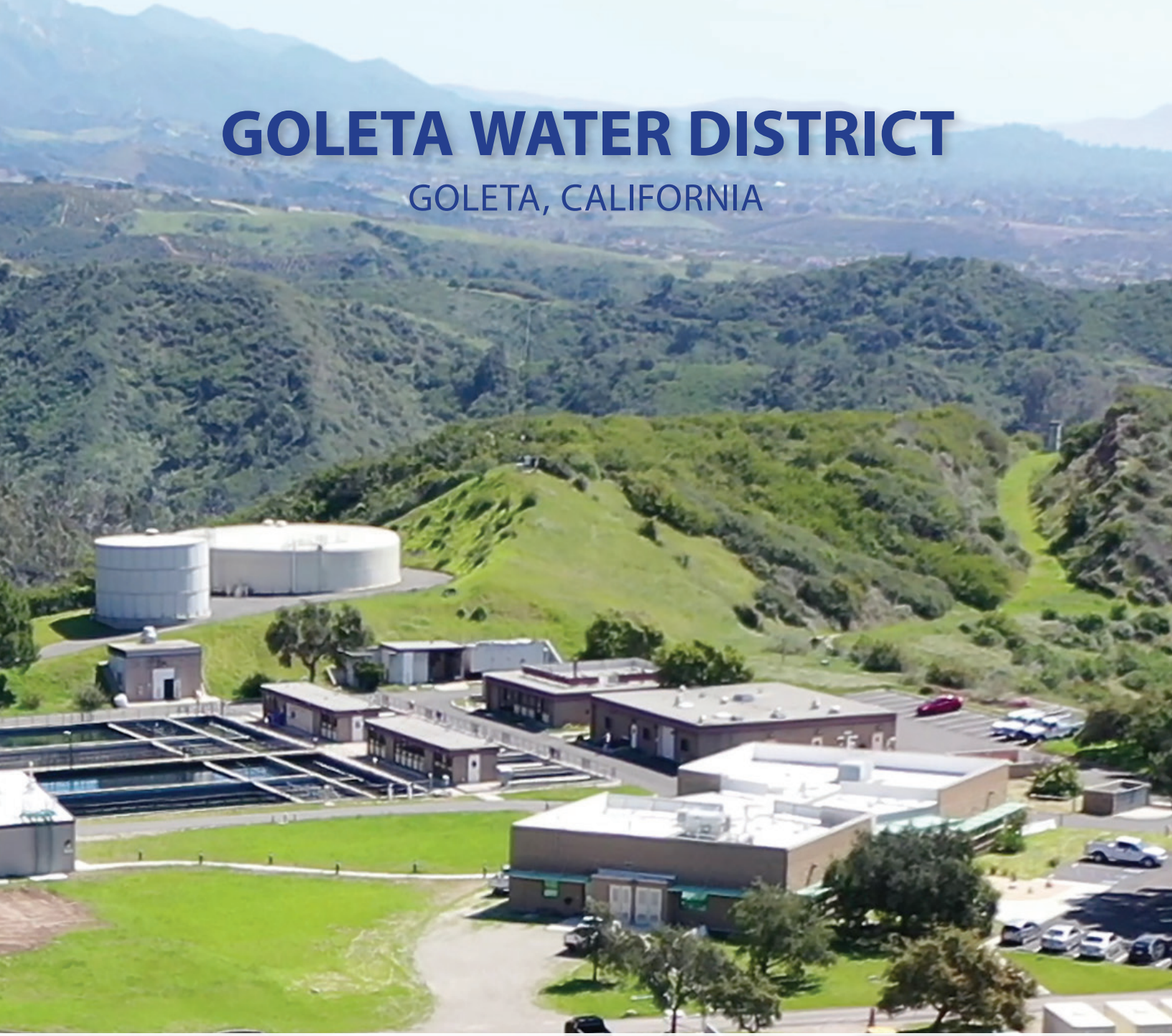
GOLETA WATER DISTRICT

GOLETA, CALIFORNIA



Fiscal Year 2020–21

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: The District's Corona Del Mar Water Treatment Plant viewed from above. With nearly $1 billion in assets, the District carefully targets investment in critical infrastructure to reduce the risk of service interruptions to customers.

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

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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 District recently celebrated its 75th Anniversary. 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 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 enjoys 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 the most cost-effective manner possible. 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 current COVID-19 pandemic emergency has highlighted the District's role as an essential service provider and made clear the importance of maintaining a healthy workforce and conducting operations in a manner that protects and serves the community.

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. While the last two years of rainfall have helped replenish local surface water supplies and bring drought relief to the Goleta Valley, 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.

In mid-2019, the District received a full allocation of Cachuma entitlement, allowing the Board of Directors to lift all drought restrictions and the drought surcharge, and ultimately terminate the nearly four-year Water Shortage Emergency. While winter rains ended drought conditions, wildfires in the Cachuma watershed led to degraded water quality as intense rainfall washed sediment and vegetation into the lake. Even though water levels at Lake Cachuma have recovered, challenging water quality conditions persist. Increased organic matter from algae blooms, storm runoff from wildfire burn areas, and decaying submerged vegetation have made it increasingly difficult for the District and neighboring water agencies to rely on water from the lake during winter months when the inflow of debris is highest. Instead, the District has relied on the seasonal use of groundwater to balance water supply needs with emerging water quality challenges.

The water quality challenges at Lake Cachuma and the environment that has emerged after the drought and wildfires has permanently altered the way the District operates its complex water systems. The vulnerability of the water supply portfolio to drought and water quality issues means that conjunctive use, by which the District relies on the coordinated use of surface and groundwater supplies, will continue to be the new normal. Sustainable access to stored groundwater reserves requires 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. Demand also fluctuates, 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, 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 that reduced water use is expected to continue in the years ahead. Additionally, the permanent changes made by households, such as replacing lawns with drought tolerant landscaping and installing efficient plumbing fixtures and irrigation systems, will further reduce water use below what has been seen in recent decades.

The District is able to balance supply and demand without the need for additional customer conservation. While water waste prohibitions will continue per District Code and State law, customer conservation is now voluntary.

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 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 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, with capital investments and maintenance expenses totaling over $14M between 2015 and 2020. 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 supplies resulting from maintenance needs, natural disasters, drought, or water quality conditions. In FY 2020-21, the District plans to

continue to use groundwater in combination with surface water supplies to address water quality issues. Groundwater is expected to make up nearly 20% of the District's total supply for the year. 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 District completed two studies in 2017 that explore potential projects that could assist in managing the basin to ensure it remains available during drought emergencies. Specifically, the Stormwater Resources Plan and the Potable Reuse Facilities Plan explore potential projects that could accelerate groundwater recharge to increase the resiliency and long-term sustainability of the basin.

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. In FY 2019-20, the District did not take delivery of State water, prioritizing the use of less expensive local surface water supplies. For FY 2020-21 the District has received an initial 15% allocation of its full State water entitlement, or approximately 1,117 AF. In 2020-21 because of the high cost of delivery the District plans to rely primarily on local supply sources and carry over State Water for use in future years, as well as explore further opportunities to reduce the District's current water debt owed as a result of water exchanges during the last drought.

A long-standing exchange agreement with ID #1 will continue in FY 2020-21, 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 732 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. This trend has continued with demand lower than in past decades.

In 2017, the District completed a potable reuse feasibility study to identify options for developing additional alternative water supplies to further diversify its supply portfolio, improve supply reliability, and reduce dependence on imported water. The study specifically evaluates the feasibility of using highly treated recycled water to replenish the groundwater basin.

Even though the drought is over, customer water use remains 20% below historic normal use. Permanent landscaping and plumbing changes mean that new "normal" usage may not return to pre drought levels.

Customer Demand

Approximately 17,000 customer connections fall into eight types of customers: Single Family Residential, Multi-Family Residential, 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. Residential water use is approximately 50% of overall water demand. This proportionally low use is largely because of exceptional conservation by these customer 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 53 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 new residential development and connections, 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 current COVID-19 pandemic, the District is closely monitoring how, and if, water use patterns are changing across all its customer classes. Initial observations and related water use data do not indicate significant changes that would adversely impact District operations.

The District has about 470 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 (as updated each year) provides the framework for efficient water resource management, along with the Water Conservation Plan, and the 2014 Drought Preparedness and Water Shortage Contingency Plan. The Urban Water Management Plan, Water Supply Management Plan, and Groundwater Management Plan – the District's foundational water resource management documents – were last updated in 2017. The District plans on completing its update to the Urban Water Management Plan this fiscal year.

Conservation programs include:

- Conservation rates for eligible residential and commercial customers with low water use.
- Residential and commercial incentives for installing high-efficiency toilets, showerheads, irrigation systems, and other water saving devices, as well as advice on water conservation principles and practices.
- Extensive customer conservation and efficiency tools including information on the District website, community and school education programs, water conservation checkups, 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), Water Saving Devices Distribution Program (WSDDP), a Water Efficient Washing Machine Rebate, and free mulch deliveries.

This year funding for conservation rebate programs has been scaled back because of improved water supply conditions and reduced customer interest. In response to the current COVID-19 pandemic, and the cancelation of non-essential visits, the Smart Landscape Rebate Program was temporarily suspended effective March 18, 2020.

Customer Service

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

Staff is available during business hours to provide assistance and support to District customers by phone. Customers can also access their accounts and make payments online at any time. 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.

While the District Customer Service counter is closed due to the COVID-19 pandemic, staff remain available to assist customers by phone. The District's newly expanded online portal also provides a number of account management tools that can be accessed at any time.

Goleta Water District Budget

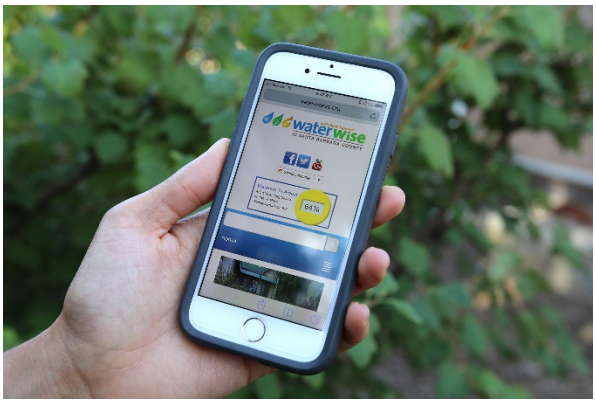
The development and adoption of an annual budget based on expected revenues and expenditures as well as identified projects and programs provides the financial foundation for District activities. The budget serves as a roadmap for ensuring reasonable costs and predictable customer rates. Each year, the 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 2020-21 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 recently adopted 2020-2025 Infrastructure Improvement Plan (IIP) and District Sustainability Plan, these documents provide financial and management strategies for meeting the water and resource needs of the District today and into the future.

FY 2019-20 Budget and Accomplishments

Last year, the District faced significant revenue volatility amid rising costs and was forced to defer planned activities and implement significant one-time cuts. FY 2019-20 saw estimated actual revenues of $34.8M and expenditures of $35.9M, and $1.0M designated from reserves. The District completed a number of significant projects and initiatives over the last year that contribute to the overall sustainability of the agency. Key FY 2019-20 accomplishments in the area of water quality, infrastructure and operational efficiency upgrades include:

- Adopted a new five year capital improvement plan that focuses on maintaining water quality and current levels of service.
- Completed the first major overhaul of the District's Standards and Specifications in more than a decade.
- Completed performance testing of aerators at the Ellwood and Fairview Reservoirs to reduce disinfection byproducts in treated water.
- Performed pilot testing and full-scale plant testing of granular activated carbon contactors and filter adsorber, and prepared for demonstration-scale plant testing for total organic carbon treatment and trihalomethane reduction technologies.
- Completed additional water quality monitoring throughout the distribution system in response to increasing levels of organic matter in the surface water at Lake Cachuma.
- Upgraded Patterson Booster Pump Station to more than double throughput, which will enhance blending for water quality and improve the District's resiliency during emergencies when surface water supplies may not be available.
- Rehabilitated a groundwater production well as part of an ongoing scheduled preventative maintenance plan to maintain peak production capacity. This is critical to support planned coordinated use of groundwater and surfacewater supplies as part of the District's ongoing efforts to maintain water quality.
- Developed conditions assessment protocols for multiple classes of capital assets to inform the District's Asset Preservation Program.
- Maintained baseline status for oils and grease at the District Headquarters after implementation of further improvements to the Stormwater Management Program to ensure compliance with regulatory guidelines for enhanced control of runoff. This saves the District significant money as no additional mitigation projects are required.



- Transferred the meter reading input system from hand held devices to cell phones reducing the weight of the device, improving communications with real time data to the office, and improving the ability of the Meter Readers to document unusual readings or other system anomalies. The ability to take pictures in the field also reduces the need for a follow-up site visit to reconcile read issues.
- Implemented a web-based system for independent certified backflow testers to enter the required annual backflow inspection forms directly into the District's system, eliminating the manual data entry of approximately 3,000 forms per year.
- Completed creation of GIS layers for geologic data, water quality complaints, easements, cathodic protection systems, and pipeline crossing creeks.
- Completed the second phase of the removal of excess sediment in the CDMWTP intake structures and lines because of the low flow conditions experienced over the past few years while groundwater was the primary source of supply.
- Launched a new customer service portal on the District website that provides customers more flexibility in managing their account, including initiating transactions or account changes.

- Completed annual reporting under the State's new revised Recycled Water Permit General Order.
- Arranged for repayment of 750 AF of water debt owed to Castaic Lake Water Agency/Santa Carita Valley Water, which the District purchased during the drought.

This year's adoption of a new Five Year Expenditure Plan and development of an updated rate structure provides the foundation that will allow the District to continue to maintain the current level of service provided to its customers. Beyond operations, the capital projects included in the Board-adopted IIP will allow the District to continue to meet regulatory requirements and address any major deficiencies throughout the system.

FY 2020-21 Budget and Key Initiatives

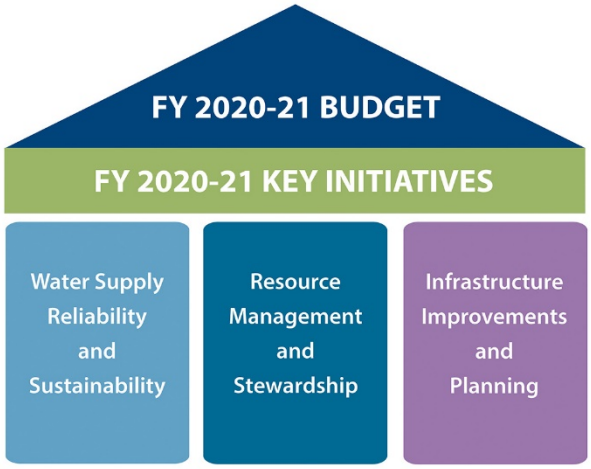
The FY 2020-21 Budget is consistent with policy goals established by the Board of Directors, operational and infrastructure priorities, and other foundational management documents. The Budget reflects an ongoing progression of the District's management and budgeting approach to control costs, minimize unplanned expenditures, limit risk exposure and expand investment in projects and programs that provide for the long-term water resources needs of the community.

The FY 2020-21 Budget anticipates $45.7M in revenue and transfers, a 16% increase from the previous year. $45.7M in operational and capital expenditures are planned. 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 2020-21 Budget Summary

Category	Adopted Budget FY 2019-20	Estimated Actual FY 2019-20	Adopted Budget FY 2020-21	Variance Analysis * $ Higher / (Lower)	Variance Analysis * % Higher / (Lower)
Revenues and Transfers:					
Monthly Service Charges	$ 10,480,239	$ 10,254,263	$ 12,597,042	$ 2,116,803	20%
Water Sales	26,530,000	23,221,718	27,911,254	1,381,254	5%
Investment Revenue	185,200	250,035	40,808	(144,392)	(78%)
Conveyance Revenue	201,038	174,381	205,058	4,021	2%
Miscellaneous Fees & Charges	1,003,755	947,579	488,100	(515,655)	(51%)
Subtotal:	**$ 38,400,231**	**$ 34,847,976**	**$ 41,242,263**	**$ 2,842,032**	**7%**
Transfers:					
CCWA FY 2019-20 Deferral	$ 0	$ 0	$ 2,743,921	$ 2,743,921	
Designation from Reserves	1,131,498	1,011,598	1,703,021	571,523	
Total Revenue and Transfers:	**$ 39,531,729**	**$ 35,859,574**	**$ 45,689,205**	**$ 6,157,476**	**16%**
Expenditures:					
Water Supply Agreements:					
COMB (Lake Cachuma Deliveries)	$ 3,528,721	$ 3,190,834	$ 3,544,206	$ 15,485	0%
CCRB (Water Rights)	706,100	459,638	562,488	(143,612)	(20%)
SB County (Cloud Seeding)	32,858	12,040	0	(32,858)	(100%)
CCWA (State Water Deliveries)	9,155,180	5,673,430	12,153,722	2,998,542	33%
GSD (Recycled Water Production)	964,630	477,088	715,000	(249,630)	(26%)
Subtotal:	**$ 14,387,489**	**$ 9,813,030**	**$ 16,975,416**	**$ 2,587,927**	**18%**
Personnel:					
Wages, Benefits, and Taxes	$ 10,483,136	$ 11,228,280	$ 10,218,110	(265,025)	(3%)
Other Post Employment Benefits	495,138	491,724	517,419	22,281	5%
Subtotal:	**$ 10,978,274**	**$ 11,720,004**	**$ 10,735,530**	**$ (242,744)**	**(2%)**
Operations & Maintenance:					
Water Treatment Costs	$ 602,217	$ 607,860	$ 705,580	$ 103,363	17%
Water Treatment Testing	388,738	284,245	279,626	(109,113)	(28%)
Insurance, Accounting & Auditing	254,928	301,059	262,301	7,374	3%
Maintenance & Equipment	1,119,620	985,686	1,138,243	18,623	2%
Legal	1,014,600	1,450,979	1,014,600	(0)	(0%)
Services & Supplies	4,137,339	4,175,137	4,129,668	(7,671)	(0%)
Utilities	666,569	468,587	735,128	68,559	10%
Subtotal:	**$ 8,184,011**	**$ 8,273,553**	**$ 8,265,146**	**$ 81,136**	**1%**
Total Expenditures before Debt and CIP:	**$ 33,549,773**	**$ 29,806,587**	**$ 35,976,092**	**$ 2,426,319**	**7%**
Debt service	3,552,488	3,552,488	3,543,113	(9,375)	(0%)
Capital Improvement Projects (CIP)	2,429,468	2,500,499	6,170,000	3,740,532	154%
Total Expenditures:	**$ 39,531,729**	**$ 35,859,574**	**$ 45,689,205**	**$ 6,157,476**	**16%**

** Compares FY 2020-21 Adopted Budget to FY 2019-20 Adopted Budget*



FY 2020-21 Budget Key Initiatives

The FY 2020-21 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 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, as well as persistent challenges presented by the inflow of debris into Lake Cachuma from the 2016 Rey Fire, and the Whittier and Thomas fires in 2017. Public outreach activities will continue to educate customers on the challenges facing the District's water supply. 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 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 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 USBR began the Cachuma Master Contract renegotiation in 2017, and the process remains ongoing. The Master Contract is set to expire on September 30, 2020, and the Member Units continue to actively negotiate for a contract extension that protects the District's short and long term water supply. While the ultimate decisions related to Cachuma Project operations and contracts rest with the federal government, the District is doing everything possible to make local concerns known.

