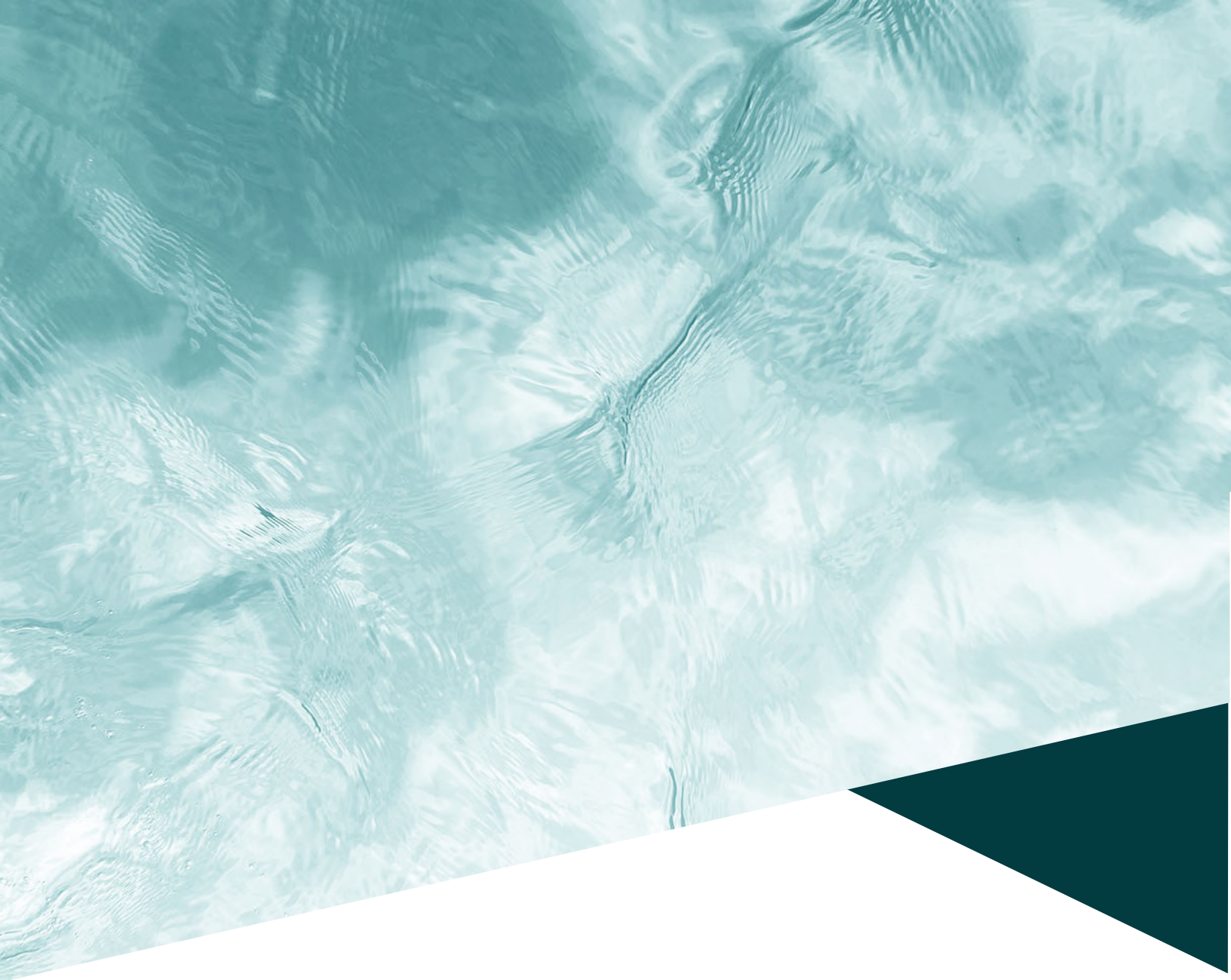

Goleta Sanitary District

Sewer Rate and Fee Study

REPORT / March 17, 2026

GOLETA SANITARY
Water Resource Recovery District
Protecting Public Health and the Environment

RAFTELIS

RAFTELIS

Mr. Steve Wagner
General Manager
Goleta Sanitary District
1 William Moffett Place
Goleta CA 93117

Subject: Sewer Rate and Fee Study

Dear Mr. Wagner,

Raftelis is pleased to provide this Sewer Rate and Fee Study Report (Report) to the Goleta Sanitary District (GSD or District). The study develops a five-year schedule of sewer service charges (rates) for the District's retail customers for Fiscal Years (FY) 2027 through FY 2031 that are fair, fully recover the cost of providing wastewater services, and align with the legal requirements of Proposition 218.

The major tasks of the study were to:

- Develop a sustainable 10-year financial plan to ensure financial sufficiency, meet operating costs, fund the long-term Capital Improvement Plan (CIP), and maintain prudent reserves.
    - Including evaluation of future operating and capital cost allocations between GSD retail service and the service provided to other governmental agencies including Goleta West Sanitary District (GWSD), the University of California at Santa Barbara (UCSB), Santa Barbara Municipal Airport, and the County of Santa Barbara
- Conduct a cost-of-service analysis to develop unit costs for the District's collection system, treatment facilities, and other service functions
- Review the District's existing water rate structures against alternatives.
- Design cost-justified sewer service charges that fairly recover costs of specific customers classes based on the costs of providing service
- Document the study in a comprehensive Report which details the rate derivation from budgetary information and forecasting estimates through to the proposed rates and impacts.

This report presents key results and recommendations with detailed discussion on development of the proposed financial plan, cost-of-service analysis, and sewer rate calculations. It has been a pleasure working with you and we thank you and other GSD staff for the support provided to Raftelis during this study.

Sincerely,

Sudhir Pardiwala
Senior Principal

Kevin Kostiuk
Senior Manager

Journ Galvan
Consultant

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1. Executive Summary

1.1. Study Overview

Public sewer agencies in California must establish a nexus between rates charged to customers and costs incurred to provide service, required by Proposition 218. The Goleta Sanitary District (GSD or District) last implemented adjustments to the sewer service charges (SSCs or simply "rates") in 2019. No rate increases have occurred since that time.

The District engaged Raftelis in early 2025 to conduct a comprehensive sewer cost of service and rate study to establish a schedule of proposed sewer rate increases to be implemented over a five-year period from FY 2027 to FY 2031. Note that rates proposed and presented in this study report may not be implemented until formally adopted by the District's Board of Directors, subject to a majority protest of affected parcels, and only after the conclusion of a public hearing.

The major objectives of this study are to:

- Development of a sustainable 10-year financial plan to ensure financial sufficiency, meet operating costs, fund the long-term Capital Improvement Plan (CIP), and maintain prudent reserves.
    - Including evaluation of future operating and capital cost allocations between GSD retail service and the service provided to other governmental agencies including Goleta West Sanitary District (GWSD), the University of California at Santa Barbara (UCSB), Santa Barbara Municipal Airport, and the County of Santa Barbara
- Conduct a cost-of-service analysis to develop unit costs for the District's collection system, treatment facilities, and other service functions
- Review the District's existing sewer rate structures against alternatives.
- Design cost-justified sewer service charges that fairly recover costs of specific customers classes based on the costs of providing service
- Document the study in a comprehensive Report which details the rate derivation from budgetary information and forecasting estimates through to the proposed rates and impacts.

1.2. Proposed Financial Plan

Raftelis conducted a status quo cash flow analysis to evaluate whether existing sewer service charges adequately fund the District's projected expenses over the 10-year financial forecast period. Annual projections of rate and non-rate revenues, operations and maintenance (O&M) expenses, debt service payments, and capital expenditures through FYE 2036 were developed with adopted budgets, long-term capital planning, an analysis of contributions from other agencies and development, and informed estimates on cost escalation. Raftelis projects that with no rate increases over the 10-year study period, the District will draw down reserves below the existing policy by FY 2033 and below zero in FY 2036; more, the District would fail to achieve debt service coverage ratios in FY 2031. The results demonstrate a need for revenue adjustments[1] (i.e., sewer rate revenue increases relative to the status quo).

[1] The term revenue adjustment is used to describe the overall change to rate revenues required. Individual rates, and rate changes, are a combination of the revenue adjustments and updated cost of service analysis.

Raftelis worked with District staff to develop the following proposed revenue adjustments over the five-year rate setting study period (see **Table 1-1**). The proposed revenue adjustments were selected to provide financial sufficiency for the District while minimizing impacts to the District's customers.

Table 1-1: Proposed Revenue Adjustments

Description	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Effective Date	July 1, 2026	July 1, 2027	July 1, 2028	July 1, 2029	July 1, 2030
Revenue Adjustment	4%	4%	4%	4%	4%

Key factors influencing the need for proposed revenue adjustments include:

- **Inflationary pressure:** The District's operating environment is not immune to the effects of inflation. The price of utilities, chemicals, specialized services and equipment, construction, and other expenses have increased at a historic pace over the last several years. Due to the District's strong starting financial position, it has been able to weather 40-year historic inflation, however, over time even a return to modest inflation reduces purchasing power and draws on cash reserves to offset higher total operating costs.
- **Planned capital expenditures:** CIP projects scheduled over the next 10 years total approximately $73.4 million (M) in inflation-adjusted terms. Key infrastructure projects include: completion of the Biosolids and Energy project; an Energy Storage project which reduces long-term costs of purchased power; a Solids Handling Improvement Project; High Strength Waste Receiving with Increased Biogas Utilization project; and other long-term annual repair and replacement capital of roughly $3M per year, before inflation.
- **Forward-looking cost allocations between partner agencies:** The District treats wastewater flows from third party agencies. These agencies participate in cost sharing based on either plant influent flows (for operating costs) or purchased capacity (for treatment and outfall facilities). The financial plan evaluates and makes forward looking estimates on these cost sharing arrangements based on recent, historical flows as well as the District's forecasted O&M costs and capital improvement program.
- **New connection growth:** Raftelis worked with GSD staff to develop low-medium-high growth scenarios associated with to the State Regional Housing Needs Allocation (RHNA) to understand future contributions to sewer service charges from new customers. This study assumes a low RHNA growth forecast which is still several times higher than historical growth rates. Even with the increased growth rate assumptions, cash reserves are drawn down over time due to ongoing O&M cost increases and the execution of capital projects.

Figure 1-1 shows the proposed CIP over the study period. The proposed financial plan assumes that all CIP will be cash funded. In aggregate the 10-year CIP through FY 2036 is estimated at $73.4M.

Figure 1-1: Capital Improvement Plan

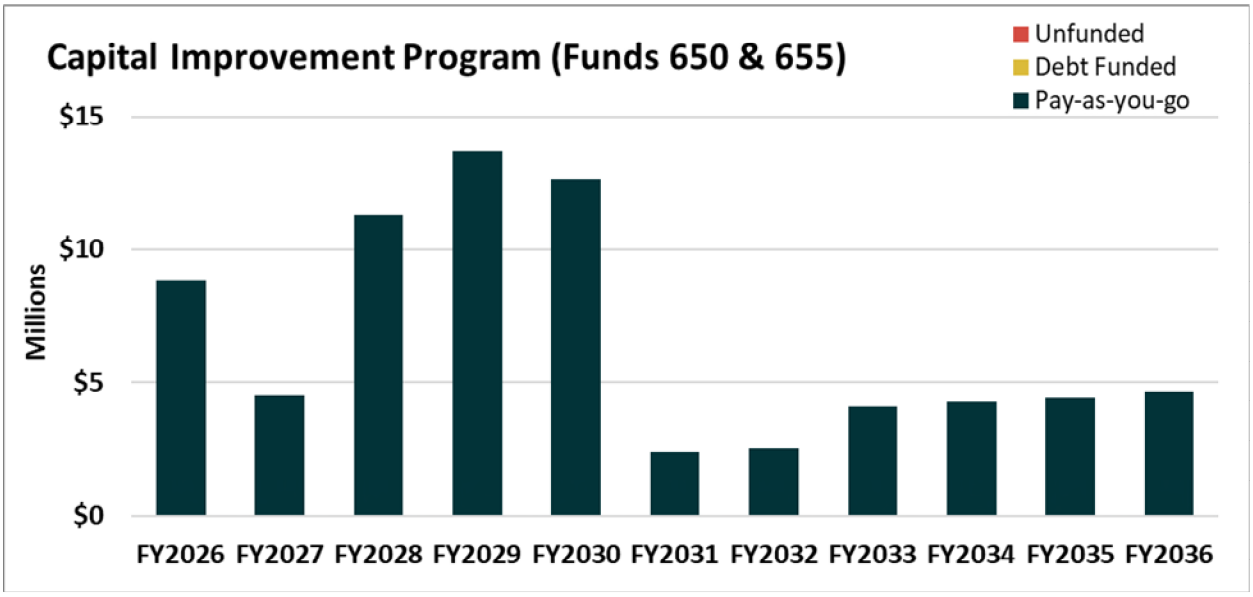


Figure 1-2 shows the current and proposed 10-year financial plan for revenues and expense. Although current rates result in adequate recovery of O&M expenses and debt service payments, revenue adjustments are required to generate sufficient revenue to cover cash funded CIP over the study period, with a measured drawdown of cash reserves to Board adopted policy levels. Current and proposed revenues appear highly variable, due to the cost recovery from partner agencies corresponding to larger or smaller years of capital expenditures. With the proposed financial plan, the District can fully recover costs and can respond to unexpected events, while maintaining healthy debt coverage and cash reserves.

Figure 1-2: Financial Plan

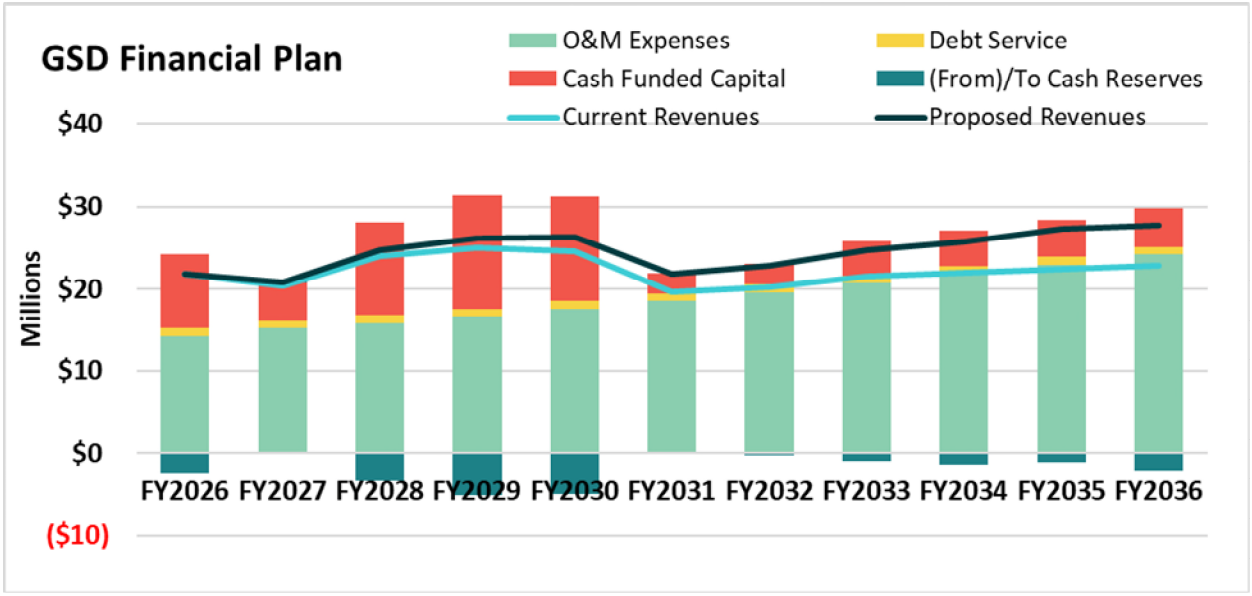


Figure 1-3 shows projected ending cash balances without revenue adjustments. Green bars represent projected fiscal year ending balances relative to the Board policies (blue and grey lines). While the beginning years show a high reserve balance, these funds are quickly reduced by capital project expenditures exceeding $51M in the first five years. Cash balances decline at an unsustainable pace and are projected to be below the policy in FY 2033. Without measured revenue adjustments to control the pace of cash drawdown, the District will experience a cash shortfall within the 10-year planning horizon and will require significant future revenue increases as a corrective action.

Figure 1-3: Projected Ending Balances w/out Revenue Adjustments

Figure 1-4 shows projected ending balances over the 10-year study period relative to the District's minimum and goal reserve targets. Cash reserves are responsibly drawn down over time with modest and uniform rate revenue adjustments of 4% per year, over all 10 years. This plan to draw down reserves in a measured approach mitigates significant future rate increases, avoiding rate spikes.

Figure 1-4: Projected Ending Balances with Revenue Adjustments

1.3. Cost-of-Service Analysis

The proposed financial plan determines the amount of revenue that must be recovered from sewer rates in each year over the study period. The purpose of the cost of service (COS) analysis is to objectively and fairly allocate this total rate revenue requirement to the District's various user groups. Raftelis performed a COS analysis for the existing FY 2026. The COS is based on industry-standard principles outlined in the *Water Environment Federation (WEF) Manual of Practice (MOP) No. 27,* as well as the existing District COS framework and the project team's extensive experience with utility rate setting in California. Raftelis adheres to cost-of-service principles to yield cost-justified rates that align with California Proposition 218.

1.4. Proposed Sewer Service Charges

Table 1-2 shows the proposed five-year sewer rate schedule through FY 2031. Proposed FY 2027 rates are calculated based on the results of the COS analysis (FY 2026 as the "test year") and application of the first rate revenue adjustment of 4%. FY 2027 rates therefore consider both the overall financial plan results and the COS results. Proposed rates for FY 2028 through FY 2031 are calculated by applying the proposed revenue adjustment (i.e., 4%) to the prior year rates. All rates are shown in annual terms and rounded up to the whole penny.

The proposed rates represent a modification to the District's existing rate structure. While Residential customers will still be levied charges per dwelling unit, and schools based on average daily attendance (ADA), Commercial properties are proposed to be charged per equivalent residential unit (ERU) commensurate with their flow generation and estimated loadings relative to a Single Family Residential (SFR) customer (i.e., 1 ERU). Proposed commercial rates in **Table 1-2** are normalized to the ERU flow definition of 150 gpd for ease of comparison with the Single Family Residential rate. Actual Commercial parcel charges are based on calculated ERUs using the parcel's wastewater flow estimate and strength from each respective user class.

Table 1-2: Proposed Five-Year Sewer Service Charge Schedule

Five Year Rate Schedule	Unit	Current*	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Single Family Residential	$/Year	$530.38	$544.33	$566.11	$588.76	$612.32	$636.82
Multi-Family Residential	$/Unit/Year	$429.71	$456.42	$474.68	$493.66	$513.41	$533.95
Hotel	$/150 gpd	$305.36**	$452.79	$470.91	$489.75	$509.34	$529.72
Commercial - Food	$/150 gpd	N/A***	$685.63	$713.06	$741.59	$771.26	$802.12
Commercial - No Food	$/150 gpd	N/A***	$612.11	$636.60	$662.07	$688.56	$716.11
Market	$/150 gpd	$966.18	$511.78	$532.26	$553.56	$575.71	$598.74
Beauty/Barber	$/150 gpd	$429.71	$554.40	$576.58	$599.65	$623.64	$648.59
Restaurant	$/150 gpd	$1,002.02	$693.74	$721.49	$750.35	$780.37	$811.59
Church	$/150 gpd	$530.38	$659.04	$685.41	$712.83	$741.35	$771.01
Car Wash	$/150 gpd	$419.55	$414.68	$431.27	$448.53	$466.48	$485.14
Automobile Services	$/150 gpd	N/A***	$486.75	$506.22	$526.47	$547.53	$569.44
Hospital	$/150 gpd	$505.96	$534.09	$555.46	$577.68	$600.79	$624.83
Industrial	$/150 gpd	N/A***	$405.86	$422.10	$438.99	$456.55	$474.82
Medical Office	$/150 gpd	N/A***	$523.25	$544.18	$565.95	$588.59	$612.14
Office	$/150 gpd	$90.69****	$488.29	$507.83	$528.15	$549.28	$571.26
Schools	$/ADA	$26.95	$23.61	$24.56	$25.55	$26.58	$27.65

* Currently, ERUs are billed per 203 gpd used. The new flow definition for an ERU is 150 gpd used.

