



Montecito Sanitary District

1042 Monte Cristo Lane A Public Service Agency
Santa Barbara, CA 93108

Phone: (805) 969-4200
www.montsan.org

AGENDA

For the Regular Meeting of the Board on:

June 10, 2026

The regular meeting of the Governing Board will begin at **2:00 p.m. on June 10, 2026** in the District's Board Room at 1042 Monte Cristo Lane, Santa Barbara, CA 93108.

The public may attend the meeting in person or participate remotely via Zoom using the following virtual meeting details:

By visiting: <https://us02web.zoom.us/j/86118975917>

Or by calling: 1-669-900-6833

Meeting ID: 861 1897 5917

1. **CALL TO ORDER**

A. **ROLL CALL**

B. **PLEDGE OF ALLEGIANCE**

C. **PRESIDENT'S REPORT**

2. **PUBLIC COMMENT**

Public comment on items not on the agenda is **limited to 3 minutes** and is at the discretion of the Board President. For further instructions, please see [Instructions for Public Comment](#) on the District's website.

3. **COMMITTEE REPORTS**

It is recommended that the Board receive and file a report provided by the following committee(s):

- A. The Montecito Sanitary Finance Committee will report on its June 5, 2026 meeting

4. **CONSENT CALENDAR**

- A. Payables from the period of April 1, 20256 through April 30, 2026 (Page 3)
B. Meeting minutes of the May 27, 2026 Regular Meeting (Page 7)
C. Fiscal Year 2026-27 Budget Adoption (Page 10)

5. BUSINESS ITEMS

A. SEWER RATE STUDY PUBLIC HEARING (PAGE 28)

It is recommended that the Board:

- i. Receive a presentation from legal counsel regarding the written objections and the District’s response; and
- ii. Hold a public hearing; and
- iii. Direct the Board Clerk to tabulate all protest ballots; and
- iv. Adopt Resolution No. 2026-991, included as Attachment A, to approve a revised sewer rate schedule.

6. BOARD COMMUNICATIONS

- A. Items for future Board meeting
- B. Next Board Meeting Date – June 24, 2026

7. ADJOURNMENT

The Montecito Sanitary District conducts its meetings in accordance with the Brown Act. The District also provides alternative methods of remote participation which permit members of the public to observe and address public meetings remotely via telephone or Zoom. These methods of participation can be accessed through the internet link provided at the top of this agenda. This agenda was posted on the District website, and at the Montecito Sanitary District Bulletin Board in accordance with the requirements of the Brown Act.

Attested by:



Stephen Williams

Business and Administrative Manager/Clerk of the Board

ADA – The Americans with Disabilities Act provides that no qualified individual with a disability shall be excluded from participation in, or denied the benefits of, the District's programs, services or activities because of any disability. If you need special assistance to participate in this meeting, please contact the District Office at 969-4200.



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BOARD LIST OF PAYABLES – APRIL 2026

<u>CHECK DATE</u>	<u>SUMMARY & TYPE</u>	<u>BATCH TOTAL</u>
04/08/2026	ACCOUNTS PAYABLE	103,905.22
04/30/2026	ACCOUNTS PAYABLE	180,502.55
	Subtotal	\$ 284,407.77
04/08/2026	CAPITAL IMPROVEMENT PROJECTS	208,685.19
04/30/2026	CAPITAL IMPROVEMENT PROJECTS	688,917.24
	Subtotal	\$ 897,602.43
04/02/2026	PAYROLL	113,772.29
04/16/2026	PAYROLL	115,619.10
04/30/2026	PAYROLL	124,710.33
	Subtotal	\$ 354,101.72
	<u>TOTAL</u>	<u>\$ 1,536,111.92</u>

*All Invoices were reviewed and approved by Department Managers

**All Invoices and Payments were reviewed and approved and checks signed by the General Manager

***Board Treasurer, Dorinne Johnson, approved all payables *prior* to check mailing

Check History Report

MONTECITO SANITARY DISTRICT (MSD)

