

Santa Ynez River Water Conservation District

Rate Study Report

Final Report, June 21, 2022

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June 21, 2022

Mr. Kevin Walsh
General Manager
P.O. Box 719
Santa Ynez, CA 93460

Subject: Rate Study Report

Dear Mr. Walsh,

Raftelis is pleased to provide this Water Cost-of-Service and Rate Study report for the Santa Ynez River Water Conservation District (District). This report includes a financial plan for fiscal year (FY) 2022-2023 (FY 2023).

The study objectives include the following:

1. Develop a financial plan to support financial sufficiency and meet operation and maintenance (O&M) costs;
2. Conduct a water cost-of-service study that is based on the District's costs;
3. Calculate proposed, updated water rates for FY 2023;
4. Conduct an analysis of the effects of the proposed rates on District groundwater producers; and
5. Demonstrate the amount raised by the proposed groundwater charges is necessary to cover the reasonable costs of the District's activities, and that proposed groundwater charges are allocated to District groundwater producers in a manner that bears a fair or reasonable relationship to the payor's burdens on, or benefits received from the District's activities, consistent with Proposition 26 (Cal. Const., Art. 13C, § 1).

This report summarizes the key findings and recommendations related to the development of the financial plan and the development of the associated water rate.

It has been a pleasure working with you.

Sincerely,

A blue ink signature of Sudhir Pardiwala, written in a cursive style.

Sudhir Pardiwala, PE
Executive Vice President

A black ink signature of Theresa Jurotich, written in a cursive style.

Theresa Jurotich, PE
Manager

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Abbreviations & Acronyms

Terms	Descriptions
AF	Acre foot /Acre feet, 1 AF = 435.6 hcf, 1 AF = 325,851 gallons
AWWA	American Water Works Association
LAIF	Local Agency Investment Fund
M1 Manual	"Principles of Water Rates, Fees, and Charges: Manual of Water Supply Practices M1", 7 th edition published by AWWA
O&M	Operations and Maintenance
Raftelis	Raftelis Financial Consultants, Inc.
SGMA	Sustainable Groundwater Management Act
SWRCB	State Water Resources Control Board

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1. Executive Summary

The Santa Ynez River Water Conservation District (“District”) was formed in 1939 for the primary purpose of protecting water rights on the lower Santa Ynez River, and if necessary, augmenting water supplies of the District, which are necessary for the public health, welfare, and safety of all residents. The District is a California Water Conservation District formed and existing pursuant to the Water Conservation District Law of 1931 (Water Code § 74000 set seq.). Pursuant to Water Code section 75500, et seq., the District has since at least 1979 levied groundwater charges on all persons operating groundwater-producing facilities within the District to help recover the costs of managing, protecting, conserving, and enhancing water resources within the District. The District’s activities performed by its staff, consultants, and legal counsel include activities relating to: protection of downstream water rights and administration of water rights releases downstream of Bradbury Dam made from the Above Narrows Account (“ANA”) and Below Narrows Account (“BNA”) pursuant to State Water Resources Control Board decisions and orders including WR 89-18 and WR 2019-0148, which releases (among other benefits) replenish downstream river alluvium and groundwater supplies, including associated hydrologic and fisheries issues; carrying out various provisions of the September 17, 2002, Settlement Agreement that settled 50 years of disputes between the downstream interests (including the City of Lompoc) and the Cachuma Project Member Units relative to the effects of the Cachuma Project on downstream water rights including water quality; and performance of sustainable groundwater management activities within the District’s boundaries as a party to the Western Management Area (“WMA”), Central Management Area (“CMA”), and Eastern Management Area (“EMA”) Groundwater Sustainability Agencies (“GSAs”) pursuant to the Sustainable Groundwater Management Act, Water Code section 10720 et seq. (“SGMA”), including activities relative to preparation and implementation of the Groundwater Sustainability Plans (“GSPs”) for each of the GSAs.

The District comprises two non-contiguous areas and encompasses approximately 180,000 acres that includes the cities of Lompoc, Solvang, and Buellton; the communities of Santa Ynez and Los Olivos; two federal installations; and rural areas with agriculture and suburban development. Groundwater mostly occurs in the alluvial deposits of the Santa Ynez River and Lompoc Plain and in the older unconsolidated deposits of the Santa Ynez Upland, Lompoc Upland, Buellton Upland, Santa Rita Upland, and Lompoc Terrace subareas. These subareas are defined as zones as follows:

- Zone A – District portion of the Santa Ynez River alluvial channel from San Lucas Bridge downstream to Lompoc Narrows
- Zone B – District portion of the Lompoc Plain, Lompoc Upland and Lompoc Terrace groundwater subareas
- Zone C – All other portions of the District not included in Zones A, B, D, E, and F
- Zone D – District portion of the Buellton Upland subarea
- Zone E – District portion of the Santa Ynez Upland subarea
- Zone F – District portion of the Santa Rita Upland subarea

Starting in FY 2018, the rates have been the same for each zone but still differentiated by class of producer. The three producer classes are Agricultural, Special Irrigation such as parks, golf courses, schools, cemeteries, or publicly owned historic sites, and Other, which are domestic, municipal, or industrial users.