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

In FY 2019-20 the District completed the 2019 Sustainability Plan Progress Report – the sixth update since implementation of the Sustainability Plan. The plan highlighted the District's history of sustainability over the last 75 years, as well as sustainability gains made by the District over the previous year. Projects highlighted in the report include: water quality treatment research and technology improvements to ensure the continued delivery of clean water to the community; completion of a Hazard Mitigation Plan that provides a framework for reducing the District's vulnerability to disasters; improvements to water treatment and distribution infrastructure to ensure long term reliability; production of seven videos designed to keep customers informed about current water supply conditions; and the addition of three new electric vehicles to the District's fleet. Several projects planned for the FY 2020-21 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 implement the software and management processes necessary to ensure that project decision-making and operations can fully capture the benefits identified in the 2012 Sustainability Plan regarding District energy use.

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's aging infrastructure requires careful strategic planning to target investment to critical assets and extend service life.

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. As the District enters its 76th year, aging infrastructure will present increased maintenance and replacement costs. The FY 2020-21 Budget continues to prioritize projects that maintain water quality despite changing water quality conditions at Lake Cachuma, and maintain system reliability for treatment and distribution.

Some of the Infrastructure Improvement Projects planned for FY 2020-21 include:

- Upgrades to District reservoirs, 71% of which exceed 50 years in age. The planned upgrades will extend the life of District reservoirs and conserve resources by repairing rather than replacing when possible.
- Replacement of the leach field at the CDMWTP, which exceeds its expected 25 year service life by six years.
- Installation of a permanent pump station at the District's Corona Reservoir to support improved water quality and provide water to the Ellwood Zone in the event of a break in the District's 42-inch transmission main.
- Replacement of inoperable interconnection facilities with the City of Santa Barbara to maintain access to mutual assistance to neighboring agencies in the event of an emergency, such as a transmission line break, earthquake, or planned system outage.

A Look to the Future

The FY 2020-21 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. 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, influencing external outcomes that affect the District, and planning for the effects of uncontrollable costs, the FY 2020-21 Budget maximizes the ability to respond to external circumstances while minimizing impacts to customers.

Examples of externalities facing the District include:

- The effect that an ongoing or resurgent COVID-19 pandemic may have on demand, revenue, and operations. A primary concern continues to be the ongoing health and wellness of the workforce, as well as the ability of critical, licensed employees to report for duty and operate the District's water systems safely and effectively.
- Despite higher lake levels, uncertainty around Lake Cachuma operations remains. While the temporary barge is not currently needed to pump water to elevation for delivery through the Tecolote Tunnel, future drought conditions could require its reinstallation in the future. Maintaining delivery capabilities via a pumping station is critical to ensuring surface water supplies are available to the community when they are most needed.
- As the Goleta Groundwater Basin continues to recover from the drought, conditions in the 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 major 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 2020-21 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. Damage to the Oroville facilities resulting from the 2017 storms in Northern California will require assessments to pay for repairs that will be made in future years. State negotiations to develop a Delta Conveyance Project and the associated necessary contract amendments to the State Water Contracts may result in significant additional pass-through costs for State Water supplies from DWR. The State Water Contractors and DWR are continuing to negotiate terms for project costs and participation. 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 secure local supplies and 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 2020-21 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.

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SECTION II – REVENUE and TRANSFERS

Introduction

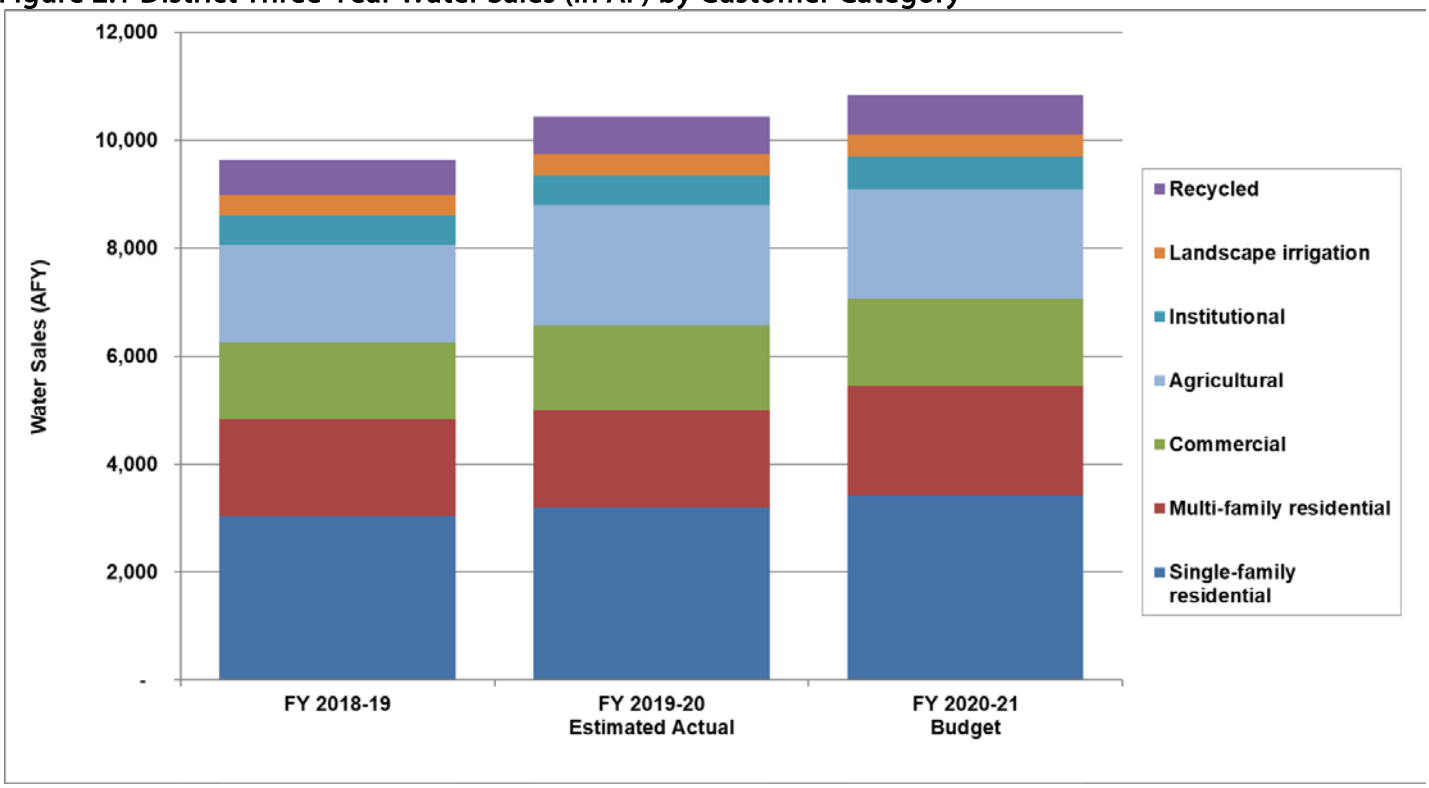
The District provides water service to approximately 17,000 customer accounts in several customer categories: Single Family Residential, Urban (Multi-Family Residential, Commercial, Institutional, and Landscape Irrigation), Agricultural, and Recycled. Other connections include Fire Service Lines, which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

The District receives 98% of its revenue from monthly charges for water service consisting of Water Sales (68%) and Fixed Meter Service Charges (30%). 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. Fixed Meter Service Charges, or monthly service 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.

Revenue from Water Sales and Fixed Meter 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 used by each customer category and how it has changed over the last three years.

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



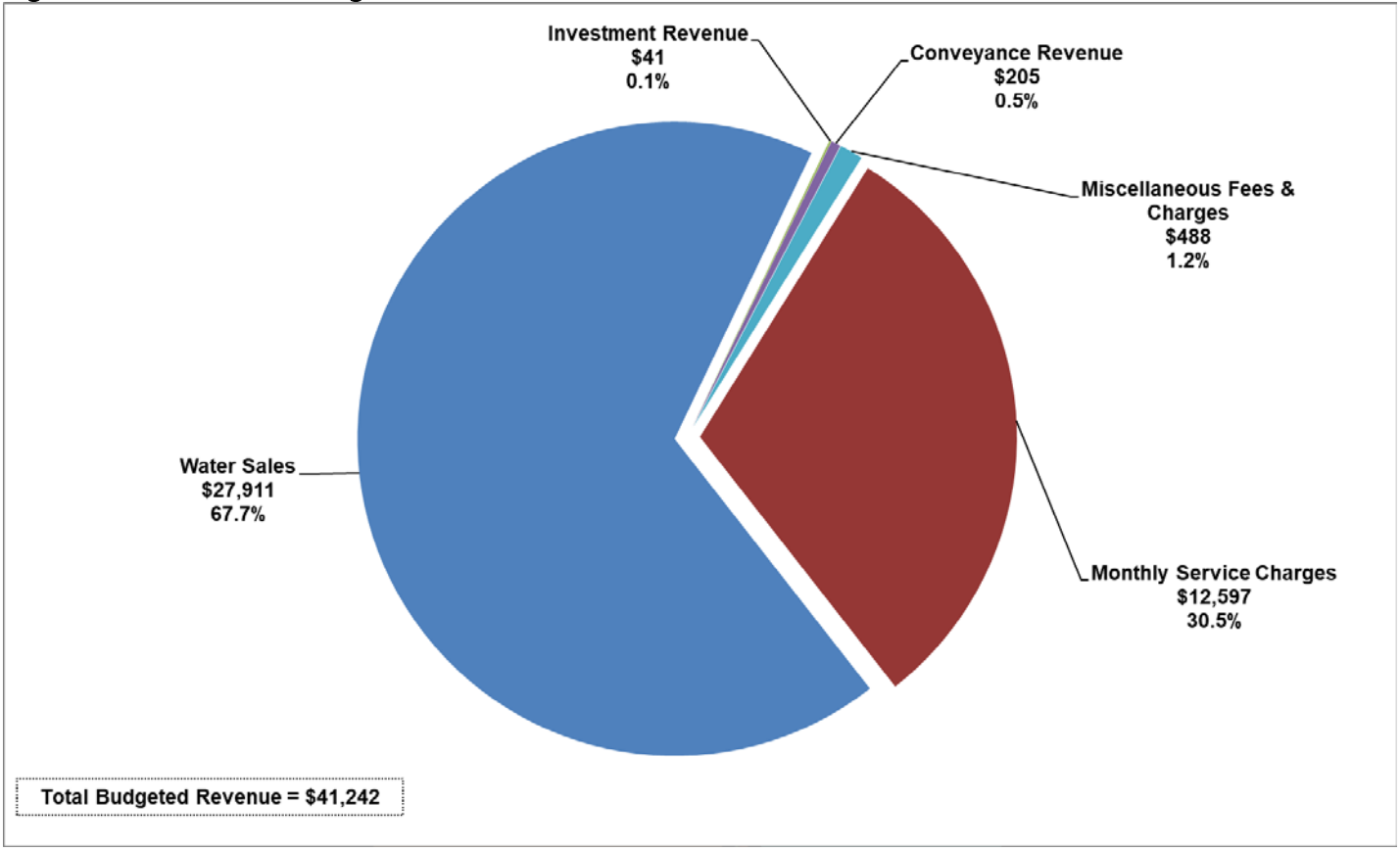
The amount of revenue the District receives from Water Sales varies from year to year, and for each customer category. While District demand analyses are ongoing and periodically updated with the latest data, this year-to-year variation demonstrates the inherrent degree of uncertainty in making projections. 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 2020-21 Budgeted Revenue versus FY 2019-20 Budget

Category	Adopted Budget FY 2019-20	Estimated Actual FY 2019-20	Adopted Budget FY 2020-21	Variance Analysis * $ Higher / (Lower)	Variance Analysis * % Higher / (Lower)
Revenue:					
Monthly Service Charges	$ 10,480,239	$ 10,254,263	$ 12,597,042	$ 2,116,803	20%
Water Sales	26,530,000	23,221,718	27,911,254	1,381,254	5%
Investment Revenue	185,200	250,035	40,808	(144,392)	(78%)
Conveyance Revenue	201,038	174,381	205,058	4,021	2%
Miscellaneous Fees & Charges	1,003,755	947,579	488,100	(515,655)	(51%)
Total Revenue	**$ 38,400,231**	**$ 34,847,976**	**$ 41,242,263**	**$ 2,842,032**	**7%**

** Compares FY 2020-21 Adopted Budget to FY 2019-20 Adopted Budget*

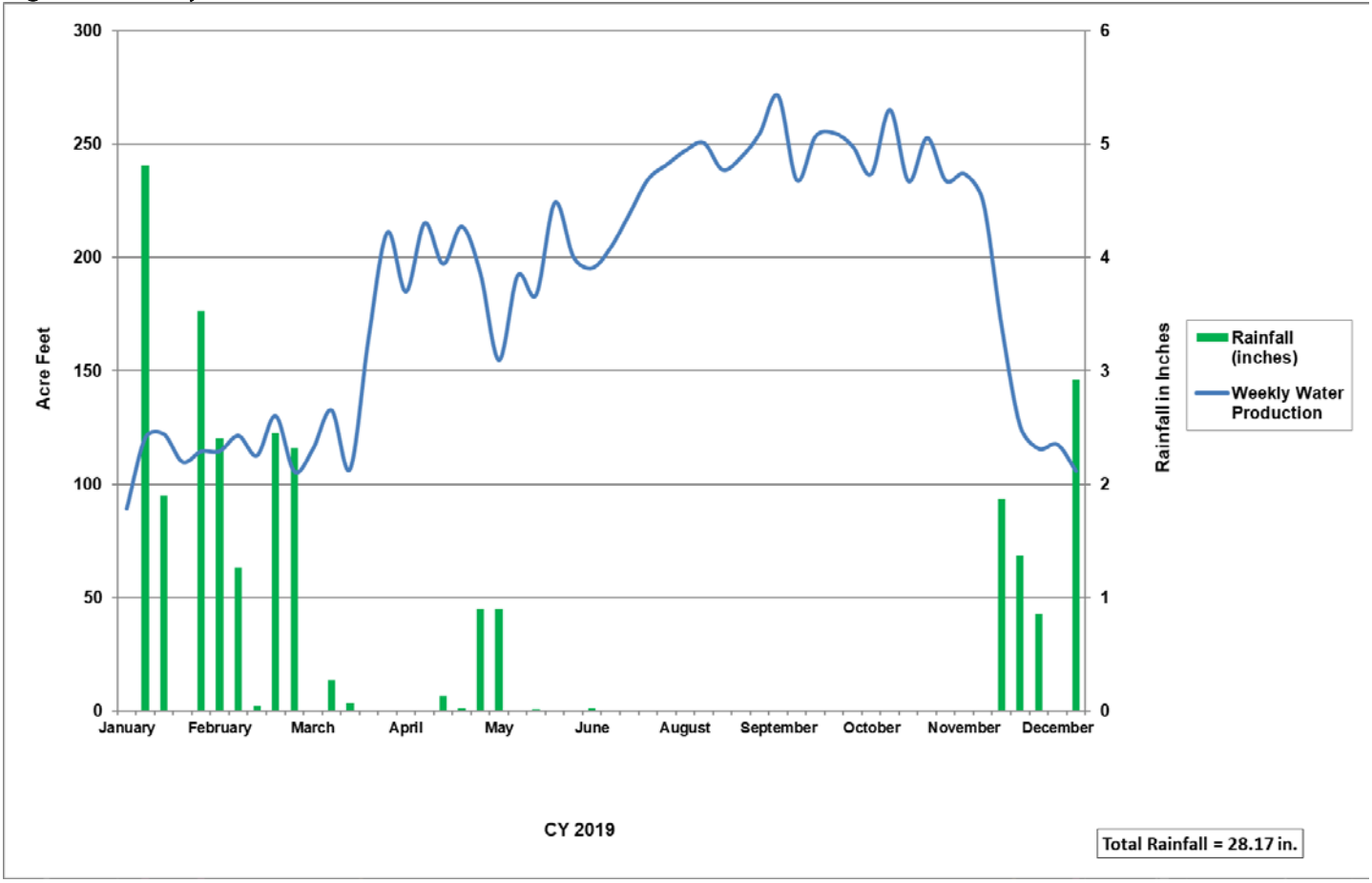
Figure 2.2 FY 2020-21 Budgeted Revenue Allocations ($000s)



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 emergence of the COVID-19 pandemic and its direct impacts to regional mobility and the broader economy will add an additional layer of uncertainty to demand projections and revenue forecasts for FY 2020-21.

