ID #1 will continue in FY 2022-23, under which the District provides a portion of its State water entitlement to ID #1 in exchange for the same amount of Cachuma entitlement supplies from ID #1. This agreement saves both agencies significant energy costs and provides a sustainability benefit by reducing the pumping needed to deliver water to each community.

Recycled Water

The District has delivered recycled water for irrigation use and restroom facilities through a partnership with the Goleta Sanitary District (GSD) since 1995. The University of California, Santa Barbara (UCSB) and several golf courses throughout the service area are the District's largest recycled water customers. The District anticipates delivering 809 AF of recycled water in the coming year. Even though recycled water use was not restricted during the drought, recycled customers conserved at rates similar to urban customers using potable water, and the trend has continued with demand remaining lower than in past decades.

Customer Demand

Demand is driven by weather, conservation, and economic conditions. Weather driven demand occurs most noticeably when conditions are dry and water supplies are under the greatest pressure. For example, during the previous drought, dry conditions caused an uptick in demand to 14,690 AF in FY 2013-14. After the declaration of the water shortage emergency in 2014, sales declined to 12,500 AF in FY 2014-15, and 10,739 AF in FY 2015-16 – a nearly 30% reduction in customer consumption. After making significant reductions in water use for several consecutive years, customer water use behavior changes and efficiency habits (commonly referred to as demand hardening) mean customers have continued to reduce water use, and permanent changes made by households, such as replacing lawns with drought tolerant landscaping and installing efficient plumbing fixtures and irrigation systems suggest these reductions are likely to be permanent.

Due to the pandemic, water use shifted from Commercial and Institutional accounts to Single Family Residential. The return to offices and schools has resulted in a shift back to more typical customer class water use patterns over the last seven months, a trend expected to continue in the coming year.

Approximately 17,000 customer connections fall into eight types of customers: Single Family Residential (SFR), Multi-Family Residential (MFR), Commercial, Institutional, Landscape Irrigation, Urban Agricultural, Goleta West Conduit, and Recycled.

Residential customers make up approximately 89% of customer connections, with single-family homes comprising almost 78% of customer connections and multi-family dwellings accounting for the balance. The over 26,000 UCSB students, many of whom live in Isla Vista dormitories and apartments, represent a large portion of the area's multi-family residential customers.

The pandemic led to sharp increases in Single Family Residential water use under stay-at-home orders, even as overall water use remained low. The return to offices and schools has shifted water use back to more usual water use patterns in the Commercial and Institutional customer classes over the last seven months, a trend expected to continue in the coming year. Budget projections assume pandemic conditions and related quarantines continue to ease, resulting in more typical customer class demand balance, with businesses maintaining more normalized operations, and university and college students remaining in town and on campuses throughout the year. However, continued uncertainties associated with the pandemic, including the potential for periodic surges, the role of remote work going forward, the increased role of online courses for higher education, and the nature of the economic recovery itself on area businesses introduce an element of uncertainty to forecasting.

Residential water use represents approximately 50% of overall water demand. This proportionally low use is largely due to exceptional conservation over the past many years. Before the drought, residential per capita water use in the District averaged 62 gallons per person per day. With additional conservation activities, the residential per capita use declined further to an average of 56 gallons per person per day. This water-thrifty behavior is particularly evident around changing weather patterns. For every significant rain event in the area, there is a corresponding drop in water demand as customers adjust their irrigation practices and systems accordingly. Other factors contributing to year-over-year fluctuations in residential customer demand include economic trends, weather patterns, vacancy rates, drought declarations and heightened conservation programs.

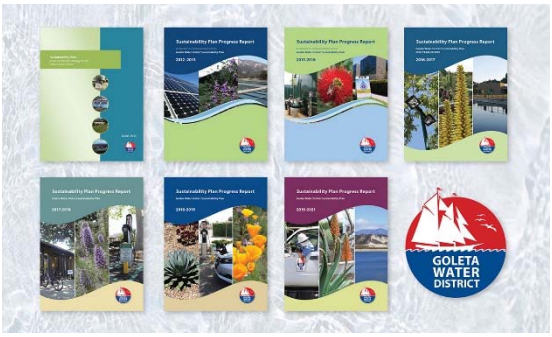
The remaining 50% of demand is attributed to non-residential water use, with agricultural use accounting for 19%, and the remainder comprised of commercial, institutional and landscape irrigation use. These customers also form the diverse economic base of the service area. The District is home to a substantial agriculture industry specializing in crops such as avocados and lemons, UCSB, and a thriving industrial and high-tech commercial industry that includes regional health providers, aerospace, electronics, telecommunications, biomedical, and national security sectors.

Fluctuations in year-over-year water demand for agricultural, landscape irrigation and recycled customers is heavily influenced by weather patterns, while demand changes in the commercial and institutional categories largely follow economic and market trends. Given the ongoing dry conditions and the COVID-19 pandemic, the District continues to closely monitor how water use patterns are changing across all its customer classes. Water use data do not indicate significant changes that would adversely impact District operations.

The District has approximately 475 customer connections that are dedicated fire service lines. Fire lines are designated water lines connected to the main distribution system to provide fire protection service to a single customer – residential or commercial. Fire service lines are not used for normal delivery of potable water and therefore no water use or sales from these accounts are budgeted.

Conservation and Efficiency Programs

The District has a long history of implementing successful conservation programs and is a recognized leader statewide. A partner to the California Water Efficiency Partnership (previously CUWCC) since 1994, the District is committed to the shared goal of integrating urban water conservation Best Management Practices into the planning and management of California's water resources. Customer commitment to efficient water use is critical to extending available water supplies as well as the lifespan of distribution and treatment facilities.



The District's Sustainability Plan (updated annually) provides the framework for efficient water resource management, along with the Water Conservation Plan, and the Drought Preparedness and Water Shortage Contingency Plan (most recently updated in 2021).

Conservation programs include:

- Conservation rates for eligible residential and commercial customers with low water use.
- Extensive customer conservation and efficiency tools including information on the District website, community and school education programs, virtual water conservation checkups, leak detection calls to customers through the Scorecard Program, and an interactive Community Demonstration Garden at the District Headquarters.
- Substantial rebate programs for all customer categories to improve water use efficiency, including the Smart Landscape Rebate Program (SLRP), and free mulch deliveries.

Customer Service

Ongoing dedication to customer service is a significant part of day-to-day operations. The District strives to be available and responsive to its customers, offering numerous ways to interact with staff and obtain valuable information and assistance.

41% of customers are now registered for a WaterSmart account, allowing them to pay bills, initiate customer service requests, and access their account in real time.

While the District Customer Service counter is closed to walk-ins during the COVID-19 pandemic, staff is available during business hours to provide assistance and support to District customers by phone, email, and messaging through the WaterSmart Portal. Customers can also access their accounts and make payments online at any time. The District has identified grant funding opportunities to assist customers experiencing financial hardship due to COVID-19 with paying their bills, and offers payment plans. Crews can be dispatched throughout the service area to repair leaks, fix damaged or broken meters, and investigate other water-related issues. Additionally, crews are available to respond to water-related emergencies 24 hours a day, seven days a week and customers are encouraged to report issues.

Goleta Water District Budget

The development and adoption of an annual budget based on expected revenues and expenditures as well as identified projects and programs provides the financial foundation for District activities. The budget serves as a planning roadmap for ensuring reasonable costs and predictable customer rates. Each year, the Board of Directors approves the District's Budget (Budget) for the following fiscal year, which runs from July 1 through June 30. The Budget blends advanced revenue forecasting and effective expenditure management with the infrastructure investment needed to deliver safe, cost-effective and sustainable water supplies to the community.

The FY 2022-23 Budget also represents a short-term financial plan consistent with the goals outlined in the 2020-2025 Expenditure Forecast and 2020 Cost of Service Study. A vital component of the Expenditure Forecast is the District's commitment to managing controllable costs while planning for and mitigating exposure to the externalities that are beyond the District's control. Together with the Board adopted 2020-2025 Infrastructure Improvement Plan (IIP), District Sustainability Plan, and other foundational documents, the District will continue to meet the water and resource needs of the community today and into the future.

FY 2021-22 Budget and Accomplishments

Last year was the second year of the District's new Five Year Expenditure Plan. FY 2021-22 saw estimated actual revenue of $54.3M and expenditures of $42.3M, with a reserve designation of $12.0M. Even with the constraints of working during the COVID-19 pandemic, and navigating various supply chain disruptions, labor shortages, and inflationary construction costs, the District has completed a number of significant projects and initiatives over the last year that contribute to the overall sustainability of the agency. Key FY 2021-22 accomplishments in the area of water quality, infrastructure and operational efficiency upgrades include:

- Maintained the groundwater wells in immediate ready status, preserving past investment in critical infrastructure and ensuring continued access to the District's drought buffer. During operations, the District also performed pilot testing to inform the design of treatment system upgrades at Anita and Airport Wells.

- Completed construction of Corona Reservoir Aeration and Pump Station to enhance water quality and increase reliability during emergencies. Replaced inoperable mixers at Corona and Van Horne Reservoirs. Completed sanitary upgrades at multiple reservoirs and groundwater production facilities.
- Replaced two powdered activated carbon pumps at CDMWTP with more efficient and reliable modern units. Completed demonstration scale granular activated carbon filter testing at CDMWTP.
- Completed a system-wide flushing of the distribution system for the first time since 2017 while minimizing disruptions to customers. Periodic flushing improves water quality by removing naturally occurring mineral deposits that accumulate in the 220 miles of potable pipes throughout the system. Flushing is particularly important during dry periods when the District uses increased amounts of groundwater.
- Completed a radio path study and design of SCADA radio communications upgrades and started construction.
- Installed solar-battery backup power systems to keep reservoir's SCADA systems energized during power outages.
- Calibrated and certified the hydrokinetic turbine grid protection relay at Van Horne Reservoir to ensure safe, reliable, and code compliant power generation.
- Upgraded the electric service panels and emergency generator connections, and motor control centers at Alta Mira and La Vista Pump Stations to improve reliability during emergency operations. Completed arc flash mitigation projects at numerous facilities to comply with electrical code and protect workers.
- Replaced a failed variable frequency drive at the recycled water pumping facility at Goleta Sanitary District.
- Adopted the District's 2020 Urban Water Management Plan and submitted the Plan to the Department of Water Resources (DWR).
- Implemented significant building improvements, including the installation of a HVAC with ultraviolet disinfection and filtration to the Distribution break room to enhance employee safety and minimize the risk of COVID-19 transmission. Changes to the Customer Service area to add enhanced safety improvements included: the installation of a new ADA accessible counter with a transparent partition; a new HVAC diffuser and return; relocated fire sprinklers, security wiring, electrical and communications outlets; and a new credit card reader that customers can use themselves.
- Transitioned to District-Based Elections after an extensive community outreach effort, with the Board adopting voting districts, and identifying the voting districts to hold elections in November 2022. The process involved the use of a demographer, as well as outreach to communities of interest via a broad cross section of area community groups, radio ads, the District website and social media accounts, and press releases. Outreach was conducted in multiple languages and received media coverage in a variety of print, online and in-language publications.

- Increased outreach on the District's sustainability efforts including the 2019-2021 Sustainability Plan Progress Report, a newly developed Where Your Water Comes From and the Energy It Uses infographic, newsletter features, social media campaign, Net-Zero Initiative video, and a sustainability themed display at the Goleta Library.

FY 2022-23 Budget and Key Initiatives

The FY 2022-23 Budget is consistent with the Board of Directors' adopted foundational management documents. The Budget reflects an ongoing progression of the District's management and budgeting approach to control costs, minimize unplanned expenditures, limit risk exposure as well as expand investment in projects and programs that provide for the long-term water resources needs of the community.

The FY 2022-23 Budget anticipates $49.1M in revenues, a 9% increase from the previous year. $47.8M in operational and capital expenditures are planned with $1.3M designated to reserves. Table 1.1 provides an overview of how the District will meet water supply, regulatory, and infrastructure needs, while meeting current challenges and uncertainties. The balance of this document provides detailed analysis of projected revenues and expenditures.

Table 1.1 FY 2022-23 Budget Summary

Category	Adopted Budget FY 2021-22	Estimated Actual FY 2021-22	Adopted Budget FY 2022-23	Variance Analysis * $ Higher / (Lower)	Variance Analysis * % Higher / (Lower)
Revenue:					
Monthly Service Charges	$ 14,133,441	$ 13,851,030	$ 15,154,813	$ 1,021,373	7%
Water Sales	29,989,620	29,325,248	32,824,226	2,834,606	9%
Investment Revenue	42,500	25,861	20,023	(22,478)	(53%)
Conveyance Revenue	222,686	204,698	207,962	(14,724)	(7%)
Miscellaneous Fees & Charges	586,615	10,888,273	933,881	347,266	59%
Total Revenue:	**$ 44,974,862**	**$ 54,295,109**	**$ 49,140,905**	**$ 4,166,043**	**9%**
Expenditures:					
Water Supply Agreements:					
COMB (Lake Cachuma Deliveries)	$ 3,171,094	$ 2,671,297	$ 3,481,850	$ 310,756	10%
CCRB (Water Rights)	527,044	370,177	565,709	38,665	7%
SB County (Cloud Seeding)	32,858	12,406	32,858	0	0%
CCWA (State Water Deliveries)	8,823,840	7,365,649	7,274,171	(1,549,669)	(18%)
GSD (Recycled Water Production)	715,000	789,250	790,054	75,054	10%
Subtotal:	**$ 13,269,836**	**$ 11,208,780**	**$ 12,144,642**	**$ (1,125,194)**	**(8%)**
Personnel:					
Wages, Benefits and Taxes	$ 11,404,846	$ 11,034,548	$ 11,891,929	487,083	4%
Other Post Employment Benefits	562,245	549,358	567,695	5,450	1%
Subtotal:	**$ 11,967,091**	**$ 11,583,906**	**$ 12,459,624**	**$ 492,533**	**4%**
Operations & Maintenance:					
Water Treatment Costs	$ 713,000	$ 693,770	$ 1,452,000	$ 739,000	104%
Water Treatment Testing	311,100	217,024	339,200	28,100	9%
Insurance, Accounting & Auditing	260,596	331,045	301,394	40,798	16%
Maintenance & Equipment	972,210	775,901	1,225,660	253,450	26%
Legal	1,014,600	2,479,150	410,000	(604,600)	(60%)
Services & Supplies	3,425,753	3,143,879	4,480,635	1,054,882	31%
Utilities	536,870	420,846	1,188,150	651,280	121%
Subtotal:	**$ 7,234,129**	**$ 8,061,613**	**$ 9,397,039**	**$ 2,162,910**	**30%**
Total Expenditures before Debt and CIP:	**$ 32,471,056**	**$ 30,854,299**	**$ 34,001,305**	**$ 1,530,249**	**5%**
Debt service	3,654,221	3,654,221	5,065,863	1,411,642	39%
Capital Improvement Projects (CIP)	7,770,000	7,770,000	8,745,000	975,000	13%
Total Expenditures:	**$ 43,895,277**	**$ 42,278,520**	**$ 47,812,168**	**$ 3,916,892**	**9%**
Designation to Reserves:	**$ 1,079,585**	**$ 12,016,589**	**$ 1,328,736**	**$ 249,151**	

** Compares FY 2022-23 Adopted Budget to FY 2021-22 Adopted Budget*

FY 2022-23 Budget Key Initiatives

The FY 2022-23 Budget includes a portfolio of ongoing and new initiatives that, in combination, will meet District regulatory and critical needs while providing reliable water supplies. Together, these initiatives work to control factors within the District's discretion, while also planning and preparing for externalities beyond its control.

Key initiatives fall into three umbrella categories:

- Water Supply Reliability and Sustainability
- Resource Management and Stewardship
- Infrastructure Improvements and Planning

Water Supply Reliability and Sustainability

In addition to actively managing water supplies consistent with its foundational water management documents, the District partners with the Cachuma Member Units and other Santa Barbara County water agencies to ensure the South Coast is meeting ongoing supply and regulatory needs. Effective planning for water supply losses resulting from drought or regulatory requirements requires collaborative regional approaches and partnerships as well as effective internal District planning.

Changing Water Quality and Supply Conditions

This Budget provides for critical water quality monitoring and enhanced treatment and operational changes to address a shifting balance of supply sources and flow rates from Lake Cachuma and the SWP. While challenges presented by the inflow of debris into Lake Cachuma from the 2016 Rey Fire, and the Whittier and Thomas fires in 2017 have abated slightly, water quality at Lake Cachuma continues to be sensitive to changing temperature, organic matter, and reservoir levels. Public outreach activities will continue to educate customers on both the status of the District's water supply, and challenges inherent to treating and delivering it. Key initiatives ensure the District can provide adequate water to the Goleta Valley for drinking, health and public safety into the future.

Cachuma Project Supply and Water Rights

The District continues to work with CCRB and USBR on issues related to the issuance of a Cachuma Project Water Rights Order (CPWRO) and the National Marine Fisheries Service (NMFS) Biological Opinion Re-consultation. A final draft of Cachuma Water Rights Order was issued by the State Water Resources Control Board (SWRCB) on September 17, 2019. USBR petitioned the State Water Resources Control Board to reconsider the order on October 16, 2019. To date, there has been no formal response to the petition for reconsideration. Meanwhile, CCRB works with USBR to assist in providing information to inform USBR plans that must be submitted to the State under the latest released order. The District and its partners have performed extensive biologic and hydrologic modeling to inform the development of the Biological Opinion and continue to engage an advocacy strategy to protect Cachuma water supplies. Reconsultation on the current Biological Opinion has continued between USBR and the National Marine Fisheries Service (NMFS). Concurrently, the District is working with COMB to implement the existing Biological Opinion and Fish Management Plan for

the continued protection of public trust resources and vital water supplies. The Cachuma Master Contract was extended by three years through September 30, 2023, and the Member Units continue to actively negotiate with USBR for a long-term contract extension that protects the District's short and long term water supply, with an initial draft new contract anticipated this year. The District is also working with CCWA to secure an extended Warren Act contract that would allow CCWA to continue to import and store State Water in Lake Cachuma, as the existing contract expires in June of 2022. The District continues to work with the Cachuma Member Units, County of Santa Barbara and USBR to ensure that all Federal decisions, including annual water allocations, are informed and consistent with existing agreements.

Resource Management and Stewardship

Successfully providing for the water and resource needs of the region requires coupling prudent financial management with innovative leadership. Investing in the most effective technology, appropriate financial programs, emergency response planning, and sustainable practices enables the District to provide the highest possible value to the community at the lowest cost.

Sustainability Plan Implementation

At the end of FY 2021-22 the District will complete the seventh update to the Sustainability Plan Progress Report. Projects highlighted in the report include: installation of solar-battery backup power systems for reservoir SCADA systems; design of electric vehicle charging stations for CDMWTP; and the lease of three electric cars to replace aging fleet vehicles. Several projects planned for the FY 2022-23 Budget are directly tied to the Sustainability Plan guiding principles, and will provide improvements needed to meet new regulatory requirements, while offering economic benefits in the form of reduced energy costs, minimizing impacts to natural resources, and supporting a healthy community.

Coordinated Energy Management

Increased energy use as a result of the District's reliance on groundwater, and power costs associated with pumping create an opportunity to re-evaluate how the District is using power and how that cost can be offset. As the District embarks on a variety of energy efficiency and renewable energy projects, a dedicated effort is needed to enhance data tracking, identify specific performance metrics, implement appropriate automated controls and coordinate energy-related projects across District operations. Doing so will ensure the District has the tools necessary to minimize costs and overall energy usage, and enhance resource independence, particularly during periods of peak demand. This initiative will help project decision-making and operations fully capture the benefits identified in the Sustainability Plan regarding District energy use.

Controlling Rising Energy Costs and Increasing Reliability

A major driver of expenses has been increased energy and fuel costs. While the rise in oil prices resulting from the Russian invasion of Ukraine and supply chain disruptions associated with COVID-19 are anomalous events, reliance on the District's diverse water supply portfolio to meet community water needs during more frequent dry periods will continue to increase energy use over the long term. The District is in the process of selecting a firm to design, construct, maintain and finance systems through a Power Purchase Agreement to potentially generate enough renewable energy to offset the District's annual normal electricity use. Reducing reliance on traditional non-renewable energy can protect against future energy price increases, reduce energy costs, and improve reliability.

Technology Infrastructure Improvement

Ongoing investment in maintaining and improving District technology is just as important to efficient service delivery as investing in water supply infrastructure. From finance, asset management, network security and data warehousing platforms to GIS and Supervisory Control and Data Acquisition (SCADA) programs, the District will continue to establish a robust technology backbone to ensure ongoing delivery of safe, reliable and cost-effective water supplies.