** Hotels were previously billed per room and will now be billed per 150 gpd used.

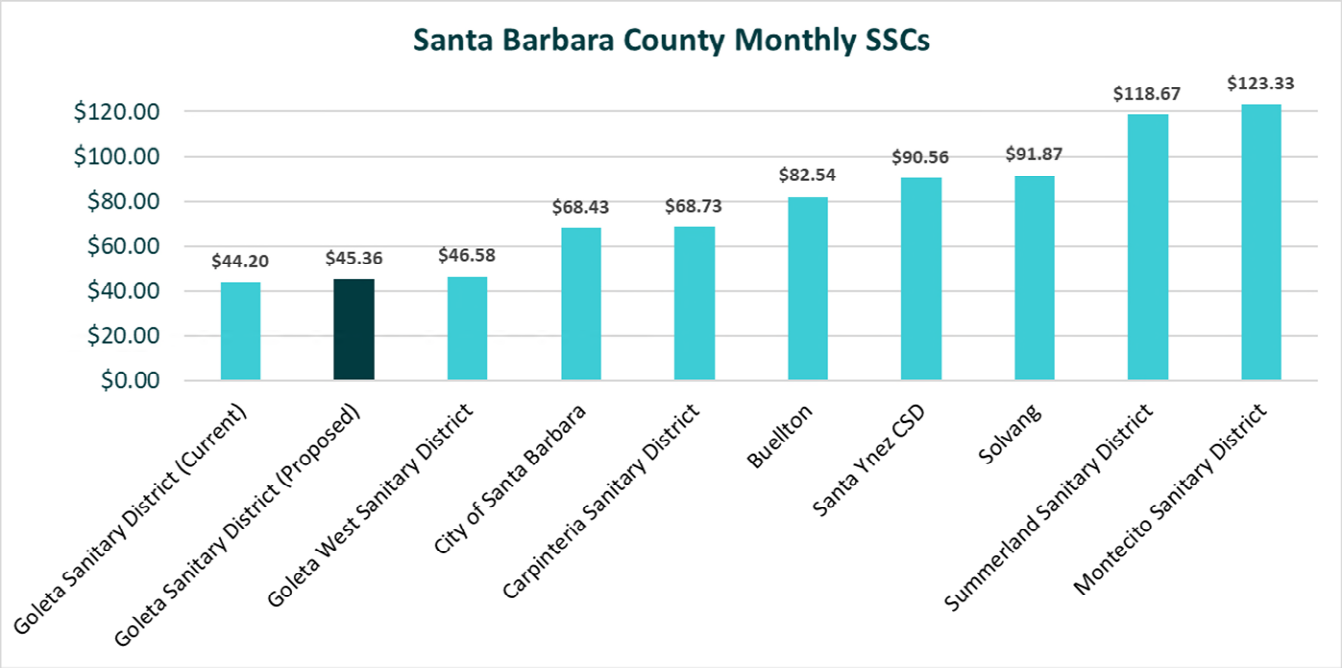
*** A rate for this category did not previously exist, and/or it is a consolidation of several prior user classes.

**** Offices were previously billed per 500 square feet and will now be billed per 150 gpd used.

The proposed sewer rates result in bill changes to District customers. Each year, the District takes action to place charges on the property tax roll. Assuming no majority protest, these charges are annual and billed semi-annually, paid on the 1st and 2nd installments each year. Changes to customer bills vary in FY 2027 due to the results of the financial plan, cost of service analysis, *and* rate restructuring. Rate increases in FY 2028-2031 are equal to the proposed annual revenue adjustment of 4 percent (financial plan result).

Figure 1-5 shows a comparison of Single Family Residential (SFR) service charges with neighboring and comparable agencies. Charges are shown in monthly terms and where agency rate increases are known and adopted (i.e., proposed), FY 2026-2027 rates are shown. Even with the proposed rate increase, GSD is still the lowest cost provider of sewer services in the County of Santa Barbara. The proposed rate is approximately 47.5% lower than the average rate charged by wastewater agencies within the County of Santa Barbara.

Figure 1-5: Single Family Residential Bill Comparison with Neighboring Agencies



2. Introduction

2.1. Agency Overview

The Goleta Sanitary District (GSD) is a public utility agency established in 1942 to protect public health and the environment by providing essential wastewater collection, treatment, and resource recovery services. The District serves a population of approximately 80,000 residents within the Goleta Valley, which includes the City of Goleta, the University of California at Santa Barbara (UCSB), the Santa Barbara Airport, and unincorporated areas of Santa Barbara County. As a California Special District, GSD operates as an independent local government agency.

The mission of the Goleta Sanitary District is to provide safe, reliable, and cost-effective wastewater services while promoting environmental stewardship through innovative water reclamation and resource recovery. The District's core operations encompass the management of over 135 miles of sewer collection mains and the operation of a state-of-the-art Water Resource Recovery Facility (WRRF). The WRRF can treat up to 9.8 million gallons per day (MGD) of wastewater. Treated effluent not reused is discharged one mile offshore via the District's ocean outfall. The District provides a high level of secondary and tertiary treatment, ensuring that treated effluent meets or exceeds stringent California Title 22 standards for environmental discharge and reuse.

Through a long-standing partnership with the Goleta Water District (GWD), GSD produces high-quality recycled water used for landscape irrigation at parks, golf courses, and UCSB. This capability significantly offsets the demand on local potable water supplies, reducing pressure on other water sources. All costs associated with the reclamation facility are borne by GWD and are not included in sewer service[2]. Additionally, the District utilizes advanced anaerobic digestion to process biosolids, which can be repurposed for soil amendment, further reducing the agency's environmental footprint.

GSD is governed by a five-member elected Board of Directors who oversee the District's strategic direction and financial health. The agency's operations and capital costs are funded primarily through sewer service charges from retail customers and cost sharing of treatment facility costs with partner agencies including Goleta West Sanitary District (GWSD), UCSB, Santa Barbara County, and the Santa Barbara Airport. Rehabilitation of aging collection systems and the modernization of treatment technologies ensures compliance with evolving state and federal environmental regulations.

2.2. Study Overview

Public wastewater agencies in California generally perform a rate study approximately every five years to ensure that customers are appropriately charged for sewer service commensurate with the cost to provide service. The District last adjusted rates in 2019. Raftelis was engaged in 2025 to conduct a comprehensive wastewater cost of service and rate design study to establish a schedule of proposed sewer rate increases to be implemented from FY 2027 through FY 2031. Proposed rates cannot be implemented until formally adopted

[2] This Study includes recycled water service provided by GSD as those costs are part of GSD's agency-wide finances and financial plan. However, recycled water service costs are borne entirely by the District's customer, GWD, and are excluded from the revenue requirement and cost of service analysis in deriving GSD's retail sewer service charges.

by the District's Board of Directors after a public hearing at which no majority protest of affected parcels occurs. Proposition 218 requires that District customers be mailed a public hearing notice detailing the time, place, and location of the public hearing, the basis for the rates, the proposed rate changes, and a property owner's right to protest the proposal. This public notice must be postmarked no fewer than 45 days prior to the public hearing.

2.3. Objectives of the Study

The major objectives of this study include:

- Development of a sustainable 10-year financial plan to ensure financial sufficiency, meet operating costs, fund the long-term Capital Improvement Plan (CIP), and maintain prudent reserves.
    - Including evaluation of future operating and capital cost allocations between GSD retail service and the service provided to other governmental agencies including Goleta West Sanitary District (GWSD), the University of California at Santa Barbara (UCSB), Santa Barbara Municipal Airport, and the County of Santa Barbara
- Conduct a cost-of-service analysis to develop unit costs for the District's collection system, treatment facilities, and other service functions
- Review the District's existing sewer rate structures against alternatives.
- Design cost-justified sewer service charges that fairly recover costs of specific customers classes based on the costs of providing service
- Document the study in a comprehensive Report which details the rate derivation from budgetary information and forecasting estimates through to the proposed rates and impacts.

2.4. Changes Since the Last Rate Adjustments

2.4.1. Financial Environment

Both the District's operating and capital planning environment have changed since the most recent rate changes in 2019. These changes have driven increases to short-term and long-term costs with only modest changes to revenue generation.

Operating Costs: The District's operating environment is not immune to the effects of inflation, which experienced a 40-year high since the time of the last rate adjustment. The price of purchased power, chemicals, specialized services and equipment, labor, routine supplies, and other costs have increased at a historic pace. Due to the District's strong financial position, it has weathered this inflationary pressure to date. However, over time the baseline level of expenditures is substantially higher and even a return to modest inflation reduces purchasing power and draws on cash reserves to offset higher total operating costs.

Capital Costs: Capital costs are driven by a combination of factors including but not limited to system age, regulatory requirements, inflation, external borrowing requirements, and other sources of non-rate revenue. The District has a comprehensive annual CIP identifying individual projects through FY 2032. The District also has identified approximately $3M in annual repair and replacement (R&R) capital beyond FY 2032 to protect the existing level of service with re-investment in the collection and treatment facilities. In aggregate the 10-year CIP through FY 2036 is estimated at $73.4M. Like the District's operating cost environment, the estimated CIP is a function of project cost estimates and inflationary pressure. In recent years capital

construction cost increases peaked at a rate of over 10% per year, versus historical inflationary pressure on the order of 3-5% per year[3].

Major capital projects planned include but are not limited to energy generation and storage, solids handling improvements, and high strength waste receiving with increased biogas utilization. The District has additional smaller projects for the treatment plant headworks, secondary processes, and effluent improvements. Annual R&R capital, adjusted for inflation, is estimated at $4 to $4.5 M per year in FY 2032-2036, years six to 10 of this Study's planning horizon.

2.4.2. Wastewater Generation and New Flow and Loading Data

The District last conducted a review of its cost of service model in 2012. Since that time the service area, and the region more broadly, has experienced changes in water use, wastewater generation, and the strength concentrations of wastewater from the District's various user classes.

Water use continues to decline across California. The area served by the District has relatively low water use compared to peers. More, typical residential indoor water use continues to become more efficient as higher efficiency fixtures replace older fixtures, State indoor efficiency standards ratchet downward (currently 47 gallons per capita per day (gpcd), and rates for potable water service increase. The result is downward pressure on wastewater flow generation and upward pressure on the strength concentrations of wastewater influent. That said, except for a subset of connections sampled due to use permits, wastewater use is not metered or even routinely sampled. Information is generally informed by legacy data from GSD and large, regional entities who themselves have legacy data across a variety of Residential and Non-Residential type users. These agencies include Los Angeles Sanitation & Environment, Los Angeles County Sanitation Districts (LACSD), East Bay Municipal Utility District , and Monterey One Water.

In 2025 Carollo Engineers released a summary report for the California Association of Sanitation Agencies (CASA) titled *Wastewater Flow and Load Study – Summary Report*, a comprehensive report designed to generate up-to-date field sampling data to help California sanitation agencies establish proportional capacity charges and user fees. Funded by 13 participating agencies, the study analyzed residential and non-residential wastewater flows and loadings, including biochemical oxygen demand (BOD), chemical oxygen demand (COD), total suspended solids (TSS), and fats, oils, and grease (FOG). By combining extensive literature reviews, rate structure analyses, water consumption data, and robust field sampling across Northern and Southern California, the study provides updated wastewater generation rates and strength characteristics to serve as a reliable baseline for agencies lacking site-specific data.

GSD was one of the 13 participating agencies that funded and provided oversight for the study, and their service area was utilized throughout the project. GSD contributed their rate ordinances and customer billing data for the baseline analysis, allowing the study to evaluate their specific rate structure metrics, such as their assumption of 203 gallons per day for single-family residential flows. During the field sampling phase, the project team monitored GSD's service area, sampling four residential connections (two single-family and two

[3] Engineering News Record (ENR) Construction Cost Inflation (CCI) long-term increase is approximately 3.2% per year while the Handy-Whitman utilities index has trended at approximately 5% per year.

multi-family sites) and nine non-residential locations, which included hotels, medical offices, general offices, and restaurants. The results of the CASA Study are utilized in this Sewer Rate and Fee Study.

3. Rate Setting Methodology

This study was conducted using industry-standard principles outlined by the Water Environment Federation (WEF) Manual of Practice (MOP) 27, 5th Edition. The process and approach Raftelis utilized in the study to derive proposed sewer service charges is informed by the District's policy objectives, the existing rate structure and customer classifications, California's legal requirements (i.e., Proposition 218), and industry standards. The resulting financial plan, cost of service analysis, and rate design process follows five key steps to determine proposed charges to align with Proposition 218, derive cost-justified rates, provide full cost recovery, and consider the District's policy and service objectives. These steps include:

1. **Financial Planning:** The first study step is to develop a long-range financial plan that projects the District's revenues, expenses, capital project funding, annual debt service, and reserve funding. As a retail and wholesale treatment provider, the GSD financial plan also considers the cost responsibility and recovery from the District's partner agencies namely GWSD, UCSB, Santa Barbara Airport, and the County. The financial plan is used to determine any adjustments to the District's retail rate revenues so that the District may adequately fund total projected expenses, cash reserves, and debt obligations, net of the contributions from other agencies.

2. **Revenue Requirement Determination:** After completing the financial plan, the rate-making process begins with the determination of the revenue requirement for the test year, also known as the rate-setting year. The test year for this study is the current year, FY 2026. The revenue requirement sufficiently funds the District's operating costs, annual debt service (including coverage requirements), CIP, and reserve funding. The revenue requirement is recovered through the District's sewer service charges.

3. **Cost-of-Service Analysis:** The annual cost of providing wastewater services, or the revenue requirement, is distributed to customer classes commensurate with their use of and burden on the sewer systems. A cost-of-service analysis involves the following steps:
    - Functionalize costs – the different components of the revenue requirement are categorized into functions such as collection, treatment, lift, and administration.
    - Allocate to cost causation components – the functionalized costs are then allocated to the cost causation components of flow, strength, and general.
    - Develop costs and proportionality – total direct costs for each cost causation component are determined based on the allocated costs. The relative proportional of each component (flow, BOD, and TSS) form the basis for parcel specific equivalent residential unit (ERU) calculations.
    - Develop total system ERUs - using parcel level water use, return to sewer estimates, and strength concentrations by class, ERUs per parcel are calculated by user class and then aggregated across the system.
4. **Rate Design**: Once the cost of service is identified and ERUs are calculated, the rate design considers the cost per equivalent (i.e. $/ERU) and recovers the cost of service accordingly. SFR connections represent one ERU. Multi-Family Residential (MFR) is determined by the number of dwelling units on a parcel and the ratio per dwelling unit of an MFR unit to that of an SFR. Similarly, commercial parcels consider both the relative flow and strength on a parcel relative to the ERU definition. The rate design process also includes the production of a schedule of multi-year rate increases as well as detailed rate impact analyses and sample customer bill impacts.

5. **Rate Study Preparation and Rate Adoption:** The final step is to develop the written document memorializing the rate study in conjunction with the rate adoption process. This report serves as a key part of the administrative record for the rate adoption. The report documents the study results and presents the methodologies, rationale, justifications, and calculations used to determine the proposed rates. A thorough and methodological administrative record serves two important functions: maintaining defensibility in a stringent legal environment and communicating the rationale for revenue adjustments and proposed rates to customers and key stakeholders.

4. Key Inputs and Assumptions

Raftelis developed a Microsoft Excel model to project financial and rate calculations over a 10-year study period through FY 2036. The District's fiscal year spans from July 1 through June 30. Projections in future years are generally made based on the current year Budget (FY 2026) and Actual values from FY 2023 through FY 2025. Data sources and key assumptions are outlined below. All assumptions and estimates were discussed with, and reviewed by, District staff to ensure that the District's unique characteristics are accurately accounted for in the forecast period. Note that most table values shown throughout this report are rounded to the last digit shown and may therefore not add precisely to the totals shown.

4.1. Current Sewer Service Charges (Retail Rates)

Table 4-1 shows the District's current rates. Customers are subject to up to two charge components: 1) Annual Service Charges, also referred to as "flat rates" and 2) Commodity Charges per hundred cubic feet (HCF)[4] for water use greater than 74,095 gallons. The Annual Service Charges are based on one equivalent residential unit (ERU).

[4] One HCF equates to 748 gallons.

Table 4-1: Current Sewer Rate Schedule

Rates	FY 2026
Annual Rate	
Residential	
1 - Single family	$530.38
2 - Multiple family residences	$429.71
3 - Condos, mobile home spaces	$429.71
Commercial	
4 – Motels	$305.36
5 - Commercial establishments	$429.71
6 - Markets w/ garbage disposals	$966.18
7 – Banks	$482.07
8 - Office suites	$90.69
9 - Doctor/dentist offices	$530.38
10 – Bars	$84.91
11 - Restaurants, food service facilities	$1,002.02
12 - Take out/ drive in	$1,002.02
13 - Beauty, barber shops	$429.71
14 - Laundromats/cleaners	$468.35
15 - Service stations	$1,778.54
16 - Car wash	$419.55
17 - Factories, water bottling or treatment facilities	$450.54
18 – Mortuaries	$2,666.66
19 – Hospitals	$505.96
20 - Churches	$530.38
21 - Schools (nursery element secondary)	$26.95
22 - Boys & girls clubs	$13.47
23 - Animal shelters, kennels, vet clinics	$530.38
24 - Machine shops, auto repair	$482.07
26 - Auditoriums/dance halls	$450.54
27 - Private clubs	$530.38
Schools ADA	$26.95

4.2. Financial Projection - Estimates and Assumptions

Inflationary escalation assumptions shown in **Table 4-2** and **Table 4-3** are used to project annual non-rate revenues and operations and maintenance (O&M) expenses beyond FY 2026. All inflationary factors were determined with District staff based on historical and anticipated cost increases. 40 to 50 percent of the District's revenues are generated by sewer service charges (i.e., rates) from the District's retail customers. The secondary source of revenues are cost share contributions from other governmental agencies for their fair share of treatment plant operations and capital. Remaining sources of revenues come from miscellaneous fees, fees from development, property tax revenues, and interest earnings on cash reserves. Sources designated as "Other Revenue" are estimated to increase by 2 percent annually. Interest earnings on cash reserves is estimated at 3 percent per year. For a degree of conservatism in the plan, some revenue sources are not estimated to increase (i.e., No Inflation) including fees related to new development and property tax revenues.

For O&M expenses, a general inflation rate of 3 percent is consistent with long-term changes in the Consumer Price Index (CPI). Labor and Benefits costs tend to increase at a greater rate relative to general inflation based

on cost-of-living increases, merit-based increases, and any additional staffing required. The biosolids handling inflation rate is used to project all costs pertaining to proper disposal and reuse of treatment byproducts such as sludge and biosolids in compliance with regulatory guidelines. Capital is a middle ground estimate between two similar but different indices (ENR CCI and Handy Whitman Index of Public Utility Construction Costs). All others are similarly based on available data, historical trends, District staff knowledge, and professional judgment. The inflationary factors shown below are used to project O&M expenses over the study period.

Table 4-2: Escalation Estimates: Non-Rate Revenues

	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Other Revenue	#N/A	2.0%	2.0%	2.0%	2.0%	2.0%
Interest Earnings	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
No Inflation	#N/A	0.0%	0.0%	0.0%	0.0%	0.0%

Table 4-3: Inflationary Escalators: Expenditures

	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Professional Services	#N/A	5.0%	5.0%	5.0%	5.0%	5.0%
Benefits	#N/A	7.0%	7.0%	7.0%	7.0%	7.0%
Supplies	#N/A	4.0%	4.0%	4.0%	4.0%	4.0%
General	#N/A	3.0%	3.0%	3.0%	3.0%	3.0%
Labor	#N/A	8.0%	8.0%	5.0%	5.0%	5.0%
Utilities	#N/A	6.5%	6.5%	6.5%	6.5%	6.5%
Capital	#N/A	4.5%	4.5%	4.5%	4.5%	4.5%
Biosolids Handling	#N/A	6.0%	6.0%	6.0%	6.0%	6.0%

Table 4-4 shows the District's growth rate under a low, moderate, and high scenario. The District is expected to add additional Multi-Residential residential units over a ten-year period. For a degree of conservatism in uncertain economic conditions, Raftelis and the District agreed to project the long-range financial plan based on a low growth rate and assume no growth for other non-multi-family and commercial user classes. The user growth estimates are sourced from the District's presentation on RHNA, itself based on the City of Goleta's published Goleta General Plan / Coastal Land Use Plan Housing Element.

Table 4-4: New User Growth Estimates, Units per Year

	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034	FY 2035
Low Scenario	**135**	**356**	**205**	**60**	**136**	**400**	**400**	**400**	**60**	**60**
Moderate Scenario	135	356	205	120	272	800	800	800	120	120
High Scenario	150	410	220	150	340	1,000	1,000	1,000	1,290	150

4.3. Projected Service Connections and User Equivalents

Customer account growth projections are necessary to estimate sewer rate revenues from flat rates and volumetric charges over the study period. District staff provided Raftelis with detailed customer billing data

with which to derive the number of units by customer class for FY 2025. Projected values for FY 2026 through FY 2031 are calculated by adding the number of new connections from **Table 4-4** to the number of connections in the previous year. As mentioned above, growth within the District only applies to MFR types and all other customer classes remain flat. **Table 4-5** shows projected units of service by user class over the study period.