Weather is traditionally the biggest factor driving water use, as it has a significant affect 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 weather's influence on water use, the District modeled and analyzed historical water production and customer usage data spanning a 25-year period (1990-2014). The analysis calculated the relative percentages of indoor and outdoor water uses among three customer classes: Single-Family Residentail, Multi-Family Residential, and Commercial. The results showed 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 2019



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 hightened 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 Agricutural 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 though the drought ended in 2019, customer usage remains 20% below the historical average.

This 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 landscapes, or incorporating greywater systems on their properies. This kind of baseline conservation leads to demand hardening by permanently reducing water use, which has historically resulted in lower post-drought water consumption. Given this overall trend of conservation and sustained decrease in water use across all customer classes, as well as uncertainty related to the COVID-19 pandemic, the revenue forecast remains conservative.

Even with a 19% rate increase on July 1, 2020, demand is not expected to be adversely influenced since customer water bills will still be lower than when the drought surcharge was in effect. With the rate change, total Water Sales and Monthly Service Charge revenue for FY 2020-21 is projected at $40.5M, a 9.5% increase from FY 2019-20 adopted Budget.

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 2020-21 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 even with the end of the Water Shortage Emergency 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 2020-21.

Budgeted Revenue in FY 2020-21 is $41.2M, an increase of $2.8M (7%) from the FY 2019-20 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 2020-21, approximately 31% of total District revenue will come from the Fixed Meter Service Charge. Approximately 82% 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, 14,234 customers with 5/8" or 3/4" meters can qualify for lower monthly service charges by reducing water use. Based on the projected

change in the tier ranges for these accounts, it is anticipated that 57% of meter charges for these customers will qualify for Tier 1, 17% will qualify for Tier 2, and 26% 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 Fixed Meter 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	6,968	2,070	3,151	12,189
Multi-Family Residential	659	195	297	1,151
Commercial	227	67	102	396
Landscape Irrigation	68	20	31	119
Recycled Water	5	2	2	9
Total Connections:	**7,927**	**2,354**	**3,583**	**13,864**

Table 2.3 shows the number of connections by size within each customer category that are expected to be active by July 1, 2020, 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	12,189	1,148	54	44	-	-	-	-	-	13,435
Multi-family residential	1,151	347	214	135	7	12	12	2	-	1,880
Commercial	394	197	123	211	31	9	9	2	2	978
Agriculture	2	19	20	114	5	4	1	-	-	165
Institutional	-	-	-	2	-	-	1	1	1	5
Landscape irrigation	119	76	53	33	3	3	-	-	-	287
Recycled	9	3	5	8	5	4	10	2	-	46
Fire	370	42	45	14	-	-	-	-	-	471
Total Connections:	**14,234**	**1,832**	**514**	**561**	**51**	**32**	**33**	**7**	**3**	**17,267**

Table 2.4 shows Monthly Service Charge revenue by customer category and the key influencing factors previously discussed. The Behavioral & Size 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 2020-21 Budgeted Monthly Service Charge and Influencing Factors

		Influencing Factor				
Customer Category	FY 2019-20 Budget Baseline Revenue	New Development	Rate Change	Behavioral / Tiering Changes	Net Incr. / (Decr.)	FY 2020-21 Budgeted Monthly Service Charge
Single-family residential	$ 5,253,601	$ -	$ 762,172	$ 22,339	$ 784,511	$6,038,112
Multi-family residential	1,953,165	-	758,171	27,826	785,996	2,739,162
Commercial	1,780,073	-	322,551	7,318	329,869	2,109,943
Agriculture-Urban	371,710	-	45,362	-	45,362	417,073
Agriculture-Goleta West Conduit	107,584	-	26,075	-	26,075	133,659
Institutional	137,761	-	20,893	-	20,893	158,654
Landscape irrigation	375,361	-	63,639	-	63,639	439,000
Recycled	437,820	-	77,790	-	77,790	515,610
Fire	63,162	-	(16,644)	(690)	(17,334)	45,828
Total:	**$ 10,480,239**	**$ -**	**$ 2,060,010**	**$ 56,793**	**$ 2,116,803**	**$ 12,597,042**

Total Fixed Meter Service Charge revenue is forecast to increase by $2.1M, or 20% including a 19% rate increase.

WATER SALES

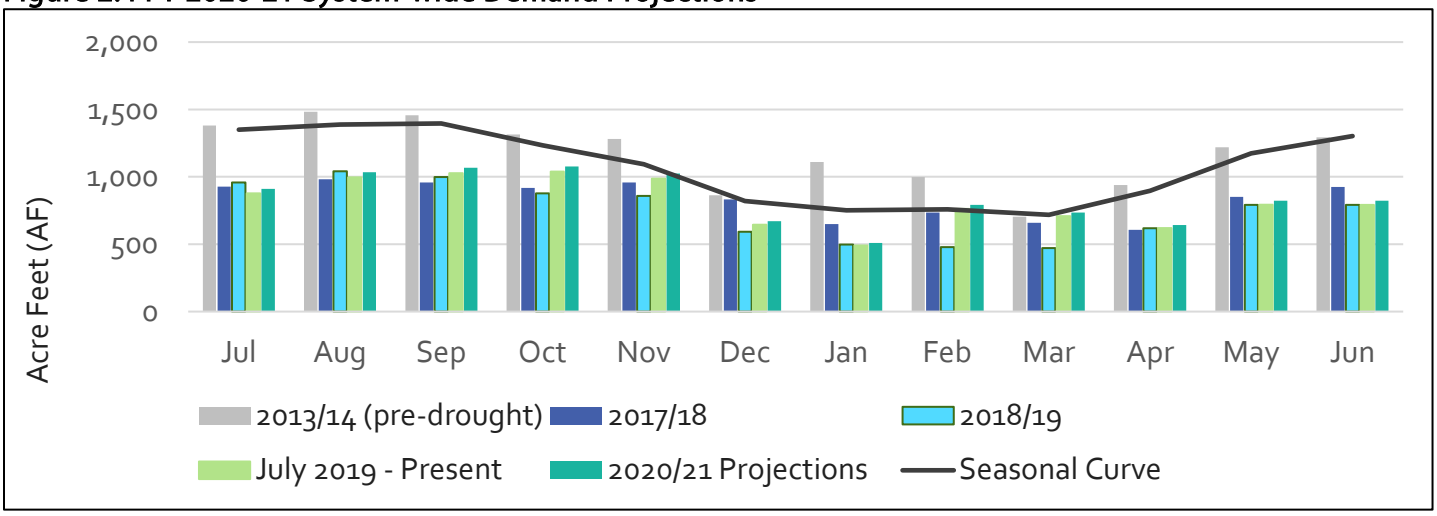
The largest source of District revenue is Water Sales (68%), billed according to the actual volume of water consumed by the customer. The District has distinct water rates for each customer category, which account for the unique factors and costs involved in providing their water service. The volume 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 cashflow 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.

Supply conditions have improved signifiantly with above-average precipitation in the winter of 2018-19 and 2019-20. Rising Lake Cachuma levels prompted the United States Bureau of Reclamation (USBR) to issue two consecutive years of 100% Cachuma allocations for the first time since WY 2013-14. Statewide water conditions also improved, helping replenish State Water Project supplies. The increased availability of surface water supplies allowed the Board to terminate the Water Shortage Emergency and related drought surcharge in August 2019. The elimination of mandatory water use restrictions and the drought surcharge did not significantly alter water use patterns in FY 2019-20, as anticipated, and even usage associated with landscape and crop irrigation did not see the larger seasonal swings typically observed before the drought.

Water Sales volume projections for FY 2020-21 were developed in concert with the 2020-2025 Cost of Service Study, and used two key assumptions: account growth and average customer consumption. Beginning in FY 2019-20, annual water use was projected at the customer class level by first increasing the prior year water use by the annual percent increase in number of water connections, then increased by an annual customer consuption average to deterime total projected water use by customer class. A 12% increase in average customer consumption is assumed in FY 2019-20, based on actual water use data for the first half of FY 2019-20. Beginning in FY 2020-21, the asumed annual change in average customer consumption drops to 0%, meaning any increase in water use is solely a result of projected growth in service connections. This kind of detailed analysis 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 2020-21 budget year. A short discussion about the water use characteristics of each customer category and how they inform water sales projections follows.

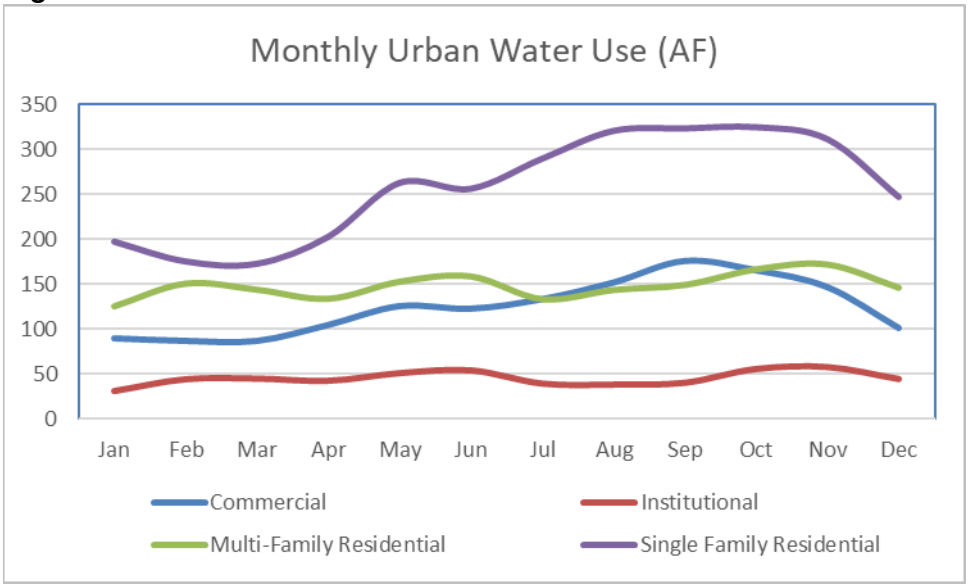
Figure 2.4 FY 2020-21 System-wide Demand Projections



Urban Water Use

Urban water use accounts for approximately 75% 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 indoor 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. Because of the variation in 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, and reflected in Figure 2.5.

Figure 2.5 2019 Urban Water Use



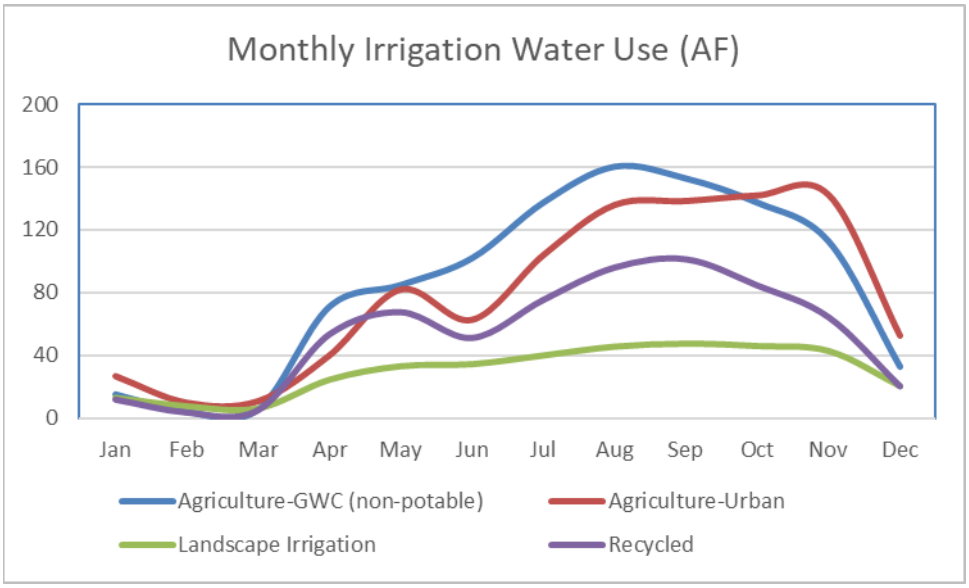
In forecasting the amount of revenue attributable to Water Sales for Single-Family Residential customers, the District's tiered rates must also be considered. Starting FY 2020-21, the first six (6) HCF of Single Family Residential water use each month continues to comprise the low-tier, as it serves to cover basic indoor use 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 six Tier 1 customers each increase usage by 1 HCF (at $5.79/HCF) offset against one Tier 3 customer using 5 HCF less (at $9.96/HCF). It is anticipated, based on the projected change in tier ranges, that 57% of Single Family residential water use will be within Tier 1, 17% will be in Tier 2 and 26% 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 less driven by weather and more affected by 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 30% between the lowest use month (126 AF in January) and the highest use month (172 AF in November) in 2019. In comparison, the variance for Single Family Residential customers was 69% between the lowest and highest months in 2019. 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 2019 Irrigation Water Use



For the customer categories that use water primarily or exclusively for outdoor irrigation, seasonal water consumption varies considerably. 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 with cooler temperatures and appreciable rainfall, the amount of water provided by the District is significantly reduced as landscapes and agriculture need less irrigation, as reflected in Figure 2.6. 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 29% of total annual District water use, with about 64% 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 160 AF used in August 2019, more than 40 times the water use of 4 AF in February. Furthermore, dry warm temperatures and lack of significant rainfall for an extended period 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 trend of conservation and the 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 2019-20, with minor adjustments to account for extreme weather events and consumption anomolies. Tables 2.5 and 2.6 summarize water use and revenue projections that have been developed for FY 2020-21. Water Sales are projected to increase by $1.4M primarily as a result of rate increases offset against lower consumption.

Table 2.5 FY 2020-21 Budgeted Water Use by Customer Category (in AF)

		Influencing Factor			
Customer Category	FY 2019-20 Budgeted Water Use	New Development	Behavioral / Tiering Changes	Net Incr. / (Decr.)	FY 2020-21 Budgeted Water Use
Single-family residential	3,917	-	(499)	(499)	3,418
Multi-family residential	1,915	-	118	118	2,033
Commercial	1,784	-	(179)	(179)	1,605
Agriculture-Urban	1,806	-	(718)	(718)	1,088
Agriculture-Goleta West Conduit	1,616	-	(679)	(679)	937
Institutional	595	-	17	17	612
Landscape irrigation	550	-	(137)	(137)	413
Recycled	994	-	(262)	(262)	732
Fire	-	-	-	-	-
Total:	**13,177**	**-**	**(2,340)**	**(2,340)**	**10,837**

Table 2.6 FY 2020-21 Budgeted Water Sales Revenue and Influencing Factors

		Influencing Factor				
Customer Category	FY 2019-20 Budget Baseline Revenue	New Development	Rate Change	Behavioral / Tiering Changes	Net Incr. / (Decr.)	FY 2020-21 Budgeted Water Sales Revenue
Single-family residential	$ 10,083,434	$ -	$ 1,775,852	$ (1,285,979)	$ 489,872	$ 10,573,307
Multi-family residential	5,088,208	-	947,931	313,315	1,261,246	6,349,454
Commercial	4,342,892	-	1,100,342	(435,234)	665,108	5,008,001
Agriculture-Urban	1,660,215	-	(597,236)	50,667	(546,569)	1,113,647
Agriculture-Goleta West Conduit	1,231,122	-	18,811	(470,178)	(451,366)	779,756
Institutional	1,581,740	-	285,209	44,165	329,375	1,911,115
Landscape irrigation	1,462,413	-	269,623	(365,953)	(96,331)	1,366,082
Recycled	1,066,011	-	21,180	(280,598)	(259,418)	806,593
Fire	13,963	-	494	(11,157)	(10,663)	3,300
Total:	**$ 26,530,000**	**$ -**	**$ 3,822,206**	**$ (2,440,952)**	**$ 1,381,255**	**$ 27,911,254**

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 average annual allocation over the last 15 years has been 26 AF, which equates to less than .5% 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 2020-21 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 2020-21, 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 $41K in investment revenue. Investment Revenue is projected to decrease by $144K (down 78%) in FY 2020-21 because of lower yields.

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 in FY 2020-21 is $205K.

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. The anticipated revenue from these sources in FY 2020-21 is approximately $488K, which is a decrease of $516K from FY 2019-20, resulting from lower estimated customer-funded capital projects and capital dedications.

Transfers

The District maintains a prudent financial reserve to ensure adequate cash flow for operational needs and capital emergencies. Consistent with the 2020-2025 Cost of Service Study and the COVID-19 pandemic-related delay of the $2.7M payment to DWR for State Water, the FY 2020-21 budget anticipates the projected transfer and use of $1.7M in reserves to fully fund District operations. The 2020-2025 Cost of Service Study projects the accumulation of reserves derived from projected rate revenue over the subsequent 4 years and for the District to achieve its reserve target by 2025.