Proposition 26 requires that the District’s rates cover the costs associated with services and that they bear a fair or reasonable relationship to the proportional benefit of the District’s services to remain exempt from Proposition 26 and not be considered a tax. The rates developed as part of this rate study meet the exemption requirements under Proposition 26 in that they are designed to recover the costs associated with providing the services.

Under Water Code section 75594¹, the District has been charging Municipal and Industrial producers classed as Other, a rate of about 3.5 times the rate it charges Agricultural producers and a rate of two times as much for the irrigation producers classed as Special Irrigation. In the recent Court of Appeal decision in *City of San Buenaventura v United Water Conservation District* (2022), the Court held that section 75594's mandate that the District charge M&I pumpers at least three times more than agricultural pumpers regardless of the pumper's proportionate impacts on the groundwater resources conflicts with Proposition 26's cost of service requirement and is therefore unconstitutional. (*City of San Buenaventura v. United Water Conservation Dist.*, No. 2D CIV. B312471, 2022 WL 1679400 (Cal. Ct. App. May 26, 2022.)) (As of the date of this study, the Court of Appeal's decision was still subject to potential review by the California Supreme Court. The District reserves all rights to revisit its rates based upon the final outcome of the case.) The purpose of this study is to determine the costs of providing service to the different producers.

The major objectives of the study include the following:

- Develop a financial plan to support financial sufficiency and meet operation and maintenance (O&M) costs;
- Conduct a water cost-of-service study that is based on the District's costs;
- Calculate proposed, updated water rates for FY 2023;
- Conduct an analysis of the effects of the proposed rates on District groundwater producers; and
- Demonstrate the amount raised by the proposed groundwater charges is necessary to cover the reasonable costs of the District's activities, and that proposed groundwater charges are allocated to District groundwater producers in a manner that bears a fair or reasonable relationship to the payor's burdens on, or benefits received from the District's activities, consistent with Proposition 26 (Cal. Const., Art. 13C, § 1).

This report summarizes the rate study's financial plan and rate development key findings and recommendations.

1.1. Methodology

Raftelis and the District developed the proposed water rates and proposed rate structure using cost-of-service principles set forth by the American Water Works Association M1 Manual titled *Principles of Water Rates, Fees and Charges* (AWWA M1 Manual) and any modifications, as applicable, to align with the requirements of California's Proposition 26 and related California law.

Raftelis worked with District staff to develop a financial plan by preparing detailed projections of the main revenue sources and expenditure items. The operating revenues and operating and maintenance (O&M) costs estimates are based on projected groundwater pumping from the findings of Stetson Engineer's *Forty-Fourth Annual Engineering and Survey Report on Water Supply Conditions of the Santa Ynez River Water Conservation District 2021-2022, FINAL* dated June 1, 2022 and current rates and non-operating revenues and costs are projected using District staff estimates. The financial plan projection has revealed the need for a revenue adjustment in FY 2023.

Raftelis calculated the District's revenue requirements for FY 2023 water services and the resulting water rate and structure.

¹ Water Code Section 75594 states: "Except as provided in Section 75595, any ground water charge in any year shall be established at a fixed and uniform rate for each acre-foot for water other than agricultural water which is not less than three times nor more than five times the fixed and uniform rate established for agricultural water. However, any groundwater charge in any year for water other than agricultural water used for irrigation purposes on parks, golf courses, schools, cemeteries, and publicly owned historical sites may be established at a fixed and uniform rate for each acre-foot which shall not be less than the rate established for agricultural water, nor more than the rate established for all water other than agricultural water."

1.2. Proposed Financial Plan and Revenue Adjustments

The financial planning model enables the District to set rates to generate sufficient revenue to meet its short-term obligations. Table 1-1 shows the proposed revenue adjustment for FY 2023. The proposed financial plan implements a revenue adjustment that draws upon available reserves. Revenue adjustments occur on July 1 for each year.