Table 4-5: Forecasted Units of Service – Flat Rates

Customer Class	Budget FY 2026	FY 2027	FY 2028	Projected FY 2029	FY 2030	FY 2031
Residential						
1 - Single family	8,667	8,667	8,667	8,667	8,667	8,667
2 - Multiple family residences	3,616	3,616	3,616	3,616	3,616	3,616
3 - Condos, mobile home spaces	2,972	3,328	3,533	3,593	3,729	4,129
Commercial						
4 - Motels	903	903	903	903	903	903
5 - Commercial establishments	169	169	169	169	169	169
6 - Markets w/ garbage disposals	1	1	1	1	1	1
7 - Banks	10	10	10	10	10	10
8 - Office suites	1,438	1,438	1,438	1,438	1,438	1,438
9 - Doctor/dentist offices	17	17	17	17	17	17
10 - Bars	90	90	90	90	90	90
11 - Restaurants, food service facilities	5	5	5	5	5	5
12 - Take out/ drive in	4	4	4	4	4	4
13 - Beauty, barber shops	12	12	12	12	12	12
14 - Laundromats/cleaners	15	15	15	15	15	15
15 - Service stations	12	12	12	12	12	12
16 - Car wash	166	166	166	166	166	166
17 - Factories, water bottling or treatmt fac	22	22	22	22	22	22
18 - Mortuaries	1	1	1	1	1	1
19 - Hospitals	211	211	211	211	211	211
20 - Churches	3	3	3	3	3	3
21 - Schools (nursery element secondary)	260	260	260	260	260	260
22 - Boys & girls clubs	170	170	170	170	170	170
23 - Animal shelters, kennels, vet clinics	1	1	1	1	1	1
24 - Machine shops, auto repair	66	66	66	66	66	66
26 - Auditoriums/dance halls	11	11	11	11	11	11
27 - Private clubs	34	34	34	34	34	34
Total	**18,877**	**19,233**	**19,438**	**19,498**	**19,634**	**20,034**

Table 4-6 shows the projected volume over the allotted ERU flow definition[5] by user class over the study period. Projected volume for FY 2026 through FY 2031 is estimated to be flat for the study period.

[5] The current flow definition is 203 gpd, or 74,095 gallons per year, or 99.06 HCF per year.

Table 4-6: Projected Water Volume (HCF/year)

Customer Class	Budgeted FY 2026	Projected FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Residential						
1 - Single family	533	533	533	533	533	533
2 - Condos, mobile home spaces	-	-	-	-	-	-
3 - Multiple family residences	-	-	-	-	-	-
Commercial						
4 - Motels	-	-	-	-	-	-
5 - Commercial establishments	9,338	9,338	9,338	9,338	9,338	9,338
6 - Markets w/ garbage disposals	5,874	5,874	5,874	5,874	5,874	5,874
7 - Banks	-	-	-	-	-	-
8 - Office suites	-	-	-	-	-	-
9 - Doctor/dentist offices	5,311	5,311	5,311	5,311	5,311	5,311
10 - Bars	-	-	-	-	-	-
11 - Restaurants, food service facilities	7,990	7,990	7,990	7,990	7,990	7,990
12 - Take out/ drive in	9,241	9,241	9,241	9,241	9,241	9,241
13 - Beauty, barber shops	340	340	340	340	340	340
14 - Laundromats/cleaners	8,051	8,051	8,051	8,051	8,051	8,051
15 - Service stations	-	-	-	-	-	-
16 - Car wash	16,550	16,550	16,550	16,550	16,550	16,550
17 - Factories, water bottling or treatmt fac	58,247	58,247	58,247	58,247	58,247	58,247
18 - Mortuaries	-	-	-	-	-	-
19 - Hospitals	21,396	21,396	21,396	21,396	21,396	21,396
20 - Churches	2,303	2,303	2,303	2,303	2,303	2,303
21 - Schools (nursery element secondary)	-	-	-	-	-	-
22 - Boys & girls clubs	-	-	-	-	-	-
23 - Animal shelters, kennels, vet clinics	1,173	1,173	1,173	1,173	1,173	1,173
24 - Machine shops, auto repair	3,088	3,088	3,088	3,088	3,088	3,088
26 - Auditoriums/dance halls	177	177	177	177	177	177
27 - Private clubs	6,663	6,663	6,663	6,663	6,663	6,663
Total (HCF/Year)	**156,274**	**156,274**	**156,274**	**156,274**	**156,274**	**156,274**

The District has customers who are not billed through the county property tax roll annually. These customers may be qualified tax-exempt government agencies or businesses and therefore, must be manually (or "hand") billed through traditional means, such as directly by mail. The same flat and volume rates still apply based on the respective customer class. The projected units for manually billed customers are represented below in **Table 4-7** and estimated to remain flat for the study period.

Table 4-7: Projected Hand Billed Users (Annual)

Customer Class	Budgeted FY 2026	Projected FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Residential						
1 - Single family	60	60	60	60	60	60
2 - Multiple family residences	-	-	-	-	-	-
3 - Condos, mobile home spaces	4	4	4	4	4	4
Commercial	-	-	-	-	-	-
4 - Motels	-	-	-	-	-	-
5 - Commercial establishments	4	4	4	4	4	4
6 - Markets w/ garbage disposals	-	-	-	-	-	-
7 - Banks	-	-	-	-	-	-
8 - Office suites	5	5	5	5	5	5
9 - Doctor/dentist offices	-	-	-	-	-	-
10 - Bars	-	-	-	-	-	-
11 - Restaurants, food service facilities	-	-	-	-	-	-
12 - Take out/ drive in	-	-	-	-	-	-
13 - Beauty, barber shops	-	-	-	-	-	-
14 - Laundromats/cleaners	-	-	-	-	-	-
15 - Service stations	-	-	-	-	-	-
16 - Car wash	2	2	2	2	2	2
17 - Factories, water bottling or treatmt fac	37	37	37	37	37	37
18 - Mortuaries	-	-	-	-	-	-
19 - Hospitals	-	-	-	-	-	-
20 - Churches	-	-	-	-	-	-
21 - Schools (nursery element secondary)	5,496	5,496	5,496	5,496	5,496	5,496
22 - Boys & girls clubs	74	74	74	74	74	74
23 - Animal shelters, kennels, vet clinics	-	-	-	-	-	-
24 - Machine shops, auto repair	3	3	3	3	3	3
26 - Auditoriums/dance halls	-	-	-	-	-	-
27 - Private clubs	10	10	10	10	10	10
Total Equivalents / Year	**5,696**	**5,696**	**5,696**	**5,696**	**5,696**	**5,696**

4.4. Other Governmental Agency Cost Allocations

The District collects Revenues From Other Governmental Agencies (RFOGA) based on the cost responsibility of each governmental agency for operating and capital costs related to the WRRF's influent, treatment, effluent, and disposal processes. These governmental agencies include the following: Santa Barbara Municipal Airport, UCSB, GWSD, and County of Santa Barbara. Agencies served by the WRRF contribute to O&M costs based on a flow into the plant. Allocations per agency are presented in **Table 4-8** and are based on three-year flow averages (FY 2023 through FY 2025). The County of Santa Barbara is billed annually for O&M costs based on a contract which relies on their census data and the true cost of water treatment by GSD. For the purposes of the operating cost allocation, the O&M costs for the County are included in the GSD allocation. With the advice from District staff, Raftelis assumed a 0.5 percent incremental increase in GSD customer flows annually to account for a modest, but larger share of growth in GSD's service area compared to the growth in other agencies' jurisdictions. Therefore, regional shares of O&M by other governmental agencies are adjusted accordingly. GWD is excluded from this discussion as they only benefit from, and are entirely responsible for, reclamation plant costs.

Table 4-8: Operating Cost Allocations, Projected

O&M Allocations	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
GSD	50.5%	51.0%	51.5%	52.0%	52.5%	53.0%
GWSD	45.0%	44.5%	44.0%	43.6%	43.1%	42.7%
UCSB	3.2%	3.2%	3.1%	3.1%	3.1%	3.0%
Airport	1.4%	1.3%	1.3%	1.3%	1.3%	1.3%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Airport - Firestone Lift and Pump Station[6]	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%
Flow Contributions Change over time based on the best estimates of flows by Agency						

Agencies served by the WRRF contribute to capital costs based on purchased plant and outfall capacity. **Table 4-9** shows each agencies' capital cost allocation for plant and outfall capacity. Capital projects are identified as related to either plant or outfall, and the respective agencies' allocations are then applied for cost recovery. Certain projects only pertain to reclamation plant activities for GWD and therefore, 100 percent of capital costs are allocated to GWD. Similarly, collection system costs are wholly borne by GSD and are excluded from the capital allocations below. These capital costs are explained in further detail in the following sections.

Table 4-9: Capital Cost Allocations

Agency	Plant Capacity (%)	Outfall Capacity (%)
GSD	47.9%	55.8%
GWSD	40.8%	35.0%
Airport	2.8%	2.6%
County	1.4%	1.9%
UCSB	7.1%	4.7%

[6] Average estimate based on historical share of flow contributions through the lift stations.

5. Financial Plan

Section 5 details the development of a 10-year financial plan to inform a five-year rate proposal. The following subsections include estimates and projections of annual revenues, O&M expenses, debt service payments, capital expenditures, and use of (or funding to) cash reserves through FY 2036. The overall purpose of the financial plan is to determine annual revenues required from retail sewer service charges and cost share contributions from other agencies to achieve sufficient cash flow, maintain adequate reserves, and meet debt coverage requirements.

5.1. Expenditures

5.1.1. Operations and Maintenance Expenses

Table 5-1 shows O&M expenses by cost center over the study period. O&M expenses shown in FY 2026 are from the District's adopted FY 2026 budget. All projections shown beyond FY 2026 rely on the current year as the base year and then apply the inflationary assumptions (from **Table 4-3**) and any anticipated structural changes to the O&M budget due to either non-recurring expenses or future expenses not currently incurred.

Table 5-1: Projected O&M Expenses by Department

Dept	Department Description	Budget FY 2026	Projected FY 2027	Projected FY 2028	Projected FY 2029	Projected FY 2030	Projected FY 2031
Dept 41	COLLECTION SYSTEM	$1,735,136	$1,849,448	$1,971,577	$2,077,466	$2,189,406	$2,308,031
Dept 42	TREATMENT FACILITIES	$8,086,884	$8,429,098	$8,819,232	$9,277,968	$9,772,581	$10,332,852
Dept 43	PUMP STATION	$304,319	$326,446	$349,375	$370,090	$392,554	$418,204
Dept 44	OUTFALL	$71,656	$245,458	$55,177	$58,099	$61,189	$64,460
Dept 45	ADMINISTRATION	$2,366,859	$2,511,144	$2,665,283	$2,797,528	$2,936,894	$3,083,788
Dept 46	LABORATORY	$849,987	$905,195	$964,300	$1,014,577	$1,067,654	$1,123,697
Dept 47	RECLAMATION	$573,887	$614,083	$656,225	$693,813	$734,222	$779,182
Dept 48	IWC	$267,437	$285,886	$305,673	$322,660	$340,640	$359,674
Dept 49	FIRESTONE LIFT STATION	$66,065	$70,327	$74,819	$78,974	$83,406	$88,224
	Total O&M	**$14,322,232**	**$15,237,085**	**$15,861,661**	**$16,691,175**	**$17,578,547**	**$18,558,113**

Table 5-2 shows the allocation basis for each of GSD's departments. Certain cost centers such as the Firestone Lift Station and Pump Station pertain only to GSD and the Santa Barbara Municipal Airport where airport flow passes through the Firestone Lift Station to the GSD Pump Station before reaching the GSD headworks. Because the other RFOGA customer flow does not pass through the lift station or pump station, their percent allocation is not applied to those cost centers. Similarly, the Collection System is wholly owned by and for GSD's retail customers. Reclamation operational costs and assets are borne exclusively by GWD to produce recycled water. Administration expenses are recovered across all agencies at a rate of 6% of direct costs for UCSB, GWSD, and the Airport and 10% of direct costs for GWD. All other Administration is recovered from GSD retail users.

Table 5-2: O&M Allocation Basis and Percentage

O&M Basis	Department No.	Department Name
GSD Only	Dept 41	COLLECTION SYSTEM
O&M Allocation	Dept 42	TREATMENT FACILITIES
GSD/Airport Only	Dept 43	PUMP STATION
O&M Allocation	Dept 44	OUTFALL
Admin Allocation	Dept 45	ADMINISTRATION
O&M Allocation	Dept 46	LABORATORY
GWD Only	Dept 47	RECLAMATION
GSD Only	Dept 48	IWC
GSD/Airport Only	Dept 49	FIRESTONE LIFT STATION

Table 5-3 apportions the total O&M costs from **Table 5-1**, with the allocation basis in **Table 5-2**, and the relative responsibility from **Table 4-8**. The table shows the current year and five-year forecast both by agency as well as between GSD and the RFOGAs.

Table 5-3: Projected O&M Expenses – GSD and RFOGAs

Regional Share of O&M (After Admin)	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
GSD	$8,864,263	$9,478,848	$9,967,392	$10,540,541	$11,153,768	$11,824,783
GWSD	$4,292,884	$4,518,998	$4,593,814	$4,783,038	$4,985,100	$5,212,994
Airport	$227,422	$241,224	$250,744	$263,032	$276,244	$291,181
UCSB	$306,386	$322,524	$327,864	$341,369	$355,790	$372,055
GWD	$631,276	$675,491	$721,848	$763,195	$807,644	$857,100
Total O&M by Agency	**$14,322,232**	**$15,237,085**	**$15,861,661**	**$16,691,175**	**$17,578,547**	**$18,558,113**
Regional Share of O&M						
GSD	$8,864,263	$9,478,848	$9,967,392	$10,540,541	$11,153,768	$11,824,783
RFGOAs	$5,457,969	$5,758,237	$5,894,269	$6,150,634	$6,424,779	$6,733,330
Total O&M Costs	**$14,322,232**	**$15,237,085**	**$15,861,661**	**$16,691,175**	**$17,578,547**	**$18,558,113**

5.1.2. Capital Improvement Plan

The District's CIP is estimated at approximately $56M for FY 2026 through FY 2032 with an additional $17.5M estimated in FY 2033 through FY 2036. Projects are shown in detail in **Table 5-4**. In aggregate the 10-year CIP through FY 2036 is estimated at $73.4M. Like the District's operating cost environment, the estimated CIP is a function of project cost estimates and inflationary pressure. In recent years, capital construction cost increases peaked at a rate of over 10% per year, versus historical inflationary pressure on the

order of 3-5% per year. Major capital projects planned include energy generation and storage, solids handling improvements, and high strength waste receiving with increased biogas utilization. The District has additional smaller projects for the treatment plant headworks, secondary processes, and effluent improvements. Annual R&R capital, adjusted for inflation, is estimated at $4 to $4.5 M per year in FY 2033-2036, years six to 10 of this Study's planning horizon.

Like the operating costs of the District, capital is apportioned to agencies served based on the capital project and the relative purchased capacity based on either plant capacity, outfall capacity, or reclamation facilities for GWD recycled water.

Table 5-4: 10 Year Capital Improvement Plan

		FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034	FY 2035	FY 2036		
		#N/A	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%		
		100%	104.5%	109.2%	114.1%	119.3%	124.6%	130.2%	136.1%	142.2%	148.6%	155.3%		
	Annual Inflation						Projected							
Title	Factor	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034	FY 2035	FY 2036	10-Yr. Total	Category
Biosolids and Energy Phase 1	No	$2,491,554	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$2,491,554	Capacity
Energy Storage Project	No	$3,200,000	$2,075,000	$0	$0	$0	$0	$0	$0	$0	$0	$0	$5,275,000	Capacity
Solids Handling Improvement Project - Design	No	$978,000	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$978,000	Capacity
Solids Handling Improvement Project	No	$50,000	$1,250,000	$10,000,000	$8,750,000	$7,350,000	$0	$0	$0	$0	$0	$0	$27,400,000	Capacity
WRP Filter Building Instrumentation CIP	Yes	$42,900	$167,200	$109,203	$0	$0	$0	$0	$0	$0	$0	$0	$319,303	GWD
WRP Filter Building Mechanical CIP	Yes	$100,000	$1,045,000	$191,104	$0	$0	$0	$0	$0	$0	$0	$0	$1,336,104	GWD
WRP PLC and Comms Upgrade	Yes	$0	$0	$327,608	$0	$0	$0	$0	$0	$0	$0	$0	$327,608	GWD
Chemical Storage Building CIP	Yes	$0	$0	$458,651	$0	$0	$0	$0	$0	$0	$0	$0	$458,651	Capacity
PLC CIP	Yes	$0	$0	$0	$243,251	$0	$0	$0	$0	$0	$0	$0	$243,251	Capacity
HSW with Increased Biogas Utilization Project	Yes	$0	$0	$218,405	$3,994,081	$4,173,815	$0	$0	$0	$0	$0	$0	$8,386,302	Capacity
Outfall Cathodic Protection CIP	Yes	$0	$0	$0	$97,296	$0	$0	$0	$0	$0	$0	$0	$97,296	Outfall
Secondary MCC Building CIP	Yes	$0	$0	$0	$114,425	$0	$0	$0	$0	$0	$0	$0	$114,425	Capacity
Secondary Aeration Basin CIP	Yes	$0	$0	$0	$490,279	$0	$0	$0	$0	$0	$0	$0	$490,279	Capacity
Effluent Area CIP	Yes	$0	$0	$0	$0	$675,502	$705,900	$737,665	$0	$0	$0	$0	$2,119,067	Capacity
Headworks CIP	Yes	$0	$0	$0	$0	$0	$485,494	$507,341	$0	$0	$0	$0	$992,835	Capacity
Secondary Clarifier CIP	Yes	$0	$0	$0	$0	$449,222	$0	$0	$0	$0	$0	$0	$449,222	Capacity
Solids Stabilization Area CIP	Yes	$0	$0	$0	$0	$0	$531,372	$555,284	$0	$0	$0	$0	$1,086,656	Capacity
New Office Building CIP	Yes	$0	$0	$0	$0	$0	$680,827	$711,464	$0	$0	$0	$0	$1,392,290	Capacity
CIP Roll Forward	Yes	$2,000,000	$0	$0	$0	$0	$0	$0	$4,082,585	$4,266,302	$4,458,285	$4,658,908	$19,466,081	Capacity
Total Water Capital Improvement Plan (Inflated)		**$8,862,454**	**$4,537,200**	**$11,304,970**	**$13,689,332**	**$12,648,539**	**$2,403,592**	**$2,511,754**	**$4,082,585**	**$4,266,302**	**$4,458,285**	**$4,658,908**	**$73,423,922**	

Table 5-5 shows the allocation of each individual project to participating agencies based on their share of purchased capacity. Due to how County properties are charged, the County of Santa Barbara share is included in GSD's share.

Table 5-5: Agency Cost Share, by CIP Project

		Participating Agencies & % Share				
Project Name	**Fund**	**GSD**	**GWSD**	**GWD**	**Airport**	**UCSB**
Biosolids and Energy Phase 1	650 - Growth	49%	41%	0%	3%	7%
Energy Storage Project	650 - Growth	49%	41%	0%	3%	7%
Solids Handling Improvement Project - Design	650 - Growth	49%	41%	0%	3%	7%
Solids Handling Improvement Project	650 - Growth	49%	41%	0%	3%	7%
WRP Filter Building Instrumentation CIP	655 - Replace	0%	0%	100%	0%	0%
WRP Filter Building Mechanical CIP	655 - Replace	0%	0%	100%	0%	0%
WRP PLC and Comms Upgrade	655 - Replace	0%	0%	100%	0%	0%
Chemical Storage Building CIP	655 - Replace	25%	20%	50%	1%	4%
PLC CIP	655 - Replace	49%	41%	0%	3%	7%
HSW with Increased Biogas Utilization Project	650 - Growth	49%	41%	0%	3%	7%
Outfall Cathodic Protection CIP	655 - Replace	58%	35%	0%	3%	5%
Secondary MCC Building CIP	655 - Replace	49%	41%	0%	3%	7%
Secondary Aeration Basin CIP	655 - Replace	49%	41%	0%	3%	7%
Effluent Area CIP	655 - Replace	49%	41%	0%	3%	7%
Headworks CIP	655 - Replace	49%	41%	0%	3%	7%
Secondary Clarifier CIP	655 - Replace	49%	41%	0%	3%	7%
Solids Stabilization Area CIP	655 - Replace	49%	41%	0%	3%	7%
New Office Building CIP	650 - Growth	49%	41%	0%	3%	7%
CIP Roll Forward / Future Annual Spend	655 - Replace	49%	41%	0%	3%	7%

Table 5-6 shows the allocated CIP costs by agency based on the project costs and timing from **Table 5-4** and cost share from **Table 5-5**. Internally GSD distinguishes between two legacy capital funds – 650 (Growth) and 655 (Replacement) – though this distinction has no bearing on cost apportionment and recovery.