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SECTION III – EXPENDITURES

SUMMARY

FY 2020-21 expenditures are consistent with the 2020-2025 Expenditure Forecast and foundational policy documents adopted by the Board of Directors. Given the historically low water use and revenue forecast, expenditures continue to prioritize projects that maintain water quality and system reliability for treatment and distribution, and 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. Expenses are broken down in Table 3.1, Table 3.2 and Table 3.3, and followed by a full summary of costs in Table 3.4. Water supply portfolio-related costs have increased to 37% 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 23% 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 19% 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 13% and 8% 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. 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 events. Where specific price increases are known, appropriate adjustments to the Budget have been made. The District will continue to manage costs within its control and plan for uncontrollable externalities. This Budget commits to funding the minimum level of critical maintenance and infrastructure investments needed, but does not provide for proactive replacement.

Given continued water quality challenges at Lake Cachuma, the District will continue to draw on its diverse water supply portfolio, relying on a mix of groundwater and surface water to meet all primary state and federal drinking water standards. Accordingly, water treatment costs at CDMWTP will increase as a result of treating more surface water volume, along with increases related to additional regulatory water quality testing, investment in the mechanical maintenance of wells to maintain reliable production, and increased repair, replacement, and general maintenance needs associated with alternating supply sources. Conservation outreach and incentive-based programs to help customers achieve voluntary conservation will continue through 2020, and into 2021.

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 2020-21 total water supply costs will increase by $2.6M, or 18%, largely the result of deferral of a significant DWR Fixed Assessment charge for costs associated with the State Water Project, resulting in $2,743,921 of the FY 2019-20 DWR Fixed Assessment now being due December 1, 2020. The deferral of the payment was an action taken by the State to assist agencies throughout California to manage cash flow during this COVID-19 pandemic. This $2.7M payment was budgeted in FY 2019-20 and the deferral of the payment has been reflected in the Estimated Actual column below. Overall, costs related to Lake Cachuma delivery, CCRB expenses and recycled water purchases decreased slightly compared to the prior fiscal year. The cost of pumping and treating groundwater is included in O&M and capital costs.

Table 3.1 FY 2020-21 Budgeted Water Supply Agreement Costs

Category	Adopted Budget FY 2019-20	Estimated Actual FY 2019-20	Adopted Budget FY 2020-21	Variance Analysis * $ Higher / (Lower)	Variance Analysis * % Higher / (Lower)
COMB (Lake Cachuma Deliveries):					
Water Entitlement	$ 906,250	$ 906,250	$ 1,054,790	$ 148,540	16%
Operations & Maintenance	2,413,412	2,075,525	2,280,357	(133,055)	(6%)
Cachuma Renewal Fund	79,667	79,667	79,667	0	0%
Safety of Dam Act	129,392	129,392	129,392	0	0%
Subtotal - COMB	3,528,721	3,190,834	3,544,206	15,485	0%
CCRB (Water Rights):	706,100	459,638	562,488	(143,612)	(20%)
SB County (Cloud Seeding):	32,858	12,040	0	(32,858)	(100%)
CCWA (State Water Deliveries):					
Fixed Costs	7,559,988	5,474,515	10,846,999	3,287,011	43%
Variable Costs	1,595,192	198,915	1,306,723	(288,469)	(18%)
Subtotal - CCWA	9,155,180	5,673,430	12,153,722	2,998,542	33%
GSD (Recycled Water Production):	964,630	477,088	715,000	(249,630)	(26%)
Total:	**$ 14,387,489**	**$ 9,813,030**	**$ 16,975,416**	**$ 2,587,927**	**18%**

** Compares FY 2020-21 Adopted Budget to FY 2019-20 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 supply entitlement, Cachuma Project O&M, payments for dam rehabilitation, protection of Cachuma water rights and public trust resources.

Water supply portfolio related costs are a major component of the District's budget, accounting for 37% in FY 2020-21.

By agreement, the District share of COMB expenditures is 39%. This amounts to $3.5M in FY 2020-21, which is an increase of $15K, or 1%, compared to FY 2019-20, largely as a result of increased pass through of USBR's operations costs to local agencies.

CCRB works to protect Cachuma Water Rights and supplies for the South Coast water purveyors. The District share of CCRB costs is 46%, or $562K in FY 2020-21 which is a decrease of $144K, or 20% as compared to FY 2019-20. The decrease is the result of the fact that the State Water Rights Order was adopted in September 2019, and the pace of activity has slowed on costs associated with the Order. Formal reconsultation on the Federal Biological Opinion for the Cachuma Project has also been placed on hold at this time, and CCRB continues to advocate for the District's water rights in an informal consultation setting. FY 2020-21 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 its State Water through its membership in CCWA. State Water expenses are expected to the $12.2M for FY 2020-21, inclusive of the $2.7M one-time deferral of the FY 2019-20 payments to December 1, 2020. This one time deferral is included in the $10.8M CCWA-Fixed Costs line in Table 3.1. 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 Cachuma water (the District's cheapest supply source) will be prioritized and state water will be stored for use in future years.

GSD (Recycled Water Production)

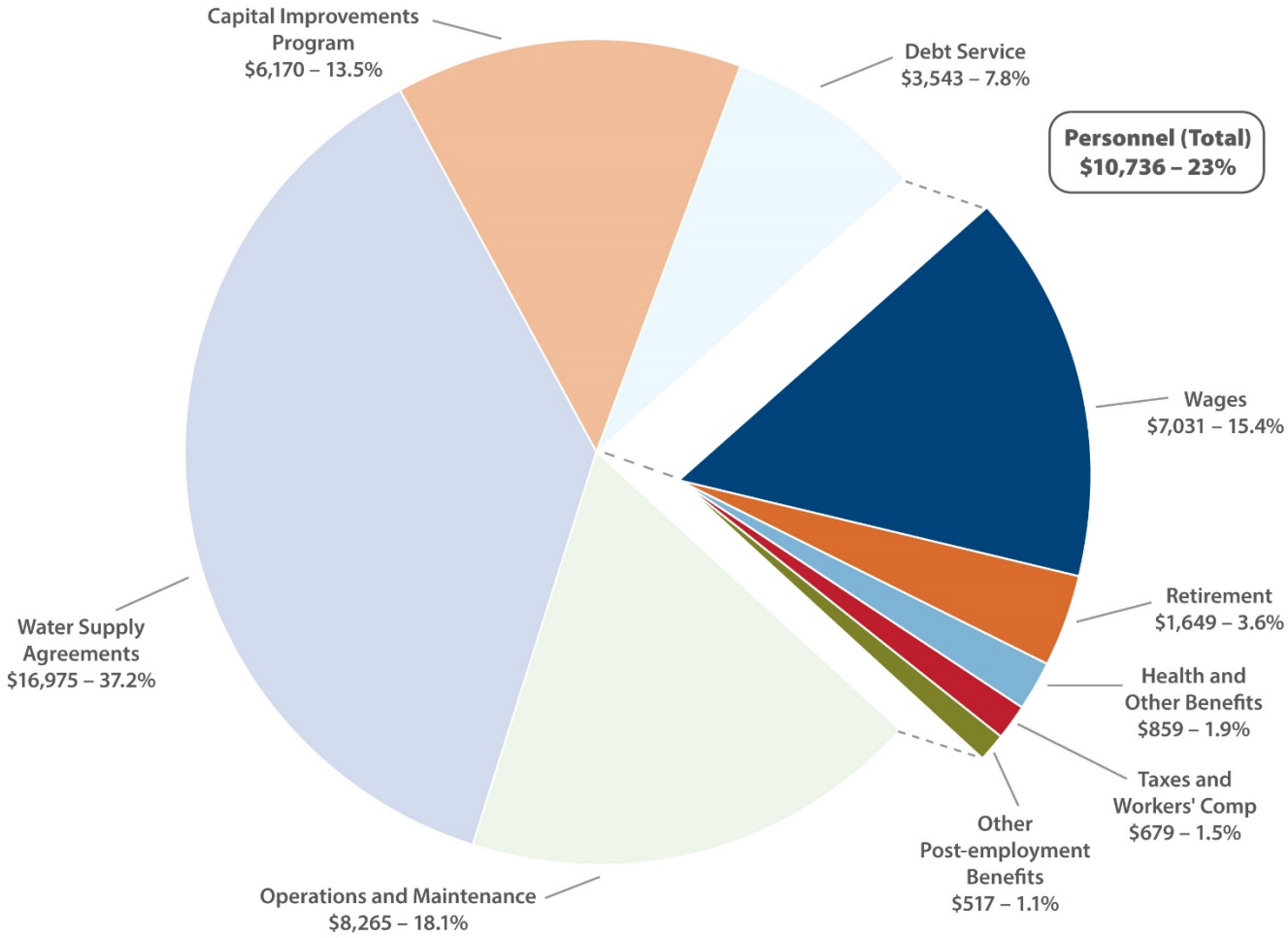
Providing recycled water to 43 customers in the District for irrigation purposes conserves drinking water for potable purposes, improving water supply reliability. Per agreement, the District pays GSD for all O&M costs necessary to produce recycled water. For FY 2020-21 costs are estimated at $715K, which is a decrease of $250K, or 26% compared to FY 2019-20, primarily because of fewer planned upgrades to critical pumps and motors to maintain the system, as many of the large projects were completed in FY 2019-20.

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 District employs engineers, certified plant operators and distribution specialists, electricians, technicians, analysts, accountants, and experienced professional managers.

Personnel costs in FY 2020-21 total $10.7M, a 2% decrease as compared to FY 2019-20, consistent with contractual obligations and the District's active efforts to control pension and health care costs where possible. Figure 3.1 provides an overview of the individual components of Personnel costs, as a portion of overall costs.

Figure 3.1 FY 2020-21 District Costs, Featuring Budgeted Personnel Costs ($000s)



Retirement expenditures make up 15% of Personnel costs, 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. Employees have been contributing 100% to their retirement plans. As PEPRA is designed to realize mid-term to long-term savings, District financial savings will continue to grow in the future.

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, 8 storage reservoirs, 9 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 3.4 billion gallons of potable water in FY 2020-21. 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 2020-21 O&M costs, which total $8.3M and are up 1% from FY 2019-20. Notable variances within expenditure categories include:

- Water Treatment costs will increase by $103K because of additional chemicals and treatments as the District will use more Lake Cachuma water relative to groundwater this year.
- Water Treatment Testing costs will decrease by $109K primarily due to the projected lower water consumption.
- Maintenance and Equipment will remain essentially flat, increasing by $18.6K.
- Services and Supplies costs will remain essentially flat, decreasing by $8K.
- Utility expenditures will increase by $69K from last year's adopted budget because of an increase in Southern California Edison (SCE) rates.

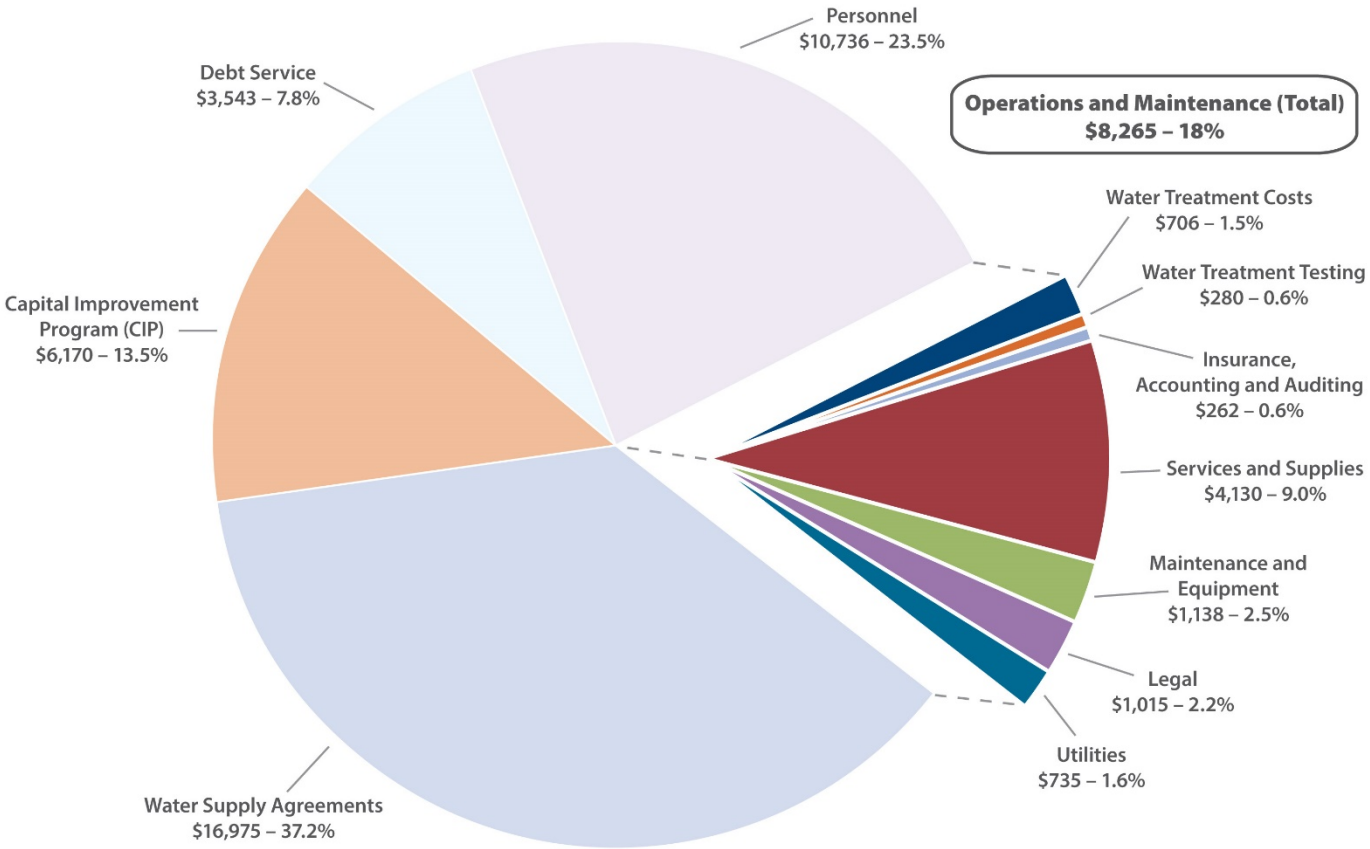
Table 3.2 FY 2020-21 Budgeted O&M Costs

Category	Adopted Budget FY 2019-20	Estimated Actual FY 2019-20	Adopted Budget FY 2020-21	Variance Analysis * $ Higher / (Lower)	Variance Analysis * % Higher / (Lower)
Operations & Maintenance Costs:					
Water Treatment	$ 602,217	$ 607,860	$ 705,580	$ 103,363	17%
Water Testing	388,738	284,245	279,626	(109,113)	(28%)
Insurance, Accounting, & Auditing	254,928	301,059	262,301	7,374	3%
Maintenance & Equipment	1,119,620	985,686	1,138,243	18,623	2%
Legal	1,014,600	1,450,979	1,014,600	(0)	(0%)
Services & Supplies	4,137,339	4,175,137	4,129,668	(7,671)	(0%)
Utilities	666,569	468,587	735,128	68,559	10%
Total:	**$ 8,184,011**	**$ 8,273,553**	**$ 8,265,146**	**$ 81,136**	**1%**

** Compares FY 2020-21 Adopted Budget to FY 2019-20 Adopted Budget*

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

Figure 3.2 FY 2020-21 District Costs, Featuring Budgeted O&M Costs ($000s)



Debt Service

Debt service costs reflect payments associated with approximately $47M 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 2020-21 debt services is $3.5M based on scheduled principal and interest payments.

Infrastructure Improvement Plan

In January 2020, the Board of Directors adopted the 2020-2025 Infrastructure Improvement Plan (IIP). 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 2020-21 Budget includes $6.17M to fund 33 capital projects selected to:

- 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 or FY 2020-21.