Sorted By Check Number

Activity From: 4/1/2026 to 4/30/2026

Bank Code: B OPERATING CASH (MBT)				
Check Number	Check Date	Vendor Name	Check Amount	Payment Description
30853	4/8/26	ACWA/JPIA	39,278.04	MEDICAL/DENTAL/LIFE INSURANCE - MARCH
30854	4/8/26	AMAZON CAPITAL SERVICES	2,723.22	VACUUM HOSE, BATTERIES, MONITOR AND CASE, PUMICE HAND CLEANER, PLANT MAINTENANCE TOOLS, METAL MESH SHEETS, GENERAL OPERATING SUPPLIES
30855	4/8/26	AQUA-FLO SUPPLY	514.81	LIFT STATION CHECK VALVE AND PARTS
30856	4/8/26	ASPECT ENGINEERING GROUP	250.00	SCADA MAINTENANCE
30857	4/8/26	AT&T MOBILITY	102.48	STANDBY CELL PHONE - APRIL
30858	4/8/26	BIG GREEN CLEANING COMPANY	81.25	HAND SANITIZER
30859	4/8/26	CANON FINANCIAL SERVICES INC	371.74	COPIER LEASE - MARCH
30860	4/8/26	CINTAS CORPORATION #684	1,067.64	UNIFORMS, FLOOR MATS, TOWELS
30861	4/8/26	COLANTUONO, HIGHSMTIH &	360.00	SUMMERLAND SD CONSOLIDATION LEGAL SERVICES
30862	4/8/26	CONVERGED	4,427.50	WINDOWS 10 ESU LICENSES
30863	4/8/26	CORT	44.00	DEED REPORT - MARCH
30864	4/8/26	COX BUSINESS	192.04	WIRELESS INTERNET - MARCH
30865	4/8/26	DOCU PRODUCTS	81.26	COPIER METER CHARGES
30866	4/8/26	ENGEL & GRAY, INC	3,343.70	BIOSOLIDS DISPOSAL - FEBRUARY
30867	4/8/26	FAMCON PIPE & SUPPLY, INC	2,893.07	SEWAGE COMBINATION AIR VALVE
30868	4/8/26	FISHER SCIENTIFIC	115.87	VACUSHIELDS
30869	4/8/26	FRONTIER	1,022.24	PHONE SERVICE FOR LIFT STATIONS
30870	4/8/26	GOLD COAST ENVIRONMENTAL	8,513.04	ANNUAL NPDES CALIBRATION AND REPORTS
30871	4/8/26	GLS COMPANIES	780.00	LANDSCAPE MAINTENANCE - MARCH
30872	4/8/26	GRAINGER	1,279.59	DAFT POLY-MIXER PARTS, LIGHT BULBS, UNIT 6 TAIL LIGHT
30873	4/8/26	IDEXX DISTRIBUTION, INC	1,434.11	GAMMA IRRAD COLILERT
30874	4/8/26	KIMBALL MIDWEST	167.48	DRILL BITS
30875	4/8/26	LARRY'S AUTO PARTS	166.97	UNIT 4 TRUCK BELT
30876	4/8/26	MARBORG INDUSTRIES	963.55	TRASH AND RECYCLING PICKUP - MARCH
30877	4/8/26	MCCORMIX CORP	2,284.53	VEHICLE FUEL - MARCH
30878	4/8/26	MONTECITO WATER DISTRICT	748.38	WATER CHARGES - MARCH
30879	4/8/26	MONTECITO WATER DISTRICT	1,054.07	WATER TRUCK QUARTERLY CHARGES
30880	4/8/26	O'CONNOR PEST CONTROL WEST	504.00	PEST CONTROL - LIFT STATIONS, WWTP, OPS BUILDING
30881	4/8/26	PITNEY BOWES GLOBAL FINANCIAL	156.67	POSTAGE METER TAX & ADMIN FEE
30882	4/8/26	PLUMBERS DEPOT, INC	456.67	GRIT/DEBRIS CATCHER WITH SCOOP
30883	4/8/26	PURETEC INDUSTRIAL WATER	268.30	TANK EXCHANGE, WATER SOFTENER AND TANK RENTAL
30884	4/8/26	RINGCENTRAL, INC.	778.81	TELEPHONE SYSTEM - MARCH
30885	4/8/26	LUIS RIZO VILLANUEVA	292.79	REIMBURSEMENT - TRAVEL COSTS
30887	4/8/26	SANTA BARBARA COUNTY-APCD	4,486.25	WWTP ANNUAL EMISSION AND TOXIC PROGRAM FEES
30888	4/8/26	S B HOME IMPROVEMENT CENTER	248.34	OPS R/R WINDOW REPAIR, OPS DOOR REPAIR
30889	4/8/26	SMARDAN-HATCHER COMPANY	486.58	TRACER WIRE AND BURIAL TAPE
30890	4/8/26	SOCAL GAS	411.10	NATURAL GAS - MAINTENANCE BULD
30891	4/8/26	STREAMLINE	488.60	WEBSITE HOSTING - MARCH
30892	4/8/26	UNIVAR SOLUTIONS	17,089.43	SODIUM BISULFITE AND HYPOCHLORITE - MARCH
30893	4/8/26	UNDERGROUND SERVICE ALERT	579.00	89 SERVICE TICKETS
30894	4/8/26	Miracito Sanitary District USIA BLUE BOOK Regular Board Meeting - June 10, 2026	499.10	MIRAMAR LS DEODORIZING SOCK
30895	4/8/26	VERIZON BUSINESS	280.25	WIRELESS SERVICE FOR IPADS
30896	4/8/26	WALLACE GROUP	179.75	PRE-TREATMENT ASSISTANCE - FOG PROGRAM