Table 5-6: 10 Year Capital Improvement Plan, by Fund and Agency Cost Share

Capital by Fund and Agency	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034	FY 2035	FY 2036	Total
GSD	$3,312,068	$1,638,893	$5,036,652	$6,281,558	$5,680,088	$335,579	$350,680	$0	$0	$0	$0	**$22,635,519**
GWSD	$2,740,234	$1,355,935	$4,167,066	$5,197,036	$4,699,412	$277,641	$290,135	$0	$0	$0	$0	**$18,727,459**
GWD	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	**$0**
Airport	$190,835	$94,430	$290,203	$361,932	$327,276	$19,335	$20,206	$0	$0	$0	$0	**$1,304,217**
UCSB	$476,416	$235,743	$724,485	$903,555	$817,038	$48,271	$50,443	$0	$0	$0	$0	**$3,255,951**
650 - Growth	**$6,719,554**	**$3,325,000**	**$10,218,405**	**$12,744,081**	**$11,523,815**	**$680,827**	**$711,464**	**$0**	**$0**	**$0**	**$0**	**$45,923,146**
GSD	$985,800	$0	$113,034	$474,097	$554,376	$849,151	$887,363	$2,012,306	$2,102,860	$2,197,489	$2,296,376	**$12,472,853**
GWSD	$815,600	$0	$93,519	$379,850	$458,662	$702,544	$734,158	$1,664,878	$1,739,798	$1,818,089	$1,899,903	**$10,307,001**
GWD	$142,900	$1,212,200	$857,240	$0	$0	$0	$0	$0	$0	$0	$0	**$2,212,340**
Airport	$56,800	$0	$6,513	$26,612	$31,942	$48,927	$51,128	$115,945	$121,163	$126,615	$132,313	**$717,958**
UCSB	$141,800	$0	$16,259	$64,693	$79,743	$122,144	$127,641	$289,455	$302,481	$316,092	$330,317	**$1,790,625**
655 - Replace	**$2,142,900**	**$1,212,200**	**$1,086,565**	**$945,251**	**$1,124,724**	**$1,722,766**	**$1,800,290**	**$4,082,585**	**$4,266,302**	**$4,458,285**	**$4,658,908**	**$27,500,776**

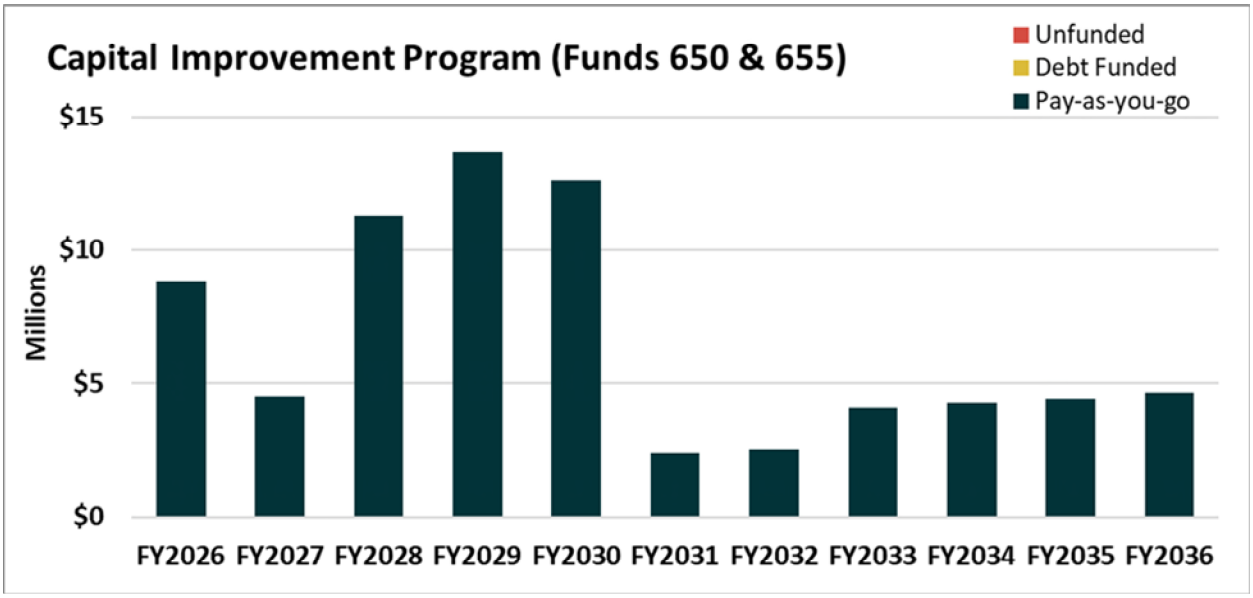
Table 5-7 summarizes the 10-year CIP by Agency by year.

Table 5-7: 10 Year Capital Improvement Plan, by Agency Cost Share

CIP by Agency	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034	FY 2035	FY 2036	Total
GSD	$4,297,868	$1,638,893	$5,149,686	$6,755,654	$6,234,465	$1,184,731	$1,238,043	$2,012,306	$2,102,860	$2,197,489	$2,296,376	**$35,108,371**
GWSD	$3,555,834	$1,355,935	$4,260,584	$5,576,886	$5,158,074	$980,185	$1,024,293	$1,664,878	$1,739,798	$1,818,089	$1,899,903	**$29,034,460**
GWD	$142,900	$1,212,200	$857,240	$0	$0	$0	$0	$0	$0	$0	$0	**$2,212,340**
Airport	$247,635	$94,430	$296,716	$388,544	$359,219	$68,262	$71,334	$115,945	$121,163	$126,615	$132,313	**$2,022,175**
UCSB	$618,216	$235,743	$740,744	$968,248	$896,781	$170,415	$178,083	$289,455	$302,481	$316,092	$330,317	**$5,046,576**
Total	**$8,862,454**	**$4,537,200**	**$11,304,970**	**$13,689,332**	**$12,648,539**	**$2,403,592**	**$2,511,754**	**$4,082,585**	**$4,266,302**	**$4,458,285**	**$4,658,908**	**$73,423,922**

Figure 5-1 shows the proposed CIP over the study period in chart form. Total CIP expenditures in each year (from **Table 5-4**) are represented by the blue stacked bars below. All CIP is anticipated to be funded with current cash reserves, future rate revenue contributions, and RFOGA revenues for capital projects. No capital is anticipated to be debt financed.

Figure 5-1: 10 Year Capital Improvement Plan



5.1.3. Debt Service

Table 5-8 shows the District's existing debt service obligations associated with its outstanding Installment Sale Agreement financing from Banc of America Public Capital Corp. The financing is due to be fully repaid in June of 2042.

Table 5-8: Schedule of Debt Service Payments

Description	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Existing Bonds – Principal	$566,573	$583,595	$601,128	$619,186	$637,788	$656,949
Existing Bonds – Interest	$377,475	$360,454	$342,921	$324,862	$306,260	$287,099
Annual Debt Service	**$944,048**	**$944,049**	**$944,049**	**$944,048**	**$944,048**	**$944,048**

5.2. Revenues

The District's revenues are derived from four primary sources: 1) Rate revenues from retail service customers; 2) Revenues From Other Governmental Agencies (RFOGA) based on the cost responsibility of each for operating and capital costs; 3) Other non-rate sources including property tax revenue, miscellaneous fee revenues, and developer fee revenues; and 4. Interest earnings on cash reserves. The rate revenue projections in this sub-section assume that current FY 2026 rates are effective throughout the study period and therefore represent estimated revenues in the absence of any revenue adjustments (i.e., rate increases). This is also

referred to a the "status quo" scenario and provides a baseline from which Raftelis evaluates the need for revenue adjustments to retail customer sewer service charges.

5.2.1. Sewer Service Charge Revenue Forecast

Raftelis projected sewer rate revenues from annual sewer service charges, volume charges (primarily for large volume Commercial users), and hand billed customers (primarily schools, City, and County properties served by GSD). Projections were made through FY 2036 based on current rates, current volume charges, and the low growth forecast for new connections.

Table 5-9 shows projected annual sewer service charge revenues under current rates over the study period. For sewer service charges and hand billed users, revenues are calculated by multiplying the specific user class rate by the number of equivalent units[7] served; for volume charges the volume in hundred cubic feet (HCF) is multiplied by the Single Family Residential (SFR) rate (i.e. 1 equivalent residential unit or ERU).

Annual Parcel Billed Flat Rate Sewer Service Charge Revenues = [FY 2026 rates] × [Number of Units]

Annual Hand Billed Flat Rate Sewer Service Charge Revenues = [FY 2026 rates] × [Number of Units]

Annual Volume Charges = [FY 2026 Single Family Residential rate] × [Number of Volumetric Equivalents[8] in HCF]

[7] The term equivalent unit is used intentionally as unit counts vary across user classes. For example, multi-family counts are dwelling units, while office counts are office equivalent units at 500 sq ft, and school units are per student based on average daily attendance (ADA).

[8] The current ERU definition and SFR rate assumes 99.06 HCF per year which equals 203 gallons per day (gpd)

Table 5-9: Projected Annual Parcel Billed Sewer Service Charge Revenues, Current Rates

Customer Class	Budgeted FY 2026	FY 2027	FY 2028	Projected FY 2029	FY 2030	FY 2031
Residential						
1 - Single family	$4,596,941	$4,596,941	$4,596,941	$4,596,941	$4,596,941	$4,596,941
2 - Multiple family residences	$1,553,838	$1,553,838	$1,553,838	$1,553,838	$1,553,838	$1,553,838
3 - Condos, mobile home spaces	$1,277,064	$1,430,041	$1,518,131	$1,543,914	$1,602,354	$1,774,238
Commercial						
4 - Motels	$275,740	$275,740	$275,740	$275,740	$275,740	$275,740
5 - Commercial establishments	$72,621	$72,621	$72,621	$72,621	$72,621	$72,621
6 - Markets w/ garbage disposals	$966	$966	$966	$966	$966	$966
7 - Banks	$4,821	$4,821	$4,821	$4,821	$4,821	$4,821
8 - Office suites	$130,382	$130,382	$130,382	$130,382	$130,382	$130,382
9 - Doctor/dentist offices	$9,016	$9,016	$9,016	$9,016	$9,016	$9,016
10 - Bars	$7,642	$7,642	$7,642	$7,642	$7,642	$7,642
11 - Restaurants, food service facilities	$5,010	$5,010	$5,010	$5,010	$5,010	$5,010
12 - Take out/ drive in	$4,008	$4,008	$4,008	$4,008	$4,008	$4,008
13 - Beauty, barber shops	$5,157	$5,157	$5,157	$5,157	$5,157	$5,157
14 - Laundromats/cleaners	$7,025	$7,025	$7,025	$7,025	$7,025	$7,025
15 - Service stations	$21,342	$21,342	$21,342	$21,342	$21,342	$21,342
16 - Car wash	$69,633	$69,633	$69,633	$69,633	$69,633	$69,633
17 - Factories, water bottling or treatmt fac	$9,957	$9,957	$9,957	$9,957	$9,957	$9,957
18 - Mortuaries	$2,667	$2,667	$2,667	$2,667	$2,667	$2,667
19 - Hospitals	$106,960	$106,960	$106,960	$106,960	$106,960	$106,960
20 - Churches	$1,591	$1,591	$1,591	$1,591	$1,591	$1,591
21 - Schools (nursery element secondary)	$7,007	$7,007	$7,007	$7,007	$7,007	$7,007
22 - Boys & girls clubs	$2,290	$2,290	$2,290	$2,290	$2,290	$2,290
23 - Animal shelters, kennels, vet clinics	$530	$530	$530	$530	$530	$530
24 - Machine shops, auto repair	$31,817	$31,817	$31,817	$31,817	$31,817	$31,817
26 - Auditoriums/dance halls	$4,956	$4,956	$4,956	$4,956	$4,956	$4,956
27 - Private clubs	$18,245	$18,245	$18,245	$18,245	$18,245	$18,245
Total	**$8,227,227**	**$8,380,203**	**$8,468,294**	**$8,494,077**	**$8,552,517**	**$8,724,401**

Table 5-10 shows projected hand billed revenues under current rates over the study period. Hand billed revenues are calculated by customer class in each year based on the same rates and structure levied against parcels direct charged on the tax roll**. Table 5-11** shows projected volume charges based on volumes in **Table 4-6** and the current rate per ERU.

Table 5-10: Projected Annual Hand Billed Sewer Service Charge Revenues, Current Rates

Customer Class	Budgeted FY 2026	FY 2027	FY 2028	Projected FY 2029	FY 2030	FY 2031
Residential						
1 - Single family	$32,008	$32,008	$32,008	$32,008	$32,008	$32,008
2 - Multiple family residences	$0	$0	$0	$0	$0	$0
3 - Condos, mobile home spaces	$1,719	$1,719	$1,719	$1,719	$1,719	$1,719
Commercial						
4 - Motels	$0	$0	$0	$0	$0	$0
5 - Commercial establishments	$1,719	$1,719	$1,719	$1,719	$1,719	$1,719
6 - Markets w/ garbage disposals	$0	$0	$0	$0	$0	$0
7 - Banks	$0	$0	$0	$0	$0	$0
8 - Office suites	$431	$431	$431	$431	$431	$431
9 - Doctor/dentist offices	$0	$0	$0	$0	$0	$0
10 - Bars	$0	$0	$0	$0	$0	$0
11 - Restaurants, food service facilities	$0	$0	$0	$0	$0	$0
12 - Take out/ drive in	$0	$0	$0	$0	$0	$0
13 - Beauty, barber shops	$0	$0	$0	$0	$0	$0
14 - Laundromats/cleaners	$0	$0	$0	$0	$0	$0
15 - Service stations	$0	$0	$0	$0	$0	$0
16 - Car wash	$873	$873	$873	$873	$873	$873
17 - Factories, water bottling or treatmt fac	$16,449	$16,449	$16,449	$16,449	$16,449	$16,449
18 - Mortuaries	$0	$0	$0	$0	$0	$0
19 - Hospitals	$0	$0	$0	$0	$0	$0
20 - Churches	$0	$0	$0	$0	$0	$0
21 - Schools (nursery element secondary)	$148,122	$148,122	$148,122	$148,122	$148,122	$148,122
22 - Boys & girls clubs	$997	$997	$997	$997	$997	$997
23 - Animal shelters, kennels, vet clinics	$0	$0	$0	$0	$0	$0
24 - Machine shops, auto repair	$1,649	$1,649	$1,649	$1,649	$1,649	$1,649
26 - Auditoriums/dance halls	$0	$0	$0	$0	$0	$0
27 - Private clubs	$5,452	$5,452	$5,452	$5,452	$5,452	$5,452
Total Hand Billings (Excludes County)	**$209,419**	**$209,419**	**$209,419**	**$209,419**	**$209,419**	**$209,419**

Table 5-11: Projected Annual Volume Charges, Current Rates

Customer Class	Budgeted FY 2026	Projected FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Residential						
1 - Single family	$2,852	$2,852	$2,852	$2,852	$2,852	$2,852
2 - Multiple family residences	$0	$0	$0	$0	$0	$0
3 - Condos, mobile home spaces	$0	$0	$0	$0	$0	$0
Commercial	$0	$0	$0	$0	$0	$0
4 - Motels	$0	$0	$0	$0	$0	$0
5 - Commercial establishments	$49,998	$49,998	$49,998	$49,998	$49,998	$49,998
6 - Markets w/ garbage disposals	$31,448	$31,448	$31,448	$31,448	$31,448	$31,448
7 - Banks	$0	$0	$0	$0	$0	$0
8 - Office suites	$0	$0	$0	$0	$0	$0
9 - Doctor/dentist offices	$28,437	$28,437	$28,437	$28,437	$28,437	$28,437
10 - Bars	$0	$0	$0	$0	$0	$0
11 - Restaurants, food service facilities	$42,779	$42,779	$42,779	$42,779	$42,779	$42,779
12 - Take out/ drive in	$49,478	$49,478	$49,478	$49,478	$49,478	$49,478
13 - Beauty, barber shops	$1,820	$1,820	$1,820	$1,820	$1,820	$1,820
14 - Laundromats/cleaners	$43,105	$43,105	$43,105	$43,105	$43,105	$43,105
15 - Service stations	$0	$0	$0	$0	$0	$0
16 - Car wash	$88,609	$88,609	$88,609	$88,609	$88,609	$88,609
17 - Factories, water bottling or treatmt fac	$311,864	$311,864	$311,864	$311,864	$311,864	$311,864
18 - Mortuaries	$0	$0	$0	$0	$0	$0
19 - Hospitals	$114,556	$114,556	$114,556	$114,556	$114,556	$114,556
20 - Churches	$12,331	$12,331	$12,331	$12,331	$12,331	$12,331
21 - Schools (nursery element secondary)	$0	$0	$0	$0	$0	$0
22 - Boys & girls clubs	$0	$0	$0	$0	$0	$0
23 - Animal shelters, kennels, vet clinics	$6,282	$6,282	$6,282	$6,282	$6,282	$6,282
24 - Machine shops, auto repair	$16,531	$16,531	$16,531	$16,531	$16,531	$16,531
26 - Auditoriums/dance halls	$947	$947	$947	$947	$947	$947
27 - Private clubs	$35,672	$35,672	$35,672	$35,672	$35,672	$35,672
Total	**$836,709**	**$836,709**	**$836,709**	**$836,709**	**$836,709**	**$836,709**

5.2.2. RFOGA Revenues

Table 5-12 shows projected RFOGA revenues by fund. RFOGA in Fund 640 Operating is based on O&M expenses that the District can expect to be reimbursed for by the different agencies. These percent allocations by agency are represented in **Table 4-8** and allocated to the various agencies in dollars in **Table 5-3**. RFOGA in Funds 650 Capital Growth and 655 Capital Replacement are capital projects that the District can expect to be reimbursed for by the relevant agencies. Participating agencies' percent share in capital costs is detailed in **Table 5-5** and represented in dollars in **Table 5-6**.

Table 5-12: Projected RFOGA Revenues

Description	Fund	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
RFOGA - Operating	640	$5,457,969	$5,758,237	$5,894,269	$6,150,634	$6,424,779	$6,733,330
RFOGA – Capital	650/655	$4,564,586	$2,898,308	$6,155,284	$6,933,678	$6,414,074	$1,218,862
Total RFOGA Revenue		**$10,022,554**	**$8,656,545**	**$12,049,553**	**$13,084,312**	**$12,838,853**	**$7,952,192**

5.2.3. Other Revenues

Table 5-13 shows all other revenues. FY 2026 other revenues are based on the District's FY 2026 budget. Other revenues from FY 2027 through FY 2031 are projected by Raftelis relying on the assumptions detailed in Section 4. Beginning in FY 2026, interest revenue is estimated based on projected cash balances and an assumed interest rate of 3 percent. All other revenues are estimated by the miscellaneous inflation rate of 2 percent, or where appropriate, left uninflated.

Table 5-13: Projected Other Revenues

Other Revenues	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Other Operating Revenue - Fund 640	$389,354	$389,354	$389,354	$389,354	$389,354	$389,354
County Sewer Service Charges - Operating	$300,000	$300,000	$300,000	$300,000	$300,000	$300,000
Other Revenues - Fund 650	$128,366	$128,366	$128,366	$128,366	$128,366	$128,366
Other Revenues - Fund 655	$213,000	$213,000	$213,000	$213,000	$213,000	$213,000
Interest Income - All Funds	$1,432,054	$1,329,034	$1,363,611	$1,242,505	$1,033,585	$748,090
Total Other Revenues	**$2,462,774**	**$2,359,754**	**$2,394,331**	**$2,273,225**	**$2,064,305**	**$1,778,810**

Table 5-14 shows a summary of projected revenues under current rates over the study period. This represents expected revenues in the absence of any rate increase. Note that retail rate revenues (i.e. sewer service charges and volumetric charges) constitute over 40 percent of the District's total revenue.