Table 3.3 Infrastructure Improvement Plan Projects Summary FY 2020-21

Project No.	Priority	Capital Project	FY 2020-21
1	One	Worker Safety Electrical Upgrades	$90,000
3	One	Ekwill, Fowler, and Hollister Infrastructure Relocation	$550,000
4	One	City, County, Caltrans Relocations Required Projects	$180,000
5	One	CDMWTP Leach Field Replacement	$120,000
6	One	Inoperable Small Meter Replacements	$250,000
8	One	Obsolete Reservoir Hatch Replacements	$55,000
9	Two	Transmission Main Relocation: Phase 1	$100,000
10	Two	Exposed Goleta West Conduit Pipelines	$40,000
11	Two	Inoperable Chlorination and Treatment Equipment Replacements	$90,000
12	Two	Inoperable Pipeline and Service Line Replacements	$400,000
13	Two	Inoperable Cathodic Protection System Replacements	$100,000
14	Two	Inoperable Reservoir and Reservoir Component Replacements	$50,000
15	Two	Inoperable Electrical Power System Replacements	$40,000
16	Two	Inoperable Pump and Motor Replacements	$75,000
19	Two	Well Filter Media Replacements	$65,000
20	Two	Inoperable Above Ground Well Facility Replacements	$110,000
21	Two	Inoperable Interconnect Component Replacements	$10,000
22	Two	Inoperable Valve Replacements	$200,000
23	Two	Inoperable Fire Hydrant Replacements	$125,000
24	Two	Inoperable Recycled Water Facility Replacements	$20,000
25	Two	Inoperable Computer and Electronic Hardware Replacements	$30,000
27	Two	Inoperable Building Component Replacements	$25,000
28	Two	Required Main Upsizing	$25,000
29	Two	Obsolete SCADA Replacement	$100,000
31	Two	Corona Pump Station	$800,000
32	Two	Inoperable Light Vehicle Fleet Replacement	$80,000
33	Two	Patterson Booster Pump Station Crane, Building Skin, and Paving	$280,000
36	Three	CDMWTP New Sludge Drying Bed Pump Station	$220,000
39	Three	CDMWTP Backwash Basin Pump Station Modification	$140,000
40	Three	CDMWTP Demonstration Scale GAC Contactor	$600,000
41	Three	Water Quality Maintenance in Distribution System: Phase 1	$850,000
47	Three	CDMWTP Access Road Creekside Erosion Repair and Realignment	$250,000
48	Three	Creek Crossing Inspection and Repair Program: Exposed Pipes	$100,000
		TOTAL	**$6,170,000**

SUMMARY OF DISTRICT EXPENDITURE FORECAST FOR FY 2020-21

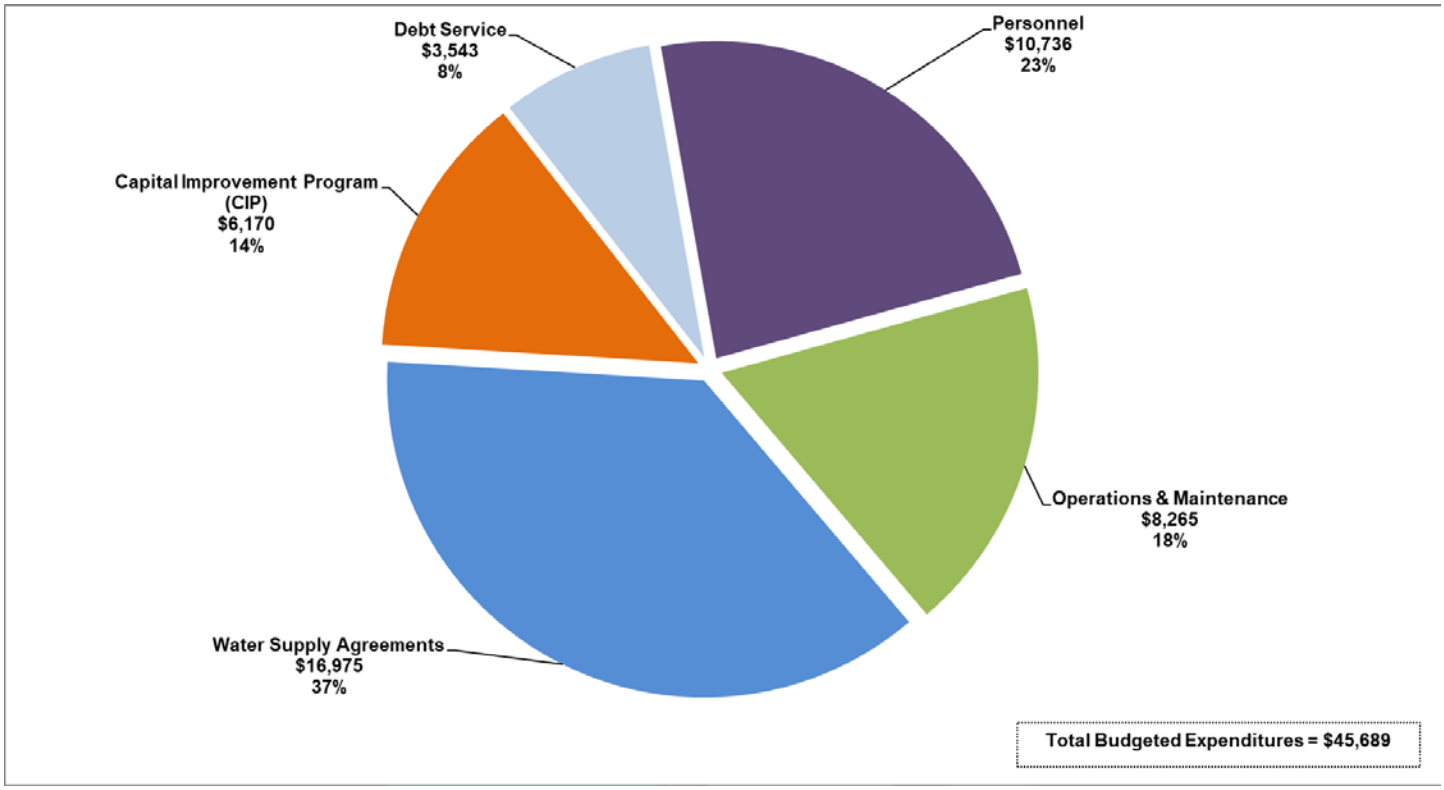
Table 3.4 and Figure 3.3 summarize FY 2020-21 total expenditures of $46.2M. A key component of the annual Budget is to prepare for cash flow variables throughout the year and pace program and project expenditures accordingly. FY 2020-21 expenditures have incorporated customer behaviors and the accompanying seasonality of revenue as described in Section II.

Table 3.4 FY 2020-21 Budget Expenditures Compared to FY 2019-20 Budget Expenditures

Category	Adopted Budget FY 2019-20	Estimated Actual FY 2019-20	Adopted Budget FY 2020-21	Variance Analysis * $ Higher / (Lower)	Variance Analysis * % Higher / (Lower)
Water Supply Agreements:					
COMB (Lake Cachuma Deliveries)	$ 3,528,721	$ 3,190,834	$ 3,544,206	$ 15,485	0%
CCRB (Water Rights)	706,100	459,638	562,488	(143,612)	(20%)
SB County (Cloud Seeding)	32,858	12,040	-	(32,858)	(100%)
CCWA (State Water Deliveries)	9,155,180	5,673,430	12,153,722	2,998,542	33%
GSD (Recycled Water Production)	964,630	477,088	715,000	(249,630)	(26%)
Subtotal:	**$ 14,387,489**	**$ 9,813,030**	**$ 16,975,416**	**$ 2,587,927**	**18%**
Personnel:					
Wages, Benefits, and Taxes	$ 10,483,136	$ 11,228,280	$ 10,218,110	$ (265,025)	(3%)
Utilities	495,138	491,724	517,419	22,281	5%
Subtotal:	**$ 10,978,274**	**$ 11,720,004**	**$ 10,735,530**	**$ (242,744)**	**(2%)**
Operations & Maintenance:					
Water Treatment Costs	$ 602,217	$ 607,860	$ 705,580	$ 103,363	17%
Water Treatment Testing	388,738	284,245	279,626	(109,113)	(28%)
Insurance, Accounting & Auditing	254,928	301,059	262,301	7,374	3%
Maintenance & Equipment	1,119,620	985,686	1,138,243	18,623	2%
Legal	1,014,600	1,450,979	1,014,600	(0)	(0%)
Services & Supplies	4,137,339	4,175,137	4,129,668	(7,671)	(0%)
Utilities	666,569	468,587	735,128	68,559	10%
Subtotal:	**$ 8,184,011**	**$ 8,273,553**	**$ 8,265,146**	**$ 81,136**	**1%**
Total Expenditures before Debt and CIP:	**$ 33,549,773**	**$ 29,806,587**	**$ 35,976,092**	**$ 2,426,319**	**7%**
Debt Service:	**3,552,488**	**3,552,488**	**3,543,113**	**(9,375)**	**(0%)**
Capital Improvement Projects (CIP):	**2,429,468**	**2,500,499**	**6,170,000**	**3,740,532**	**154%**
Total Expenditures:	**$ 39,531,729**	**$ 35,859,574**	**$ 45,689,205**	**$ 6,157,476**	**16%**

** Compares FY 2020-21 Adopted Budget to FY 2019-20 Adopted Budget*

Figure 3.3 FY 2020-21 Budgeted Expenditure Allocations ($000s)



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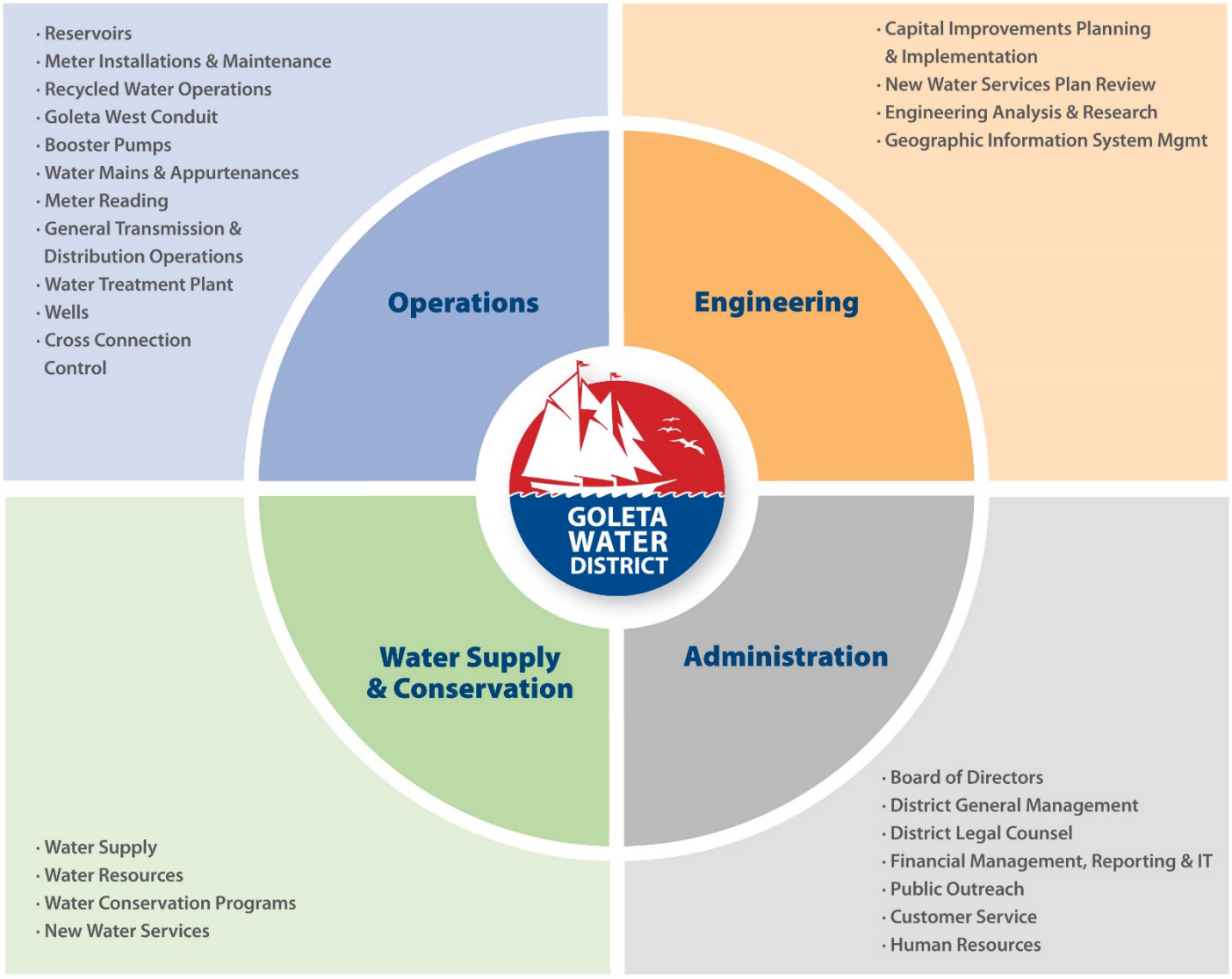
APPENDIX

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 four departmental cost centers: Operations, Engineering, 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 2020-21 Budgeted Expenditures by Departmental Cost Center

Category	Adopted Budget FY 2019-20	Estimated Actual FY 2019-20	Adopted Budget FY 2020-21	Variance Analysis * $ Higher / (Lower)	Variance Analysis * % Higher / (Lower)
Operations	$ 11,012,618	$ 11,131,402	$ 11,141,572	$ 128,953	1%
Engineering	1,068,560	820,365	708,697	(359,863)	(34%)
Water Supply & Conservation	16,020,884	11,623,949	18,590,871	2,569,987	16%
General Administration	5,447,710	6,230,871	5,534,952	87,242	2%
Total Expenditures:	**$ 33,549,773**	**$ 29,806,587**	**$ 35,976,092**	**$ 2,426,319**	**7%**

** Compares FY 2020-21 Adopted Budget to FY 2019-20 Adopted Budget*

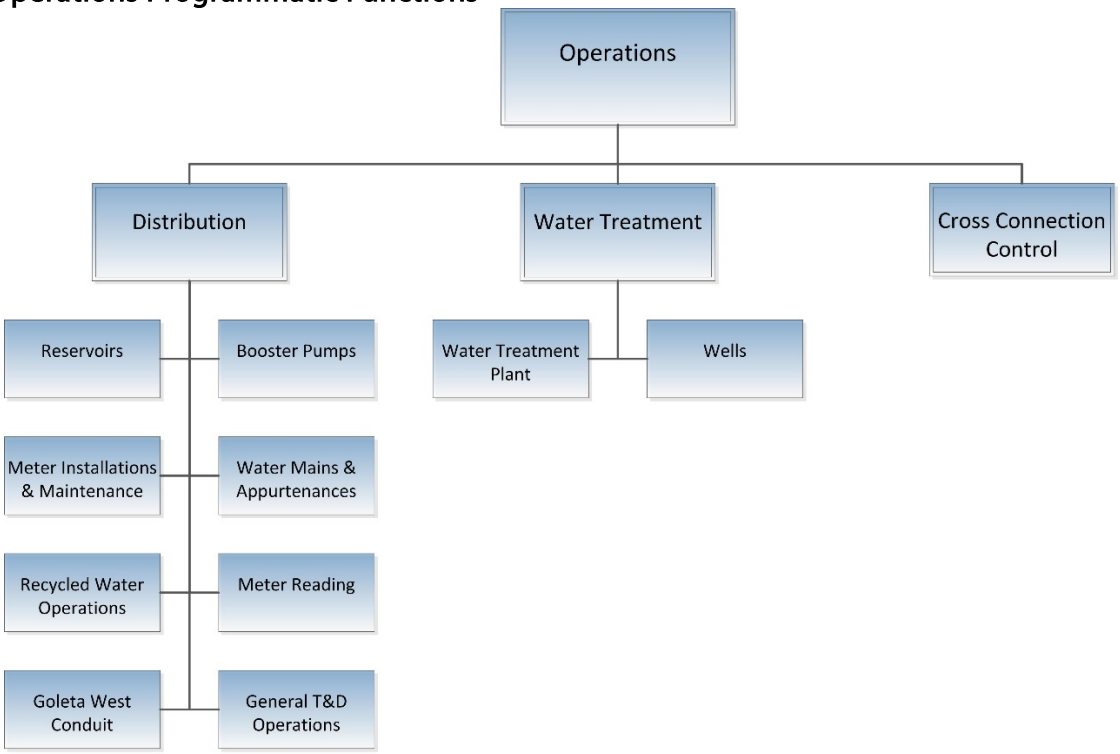
Total FY 2020-21 cost center budgeted expenditures are projected to be $35.9M, which is an increase of $2.4M or 7%, from the FY 2019-20 budget, including:

- A $129K increase in Operations is a result of increased personnel costs, surface water treatment, and costs associated with maintaining groundwater production, offset by savings in water quality testing due to lower water consumption, and alternating supply sources.
- The decrease to the Engineering budget is a result of keeping two positions vacant to offset against higher operational costs and a lower staff capitalization rate on capital projects included in the IIP.
- The one-time year-over-year variance in water supply costs of an additional $2.6M is largely the result of the deferral of a significant DWR Fixed Assessment charge for costs associated with the State Water Project, resulting in $2.7M of the FY 2019-20 DWR Fixed Assessment now being due December 1, 2020. The deferral of the payment was an action taken by the State to assist agencies throughout California to manage cash flow during this COVID-19 pandemic. This $2.7M payment was budgeted in FY 2019-20 and the deferral of the payment has been reflected in FY 2019-20's Estimated Actual column.
- A $87K increase in General Administration is primarily due to higher processing expenses related to the insourcing of customer billing and payment processing.

Operations Cost Center

The Operations Department is responsible for the operation, maintenance and improvement of three water systems and associated facilities: the Potable Water System, the Goleta West Conduit System and the Recycled Water System. The District treats and delivers approximately 3.4 billion gallons of potable water annually to meet the demand of 87,000 people living in the region. The Department has three distinct functional areas of responsibility: Distribution, Water Treatment and Cross-Connection Control, outlined in Figure 4.2.

Figure 4.2 Operations Programmatic Functions



Distribution

The Distribution cost center is responsible for the facilities that deliver water to customers, including over 270 miles of water mains and appurtenances (i.e. valves, regulating stations and fire hydrants), water storage reservoirs and booster pumping stations, which control the flow and pressure required to maintain high quality service. Each customer is connected to the distribution system through individual service lines that supply water through a meter located at the final point of service. The Distribution team within Operations maintains customer meters, conducts monthly readings to ensure accurate and timely billing, provides regular and emergency service, and investigates water quality complaints reported by customers.

Blending and delivering a mix of surface and ground water requires more complex operations than in the past. The sequencing of pumps and motors needed to move water across varying elevations, through an aging system requires more capital investment.

Distribution Operations priorities in FY 2020-21 include:

- Implementing an enhanced valve maintenance program to identify inoperable valves.
- Integrate the planned Corona Reservoir aeration system into the routine operations of the District to improve water quality.
- Begin planning for the replacement of 2" and larger AMI meters as original meter batteries are reaching the end of their expected service life.
- Continue conducting proactive meter analysis to determine how age and throughput quantities affect accuracy of measurement in small (1 /1/2" and smaller) meters to better inform future meter replacement programs.
- Upgrade the electric service panel and emergency generator connections and related facilities at the Alta Mira and La Vista Pump Stations to improve reliability during emergency operations.
- Implement the Reservoir Maintenance Program to address issues identified in the recently completed engineering conditions assessment and evaluation studies conducted on all large District reservoirs.
- Comply with the Certified Water Infrastructure Act requirements to identify natural and human threats to the integrity of the public water supply systems by 12/31/20, and complete an Emergency Response Plan to address any identified threats by 6/30/21.
- As part of the District's efforts to address increased levels of organic material in surface water supplies at Lake Cachuma, continue the water quality monitoring programs designed to detect changing conditions in the distribution system. These efforts also improve understanding around the effect of operational and source changes on overall water quality throughout the system.