Table 1-1: Proposed Revenue Adjustments Including Self-Insurance Program Funding

Fiscal Year	Proposed Revenue Adjustment	Use of Reserves
2023	12% (rounded)	\$66,000

Table 1-2 shows the proposed financial plan, based on the District’s budgeted expenses, incorporating the proposed revenue adjustment and draw on reserves (Line 23).

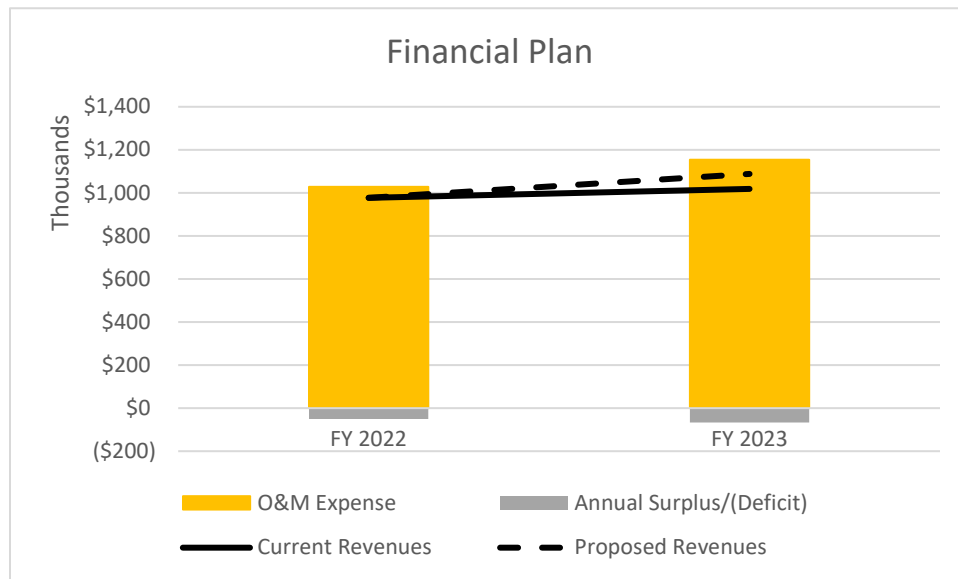
Table 1-2: Proposed Financial Plan Cashflow

No. Line Item		FY 2022	FY 2023
1	Groundwater Rate Revenue Under Existing Rates	\$585,000	\$604,528
	Revenue Adjustments		
	% Adj.		
	Month		
	Effective		
2	FY 2022	\$0	\$0
3	FY 2023		\$69,634
4	Total Revenue Adjustments	\$0	\$69,634
5	Total Rate-Based Revenue	\$585,000	\$674,162
	Other Revenue		
6	SB County Property Taxes	\$345,000	\$355,000
7	SGMA Grant Reimbursement	\$0	\$48,000
8	Covid-19 Relief Reimbursement	\$40,454	\$0
9	Interest Income	\$6,200	\$9,838
10	Total Other Revenue	\$391,654	\$412,838
11	Total Revenue	\$976,654	\$1,087,000
	Operation & Maintenance		
12	Routine Operation	\$582,457	\$673,000
13	SGMA	\$225,000	\$175,000
	Legal & Engineering		
14	General and Misc.	\$32,000	\$32,500
15	Annual G.W. Report	\$20,000	\$20,000
16	WR Decision (2019-0148)	\$115,000	\$120,000
17	Upper SYR Operations	\$1,000	\$7,500
18	Fisheries Issues/Hydrology	\$25,000	\$45,000
19	Special Studies	\$15,000	\$30,000
20	Contingency	\$12,000	\$50,000
21	Total Operation & Maintenance	\$1,027,457	\$1,153,000
22	Capital	\$0	\$0
23	Net Income (Annual Surplus/(Deficit))	(\$50,803)	(\$66,000)
24	Beginning Balance	\$1,964,828	\$1,914,025
25	Ending Balance	\$1,914,025	\$1,848,025

Line 1 shows revenue from the current rates, assuming no increase in rates. The FY 2023 revenue is larger than in FY 2022 based on a slight net increase in overall use by producers in FY 2023 based on Stetson Engineer’s *Forty-Fourth Annual Engineering and Survey Report on Water Supply Conditions of the Santa Ynez River Water Conservation District 2021-2022, FINAL* dated June 1, 2022 than presumed for FY 2022. Line 3 shows the additional revenue received from the proposed FY 2023 revenue adjustment of 12 percent. Line 5 shows the total rate-based revenues. Lines 6 -8 show non-rate revenues. Interest revenues (Line 9) are based on the April Local Agency Investment Fund (“LAIF”) effective yield of 0.523 percent interest rate on averaged beginning and ending fund balances. Line 11 shows total projected revenues. Lines 12 – 21 summarize the O&M expense projections. Line 22 shows that no capital expenditures are anticipated in FY 2023. Line 23 shows the net income, which are revenues less O&M expenses. Reserves are drawn down by \$66,000 to help cover operating expenses. Lines 24 and 25 show the beginning and ending Investment Reserves fund balance, respectively. The proposed financial plan supports financial sufficiency and solvency for the District to meet projected expenditures.