Investment in technology provides for the real-time system management needed to react to unanticipated supply and demand changes, especially when the District is drawing on its diverse water supply. The ability to monitor and control the system from a centralized location, and coordinate treatment and distribution across a complex system of assets that includes nine groundwater production wells, the CDMWTP, and the recycled water system, is critical. Sustaining continuous water system operations is highly dependent upon the ability to carefully and strategically coordinate sequencing of the numerous motors, pumps, valves and appurtenances that enable water delivery throughout the community as well as ensure increased energy efficiency, reduced maintenance costs, minimization of unanticipated interruptions and abnormal wear, and prevention of serious health and safety issues.

Infrastructure Improvements and Planning

The District distribution system includes approximately 270 miles of pipelines, 6,000 valves, 1,500 fire hydrants, 17,000 meters and more than 30,000 appurtenances. The ages and materials of District facilities vary greatly and, in turn, so does the current condition and failure risk associated with these facilities. Aging infrastructure presents increased maintenance and replacement costs. The FY 2022-23 Budget continues to prioritize projects that maintain system reliability for treatment and distribution.

Some of the Infrastructure Improvement Projects planned for FY 2022-23 include:

- $2.4M dedicated to pipeline projects, including transmission main creek-side erosion mitigation, permitting and repairs to exposed pipeline creek crossings, and replacing inoperable pipelines, valves, hydrants, and meters.
- $1.4M in upgrades to the District's SCADA system, including designing an overhaul of the District's entire SCADA system and completing construction and installation of radio communications upgrades.
- $830K for design of well treatment upgrades and acquisition of property for a new replacement well.
- $600K in infrastructure relocations compelled by projects at other agencies.

A Look to the Future

The FY 2022-23 Budget recommends expenditures based on prioritized District needs, goals and objectives, and anticipated external costs. By building on comprehensive analyses of factors such as the economy, weather, customer use trends, and infrastructure needs, the Budget provides a roadmap for preparing and addressing the ongoing needs of the community in the coming fiscal year.

Even the most effective forecasting cannot anticipate the effect of uncontrollable circumstances on revenues and expenditures and the ability to provide safe, cost-effective, sustainable water supplies to the community. As the unprecedented challenges of the past year have illustrated, there are a number of externalities that could affect the District by increasing expenditures but whose timing cannot be anticipated with certainty. By managing expenditures within the District's control, mitigating risk from external sources, and planning for the impacts of uncontrollable costs, the FY 2022-23 Budget maximizes the ability to respond to external circumstances while minimizing impacts to customers.

Examples of current issues facing the District include:

- Continued uncertainty around the COVID-19 pandemic, particularly as a driver of inflation and supply chain interruptions, mean the pandemic remains a challenge to be navigated. The increased cost for chemicals, materials construction, and labor far exceed CPI, making forecasting difficult. They also serve as a reminder of the potential disruptive effects of geopolitical events capable of interrupting supply chains, shipping, and pricing.
- Even with vaccines and the overall improved case counts, the potential for additional COVID-19 variants continues. Thus, the need to protect the health and wellness of the workforce remains a priority as the ability

of licensed employees to report for duty and operate the District's water systems safely and effectively is critical.

- As dry conditions and below average rainfall continue for a third year, uncertainty around the potential for drought conditions that could impact Lake Cachuma operations remain. While a barge is not currently needed to pump water to elevation for delivery through the Tecolote Tunnel, drought conditions could require its reinstallation in the future, possibly as early as the fall of 2023. Maintaining delivery capabilities via a pumping station is critical to ensuring surface water supplies are available to the community when they are most needed. While funding from the California Department of Water Resources Urban and Multibenefit Drought Relief Grant Program in the amount of $2.2M has been secured through COMB to install a permanent pipeline, the barge and additional operations and maintenance costs associated with pumping would considerably increase the cost of delivering water from Lake Cachuma.

- Conditions in the Goleta Groundwater Basin are dynamic and changing. The basin also faces potential threats to water quality similar to many urbanized basins throughout California. Seawater intrusion, agricultural and urban runoff, salts and nutrients, and over-pumping are examples that can have detrimental effects on the quality and quantity of water available from an underground basin. The potential for impacts associated with climate change can only further exacerbate these issues. The provisions of the 1989 Wright Judgment and 1991 SAFE Ordinance, together with the District Groundwater Management Plan, provide a framework for maintaining reliable groundwater supplies from the Goleta Basin. The increased reliance on groundwater has made the stewardship and management of the groundwater basin a priority. The District has responded by investing in its groundwater model and monitoring program to better inform daily well operations and basin-related capital planning, consistent with recommendations in the District's Groundwater Management Plan.
- The final Cachuma Project State Water Rights Order, issued on September 17, 2019, and anticipated action on the Federal Biological Opinion Reconsultation during FY 2022-23 may significantly affect availability of Cachuma Project water supplies for the Cachuma Member Agencies. The District will continue its ongoing partnership with Cachuma Member Agencies to implement proactive scientific, advocacy, and legal strategies to protect Cachuma water supplies and plan for all potential outcomes.
- SWP supplies continue to face threats from a variety of sources, potentially resulting in increased costs and reduced availability and reliability. Additionally, the loss of supplies because of drought, regulatory requirements, or a considerable failure of the Delta or conveyance infrastructure as a result of a natural disaster, could appreciably curtail supplies available to the region. Ongoing efforts to encourage efficient water use within the service area help reduce the District's dependence on expensive imported supplies.
- The aging Cachuma Project infrastructure, including Bradbury Dam, the Tecolote Tunnel, and the South Coast Conduit, poses significant financial and water supply risks to the Cachuma Member Agencies. Collectively, the Cachuma Member Agencies are financially responsible for the costs associated with Cachuma infrastructure and any investment needed in response to unexpected infrastructure failure.

- Having provided water service to the community for over 75 years, the risk that aging infrastructure will fail increases. The condition of

facilities varies widely based on their age, materials, and exposure to environmental conditions, leaving the system vulnerable to failures and inefficiencies. For example, the recycled water distribution system has experienced significant pipe corrosion, leaving the recycled water lines vulnerable to leaks, breaks and failures. The FY 2022-23 Budget includes the minimum funding necessary to allow the District to respond to system failures and minimize the effects of such events. It does not include funding for proactive replacement.

- The District is firmly committed to meeting and exceeding state and federal regulatory requirements including water quality, environmental review and habitat mitigation, workplace safety, and electrical safety standards, among many others. These requirements change as state and federal legislators and regulators enact new requirements, and become more difficult to meet in the face of changing environmental and climate conditions. In order to ensure ongoing compliance and minimize the impact of costly regulatory changes, the District works with its state and federal partners to monitor regulatory and legislative action and adjusts operations, projects and programs accordingly.

By identifying, understanding and planning for these external risks, the District can limit its exposure, exert authority to influence outcomes, and effectively prepare for the ongoing water resource needs of the region while managing future costs and providing reliable service.

SECTION II – REVENUE and TRANSFERS

Introduction

The District provides water service to approximately 17,000 customer accounts in several customer categories: Single Family Residential, Urban (Multi-Family Residential, Commercial, Institutional, and Landscape Irrigation), Agricultural, and Recycled. Other connections include Fire Service Lines, which are not used for normal delivery of potable water and are excluded from revenue projections.

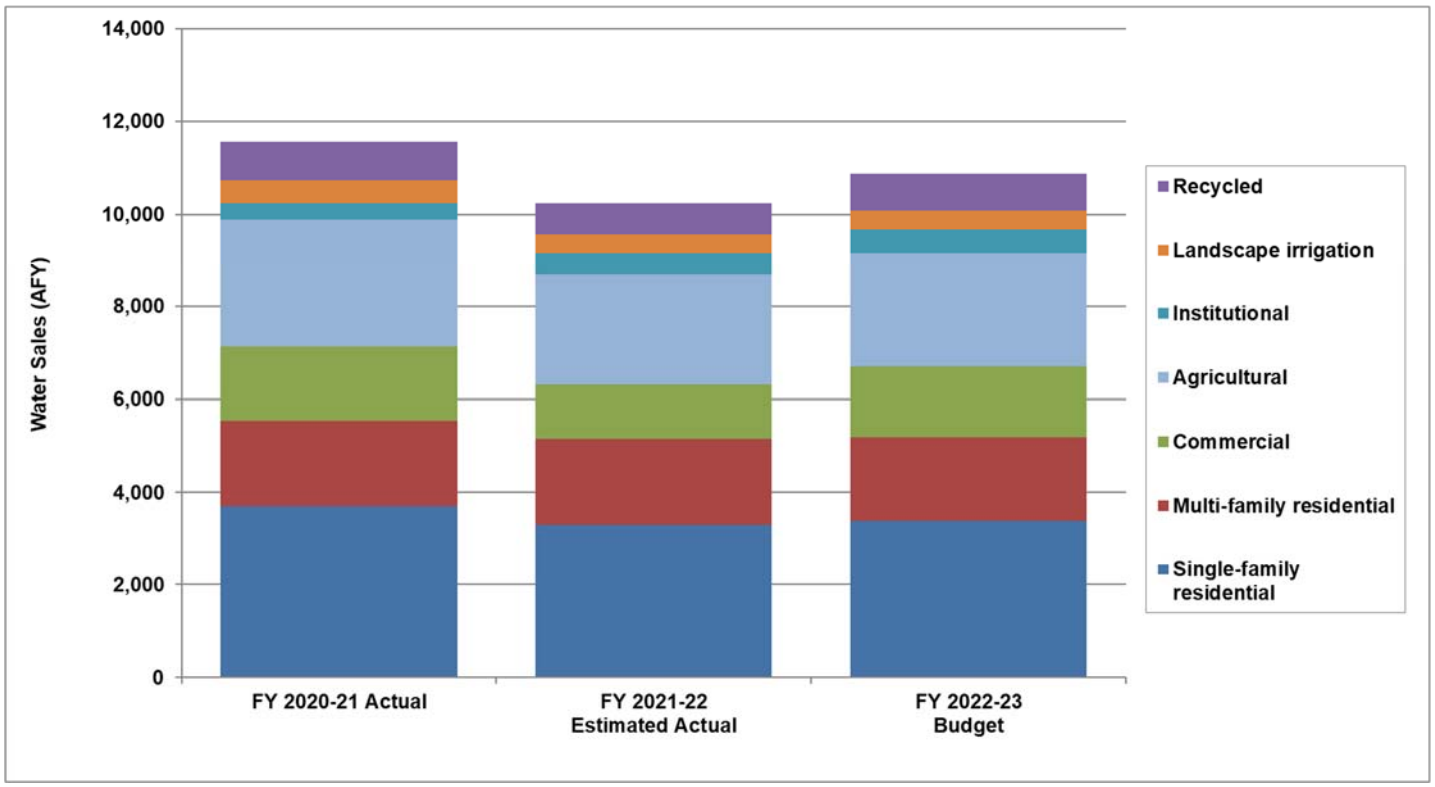
The District receives 98% of its revenue from Water Sales (67%) and Monthly Service Charges (31%). Water Sales, or consumption-based charges, are based on the actual water delivered to each customer, measured in increments of one hundred cubic feet (HCF) or 748 gallons. Monthly Service Charges, or fixed meter charges, represent a percentage of each customer's portion of the fixed costs associated with operating and maintaining the water distribution system. These charges are assessed monthly and are based on the size of the water meter, which can range from 5/8 inch to ten inches. For customers with 5/8 inch or 3/4 inch meters, these charges also depend on monthly water consumption.

The District receives no property tax revenue and collects the majority of its operating revenue through user charges, such as water sales and monthly service charges.

Revenue from Water Sales and Monthly Service Charges are a function of total water sales volume, the number of active service connections at each meter size, and water rates. The rates for each customer category are based on the cost of providing service to that customer category and how much water each customer category uses. The District offers tiered rates to Single Family Residential customers to incentivize conservation (discussed further in the Water Supply & Conservation Section in the Appendix), therefore, conservation by Single Family Residential customers determines the rate they will be charged. Rates for Agricultural, Recycled, and Landscape Irrigation customers all vary based on the unique characteristics of serving the respective customer category.

Water use behaviors among customer classes can vary significantly, but generally, prevailing weather is the primary factor affecting water usage throughout the District. Figure 2.1 illustrates the proportion of total water use by each customer category over a three year period.

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



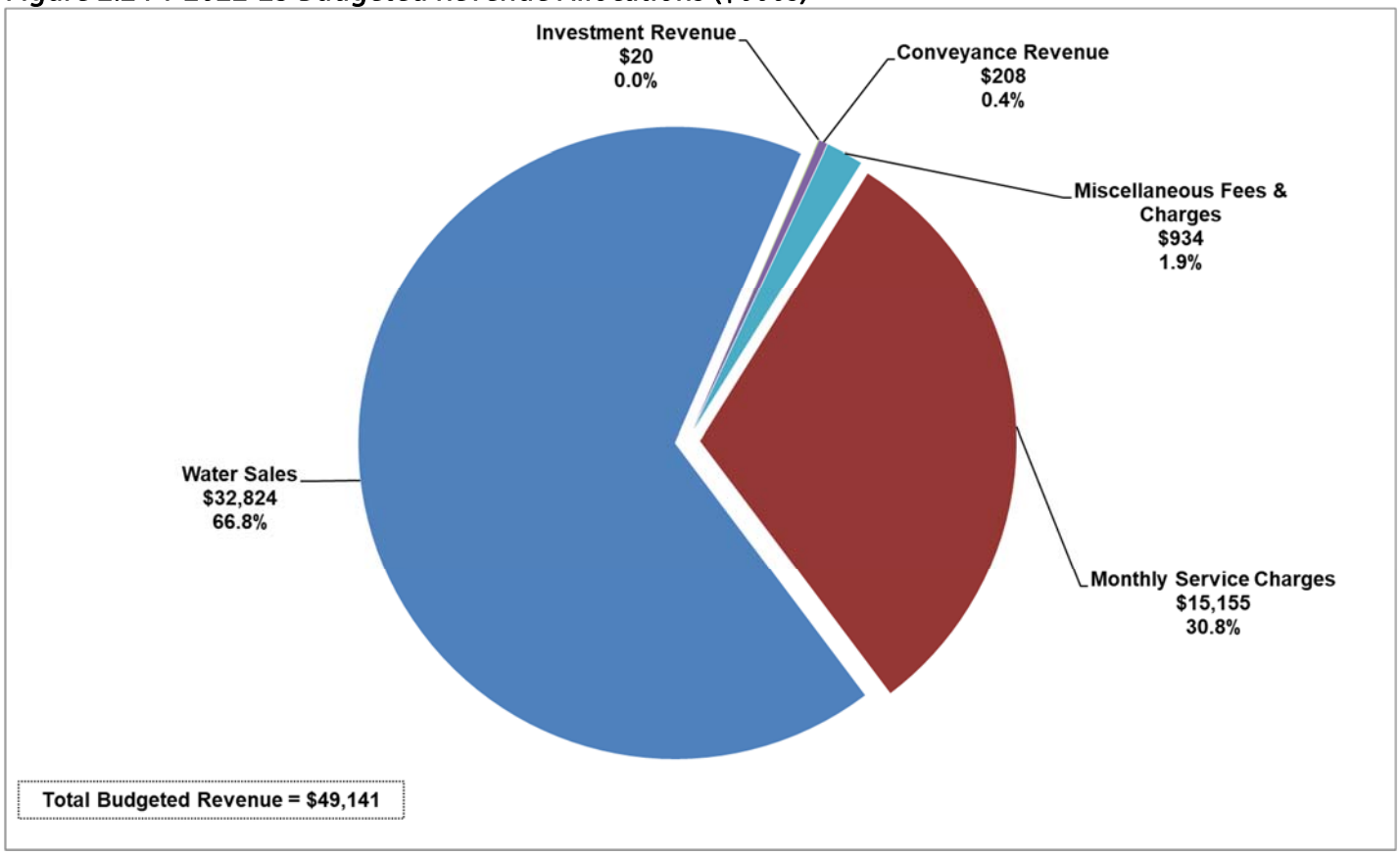
The amount of revenue the District receives from Water Sales varies from year to year, and for each customer category. While District demand analyses are ongoing and periodically updated with the latest data, this year-to-year variation demonstrates the inherent degree of uncertainty in making projections. Table 2.1 summarizes the year-over-year variance in budgeted revenue. Figure 2.2 shows the relative proportion of each source of revenue to the total annual Budget.

Table 2.1 FY 2022-23 Budgeted Revenue versus FY 2021-22 Budget

Category	Adopted Budget FY 2021-22	Estimated Actual FY 2021-22	Adopted Budget FY 2022-23	Variance Analysis * $ Higher / (Lower)	Variance Analysis * % Higher / (Lower)
Revenue:					
Monthly Service Charges	$ 14,133,441	$ 13,851,030	$ 15,154,813	$ 1,021,373	7%
Water Sales	29,989,620	29,325,248	32,824,226	2,834,606	9%
Investment Revenue	42,500	25,861	20,023	(22,478)	(53%)
Conveyance Revenue	222,686	204,698	207,962	(14,724)	(7%)
Miscellaneous Fees & Charges	586,615	10,888,273	933,881	347,266	59%
Total Revenue	**$ 44,974,862**	**$ 54,295,109**	**$ 49,140,905**	**$ 4,166,043**	**9%**

** Compares FY 2022-23 Adopted Budget to FY 2021-22 Adopted Budget*

Figure 2.2 FY 2022-23 Budgeted Revenue Allocations ($000s)



District revenue forecasts are developed using recent data about how several key factors will likely influence customer demand in the upcoming year. The primary influencing factors include: 1) weather; 2) observed customer behavior; 3) rate adjustments; and 4) new service connections. The combined effect of these four factors determines the year-over-year change in water use shown in Figure 2.1, as well as the proportion of total water used by each customer category. The ongoing COVID-19 pandemic and its direct impacts to regional mobility and the broader economy appear to have stabilized, with usage patterns between customer classes returning to trend, but do add an additional layer of uncertainty to demand projections and revenue forecasts for FY 2022-23.

Weather is traditionally the biggest factor driving water use, as it has a significant effect on outdoor irrigation. District data shows that periods of low water use strongly correlate with wet months, and increased usage with dry hot periods. To increase the accuracy of revenue projections and account for the influence of the weather on water use, the District created a model analyzing historical water production and customer usage data spanning a 25-year period. The analysis calculated the relative percentages of indoor and outdoor water uses among three customer classes: Single-Family Residential, Multi-Family Residential, and Commercial. The results indicate that, on average, approximately 48% of total potable water in the District is for indoor use, and 52% is attributable to outdoor use. This finding is evident in Figure 2.3 which overlays District water production with rain events. As the figure shows, water production (blue line) declines noticeably after each rain event (green line), particularly in the cooler months.

Figure 2.3 Daily Water Production and Rainfall in 2021

Understanding the behavioral water use characteristics of each customer category is also critical to accurately projecting monthly revenue. Behavior varies across categories and seasons; however, less variability has been observed system-wide over the last five years because of significant and sustained reductions in outdoor irrigation and heightened water conservation by customers that has continued even after the end of the drought. Illustrating the relationship between weather conditions and customer water use, the drought significantly altered water use patterns across all customer categories. At the start of the drought, ongoing warm and dry conditions drove customer demand higher, particularly among Single-Family Residential and Agricultural customers using water to irrigate crops and landscaping. However, in response to escalating drought conditions and the declaration of a Stage II and Stage III Water Shortage Emergency by the District in 2014 and 2015, system-wide demand dropped by nearly 30% compared to 2013, as did corresponding District revenue. Even after the drought ended in 2019, customer usage remains 20% below the historical average.

Use reduction is largely due to changes in irrigation habits, and the fact that many customers have taken measures to permanently reduce water use such as installing water-efficient fixtures and appliances, replacing turf with drought-tolerant landscaping, or incorporating greywater systems on their properties. This kind of baseline conservation leads to demand hardening by permanently reducing water use. Given this overall trend of conservation and sustained decrease in water use across all customer classes, as well continued uncertainty related to the pandemic, the revenue forecast remains conservative.

Even with a 9% rate increase on July 1, 2022, demand is not expected to be adversely affected since water use remains relatively low as a result of persistent demand hardening and conservation by the District's customers. With the scheduled rate change, the Monthly Service Revenue for FY 2022-23 is projected to be $15.2M, a 7% increase from FY 2021-22 resulting primarily from the 9% rate increase. This is augmented by an anticipated $32.8M, or 9% increase in Water Sales revenue for FY 2022-23. Higher water use is expected in the agricultural customer group (which pays a lower per HCF rate) and a slight increase in consumption among urban customers. Additional discussion for both the Monthly Service Charge and Water Sales revenues is detailed in the respective sections below.

New service connections projected to be completed in the coming fiscal year also affect revenue forecasts. However, New Water Supply Charges are not expected to influence revenue in FY 2022-23 because of the continued temporary prohibition on new water allocations under the voter-approved SAFE Water Supplies Ordinance. This temporary prohibition became effective October 1, 2014, and will remain in effect until the necessary conditions identified in the SAFE Ordinance to lift the restrictions on new water entitlements are met. Some new connections are permitted for projects on properties with past or existing water use (water credits) or projects that obtained a water allocation before the moratorium.