Despite the COVID-19 pandemic the District continues to meet all regulatory requirements water quality and water delivery remains uninterrupted. Operating protocols, procedures, social distancing and other safe guards have been implemented to ensure a continuous supply of water to all customers.

Water Treatment

The Water Treatment cost center is responsible for the facilities and equipment necessary to produce, treat, test and ensure that the water delivered into the distribution system meets all regulatory standards for water quality set by State and Federal regulations. The potable water system consists of the CDMWTP, which treats water from Lake Cachuma, and treatment facilities at the various groundwater wells. The Goleta West Conduit system provides unfiltered Lake Cachuma water for agricultural irrigation and receives chlorination treatment from two chlorination facilities. Finally, recycled water is treated to meet regulatory standards for outdoor irrigation and restroom facilities.

Water Treatment priorities in FY 2020-21 include:

- Continue implementing protocols and procedures to protect the health and safety of critical operations staff and ensure they are able to continue providing uninterrupted lifeline water service to customers during the COVID-19 emergency.
- Begin implementing the Supervisory Control and Data Acquisition (SCADA) Master Plan to replace obsolete equipment across all sites on a prioritized basis. This project is critical to improving the reliability of automated equipment over the next five years and beyond.
- Complete the hauling of accumulated organic material from the sedimentation basin at CDMWTP.
- Incorporate the upgraded backwash and sludge bed return pumping stations into the daily operations of CDMWTP for improved operational efficiency of both recycling facilities.
- Conduct all testing for the Unregulated Contaminant Monitoring Rule (UCMR5) required by the USEPA.
- Perform downhole inspection and maintenance of one groundwater production well and related activities to maintain well production capacity.

Cross-Connection Control

The Cross-Connection Control cost center ensures that cross-connections between the potable and recycled water systems do not occur. This program includes annual physical inspections as well as periodic inspections of customer plumbing systems to ensure the potable and recycled water systems remain separate.

Every year certified backflow testers conduct annual tests on the thousands of customer backflow devices installed throughout the potable water system. These devices are owned, operated and maintained by the customer; however, the District is responsible for ensuring each device is tested annually and maintains current records of annual test results.

As a result of the new web-based backflow testing program and enhanced communications with customers, 95% of annual tests were completed on time.

Cross-Connection Control priorities in FY 2020-21 include:

- Further increase the percentage of annual backflow test results received electronically on time through proactive communication with customers and certified testers. This reduces the time staff spends on ensuring customer compliance with state law.
- Increase surveys of commercial establishments that have changed use to identify locations for backflow device installation.

Operations Accomplishments FY 2019-20

During FY 2019-20, Operations completed a number of projects to enhance water supply, improve water treatment, and increase energy and operational efficiency, including:

- Provided lifeline water service to the community while continuing to meet all primary water quality standards. Successfully modified operations and implemented operational strategies, protocols, and procedures in response to the COVID-19 pandemic.
- Upgraded the electric service, panel, and Variable Frequency Drive unit at the San Marcos well to comply with current electrical code requirements.
- Completed Arc Flash analysis on all District electrical components and labeled equipment with the proper warnings to comply with current electrical standards. These efforts are required every five years.
- Completed the Goleta West Conduit Alternative Analysis Study required by the SWRCB - DDW every three years to document the feasibility and costs required to convert the system to a potable supply under the District permit.
- Improved reliability and reduced costs by seeking proposals for two new critical vendors to provide onsite security services for CDMWTP and bottled water delivery to the Goleta West Conduit.
- Maintained water quality throughout the distribution system through the use of coordinated surface and groundwater supplies at various times during the year to meet regulatory requirements.
- Continued to optimize reservoir storage levels and movement of water during surface water operations to improve water quality throughout the distribution system.
- Completed the inspection and grouting of the interior of the District's 42" transmission main at the site of a previous leak. The interior integrity of the pipe was found to be in good condition.
- Completed sampling for PFOS and PFOA at four District wells in compliance with SWRCB-DDW orders. No further testing is required based on the results obtained and submitted to the state.

- Maintained baseline status for oils and grease at the District Headquarters by adhering to all Best Management Practices of the Storm Water Pollution Prevention Program on an ongoing basis throughout the year.
- Completed a triennial on-site Sanitary Survey of all District facilities by the SWRCB-DDW.
- Rehabilitated one groundwater production well as part of an ongoing scheduled preventative maintenance plan to maintain current production capacity to meet the health and safety needs of the community.
- Completed replacement of the filter media on two wells to improve removal of iron and manganese.

- Upgraded all injection well facilities in preparation for receipt of an injection permit from the Central Coast Water Resources Control Board that will allow the District to inject water into the groundwater basin.
- Cleaned three reservoirs as part of the Reservoir Maintenance Program. The cleaning was accomplished utilizing a commercial diving contractor in order to prevent water waste and avoid prolonged interruptions to operations that would otherwise occur if the reservoirs were taken out of service.
- Implemented a water quality monitoring program for Lake Cachuma using satellite imagery, the Cachuma Operations and Maintenance Board (COMB) lake monitoring program, and District sampling program to monitor for the presence of naturally occurring algal toxins in Lake Cachuma.
- Completed and filed the District's validated Water Loss Audit for compliance with state law. Overall, performance measures improved compared to the previous year's audit.
- Repaired damage at the San Marcos Reservoir sustained in the Cave Fire in November 2019.

FY 2020-21 Operations Cost Center Budget

Table 4.2 details the primary Operations expenditure categories and describes variances between FY 2019-20 Budget and FY 2020-21 budgeted expenditures.

Table 4.2 FY 2020-21 Operations Cost Center Budget Summary

Category	Adopted Budget FY 2019-20	Estimated Actual FY 2019-20	Adopted Budget FY 2020-21	Variance Analysis * $ Higher / (Lower)	Variance Analysis * % Higher / (Lower)
Cost Center Expenses - Operations					
Personnel:	**$ 5,818,981**	**$ 6,278,817**	**$ 6,037,629**	**$ 218,648**	**4%**
Operations & Maintenance:					
Water Treatment	602,217	607,860	705,580	103,363	17%
Water Testing	388,738	284,245	279,626	(109,112)	(28%)
Insurance, Accounting, & Auditing	97,347	27,826	100,270	2,923	3%
Maintenance & Equipment	1,118,820	971,633	1,136,087	17,267	2%
Services & Supplies	2,319,946	2,492,340	2,147,252	(172,694)	(7%)
Utilities	666,569	468,681	735,128	68,559	10%
Subtotal:	**5,193,637**	**4,852,585**	**5,103,943**	**(89,694)**	**(2%)**
Total Expenditures:	**$ 11,012,618**	**$ 11,131,402**	**$ 11,141,572**	**$ 128,954**	**1%**

** Compares FY 2020-21 Adopted Budget to FY 2019-20 Adopted Budget*

The Operations budget will increase in FY 2020-21 by $129K, or 1%. Notable changes from FY 2019-20 Operations Budget to the FY 2020-21 Budget include:

- Operations personnel costs will increase by $219K or 4% in FY 2020-21 consistent with overall SEIU negotiated provisions.

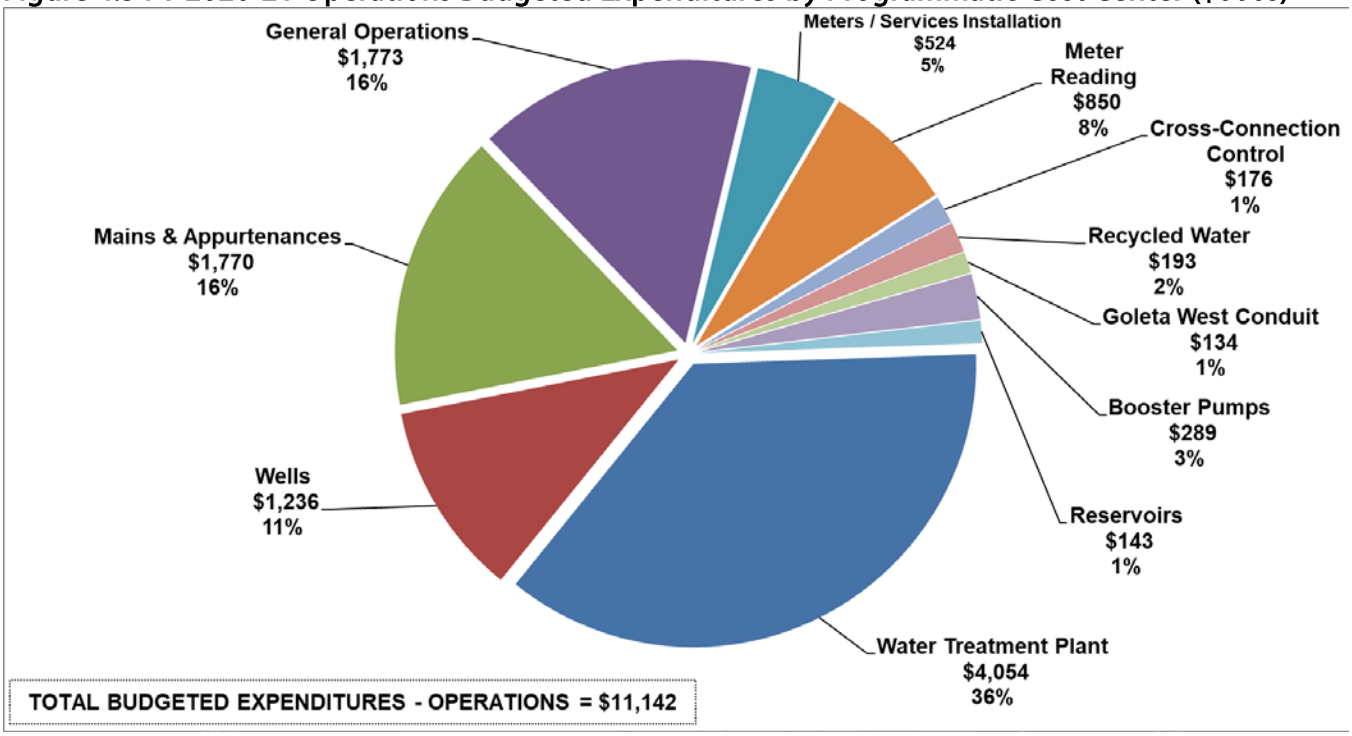
- Water Treatment costs will increase by $103K due to more chemicals being required for treatment of higher amounts of Lake Cachuma water as compared to higher use of groundwater in previous year.
- Water Treatment Testing costs will decrease by $109K primarily due to the projected lower water consumption.
- Services and Supplies will decrease by $173K or 7% as a result of completing the San Marcos Well electrical upgrade project and Distribution Water Quality Monitoring Plan in FY 2019-20. The FY 2020-21 budget will fund ongoing projects such as the THM Reduction Program to assess and implement various methods to futher reduce THM levels in the system; emergency and preventive maintenance for District wells; as well as ongoing maintenance and programming improvements to the SCADA system.

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

Table 4.3 FY 2020-21 Operations Budgeted Expenditures by Programmatic Cost Center

Description	Water Treatment Plant	Wells	Mains & Appurtenances	General Operations	Meters / Services Installation	Meter Reading	Cross-Connection Control	Recycled Water	Goleta West Conduit	Booster Pumps	Reservoirs	Total Operations
Water Treatment	$ 611,500	$ 48,700	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 45,380	$ 0	$ 0	$ 705,580
Water Testing	248,900	28,850	0	0	0	0	0	0	1,876	0	0	279,626
Personnel - Wages	1,462,516	202,499	929,724	602,992	230,697	533,543	122,054	48,082	18,422	0	0	4,150,528
Personnel - Benefits	532,899	57,544	404,133	239,492	87,988	247,481	14,062	22,533	1,747	0	0	1,607,878
Personnel - Taxes & W.C.	98,211	14,686	62,617	38,284	15,586	36,176	9,063	3,286	1,312	0	0	279,222
Insurance and Accounting	22,040	0	24,040	28,040	8,020	14,110	4,020	0	0	0	0	100,270
Maintenance & Equipment	261,630	203,950	178,950	281,930	116,190	2,160	3,710	12,360	20,617	17,300	37,290	1,136,087
Services & Supplies	691,800	480,550	160,760	551,260	65,240	16,800	23,140	77,250	39,812	25,640	15,000	2,147,252
Utilities	124,300	199,700	9,710	31,100	0	0	0	29,600	4,588	245,810	90,320	735,128
Total:	**$4,053,796**	**$1,236,479**	**$ 1,769,934**	**$1,773,097**	**$ 523,721**	**$850,271**	**$ 176,049**	**$193,111**	**$133,753**	**$288,750**	**$ 142,610**	**$11,141,572**

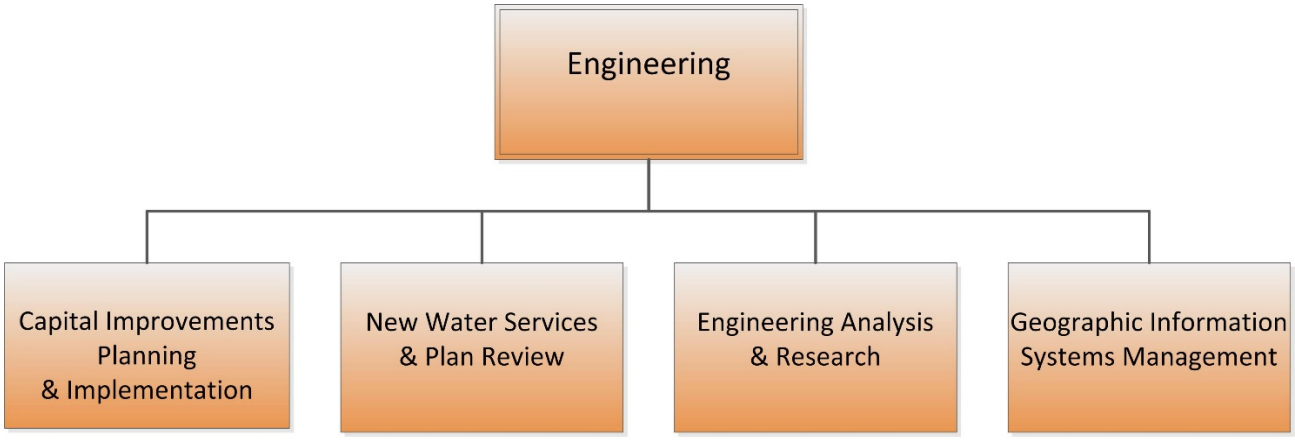
Figure 4.3 FY 2020-21 Operations Budgeted Expenditures by Programmatic Cost Center ($000s)



Engineering Cost Center

The Engineering cost center includes various 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, and 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, installed, and maintained to meet industry and regulatory standards and the water supply needs of the community. Figure 4.4 below illustrates the specific programmatic cost centers within Engineering. A majority of expenditures associated with the engineering function are recovered through the capital budget or are reimbursed through developer and related fees and charges.

Figure 4.4 Engineering Programmatic Functions



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) and Sustainability Plan. Engineering oversees studies, design, and construction of all 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 2020-21, capital projects will focus on replacing inoperable equipment, enhanced water quality treatment, and sedimentation handling improvements at CDMWTP. Also included is replacement of the District's obsolete SCADA system, which automates system controls and allows District operators to manage many facilities and processes remotely. Water quality projects include the installation of aeration equipment at Corona Reservoir, as well as a demonstration scale granular activated carbon (GAC) treatment unit at CDMWTP to adapt to changing water quality conditions at Lake Cachuma. Improvements to the

The District's capital investment prioritizes investment in water quality, distribution and critical infrastructure to maintain current levels of service to customers. It does not provide for the proactive replacement of an aging system.

performance and flexibility of the District's CDMWTP sediment handling process will improve water treatment and production reliability at the CDMWTP.

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 have already 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 2020-21, engineering analysis and research efforts will continue to collect and analyze data on pipeline conditions, disinfection byproducts and precursors and other constituents, treatment performance, and continue to update the Standards and Specifications.

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 recordkeeping process to ensure the integrity and operational capacity of District water systems.

State-of-the-art hydraulic 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 2020-21, GIS efforts will continue to update newly created layers showing all easements, service lines, creek crossings, hydrants, and water quality complaints to increase the capabilities and efficiency of District GIS-based asset research and use in the field.

Engineering Accomplishments FY 2019-20

Key Engineering projects completed in FY 2019-20 included:

- Developed the District's 2020-2025 Infrastructure Improvement Plan, with funding for $50M of the identified $348M in infrastructure improvement and replacement projects over the next five years.
- Completed the first major overhaul of the District's Technical Specifications and Standard Details in over a decade.
- Established conditions assessment protocols for different asset classes to inform the District's Asset Preservation Program.
- Completed design work for an aeration system at Corona Reservoir and completed side-by-side performance testing of aeration technology at Ellwood Reservoir.
- Performed granular activated carbon (GAC) media pilot testing and installed a GAC filter adsorber at CDMWTP to reduce total organic carbon levels and trihalomethanes, in preparation for demonstration-scale testing.
- Completed geotechnical investigation, survey, and design for the CDMWTP Access Road Creekside Erosion Repair and Realignment.
- Completed a distribution system water storage gap analysis to inform water storage needed for operations, fire protection, and emergency demand.
- Replaced filter media at Berkeley and Shirrell wells to achieve improved treatment performance.
- Received the District's Regional Water Quality Control Board Notice of Applicability for Aquifer Storage and Recovery within the Goleta Groundwater Basin to allow for future conditional injection of Lake Cachuma water at certain well sites.