30897	4/8/26	JOHN WEIGOLD	159.00	TRAVEL REIMBURSEMENT - CASA WINTER CONFERENCE
30898	4/8/26	ZWORLD GIS	2,280.00	GIS PROGRAM SUPPORT - MARCH
30899	4/30/26	ACWA/JPIA	38,090.27	Medical/Dental/Life Insurance - April
30900	4/30/26	ASPECT ENGINEERING GROUP	805.00	SCADA MAINTENANCE SOFTWARE
30901	4/30/26	AT&T MOBILITY	102.48	STANDBY CELL PHONE, MOBILE POOL SELECT AIRCARDS
30902	4/30/26	BIG GREEN CLEANING COMPANY	2,754.00	JANITORIAL SVCS- APRIL
30903	4/30/26	BOYD & ASSOCIATES	798.00	FIRE & SECURITY SYSTEM MONITORING
30904	4/30/26	CANON FINANCIAL SERVICES INC	371.74	COPIER LEASE
30905	4/30/26	CINTAS CORPORATION #684	1,725.56	UNIFORMS, FLOOR MATS, TOWELS
30906	4/30/26	COLANTUONO, HIGHSMTIH &	10,372.96	GENERAL COUNSEL SVCS
30907	4/30/26	CONVERGED	1,878.75	IT AND GIS TECH SUPPORT
30908	4/30/26	CORT	44.00	DEED REPORT
30909	4/30/26	COX BUSINESS	222.04	WIRELESS INTERNET SERVICES - MAR/APR
30910	4/30/26	CHARLES P. CROWLEY COMPANY	214.30	BELT PRESS & POLY MIXER PARTS
30911	4/30/26	CSRMA	4,950.00	WORKERS COMP PREMIUM
30912	4/30/26	CWEA MEMBERSHIP	253.00	R LARROUDE CSM 4 RENEWAL; J FLORES CSM 3
30913	4/30/26	DATCO SERVICES CORPORATION	161.25	QUARTERLY DATCO SERVICES
30914	4/30/26	DOCU PRODUCTS	84.68	COPIER METER CHARGES
30915	4/30/26	ENGEL & GRAY, INC	6,033.56	BIO SOLIDS DISPOSAL
30916	4/30/26	ENVIRONMENTAL RESOURCE	295.02	WW COLIFORM MICROBE
30917	4/30/26	FISHER SCIENTIFIC	1,129.37	REFRIGERATOR THERMOMETER, GLUCOSE-GLUTAMIC ACID
30918	4/30/26	FRONTIER	1,153.94	PHONE SVC FOR LS 1, 2, 4, 5 & WWTP
30919	4/30/26	GRAINGER	763.12	TOPICAL ANTISEPTIC, ENGINE OIL, GAS MASK CARTIDGES,
30920	4/30/26	HACH COMPANY	3,116.89	SENSOR CAP REPLCMT, LBOD PROBE, DPD REFIL VIALS,
30921	4/30/26	JACOB GREEN & ASSOCIATES	10,260.00	BOARD P&P, BYLAWS UPDATE
30922	4/30/26	KIMBALL MIDWEST	119.76	DRILL BITS, CLEANER
30923	4/30/26	MAIL MANAGER INC	2,687.38	PROP 218 NOTICING MAILING
30924	4/30/26	MARBORG INDUSTRIES	863.55	GARBAGE AND RECYCLING PICKUP
30925	4/30/26	MONTECITO BANK & TRUST	6,599.95	STAFF TRAININGS, VEHICLE MAINTENANCE, CLEAN TRUCK
30926	4/30/26	MCCORMIX CORP	1,285.28	VEHICLE FUEL, DIESEL DEF FLUID
30927	4/30/26	MOUNTAIN SPRING WATER	184.35	DRINKING WATER
30928	4/30/26	MONTECITO WATER DISTRICT	1,029.13	WATER USAGE - MARCH
30929	4/30/26	O'CONNOR PEST CONTROL WEST	843.85	PEST CONTROL - MARCH
30930	4/30/26	PLUMBERS DEPOT, INC	1,801.56	EXT POLE, GAPVAX DISCONNECT AND GASKET
30931	4/30/26	PURETEC INDUSTRIAL WATER	87.67	WATER SOFTENER TANK EXCHANGE
30932	4/30/26	ROBERT D. NIEHAUS, INC	11,619.29	RATE STUDY PROGRESS
30933	4/30/26	RINGCENTRAL, INC.	825.21	PHONE SERVICE
30934	4/30/26	ROJAS COMMUNICATIONS GROUP	22,314.86	PUBLIC RELATIONS/LEGISLATIVE CONSULTING - MARCH
30935	4/30/26	SBCO SPECIAL DISTRICTS ASSOC.	300.00	SBCO CSDA REGULAR MEMBER DUES
30936	4/30/26	SOUTHERN CALIFORNIA EDISON CO	19,732.66	ELECTRIC SERVICE CHARGES - MAR
30937	4/30/26	SHERWIN-WILLIAMS CO.	29.77	LS CUSTOM MATCH PAINT
30938	4/30/26	SOCAL GAS	226.76	NATURAL GAS - MAR
30939	4/30/26	STANDARD INSURANCE COMPANY	1,925.37	SHORT/LONG TERM DISABILITY - APRIL
30940	4/30/26	SWRCB-ELAP FEES	4,615.00	ANNUAL ELAP ACCREDITATION FEES - LAB
30941	4/30/26	TAFT ELECTRIC COMPANY	625.00	PRESSURE TRANSDUCER SENSOR LS 4
30942	4/30/26	UNIVAR SOLUTIONS	13,038.67	SODIUM BISULFITE/HYPOCHLORITE
30943	4/30/26	MIGUEL VILLAFANA	529.88	CWEA AND SWRCB MEMBERSHIP RENEWALS
30944	4/30/26	VERIZON BUSINESS	280.25	WIRELESS DATA PLANS - WWTP & COLLECTIONS
30945	4/30/26	WALLACE GROUP	3,336.65	PRETREATMENT ASSISTANCE - FOG PROGRAM
30946	4/30/26	XYLEM WATER SOLUTIONS USA INC	20.77	O-RING