Figure 1-1 graphically illustrates the proposed operating Financial Plan – it compares the existing (current) and proposed revenues with projected expenses. The stacked bars show O&M expenses. The grey bars show the net cash. Net cash below the line indicates a drawdown of reserves during the noted period. Total revenues at existing and proposed rates are shown by horizontal black solid and dashed lines, respectively. Current revenue from existing rates does not meet future total expenses and shows the nexus for the proposed revenue adjustment.

Figure 1-1: Proposed Financial Plan



1.3. Proposed FY 2023 Rate Structure

1.3.1. PROPOSED USAGE RATES

Table 1-3 presents the current rate and the proposed FY 2023 rate. The proposed rate is rounded to the nearest cent.

Table 1-3: Current and Proposed (FY 2023) Usage Rates, \$/AF

Producer	Special		
	Agriculture	Irrigation	Other
Current	\$7.40	\$14.80	\$26.00
Proposed	\$14.14	\$14.14	\$14.14

1.3.2. AVERAGE PRODUCER BILL IMPACT

The average usage varies by zone and therefore Table 1-4 through Table 1-6 illustrates the customer bill impact for an average agricultural producer, an average special irrigation producer, and an average Other (non-agricultural) producer within each zone. Average use is based on 2021 pumping data from Stetson Engineer's *Forty-Fourth Annual Engineering and Survey Report on Water Supply Conditions of the Santa Ynez River Water Conservation District 2021-2022, FINAL* dated June 1, 2022.

Table 1-4: Average Agricultural Producer by Zone, FY 2023 Bill Impact

Agricultural	A	B	C	D	E	F
Average, AF/acct	38.8	47.3	0.2	8.0	8.2	25.8
Current	\$287.19	\$350.08	\$1.85	\$59.35	\$60.81	\$190.72
Proposed	\$548.77	\$668.93	\$3.53	\$113.42	\$116.20	\$364.43
Difference	\$261.58	\$318.86	\$1.68	\$54.06	\$55.39	\$173.71

Table 1-5: Average Special Irrigation Producer by Zone, FY 2023 Bill Impact

Special Irrigation	A	B	C	D	E	F
Average, AF/acct	11.1	19.4	13.1	3.8	6.2	2.0
Current	\$163.99	\$287.49	\$193.78	\$56.57	\$92.07	\$29.59
Proposed	\$156.67	\$274.67	\$185.14	\$54.05	\$87.96	\$28.27
Difference	-\$7.31	-\$12.82	-\$8.64	-\$2.52	-\$4.11	-\$1.32

Table 1-6: Average Other (Non-Agricultural) Producer by Zone, FY 2023 Bill Impact

Other	A	B	C	D	E	F
Average, AF/acct	3.8	3.9	0.1	0.3	0.04	0.0
Current	\$99.46	\$101.09	\$3.80	\$6.69	\$1.07	\$0.00
Proposed	\$54.09	\$54.98	\$2.07	\$3.64	\$0.58	\$0.00
Difference	-\$45.37	-\$46.11	-\$1.74	-\$3.05	-\$0.49	\$0.00

2. Legal Framework

Proposition 26, codified in the California Constitution as Article XIII C, was approved by voters in 2010 to require a supermajority vote to pass new taxes and fees. Furthermore, Proposition 26 expanded the definition of what is considered a tax. Under the new definition, a tax is any levy, charge, or exaction of any kind imposed by a local government. Any fees or charges that are not exempted by the language of Proposition 26 are considered taxes and subject to voter approval.

The expanded definition of a tax placed new burdens on water purveyors who must routinely increase rates to meet their revenue requirement. After the passage of Proposition 26, local water agencies must demonstrate their fees and charges are not taxes and are exempted by the language of the Proposition. The newly expanded definition of a tax under Proposition 26 allows for exceptions of which the two most relevant are the following:

"(e) As used in this article, "tax" means any levy, charge, or exaction of any kind imposed by a local government, except the following:

(1) A charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, **and which does not exceed the reasonable costs to the government of conferring the benefit** or granting the privilege.

(2) A charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product."