- Completed construction of Patterson Booster Pump Station operational upgrades.
- Completed a design for a pipeline at the South Kellogg Railroad crossing to reduce water age, improve system pressures, and minimize future customer interruptions from shutdowns.
- Completed vulnerability assessment of pipeline creek crossings with a count of customers affected and valve shutdown plans.
- Completed a SCADA Master Plan to inform phased five-year obsolete SCADA replacement schedule.

- Completed creation of GIS layers for pipeline creek crossings, water quality complaints, service lines, easements, cathodic protection, geologic and geotechnical investigations, and an interactive GIS layer for determining downstream creek crossings potentially affected by fire burn scars.
- Retrofitted fluorescent light bulbs at District Headquarters with energy efficient LED bulbs to reduce energy consumption.
- Collected and analyzed fifteen soil samples and several pipe samples across the distribution system to inform pipeline conditions and estimated remaining useful life.
- Responded to easement encroachments at four locations.
- Completed Standard Operating Procedures and automation for Anita and San Ricardo wells.
- Conducted numerous staff analyses, plan checks and inspections on private development projects.
- Conducted inspections on outside agency projects.
- Completed analyses of main breaks and service line breaks.

FY 2020-21 Engineering Budget

Table 4.4 outlines Engineering expenditures and describes variances between FY 2019-20 Budget and FY 2020-21 budgeted expenditures.

Table 4.4 FY 2020-21 Engineering Cost Center Budget Summary

Category	Adopted Budget FY 2019-20	Estimated Actual FY 2019-20	Adopted Budget FY 2020-21	Variance Analysis * $ Higher / (Lower)	Variance Analysis * % Higher / (Lower)
Cost Center Expenses - Engineering					
Personnel:	**$ 633,074**	**$ 644,616**	**$ 301,945**	**$ (331,129)**	**(52%)**
Operations & Maintenance:					
Insurance, Accounting, & Auditing	7,785	-	12,885	5,100	66%
Maintenance & Equipment	600	4,361	1,925	1,325	221%
Services & Supplies	427,102	171,388	391,942	(35,159)	(8%)
Subtotal:	**435,486**	**175,749**	**406,752**	**(28,734)**	**(7%)**
Total Expenditures:	**$ 1,068,560**	**$ 820,365**	**$ 708,697**	**$ (359,863)**	**(34%)**

** Compares FY 2020-21 Adopted Budget to FY 2019-20 Adopted Budget*

Engineering expenses will decrease by $360K, or 34%, in FY 2020-21. Notable changes from the FY 2019-20 Budget to the FY 2020-21 Budget include:

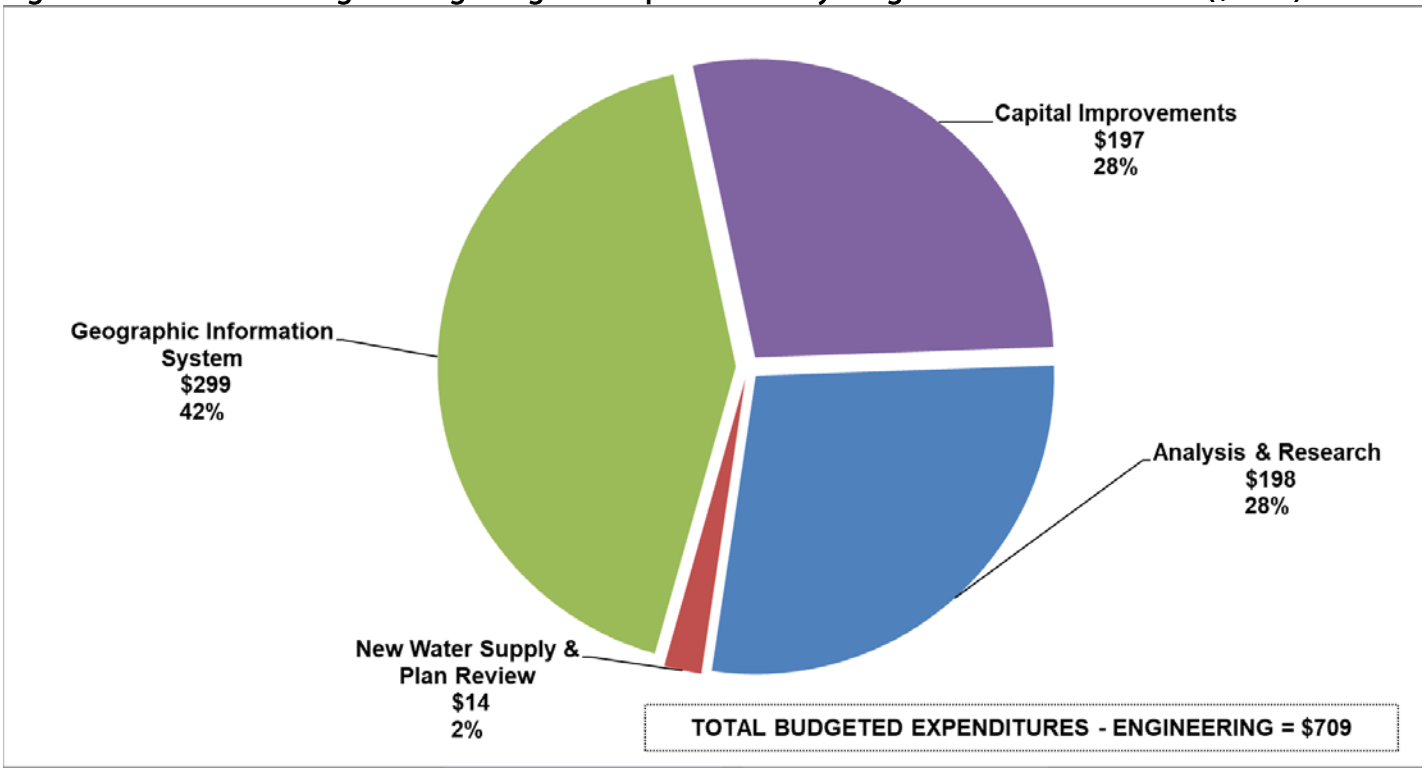
- A decrease in personnel costs as a result of keeping two vacant positions unfulfilled to offset against higher operational costs and a lower staff capitalization rate on capital projects included in the IIP.

Table 4.5 and Figure 4.5 provide details of Engineering expenditures by programmatic cost center.

Table 4.5 FY 2020-21 Engineering Budgeted Expenditures by Programmatic Cost Center

Description	Analysis & Research	New Water Supply & Plan Review	Geographic Information System	Capital Improvements	Total Engineering
Personnel - Wages	$ (88,977)	$ 5,310	$ 94,962	$ 102,482	$ 113,777
Personnel - Benefits	67,619	2,478	48,676	31,222	149,996
Personnel - Taxes & W.C.	20,778	463	7,992	8,940	38,172
Insurance, Accounting, & Auditing	7,721	2,582	0	2,582	12,885
Maintenance & Equipment	0	0	425	1,499	1,925
Services & Supplies	190,695	3,548	147,386	50,314	391,942
Total:	**$ 197,837**	**$ 14,382**	**$ 299,440**	**$ 197,038**	**$ 708,697**

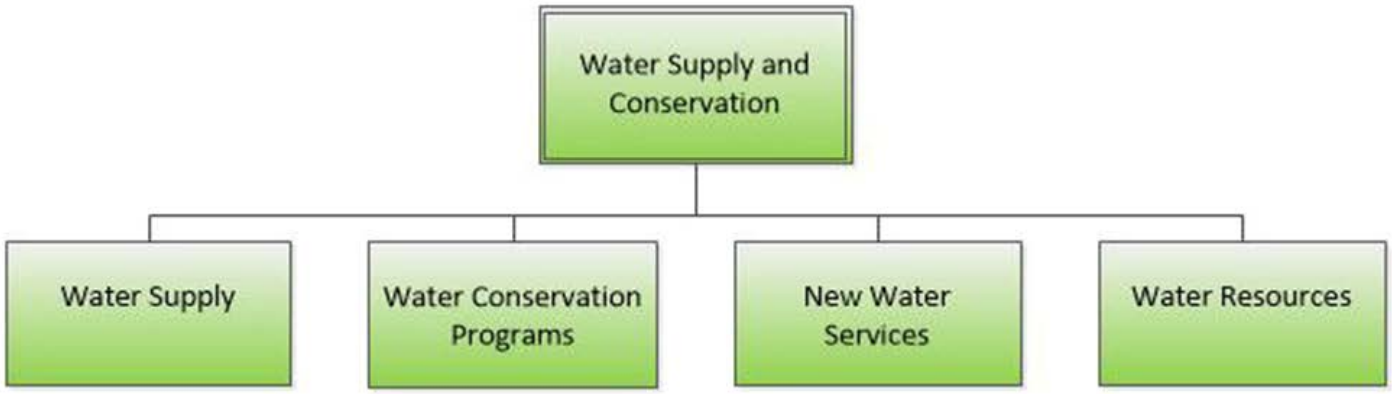
Figure 4.5 FY 2020-21 Engineering Budgeted Expenditures by Programmatic Cost Center ($000s)



Water Supply & Conservation Cost Center

The WS&C cost center includes the following programmatic cost centers: Water Supply, Conservation Programs, New Water Services, and Water Resources, as shown in Figure 4.6.

Figure 4.6 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 covers costs related to 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 2020-21 priorities include continued work with CCRB and other regional partners to protect surface water rights given pending 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. While District water supplies were augmented by 2019-20 late winter storms, conservation remains a key element of demand management. Existing conservation programs will continue to be offered in

FY 2020-21 though programs requiring site visits such as the Smart Landscape Rebate Program have been temporarily suspended, as a result of the COVID-19 pandemic.

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 moratorium on new water allocations under the voter-approved SAFE Ordinance remains in effect as the District remains unable to commit the required 2,477 acre-feet of groundwater to storage in the Basin under SAFE, known as the "annual drought buffer" commitment.

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 2020-21 priorities include: updating the District's Urban Water Management Plan and Groundwater Management Plan; and research, policy development and contingency planning related to optimizing conjunctive use of the District's water resources. The Water Resources cost center also includes a grant management function and is responsible for seeking out and applying for new grant opportunities. During FY 2020-21, grant activities will be focused on securing funding for projects identified in the District's Sustainability Plan, and securing additional capital improvements funding from State and Federal agencies to maintain water quality.

Water Supply and Conservation (WS&C) Accomplishments FY 2019-20

Key WS&C accomplishments during FY 2019-20, include:

- Continued compliance with statewide emergency 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.
- Engagement with more than 2,500 customers at conservation outreach events, and presentations to 450 students at area schools about ways to eliminate water waste and conserve water.
- Adoption of the updated Integrated Regional Water Management Plan for Santa Barbara County.

- An update of the District's USBR Agricultural Water Management Plan.
- Distribution of over a 100 rebates through the Smart Landscape Rebate Program, the Water Saving Incentive Program for landscape irrigation accounts, and the mulch rebate program.

FY 2020-21 Water Supply and Conservation Budget

Table 4.6 details the primary FY 2020-21 WS&C budgeted expenditures and variances from the FY 2019-20 Budget.

Table 4.6 FY 2020-21 Water Supply and Conservation Cost Center Budget Summary

Category	Adopted Budget FY 2019-20	Estimated Actual FY 2019-20	Adopted Budget FY 2020-21	Variance Analysis * $ Higher / (Lower)	Variance Analysis * % Higher / (Lower)
Cost Center Expenses - WS&C					
Water Supply Agreements:					
COMB (Lake Cachuma Deliveries)	$ 3,528,721	$ 3,190,834	$ 3,544,206	$ 15,485	0%
CCRB (Water Rights)	706,100	459,638	562,488	(143,612)	(20%)
SB County (Cloud Seeding)	32,858	12,040	0	(32,858)	(100%)
CCWA (State Water Deliveries)	9,155,180	5,673,430	12,153,722	2,998,542	33%
GSD (Recycled Water Production)	964,630	477,088	715,000	(249,630)	(26%)
Subtotal:	**14,387,489**	**9,813,030**	**16,975,416**	**2,587,927**	**18%**
Personnel:	**1,280,069**	**1,471,461**	**1,198,767**	**(81,302)**	**(6%)**
Operations & Maintenance:					
Insurance, Accounting, & Auditing	40,796	3,310	29,298	(11,498)	(28%)
Maintenance & Equipment	200	7,980	0	(200)	(100%)
Services & Supplies	312,331	328,168	387,391	75,060	24%
Subtotal:	**353,327**	**339,458**	**416,688**	**63,362**	**18%**
Total Expenditures:	**$ 16,020,884**	**$ 11,623,949**	**$ 18,590,871**	**$ 2,569,987**	**16%**

** Compares FY 2020-21 Adopted Budget to FY 2019-20 Adopted Budget*

The WS&C cost center Budget will increase by $2.6M in FY 2020-21. Notable changes from the FY 2019-20 Budget to FY 2020-21 Budget include:

- Overall costs associated with Water Supply Agreements have increased by approximately $2.6M or 18% primarily the result of the deferral of $2,743,921 of the FY 2019-20 DWR Fixed Assessment charge for costs associated with the State Water Project, now being due December 1, 2020. The deferral of the payment was an action taken by the State to assist agencies throughout California to manage cash flow during the COVID-19 pandemic. This $2.7M payment was budgeted in FY 2019-20 and the deferral of the payment has been reflected in the FY 2019-20 Estimated Actual column. This increase is partially

offset by lower DWR fixed and variable charges, and reduced activity related to protecting water rights through CCRB.

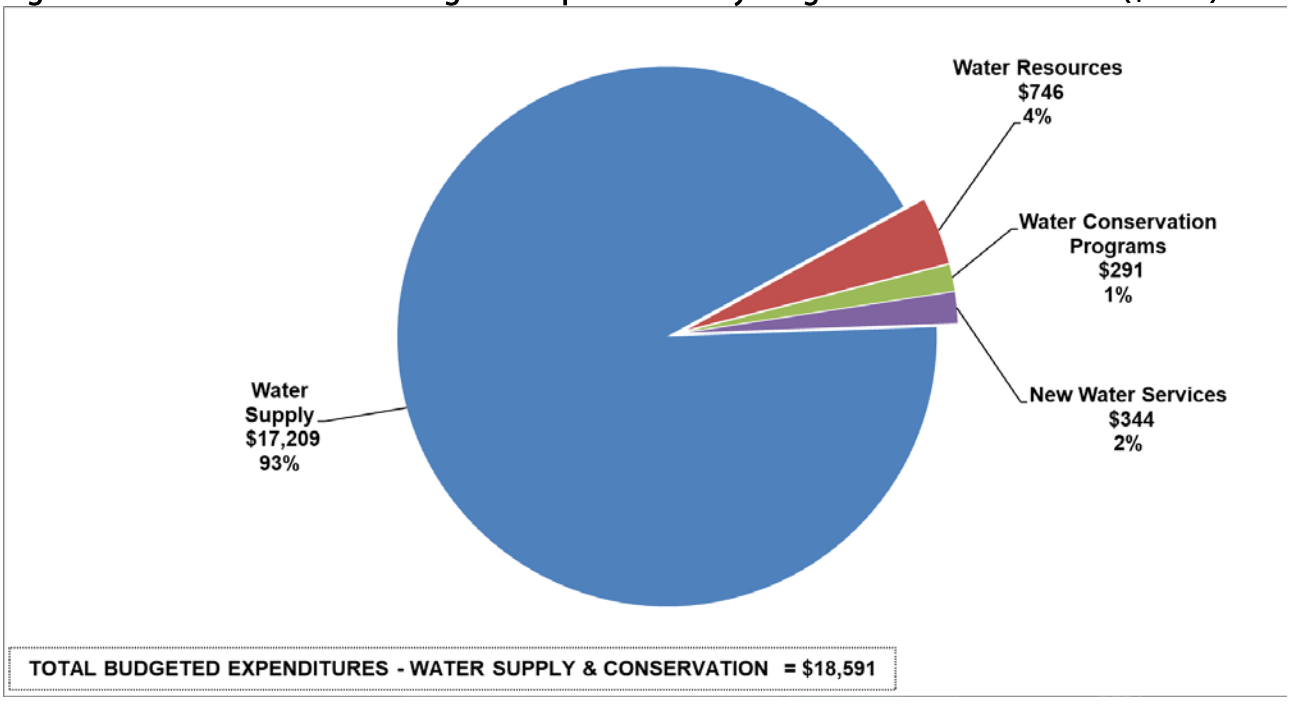
- Services and Supplies costs will increase overall by $75K or 24% in FY 2020-21 because of the need to update the District's Urban Water Management Plan and Groundwater Management Plan.

Table 4.7 and Figure 4.7 provide details of WS&C expenditures by programmatic cost center.