Projected changes in revenue from Investments, Conveyance and Miscellaneous Fees and Charges are not expected to materially impact District finances in FY 2022-23.

Budgeted Revenue in FY 2022-23 is $49.1M, an increase of $4.2M (9%) from the FY 2021-22 adopted Budget.

Monthly Service Charge Revenue

All active water service connections pay a Monthly Service Charge based on the size of the connection that funds the customer's portion of the fixed costs of operating and maintaining the water distribution system. With the current rate structure and customer demand projections in FY 2022-23, approximately 31% of total District revenue will come from the Monthly Service Charge. Approximately 83% of District connections are 3/4 inch or 5/8 inch meters, which carry the lowest volume of water and are charged the lowest monthly rates. Other meter sizes range from one to ten inches according to the customer's actual water needs. For example, large agricultural and commercial customers consume significantly more water than Single Family residences, and as such, require larger meters.

Tiered Monthly Service Charges based on total monthly consumption apply to all District customers with 5/8 inch or 3/4 inch meters, providing a price incentive for conservation. Customers who use up to 6 HCF in a month pay the Tier 1 meter charge; customers who use between 7 and 12 HCF in a month pay the Tier 2 meter charge, and customers who use over 12 HCF in a month pay the Tier 3 meter charge. The charge can vary month-to-month for each customer based on consumption. The conservation tiers can affect both the monthly service charge as well as water consumption related charges. For example, 14,213 customers with 5/8" or 3/4" meters can qualify

for lower monthly service charges by reducing water use. For FY 2022-23 it is anticipated that 49% of meter charges for these customers will qualify for Tier 1, 32% will qualify for Tier 2, and 19% will qualify for Tier 3 – with residential customers more likely to qualify for conservation pricing than commercial customers. Table 2.2 shows how many customers with small meters qualify for each tier, on average. Customers with one inch or larger meters are not eligible for tiered pricing for their Monthly Service Charge.

Table 2.2 Monthly Service Connections by Tier for Small (5/8 inch and 3/4 inch) Meters

	TIER			
Customer Category	Tier 1	Tier 2	Tier 3	Total
Single Family Residential	5,744	4,132	2,256	12,132
Multi-Family Residential	619	267	269	1,155
Commercial	462	171	161	794
Landscape Irrigation	80	9	34	123
Recycled Water	4	1	4	9
Total Connections:	**6,909**	**4,580**	**2,724**	**14,213**

Table 2.3 shows the number of connections by size within each customer category that are expected to be active by July 1, 2022, excluding vacant accounts and new service connections expected to come online during the year.

Table 2.3 Types and Number of District Customer Connections

	Meter Size									
Customer Category	5/8-3/4"	1"	1 1/2"	2"	3"	4"	6"	8"	10"	Total
Single-family residential	12,132	1,149	49	46	-	-	-	-	-	13,376
Multi-family residential	1,155	332	215	137	7	14	12	2	-	1,874
Commercial	415	204	121	202	10	9	9	2	2	974
Agriculture	2	19	20	114	5	4	1	-	-	165
Institutional	-	-	-	2	-	-	1	1	1	5
Landscape irrigation	123	75	56	43	3	3	-	-	-	303
Recycled	9	3	5	8	5	4	10	2	-	46
Fire	377	42	45	14	-	-	-	-	-	478
Total Connections:	**14,213**	**1,824**	**511**	**566**	**30**	**34**	**33**	**7**	**3**	**17,221**

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

Table 2.4 FY 2022-23 Budgeted Monthly Service Charge and Influencing Factors

Customer Category	FY 2021-22 Budget Baseline Revenue	Influencing Factor: New Development	Influencing Factor: Rate Change	Influencing Factor: Behavioral / Tiering Changes	Net Incr. / (Decr.)	FY 2022-23 Budgeted Monthly Service Charge
Single-family residential	$ 7,259,955	$ -	$ 653,396	$ (80,323)	$ 573,073	$7,833,028
Multi-family residential	2,645,371	-	238,083	(101,360)	136,723	$2,782,094
Commercial	2,232,671	-	200,940	(10,492)	190,448	$2,423,120
Agriculture-Urban	481,285	-	43,316	(5,263)	38,053	$519,338
Agriculture-Goleta West Conduit	158,705	-	14,283	(23,263)	(8,979)	$149,726
Institutional	186,723	-	16,805	(13,103)	3,702	$190,425
Landscape irrigation	482,046	-	43,384	15,201	58,585	$540,631
Recycled	590,822	-	53,174	(29,458)	23,716	$614,538
Fire	70,735		6,366	(22,380)	(16,014)	$54,721
Temporary Meters	25,128	-	2,261	19,804	22,066	$47,193
Total:	**$ 14,133,441**	**$ -**	**$ 1,272,010**	**$ (250,637)**	**$ 1,021,372**	**$ 15,154,813**

Total Monthly Service Charge revenue is forecast to increase by $1.0M, or 7% including a 9% rate increase.

Water Sales

The largest source of District revenue is Water Sales (67%), billed according to the actual volume of water consumed by the customer. The District has distinct water rates for each customer category, which account for the unique factors and costs involved in providing their water service. The volume of water used across customer categories can vary significantly given the widely divergent dynamics associated with each type of customer. For example, historic water production data provides evidence that some District customers are highly responsive to weather conditions, as discussed above (see Figure 2.3). Large swings in usage are particularly common among customers with significant outdoor agricultural or landscape irrigation, and can influence District water sales considerably. This variability in customer water demand throughout the year produces similar cash flow patterns, the timing of which must be incorporated into expenditure plans. Conservation, weather patterns, seasonal variability, rate tiers, and the amount of indoor use versus outdoor use for landscaping or agriculture must all be considered in forecasting water sales for the coming year.

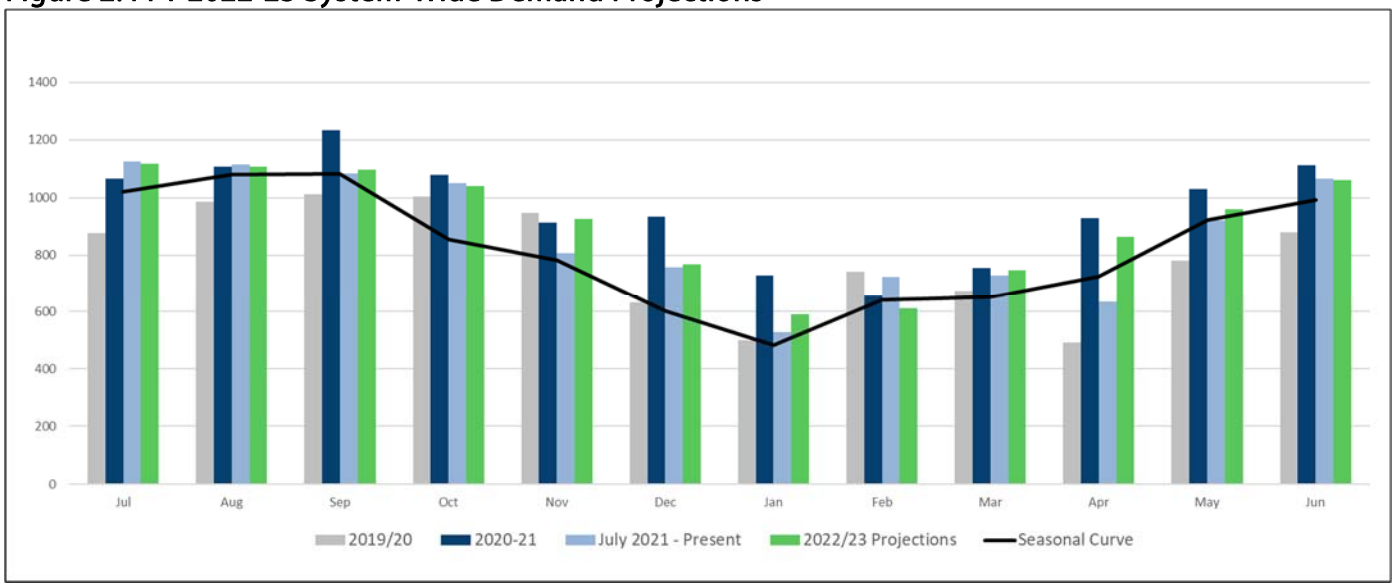
On October 19, 2021 Governor Newsom extended the drought declaration statewide. He subsequently issued an Executive Order on March 28, 2022 calling for a voluntary 20% reduction in water use and directing local water suppliers to activate water shortage contingency plans. State reservoirs and the Sierra snowpack they depend on are both below average levels and the Department of Water Resources has indicated that it continues to plan for a third dry year. Locally, the Goleta Valley received approximately 60% of normal rainfall this year, and Lake Cachuma received no inflow over the winter. While the District projects it will have enough supply to avoid the need for mandatory demand reduction requirements in 2022, ongoing warm and dry weather following another dry winter is expected to drive demand higher in FY 2022-23.

Given these conditions Water Sales volume projections for FY 2022-23 were developed using a customer demand analysis of recent trends for each customer category. A five-year average benchmark was included for comparison

purposes, then seasonal variability was layered over usage trends to account for any observed demand anomalies. Additionally, to account for two years of low precipitation and recent announcements by the State, the District further refined its demand projections to reflect anticipated changes in demand given potential drought conditions and the most recent consumption trends. This allows the District to forecast otherwise unpredictable demand as accurately as possible.

Figure 2.4 shows seasonal system-wide potable and west conduit water usage variations for recent years and the projected 2022-23 budget year. A short discussion about the water use characteristics of each customer category and how they inform water sales projections follows.

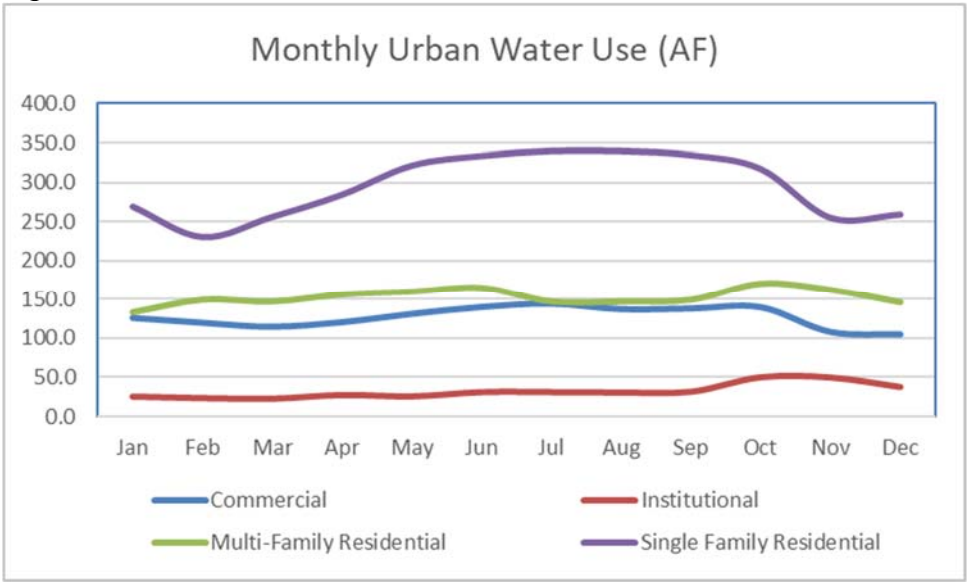
Figure 2.4 FY 2022-23 System-Wide Demand Projections



Urban Water Use

Urban water use accounts for approximately 67% of total District demand, and urban users have a lower ratio of indoor to outdoor water use than irrigation customers. Residential indoor consumption can generally be characterized by routine household water use, including toilet flushing, showers, clothes-washing, and dishwashing. Factoring in the regional median household size of 2.64, the average single-family household in the District uses approximately 9 HCF (6,732 gallons) per month for basic health and sanitation. Water usage in excess of this base indoor amount can reasonably be attributed to outdoor use, which fluctuates throughout the year based primarily on weather patterns. Given the variety of lot sizes, types of landscaping, efficiency of irrigation systems, and irrigation habits, outdoor water use can also vary significantly across residential households. Single Family Residential consumption alone could vary as much as 100% during summer months compared to the cooler winter months. This larger variation in seasonal water use is evident when compared to other urban customer categories, as reflected in Figure 2.5.

Figure 2.5 2021 Urban Water Use

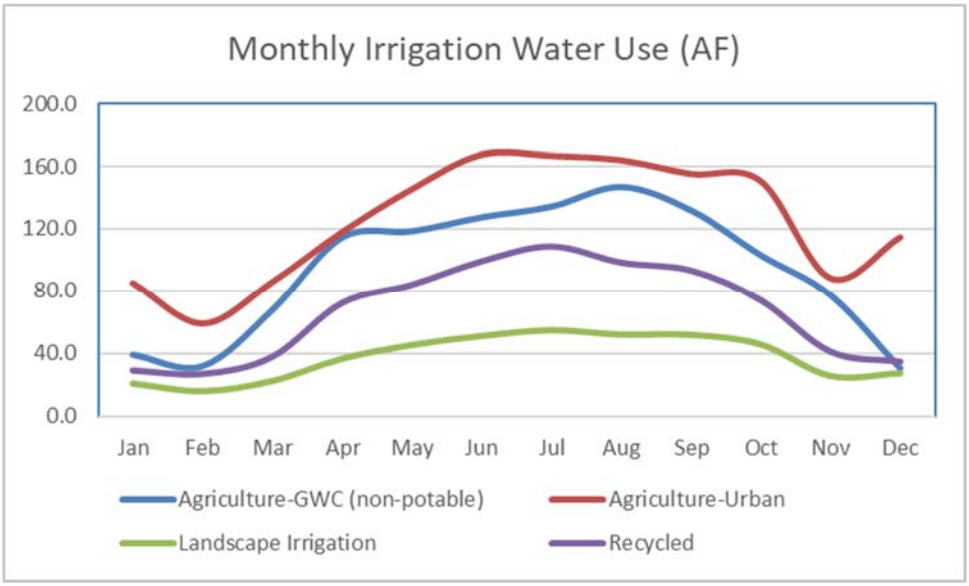


In forecasting the amount of revenue attributable to Water Sales for Single-Family Residential customers, the District's tiered rates must also be considered. The first six (6) HCF of Single Family Residential water use each month make up the low-tier, and cover basic indoor usage for the average District household. A mid-tier rate applies for the next 6 HCF of use each month. This means that customers with an average summer use of 12 HCF per month pay either a low or mid-tier rate throughout the year. The highest rate applies to all use above 12 HCF per month. The differing tiers affect both water consumption-related charges as well as the monthly service charge. As a result of the tiering rate structure, an incremental usage change in Tier 3 will have a larger revenue impact. For example, the District will net a decrease in revenues with higher usage when five Tier 1 customers each increase usage by 1 HCF (at $7.01/HCF) offset against one Tier 3 customer using 5 HCF less (at $12.06/HCF). For FY 2022-23 it is anticipated that 49% of Single Family residential water use will be within Tier 1, 32% will be in Tier 2 and 19% will be in Tier 3.

Rates for all other urban customers are uniform with the same charge applying to each unit of water consumption. Multi-Family Residential customers include high-density student housing in the Isla Vista community, retirement communities, and apartment buildings. Consumption behaviors within this category can vary significantly from customer to customer. The largest indicators of Multi-Family Residential water use are the number of units within a complex and the number of people per household. Multi-Family Residential, Commercial and Institutional water use is driven less by weather than the academic calendar and move-in/move-out schedules associated with the local colleges. Since the vast majority of use among Multi-Family Residential, Commercial, and Institutional water use is indoors, water use is relatively steady throughout the year and exhibits only modest seasonal variation. For example, total consumption for Multi-Family Residential customers with high baseline indoor use varied only 27% between the lowest use month (134 AF in January) and the highest use month (170 AF in October) in 2021. In comparison, the variance for Single Family Residential customers was 48% between the lowest and highest months in 2021. Water use being primarily indoors reduces seasonal variability, thereby increasing the predictability of usage patterns and reliability of revenue forecasts for these customer categories.

Irrigation Water Use

Figure 2.6 2021 Irrigation Water Use



For the customer categories that use water primarily or exclusively for outdoor irrigation, seasonal water consumption varies considerably. As reflected in Figure 2.6, water production generally increases with warm dry weather conditions as customers rely on water provided by the District. During the fall, winter, and spring months water demand is significantly reduced as cooler temperatures and appreciable rainfall mean landscapes and agriculture need less irrigation. Customer categories with high seasonal variability include potable, non-potable and recycled water use by agriculture and landscape irrigation customers. Rates for these customers all vary based on the unique characteristics of serving each respective customer category. Combined, these customer categories account for 35% of total annual District water use, with about 68% of that usage attributable to agricultural customer accounts. Approximately 4,000 acres in the District's 29,000 acre service area (14%) are used for agricultural activities. Irrigation of crops, nurseries, and pastures comprises 90-95% of total water use for these customer classes, with a small portion used for domestic purposes. Water used to meet basic health and safety needs at residences on agricultural properties comprises approximately 5-10% of agricultural water use in a normal year.

Influencing agricultural demand are the climate, the timing and amount of rainfall, temperature fluctuations, humidity, sunshine, wind, and individual farming practices, leading to highly variable water use. Figure 2.6 illustrates these seasonal water use patterns with Urban Agriculture using 167 AF in June 2021, or more than 2.8 times the 59 AF of use recorded in February. Furthermore, dry warm temperatures and lack of significant rainfall for an extended period can drive up water demand annually. For example, in 2014, a year in which the Goleta Valley experienced record warm temperatures and dry conditions, agricultural water use in the District was 4,400 AFY, which represented over 32% of total District water use, compared with 2011 (a wet year), in which agricultural water use was 2,150 AFY, or 18% of total demand. This represents a 100% swing in year-over-year water use, influenced primarily by prevailing weather conditions. A slight increase in the number of acres reported as being under production also helped account for this difference.

Since outdoor irrigation is significantly affected by the climate (evapotranspiration, precipitation, etc.), usage by these categories is driven to a much greater degree by seasonal weather conditions, making demand difficult to predict and complicating revenue projections. An above average year of rain, an unusually dry year, or rain events in months that are typically dry can influence water sales significantly for these categories. For example, potable water use for irrigation decreased by approximately 40% in 2017, an above-average rain year, compared to an average year. Notably, as use is not primarily for health and safety needs, there is a greater opportunity for water conservation among irrigation customers since changes in irrigation practices can significantly reduce usage.

Water Sales Summary

Given the overall conservation trend and subsequent sustained decrease in water consumption across all customer classes, forecasted revenue from water sales remains conservative. The District is projecting similar monthly distribution of usage by customers as was observed in FY 2021-22, with minor adjustments to account for extreme weather events and consumption anomalies. Tables 2.5 and 2.6 summarize water use and revenue projections that have been developed for FY 2022-23. Water Sales are projected to increase by $2.8M primarily as a result of rate increases.

Table 2.5 FY 2022-23 Budgeted Water Use by Customer Category (in AF)

		Influencing Factor			
Customer Category	FY 2021-22 Budgeted Water Use	New Development	Behavioral / Tiering Changes	Net Incr. / (Decr.)	FY 2022-23 Budgeted Water Use
Single-family residential	3,453	-	(77)	(77)	3,376
Multi-family residential	1,863	-	(51)	(51)	1,812
Commercial	1,010	-	507	507	1,517
Agriculture-Urban	1,210	-	193	193	1,403
Agriculture-Goleta West Conduit	1,661	-	(607)	(607)	1,054
Institutional	553	-	(38)	(38)	515
Landscape irrigation	478	-	(70)	(70)	408
Recycled	802	-	6	6	809
Fire	0	-	(0)	(0)	0
Total:	**11,029**	**-**	**(136)**	**(136)**	**10,894**

Table 2.6 FY 2022-23 Budgeted Water Sales Revenue and Influencing Factors

		Influencing Factor				
Customer Category	FY 2021-22 Budget Baseline Revenue	New Development	Rate Change	Behavioral / Tiering Changes	Net Incr. / (Decr.)	FY 2022-23 Budgeted Water Sales Revenue
Single-family residential	$ 12,133,076	$ -	$ 1,091,977	$ (287,792)	$ 804,185	$ 12,937,261
Multi-family residential	6,849,157	-	616,424	(638,203)	(21,779)	6,827,378
Commercial	3,501,009	-	315,091	1,897,959	2,213,050	5,714,059
Agriculture-Urban	1,375,689	-	123,812	234,147	357,959	1,733,647
Agriculture-Goleta West Conduit	1,540,982	-	138,688	(615,728)	(477,040)	1,063,942
Institutional	1,918,183	-	172,637	(148,133)	24,503	1,942,687
Landscape irrigation	1,757,835	-	158,205	(289,812)	(131,607)	1,626,228
Recycled	908,960	-	81,806	(14,204)	67,603	976,563
Fire	4,728	-	426	(2,692)	(2,267)	2,461
Total:	**$ 29,989,620**	**$ -**	**$ 2,699,066**	**$ 135,541**	**$ 2,834,607**	**$ 32,824,226**

Other Revenues & Transfers

New Water Supply Charges (NWSC)

The NWSC applies to customers requesting new or expanded water service. NWSC payments benefit existing customers by ensuring new or expanded development pays a fair share to utilize the pre-existing customer-funded infrastructure. Although the amount of new water required from year to year varies depending upon economic factors and project completion schedules, the historical 15 year average allocation prior to the moratorium has been 26 AF, which equates to less than 0.2% of normal annual demand. The Budget typically considers specific projects currently in the application process, their historic water allocations, and local economic factors to identify projects likely to remit NWSC fees.