In order not to be considered a tax, Prop 26 requires that local water purveyors must demonstrate that "that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity."

Proposition 26 requires that the District's rates cover the costs associated with services and that they are distributed among payors in a fair or reasonable manner to remain exempt from Proposition 26 and not be considered a tax. The rates developed as part of this rate study meet the exemption requirements under Proposition 26 in that they are designed to recover the costs associated with providing the services discussed in Section 1.

3. Financial Plan

Determining a district’s revenue requirement is a key first step in the rate study process. Raftelis analyzed annual operating revenue under the status quo, operation and maintenance (O&M) expenses, and the District’s desire to limit draws upon reserves in FY 2023 to \$66,000. This section of the Report provides a discussion of the projected revenues, O&M expenses, reserve funding requirements, and the revenue adjustments needed to support fiscal sustainability and solvency.

3.1. Key Information Used in this Report

This report utilized the following key information provided by the District

- FY 2022 estimated year end and FY 2023 operating budget
- Historical and forecast water pumping amounts
- Historical water rates
- Beginning reserve fund balances as of FY 2022

3.2. Revenue from Current Water Charges and Rates

3.2.1. CURRENT WATER RATES

The current water rates are on a volumetric basis per acre-foot (AF) and differ by producer class as shown in Table 3-1.

Table 3-1: Current Usage Rates, (\$/AF)

Producer	Agriculture	Special Irrigation	Other
Current	\$7.40	\$14.80	\$26.00

Other rates are set at about 3.5 times the Agricultural rate and Special Irrigation rates are twice the Agricultural rate. This rate structure has been in place based on Water Code section 75594.

3.2.2. WATER USE AND GROWTH ASSUMPTIONS

Table 3-2 shows the financial plan assumptions for water use in FY 2023. The projected water use comes from Stetson Engineer’s *Forty-Fourth Annual Engineering and Survey Report on Water Supply Conditions of the Santa Ynez River Water Conservation District 2021-2022, FINAL* dated June 1, 2022.

Table 3-2: Projected Water Use, FY 2023

Producer Class	Water Use, AF
Agriculture	33,030
Special Irrigation	1,845
Other	12,800
Total	47,675

3.2.3. REVENUE PROJECTIONS

Table 3-3 presents the projection of rate-based revenue for FY 2023 under the current rates. Table 3-4 shows the projection of other revenues, which includes property taxes, grant reimbursement, and estimated interest income.

Table 3-3: Projected Rate Revenue

Producer Class	Rate	AF	Revenue
Agricultural	\$7.40	33,030	\$244,422
Special Irrigation	\$14.80	1,845	\$27,306
Other	\$26.00	12,800	\$332,800
Total Rate Revenue		47,675	\$604,528

Table 3-4: Projected Other Revenue

Line Item	FY 2023
SB County Property Taxes	\$355,000
SGMA Grant Reimbursement	\$48,000
Interest Income	\$9,838
Total	\$412,838

3.3. Operating and Maintenance Expenses

3.3.1. WATER OPERATING EXPENSE

Table 3-5 shows the estimated operating and maintenance expenses for FY 2022 and budgeted expenses for FY 2023, which includes routine operations, Sustainable Groundwater Management Act (SMGA) costs, legal, engineering, and contingency.

Table 3-5: Projected Water O&M Expenses

O&M Estimate and Budget	FY 2022	FY 2023
Routine Operation	\$582,457	\$673,000
SGMA	\$225,000	\$175,000
Legal & Engineering		
General and Misc.	\$32,000	\$32,500
Annual G.W. Report	\$20,000	\$20,000
WR Decision (2019-0148)	\$115,000	\$120,000
Upper SYR Operations	\$1,000	\$7,500
Fisheries Issues/Hydrology	\$25,000	\$45,000
Special Studies	\$15,000	\$30,000
Contingency	\$12,000	\$50,000
Total O&M	\$1,027,457	\$1,153,000

3.4. Proposed Financial Plan and Revenue Adjustments

The proposed financial plan enables the District to set rates to generate sufficient revenues to meet its annual obligations. The plan shows the revenues that will be used to maintain appropriate reserves while maintaining a sensitivity to rate increases.

Table 3-6 shows the proposed financial plan incorporating the proposed revenue adjustment. Line 1 shows revenue from the current rates, assuming no changes in rates. Line 3 shows the additional revenue received from the proposed FY 2023 revenue adjustment of just under 12 percent. Line 5 shows the total rate-based revenues. Lines 6-8 show non-rate revenues. Interest revenues (Line 9) are based on a presumed effective yield of 0.523 on fund balances. Line 11 shows total projected revenues. Lines 12 – 21 summarize the O&M expense projections.