Table 5-14: Projected Revenues from Current Rates

Revenues	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Sewer Service Charges						
Revenue from Existing Rates - GSD SSCs	$9,273,355	$9,426,331	$9,514,422	$9,540,204	$9,598,645	$9,770,529
Rate Revenue Adjustment	$0	$0	$0	$0	$0	$0
Total Wastewater Service Rate Revenue	**$9,273,355**	**$9,426,331**	**$9,514,422**	**$9,540,204**	**$9,598,645**	**$9,770,529**
Other Revenues						
RFOGA - Operating	$5,457,969	$5,758,237	$5,894,269	$6,150,634	$6,424,779	$6,733,330
Other GSD Operating Revenue - Fund 640	$389,354	$389,354	$389,354	$389,354	$389,354	$389,354
County Sewer Service Charges – Operating	$300,000	$300,000	$300,000	$300,000	$300,000	$300,000
RFOGA – Capital	$4,564,586	$2,898,308	$6,155,284	$6,933,678	$6,414,074	$1,218,862
Other Revenues - Fund 650	$128,366	$128,366	$128,366	$128,366	$128,366	$128,366
Other Revenues - Fund 655	$213,000	$213,000	$213,000	$213,000	$213,000	$213,000
Interest Income - All Funds	$1,432,054	$1,329,034	$1,363,611	$1,242,505	$1,033,585	$748,090
Total Other Revenues	**$12,485,328**	**$11,016,299**	**$14,443,883**	**$15,357,537**	**$14,903,158**	**$9,731,001**
Total Revenues	**$21,758,683**	**$20,442,630**	**$23,958,305**	**$24,897,741**	**$24,501,803**	**$19,501,530**

5.3. Financial Policies

Agency-specific financial policies must be considered during the financial planning process. Financial policies typically define key financial metrics that an agency strives to meet or exceed. **Table 5-15** shows the District's current financial policies pertaining to debt coverage and reserve targets.

5.3.1. Required Debt Coverage

The District must meet minimum coverage requirements on its outstanding borrowing and to ensure that it maintains debt capacity for potential future borrowing. The required debt coverage ratio is 1.25, which means the District's net revenues from operations must amount to at least 1.25 times the annual debt service. Net revenues equal gross revenues less O&M expenses. Annual debt service includes annual principal and interest payments on all outside debt.

5.3.2. Reserve Targets

Prudent fiscal management requires that the District maintain reserve balances to provide sufficient working capital, maintain necessary cash on hand to efficiently award construction contracts, and provide funding during emergencies. The District's current reserve policy consists of several components, each with their own target balance:

- **Running Expense Fund Target:** The target balance for the Running Expense Fund is 6 to 8 months of annual O&M expenses. This is a critical source of cash flow as the District only receives sewer service charge revenues twice a year.
- **Plant Reserve Fund:** This fund is for addressing plant emergencies. The contracts among plant users specify that this fund have a target balance of $25,000.
- **Capital Reserve Fund Target:** The District currently does not have a formal reserve target balance for the Capital Reserve Fund.
- **Replacement Reserve Fund Target:** The target balance for the Capital Replacement Reserve Fund is one year of GSD's portion of annual depreciation (approximately 50 percent).
- **District Emergency Fund Target**: The target balance for the District Emergency Fund is an annual balance of $500,000 to address emergency projects.

Table 5-15 provides the specific District funds, reiterates the policy, and translates the policy into FY 2026 dollars. In the current fiscal year, the District's total unrestricted cash reserve target is between $9.76 M and $12.15 M.

Table 5-15: Existing Financial Policies

Fund Reserve Targets	Policy	Policy Target ($) FY 2025-26
Running Expense Fund (640)	6 to 8 Months of O&M	*$7,161,000 to $9,548,000*
Plant Reserve Fund (645)	$25,000	$25,000
Capital Reserve Fund (650)	None	$0
Replacement Reserve Fund (655)	Annual Depreciation (GSD)	*$2,077,000*
Emergency Reserve Fund (660)	$500,000	*$500,000*
Total Unrestricted Cash Reserve Target (Minimum)		**$9,763,000**
Total Unrestricted Cash Reserve Target (Goal)		**$12,150,000**

5.4. Status Quo Financial Plan

To evaluate the need for revenue adjustments (i.e. rate increases), Raftelis first developed a status quo financial plan. The status quo financial plan assumes that current FY 2026 rates remain unchanged over the study period. **Table 5-16** combines projected revenues (from **Table** 5-14), O&M expenses (from **Table 5-1**), debt service (from **Table 5-8**), CIP expenditures (from **Table 5-4**), and reserve policies and debt coverage requirements (from **Table 5-15**) to generate estimated cash flow, projected ending cash balance, and debt coverage projections under the status quo.

Under the status quo financial plan, net cash change is projected to be negative in all years throughout the study period. Revenues from all sources are insufficient to recover the District's operating and capital costs and maintain target reserves and minimum coverage. This demonstrates a need for revenue adjustments over the study period to increase rate revenues to achieve full cost recovery of projected expenditures and achieve the District's financial policies.

Table 5-16: Status Quo Financial Plan – Pro Forma

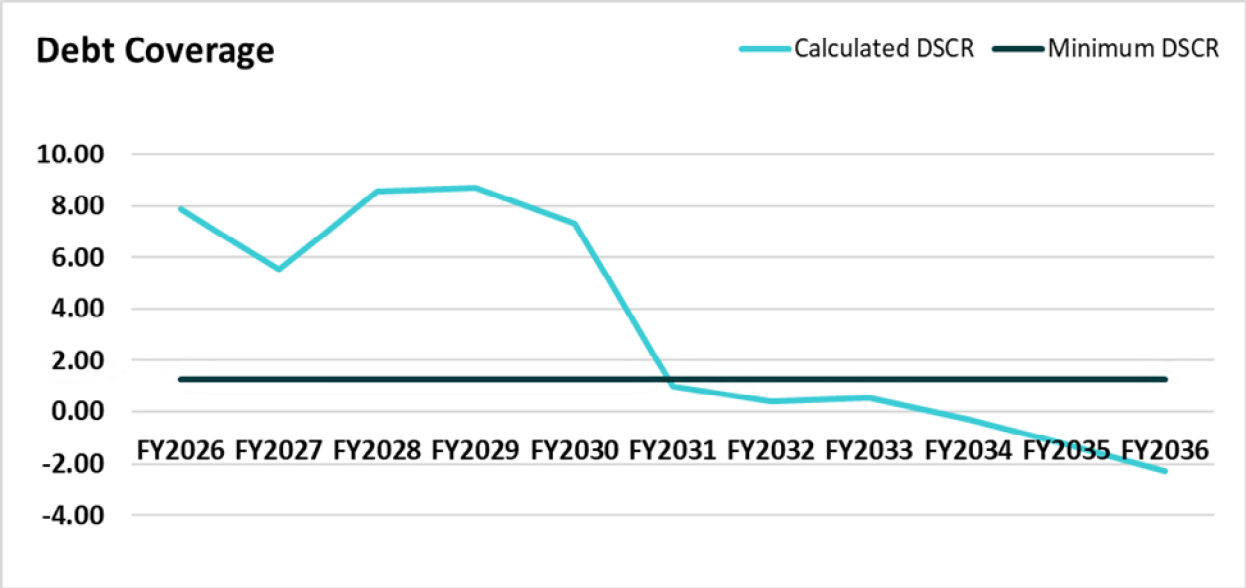
	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Beginning Cash Balance	**$45,204,961**	**$42,834,910**	**$42,559,207**	**$38,406,832**	**$31,980,018**	**$25,310,687**
Sources of Funds						
Revenue from Existing Rates - GSD SSC	$9,273,355	$9,426,331	$9,514,422	$9,540,204	$9,598,645	$9,770,529
Rate Revenue Adjustment	$0	$0	$0	$0	$0	$0
RFOGA - Operating	$5,457,969	$5,894,269	$6,150,634	$6,424,779	$6,733,330	$6,966,370
RFOGA - Capital	$4,564,586	$6,155,284	$6,933,678	$6,414,074	$1,218,862	$1,218,862
Other GSD Revenue	$689,354	$689,354	$689,354	$689,354	$689,354	$389,354
Capacity and Annex. Fees	$128,366	$128,366	$128,366	$128,366	$128,366	$128,366
Property Tax Revenues	$213,000	$213,000	$213,000	$213,000	$213,000	$213,000
Debt Proceeds	$0	$0	$0	$0	$0	$0
Interest Income	$1,432,054	$1,363,611	$1,242,505	$1,033,585	$748,090	$725,569
Total Sources	**$21,758,683**	**$23,958,305**	**$24,897,741**	**$24,501,803**	**$19,501,530**	**$19,712,050**
Uses of Funds						
Operation and Maintenance Expenses	$14,322,232	$15,237,085	$15,861,661	$16,691,175	$17,578,547	$18,558,113
Existing Debt Service	$944,049	$944,049	$944,048	$944,048	$944,048	$944,048
Proposed Debt Service	$0	$0	$0	$0	$0	$0
CIP	$8,862,454	$11,304,970	$13,689,332	$12,648,539	$2,403,592	$2,403,592
Total Uses	**$24,128,733**	**$28,110,680**	**$31,324,555**	**$31,171,134**	**$21,905,754**	**$22,373,333**
Ending Cash Balance	**$42,834,910**	**$42,559,207**	**$38,406,832**	**$31,980,018**	**$25,310,687**	**$22,906,463**
Net Cash Change	**($2,370,051)**	**($275,703)**	**($4,152,375)**	**($6,426,814)**	**($6,669,331)**	**($2,404,223)**
Debt Service Coverage (Calculated)	7.88	5.51	8.58	8.69	7.33	1.00
Debt Service Coverage (Minimum)	1.25	1.25	1.25	1.25	1.25	1.25

Figure 5-2 shows the District's projected ending balances under the status quo (from **Table 5-16** extended to the full 10-year horizon). The total reserve minimum target and total reserve target goals are represented by the dark blue, and light blue solid lines, respectively. Projected ending balances are represented by the green bars. The District is projected to fall below its total reserve goal starting in FY 2033. By FY 2036, the projected ending cash balance is projected to be negative. While the beginning years show a high reserve balance, these funds are quickly reduced by capital project expenditures exceeding $51M in the first five years. Cash balances decline at an unsustainable pace and are projected to be below the policy in FY 2033. Without measured revenue adjustments to control the pace of cash drawdown, the District will experience a cash shortfall within the 10-year planning horizon and will require significant future revenue increases (rate spikes) as a corrective action.

Figure 5-2: Projected Ending Balances w/out Revenue Adjustments

Figure 5-3 shows the District's projected debt service coverage for the 10-year financial planning period. By FY 2031, the debt service coverage ratio falls below the required minimum of 1.25 and remains below the minimum for the remainder of the financial planning period.

Figure 5-3: Projected Debt Coverage w/out Revenue Adjustments



5.5. Proposed Financial Plan – Agencywide

The status quo financial plan demonstrates that the District must increase its revenues from sewer service charges over the study period to adequately fund its share of operating and capital expenditures and generate sufficient reserve funding. Raftelis worked closely with District staff, the District's Finance Committee, and the Board of Directors to select the proposed annual revenue adjustments of 4 percent per year as shown in **Table 5-17**. Revenue adjustments represent annual percent increases in rate revenues relative to the prior year. All CIP over the study period is assumed to be cash funded (i.e. funded by sewer service charges and cash reserves).

Table 5-17: Proposed Revenue Adjustments

Description	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Effective Date	July 1, 2026	July 1, 2027	July 1, 2028	July 1, 2029	July 1, 2030
Revenue Adjustment	4%	4%	4%	4%	4%

Table 5-18 shows the proposed financial plan pro forma. This combines projected revenues (from **Table 5-14**), O&M expenses (from **Table 5-1**), debt service (from **Table 5-8**), CIP expenditures (from **Table 5-4**), and reserve targets (from **Table 5-15**) to generate estimated cash flow, projected ending cash balances, and debt coverage projections under the proposed financial plan. Revenue adjustments over the study period generate increases in rate revenues. This results in positive net operating cash flow and sufficient debt coverage in all years beginning in FY 2027.

Table 5-18: Proposed Financial Plan – Detailed Cash Flow (Continued on Next Page)

Description	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Revenues						
Revenue from Existing Rates - GSD SSC	$9,273,355	$9,426,331	$9,514,422	$9,540,204	$9,598,645	$9,770,529
Rate Revenue Adjustment	$0	$377,053	$776,377	$1,191,228	$1,630,412	$2,116,813
Total Wastewater Service Rate Revenue	**$9,273,355**	**$9,803,385**	**$10,290,799**	**$10,731,433**	**$11,229,057**	**$11,887,342**
Other Revenues						
RFOGA - Operating	$5,457,969	$5,758,237	$5,894,269	$6,150,634	$6,424,779	$6,733,330
Other GSD Operating Revenue - Fund 640	$389,354	$389,354	$389,354	$389,354	$389,354	$389,354
County Sewer Service Charges - Operating	$300,000	$300,000	$300,000	$300,000	$300,000	$300,000
RFOGA - Capital	$4,564,586	$2,898,308	$6,155,284	$6,933,678	$6,414,074	$1,218,862
Other Revenues - Fund 650	$128,366	$128,366	$128,366	$128,366	$128,366	$128,366
Other Revenues - Fund 655	$213,000	$213,000	$213,000	$213,000	$213,000	$213,000
Interest Income - All Funds	$1,432,054	$1,334,690	$1,386,738	$1,295,840	$1,130,844	$904,475
Total Other Revenues	**$12,485,328**	**$11,021,955**	**$14,467,010**	**$15,410,872**	**$15,000,417**	**$9,887,387**
Total Revenues	**$21,758,683**	**$20,825,339**	**$24,757,809**	**$26,142,304**	**$26,229,474**	**$21,774,729**
O&M Expenditures						
COLLECTION SYSTEM	$1,735,136	$1,849,448	$1,971,577	$2,077,466	$2,189,406	$2,308,031
TREATMENT FACILITIES	$8,086,884	$8,429,098	$8,819,232	$9,277,968	$9,772,581	$10,332,852
PUMP STATION	$304,319	$326,446	$349,375	$370,090	$392,554	$418,204
OUTFALL	$71,656	$245,458	$55,177	$58,099	$61,189	$64,460
ADMINISTRATION	$2,366,859	$2,511,144	$2,665,283	$2,797,528	$2,936,894	$3,083,788
LABORATORY	$849,987	$905,195	$964,300	$1,014,577	$1,067,654	$1,123,697
RECLAMATION	$573,887	$614,083	$656,225	$693,813	$734,222	$779,182
IWC	$267,437	$285,886	$305,673	$322,660	$340,640	$359,674
FIRESTONE LIFT STATION	$66,065	$70,327	$74,819	$78,974	$83,406	$88,224
Total O&M Expenditures	**$14,322,232**	**$15,237,085**	**$15,861,661**	**$16,691,175**	**$17,578,547**	**$18,558,113**
Net Revenues before Debt Service	**$7,436,451**	**$5,588,254**	**$8,896,148**	**$9,451,129**	**$8,650,927**	**$3,216,616**
Debt Service						
Existing – GSD	$944,048	$944,049	$944,049	$944,048	$944,048	$944,048
Proposed – GSD	$0	$0	$0	$0	$0	$0
Total Debt Service	**$944,048**	**$944,049**	**$944,049**	**$944,048**	**$944,048**	**$944,048**

Net Cash Flow before Capital	**$6,492,403**	**$4,644,206**	**$7,952,099**	**$8,507,081**	**$7,706,879**	**$2,272,568**
Cash Funded Capital	**$8,862,454**	**$4,537,200**	**$11,304,970**	**$13,689,332**	**$12,648,539**	**$2,403,592**
Annual Cash Flow	**($2,370,051)**	**$107,006**	**($3,352,871)**	**($5,182,251)**	**($4,941,660)**	**($131,024)**
Beginning Balance	$45,204,961	**$42,834,910**	**$42,941,916**	**$39,589,045**	**$34,406,794**	**$29,465,134**
Net Cash Change	($2,370,051)	$107,006	($3,352,871)	($5,182,251)	($4,941,660)	($131,024)
Ending Balance	**$42,834,910**	**$42,941,916**	**$39,589,045**	**$34,406,794**	**$29,465,134**	**$29,334,110**
Debt Service Coverage Ratio (DSCR) Calculated	7.88	5.92	9.42	10.01	9.16	3.41
Debt Service Coverage Ratio (DSCR) Minimum	1.25	1.25	1.25	1.25	1.25	1.25

Table 5-19 shows the proposed financial plan as a consolidated pro forma. The beginning cash balances in each year are shown on the top row. All sources of funds in a given year are added and all uses of funds are subtracted, yielding the ending cash balance and annual change in cash position.

Table 5-19: Proposed Financial Plan – Pro Forma

	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Beginning Cash Balance	**$45,204,961**	**$42,834,910**	**$42,941,916**	**$39,589,045**	**$34,406,794**	**$29,465,134**
Sources of Funds						
Revenue from Existing Rates - GSD SSC	$9,273,355	$9,426,331	$9,514,422	$9,540,204	$9,598,645	$9,770,529
Rate Revenue Adjustment	$377,053	$776,377	$1,191,228	$1,630,412	$2,116,813	$0
RFOGA - Operating	$5,758,237	$5,894,269	$6,150,634	$6,424,779	$6,733,330	$6,966,370
RFOGA - Capital	$2,898,308	$6,155,284	$6,933,678	$6,414,074	$1,218,862	$1,218,862
Other GSD Revenue	$689,354	$689,354	$689,354	$689,354	$689,354	$389,354
Capacity and Annex. Fees	$128,366	$128,366	$128,366	$128,366	$128,366	$128,366
Property Tax Revenues	$213,000	$213,000	$213,000	$213,000	$213,000	$213,000
Debt Proceeds	$0	$0	$0	$0	$0	$0
Interest Income	$1,334,690	$1,386,738	$1,295,840	$1,130,844	$904,475	$725,569
Total Sources	**$20,825,339**	**$24,757,809**	**$26,142,304**	**$26,229,474**	**$21,774,729**	**$19,712,050**
Uses of Funds						
O&M Expenses	$14,322,232	$15,237,085	$15,861,661	$16,691,175	$17,578,547	$18,558,113
Existing Debt Service	$944,049	$944,049	$944,048	$944,048	$944,048	$944,048
Proposed Debt Service	$0	$0	$0	$0	$0	$0
CIP	$8,862,454	$4,537,200	$11,304,970	$13,689,332	$12,648,539	$2,403,592
Total Uses	**$24,128,733**	**$20,718,333**	**$28,110,680**	**$31,324,555**	**$31,171,134**	**$21,905,754**
Ending Cash Balance	**$42,834,910**	**$42,941,916**	**$39,589,045**	**$34,406,794**	**$29,465,134**	**$29,334,110**
Net Cash Change	**($2,370,051)**	**107,006**	**($3,352,871)**	**($5,182,251)**	**($4,941,660)**	**($131,024)**
Debt Service Coverage (Calculated)	7.88	5.92	9.42	10.01	9.16	3.41
Debt Service Coverage (Minimum)	1.25	1.25	1.25	1.25	1.25	1.25

Figure 5-4 shows projected debt coverage with the proposed financial plan. The required debt coverage ratio of 1.25 is denoted by the solid dark blue line, with projected debt coverage represented by the light blue line. The District is projected to exceed its required debt coverage requirement in all years of the study period.

Figure 5-4: Proposed Financial Plan – Projected Debt Coverage

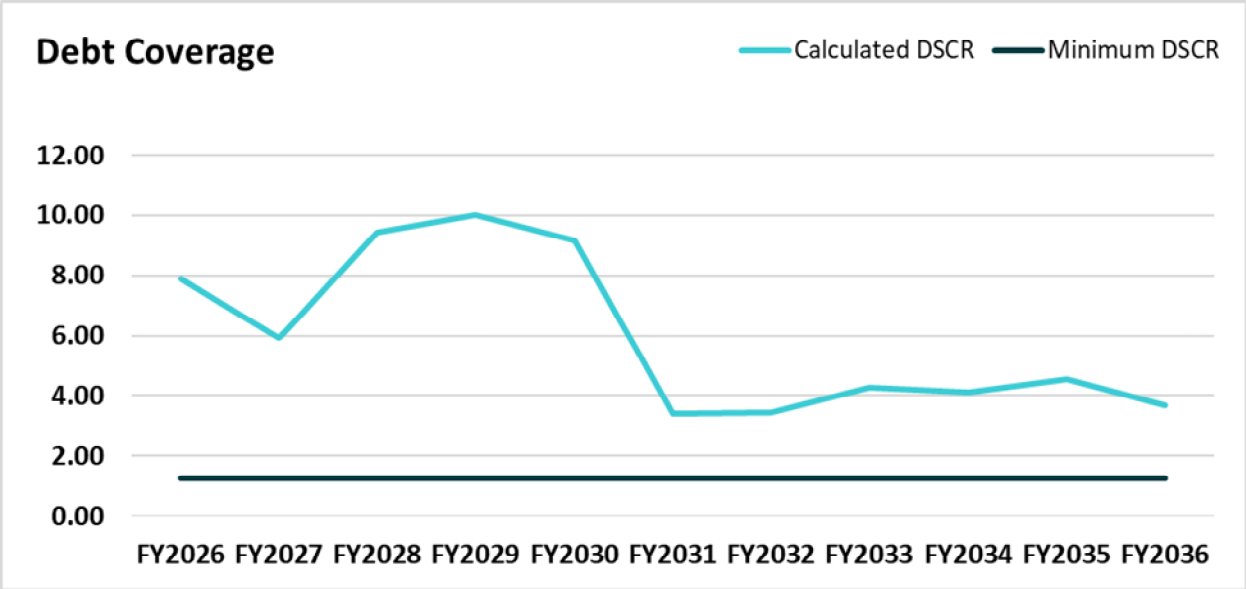


Figure 5-5 shows the proposed annual funding for all capital projects in Fund 650 and 655. All CIP for the financial planning period is planned to be funded through rate revenues and reserves, represented by the dark blue bars. No new debt is anticipated to execute capital projects in the 10-year horizon.