The FY 2022-23 Budget forecasts no revenue from NWSC payments for new potable water allocations because of the moratorium on new service applications under the SAFE Water Supplies Ordinance. Further, no new recycled water connections are anticipated.

Investment Revenue

The investment policies and practices of the District are based on California Government Code provisions that regulate the investment of public funds and prudent portfolio management. Chapter 4.08 of the Goleta Water District Code establishes investment objectives as being, in priority order, Safety, Liquidity and Diversification. For FY 2022-23, District cash balances will be invested in the California Local Agency Investment Fund (LAIF), a pooled money investment vehicle projected to yield about 1% annually, producing approximately $20K in investment revenue. Investment Revenue is projected to decrease by $22K or 53% in FY 2022-23.

Conveyance Revenue

Conveyance revenue is collected from several local businesses and developments that own water rights but not the treatment or distribution facilities needed to deliver their water. The District entered into agreements with these customers to convey these water supplies at a per-acre-foot rate. Conveyance Revenue budgeted for FY 2022-23 is $208K.

Miscellaneous Fees and Charges

The District receives revenue in the form of fees and charges from various sources, including delinquent accounts, backflow inspection, application and initiation fees, connection fees, cell tower site rentals, hydroelectric power generation sales, and customer reimbursable projects. This year, the District received a one-time payment of $10.0M from a legal settlement, which caused the Estimated Actual to be significantly higher than the FY 2021-22 Budget. The anticipated revenue for FY 2022-23 is approximately $934K, a forecasted increase of $347K or 59% from FY 2021-22 Budget.

Transfers

The District continues to maintain a prudent financial reserve to ensure adequate cash flow for operational needs and capital emergencies. Consistent with the 2020-2025 Cost of Service Study, the FY 2022-23 budget anticipates a designation to reserves of $1.3M. The District remains on track to achieve its reserve target by 2025.

SECTION III – EXPENDITURES

Summary

FY 2022-23 expenditures are consistent with the 2020-2025 Expenditure Forecast and foundational policy documents adopted by the Board of Directors. Expenditures continue to prioritize projects that maintain water quality and system reliability for treatment and distribution, which are critical to the District's mission to deliver safe and reliable water.

District expenditures are comprised of costs associated with Water Supply Agreements, Personnel, Operations and Maintenance (O&M), Debt Service, and Capital Improvement Projects. Specific expenses are shown in Table 3.1, Table 3.2 and Table 3.3, followed by a full summary of costs in Table 3.4. Water supply portfolio-related costs account for 25% of total District expenditures and include fixed and variable costs associated with District agreements with COMB, CCRB and Santa Barbara County for surface water; CCWA for State Water; and GSD for recycled water. Personnel costs represent 26% of total expenditures, comprised of wages, benefits, and taxes, as well as Other Post-Employment Benefits. Employees of the District are responsible for managing day-to-day operations, including maintenance of the treatment and distribution system, capital infrastructure planning, development of water use efficiency and conservation programs, and providing quality customer service. Operations & Maintenance represent 20% of total expenditures, and include costs related to water treatment and testing, general insurance, legal, maintenance and equipment, as well as services and supplies. Expenses associated with Capital Improvement Projects in the Infrastructure Improvement Plan and debt service make up the balance of total expenditures at 18% and 11% respectively.

The District, like other utilities, is affected by externalities including weather, economic conditions, changing customer preferences, costs of water supplies, and evolving regulatory requirements. This year in particular, supply chain disruptions and inflationary pressures on chemical costs, materials, and construction have introduced significant challenges. While this Budget provides the tools to exert influence over external costs and mitigate known risks, it is important to note that it does not include broad cost increases for unknown inflationary factors, economic changes, or unanticipated sudden events. Where specific price increases are known, appropriate adjustments to the Budget have been made, even in the past year the cost of inflation has varied widely across virtually all areas of the District budget. The District will continue to manage costs within its control and plan for uncontrollable externalities.

In FY 2022-23 Lake Cachuma will provide the primary source of water supply for customers, though the District will continue to draw on its diverse water supply portfolio by exercising its groundwater wells and delivering a portion of its State Water entitlement. Increased chemical costs account for the increased water treatment costs at CDMWTP. Even with groundwater continuing to comprise a smaller portion of the supply portfolio than during the height of the drought, investment in the mechanical maintenance of the wells is necessary to maintain both reliable production and access to the District's critical drought buffer. Conservation outreach and incentive-based programs to help customers achieve voluntary conservation will continue through 2022, and into 2023.

Water Supply Agreements

In an average year, approximately 86% of District water supply entitlements are secured through water supply agreements with federal, state and local partners. The balance of supply is secured from the Goleta Groundwater Basin. Consistent with the adopted Water Supply Management Plan (WSMP), the District employs a strategy of drawing from available water sources in a prioritized manner to maximize supplies and minimize costs.

As illustrated in Table 3.1, FY 2022-23 total water supply costs will decrease by $1.1M, or 8%, largely the result of decreased State Water Project costs due to the long-term capital debt of the project being paid off. Overall, costs related to Lake Cachuma delivery, CCRB expenses and recycled water purchases increased slightly compared to FY 2021-22 Budget. The cost of pumping and treating groundwater is included in O&M and capital costs.

Table 3.1 FY 2022-23 Budgeted Water Supply Agreement Costs

Category	Adopted Budget FY 2021-22	Estimated Actual FY 2021-22	Adopted Budget FY 2022-23	Variance Analysis * $ Higher / (Lower)	Variance Analysis * % Higher / (Lower)
COMB (Lake Cachuma Deliveries):					
Water Entitlement	$ 797,500	$ 797,500	$ 836,049	$ 38,549	5%
Operations & Maintenance	2,164,535	1,664,738	2,488,015	323,480	15%
Cachuma Renewal Fund	79,667	79,667	62,939	(16,728)	(21%)
Safety of Dam Act	129,392	129,392	94,847	(34,545)	(27%)
Subtotal - COMB	3,171,094	2,671,297	3,481,850	310,756	10%
CCRB (Water Rights):	527,044	370,177	565,709	38,665	7%
SB County (Cloud Seeding):	32,858	12,406	32,858	0	0%
CCWA (State Water Deliveries):					
Fixed Costs	7,559,988	7,559,988	5,631,042	(1,928,946)	(26%)
Variable Costs	1,263,852	(194,339)	1,643,129	379,277	30%
Subtotal - CCWA	8,823,840	7,365,649	7,274,171	(1,549,669)	(18%)
GSD (Recycled Water Production):	715,000	789,250	790,054	75,055	10%
Total:	**$ 13,269,836**	**$ 11,208,780**	**$ 12,144,642**	**$ (1,125,194)**	**(8%)**

** Compares FY 2022-23 Adopted Budget to FY 2021-22 Adopted Budget*

COMB (Lake Cachuma Deliveries) and CCRB (Water Rights)

The COMB and CCRB annual budgets are approved by their respective Boards of Directors. Budgeted costs include payments for water supply entitlement, Cachuma Project O&M, payments for dam rehabilitation, protection of Cachuma water rights and public trust resources.

By agreement, the District share of COMB expenditures is 40.42%. This amounts to $3.5M in FY 2022-23, an increase of $311K or 10% when compared to FY 2021-22. The increase is the result of anticipated increased capital expenditures, mainly for a secured permanent pipeline at the bottom of Lake Cachuma to facilitate water deliveries when the Emergency Pumping Barge is needed to pump water to the Tecolote Tunnel.

Reduced water supply portfolio related costs, driven primarily by reduced capital debt payments associated with the State Water Project, account for a $1.2M or 9% reduction in FY 2022-23.

CCRB works to protect Cachuma Project water rights and supplies for the South Coast water purveyors. The District share of CCRB costs is 46%, or $566K in FY 2022-23 which is an increase of $39K, or 7% as compared to FY 2021-22. The increase is the result of the re-initiation of formal reconsultation on the Federal Biological Opinion for the Cachuma Project. FY 2022-23 CCRB costs allow for sufficient funding of scientific, legal, and advocacy efforts to minimize the potential financial and supply impacts of these processes.

CCWA (State Water Deliveries)

The District has access to State Water through its membership in CCWA. State Water expenses are expected to be $7.3M for FY 2022-23, a decrease of $1.5M or 18% due to the payoff of long-term capital debt of the State Water Project, as well as lower variable charges due to reduced deliveries of State Water caused by low water allocations in 2022. Fixed costs generally include expenses to finance, build and operate the infrastructure necessary to transport the water. Based on the District's adopted Water Supply Management Plan, use of water from Lake Cachuma (the District's least expensive supply source) will be prioritized, and State Water will continue to be delivered as needed to offset potential reductions in surface water supplies from Lake Cachuma resulting from drought conditions.

GSD (Recycled Water Production)

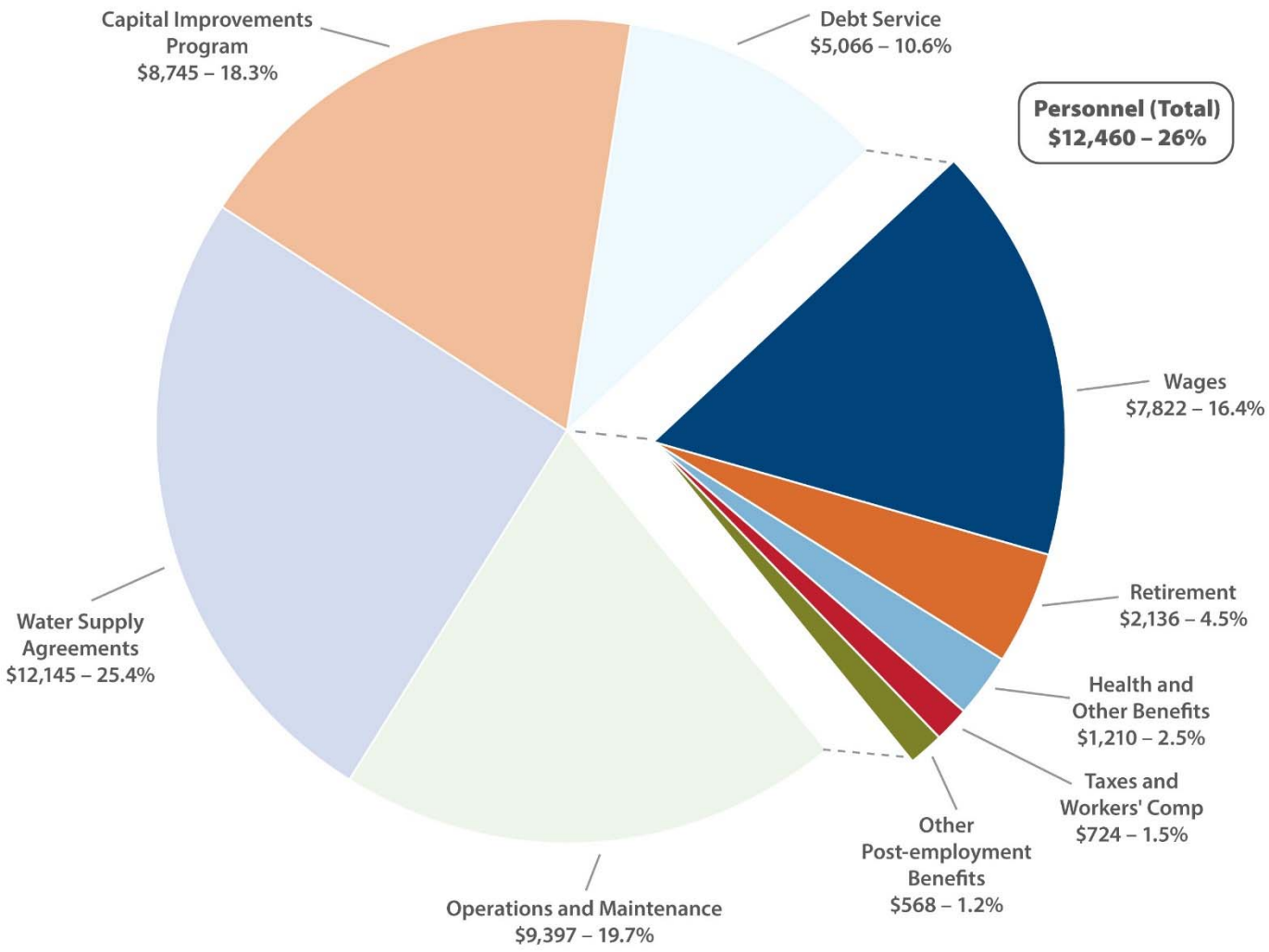
Providing recycled water to 46 customers in the District for irrigation purposes conserves drinking water for potable purposes, improving water supply reliability. Per agreement, the District pays GSD for all O&M costs necessary to produce recycled water. For FY 2022-23 costs are estimated at $790K. This includes costs for treatment upgrades identified in the GSD capital plan, which are necessary for GSD to meet its regulatory requirements in the State recycled water criteria and its General Permit.

Personnel

Recruiting, training and retaining professional employees is critical to meeting District objectives of protecting water supplies and ensuring dependable service to customers. The workforce includes licensed and professional staff to perform a wide variety of activities including operating the state-of-the-art Corona Del Mar Water Treatment Plant, maintaining 270 miles of distribution lines, and reading approximately 17,000 meters monthly. District staff also manage customer billing, provide engineering design services, ensure compliance with all state and federal regulatory requirements, implement conservation and sustainability programs, protect water supplies, and plan for the future needs of the community. The qualifications of the District's workforce is extensive including engineers, certified plant operators and distribution specialists, electricians, technicians, analysts, accountants, and experienced professional managers.

Personnel costs in FY 2022-23 total $12.5M, a $493K or 4% increase compared to FY 2021-22. This is resulting from previously negotiated SEIU provisions. Figure 3.1 provides an overview of the individual components of Personnel costs, as a portion of overall costs.

Figure 3.1 FY 2022-23 District Costs, Featuring Budgeted Personnel Costs ($000s)



Retirement related expenditures associated with the District's 75 year history make up 4.5% of current Personnel costs. Future costs are being managed in an actively controlled manner as the District continues to realize the financial benefits of the California Public Employees' Pension Reform Act of 2013 (PEPRA). PEPRA was signed into law in 2012 limiting pension benefits offered to new employees and increasing cost sharing between new employees and public employers. Additionally, in accordance with the District's agreement with SEIU 620, employees contribute 100% to their retirement plans. As PEPRA is designed to realize mid-term to long-term savings, District financial savings will continue to grow.

The District remains committed to developing and retaining the highly skilled employees needed to deliver safe and reliable water supplies to the community.

Operations & Maintenance

The District service area spans 29,000 acres and includes more than 270 miles of pipeline, approximately 17,000 customer connections, nine storage reservoirs, nine wells, and the Corona Del Mar Water Treatment Plant. To operate these facilities and deliver water to customers, more than 30,000 appurtenances are maintained, including over 6,000 valves and 1,500 fire hydrants. O&M costs include a variety of day-to-day functions from water treatment and testing to insurance, auditing, legal services, as well as the purchase of energy, materials, supplies and equipment needed to run water delivery and treatment systems.

The District will treat and distribute approximately 3.1 billion gallons of potable water in FY 2022-23. This water moves through reservoirs and pipelines that must be continually maintained to ensure safe and reliable delivery. Valve maintenance also plays a particularly important role in controlling the system and is critical to maintaining proper distribution system operations.

Table 3.2 shows the FY 2022-23 O&M costs, which total $9.4M and are up 30% from FY 2021-22. Notable variances within expenditure categories include:

- Water Treatment costs will increase substantially by $739k or 104% when compared to last year due to increased chemical costs and the addition of two GAC filter media replacements at CDMWTP needed to maintain water quality and reduce THMs.
- Water Testing costs will increase by $28K or 9% primarily as a result of UCMR 5 testing that is required every three years.
- Maintenance and Equipment will increase by $253K or 26% due to increased fuel costs and inflation related increases for equipment. The increase also reflects planned general maintenance and replacement for chemical systems, electrical systems, and vehicles that were deferred during the pandemic.
- Services and Supplies costs will increase by $1.1M or 31% primarily as a result of preventive maintenance and emergency repairs associated with increased groundwater production; the planned cleaning of seven reservoirs; replacement of a portion of the concrete floor in the Corona Reservoir; and road maintenance at CDMWTP.
- Utility expenditures will increase by $651K or 121% as a result of higher ground water production and associated booster pump station operation, as well as increased electricity rates.

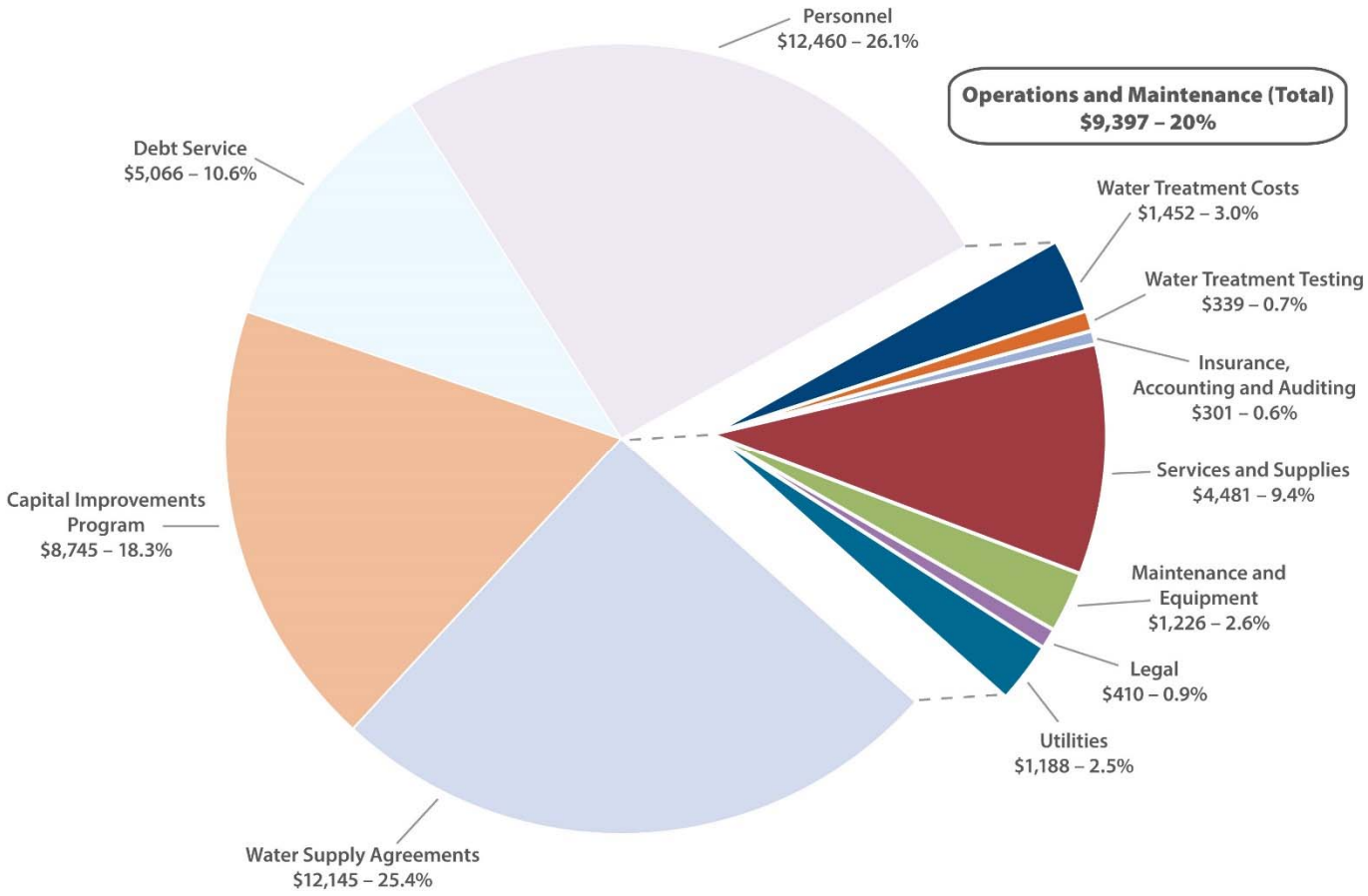
Table 3.2 FY 2022-23 Budgeted O&M Costs

Category	Adopted Budget FY 2021-22	Estimated Actual FY 2021-22	Adopted Budget FY 2022-23	Variance Analysis * $ Higher / (Lower)	Variance Analysis * % Higher / (Lower)
Operations & Maintenance Costs:					
Water Treatment	$ 713,000	$ 693,770	$ 1,452,000	$ 739,000	104%
Water Testing	311,100	217,024	339,200	28,100	9%
Insurance, Accounting, & Auditing	260,596	331,045	301,394	40,798	16%
Maintenance & Equipment	972,210	775,901	1,225,660	253,450	26%
Legal	1,014,600	2,479,150	410,000	(604,600)	(60%)
Services & Supplies	3,425,753	3,143,879	4,480,635	1,054,882	31%
Utilities	536,870	420,846	1,188,150	651,280	121%
Total:	**$ 7,234,129**	**$ 8,061,613**	**$ 9,397,039**	**$ 2,162,910**	**30%**

** Compares FY 2022-23 Adopted Budget to FY 2021-22 Adopted Budget*

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

Figure 3.2 FY 2022-23 District Costs, Featuring Budgeted O&M Costs ($000s)



Infrastructure Improvement Plan

In January 2020, the Board of Directors adopted the Infrastructure Improvement Plan 2020-2025 (IIP) which was last amended in March 2022. The IIP is designed to show how the District will adeptly build, maintain, and manage the assets needed to produce, treat, and distribute water while maintaining the current level of service to customers and balancing costs. This planning tool provides the framework for District infrastructure investments over a five-year horizon, while providing the flexibility to adapt to changing infrastructure needs and opportunities throughout the lifespan of the IIP.