Line 22 shows that no capital expenditures are anticipated in FY 2023. Line 23 shows the net income, which are revenues less O&M expenses. Reserves are drawn down by \$66,000 to help cover operating expenses. Lines 24 and 25 show the beginning and ending operating fund balance, respectively. The proposed financial plan supports financial sufficiency and solvency for the District to meet projected expenditures.

Table 3-6: Proposed Financial Plan Cashflow

No. Line Item		FY 2022	FY 2023
1	Groundwater Rate Revenue Under Existing Rates	\$585,000	\$604,528
	Revenue Adjustments		
	% Adj.		
	Month		
	Effective		
2	FY 2022	0%	July 12
3	FY 2023	12%	July 12
4	Total Revenue Adjustments	\$0	\$69,634
5	Total Rate-Based Revenue	\$585,000	\$674,162
	Other Revenue		
6	SB County Property Taxes	\$345,000	\$355,000
7	SGMA Grant Reimbursement	\$0	\$48,000
8	Covid-19 Relief Reimbursement	\$40,454	\$0
9	Interest Income	\$6,200	\$9,838
10	Total Other Revenue	\$391,654	\$412,838
11	Total Revenue	\$976,654	\$1,087,000
	Operation & Maintenance		
12	Routine Operation	\$582,457	\$673,000
13	SGMA	\$225,000	\$175,000
	Legal & Engineering		
14	General and Misc.	\$32,000	\$32,500
15	Annual G.W. Report	\$20,000	\$20,000
16	WR Decision (2019-0148)	\$115,000	\$120,000
17	Upper SYR Operations	\$1,000	\$7,500
18	Fisheries Issues/Hydrology	\$25,000	\$45,000
19	Special Studies	\$15,000	\$30,000
20	Contingency	\$12,000	\$50,000
21	Total Operation & Maintenance	\$1,027,457	\$1,153,000
22	Capital	\$0	\$0
23	Net Income (Annual Surplus/(Deficit))	(\$50,803)	(\$66,000)
24	Beginning Balance	\$1,964,828	\$1,914,025
25	Ending Balance	\$1,914,025	\$1,848,025

Figure 3-1 graphically illustrates the proposed operating Financial Plan – it compares the existing (current) and proposed revenues with projected expenses. The stacked bars show O&M expenses. The grey bars show the net cash. Net cash below the line indicates a drawdown of reserves during the noted period. Total revenues at existing and proposed rates are shown by horizontal black solid and dashed lines, respectively. Current revenue from existing rates does not meet future total expenses and shows the nexus for the proposed revenue adjustment.

Figure 3-1: Proposed Financial Plan

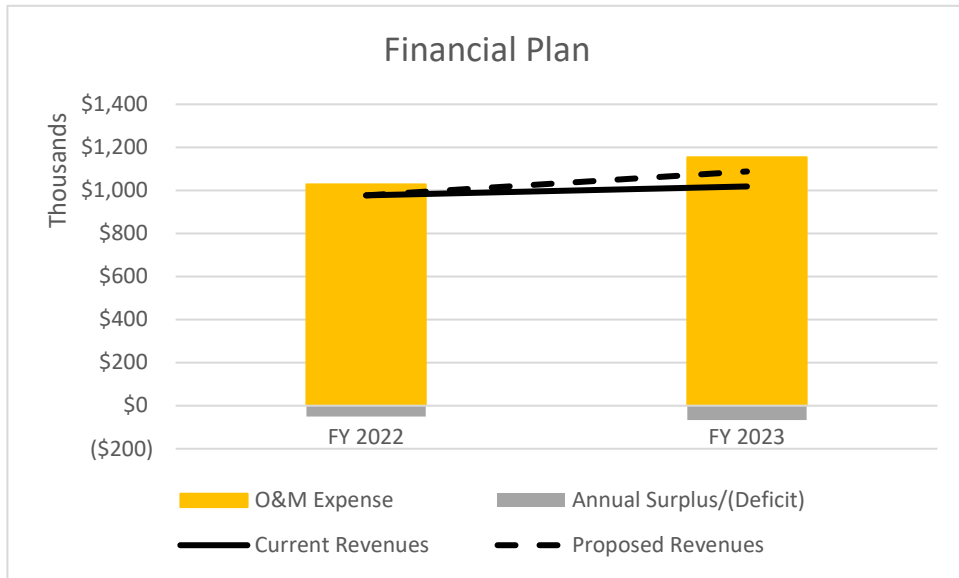
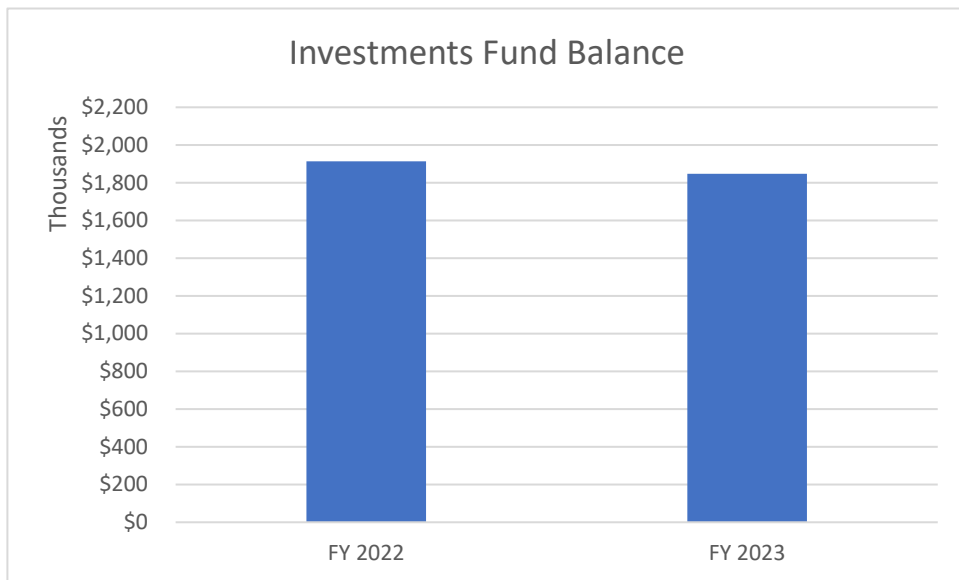