Figure 5-5: Proposed CIP Funding Plan

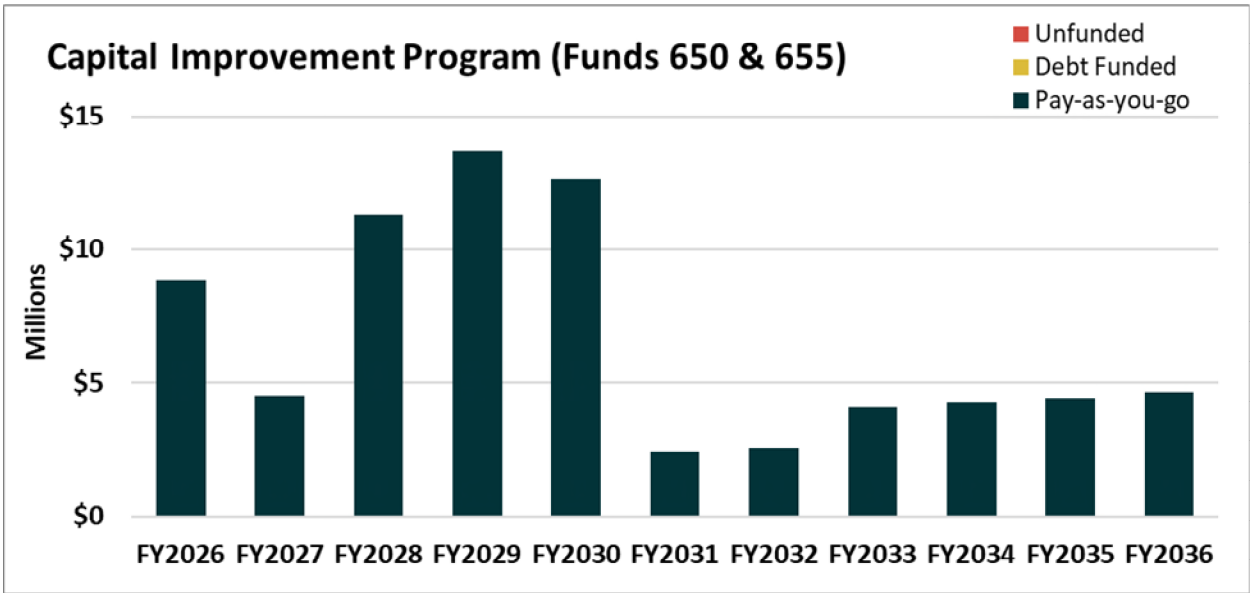
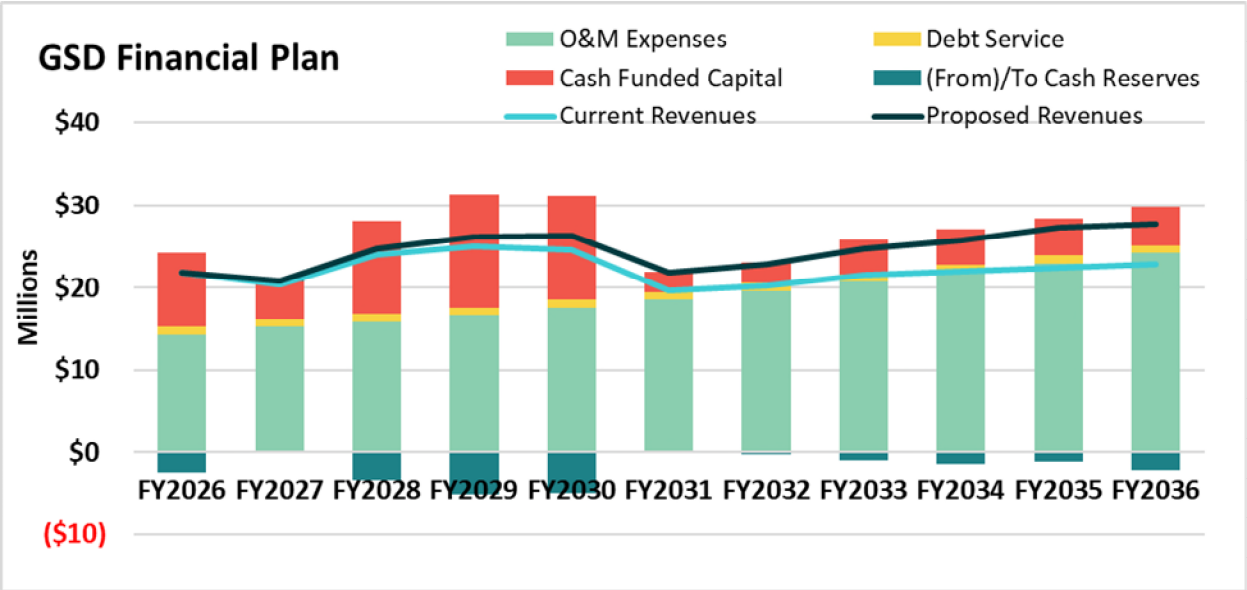


Figure 5-6 shows the District's projected ending balances under the proposed financial plan. The light green bars indicate the ending balance. The District is projected to prudently draw down its reserves through FY 2036 while maintaining fund balances above reserve targets. As planned, the District's reserves are projected to meet the proposed reserve targets at the end of FY 2036. The proposed plan is advantageous in several ways including: it reduces risk relative to the present day through measured and modest increases to rates; it provides flexibility in future CIP financing or cash-funding; and providing a sufficient revenue base to support anticipated increases to the CIP in the next rate cycle (FY 2032-2036) given continued inflation. Overall, this plan draws down existing reserves in a measured approach, mitigating otherwise significant future rate increases (rate spikes).

Figure 5-6: Projected Ending Balances with Revenue Adjustments

Figure 5-7 shows the proposed versus status quo financial plan. Revenues with the proposed financial plan and status quo financial plan are represented by the dark blue and light blue solid lines, respectively. Revenue requirements including O&M expenses, debt service, cash funded CIP, and reserve funding and are represented by the various stacked bars. Although current rates result in adequate recovery of O&M expenses, revenue adjustments are required to generate sufficient revenue to cover cash funded CIP, meet debt service coverage requirements and achieve target reserve policies over the long term.

Figure 5-7: Financial Plan



5.6. GSD Revenue Requirement – Sewer Service Charges

Table 5-20 shows the revenue requirement specific to GSD. This is an important determination as the GSD revenue requirement constitutes the annual amount required from sewer service charge rates and forms the foundation of the cost-of-service analysis in the next section.

Revenues represent all sources of funds to GSD through direct charges, miscellaneous fees, and interest earnings. The GSD SSC line (i.e., sewer service charges) include the revenue adjustments proposed in the five-year rate period.

O&M expenditures are GSD's share of annual operating costs (**Table 5-3** further detailed by department). Annual debt service is wholly the responsibility of GSD. Capital and R&R Fund costs are GSD's share of annual projects (**Table 5-6**). Annual cash flow is therefore the net cash change to GSD's share of system costs.

Table 5-20: GSD Sewer Service Charge Revenue Requirement

GSD Revenue Requirement	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Revenues						
GSD SSC Rate Revenues	$9,273,355	$9,803,385	$10,290,799	$10,731,433	$11,229,057	$11,887,342
Other Operating Rev	$689,354	$689,354	$689,354	$689,354	$689,354	$689,354
Capacity and Annex. Fees	$128,366	$128,366	$128,366	$128,366	$128,366	$128,366
Property Tax Revenues	$213,000	$213,000	$213,000	$213,000	$213,000	$213,000
Debt Proceeds	$0	$0	$0	$0	$0	$0
Interest Earnings	$1,432,054	$1,334,690	$1,386,738	$1,295,840	$1,130,844	$904,475
Total Revenues	**$11,736,128**	**$12,168,794**	**$12,708,256**	**$13,057,992**	**$13,390,621**	**$13,822,538**
O&M Expenditures - GSD						
COLLECTION SYSTEM	$1,735,136	$1,849,448	$1,971,577	$2,077,466	$2,189,406	$2,308,031
TREATMENT FACILITIES	$4,082,381	$4,297,280	$4,540,273	$4,822,827	$5,128,797	$5,474,500
PUMP STATION	$228,240	$244,835	$262,032	$277,567	$294,416	$313,653
OUTFALL	$36,173	$125,138	$28,406	$30,201	$32,113	$34,152
ADMINISTRATION	$2,036,262	$2,162,033	$2,306,882	$2,423,197	$2,545,520	$2,673,253
LABORATORY	$429,086	$461,482	$496,436	$527,392	$560,321	$595,352
RECLAMATION	$0	$0	$0	$0	$0	$0
IWC	$267,437	$285,886	$305,673	$322,660	$340,640	$359,674
FIRESTONE LIFT STATION	$49,549	$52,745	$56,114	$59,231	$62,554	$66,168
Total O&M Expenses	**$8,864,263**	**$9,478,848**	**$9,967,392**	**$10,540,541**	**$11,153,768**	**$11,824,783**
Net Revenue (Operating)	**$2,871,865**	**$2,689,947**	**$2,740,864**	**$2,517,451**	**$2,236,853**	**$1,997,755**
Debt Service - GSD	$944,048	$944,049	$944,049	$944,048	$944,048	$944,048
Capital Fund CIP - GSD	$3,312,068	$1,638,893	$5,036,652	$6,281,558	$5,680,088	$335,579
R&R Fund CIP - GSD	$985,800	$0	$113,034	$474,097	$554,376	$849,151
Annual Cash Flow	**($2,370,051)**	**$107,006**	**($3,352,871)**	**($5,182,251)**	**($4,941,660)**	**($131,024)**
Beginning Balance	$45,204,961	$42,834,910	$42,941,916	$39,589,045	$34,406,794	$29,465,134
Net Cash Flow	($2,370,051)	$107,006	($3,352,871)	($5,182,251)	($4,941,660)	($131,024)
Ending Balance	$42,834,910	$42,941,916	$39,589,045	$34,406,794	$29,465,134	$29,334,110

6. Cost of Service Analysis

Section 6 details the cost of service (COS) analysis performed for GSD's retail customers and using the current year (FY 2025-26) as the *test* year. The COS analysis allocates the overall rate revenue requirement to customer classes based on their proportion of use of and burden on the wastewater system. This provides the basis for the development of proposed wastewater rates through FY 2030-31. Note that the COS is constrained to the revenue requirement, system components, and estimated units of service from the retail customer base as the study is to develop cost-justified sewer service charges for GSD's customers. Other governmental agencies revenues, cost components, and units of service are excluded from the analysis.

6.1. Methodology

The first step in a COS analysis is to determine the revenue required from wastewater rates. The total revenue requirement results from the proposed financial plan in Section 5.5 and the revenue requirement determination in Section 5.6. The methodology to develop the COS analysis and to apportion the revenue requirement to user classes is informed by the WEF's Manual of Practice (MOP) No. 27 *Financing and Charges for Wastewater Systems*. COS analyses are tailored to meet the specific needs of each wastewater system. However, there are four distinct steps in every COS analysis to recover costs from customers in an accurate, equitable, and defensible manner:

1. **Cost functionalization:** O&M expenses and capital assets are categorized by their function in the wastewater system. Sample functions may include collection, treatment, and customer service, among others.
2. **Cost causation component allocation:** Functionalized costs are then allocated to cost causation components based on their burden on the wastewater system. The cost causation components include flow, biochemical oxygen demand (BOD), and suspended solids (SS), among other specific cost components. The revenue requirement is allocated accordingly to the cost causation components and results in the total share of the revenue requirement attributable to each cost component.
3. **Mass balance analysis:** The flow and strength (BOD and SS) of wastewater treatment plant (WWTP) influent is attributed to each customer class based on water use data and wastewater generation and strength assumptions that vary by user classification. This analysis estimates the burden each customer class places on the wastewater system.
4. **Revenue requirement distribution:** The mass balance analysis is utilized to distribute the revenue requirement for each cost causation component unit cost to customer classes based on each customer class's individual burden on the wastewater system.

6.1.1. Rate Revenue Requirement

Table 6-1 shows the determination of the rate revenue requirement for FY 2025-26, also referred to as the test year. The revenue requirement is split into operating and capital categories, which are later allocated based on O&M expenses and capital assets. The revenue requirements include O&M expenses, cash-funded CIP, and debt service. The revenue offsets include all non-rate sources of miscellaneous and non-operating revenues. These revenues are applied to and reduce the final rate revenue requirement. The adjustment for cash is equal to the net change to cash under the proposed financial plan, and accounts for the drawdown of reserves in FY 2025-26. The final rate revenue requirement is calculated as follows:

Total revenue required from rates = Revenue requirements - Revenue offsets - Adjustments

Table 6-1: FY 2025-26 Sewer Service Charges Rate Revenue Requirement

	Operating	Capital	Total
Revenue Requirements			
O&M Expenses			
COLLECTION SYSTEM	$1,735,136		**$1,735,136**
TREATMENT FACILITIES	$4,082,381		**$4,082,381**
PUMP STATION	$228,240		**$228,240**
OUTFALL	$36,173		**$36,173**
ADMINISTRATION	$2,036,262		**$2,036,262**
LABORATORY	$429,086		**$429,086**
RECLAMATION	$0		**$0**
IWC	$267,437		**$267,437**
FIRESTONE LIFT STATION	$49,549		**$49,549**
Total Debt Service Expenses		$944,048	**$944,048**
Cash Funded CIP		$4,297,868	**$4,297,868**
Total Revenue Requirement	**$8,864,263**	**$5,241,916**	**$14,106,179**
Revenue Offsets			
Other GSD Operating Revenue - Fund 640	$689,354		**$689,354**
Capacity and Annexation Fees		$128,366	**$128,366**
Property Tax Revenues		$213,000	**$213,000**
Interest Earnings		$1,432,054	**$1,432,054**
Total Revenue Offsets	**$689,354**	**$1,773,420**	**$2,462,774**
Adjustment for Cash (to/from Reserves)	**$1,489,330**	**$880,721**	**$2,370,051**
Net Revenue Required from Rates	**$6,685,579**	**$2,587,775**	**$9,273,355**

6.1.2. Functionalization and Allocation of Expenses

After determining the revenue requirement, the next step of the wastewater COS analysis is to allocate O&M expenses and capital assets to the following functional categories:

- **Collection**: costs related to the system of collection and transport of wastewater discharges from customers to the wastewater treatment plan
- **Treatment**: costs associated with the wastewater treatment facilities to treat wastewater to tertiary standards and disposal
- **Pump Station:** costs associated with the main pump station including power, personnel, routine maintenance, equipment, capital outlay, and capital repair and replacement costs
- **Outfall:** costs incurred for the operations, analysis, monitoring, and inspection of the District's ocean outfall. This includes operating costs, capital outlay, and capital projects.
- **Administration:** costs of the District's dedicated Administration department, which includes central services and District-wide activities. Examples are the offices of the General Manager, Finance Director, and Communications Manager as well as the Districts legal counsel and public education expenditures.

- **Laboratory:** costs incurred for analysis and monitoring related to WRRF operations, reporting program requirements, ocean monitoring, and the associated staffing and professional services associated with these activities
- **IWC:** costs associated with industrial waste control including personnel, other operating expenses, and capital outlay. Costs of IWC are generally associated with the District's collection system
- **Firestone Lift Station:** costs associated with the Firestone lift (i.e., pump) station including power, personnel, routine maintenance, equipment, capital outlay, and capital repair and replacement costs
- **Miscellaneous:** costs for general administration and operational expenses or any other costs that do not clearly relate to another functional category (i.e. indirect costs)

The functionalization of costs allows for the allocation of costs to cost causation components. Some cost causation components correspond directly to a functional category listed above. The cost causation components include:

- **Flow**: costs that vary based on the quantity of wastewater generated
- **Biochemical Oxygen Demand**: costs that vary based on the BOD strength parameter of wastewater; Biochemical oxygen demand is a measure of wastewater strength based on the amount of organic matter contained in wastewater prior to treatment and generally defined in terms of milligrams per liter (mg/L) or parts per million (ppm).
- **Total Suspended Solids**: costs that vary based on the SS strength parameter of wastewater; Suspended Solids are a measure of wastewater strength based on the amount of solid particles in suspension in wastewater prior to treatment also generally expressed in milligrams per liter (mg/L) or parts per million (ppm).
- **General**: directly associated with the Administration functional category

Table 6-2 shows the basis for allocating each functional category to the various cost causation components. This provides the basis for allocating O&M and capital expenses in the following subsections. The Collection System is allocated to Flow since collection mains are sized for wastewater generation, not strength. Similarly, lift stations are sized for flow and allocated accordingly. Treatment facilities are apportioned based on the design parameters provided to Raftelis by GSD. This apportionment is 49 percent to flow, 32 percent to BOD, and 19 percent to TSS. The Laboratory follows the same ratio of BOD to TSS while omitting the flow component. IWC costs are largely incurred due to collection system maintenance and are allocated the same as Collection (i.e., to Flow). Administration is allocated to General, which is re-apportioned to the three direct parameters further on in this section.

Table 6-2: Allocation of Functional Categories to Wastewater Cost Causation Components

Functional Categories	Flow	BOD	TSS	General	Total
COLLECTION SYSTEM	100%				**100%**
TREATMENT FACILITIES	49%	32%	19%		**100%**
PUMP STATION	100%				**100%**
OUTFALL	100%				**100%**
ADMINISTRATION				100%	**100%**
LABORATORY		63%	37%		**100%**
IWC	100%				**100%**
FIRESTONE LIFT STATION	100%				**100%**
MISC				100%	**100%**

6.1.3. Wastewater Enterprise O&M Expense Allocation

Table 6-3 shows the apportionment of functional costs from the revenue requirement to the cost causation components based on the proportions identified in **Table 6-2**. This intermediate step is necessary to allocate wastewater O&M expenses to individual cost causation components. The result is the share of O&M costs in the test year by cost component.

Table 6-3: Summary of Wastewater Enterprise O&M Expenses by Functional Category

Functional Categories	Flow	BOD	TSS	General	Total
COLLECTION SYSTEM	$1,735,136				**$1,735,136**
TREATMENT FACILITIES	$2,000,366	$1,306,362	$775,652		**$4,082,381**
PUMP STATION	$228,240				**$228,240**
OUTFALL	$36,173				**$36,173**
ADMINISTRATION				$2,036,262	**$2,036,262**
LABORATORY		$269,230	$159,856		**$429,086**
IWC	$267,437				**$267,437**
FIRESTONE LIFT STATION	$49,549				**$49,549**
Total	**$4,316,901**	**$1,575,592**	**$935,508**	**$2,036,262**	**$8,864,263**
% Cost Component	*48.7%*	*17.8%*	*10.6%*	*23.0%*	***100%***

6.1.4. Wastewater Enterprise Capital Allocation

Capital assets are utilized in COS analyses to allocate the capital revenue requirement to the various cost causation components. The distribution of short-term CIP project costs can be heavily weighted to specific cost causation components based on the type of projects. Use of short-term plans to allocate capital costs may cause rates to fluctuate and result in customer confusion. The overall wastewater asset base however is considerably stable in the long-term and therefore is more representative of long-term capital investment in GSD's collection and treatment facilities. Thus, functionalized capital assets are used to allocate capital costs.

GSD staff provided Raftelis with a detailed capitalized asset database that included (among other fields) the original cost of each individual asset, it's useful life, in service date, and depreciation to date. Raftelis calculated the replacement cost of each asset based on net book value using the Engineering News-Record's 20-City Average Cost Construction Index (CCI) to account for capital cost inflation over time. As part of the capital asset analysis, Raftelis attributes each individual asset to a functional category. Total wastewater asset value by functional category is shown in **Table 6-4.** Percentages are rounded to the nearest one-tenth of one percent. Note that the assets shown exclude Reclamation assets as those facilities do not serve GSD retail customers and are therefore excluded from the cost of service.