Bank Code: **G CIP CASH (MBT)**

Check Number	Check Date	Vendor Name	Check Amount	Payment Description
1635	4/8/26	RINCON CONSULTANTS, INC	6,693.14	FEMA SITE RESTORATION SERVICES - MARCH
1636	4/8/26	SANTA BARBARA COUNTY PUBLIC	155.00	C005 - MANHOLE REHAB PERMIT
1637	4/8/26	SOUTHLAND INDUSTRIES	156,944.00	T001 - WWTP DESIGN WORK THROUGH 1/31/2026
1638	4/8/26	STANTEC CONSULTING SERVICES	16,686.75	C001 - COLLECTION SYSTEM MASTER PLAN
1639	4/8/26	WATER SYSTEMS CONSULTING,	28,206.30	C003 - COLLECTIONS SYSTEM MASTER PLAN (\$24,456.05)
1640	4/30/26	INSITUFORM TECHNOLOGIES, INC	304,611.32	C003 PRE-REHAB AND LINER INSTALL
1641	4/30/26	MGS GENERAL ENGINEERING, INC.	1,750.00	CEME - N3M06 EMERGENCY REPLACEMENT
1642	4/30/26	ON-TRACK SOLUTIONS, LLC	87,739.16	C003 - UPRR BYPASS CORRESPONDENCE
1643	4/30/26	PHOENIX CIVIL ENGINEERING	50,942.00	C001 - CIPP LINING MONITORING
1644	4/30/26	RAIL PROS FIELD SERVICES INC	97,737.50	C003 - CIPP FIELD UTILITY OBSERVATION
1645	4/30/26	RINCON CONSULTANTS, INC	2,833.51	2023 WINTER STORM
1646	4/30/26	SANTA BARBARA COUNTY PUBLIC	1,428.00	CIP C005 - COUNTY PERMITTING CHANNEL DRIVE FORCEMAIN
1647	4/30/26	SOUTHLAND INDUSTRIES	111,555.00	T001 - WWTP IGA DESIGN
1648	4/30/26	STANTEC CONSULTING SERVICES	24,465.75	L001 - CHANNEL DRIVE FORCE MAIN IMPROVEMENTS
1649	4/30/26	WATER SYSTEMS CONSULTING,	3,855.00	C003 - CIPP LINING
1650	4/30/26	COMMONWEALTH LAND TITLE	2,000.00	TITLE REPORT
BANK G TOTAL			<u>\$ 897,602.43</u>	



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MINUTES

For the Regular Meeting of the Board on:

May 27, 2026

1. CALL TO ORDER

The Governing Board of the Montecito Sanitary District convened a regular meeting at 2:02 pm on Wednesday, May 27, 2026. The meeting was also broadcast using Zoom teleconferencing.

ATTENDANCE

Board Members Present:

Directors Barrett, Johnson, Murphy, Ohlmann, and Rockenbach

Board Members Absent:

None

Also Present and Participating:

John Weigold, MSD General Manager

Stephen Williams, MSD Business and Administrative Manager/Clerk of the Board

Aleks Giragosian, District Legal Counsel

2. PUBLIC COMMENT

No members of the public addressed the Board.

3. COMMITTEE REPORTS

- A. Director Ohlmann gave a report on the Montecito Sanitary District Wastewater Treatment Plant Upgrade Ad Hoc Committee meeting of May 21, 2026.

4. CONSENT CALENDAR

ON MOTION by Director Ohlmann, Seconded by Director Barrett, the Board voted to approve the following Consent Calendar items:

- A. Meeting minutes of the May 13, 2026 Regular Meeting
- B. Contract Amendment - RailPros
- C. Grant of Easement – 2025 Creekside Road

AYES:	Directors Barrett, Johnson, Murphy, Ohlmann, and Rockenbach
NAYES:	None
ABSTAIN:	None
ABSENT:	None

Motion carries.

5. GENERAL MANAGER’S REPORT

The Board received a nonactionable update from General Manager John Weigold on relevant matters currently facing the District. Topics included:

- A. GM Meetings
- B. District Financial Matters
- C. Information Technology
- D. Wastewater Treatment Plant Roadmap
- E. Flow/Rain Comparison
- F. Capital Improvements Projects and Key Effort Status Updates

6. BUSINESS ITEMS

A. ORGANIZATIONAL DECISIONS

Director Barrett nominated Director Ohlmann and the Board voted to elect Director Ohlmann into the office of Vice President.

AYES: Directors Barrett, Johnson, Murphy, and Rockenbach
NAYES: None
ABSTAIN: Director Ohlmann
ABSENT: None

Director Ohlmann was successfully voted in as Vice President by a majority vote of the Board of Directors.

The Board discussed the Districts’ Standing Committees. ON MOTION by Director Ohlmann, Seconded by Director Rockenbach, the Board voted to eliminate the Strategic Planning, Personnel, and Public Information Committees and to keep the Finance and Operations Committees.

AYES: Directors Murphy, Ohlmann, and Rockenbach
NAYES: Directors Barrett and Johnson
ABSTAIN: None
ABSENT: None

Motion carries.

The Board discussed filling the two standing Committees. ON MOTION by Director Rockenbach, Seconded by Director Johnson, the Board voted to fill the Finance Committee with Directors Murphy (Chair) and Jonson and to fill the Operations Committee with Directors Ohlmann (Chair) and Barrett.

AYES: Directors Barrett, Johnson, Murphy, Ohlmann, and Rockenbach
NAYES: None
ABSTAIN: None
ABSENT: None

Motion carries.

B. FISCAL YEAR 2026-27 BUDGET WORKSHOP

The Board received a presentation from staff on the Fiscal Year 2026-27 Proposed Budget and gave directions to staff. ON MOTION by Director Johnson, Seconded by Director Murphy, the Board voted to return to the Finance Committee with an updated budget for review.