A critical goal of the IIP is to ensure that the District's infrastructure is capable of producing and delivering quality water to customers. Approximately 25% of IIP funds go towards enhancing water quality, while another 20% are directed towards distribution system reliability. These investments are needed to ensure reliable delivery of water supplies for the community, especially when drawing on a diverse mix of water supply sources which all have their own unique delivery infrastructure. The FY 2022-23 Budget includes $8.7M to fund 36 capital projects which will:

- Meet local, state, and federal regulations for water quality and worker safety, or resolve utility conflicts;
- Maintain level of service by replacing inoperable equipment, and prioritizing projects that reduce the risk of service interruptions to the community and water loss; or
- Address critical deficiencies for which inadequate funding could jeopardize the District's ability to serve customers, such as through reduced water production, major infrastructure failure, or not meeting water quality standards.

Table 3.3 provides a summary of IIP projects planned for FY 2022-23. This includes $1.1M of IIP projects that were previously budgeted in FY 2021-22 but deferred to FY 2022-23 due to delays caused by the COVID-19 pandemic. Specific project totals may vary from estimates listed in Table 3.3 as a result of project timing, new information, supply chain delays, inflation, labor shortages, or other unanticipated events.

Table 3.3 Infrastructure Improvement Plan Projects Summary FY 2022-23

Project No.	Capital Project	FY 2022-23
P-1	Worker Safety Electrical Upgrades	$270,000
P-3	Ekwill, Fowler, and Hollister Infrastructure Relocation	$400,000
P-4	City, County, Caltrans Relocations Required Projects	$200,000
P-6	Inoperable Small Meter Replacements	$270,000
P-7	Inoperable Large AMI Meter Replacements	$215,000
P-9	Transmission Main Relocation	$750,000
P-10	Exposed Goleta West Conduit Pipelines	$45,000
P-11	Inoperable Chlorination and Treatment Equipment Replacements	$95,000
P-12	Inoperable Pipeline and Service Line Replacements	$430,000
P-13	Inoperable Cathodic Protection System Replacements	$190,000
P-14	Inoperable Reservoir and Reservoir Component Replacements	$80,000
P-15	Inoperable Electrical Power System Replacements	$45,000
P-16	Inoperable Pump and Motor Replacements	$80,000
P-17	Anita Well Filtration Treatment	$350,000
P-20	Inoperable Above Ground Well Facility Replacements	$115,000
P-21	Inoperable Interconnect Component Replacements	$10,000
P-22	Inoperable Valve Replacements	$225,000
P-23	Inoperable Fire Hydrant Replacements	$180,000
P-24	Inoperable Recycled Water Facility Replacements	$20,000
P-25	Inoperable Computer and Electronic Hardware Replacements	$30,000
P-26	Pavement Replacements	$150,000
P-27	Inoperable Building Component Replacements	$50,000
P-28	Required Main Upsizing	$30,000
P-29	Obsolete SCADA Replacement	$600,000
P-30	SCADA Antenna (Monopole) Replacement	$830,000
P-32	Inoperable Light Vehicle Fleet Replacement	$50,000
P-35	CDMWTP Additional Sludge Bed	$950,000
P-36	CDMWTP New Sludge Drying Bed Pump Station	$210,000
P-37	CDMWTP New Sludge Bed Overflow Basin	$900,000
P-38	CDMWTP Reclaimed Water Pipe Relocation	$240,000
P-39	CDMWTP Backwash Basin Pump Station Modification	$200,000
P-41	Water Quality Maintenance in Distribution System: Phase 1	$25,000
P-44	University Well Treatment	$130,000
P-45	Airport Well Treatment Upgrade	$300,000
P-46	New Replacement Well	$50,000
P-48	Creek Crossing Inspection and Repair Program: Exposed Pipes	$30,000
	TOTAL	**$8,745,000**

Debt Service

Debt service costs reflect payments associated with approximately $43.7M of outstanding Certificates of Participation (COPs) that are secured by a pledge of District revenues. These COPs are comprised of issuances in 2010 and 2014, with interest payable semi-annually. The current Five-Year Expenditures Forecast provides sufficient revenues to satisfy debt coverage requirements. The FY 2022-23 debt services is $5.1M based on scheduled principal and interest payments.

Summary of District Expenditure Forecast for FY 2022-23

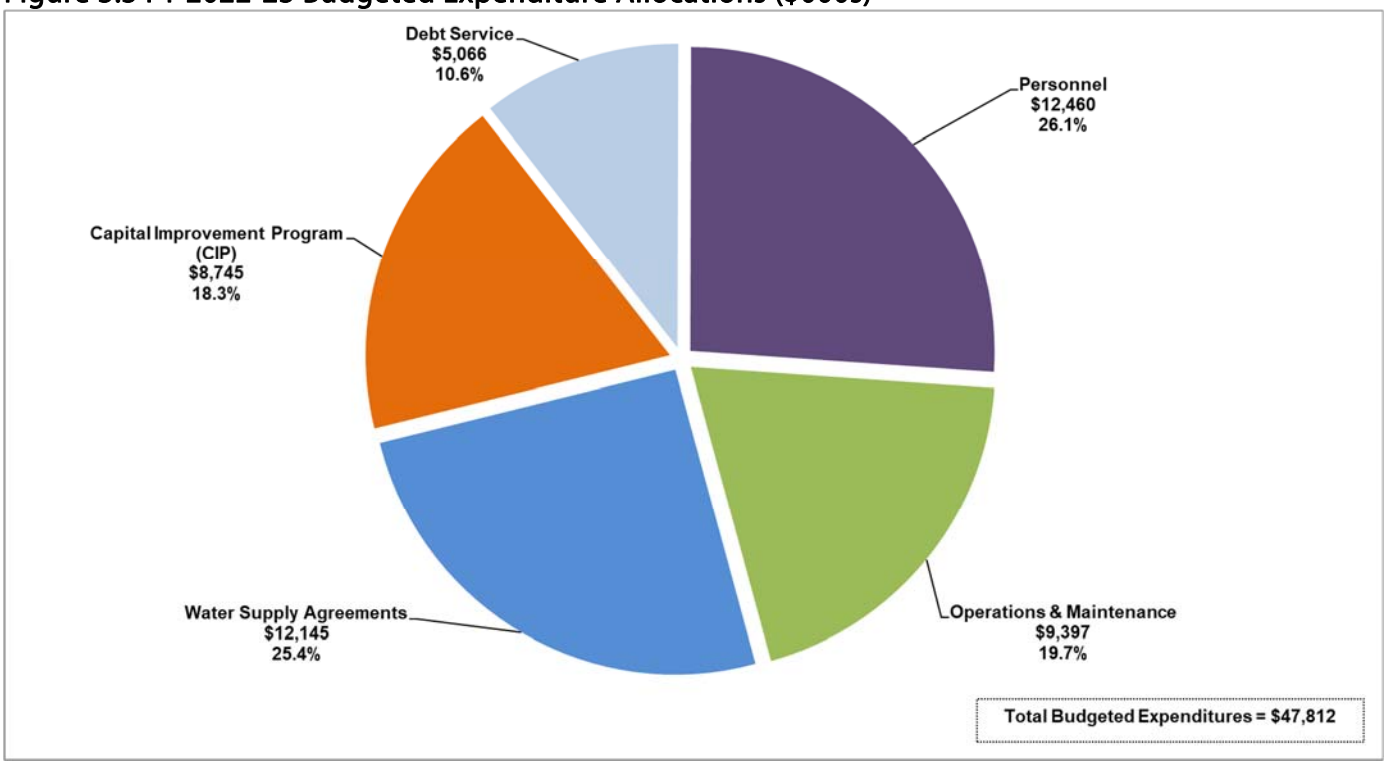
Table 3.4 and Figure 3.3 summarize FY 2022-23 total expenditures of $47.8M. A key component of the annual Budget is to prepare for cash flow variables throughout the year and pace program and project expenditures accordingly. FY 2022-23 expenditures have incorporated customer behaviors and the accompanying seasonality of revenue as described in Section II.

Table 3.4 FY 2022-23 Budget Expenditures Compared to FY 2021-22 Budget Expenditures

Category	Adopted Budget FY 2021-22	Estimated Actual FY 2021-22	Adopted Budget FY 2022-23	Variance Analysis * $ Higher / (Lower)	Variance Analysis * % Higher / (Lower)
Water Supply Agreements:					
COMB (Lake Cachuma Deliveries)	$ 3,171,094	$ 2,671,297	$ 3,481,850	$ 310,756	10%
CCRB (Water Rights)	527,044	370,177	565,709	38,665	7%
SB County (Cloud Seeding)	32,858	12,406	32,858	0	0%
CCWA (State Water Deliveries)	8,823,840	7,365,649	7,274,171	(1,549,669)	(18%)
GSD (Recycled Water Production)	715,000	789,250	790,054	75,054	10%
Subtotal:	**$ 13,269,836**	**$ 11,208,780**	**$ 12,144,642**	**$ (1,125,194)**	**(8%)**
Personnel:					
Wages, Benefits and Taxes	$ 11,404,846	$ 11,034,548	$ 11,891,929	$ 487,083	4%
Other Post Employment Benefits	562,245	549,358	567,695	5,450	1%
Subtotal:	**$ 11,967,091**	**$ 11,583,906**	**$ 12,459,624**	**$ 492,533**	**4%**
Operations & Maintenance:					
Water Treatment Costs	$ 713,000	$ 693,770	$ 1,452,000	$ 739,000	104%
Water Treatment Testing	311,100	217,024	339,200	28,100	9%
Insurance, Accounting & Auditing	260,596	331,045	301,394	40,798	16%
Maintenance & Equipment	972,210	775,901	1,225,660	253,450	26%
Legal	1,014,600	2,479,150	410,000	(604,600)	(60%)
Services & Supplies	3,425,753	3,143,879	4,480,635	1,054,882	31%
Utilities	536,870	420,846	1,188,150	651,280	121%
Subtotal:	**$ 7,234,129**	**$ 8,061,613**	**$ 9,397,039**	**$ 2,162,910**	**30%**
Total Expenditures before Debt and CIP:	**$ 32,471,056**	**$ 30,854,299**	**$ 34,001,305**	**$ 1,530,249**	**5%**
Debt Service:	**3,654,221**	**3,654,221**	**5,065,863**	**1,411,642**	**39%**
Capital Improvement Projects (CIP):	**7,770,000**	**7,770,000**	**8,745,000**	**975,000**	**13%**
Total Expenditures:	**$ 43,895,277**	**$ 42,278,520**	**$ 47,812,168**	**$ 3,916,891**	**9%**

** Compares FY 2022-23 Adopted Budget to FY 2021-22 Adopted Budget*

Figure 3.3 FY 2022-23 Budgeted Expenditure Allocations ($000s)



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APPENDIX

Cost Center Overview

The District tracks disbursements by charging each expenditure to an accounting code associated with a specific function. The 26 programmatic cost centers of the District are categorized into three departmental cost centers: Engineering and Infrastructure (E&I), Water Supply and Conservation (WS&C) and General Administration. The following provides an overview of each departmental cost center, outlining how District revenue is spent and the relationship of spending to each functional area of District operations. Figure 4.1 outlines the 26 programmatic cost centers by departmental cost center.

Figure 4.1 Programmatic Functions by Cost Center

Cost center expenditures include the operating and personnel costs associated with the programmatic functions in each category. The Office of the General Manager is responsible for managing specific programs within Board-authorized appropriation levels. Detailed discussions of each departmental cost center budget are included in the balance of this section and summarized in Table 4.1 below.

Table 4.1 FY 2022-23 Budgeted Expenditures by Departmental Cost Center

Category	Adopted Budget FY 2021-22	Estimated Actual FY 2021-22	Adopted Budget FY 2022-23	Variance Analysis * $ Higher / (Lower)	Variance Analysis * % Higher / (Lower)
Engineering & Infrastructure	$ 11,425,978	$ 10,570,823	$ 14,488,270	$ 3,062,292	27%
Water Supply & Conservation	15,257,973	13,033,179	13,928,624	(1,329,349)	(9%)
General Administration	5,787,106	7,250,298	5,584,412	(202,694)	(4%)
Total Expenditures:	**$ 32,471,056**	**$ 30,854,299**	**$ 34,001,305**	**$ 1,530,249**	**5%**

** Compares FY 2022-23 Adopted Budget to FY 2021-22 Adopted Budget*

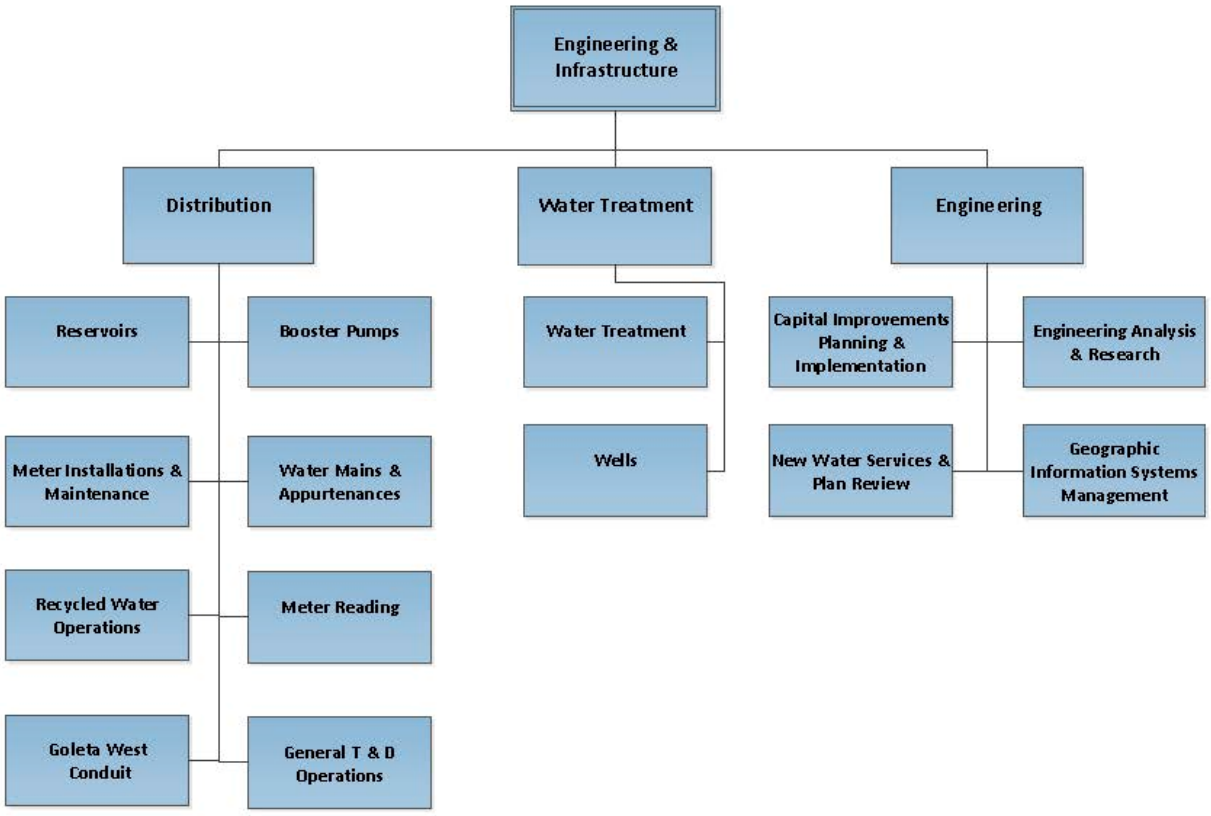
Total FY 2022-23 cost center budgeted expenditures are projected to be $34.0M, which is an increase of $1.5M or 5%, from the FY 2021-22 budget, including:

- A $3.1M net increase in Engineering & Infrastucture as a result of higher costs associated with inflation, supply chain disruptions, increased chemical costs, and energy costs to pump and move water through the system.
- A decrease of $1.3M in the WS&C budget resulting from lower fixed capital costs for the State Water Project compared to prior years.
- A $203K decrease in General Administration is primarily the result of decreased legal costs.

Engineering & Infrastructure Cost Center

The Engineering & Infrastructure (E&I) Department oversees the operation and maintenance of three water systems and associated facilities: the Potable Water System, the Goleta West Conduit System, and the Recycled Water System. Related programs, functions, as well as the management of capital improvements are also included in this Department, as are review of new water services, engineering research and analysis, and management of the Geographical Information System (GIS). The District treats and delivers over 3 billion gallons of potable water annually to meet the demand of 87,000 people living in the region. The Department is organized into three distinct functional areas of responsibility: Distribution, Water Treatment, and Engineering, outlined in Figure 4.2.

Figure 4.2 Engineering & Infrastructure Programmatic Functions



Water Treatment

The Water Treatment cost centers are responsible for the facilities and equipment necessary to produce, treat, test, and ensure that the water delivered into the distribution system meets all state and federal regulatory standards for water quality. The potable water system consists of CDMWTP, which treats water from Lake Cachuma, and treatment facilities at groundwater wells. The Goleta West Conduit system provides unfiltered Lake Cachuma water for agricultural irrigation and receives chlorination treatment from two chlorination facilities. Recycled water is treated by Goleta Sanitary District to meet regulatory standards for outdoor irrigation and restroom facilities.

Water Treatment priorities in FY 2022-23 include:

- Support the design and installation of a new Supervisory Control and Data Acquisition (SCADA) system to replace obsolete equipment across all sites. This project is critical to improving the reliability of automated equipment over the next four years and beyond.
- Remove accumulated organic material from the sedimentation basin at CDMWTP for offsite disposal.
- Operate groundwater wells on a seasonal basis and perform routine operations and maintenance activities to keep the groundwater wells in operational condition.

Distribution

The Distribution cost centers are responsible for the facilities that deliver water to customers, including over 270 miles of water mains and appurtenances (i.e. valves, pressure regulating stations, and fire hydrants), water storage reservoirs, and booster pump stations, which control the flow and pressure required to maintain service. Each customer is connected to the distribution system through an individual service line that supplies water through a meter connected to the customer's privately-owned plumbing system. The Meter Crew maintains customer meters, conducts monthly readings to ensure accurate and timely billing, provides regular and emergency service, and investigates water complaints reported by customers. The Distribution unit is also responsible for buildings, roads, vehicles, and equipment programs and associated regulatory compliance.

Distribution priorities in FY 2022-23 include:

- Provide uninterrupted water delivery while continuing to meet all State and Federal drinking water standards, which includes minimizing the duration of potential service interruptions associated with planned and unplanned system repairs or upgrades.
- Continue water quality monitoring programs designed to detect changing conditions in the distribution system including the effect of operational and water supply source changes on overall water quality throughout the system.
- Integrate the Corona Reservoir aerators and new Corona Reservoir pump station into daily operations, and monitor and measure benefits associated with the new facilities.
- Exercise valves and replace inoperable main line valves throughout the distribution system.
- Inspect all hydrants and repair or replace all inoperable hydrants.
- Continue developing an operating plan to address new water loss control regulations issued by the State Water Resources Control Board in 2021.