Table 6-4: Summarized Capital Assets by Functional Category, in Estimated Replacement Cost

Functional Categories	Total	% Valuation
COLLECTION SYSTEM	$73,441,558	43%
TREATMENT FACILITIES	$57,152,012	34%
PUMP STATION	$10,608,686	6%
OUTFALL	$11,105,393	7%
ADMINISTRATION	$5,757,854	3%
LABORATORY	$0	0%
IWC	$90,572	0%
FIRESTONE LIFT STATION	$4,502,869	3%
MISC	$6,689,385	4%
Total Functional Categories	**$169,348,328**	**100%**

Table 6-5 shows the allocation of capital assets by functional category to each cost causation component. The percentage allocation of each functional category to the various cost causation components was determined in **Table 6-2**. Total capital assets associated with each functional category - in replacement cost dollars and share of overall system value - were determined in **Table 6-4**. The total dollar amount allocated to each cost causation component is determined by multiplying the total asset value associated with each functional category by the corresponding percentage allocation and summing across all functional categories. This is consistent with the methodology used to determine the allocation of O&M expenses to cost causation components in Table 6-3.

The capital allocation percentages represent the proportion of capital assets allocated to each cost causation component. The capital allocation percentages are used to allocate the total capital revenue requirement calculated in **Table 6-1** to each cost causation component.

Table 6-5: Allocation of Functionalized Wastewater Capital Assets to Cost Causation Components

Functional Categories	Flow	BOD	TSS	General	Total
COLLECTION SYSTEM	$73,441,558				**$73,441,558**
TREATMENT FACILITIES	$28,004,486	$18,288,644	$10,858,882		**$57,152,012**
PUMP STATION	$10,608,686				**$10,608,686**
OUTFALL	$11,105,393				**$11,105,393**
ADMINISTRATION				$5,757,854	**$5,757,854**
LABORATORY					**$0**
IWC	$90,572				**$90,572**
FIRESTONE LIFT STATION	$4,502,869				**$4,502,869**
Miscellaneous				$6,689,385	**$6,689,385**
Total	**$127,753,563**	**$18,288,644**	**$10,858,882**	**$12,447,239**	**$169,348,328**
% Cost Component	*75%*	*11%*	*6%*	*7%*	***100%***

6.1.5. Wastewater Cost of Service Allocation

Table 6-6 shows the allocation of the total FY 2026 rate revenue requirement to the various cost causation components. The COS allocations provide the basis for test year rate calculations shown in **Section 7.** The results shown in **Table 6-6** are calculated as follows based on intermediate results developed in the preceding subsections:

1. **Operating Revenue Requirement**: The total operating revenue requirement consists of the GSD's O&M expenses less revenue offsets for non-rate revenues from other sources. The allocation of the total operating revenue requirement to each cost causation component was previously determined in Table 6-3.

2. **Capital Revenue Requirement**: The total capital revenue requirement consists of debt service and cash reserves generated for future capital investments, less revenue offsets for other revenue sources, interest earnings, and cash to/from reserves. The allocation of the total capital revenue requirement to each cost causation component was previously determined in **Table 6-5**.

3. **Reallocation of General Costs**: The total General cost allocation equals the operating revenue requirement and capital revenue requirement allocated to the General cost causation component in **Table 6-3** and **Table 6-5**. The total General revenue requirement is fully reallocated to all other cost causation components on a pro rata basis[9]. Note that the reallocation results in a change of total costs across cost causation components but does not change the total rate revenue requirement or the relative share of each component.

4. **Final Cost of Service Allocation**: The final COS allocation to each cost causation component equals the total FY 2026 rate revenue requirement in **Table 6-1**. The % Allocation by Component is used in subsequent sections in calculating ERUs by parcel and across the service area in aggregate. The total cost of service represents the numerator in deriving rates in Section 7.

Table 6-6: Wastewater Cost of Service Allocation (Test Year FY 2026)

Cost of Service	Flow	BOD	TSS	General	Total
Operating Revenue Requirement	$3,255,881	$1,188,339	$705,576	$1,535,783	$6,685,579
Capital Revenue Requirement	$1,952,175	$279,465	$165,932	$190,204	$2,587,775
Preliminary Cost of Service	***$5,208,056***	***$1,467,803***	***$871,508***	***$1,725,987***	***$9,273,355***
General Cost Re-Allocation	*$1,191,016*	*$335,668*	*$199,303*	*-$1,725,987*	*$0*
Final Cost of Service	**$6,399,072**	**$1,803,471**	**$1,070,811**	**$0**	**$9,273,355**
% Allocation by Component	*69.0%*	*19.4%*	*11.5%*	*0%*	*100%*

[9] The operating and capital revenue requirements are summed for each cost causation component shown. The percentage of this sum in each cost causation component is multiplied by total reallocated General costs to determine the share of General costs reallocated to each cost causation component.

6.2. Current and Proposed Wastewater Structure and Modifications

6.2.1. Rate Structure Data Sources

As part of this cost of service Study the District wished to explore alternatives to the existing rate structure. The District's existing structure of rates has been largely unchanged for the past several decades. Structural considerations include foundational principles of rate setting found in industry literature (i.e., WEF *MOP No. 27*), legal requirements requiring cost-justification and proportionality (i.e., Proposition 218), billing system constraints, user base characteristics, data availability, and policy discretion of the local governing body (e.g., administrative burden, customer impacts, and revenue stability concerns).

Raftelis worked closely with GSD staff and legal counsel, as well as information to, and input from, the District's Finance Committee and Board of Directors. To inform the proposed rate structure Raftelis relied on the following key data sources:

- The existing rate structure, respective units of service, and current cost of service model.
- Assessor's Parcel Number (APN) database for all customers served by GSD with supplemental information including but not limited to dwelling unit information for residential connections, sub-parcel classifications (for Commercial users who may have several distinct uses on the same APN), and current charges.
- Metered water use by APN for all Commercial and mixed-use parcels. These data were provided by GSD who receives metered water use annually from the three water agencies overlying the GSD service area: Goleta Water District, La Cumbre Mutual Water Company, and the City of Santa Barbara (as well as a handful of parcels served by private wells).
- California Association of Sanitation Agencies (CASA) Flow and Loadings Study report. The CASA study, which GSD was a participant, provides up to date estimates on wastewater generation and strength concentrations based on sampling across many user classes across the State of California.
- WRRF plant influent and strength concentrations.
- The cost of service, by system parameter, presented in **Table 6-6**.
- An ERU formula based in part on literature originating with LACSD whereby individual parcel calculations are a function of the specific user relative to the Single Family Residential definition in flow and strength and the cost of service by parameter (i.e., flow, BOD, TSS).

6.2.2. Proposed Rate Structure Modification – ERU Approach

The District's existing rate structure relies upon distinct rates for more than two dozen different user classifications. More, a subset of non-residential users is levied volumetric surcharges annually if there estimated wastewater generation exists that of one ERU. Each commercial classification is some fraction of the existing ERU definition with units of service that vary by class. For example, Automobile Service Stations are levied only a flat charge by establishment whereas a hospital user may be levied a volumetric surcharge. Similarly, units are defined differently by user class: offices are charged per office equivalent which represents 500 square feet per office suite and a unit based on area; a hospital user is charged per bed on a fixture/unit count basis. Over time costs incurred may change across the system and so too might user demands. For all these many reasons the District wished to evaluate a change in rate structure to align current costs, customer demands, and best available data with appropriate rates. In modeling the proposed rate structure, the Project Team took the following steps:

- First the GSD staff and Raftelis evaluated the CASA study specifically to relate user classes within the CASA study to GSD's existing user classifications. This matrix approach aligns existing user classifications with the best available strength data.

- Second, Raftelis worked with GSD staff to merge water use from the water purveyors' records to the District's parcel database. For many parcels this exercise is a simple one-to-one. For some types of Commercial parcels, the assignment of water use required merging multiple user classes on a parcel; or merging multiple meters (and water use) to one parcel; or where a parcel serves both residential and commercial user classes a method to account for residential flows from the dwelling units served and residual water use to the commercial user(s) classification(s). The goal, and result, of the exercise is to identify one volume of water use per parcel with which to incorporate in the calculation of ERUs on a unique APN.

- Third, the Raftelis project team built an ERU database from the foundational APN database. The database was constructed with dynamic use in mind to subsequently update to the most appropriate strength classification, return to sewer factors, etc. The ERU database incorporates all relevant parcel characteristics and uses a decision tree approach to ensure the correct classification and calculation of ERUs. For example, if the parcel is Residential the database will bypass commercial ERU calculations and instead calculate ERUs solely on the dwelling unit count. Similarly, if a Commercial parcel has zero annual flow estimated based on zero water use, the database will apportion the minimum charge of 0.5 ERU (the proposed minimum charge is discussed in more detail in the following section).

- Fourth, the ERU database calculates the number of ERUs (or fraction thereof) on each unique APN and the summation of ERUs by wastewater user class and in aggregate. The result is the total number of ERUs served by the agency which becomes the denominator in determining proposed rates. This effort also provides an estimate on wastewater flows and total strengths across the system with which to compare to estimates of plant influent and strength concentrations (i.e., a mass-balance).

6.2.2.1. ERU Definition

To relate between types of users and uses across a system an equivalency basis must be determined. This starts by defining an equivalent unit based on the most common customer type, a Single Family Residential connection. The definition relies on both the estimated flow (i.e., wastewater generation) of a connection and the strength of wastewater generated. The existing ERU definition is 203 gallons per day (gpd) and strength of 220 and 329 mg/L respectively for BOD and TSS.

ERU Flow

Table 6-7 summarizes the existing flow per ERU by residential classification against two recent data points: the 2025 CASA Flow and Loading study and average winter consumption (AWC) in Goleta, California. Both recent estimates are significantly lower than the existing, which is to be expected based on the time since the District last evaluated its definition. Based on the Goleta, California estimate being specific to the District's service area, and being reasonably in line with the CASA results, the proposed definition is 150 gpd per ERU. This is based on an estimate of three persons per household using approximately 50 gallons per capita per day (gpcd), in line with

recent state indoor efficiency standards[10]. It is also in line with average winter water use (a proxy for year-round wastewater generation) of a typical SFR served by Goleta Water District[11].

Unlike SFR, Multi-Family Residential (MFR) winter water use per dwelling unit is not readily available, so an estimate relative to SFR must be derived. To determine a best estimate of winter water use for MFR, Raftelis utilizes the ratio of Apartment and Mobile Home use to SFR use relying on the CASA Study results (i.e., 135/161). This ratio is applied to the proposed SFR definition of 150 gpd yielding an estimated winter water use/wastewater flow per MFR of 125 (rounded down to the nearest whole gallon).

Table 6-7: Flow Estimate per ERU

Residential Classification	GSD Existing Rates (gpd)	GSD 2025 Estimate	CASA Study (gpd)
SFR	203	**150**	161
Apartment	142	**125**	135
Mobile Home	142	**125**	135

ERU Strengths

To calculate proportional ERUs for Commercial users, strengths per ERU must be estimated. **Table 6-8** summarizes the existing strengths per ERU by wastewater parameter against two recent data points: the 2025 CASA Flow and Loading study and the average influent concentration at the GSD WRRF. Both the existing and CASA estimates are significantly lower than the WRRF data. Not only is the WRRF data local, but it is sampled daily and represents a three-year average. Knowing that 85 to 90 percent of the GSD service area is Residential, with Commercial users generating wastewater that is higher and lower than Residential strengths, the Project Team believed the average plant influent to represent the best estimate of Residential strengths.

For purposes of subsequent ERU calculations, the same strengths are used across all residential users, since indoor water use characteristics are the same across residential types (i.e., cooking, cleaning, bathing, flushing, etc.).

[10] The State of California's current residential indoor efficiency standard as of January 1, 2025 is 47 gpcd.

[11] Based on Goleta Water District's 2025 Rate Study, typical winter water use is approximately six (6) hundred cubic feet (HCF) per month, which is in line with a 3-person household at 50 gpcd (rounded to the nearest whole HCF).

Table 6-8: Strength Estimate per ERU

Strength Parameter	GSD Existing	CASA (Mean)	CASA (Median)	GSD Plant Influent[12]
BOD (mg/L)	220	248	203	**387**
TSS (mg/L)	329	239	202	**476**

6.2.2.2. Commercial Parcels – Strength Classifications and Flow Estimates

As previously described, and identified in Section 5.2.1, GSD has two dozen user classifications. These classifications are based on parcel use type, with Commercial properties often having several different user classes per parcel. For example, a traditional shopping center may have retail shops, restaurants, office space, and other uses on a single parcel.

5. To accurately estimate representative strength on a parcel, Raftelis related GSD user classes with the strength classes from the CASA Study.

[12] Represents the three-year average influent strength concentrations, FY 2023 to FY 2025.

Table 6-9 shows the assignment of GSD's classes to the CASA classes. The result is to group like classifications by strength which are subsequently used in ERU calculations.

For several classes the relationship is one-to-one (e.g., Car Wash, Church, and Hospital). For other GSD user classes Raftelis and GSD staff used professional judgment to relate to the most reasonable CASA class. For Commercial parcels with multiple GSD user classifications, Raftelis used an approach to categorize as either Mixed Commercial – NF (i.e., "no food") or Mixed Commercial – F (i.e., with food) based on the specific GSD user classes on a given parcel.

Table 6-9: User Class to Strength Class

Existing GSD User Categories	New Consolidated Category
Single Family Residences (SFR)	Single Family Residence (SFR)
Multiple Family Residences Mobile Homes and House Trailers	Multiple Family Residence
Motels	Hotel
Bars, Cocktail Lounges	Commercial - Food
Commercial Establishments	Commercial - No Food
Markets	Market
Beauty/Barber	Retail
Theaters Photo Processing Plant Auditoriums, Dance Halls and Recreation Rooms Private Clubs	Commercial - No Food
Restaurants Restaurants (Takeout/Drive-ins)	Restaurant
Churches	Church
Car Wash	Car Wash
Automobile Service Stations Machine Shop/Auto Repair Automobile Service Stations/trailer dump facilities	Automobile Services
Hospitals	Hospital
Laundromats/Dry Cleaners Factories, Industrial Plants, Water Bottling and Water Treatment Facilities	Industrial
Medical Offices Mortuaries Animal Shelters, Kennels, Veterinary Clinics & Hospitals	Medical Office
Banks Offices	Office
Schools/ADA Boys & Girls Clubs/ADA	School

For each Commercial parcel GSD staff provided metered water use information. The Raftelis project team worked to merge metered water use by APN for all commercial and mixed-use parcels. These data are provided to GSD annually from the three water agencies overlying the GSD service area: Goleta Water District, La Cumbre Mutual Water Company, and the City of Santa Barbara (as well as a handful of parcels served by private wells).

As mentioned earlier in Section 6.2.2, for many Commercial parcels this exercise in relating water use to APN is a simple one-to-one exercise. For some types of Commercial parcels, however, the assignment of water use required merging multiple user classes on a parcel; or merging multiple meters (and water use) to one parcel; or where a parcel serves both residential and commercial user classes a method to account for residential flows from the dwelling units served and residual water use to the commercial user(s) classification(s). The goal, and result, of the exercise is to identify one volume of water use per parcel with which to incorporate in the calculation of ERUs on a unique APN.

6.2.2.3. ERU Formula and Example Calculation

Having defined an ERU, determined flow and strength estimates on each parcel served, and derived the proportion of the revenue requirement related to Flow, BOD, and TSS, total ERUs can be calculated. The following formula defines 1 ERU.

$$ERU = Parcel\ Flow — 150\ gpd\ x\ (69\% + \left[19\%\ X\ \left(Parcel\ BOD — 387 \frac{mg}{L}\right)\right] + \left[12\%\ x\ \left(Parcel\ TSS — 476 \frac{mg}{L}\right)\right])$$

Where:

- Parcel flow is expressed in gallons per day based on metered water use, net of a return to sewer factor
- Parcel BOD is based on the representative CASA strength classification
- Parcel TSS is based on the representation CASA strength classification
- 69 percent represents the share of the revenue requirement attributable to Flow (**Table 6-6**)
- 19 percent represents the share of the revenue requirement attributable to BOD (**Table 6-6**)
- 12 percent represents the share of the revenue requirement attributable to TSS (**Table 6-6**)

An example calculation is provided in **Table 6-10**. For illustration a Restaurant parcel is selected and estimated to generate 1,000 gpd of wastewater. Using this approach aligns each classification's flow and strength, proportional to the ERU definition and weighted by the system cost causation percentages determined in the cost of service analysis. The calculation yields 8.5 ERUs for this hypothetical Restaurant parcel using 1,000 gpd.

Table 6-10: Example ERU Calculation

ERU Sample Calculator	Flow	BOD	TSS	Total ERUs
ERU (gpd & mg/L)	150	387	476	
ERU (Lbs / Day)	#N/A	0.48	0.59	
Restaurant (gpd & mg/L)	1000	981	363	
Restaurant (Lbs / Day)	#N/A	8.19	3.03	
Allocation %	*69.0%*	*19.4%*	*11.5%*	
ERU Calculation	4.61	3.30	0.59	**8.50**

6.2.3. Calculated ERUs

Estimating systemwide ERUs relies on dwelling unit counts for SFR and MFR customers, water use and strength data for Commercial parcels, and estimated indoor water use for School parcels.

- SFR parcel form the ERU definition and are therefore one ERU each

- MFR parcels have more than one dwelling unit per parcel. ERUs are a function of dwelling unit count (e.g., eight apartment units) and flow relative to SFR (i.e., 125 /150 gpd = 83 percent)
- Commercial ERUs are calculated as presented in the formula in 6.2.2 and then summarized by GSD user class.
    - Any Commercial parcel with less than 0.5 ERU is subject to a minimum charge, which represents the estimated share of fixed costs on GSD's system related to the collection system and Administration (no treatment plant related costs).
- Schools are estimated at 7.5 gpd per student. This estimate relies on data from the City of Los Angeles as well as industry standards for wastewater generation by school types.

The result is a table of users, by class, with resulting estimates for flow, strengths, and total ERUs. **Table 6-11** shows the summation of calculated ERUs in the column furthest to the right. Other information presented includes the attribution of flow and strength loading totals by Residential and Commercial classifications and sub-classifications. The total ERUs become the denominator to derive rates in Section 7.

Table 6-11: Calculated ERUs and Mass Balance

User Classes (CASA Consolidated)	Parcel Count	Water Use (MG/Yr)	Return to Sewer Factor	Estimated Flow (MG/Yr.)	BOD (mg/L)	TSS (mg/L)	BOD (lbs)	TSS (lbs)	Residential Dwelling Units	Calculated ERUs
Residential										
SFR	8,455			477	387	476	*1,539,140*	*1,893,102*	8,728	8728
MFR	3,022			302	387	476	*974,773*	*1,198,946*	6,592	5527
Residential Total	**11,477**	-	-	**778**			**2,513,913**	**3,092,049**	**15,320**	**14,255**
Commercial										
Auto Dealer	58	2.42	75%	1.81	305	200	*4,615*	*3,026*		40
Car Wash	2	1.17	95%	1.11	104	72	*961*	*665*		17
Church	16	2.87	75%	1.91	602	886	*9,619*	*14,156*		44
Hospital	3	20.20	75%	15.15	340	485	*42,987*	*61,319*		272
Hotel	5	8.02	75%	8.99	200	161	*15,007*	*12,080*		137
Industrial	57	32.61	90%	42.05	68	80	*23,860*	*28,071*		615
Market	3	1.40	75%	1.05	403	186	*3,530*	*1,629*		18
Medical Office	14	5.65	75%	2.64	356	370	*7,842*	*8,150*		49
Mixed Commercial - F	34	39.44	75%	28.65	893	484	*213,512*	*115,722*		660
Mixed Commercial - NF	281	114.49	75%	50.93	694	341	*294,952*	*144,926*		1107
Office	40	4.14	75%	3.49	272	280	*7,917*	*8,150*		127
Restaurant	21	7.13	75%	5.01	981	363	*41,031*	*15,183*		117
Retail	1	0.02	75%	0.01	402	510	*40*	*50*		1
School	15	1.36	100%	1.38	232	376	*2,681*	*4,345*		261
Total Commercial	**550**	**241**		**164**			**668,553**	**417,474**	-	**3,463**
GSD Total	**12,027**			**943**			**3,182,466**	**3,509,523**	**15,320**	**17,718**

6.2.4. Wastewater Unit Costs

Having determined the cost of service and calculated the total ERUs on the system, the Test Year rate per ERU can be determined. **Table 6-12** is simply the total cost of service (**Table 6-6**) divided by the calculated ERUs (**Table 6-11**). This represents the cost-of-service rate per ERU / SFR connection.

Table 6-12: $/ERU (Test Year FY 2026)

Cost of Service	$	9,273,355
Calculated ERUs		*17,718*
$/ERU/Year	**$**	**523.39**

6.2.5. Wastewater Cost Allocation to Customer Classes

Table 6-13 shows the cost of service by four primary customer classes: SFR, MFR, Commercial, and Schools. Schools are shown separate from Commercial users as their cost of service is recovered on an average daily attendance (ADA) basis, not an ERU basis. Unit counts shown represent dwelling units for SFR and MFR, EDUs for Commercial parcels, and ADA (i.e., student count) for Schools. Current cost of service is compared to the existing cost of service (i.e., existing rates and charges) to illustrate the changes in cost responsibility between the classes.