AYES: Directors Barrett, Johnson, Murphy, Ohlmann, and Rockenbach
NAYES: None
ABSTAIN: None
ABSENT: None

Motion carries.

7. BOARD COMMUNICATIONS

- A. Next Regular Board Meeting Date – June 10, 2026
- B. Items for future Board meeting
 - SB827 – Board Required Financial Training

8. ADJOURNMENT

ON MOTION by Director Johnson, Seconded by Director Rockenbach, the meeting ended at 5:36 pm.

These minutes were presented for approval at the Regular Board Meeting on June 10, 2026.

Rock Rockenbach, President

Minutes taken and prepared by:

Stephen Williams
Business and Administrative Manager/Clerk of the Board



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MONTECITO SANITARY DISTRICT

STAFF REPORT – 4C

DATE: June 10, 2026
TO: Board of Directors
FROM: John Weigold, General Manager
Stephen Williams, Business and Administrative Manager
SUBJECT: Fiscal Year 2026-27 Budget

RECOMMENDATION

It is recommended that the Board:

- i) Adopt the Proposed Fiscal Year 2026-27 Budget.

ANALYSIS

The District's Proposed Budget was brought to the Board at its May 27, 2026 Regular Meeting. Input was given and then an updated version was presented to the Finance Committee at its June 5, 2026 meeting. This version incorporates all those inputs for potential adoption at this meeting.

FISCAL IMPACT

This budget will set the precedent for revenues and expenditures for Fiscal Year 2026-27 that begins on July 1, 2026.

ATTACHMENTS:

1. Fiscal Year 2026-27 Budget Memo
2. Fiscal Year 2026-27 Proposed Operations & Maintenance Budget
3. Fiscal Year 2026-27 Capital Improvement Program (CIP) Budget
4. Fiscal Year 2026-27 Salary Range Table – Hourly
5. Fiscal Year 2026-27 Salary Range Table – Monthly
6. Fiscal Year 2026-27 Salary Range Table – Annual

Summary of Substantive Changes From 5/27/2026 Board Meeting

Operations and Maintenance

Line Item	Line Item Title	Original Budget	Updated Budget	Difference	Note
7657	Plant Maintenance Materials	\$ 45,000.00	\$ 55,000.00	\$ 10,000.00	Identified increased maintenance need over initial estimate
7671	Asset Management	\$ 104,000.00	\$ 131,750.00	\$ 27,750.00	Zworld GIS Private Sewer Service Layer and Lidar Data
7700	Laboratory Consumables & Small Equipment	\$ 8,000.00	\$ 10,000.00	\$ 2,000.00	Increased cost of supplies (inflationary)
				\$ 39,750.00	

Capital Improvement Program

Project	Project Title	Original Budget	Updated Budget	Difference	Note
C001	Collection System Master Plan	\$ -	\$ 60,000.00	\$ 60,000.00	Now anticipated to carryover from Fiscal Year 2024-25
C004	Sewer Main CIPP Lining - Design	\$ -	\$ 300,000.00	\$ 300,000.00	Added this project to keep with lining project timeline
C009	Olive Mill Road Upsizing - Design	\$ 500,000.00	\$ 150,000.00	\$ (350,000.00)	Decreased based on updated scope guidance from consultant
CINI	Collection System Inflow and Infiltration	\$ 300,000.00	\$ 500,000.00	\$ 200,000.00	Increased and combined based on new assumptions
S001	Septic to Sewer Strategic Plan	\$ -	\$ 25,000.00	\$ 25,000.00	Now anticipated to carryover from Fiscal Year 2024-25
L001	Channel LS Improvement - Construction	\$ 3,000,000.00	\$ 3,300,000.00	\$ 300,000.00	Increased based on guidance from consultant and potential EIR report
L002	Eucalyptus Lift Station Relocation - Design	\$ 250,000.00	\$ 350,000.00	\$ 100,000.00	Increased based on guidance from consultant
T002	Outfall Inspection	\$ -	\$ 200,000.00	\$ 200,000.00	Added pursuant to NPDES Permit Requirements
				\$ 835,000.00	



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FISCAL YEAR 2026-27 PROPOSED BUDGET MEMO

MISSION STATEMENT

“To protect the public health and safety and to preserve the natural environment through the collection, treatment, and disposal of wastewater in the most cost-effective way possible.”

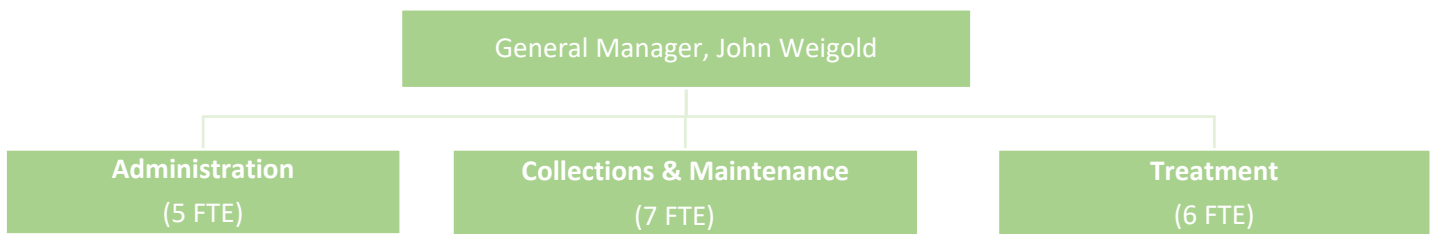
PURPOSE

The District was organized in 1947 pursuant to the Sanitary District Act of 1923 (Division 6 of the California Health and Safety Code) to provide for the collection, treatment and disposal of wastewater to residents within its service area. The District has a service area of approximately 8.9 square miles and an estimated population of approximately 9,000 people. The District currently serves approximately 3,132 residential and commercial properties.