Engineering

The Engineering cost centers include programs and functions related to capital infrastructure planning and implementation, review of new water services, engineering research and analysis, and management of GIS. Other programs include Asset Preservation, Cathodic Protection, Energy and Sustainability, as well as support of Water Quality Compliance, Water Production, System Controls, Emergency Planning and Safety, and Buildings/Roads/Vehicles/Equipment programs. These programs ensure the water treatment and delivery systems are designed, constructed, and maintained to meet industry and regulatory standards and the water supply needs of the community. A majority of expenditures associated with the engineering function are recovered through the capital budget (Infrastructure Improvement Plan) or are reimbursed through developer and related fees and charges.

Capital Improvements Planning & Implementation

The Capital Improvements Planning and Implementation cost center is responsible for capital project management, including implementation of the District's Five-Year Infrastructure Improvement Plan (IIP). Engineering oversees studies and design and construction of infrastructure projects. Specific efforts include developing project budgets, cost estimates, and prioritization schedules to meet the needs of the District over the five-year planning horizon. To keep costs stable and prioritize investment, this cost center focuses on the

District's Asset Preservation program to maintain current service levels, including planning and delivery of upgrades and replacement of vital infrastructure needed to ensure long-term capital asset integrity.

During FY 2022-23, capital projects will include worker safety upgrades, infrastructure relocation as legally required by outside agencies, infrastructure protection from soil erosion, inoperable equipment replacements, communications facilities upgrades for Supervisory Control and Data Acquisition (SCADA), and CDMWTP solids handling upgrades.

COVID-related supply chain disruptions have resulted in scheduled delays and extraordinary price inflation for equipment and construction projects.

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

New Water Services & Plan Review

This cost center focuses on the Developer Program, responsible for review and approval of new water service cost estimates, facility proposals, and determining whether modifications are needed to system capacity. Services also include construction-site inspection of new facilities to ensure conformance with District Engineering Standards and Specifications. While the District temporarily halted the issuing of new water supply connections on October 1, 2014, projects still require processing if they will use the same or less water than the property's historical water credits or if projects paid the new water supply charge prior to current moratorium.

Engineering Analysis & Research

The Engineering Analysis and Research cost center is responsible for several programs, including Asset Preservation, Water Quality Compliance, Energy and Sustainability, Cathodic Protection, and the District's Standards and Specifications. The Standards and Specifications Program ensures consistency with the latest industry standards for construction methods, materials, and design criteria. Engineering Standards and Specifications also address operational integrity, efficiency, and value-engineering techniques to ensure the least-cost methods and materials are used to bring efficient water services to all customers, while meeting regulatory standards and operational goals of the District. In FY 2022-23, engineering analysis and research efforts will continue to collect and analyze data on pipeline conditions, disinfection byproducts, precursors and other constituents, treatment performance, and make minor updates to the Standards and Specifications, which underwent a major overhaul in 2020. The Engineering Analysis & Research cost center also includes a grant management function and is responsible for seeking out and applying for new grant opportunities.

Geographic Information Systems Management

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

State-of-the-art hydraulic and water quality models of the potable and recycled water distribution systems are linked with GIS. These models provide valuable information related to water flow, system capacity, and impacts of changes to the system and are used to inform operational decisions for long-term planning and capital

planning. The potable system model also enables the District to ensure that adequate fire flows and pressures are maintained during peak customer demand periods.

In FY 2022-23, GIS efforts will continue to update asset and data layers to increase the capabilities and efficiency of District GIS-based asset research and use in the field. Computerized maintenance management/asset management tools will also be evaluated to increase efficiency of workflow processes, capital planning, and prolonging the service life of existing assets.

Engineering & Infrastructure Accomplishments FY 2021-2022

During FY 2021-22, E&I completed a number of projects to enhance water supply, improve water treatment, and increase energy and operational efficiency while implementing health and safety protocols to protect employees and ensure a continuous supply of water to customers during the COVID-19 emergency situation, including:

- Provided lifeline water service to the community while continuing to meet all primary water quality standards. Successfully modified operations to reduce COVID-19 exposure risks and comply with safety practices and protocols. Continued to implement operational strategies, protocols, and procedures in response to the ongoing COVID-19 pandemic.
- Maintained the groundwater wells in immediate ready status and ran multiple wells for six weeks in autumn 2021 and an additional 6 weeks to support pilot testing. These activities included replacement of the filter media at San Ricardo well to improve the removal capacity of iron and manganese and pilot testing of potential treatment systems at Airport and Anita Wells.
- Completed a system-wide flushing of the distribution system for the first time since 2017 while minimizing disruptions to customers. Periodic flushing improves water quality by removing naturally occurring mineral deposits that accumulate in the 220 miles of the potable pipes throughout the system. Flushing is particularly important during dry periods when the District uses increased amounts of groundwater.
- Continued to optimize reservoir storage levels and movement of water during surface water operations to improve water quality throughout the distribution system.
- Completed sanitary upgrades at multiple reservoirs and groundwater production facilities.
- Upgraded the electric service panel, emergency generator connections, and motor control centers at Alta Mira and La Vista Pump Stations to improve reliability during emergency operations.
- Completed installation of reservoir solar-battery backup power systems to keep SCADA energized during power outages.
- Installed new granular activated carbon and manganese dioxide and completed demonstration scale testing at CDMWTP filters for improved water quality.
- Completed construction of Corona Reservoir Aeration and Pump Station to enhance water quality and increase reliability during emergencies. Also inspected and cleaned the reservoir during this construction project.
- Replaced inoperable mixers at Corona and Van Horne Reservoirs to improve water quality.
- Replaced two powdered activated carbon pumps at CDMWTP with more efficient and reliable modern units.

- Continued monitoring of Lake Cachuma using satellite imagery, the Cachuma Operations and Maintenance Board (COMB) lake monitoring program, and the District sampling program to proactively detect the presence of naturally occurring algal toxins in Lake Cachuma.
- Completed pipeline tie-in of two mains on Castilian Drive to improve hydraulics and blending of water from multiple supply sources in the distribution system.
- Completed installation of sheet pile wall to protect the CDMWTP access road from erosion.
- Completed hillside erosion repair at CDMWTP Filter Wash Water Tanks.
- Restored soil cover on portion of exposed Goleta West Conduit and completed analysis and preliminary designs and started environmental permitting for several creek crossing repair projects.
- Completed installation of new rectifier and deep anode bed at Veronica Springs for cathodic protection improvements.
- Completed HVAC upgrades at CDMWTP to protect critical electrical equipment.
- Completed new hatch installation at Corona and Ellwood Reservoirs and joint sealant replacement at Corona Reservoir.
- Completed chip seal paving at San Marcos, Barger, and La Riata Reservoir service roads.
- Completed radio path study and design and started construction of SCADA radio communications upgrade project.
- Hired design-builder for a once-in-a-generation SCADA overhaul project.
- Completed arc flash mitigation projects at numerous facilities to comply with electrical code and protect workers.
- Replaced a failed variable frequency drive at the recycled water pumping facility at Goleta Sanitary District.
- Calibrated and certified the hydrokinetic turbine grid protection relay to ensure safe, reliable, and code compliant power generation at Van Horne Reservoir.
- Maintained baseline status for storm water oils and grease at the District Headquarters by adhering to the Best Management Practices of the Storm Water Pollution Prevention Program.
- Completed and filed the District's validated Water Loss Audit for compliance with state law.
- Investigated and replaced 705 malfunctioning water meters to ensure accurate billing.
- Oversaw significant building improvements, including to the Distribution break room to enhance employee safety and minimize the risk of COVID-19 transmission by installing HVAC with ultraviolet disinfection and filtration. Changes to the Customer Service area to add enhanced safety improvements included: the installation of a new ADA accessible counter with a transparent partition; a new HVAC diffuser and return; relocated fire sprinklers, security wiring, electrical and communications outlets; a new credit card reader that customers can use themselves.
- Performed 48 water main shutdowns for 33 planned repairs for system improvements and 15 unplanned water main leak repairs.
- Performed 75 repairs to leaking service laterals.
- Replaced 53 old poorly functioning fire hydrants, and rebuilt 20 aging fire hydrants to improve operating efficiency.

- Replaced 35 broken water main valves to improve reliability of water delivery.
- Replaced 3 reservoir hatches to improve operator safety when accessing reservoirs.
- Converted 13 Distribution System Analog Pressure Monitoring devices to Digital web-based monitors to improve system pressure monitoring.

FY 2022-23 Engineering & Infrastructure Cost Center Budget

Table 4.2 details the various Engineering & Infrastructure expenditure categories and describes variances between FY 2021-22 Budget and FY 2022-23 budgeted expenditures.

Table 4.2 FY 2022-23 Engineering & Infrastructure Cost Center Budget Summary

Category	Adopted Budget FY 2021-22	Estimated Actual FY 2021-22	Adopted Budget FY 2022-23	Variance Analysis * $ Higher / (Lower)	Variance Analysis * % Higher / (Lower)
Cost Center Expenses - Engineering & Infrastructure					
Personnel:	**$ 6,956,378**	**$ 6,446,678**	**$ 7,319,710**	**$ 363,332**	**5%**
Operations & Maintenance:					
Water Treatment	713,000	693,770	1,452,000	739,000	104%
Water Testing	311,100	217,024	339,200	28,100	9%
Insurance, Accounting, & Auditing	112,319	193,527	131,560	19,241	17%
Maintenance & Equipment	969,470	769,029	1,222,920	253,450	26%
Services & Supplies	1,826,841	1,829,950	2,834,730	1,007,889	55%
Utilities	536,870	420,846	1,188,150	651,280	121%
Subtotal:	**4,469,600**	**4,124,145**	**7,168,560**	**2,698,960**	**60%**
Total Expenditures:	**$ 11,425,978**	**$ 10,570,823**	**$ 14,488,270**	**$ 3,062,292**	**27%**

** Compares FY 2022-23 Adopted Budget to FY 2021-22 Adopted Budget*

The Engineering & Infrastructure budget will increase in FY 2022-23 by $3.1M, or 27%. Notable changes from FY 2021-22 Operations and Engineering Budgets to the FY 2022-23 Budget include:

- Engineering & Infrastructure personnel costs will increase by $363K or 5% in FY 2022-23 because of lower capitalization of labor resulting from maintenance projects, which cannot be capitalized, or were delayed because of the COVID-19 pandemic as well as costs resulting from previously negotiated SEIU provisions.
- Water Treatment costs will increase substantially by $739K or 104% when compared to FY 2021-22 due to increased chemical costs and the addition of two carbon filter media replacements at CDMWTP needed to maintain water quality and reduce THMs.
- Water Testing costs will increase by $28K, or 9%, primarily as a result of regulatory-required UCMR 5 sampling requirements.
- Maintenance and Equipment will increase by $253K or 26% due to increased fuel costs and inflation related increases for equipment. The increase also reflects planned general maintenance and replacement for chemical systems, electrical and vehicles that had been deferred during the pandemic.

- Services and Supplies costs will increase by $1.0M or 55% primarily as a result of preventive maintenance and emergency repairs associated with increased groundwater production; the planned cleaning of seven reservoirs; replacement of a portion of the concrete floor in the Corona Reservoir; and road maintenance at CDMWTP.
- Utility costs will increase by $651K or 121% as a result of higher ground water production and associated booster pump station operation, as well as increased electricity rates.

Table 4.3 and Figure 4.3 provide details of expenditures by programmatic cost center.

Table 4.3 FY 2022-23 Engineering & Infrastructure Budgeted Expenditures by Programmatic Cost Center

Description	Water Treatment Plant				Wells				Mains & Appurtenances			
	FY 2021-22	FY 2022-23	Variance		FY 2021-22	FY 2022-23	Variance		FY 2021-22	FY 2022-23	Variance	
Water Treatment	$ 648,900	$ 1,320,800	$ 671,900	103.5%	$ 33,500	$ 60,100	$ 26,600	79.4%	$ 0	$ 0	$ 0	0.0%
Water Testing	234,570	258,840	24,270	10.3%	73,770	77,520	3,750	5.1%	0	0	0	0.0%
Personnel - Wages	1,513,197	1,267,750	(245,448)	-16.2%	105,599	402,933	297,334	281.6%	949,175	688,187	(260,987)	-27.5%
Personnel - Benefits	683,178	541,073	(142,105)	-20.8%	35,130	172,480	137,350	391.0%	438,092	316,986	(121,106)	-27.6%
Personnel - Taxes & W.C.	166,453	131,737	(34,716)	-20.9%	10,465	41,703	31,239	298.5%	97,532	72,708	(24,824)	-25.5%
Insurance and Accounting	22,700	24,080	1,380	6.1%	0	0	0	0.0%	24,760	25,500	740	3.0%
Maintenance & Equipment	251,260	395,380	144,120	57.4%	105,580	128,680	23,100	21.9%	182,700	186,990	4,290	2.3%
Services & Supplies	649,490	970,020	320,530	49.4%	112,460	548,380	435,920	387.6%	153,120	235,650	82,530	53.9%
Utilities	125,810	159,500	33,690	26.8%	103,300	435,700	332,400	321.8%	6,760	9,100	2,340	34.6%
Total:	**$ 4,295,558**	**$ 5,069,180**	**$ 773,621**	18.0%	**$ 579,804**	**$ 1,867,497**	**$ 1,287,693**	222.1%	**$ 1,852,139**	**$ 1,535,122**	**$ (317,017)**	-17.1%

Description	General Operations				Meters / Services Installation				Meter Reading			
	FY 2021-22	FY 2022-23	Variance		FY 2021-22	FY 2022-23	Variance		FY 2021-22	FY 2022-23	Variance	
Water Treatment	$ 0	$ 0	$ 0	0.0%	$ 0	$ 0	$ 0	0.0%	$ 0	$ 0	$ 0	0.0%
Water Testing	0	0	0	0.0%	0	0	0	0.0%	0	0	0	0.0%
Personnel - Wages	707,146	617,357	(89,789)	-12.7%	195,323	231,106	35,782	18.3%	515,504	523,916	8,412	1.6%
Personnel - Benefits	262,731	196,868	(65,862)	-25.1%	115,148	130,530	15,382	13.4%	300,452	342,297	41,845	13.9%
Personnel - Taxes & W.C.	67,778	57,941	(9,837)	-14.5%	21,117	22,690	1,573	7.4%	45,791	45,659	(132)	-0.3%
Insurance and Accounting	28,880	29,750	870	3.0%	8,260	8,260	0	0.0%	14,530	14,970	440	3.0%
Maintenance & Equipment	288,560	338,830	50,270	17.4%	73,770	102,820	29,050	39.4%	1,000	1,500	500	50.0%
Services & Supplies	307,770	397,910	90,140	29.3%	67,200	120,020	52,820	78.6%	20,680	22,780	2,100	10.2%
Utilities	31,410	43,300	11,890	37.9%	0	0	0	0.0%	0	0	0	0.0%
Total:	**$ 1,694,275**	**$ 1,681,957**	**$ (12,318)**	-0.7%	**$ 480,819**	**$ 615,425**	**$ 134,606**	28.0%	**$ 897,957**	**$ 951,123**	**$ 53,165**	5.9%

Description	Recycled Water				Goleta West Conduit				Booster Pumps			
	FY 2021-22	FY 2022-23	Variance		FY 2021-22	FY 2022-23	Variance		FY 2021-22	FY 2022-23	Variance	
Water Treatment	$ 0	$ 0	$ 0	0.0%	$ 30,600	$ 71,100	$ 40,500	132.4%	$ 0	$ 0	$ 0	0.0%
Water Testing	0	0	0	0.0%	2,760	2,840	80	2.9%	0	0	0	0.0%
Personnel - Wages	78,832	186,854	108,023	137.0%	42,837	214,986	172,150	401.9%	7,732	110,149	102,416	1324.5%
Personnel - Benefits	30,917	79,970	49,053	158.7%	13,500	88,286	74,787	554.0%	4,456	45,928	41,472	930.7%
Personnel - Taxes & W.C.	6,855	19,664	12,809	186.9%	4,565	21,909	17,345	380.0%	902	11,657	10,755	1192.5%
Insurance and Accounting	0	0	0	0.0%	0	0	0	0.0%	0	0	0	0.0%
Maintenance & Equipment	10,160	11,300	1,140	11.2%	9,290	14,520	5,230	56.3%	11,620	12,690	1,070	9.2%
Services & Supplies	62,490	51,740	(10,750)	-17.2%	14,980	17,680	2,700	18.0%	25,600	26,300	700	2.7%
Utilities	22,000	28,800	6,800	30.9%	4,730	6,700	1,970	41.6%	31,800	157,900	126,100	396.5%
Total:	**$ 211,254**	**$ 378,328**	**$ 167,074**	79.1%	**$ 123,261**	**$ 438,022**	**$ 314,761**	255.4%	**$ 82,110**	**$ 364,623**	**$ 282,513**	344.1%

Description	Reservoirs				Analysis & Research				New Water Supply & Plan Review			
	FY 2021-22	FY 2022-23	Variance		FY 2021-22	FY 2022-23	Variance		FY 2021-22	FY 2022-23	Variance	
Water Treatment	$ 0	$ 0	$ 0	0.0%	$ 0	$ 0	$ 0	0.0%	$ 0	$ 0	$ 0	0.0%
Water Testing	0	0	0	0.0%	0	0	0	0.0%	0	0	0	0.0%
Personnel - Wages	51,992	93,992	42,000	80.8%	197,304	160,721	(36,583)	-18.5%	0	31,272	31,272	0.0%
Personnel - Benefits	14,592	37,633	23,041	157.9%	67,210	61,262	(5,949)	-8.9%	0	6,194	6,194	0.0%
Personnel - Taxes & W.C.	4,373	9,964	5,591	127.8%	19,037	12,315	(6,722)	-35.3%	0	2,727	2,727	0.0%
Insurance and Accounting	0	0	0	0.0%	7,721	20,000	12,279	159.0%	2,885	4,000	1,115	38.6%
Maintenance & Equipment	28,820	25,210	(3,610)	-12.5%	0	0	0	0.0%	4,785	5,000	215	4.5%
Services & Supplies	0	45,000	45,000	0.0%	91,026	88,700	(2,326)	-2.6%	3,548	6,450	2,902	81.8%
Utilities	211,060	347,150	136,090	64.5%	0	0	0	0.0%	0	0	0	0.0%
Total:	**$ 310,837**	**$ 558,949**	**$ 248,112**	79.8%	**$ 382,299**	**$ 342,998**	**$ (39,301)**	-10.3%	**$ 11,218**	**$ 55,643**	**$ 44,425**	396.0%

Description	Geographic Information System				Capital Improvements				Total Engineering & Infrastructure			
	FY 2021-22	FY 2022-23	Variance		FY 2021-22	FY 2022-23	Variance		FY 2021-22	FY 2022-23	Variance	
Water Treatment	$ 0	$ 0	$ 0	0.0%	$ 0	$ 0	$ 0	0.0%	$ 713,000	$ 1,452,000	$ 739,000	103.6%
Water Testing	0	0	0	0.0%	0	0	0	0.0%	311,100	339,200	28,100	9.0%
Personnel - Wages	64,118	94,539	30,421	47.4%	53,925	132,768	78,843	146.2%	4,482,685	4,756,531	273,847	6.1%
Personnel - Benefits	40,306	18,258	(22,048)	-54.7%	11,962	53,985	42,023	351.3%	2,017,676	2,091,752	74,076	3.7%
Personnel - Taxes & W.C.	5,394	8,193	2,798	51.9%	5,756	12,560	6,804	118.2%	456,017	471,427	15,409	3.4%
Insurance and Accounting	0	0	0	0.0%	2,582	5,000	2,418	93.7%	112,319	131,560	19,241	17.1%
Maintenance & Equipment	425	0	(425)	-100.0%	1,499	0	(1,499)	-100.0%	969,470	1,222,920	253,450	26.1%
Services & Supplies	169,806	182,000	12,194	7.2%	148,671	122,100	(26,571)	-17.9%	1,826,841	2,834,730	1,007,889	55.2%
Utilities	0	0	0	0.0%	0	0	0	0.0%	536,870	1,188,150	651,280	121.3%
Total:	**$ 280,050**	**$ 302,991**	**$ 22,940**	8.2%	**$ 224,394**	**$ 326,412**	**$ 102,018**	45.5%	**$11,425,976**	**$14,488,270**	**$ 3,062,293**	26.8%

Water Treatment Plant

- Lower personnel costs reflect labor costs shifted to the Wells cost center to support increased groundwater production, as well as to IIP projects to support increased capital spending
- Increases in maintenance & equipment are due to significant and historic inflation, the added costs for pump replacements, necessary maintenance of the sodium hypochlorite delivery system, and electrical maintenance deferred earlier in the pandemic.

Wells

- Higher costs are the result of producing more groundwater than originally anticipated.

Mains & Appurtenances

- Lower personnel costs reflect cost savings from new hires replacing retired employees and a slight shift in labor to other cost centers and IIP projects.
- Higher costs for Services & Supplies reflect the resumption of cathodic protection readings and inspections, which were cut from last year's budget.