Table 6-13: Cost to Serve by Wastewater Customer Class

Customer Classification	Unit Count	Rate / Unit	Proposed Cost of Service	Current Cost of Service	$ Difference	% Difference
Single Family Residential	8,728	$523.39	**$4,567,910**	$4,631,802	*$ (63,892)*	*-1.4%*
Multi-Family Residential	6,592	$438.86	**$2,892,964**	$2,832,621	*$60,344*	*2.1%*
Commercial	3,202	$523.39	**$1,676,070**	$1,650,516	*$25,554*	*1.5%*
Schools	6,010	$22.70	**$136,411**	$158,416	*$(22,005)*	*-13.9%*
Total			**$9,273,355**	**$9,273,355**	***$0***	***0 %***

7. Proposed Rates and Customer Impact Analysis

This section provides the calculations of proposed sewer service charges through FY 2031. Proposed rates are derived by relating the results of the COS analysis (Section 6.2.5) for FY 2026 (i.e. the "test year") with the results of the financial plan revenue adjustments in Section 5.5. FY 2026 "COS" rates and charges shown represent intermediate results of the rate design process because test year rates and charges must be calculated to provide a basis for proposed rates for FY 2027 through FY 2031.

7.1. Proposed Wastewater Rates (Test Year FY 2025-26)

Table 7-1 shows the calculation of COS rates for the test year. The rate per ERU of $523.39 is consistent across all users. SFR customers are charged for one ERU. MFR parcels are charged per dwelling unit with the charge derived by multiplying the $/ERU by the ratio of calculated ERUs (5,527) by the total dwelling units in the class (6,592). Commercial users pay for the number of ERUs, or fraction thereof, on the parcel as described in the previous section. School rates are converted from calculated ERUs to rates in $/ADA. While the District's charges are annual, monthly rates are shown for easy comparison with neighboring and comparable agencies who may bill monthly.

Table 7-1: Sewer Service Charge Calculation (Test Year FY 2026)

Customer Class	Parcel ERUs	Hand Billed ERUs	Total ERUs	$/ERU	Rate ($/Yr.)	Rate ($/Mo.)	Measure
Single Family Residential	8,727	1	8,728	$523.39	**$523.39**	$43.62	per unit
Multi-Family Residential	5,527		5,527		**$438.86**	$36.57	per dwelling unit
Commercial	3,076	126	3,202		**$523.39**	$43.62	per ERU
Schools	10	251	261		**$22.70**[13]	$1.89	per ADA
Total	17,340	378	17,718				

7.2. Proposed Five-Year Sewer Service Charge Schedule

Table 7-2 shows the proposed five-year schedule of sewer service charges for FY 2027 through FY 2031. Proposed FY 2027 rates are calculated by increasing COS charges (from **Table 7-1**) by the proposed FY 2027 revenue adjustment of 4 percent. Rates in subsequent years are increased each year by an additional 4 percent per year as presented in the proposed financial plan. Proposed commercial rates in **Table 7-2** are normalized to the ERU flow definition of 150 gpd for ease of comparison with the Single Family Residential rate. Actual Commercial parcel charges are based on calculated ERUs using the parcel's wastewater flow estimate and strength from each respective user class. All proposed rates are rounded up to the nearest cent.

[13] Converted calculated ERUs at 7.5 gpd per student per day to ADA per year

Table 7-2: Proposed Five-Year Wastewater Rate Schedule

Five Year Rate Schedule	Proposed Units	FY 2026	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Revenue Adjustment	*Units*	*Current**	*COS*	*4.0%*	*4.0%*	*4.0%*	*4.0%*	*4.0%*
Single Family Residential	$/Year	$530.38	$523.39	**$544.33**	**$566.11**	**$588.76**	**$612.32**	**$636.82**
Multi-Family Residential	$/Unit/Year	$429.71	$438.86	**$456.42**	**$474.68**	**$493.66**	**$513.41**	**$533.95**
Hotel	$/150 HCF	$305.36**	$435.37	**$452.79**	**$470.91**	**$489.75**	**$509.34**	**$529.72**
Commercial - Food	$/150 HCF	N/A***	$659.25	**$685.63**	**$713.06**	**$741.59**	**$771.26**	**$802.12**
Commercial - No Food	$/150 HCF	N/A***	$588.56	**$612.11**	**$636.60**	**$662.07**	**$688.56**	**$716.11**
Market	$/150 HCF	$966.18	$492.09	**$511.78**	**$532.26**	**$553.56**	**$575.71**	**$598.74**
Beauty/Barber	$/150 HCF	$429.71	$533.07	**$554.40**	**$576.58**	**$599.65**	**$623.64**	**$648.59**
Restaurant	$/150 HCF	$1,002.02	$667.05	**$693.74**	**$721.49**	**$750.35**	**$780.37**	**$811.59**
Church	$/150 HCF	$530.38	$633.68	**$659.04**	**$685.41**	**$712.83**	**$741.35**	**$771.01**
Car Wash	$/150 HCF	$419.55	$398.72	**$414.68**	**$431.27**	**$448.53**	**$466.48**	**$485.14**
Automobile Services	$/150 HCF	N/A***	$468.02	**$486.75**	**$506.22**	**$526.47**	**$547.53**	**$569.44**
Hospital	$/150 HCF	$505.96	$513.54	**$534.09**	**$555.46**	**$577.68**	**$600.79**	**$624.83**
Industrial	$/150 HCF	N/A***	$390.25	**$405.86**	**$422.10**	**$438.99**	**$456.55**	**$474.82**
Medical Office	$/150 HCF	N/A***	$503.12	**$523.25**	**$544.18**	**$565.95**	**$588.59**	**$612.14**
Office	$/150 HCF	$90.69****	$469.51	**$488.29**	**$507.83**	**$528.15**	**$549.28**	**$571.26**
Schools ($/ADA)	$/ADA	$26.95	$22.70	**$23.61**	**$24.56**	**$25.55**	**$26.58**	**$27.65**

* Currently, ERUs are billed per 203 gpd used. The new flow definition for an ERU is 150 gpd used.

** Hotels were previously billed per room and will now be billed per 150 gpd used.

*** A rate for this category did not previously exist, and/or it is a consolidation of several prior user classes.

**** Offices were previously billed per 500 square feet and will now be billed per 150 gpd used.

7.3. Customer Impacts

Table 7-3 shows annual impacts to the four primary customer classes on a cost of service analysis. Results demonstrate a modest decrease to SFR parcels and a modest increase to MFR parcels. Schools experience a more significant decrease based on the results of the cost of service. Commercial user impacts will vary by specific parcel characteristics and a more detailed analysis of Commercial impacts is presented separately.

Table 7-3: Test Year Customer Class Impacts

Customer Class	COS Charge	Current Charge	$ Difference	% Difference
Single Family Residential	$523.39	$530.38	$(6.99)	-1.3%
Multi-Family Residential	$438.86	$429.71	$9.15	2.1%
Schools	$22.70	$26.95	$(4.25)	-15.8%
Commercial	$523.39	Varies	#N/A	#N/A

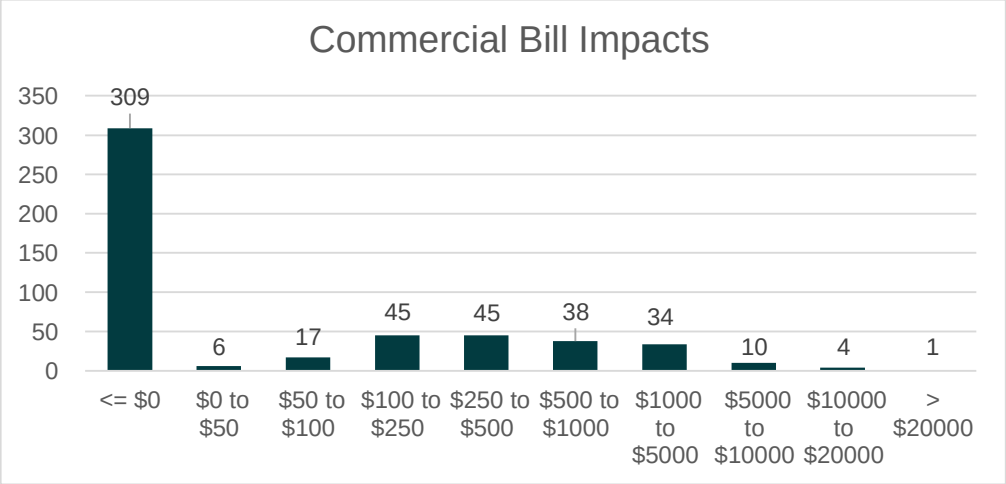
Table 7-4 shows actual impacts in the first year of rates, inclusive of the first year revenue adjustment of 4 percent. SFR parcels will experience an increase of slightly more than one dollar per month. MFR parcels will experience an increase of slightly more than two dollars per month, per dwelling unit. Schools still have a savings in absolute terms and Commercial parcels vary by parcel specific flows and strength.

Table 7-4: FY 2027 (Year One) Customer Class Impacts

Customer Class	Proposed Charge	Current Charge	$ Difference	% Difference
Single Family Residential	$544.33	$530.38	$13.95	2.6%
Multi-Family Residential	$456.42	$429.71	$26.71	6.2%
Schools	$23.61	$26.95	$(3.34)	-12.4%
Commercial	$544.33	Varies	#N/A	#N/A

Figure 7-1 shows the distribution of estimated impacts within the Commercial classes. GSD serves approximately 500 non-residential parcels. Most commercial parcels will experience decreases to charges on a cost of service basis (i.e., before application of the 4 percent revenue adjustment in the first year of the rate plan). The most common increases are estimated between $100-250 per year and $250-500 per year. All impacts are shown in annual terms.

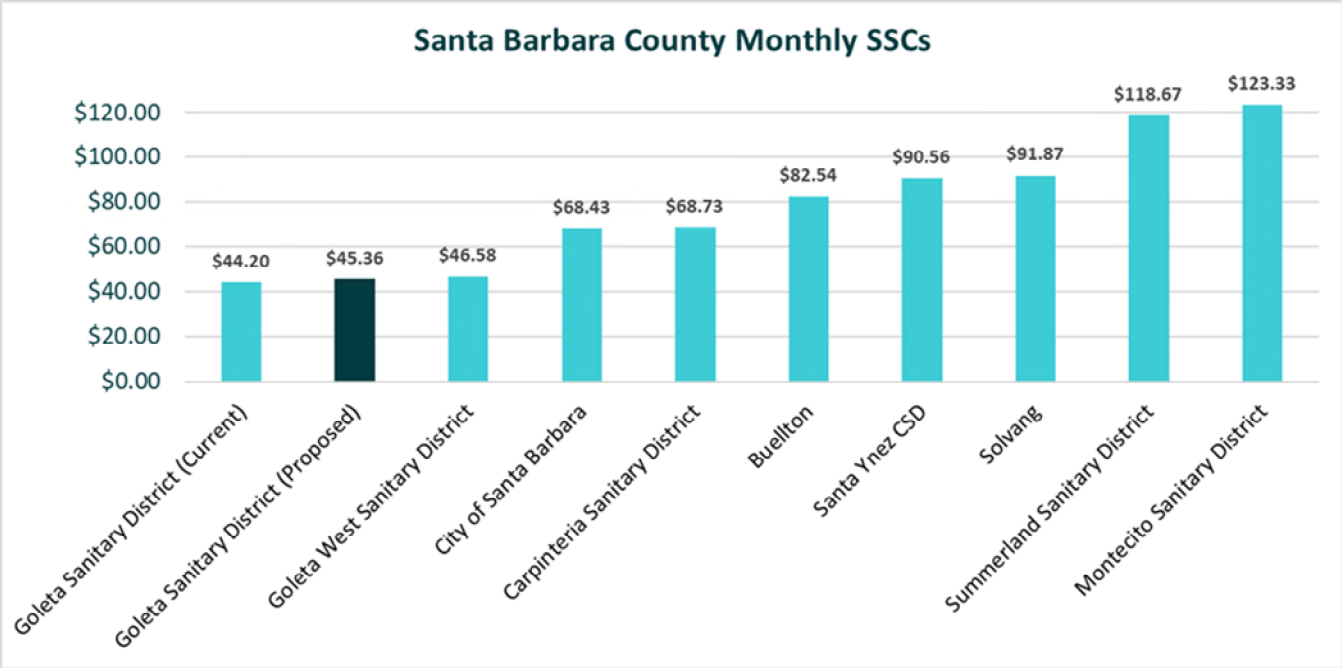
Figure 7-1: Commercial Parcel Charge Impacts



7.4. Monthly Bill Comparison

Figure 7-2 provides a comparison of sample Single Family Residential monthly bills with neighboring and comparable sewer agencies. All bills are calculated based on the SFR category and/or one ERU. Where an agency has a fixed plus volumetric sewer rate schedule, Raftelis assumes the base metered connection (that of either a 5/8-inch or 3/4-inch water meter connection) and monthly water use/wastewater flow of 6 HCF, consistent with the flow defined in the proposed ERU definition. Bills are shown in monthly terms, consistent with several other agencies' billing convention and how most users think in terms of other household expenditures. Where an agency has adopted (i.e., proposed) rates for FY 2027 those rates have been used in this survey. The proposed SFR rate for GSD customers is still the lowest in Santa Barbara County. In fact, the proposed rate is 47.5% less than the average rate for all other Santa Barbara County agencies in the survey.

Figure 7-2: Single Family Residential Sewer Service Charge Survey



APPENDIX A:

Multi-Year Plant Flows and Plant Loading Analysis

Appendix A shows the multi-year analysis for the treatment plant's influent flows and strength concentrations. The first table shows a three-year analysis of metered wastewater flows by agency. A three-year flow in (MGD) average is used to allocate cost percentages and estimate Revenues From Other Governmental Agencies (RFOGA) that would be reimbursed to the District. The second and third tables shows monthly BOD and TSS concentration measurements in mg/L from daily data over parts of three fiscal years. Daily data was aggregated to monthly to then determine averages utilized in the cost of service analysis.

MGD	GWSD	Airport Total	UCSB	GSD
FY 2019	2.08	0.25	0.15	2.54
FY 2022	2.03	0.04	0.11	2.11
FY 2023	2.16	0.06	0.15	2.33
FY 2024	2.15	0.08	0.15	2.27
FY 2025	2.07	0.05	0.15	2.50
Three-Year Average	*2.12*	*0.06*	*0.15*	*2.36*
Five-Year Average	*2.10*	*0.10*	*0.14*	*2.35*
***FY 2020 & FY 2021 omitted due to COVID**				
%	GWSD	Airport Total	UCSB	GSD
FY 2019	41.4%	5.0%	2.9%	50.7%
FY 2022	47.3%	1.0%	2.6%	49.0%
FY 2023	46.0%	1.2%	3.2%	49.6%
FY 2024	46.1%	1.8%	3.3%	48.8%
FY 2025	43.4%	1.1%	3.2%	52.4%
Three-Year Average	*45.2%*	*1.4%*	*3.2%*	*50.2%*
Five-Year Average	*44.9%*	*2.0%*	*3.0%*	*50.1%*

BOD	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Ann. Avg
2025							384	465	351	453			413
2024	313	326	306	313	303	358	355	356	395	398	358	334	343
2023	471	375	424	495	487	543							466
Three-Year Average	***395***	***351***	***366***	***406***	***392***	***464***	***369***	***410***	***373***	***425***	***358***	***334***	**387**

TSS	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Ann. Avg
2025							430	660	461	478			507
2024	400	479	385	452	407	415	502	409	478	399	459	418	433
2023	495	401	470	637	622	694							553
Three-Year Average	***447***	***440***	***426***	***546***	***514***	***557***	***467***	***534***	***470***	***438***	***459***	***418***	**476**

APPENDIX B:

CASA Study Strength Analysis

The following tables present the California Association of Sanitation Agencies (CASA) analysis of strength loadings by customer class, a study in which the District participated. This multi-year study surveyed over 150 California agencies to provide the mean, median, 25th percentile, and 75th percentile for BOD and TSS. Raftelis analyzed data distribution using Bowley's Coefficient of Skewness. This method uses quartiles to determine whether a dataset is skewed left (negative value), right (positive value), or symmetrical (close to zero). For skewed data, Raftelis used the median value, which is less influenced by outliers. For symmetrical data, Raftelis used the mean value.

The Bowley's Coefficient of Skewness is shown below where Q1 is the first quartile (25th percentile), Q2 is the second quartile (median or 50th percentile), and Q3 is the third quartile (75th percentile).

$$Bowley's\ Coefficient = (Q3 + Q1 - 2 * Q2)/(Q3 - Q1)$$

Customer Class	No. Sites	Mean TSS (mg/L)	Median TSS (mg/L)	25th Percentile (mg/L)	75th Percentile (mg/L)	Bowleys Coef.	Skewness	Mean/Median Decision	
SFR	40	239	202	150	280	0.200	Right	202	Median
MFR	40	253	160	110	245	0.259	Right	160	Median
Auto Dealer	3	269	200	107	429	0.422	Right	200	Median
Car Wash	2	176	72	44	142	0.429	Right	72	Median
Church	3	1,388	886	183	1,955	0.207	Right	886	Median
Coffee Shop	2	1,131	1,060	530	1,595	0.005	Symmetrical	1,131	Mean
Golf Course	2	1,122	860	700	1,300	0.467	Right	860	Median
Gym	1	290	280	198	384	0.118	Right	280	Median
Hospital	1	526	485	368	640	0.140	Right	485	Median
Hotel	10	238	161	110	275	0.382	Right	161	Median
Industrial	1	92	80	46	122	0.105	Right	80	Median
Market	6	478	186	63	390	0.248	Right	186	Median
Medical Office	3	454	370	158	634	0.109	Right	370	Median
Mixed Commercial - F	10	949	484	270	1,060	0.458	Right	484	Median
Mixed Commercial - NF	3	1,243	341	177	1,150	0.663	Right	341	Median
Office	8	845	280	162	640	0.506	Right	280	Median
Restaurant	28	591	363	250	579	0.313	Right	363	Median
Retail	4	558	510	230	868	0.122	Right	510	Median
School	7	803	376	197	791	0.397	Right	376	Median
University	2	494	245	169	404	0.353	Right	245	Median
Warehouse	3	1,508	1,000	330	1,700	0.022	Symmetrical	1,508	Mean

Customer Class		Avg BOD (mg/L)	Median BOD (mg/L)	25th Percentile (mg/L)	75th Percentile (mg/L)	Bowleys Coef.	Skewness	Mean/Median Decision	
SFR	40	248	203	160	280	0.283	Right	203	Median
MFR	40	286	210	157	280	0.138	Right	210	Median
Auto Dealer	3	305	277	176	367	-0.058	Symmetrical	305	Mean
Car Wash	2	99	104	54	136	-0.220	Left	104	Median
Church	3	602	507	126	841	-0.066	Symmetrical	602	Mean
Coffee Shop	2	2,531	2,745	1,675	3,240	-0.367	Left	2,745	Median
Golf Course	2	463	426	388	467	0.038	Symmetrical	463	Mean
Gym	1	245	230	187	297	0.218	Right	230	Median
Hospital	1	343	340	288	375	-0.195	Left	340	Median
Hotel	10	220	200	150	271	0.174	Right	200	Median
Industrial	1	95	68	48	93	0.111	Right	68	Median
Market	6	403	245	73	429	0.034	Symmetrical	403	Mean
Medical Office	3	387	356	199	578	0.172	Right	356	Median
Mixed Commercial - F	10	893	760	390	1,100	-0.042	Symmetrical	893	Mean
Mixed Commercial - NF	3	694	402	168	680	0.086	Symmetrical	694	Mean
Office	8	553	272	140	523	0.311	Right	272	Median
Restaurant	28	981	853	581	1,170	0.076	Symmetrical	981	Mean
Retail	4	383	402	180	538	-0.240	Left	402	Median
School	7	365	232	155	436	0.452	Right	232	Median
University	2	234	220	155	286	0.008	Symmetrical	234	Mean
Warehouse	3	685	460	230	810	0.207	Right	460	Median

APPENDIX C:

Example ERU Calculation

ERU Sample Calculator	Flow	BOD	TSS	Total ERUs	Total Charge ($/Yr.)
SFR ERU (gpd & mg/L)	150	387	476		**$/ERU**
SFR ERU (Lbs / Day)	#N/A	0.48	0.59		$544.33
Restaurant	150	981	363		
Restaurant	#N/A	1.23	0.45		
Allocation %	*69.0%*	*19.4%*	*11.5%*		
ERU Calculation	0.69	0.49	0.09	**1.27**	**$693.74**