The wastewater collection system includes approximately 77 miles of gravity sewer mains, five lift stations and 2.2 miles of sewer force mains. The collection system's underground network of pipes range in size from 6-inch to 21-inch in diameter. The majority of the facilities were installed between 1961 and 1969.

Wastewater is conveyed to the District's Wastewater Treatment Plant for treatment. The Treatment Plant, which has a capacity to treat an average of 1.5 million gallons per day, provides full secondary treatment that includes conventional activated sludge tanks, secondary clarification, and disinfection. In 2025, the wastewater treatment reliably treated approximately 556,000 gallons per day and discharged the effluent through the 1,500 foot long ocean outfall.

ORGANIZATION



BUDGET STRUCTURE

Montecito Sanitary District utilizes an Enterprise Fund accounting method, appropriate for the type of utility service business that the District operates. The budget is a non-appropriated budget which supports funding the Districts’ critical operations and capital improvement program. The flexible budget varies according to system demands and level of activity within the District on a year-to-year basis.

DISTRICT RECOMMENDED OPERATIONS AND MAINTENANCE BUDGET SUMMARY

Source of Funds		Use of Funds	
Operating Revenues	\$ 7,661,774	Salaries and Benefits	\$ 4,066,042
Non-Operating Revenues	\$ 1,250,000	Operating Expenses	\$ 2,313,150
Reimbursements	\$ 1,614,297	Capital Improvement	\$ 6,550,000
Total Source of Funds	\$ 10,526,071	Total Use of Funds	\$ 12,929,192

OPERATION & MAINTENANCE REVENUES

The District has five main types of revenues, three Operating and two Non-Operating. A description of these revenues are as follows:

Operating Revenues

- Sewer Service Charges:** The District’s primary source of revenues comes from Sewer Service Charges. The County of Santa Barbara collects these funds from the District’s customers on their annual property tax statements, and the District receives the total amount of Sewer Service Charges revenue reported to the County each year. Sewer Service Charges constitute approximately 91% of total District revenues and 97% of its total operating revenue. This revenue source is relatively stable as any increases would come in the form of an increase to the number of connections or a rate increase. This fiscal year is the first fiscal year in which the District’s rate increases are implemented.
- Connection Fees:** Connection Fees are established to reimburse existing customers for their investment in the wastewater collection and treatment capacity. As new customers connect to the District facilities, their connection fees contribute to future capacity upgrades. The District’s current connection fee is \$8,400 per equivalent residential unit (per Resolution 2022-944) and is currently being reviewed by Robert D. Niehaus as a part of its Sewer Rates and Fees contract.
- Other Services:** The District also receives revenue in the form of miscellaneous fees for services such as plan check, processing agreements, engineering review, administrative review, and inspections.

Non-Operating Revenues

- Property Tax:** The District’s second highest form of revenue comes from one-half of the 1% of total property tax revenue that is collected by the County of Santa Barbara for parcels within its service area, whether or not they are a customer of the District. This revenue source is also relatively flat as it increases/decreases with the total assessed value of properties within District boundaries. Amounts are allocated to the District twice during the fiscal year along with the Sewer Service Charges, typically in November and April.
- Reimbursements:** The District went through the FEMA/CalOES Reimbursement process for damages incurred during the January 2023 Winter Storms. The project was obligated on April 15, 2025 and the District is awaiting receipt of the reimbursement checks. The initial amount obligated would equate to approximately **\$1,614,297** in reimbursements, however a reconciliation process will take place that will most likely lead to increased reimbursements as actual project costs came in higher than the estimates that were used in the initial project proposal by FEMA. The District anticipates receipt in **Fiscal Year**

- **Interest Income:** The District has two main investment accounts with Charles Schwab and California Class that produce higher yields than other low-interest bearing and non-interest bearing accounts.

REVENUE PROJECTIONS

	2025-26 Approved	2025-26 Projected	Difference	2026-27 Proposed
Operating Revenues				
Service Charges	\$ 6,550,000	\$ 6,565,084	\$ 15,084	\$ 7,371,774
Connection Fees	225,000	269,213	44,213	225,000
Other Services	55,000	96,955	41,955	65,000
Total Operating Revenues	\$ 6,830,000	\$ 6,931,251	\$ 101,251	\$ 7,661,774
Nonoperating Revenues				
Property Taxes	\$ 828,500	\$ 834,727	\$ 6,227	\$ 865,000
Reimbursements	1,614,297	18,216	(1,596,081)	1,614,297
Sale of Assets	-	-	-	-
Interest Income	415,000	483,230	68,230	385,000
Total Nonoperating Revenues	\$ 2,857,797	\$ 1,336,173	\$ (1,521,624)	\$ 2,864,297
Total Revenues	\$ 9,687,797	\$ 8,267,424	\$ (1,420,373)	\$ 10,526,071

Overall, Staff is projecting an increase in total budgeted revenues of approximately **\$838,274** in **Fiscal Year 2026-27** when compared to **Fiscal Year 2025-26** primarily attributed to the following:

- **\$806,690** increase in Sewer Service Charges due to the implementation of a rate increase pursuant to the rate study performed during **Fiscal Year 2025-26**.
- **\$36,500** increase in ½ of 1% property tax revenues.
- **\$10,000** increase in Other Services charges.
- **\$30,000** decrease in interest income as a result of lower interest bearing cash balances when compared to the prior fiscal year.