Table 4.7 FY 2020-21 WS&C Budgeted Expenditures by Programmatic Cost Center

Description	Water Supply	Water Resources	Water Conservation Programs	New Water Services	Total WS&C
COMB (Lake Cachuma Deliveries)	$ 3,544,206	$ 0	$ 0	$ 0	$ 3,544,206
CCRB (Water Rights)	562,488	0	0	0	562,488
SB County (Cloud Seeding)	0	0	0	0	0
CCWA (State Water Deliveries)	12,153,722	0	0	0	12,153,722
GSD (Recycled Water Production)	715,000	0	0	0	715,000
Personnel - Wages	204,651	342,890	153,178	238,517	939,237
Personnel - Benefits	17,347	90,611	12,223	77,035	197,216
Personnel - Taxes & W.C.	11,919	22,319	10,961	17,115	62,314
Insurance, Accounting, & Auditing	0	23,493	606	5,199	29,298
Maintenance & Equipment	0	0	0	0	0
Services & Supplies	0	266,926	113,915	6,549	387,391
Total:	**$ 17,209,334**	**$ 746,239**	**$ 290,883**	**$ 344,415**	**$ 18,590,871**

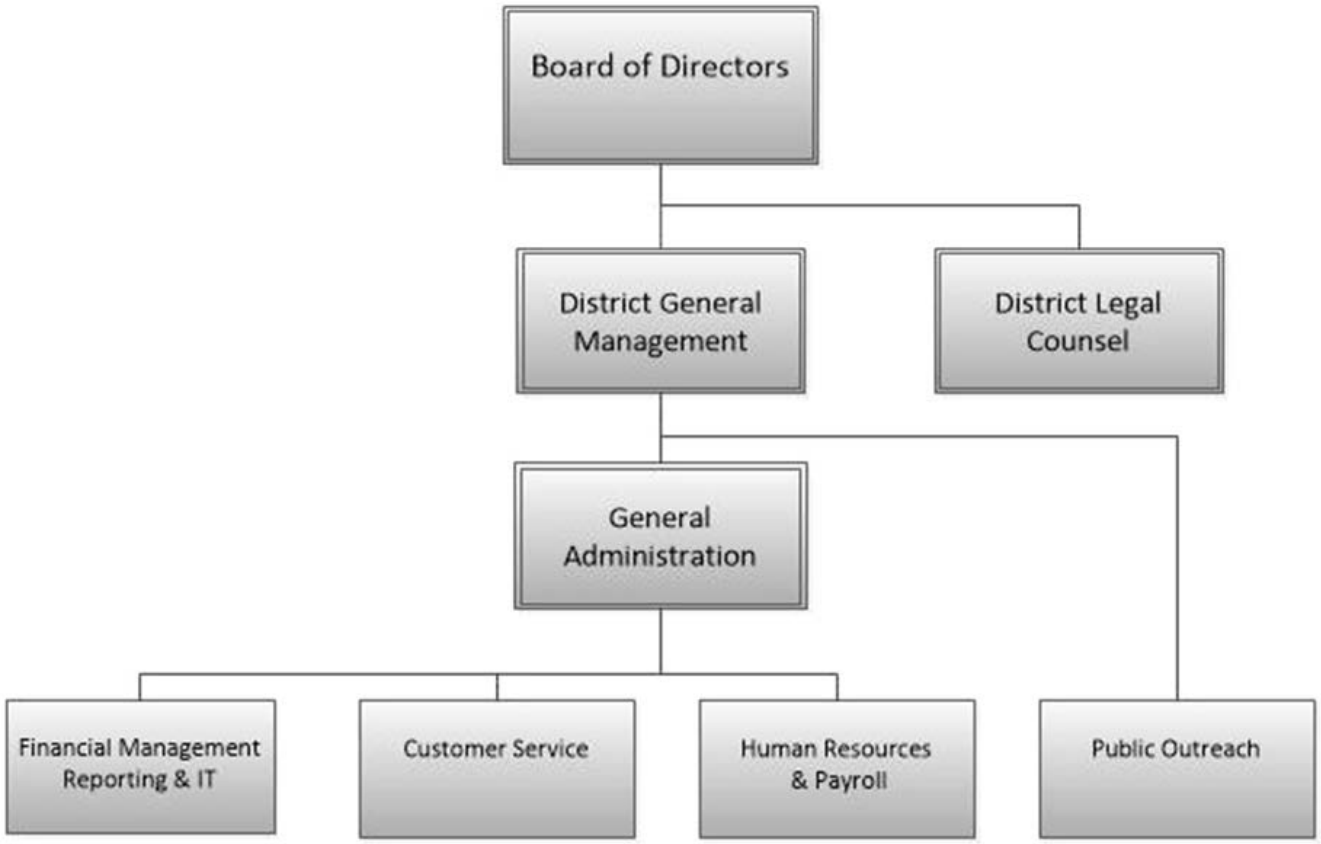
Figure 4.7 FY 2020-21 WS&C Budgeted Expenditures by Programmatic Cost Center ($000s)



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 4.8.

Figure 4.8 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, 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 2020-21, the District will continue to implement process and system improvements that will enhance operational efficiencies especially related to the customer billing processes that have been administered directly by District staff since January 2020.

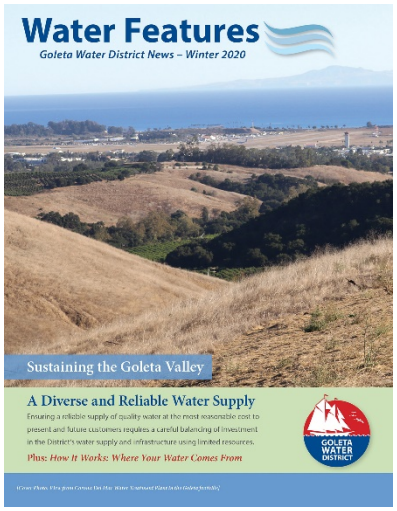
Customer Service

The Customer Service center is the initial point of contact for the community, handling incoming calls, receiving visitors, and managing the billing and collection process for the District's 17,000 customers. For FY 2020-21, Customer Service will promote the District's new customer portal (Watersmart) to increase customer participation in electronic and automatic payment, increasing paperless billing, and help those interested in reducing their water use to supplement walk-in, mail, and telephone customer service activities.

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, all payroll and benefit processes are administered.

Public Outreach



Public Outreach and Public Information is an extension of the Office of the General Manager. The function includes all District communications, media relations, press releases, special outreach, newsletters, 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 2020-21 public outreach will continue educating customers on key aspects of District operations and the future challenges ahead. The District will 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 2019-20

Significant highlights achieved during FY 2019-20 included:

- Completion of the District's Comprehensive Annual Financial Report (CAFR) and received an unmodified ("clean") opinion on its audited financial statements.
- Completion of the 2020-2025 Expenditure Forecast that served as the foundation for the Cost of Service and Rate Design Study, which guided the District's Board of Directors to set rates sufficient to generate the revenue needed to cover anticipated expenditures through 2025.
- Successful design and implementation of an emergency operating plan to avoid business and service interruptions resulting from the global COVID-19 pandemic. The plan included procuring and

redistributing computers, deploying effective security technologies for staff working remotely, and ensuring the safety of District staff and customers.

- Successful submission of the initial application necessary to apply for grant funding and reimbursement through FEMA to pay for COVID-19 related costs.
- Migration of customer billing and payment processing in-house after the District's outsourced service provider unexpectedly ceased operations in December 2019, mid-fiscal year. This process involved a comprehensive shift in administrative operations required the vetting, negotiation and selection of a new billing software provider, the programming, testing and launch of a new internet based customer engagement website and payment portal, as well as significant process changes and retraining of District staff to ensure uninterrupted continuity and continued timely issuance of customer bills and payment processing.
- Received two ACWA JPIA President's Special Recognition awards for achieving a low loss ratio in both the Liability and Property Insurance programs.
- Received approximately 70,000 page views on the website, with customer online access and customer service ranking as the most popular items.

FY 2020-21 General Administration Budget

Table 4.8 compares General Administration budget variances between FY 2019-20 and FY 2020-21.

Table 4.8 FY 2020-21 General Administration Cost Center Budget Summary

Category	Adopted Budget FY 2019-20	Estimated Actual FY 2019-20	Adopted Budget FY 2020-21	Variance Analysis * $ Higher / (Lower)	Variance Analysis * % Higher / (Lower)
Cost Center Expenses - General Admin.					
Personnel:	**$ 2,751,012**	**$ 2,833,386**	**$ 2,679,770**	**$ (71,242)**	**(3%)**
Other Post Employment Benefits:	**495,138**	**491,724**	**517,419**	**22,281**	**4%**
Operations & Maintenance:					
Insurance, Accounting, & Auditing	109,000	269,923	119,848	10,848	10%
Legal	1,014,600	1,450,979	1,014,600	(0)	(0%)
Services & Supplies	1,077,960	1,184,859	1,203,315	125,355	12%
Subtotal:	**2,201,560**	**2,905,761**	**2,337,763**	**136,203**	**6%**
Total Expenditures:	**$ 5,447,710**	**$ 6,230,871**	**$ 5,534,952**	**$ 87,242**	**2%**

** Compares FY 2020-21 Adopted Budget to FY 2019-20 Adopted Budget*

The General Administration Budget will increase by $87K, or 2% in FY 2020-21. Notable General Administration changes from FY 2019-20 to FY 2020-21 Budget include:

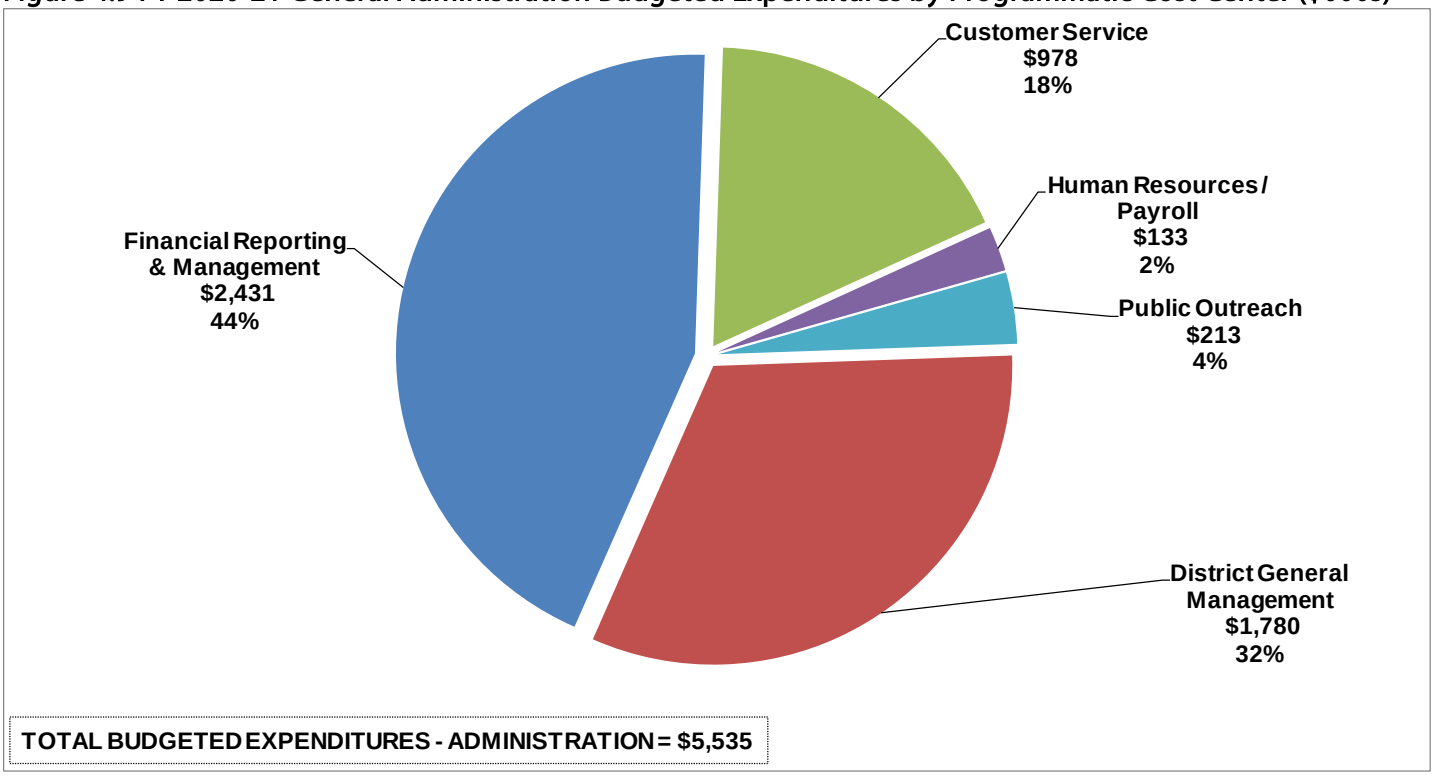
- Personnel costs will decrease by $71K primarily resulting from turnovers in staff and replacing them with lower cost personnel.
- District-wide OPEB costs will increase by $22K resulting from changes in the retiree pool and health insurance costs.
- Service & Supplies will increase by $125K primarily because of higher processing expenses related to the insourcing of customer billing and payment processing.

Table 4.9 and Figure 4.9 provide a detailed breakdown of General Administration expenditures by programmatic cost center.

Table 4.9 FY 2020-21 General Administration Budgeted Expenditures by Programmatic Cost Center

Description	District General Management	Financial Reporting & Management	Customer Service	Human Resources / Payroll	Public Outreach	Total Administration
Personnel - Wages	$ 446,579	$ 1,173,469	$ 193,864	$ 72,650	$ 104,520	$ 1,991,081
Personnel - Benefits	49,532	358,618	102,309	32,873	9,571	552,903
Personnel - Taxes & W.C.	27,715	79,343	15,711	5,176	7,841	135,786
Other Post Employment Benefits	0	517,419	0	0	0	517,419
Insurance, Accounting, & Auditing	45,208	65,677	7,363	0	1,601	119,848
Legal	1,014,600	0	0	0	0	1,014,600
Services & Supplies	196,251	236,340	658,904	21,882	89,937	1,203,315
Total:	**$ 1,779,885**	**$ 2,430,866**	**$ 978,151**	**$ 132,581**	**$ 213,470**	**$ 5,534,952**

Figure 4.9 FY 2020-21 General Administration Budgeted Expenditures by Programmatic Cost Center ($000s)

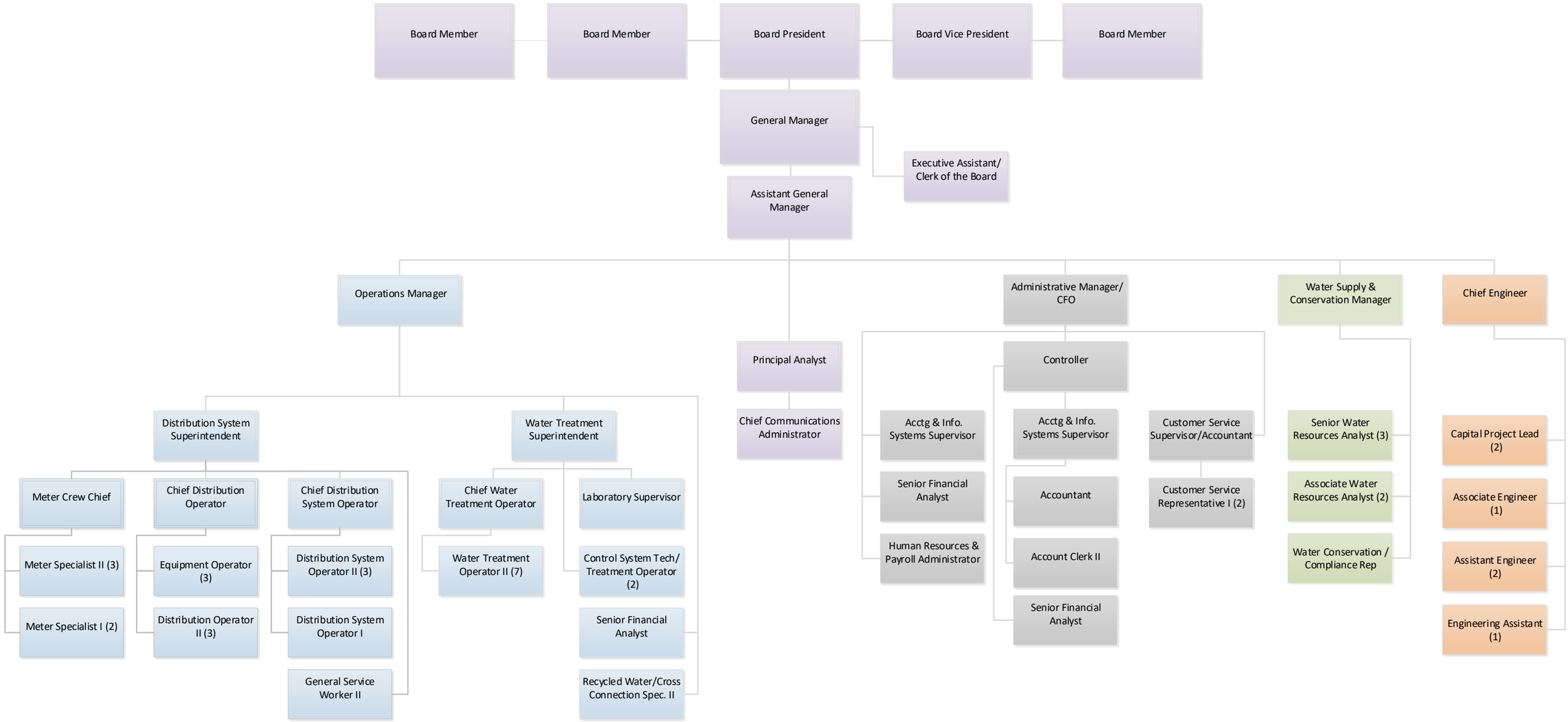


District Organization

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 four departments: Operations, Engineering, 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 4.10.

Figure 4.10 Organizational Chart by Department and Position

Figure 4.10 Organizational Chart by Department and Position



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