Figure 3-2 shows the projected investments fund balance, reflecting the slight draw on reserves.

Figure 3-2: Projected Investments Fund Balance



4. Proposed Water Rates

4.1. Net Revenue Requirements

The costs to be allocated to the various producer classes consist of the total revenue requirement less income received from other sources (net revenue requirements). Table 4-1 shows the development of the costs that must be recovered through rates for FY 2023. Raftelis calculated the revenue requirement using the FY 2023 projections of O&M and capital expenses, shown in Lines 1 and 2. Lines 4 – 7 show the other operating revenues, which are used to offset some of the revenue requirement. The adjustments in Line 9 ensure the cost-of-service accounts for the annual cash balances. Line 11 shows the total revenue required from rates, calculated by adding Lines 3, 8, and 10.

Table 4-1: Net Revenue Requirements, FY 2023

No. Line Item	Operating	Capital	Total
Revenue Requirement			
1 Operations	\$1,153,000		\$1,153,000
2 Capital		\$0	\$0
3 Total Revenue Requirement	\$1,153,000	\$0	\$1,153,000
Revenue Offsets			
4 SB County Property Taxes	(\$355,000)		(\$355,000)
5 SGMA Grant Reimbursement	(\$48,000)		(\$48,000)
6 Covid-19 Relief Reimbursement	\$0		\$0
7 Interest Income	(\$9,838)		(\$9,838)
8 Subtotal Revenue Offsets	(\$412,838)		(\$412,838)
Other Adjustments			
9 Change in Inv. Fund Balance	(\$66,000)		(\$66,000)
10 Total Adjustments	(\$66,000)	\$0	(\$66,000)
11 Total Revenue Requirement	\$674,162	\$0	\$674,162

4.2. Rate Structure Analysis

Since FY 2018, the District has utilized a uniform groundwater charge rate among the management zones in the District (Zones A through F). This is because the District has few costs that are unique to specific river and upland zones at this time. In particular, the advent of the Sustainable Groundwater Management Act (SGMA) and the occurrence of a new drought of record have made water supply planning and management a watershed-wide issue within the Santa Ynez River Valley. The Department of Water Resources designated the entire valley as one groundwater basin, including both the river alluvium regulated by the State Water Resources Control Board (SWRCB) and the other groundwater aquifers. The three Groundwater Sustainability Agencies in the basin, of which the District is a member, have prepared Groundwater Sustainability Plans for the entire basin. Furthermore, the District's engineer has advised that management of river alluvium zones and other groundwater zones is interrelated, because management of the river can affect water levels in the adjacent basins, either directly through hydrological continuity or indirectly through actual or potential conjunctive use of different zones by producers (meaning that maintaining water levels in one zone benefits producers in other zones by reducing potential demand for water from those zones). Therefore, we conclude that a uniform rate across all zones bears a fair and reasonable relationship to the benefits of the District's management activities.