OPERATION & MAINTENANCE EXPENDITURES

The Districts' Operations & Maintenance expenditures account for all the routine business expenses related to operating the treatment plant and normal maintenance of the collections system. The major cost categories include: Salaries and Benefits, Insurances, Maintenance and Repairs, Goods and Supplies, Professional Services provided by external parties, Administrative Fees, Plant and Lab Operating Costs, Safety, Training, and Travel Costs, and Utilities.

EXPENDITURE PROJECTIONS

	2025-26 Approved Budget	2025-26 Projected Actuals	Difference	2026-27 Proposed Budget	2026-27 Increase or (Decrease)
Operating Expenditures					
Salaries and Benefits	\$ 3,778,172	\$ 3,719,442	\$ 58,730	\$ 4,066,042	\$ 287,870
Insurance	160,500	139,405	21,095	178,000	17,500
Maintenance & Repairs	196,500	133,384	63,116	180,500	(16,000)
Goods & Supplies	148,000	107,329	40,671	155,400	7,400
Professional Services	355,000	326,448	28,552	279,500	(75,500)
Administrative Costs	441,600	269,091	172,509	480,500	38,900
Plant & Lab Operating Costs	680,000	477,537	202,463	643,750	(36,250)
Safety, Training, & Travel	63,500	48,928	14,572	76,000	12,500
Utilities	321,500	297,996	23,504	319,500	(2,000)
Total Operating Expenditures	\$ 6,144,772	\$ 5,519,561	\$ 625,211	\$ 6,379,192	\$ 234,420

The District’s Operations & Maintenance costs, along with the District’s Capital Improvement Program, make up the vast majority of the District’s overall expenditures for the Fiscal Year. The following sections includes a discussion of **Fiscal Year 2025-26** year-end projections and **Fiscal Year 2026-27** estimated expenditures.

CURRENT FISCAL YEAR ESTIMATED ACTUALS - FY 2025-26

District staff is projecting the Fiscal Year End Operating and Maintenance Fund expenditures to be approximately **\$5,519,561**, or **90%** of the budgeted amount. Below are a few key reasons expenditures were less than anticipated:

- **7645- NPDES Permit Requirements – Operations** – The District held off on starting Phase III of the required Climate Adaptation Plan as the State Water Resources Control Board have not yet officially signed off on the Phase I and Phase II submitted reports. This resulted in the line item being under budget by approximately **\$178,000**.
- **7671 – Asset Management** – This line item was under budget by approximately **\$78,000**, primarily due to the postponing of easement survey work.
- **7463 – Professional Services – Engineering** – The District was under budget by approximately **\$75,000** as a result of professional engineering services being concentrated on the District’s Capital Improvement Program rather than on operational needs.
- **7657 – Plant Maintenance Materials** – The District didn’t require utilization of these funds as a result of Wastewater Treatment Plant assets that didn’t require attention. As a result this line item was under budget by approximately **\$57,000**.
- **7681 – 2023 Winter Storm** – As part of FEMA reimbursement requirements the District is required to do a five-year vegetative restoration of one of the damage sites. Staff anticipated higher first year costs as a result of initial costs of trees/vegetation but actuals came in lower. As such this line item is under budget by approximately **\$27,000**.
- **7121 – Property Maintenance** – The District was under budget by approximately **\$32,000** as a result of less than anticipated maintenance needed on the District’s Wastewater Treatment Plant property.

NEXT FISCAL YEAR PROPOSED BUDGET – FY 2026-27

For **Fiscal Year 2026-27**, District to cover anticipated expenditures of total operating expenditures of **\$6,379,192**, an increase of **3.8%**. A summary of the proposed operating budget and high-level discussion are as follows:

Salaries and Benefits Summary

Below is a high level summary of the main reasons for the **\$287,870** increase in Salaries and Benefits budget:

- **6100 – Regular Salaries - \$155,870** increase in regular salaries based on the District being fully staffed and is primarily attributable to the implementation of a 3.4% COLA pursuant to SEIU Local 620 and Management terms. The remaining amount is due to anticipated step/merit increases for those employees who are not at the top of their salary ranges.
- **6600 – Group Medical Insurance - \$62,000** increase as a result of implementation of a new benefits structure during **Fiscal Year 2025-26**.
- **6605 – Retirement Medical Benefits - \$27,100** increase as a result of the addition of one eligible employee who retired during the prior fiscal year. There are currently no active employees eligible for this benefit in the future at the District.
- **6400 – CalPERS Contribution - \$25,000** increase to CalPERS contributions based on estimates that the Unfunded Actuarial Liability will be lower than the prior fiscal year due to favorable investment returns in the CalPERS portfolio. The prior fiscal year UAL was approximately **\$75,000** more than anticipated.