General Operations

- Lower personnel costs reflect a shift of labor to other cost centers and IIP projects, but also reflect cost savings resulting from filling vacancies created by retiring employees with lower cost new hires.
- Higher costs for Maintenance & Equipment, as well as Services & Supplies reflect significant inflation, extra cleaning associated with COVID-19 protocols, the water loss control audit, roof repairs, and necessary security system maintenance at District headquarters.

Meters/Service Installation

- Higher costs reflect additional maintenance activities on meter boxes by staff and increased meter testing and meter test bench upgrades to comply with water loss audit standards.

Recycled Water

- Increased costs reflect additional staff time to complete work postponed during the pandemic, including maintenance of pump stations, electrical systems, and exercising of valves.

Goleta West Conduit

- Higher costs reflect significant chemical cost inflation for chlorination stations; additional staff time for the in-house preparation of the triennial Goleta West Conduit Alternatives Study; and increased staff time for maintenance and inspection of chlorination stations, pipeline, valves and other appurtenances.

Booster Pumps

- Higher costs are the result of increased pump operations necessary to support greater than anticipated groundwater production.

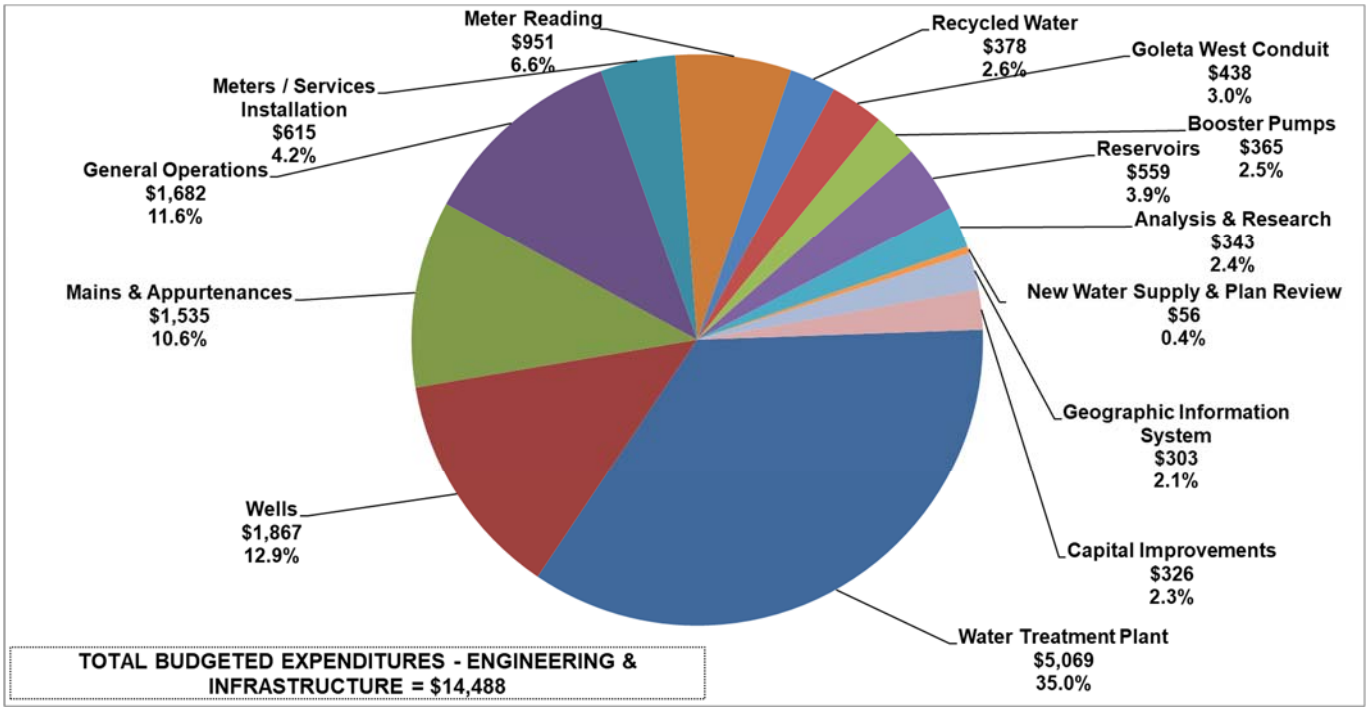
Reservoirs

- Higher costs reflect utility costs and staff time for the operation and maintenance of the Corona Reservoir aeration system, as well as for reservoir cleaning, which occurs every 4-5 years.

Engineering Cost Centers

- Higher overall personnel costs are the result of filling two vacant positions kept open last year for cost savings that now need to be filled to support the increasing volume of capital projects. Higher personnel costs in new water supply reviews reflect a shift away from reimbursable large projects to many small ADU and minor renovation projects for which, consistent with state law, preliminary review time is not charged to the customer.
- Services & Supplies Costs reflect an overall cost savings.

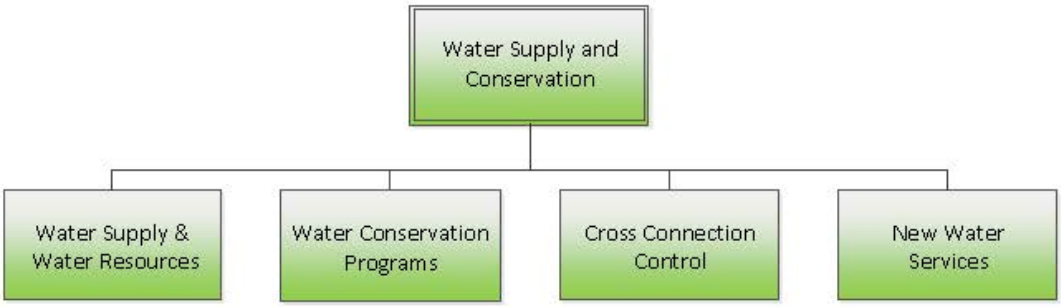
Figure 4.3 FY 2022-23 Engineering & Infrastructure Budgeted Expenditures by Programmatic Cost Center ($000s)



Water Supply & Conservation Cost Center

The WS&C cost center includes the following programmatic cost centers: Water Supply, Conservation Programs, New Water Services, Water Resources, and Cross Control as shown in Figure 4.4.

Figure 4.4 Water Supply and Conservation Programmatic Functions



Water Supply

The District's diverse water supply portfolio, coupled with the community's commitment to conservation allows the District to meet the needs of 87,000 residential, commercial, and agricultural customers in the Goleta Valley. The Water Supply cost center includes District water supply entitlements, including significant expenses associated with the State Water Project through CCWA, and Cachuma Project water through COMB. CCWA costs include fixed and variable costs from DWR for State Water supplies and transportation-related expenses. Cachuma Project expenses include the costs of supplying and conveying water from Lake Cachuma, including O&M costs passed through by USBR. Water Supply costs also include water rights and public trust resources protection and advocacy through CCRB. FY 2022-23 priorities include continued work with CCRB and other regional partners to protect surface water rights under existing state and federal orders.

Water Conservation Programs

Conservation and efficient water use helps preserve and extend water supplies for all District customers. As a long-time leader in conservation practices and partner to the California Water Efficiency Partnership (previously CUWCC), the District works in partnership with agencies and organizations across the region to support customer water use efficiency. As the winter of 2021-22 saw continued dry conditions, conservation remains a key element of demand management. The District continues to offer a Smart Landscape Rebate and a

mulch rebate program as part of the District's ongoing conservation efforts. Focused customer outreach continues to assist in leak detection, as well as best practices for efficient water use.

The administration of the District's recycled water program is also a function of the Water Supply and Conservation Department, as replacing potable water use with recycled water use is a critical function of the District's water supply management and conservation efforts.

New Water Services

The New Water Services cost center focuses on assisting customers through the New Water Service application process. New real estate development projects and other expansions and modifications of potable and recycled water use are reviewed and coordinated by the District, as well as with surrounding local governments and agencies, to ensure safe, reliable and efficient service to customers. The work of New Water Services involves complex research related to water rights, entitlements and agreements, as well as internal and external coordination of utility construction and development, from start to finish, including project accounting and ultimate closeout.

The current prohibition on approving new water allocations under the voter-approved SAFE Ordinance remains in effect due to the District receiving only 70% of normal deliveries from the Cachuma Project.

Water Resources

The Water Resources program supports the ongoing management of water supply agreements and coordinates updates to the District foundational planning documents, including the Groundwater Management Plan, Water Supply Management Plan, and the Urban Water Management Plan. The Water Resources team provides analytical support as well as special research needed to implement the policies established by the voter-approved SAFE Water Supplies Ordinance, District Code and regulations, water supply agreements, and state and federal laws and regulations. FY 2022-23 priorities include updating the District's Groundwater Management Plan and Water Supply Management Plan.

Water Supply and Conservation (WS&C) Accomplishments FY 2021-22

Key WS&C accomplishments during FY 2021-22, include:

- Final adoption of the District's 2020 Urban Water Management Plan and submittal to DWR.
- An annual update of the District's USBR Agricultural Water Management Plan.
- Continued compliance with statewide regulations for water conservation mandated by the State Water Resources Control Board, and submission of monthly water production and customer demand data to the State.
- Review of DWR Landscape Area Measurement Project for District-specific water budgets and provided comments to DWR.
- Leak detection outreach to customers though the District's Scorecard Program accounting for an estimated 15 AF in water savings per year.
- Distribution of over 100 rebates through the Smart Landscape Rebate Programand the mulch rebate program.

- Completion of more than 50 virtual conservation check-ups for Single Family Residential customers with complimentary analysis of water use on their account, a review of landscaping via aerial imagery, assistance with programming sprinkler timers and a list of suggestions by email for saving water.
- Remote engagement and presentations to students at area schools about conservation and ways to eliminate water waste.

FY 2022-23 Water Supply and Conservation Budget

Table 4.4 details the primary FY 2022-23 WS&C budgeted expenditures and variances from the FY 2021-22 Budget.

Table 4.4 FY 2022-23 Water Supply and Conservation Cost Center Budget Summary

Category	Adopted Budget FY 2021-22	Estimated Actual FY 2021-22	Adopted Budget FY 2022-23	Variance Analysis * $ Higher / (Lower)	Variance Analysis * % Higher / (Lower)
Cost Center Expenses - WS&C					
Water Supply Agreements:					
COMB (Lake Cachuma Deliveries)	$ 3,171,094	$ 2,671,297	$ 3,481,850	$ 310,756	10%
CCRB (Water Rights)	527,044	370,177	565,709	38,665	7%
SB County (Cloud Seeding)	32,858	12,406	32,858	0	0%
CCWA (State Water Deliveries)	8,823,840	7,365,649	7,274,171	(1,549,669)	(18%)
GSD (Recycled Water Production)	715,000	789,250	790,054	75,054	10%
Subtotal:	**13,269,836**	**11,208,780**	**12,144,642**	**(1,125,194)**	**(8%)**
Personnel:	**1,562,547**	**1,610,360**	**1,348,462**	**(214,085)**	**(14%)**
Operations & Maintenance:					
Insurance, Accounting, & Auditing	36,778	43,707	45,999	9,221	25%
Maintenance & Equipment	2,740	5,333	2,740	0	0%
Services & Supplies	386,072	164,998	386,781	709	0%
Subtotal:	**425,590**	**214,038**	**435,520**	**9,930**	**2%**
Total Expenditures:	**$ 15,257,973**	**$ 13,033,179**	**$ 13,928,624**	**$ (1,329,349)**	**(9%)**

** Compares FY 2022-23 Adopted Budget to FY 2021-22 Adopted Budget*

The WS&C cost center Budget will decrease by $1.3M or 9% in FY 2022-23. Notable changes from the FY 2021-22 Budget to FY 2022-23 Budget include:

- Overall costs associated with Water Supply Agreements have decreased by approximately 8%, primarily due to lower DWR Fixed Assessment charges for costs associated with the State Water Project, and long-term capital debt for the State Water Project being paid off in 2022. COMB special assessments related to the financing of the prior temporary pumping barge will also cease as they were paid off in FY 2021-22.
- These decreases will be partially offset by increased COMB operational and capital costs due to planned installation of a permanent secured pipeline at Lake Cachuma for an emergency pumping facility.
- Personnel costs have decreased by approximately 14% primarily as a result of reduced staffing needs.

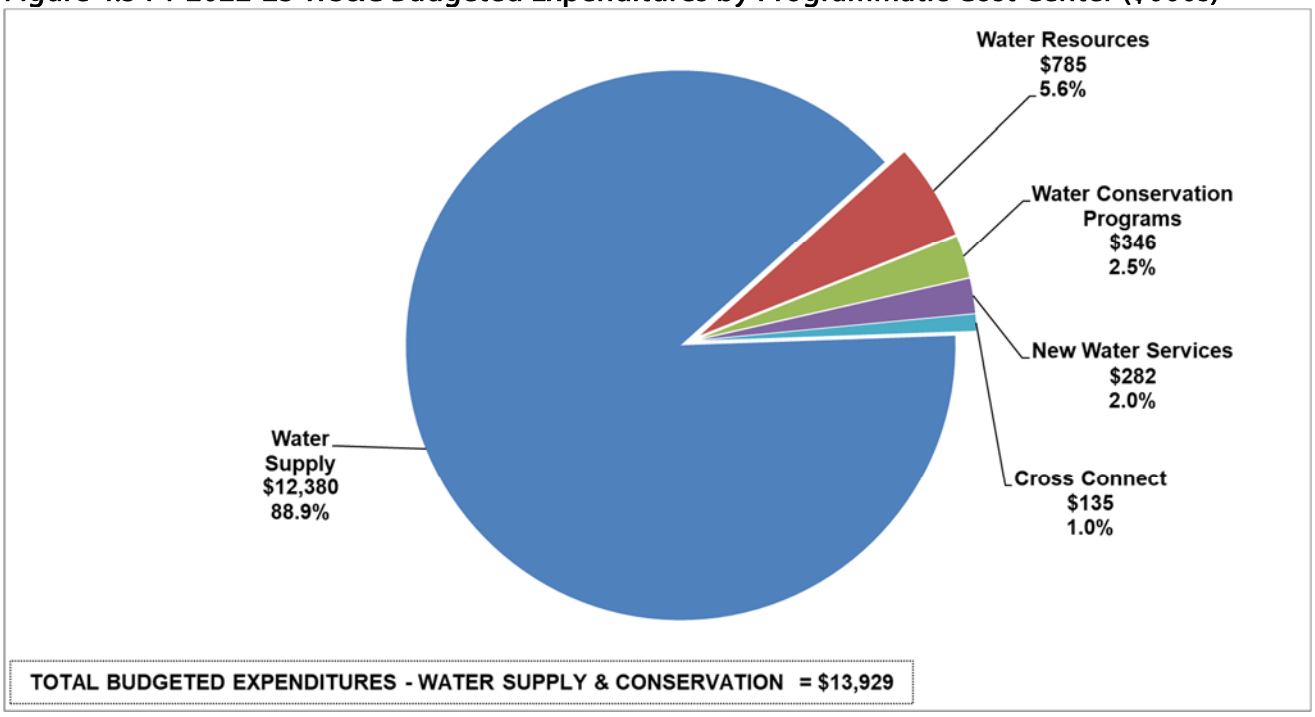
Table 4.5 and Figure 4.5 provide details of WS&C expenditures by programmatic cost center.

Table 4.5 FY 2022-23 WS&C Budgeted Expenditures by Programmatic Cost Center

Description	Water Supply				Water Resources				Water Conservation Programs			
	FY 2021-22	FY 2022-23	Variance		FY 2021-22	FY 2022-23	Variance		FY 2021-22	FY 2022-23	Variance	
COMB (Lake Cachuma Deliveries)	$ 3,171,094	$ 3,481,850	$ 310,756	9.8%	$ 0	$ 0	$ 0	0.0%	$ 0	$ 0	$ 0	0.0%
CCRB (Water Rights)	527,044	565,709	38,665	7.3%	0	0	0	0.0%	0	0	0	0.0%
SB County (Cloud Seeding)	32,858	32,858	0	0.0%	0	0	0	0.0%	0	0	0	0.0%
CCWA (State Water Deliveries)	8,823,840	7,274,171	(1,549,669)	-17.6%	0	0	0	0.0%	0	0	0	0.0%
GSD (Recycled Water Production)	715,000	790,054	75,054	10.5%	0	0	0	0.0%	0	0	0	0.0%
Personnel - Wages	155,241	162,998	7,758	5.0%	315,732	324,908	9,177	2.9%	145,910	145,910	0	0.0%
Personnel - Benefits	53,969	61,173	7,204	13.3%	125,070	135,675	10,604	8.5%	81,393	91,042	9,649	11.9%
Personnel - Taxes & W.C.	14,452	11,425	(3,027)	-20.9%	24,565	24,447	(117)	-0.5%	12,682	17,266	4,584	36.1%
Insurance, Accounting, & Auditing	0	0	0	0.0%	26,222	33,262	7,041	26.8%	606	606	0	0.0%
Maintenance & Equipment	0	0	0	0.0%	0	0	0	0.0%	0	0	0	0.0%
Services & Supplies	0	0	0	0.0%	266,543	266,543	0	0.0%	91,662	91,662	0	0.0%
Total:	**$13,493,498**	**$12,380,238**	**$ (1,113,260)**	-8.3%	**$ 758,131**	**$ 784,835**	**$ 26,704**	3.5%	**$ 332,253**	**$ 346,486**	**$ 14,232**	4.3%

Description	New Water Services				Cross Connect				Total WS&C			
	FY 2021-22	FY 2022-23	Variance		FY 2021-22	FY 2022-23	Variance		FY 2021-22	FY 2022-23	Variance	
COMB (Lake Cachuma Deliveries)	$ 0	$ 0	$ 0	0.0%	$ 0	$ 0	$ 0	0.0%	$ 3,171,094	$ 3,481,850	$ 310,756	9.8%
CCRB (Water Rights)	0	0	0	0.0%	0	0	0	0.0%	527,044	565,709	38,665	7.3%
SB County (Cloud Seeding)	0	0	0	0.0%	0	0	0	0.0%	32,858	32,858	0	0.0%
CCWA (State Water Deliveries)	0	0	0	0.0%	0	0	0	0.0%	8,823,840	7,274,171	(1,549,669)	-17.6%
GSD (Recycled Water Production)	0	0	0	0.0%	0	0	0	0.0%	715,000	790,054	75,054	10.5%
Personnel - Wages	362,090	178,263	(183,827)	-50.8%	42,946	79,072	36,126	84.1%	1,021,918	891,151	(130,766)	-12.8%
Personnel - Benefits	177,759	76,559	(101,200)	-56.9%	10,857	18,292	7,435	68.5%	449,048	382,740	(66,308)	-14.8%
Personnel - Taxes & W.C.	36,055	14,694	(21,361)	-59.2%	3,827	6,739	2,912	76.1%	91,581	74,571	(17,010)	-18.6%
Insurance, Accounting, & Auditing	5,810	7,370	1,560	26.8%	4,140	4,761	621	15.0%	36,777	45,999	9,221	25.1%
Maintenance & Equipment	0	0	0	0.0%	2,740	2,740	(0)	0.0%	2,740	2,740	(0)	0.0%
Services & Supplies	4,027	4,736	709	17.6%	23,840	23,840	(0)	0.0%	386,072	386,781	709	0.2%
Total:	**$ 585,741**	**$ 281,622**	**$ (304,119)**	-51.9%	**$ 88,350**	**$ 135,444**	**$ 47,094**	53.3%	**$15,257,973**	**$13,928,624**	**$ (1,329,349)**	-8.7%

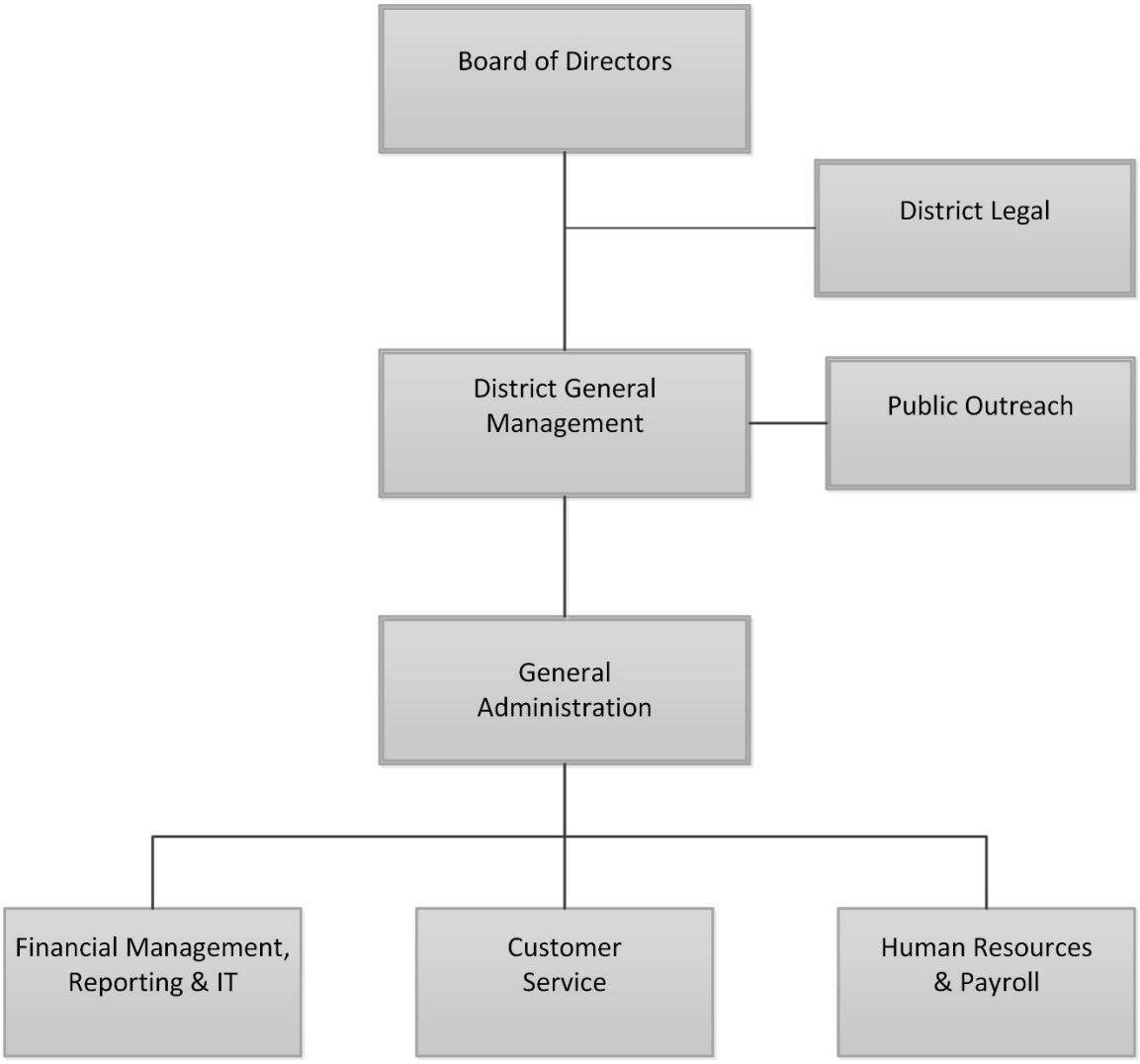
Figure 4.5 FY 2022-23 WS&C Budgeted Expenditures by Programmatic Cost Center ($000s)



General Administration Cost Center

The General Administration cost center includes the Board of Directors, District General Management, District Legal Counsel, and General Administration cost centers including Financial Management, Reporting, Information Technology, Public Outreach, Customer Service, and Human Resources, as outlined in Figure 4.6.