The purpose of the District is to protect and, if necessary, augment the water supplies of the District, which are necessary for the public health, welfare, and safety of all users. Rate differentials for producer classes typically are

based on the different peaking characteristics of producer classes. In our case all producers have their own wells from which they draw water and therefore the District does not incur costs to provide facilities to meet peaking demands. The District’s operations benefit all users in proportion to the amount of water they draw from their wells, or in other words, the District does not incur differential costs to serve any user class. Therefore, we recommend the District implement uniform rates across the different zones and classes.

4.3. Calculating Rates

Table 4-2 shows the unit cost-of-service based on dividing the net revenue requirement (Table 4-1) by the projected usage in FY 2023 (Table 3-2).

Table 4-2: Unit Cost-of-Service, FY 2023

Unit Cost of Service, Test Year	
Line Item	Amount
Net Rev. Requirement	\$674,162
Test Year AF	47,675
All-in Uniform Rate, \$/AF	\$14.14

4.4. Proposed Water Usage Rates (\$/AF)

Table 4-3 presents the current rate and the proposed FY 2023 rate. The proposed rate is rounded to the nearest cent.

Table 4-3: Current and Proposed (FY 2023) Usage Rates, \$/AF

Producer	Special		
	Agriculture	Irrigation	Other
Current	\$7.40	\$14.80	\$26.00
Proposed	\$14.14	\$14.14	\$14.14

Under the proposed rate Agricultural rates almost double whereas the rates for the other producers are lower, especially for the Other (non-agricultural) producers. However, it should be noted that these rates are still very low compared to rates in Southern and Central California. Actually, this rate works out to just over 3¢ per 1,000 gallons.

4.5. Projected Revenues Under Cost-of-Service Rates

Table 4-4 shows the revenues under the current rates based on the FY 2023 projected usage and the revenues using the proposed uniform rate for all producer classes. The total percent increase in revenues matches the proposed adjustment shown in the financial plan (Table 3-6).

Table 4-4: Projected Revenues Under Cost-of-Service Rates, FY 2023

Producer	Usage, AF	Current Rate	Revenue Under		% Increase/ Decrease	
			Current Rates	Proposed Rates		
Agriculture	33,030	\$7.40	\$244,422	\$14.14	\$467,044	91%
Special Irrigation	1,845	\$14.80	\$27,306	\$14.14	\$26,088	-4%
Other	12,800	\$26.00	\$332,800	\$14.14	\$180,992	-46%
Total	47,675		\$604,528		\$674,125	12%

4.6. Producer Impact Analysis

Table 4-5 through Table 4-7 illustrates the producer bill impact for an average agricultural producer, an average special irrigation producer, and an average non-agricultural producer within each zone. Average use is based on 2021 pumping data of Stetson Engineer’s *Forty-Fourth Annual Engineering and Survey Report on Water Supply Conditions of the Santa Ynez River Water Conservation District 2021-2022, FINAL* dated June 1, 2022.

Table 4-5: Average Agricultural Producer by Zone, FY 2023 Bill Impact

Agricultural	A	B	C	D	E	F
Average, AF/acct	38.8	47.3	0.2	8.0	8.2	25.8
Current	\$287.19	\$350.08	\$1.85	\$59.35	\$60.81	\$190.72
Proposed	\$548.77	\$668.93	\$3.53	\$113.42	\$116.20	\$364.43
Difference	\$261.58	\$318.86	\$1.68	\$54.06	\$55.39	\$173.71

Table 4-6: Average Special Irrigation Producer by Zone, FY 2023 Bill Impact

Special Irrigation	A	B	C	D	E	F
Average, AF/acct	11.1	19.4	13.1	3.8	6.2	2.0
Current	\$163.99	\$287.49	\$193.78	\$56.57	\$92.07	\$29.59
Proposed	\$156.67	\$274.67	\$185.14	\$54.05	\$87.96	\$28.27
Difference	-\$7.31	-\$12.82	-\$8.64	-\$2.52	-\$4.11	-\$1.32

Table 4-7: Average Other (Non-Agricultural) Producer by Zone, FY 2023 Bill Impact

Other	A	B	C	D	E	F
Average, AF/acct	3.8	3.9	0.1	0.3	0.04	0.0
Current	\$99.46	\$101.09	\$3.80	\$6.69	\$1.07	\$0.00
Proposed	\$54.09	\$54.98	\$2.07	\$3.64	\$0.58	\$0.00
Difference	-\$45.37	-\$46.11	-\$1.74	-\$3.05	-\$0.49	\$0.00