Figure 4.6 General Administration Programmatic Functions



Financial Management, Reporting, & Information Technology (IT)

The Financial Management, Reporting, & Information Technology cost center includes all financial and accounting services to ensure proper controls and processes are in place to accurately collect revenue and disburse expenditures. Routine administration services include customer billings, accounts receivable, accounts payable, investment and cash management, financial reporting, annual budget preparation, monthly budget tracking, in-house data warehouse and inter-department data management, cash flow analysis, rate analysis, procurement and contract management, and annual audit report preparation. This cost center is responsible for implementing governmental accounting standards to provide timely, accurate and meaningful financial

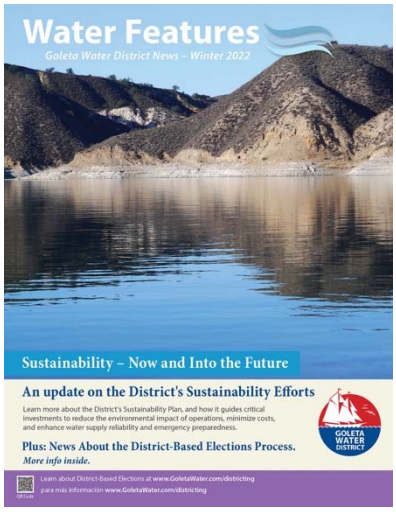
information to the public and the Board of Directors. Finally, this cost center provides and supports technology tools for internal District operations, as well as District customers. These include network support services, customer information systems, and billing support services, among others. During FY 2022-23, the District will continue to implement process and system improvements that will enhance operational efficiencies with a specific focus on migrating to processes using digital and/or electronic documentation.

Customer Service

The Customer Service center is the initial point of contact for the community, handling incoming calls, responding to electronic inquiries, and managing the billing and collection process for the District's 17,000 customer accounts. For FY 2022-23, Customer Service will continue promoting the District's customer portal (WaterSmart) to increase customer participation in electronic and automatic payment and increasing paperless billing, especially during the challenges associated with the COVID-19 pandemic.

Human Resources and Payroll

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



Public Outreach

Public Outreach and Public Information functions include all District communications, media relations, press releases, special outreach, newsletters, and oversight of the District's website, social media, and internet presence. This effort ensures customers are equipped with reliable, timely, and objective information, enabling a clear understanding of District issues and activities. Ongoing implementation of the District's Sustainability Plan and coordination of ongoing inter-departmental initiatives are also housed in this cost center. FY 2022-23 public outreach will continue educating customers on key aspects of District operations and the future challenges ahead. The District will continue to identify innovative and effective communication methods, including expanded use of WaterSmart, to engage with and understand the needs of District customers, ensuring that services align with those needs and values.

General Administration Accomplishments FY 2021-22

Significant highlights achieved during FY 2021-22 included:

- Continued implementation of and updates to the comprehensive COVID-19 Prevention Program (CPP) as required by the California Code of Regulations, Title 8, Section 3205(c). The District's CPP includes the identification and evaluation of COVID-19 hazards along with the documented process to control and

correct hazards, the investigation and response to COVID-19 cases, and the communication to District staff to ensure they are informed of reporting and testing protocols, accommodations for staff with medical or other conditions that may put them at risk of severe COVID-19 illness, the process to limit transmission in the workplace in the event of a COVID-19 case and the related return-to-work criteria.

- Board adoption of a COVID-19 vaccination policy to safeguard the health of the District's workforce and the community.
- Uninterrupted continuity and continued timely issuance of customer bills and payment processing during the continued COVID-19 pandemic.
- As part of the remodel of the Customer Service area, identified enhanced safety improvements and protocols to facilitate reopening of the customer service counter to walk-ins.
- Completion of the District's Annual Comprehensive Financial Report (ACFR) and receipt of an unmodified ("clean") opinion on its audited financial statements.
- Successfully recruited and filled 14 positions resulting primarily from a series of retirements to ensure adequate staffing coverage across the organization, especially for critical positions requiring licensed and/or credentialed staff.
- Successfully applied for and received a $171K grant from the State Water Resources Control Board from SWR to assist customers with past due balances that arose during the period of March 2020 through June 2021.
- Identified and enrolled the District in various programs to provide direct assistance to customers experiencing financial hardship due to COVID-19. Created outreach materials and reached out to customers directly via phone, email, and flyers to promote bill payment assistance for which they might be eligible.
- Successfully updated the Great Plains accounting system to the latest version to keep the software current and gain additional functionalities.
- Completed a phone upgrade to replace an aging server and system for which software was no longer being supported, providing for significant security improvements.
- Significantly increased customer sign-ups for the District's WaterSmart customer portal, which was newly implemented in January 2020. To date, about 41% of the District's customers are using this internet-based customer engagement website and payment portal.
- Reached over 66,000 District customers and residents with the Summer 2021 and Winter 2022 Newsletters. Reached over 33,000 District customers and residents with the 2021 Consumer Confidence Report Postcard Notice, and posted the 2021 Consumer Confidence Report (CCR) to the website.
- Maintained the District website as a resource for customers with over 77,500 page views. Customer online access and customer service were ranked as the most popular items.
- Developed 7 new website pages, 5 featured articles, 2 new videos and multiple updates for critical topics to provide timely information to customers.
- Increased outreach on the District's sustainability efforts including the 2019-2021 Sustainability Plan Progress Report, a newly developed Where Your Water Comes From and the Energy It Uses infographic, newsletter features, social media campaign, Net-Zero Initiative video, and a sustainability themed display at the Goleta Library.
- Created infographics and articles to update customers on the current water supply outlook.

- Implemented new Backflow / Cross Connection outreach including an updated web page, colorful infographics and printed door hanger notices.
- Produced the District's Earth Day 2022 virtual information web page with water supply and conservation outreach materials. Promoted Earth Day 2022 via social media outreach.
- Provided public-outreach support for the transition to District-Based Elections, including updating the District website information page, a direct mail postcard, radio ads, and website graphics.
- Received an ACWA JPIA President's Special Recognition awards for achieving a low loss ratio in the Property Insurance program.

FY 2022-23 General Administration Budget

Table 4.6 compares General Administration budget variances between FY 2021-22 and FY 2022-23.

Table 4.6 FY 2022-23 General Administration Cost Center Budget Summary

Category	Adopted Budget FY 2021-22	Estimated Actual FY 2021-22	Adopted Budget FY 2022-23	Variance Analysis * $ Higher / (Lower)	Variance Analysis * % Higher / (Lower)
Cost Center Expenses - General Admin.					
Personnel:	**$ 2,885,921**	**$ 2,977,510**	**$ 3,223,758**	**$ 337,837**	**12%**
Other Post Employment Benefits:	**562,245**	**549,358**	**567,695**	**5,450**	**1%**
Operations & Maintenance:					
Insurance, Accounting, & Auditing	111,500	93,811	123,835	12,335	11%
Legal	1,014,600	2,479,150	410,000	(604,600)	(60%)
Services & Supplies	1,212,840	1,150,469	1,259,124	46,284	4%
Subtotal:	**2,338,940**	**3,723,430**	**1,792,959**	**(545,981)**	**(23%)**
Total Expenditures:	**$ 5,787,106**	**$ 7,250,298**	**$ 5,584,412**	**$ (202,694)**	**(4%)**

** Compares FY 2022-23 Adopted Budget to FY 2021-22 Adopted Budget*

The General Administration Budget will decrease by $203K, or 4% in FY 2022-23. Notable General Administration changes from FY 2021-22 to FY 2022-23 Budget include:

- Personnel costs will increase by $338K or 12% primarily resulting from non-allocation of a portion of staff time to Engineering & Infrastructure who provide a small amount of support to the inventory function, and costs resulting from previously negotiated SEIU provisions.
- Legal will decrease by $605K or 60% as a result of reduced legal services.

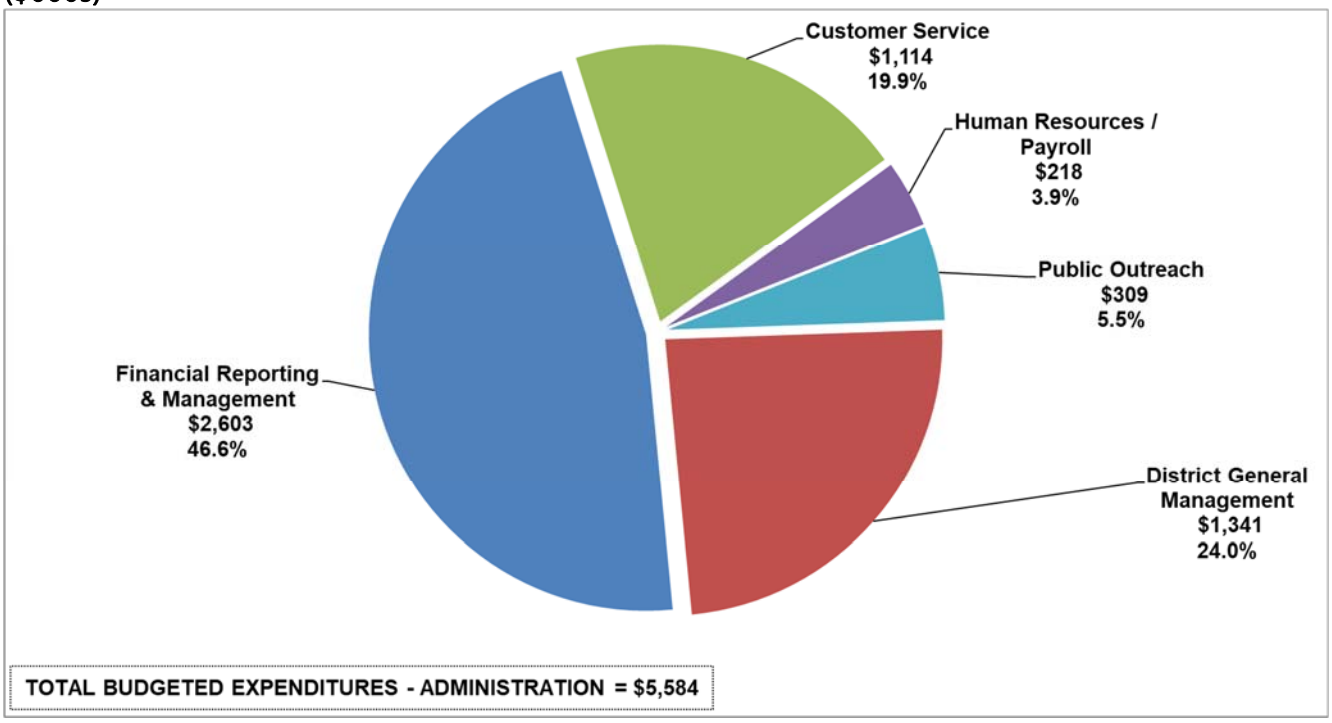
Table 4.7 and Figure 4.7 provide a detailed breakdown of General Administration expenditures by programmatic cost center.

Table 4.7 FY 2022-23 General Administration Budgeted Expenditures by Programmatic Cost Center

Description	District General Management				Financial Reporting & Management				Customer Service			
	FY 2021-22	FY 2022-23	Variance		FY 2021-22	FY 2022-23	Variance		FY 2021-22	FY 2022-23	Variance	
Personnel - Wages	$ 412,640	$ 430,399	$ 17,759	4.3%	$ 1,056,944	$ 1,163,880	$ 106,936	10.1%	$ 179,201	$ 252,905	$ 73,704	41.1%
Personnel - Benefits	233,420	263,438	30,018	12.9%	431,813	453,348	21,535	5.0%	84,681	133,438	48,757	57.6%
Personnel - Taxes & W.C.	25,562	25,698	136	0.5%	85,610	101,498	15,888	18.6%	16,844	19,312	2,468	14.7%
Other Post Employment Benefits	0	0	0	0.0%	562,245	567,695	5,450	1.0%	0	0	0	0.0%
Insurance, Accounting, & Auditing	40,650	46,200	5,550	13.7%	67,000	72,800	5,800	8.7%	2,000	2,600	600	30.0%
Legal	1,014,600	360,000	(654,600)	-64.5%	0	0	0	0.0%	0	0	0	0.0%
Services & Supplies	241,580	215,520	(26,060)	-10.8%	216,400	243,800	27,400	12.7%	673,420	705,420	32,000	4.8%
Total:	**$ 1,968,452**	**$ 1,341,255**	**$ (627,197)**	-31.9%	**$ 2,420,012**	**$ 2,603,020**	**$ 183,008**	7.6%	**$ 956,146**	**$ 1,113,674**	**$ 157,528**	16.5%

Description	Human Resources / Payroll				Public Outreach				Total Administration			
	FY 2021-22	FY 2022-23	Variance		FY 2021-22	FY 2022-23	Variance		FY 2021-22	FY 2022-23	Variance	
Personnel - Wages	$ 112,973	$ 125,672	$ 12,699	11.2%	$ 141,692	$ 148,773	$ 7,081	5.0%	$ 1,903,450	$ 2,121,627	$ 218,177	11.5%
Personnel - Benefits	25,216	26,277	1,061	4.2%	51,162	58,349	7,187	14.0%	826,292	934,850	108,558	13.1%
Personnel - Taxes & W.C.	14,887	10,551	(4,336)	-29.1%	13,275	10,222	(3,053)	-23.0%	156,178	167,281	11,103	7.1%
Other Post Employment Benefits	0	0	0	0.0%	0	0	0	0.0%	562,245	567,695	5,450	1.0%
Insurance, Accounting, & Auditing	0	0	0	0.0%	1,850	2,235	385	20.8%	111,500	123,835	12,335	11.1%
Legal	0	50,000	50,000	0.0%	0	0	0	0.0%	1,014,600	410,000	(604,600)	-59.6%
Services & Supplies	0	5,420	5,420	0.0%	81,440	88,964	7,524	9.2%	1,212,840	1,259,124	46,284	3.8%
Total:	**$ 153,076**	**$ 217,920**	**$ 64,844**	42.4%	**$ 289,419**	**$ 308,543**	**$ 19,124**	6.6%	**$ 5,787,105**	**$ 5,584,412**	**$ (202,693)**	-3.5%

Figure 4.7 FY 2022-23 General Administration Budgeted Expenditures by Programmatic Cost Center ($000s)

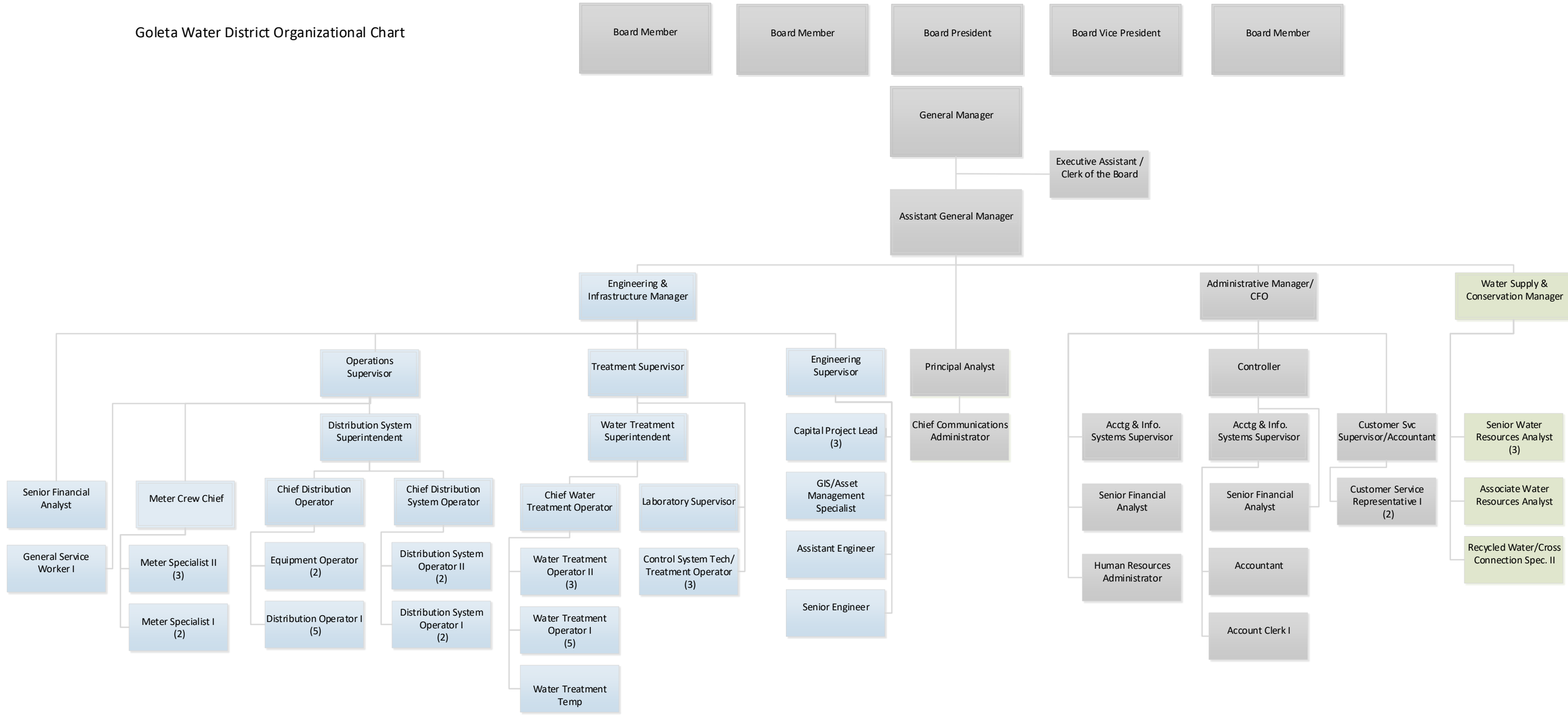


District Organization

The District is governed by a five-member, publicly elected Board of Directors. The Office of the General Manager is responsible for the day-to-day policy implementation and operations of the District, including Public Outreach and the activities of the three departments: Engineering and Infrastructure, WS&C, and General Administration. Each department is responsible for specific programmatic functions to provide safe and reliable water supplies to the region at predictable rates. A detailed organizational chart is provided in Appendix Figure 4.8.

Figure 4.10 Organizational Chart by Department and Position

Goleta Water District Organizational Chart



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GOLETA WATER DISTRICT

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