Operations & Maintenance Expenditures Summary

Below is a high level summary of the main reasons for the **\$63,500** decrease in Operations and Maintenance Expenditures:

- **7463 – Professional Service – Engineering** – The District anticipates the trend of utilizing professional engineering consulting services on the District’s CIP program rather than operational, so this line item is **\$55,000** less than the prior fiscal year.
- **7464 – Professional Services – IT Consulting** – The District completed several IT related projects during the current fiscal year that won’t be needed in the future, so this line item was decreased by **\$38,000**.
- **7671 – Asset Management** – Staff completed work on its GIS and SCADA upgrade projects during Fiscal Year 2025-26 leading to less efforts in this area moving forward. As a result of those projects a couple recurring vendors will no longer be providing consistent services to the District. These combine to result in a **\$36,000** decrease compared to last year.
- **7657 – Plant Maintenance Materials** – This line item is being decreased by **\$30,000** to be more in line with what was done prior to **Fiscal Year 2025-26**.
- **7681 – 2023 Winter Storm** – The District estimated the prior fiscal year budget prior to receiving bids on the restorative efforts. Now that a contract has been approved the appropriate amount will be budgeted in each of the next four fiscal years based on the proposed cost schedule. As a result this years budget is **\$22,500** less than last year.
- **7645 – NPDES Permit Requirements: Operations** - The District will be undergoing Phase III of the required Climate Change Adaptation Program pursuant to new requirements of the District’s NPDES permit. This project is expected to cost around **\$175,000**.

While the previous highlights detail reasons for line items being less than last year, the following are line items that staff anticipates being higher:

- **7610 – Furniture & Fixtures** – The District’s administration office is in need of refurbishment as many of the furniture, cubicles, and flooring materials, are in need of updating. As such this years budget was increased by **\$40,000**.
- **7510 – Contract Services/Labor** – This line item is budgeted for **\$34,400** higher than the previous year largely due to an increase in Legislative Advocacy services with Rojas Public Affairs to pursue Federal and State grants and loans.
- **7461 – Legal Counsel** – This line item is being increased by **\$25,000** based on the number of important matters the District will be pursuing during the next Fiscal Year and as such increased guidance from Legal Counsel will likely be necessary.
- **7722/7723 – Board Training and Travel** – These line items are being increased by **\$16,500** combined to account for increased Board training and travel anticipated in the coming fiscal year.
- **7500 – Public Outreach/Education** – This line item is being increased by **\$15,000** as a result of an anticipated increase in need for public outreach services as the District gets closer to a substantial Wastewater Treatment Plant improvement project.

The full, detailed chart of the Operations and Maintenance Budget is provided in **Attachment A – FY2026-27 Operating Budget - Proposed**. Below are some notable line items that consistently come up during budget discussions with some background on what costs are incorporated into them:

- **7461 – Professional Services – Legal** – This line item budgets for and tracks expenditures incurred by our General Legal Counsel.
- **7466 – Professional Services – Human Resources** – This line budgets for and tracks expenditures for Human Resources legal support by Price, Postel and Parma for Human Resource Special under a retainer agreement.
- **7430 – Memberships** – In preparation for the budget, District Staff have reviewed all professional memberships and their dues that constitute the budgeted amount for **Fiscal Year 2026-27**. This years budget includes memberships for the Association of California Water Agencies (**\$21,000**), the California Water Environment Association (**\$2,000**), the California Association of Sanitation Agencies (CASA) and CASA Education Foundation (**\$12,500**), and the California and Santa Barbara Branches of the California Special Districts Association (**\$11,500**). All other membership expenditures are to pay for required licenses for out Treatment and Collections Operators pursuant to our NPDES Permit.

CAPITAL IMPROVEMENT PROGRAM EXPENDITURES

CURRENT FISCAL YEAR ESTIMATED ACTUALS – FY 2025-26

The District is projected to spend approximately **\$6,419,377** in Capital Replacement (CIP) funds in **Fiscal Year 2025-26**. This is under the budgeted amount of **\$11,207,000**. This is primarily due to the following:

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- **C007 – South Jameson Relocation – Design and Construction** – This project, which was put on hold by the County of Santa Barbara, is a requirement placed on the District by the County of Santa Barbara as they are planning to reconstruct the South Jameson bridge. Two 8-inch force mains are currently affixed to the structure, and as such the District will be required to temporarily move, and permanently to accommodate the new bridge, and **\$575,000** was budgeted in **Fiscal Year 2025-26**. This project has been put on hold
- **L001 - Channel Lift Station Improvement –Construction** – Design work is ongoing and as such the construction budget of **\$1,000,000** will now carryforward into the next fiscal year.
- **T001 – Wastewater Treatment Plant Project – Design and Engineering** – The IGA design contract came in **\$125,000** less than budgeted, and that, coupled with anticipated carryover into **Fiscal Year 2026-27** of approximately **\$1,150,000**.
- **Various** – Several emergency and maintenance items are budgeted for in the CIP so that the District can tackle items that require attention. Total budget for those line items were **\$660,000**, of which only **\$11,657** has been spent.

NEXT FISCAL YEAR PROPOSED BUDGET - FY 2026-27

The District is proposing a CIP schedule for **Fiscal Year 2026-27** that focuses on design work, both on the infrastructure of the Wastewater Treatment Plant as well as the Collection System.

The following summary table is a high-level breakdown of the proposed capital expenditures. It is important to note that the figures in the summary table include both soft costs (planning, design, and construction management), as well as construction, equipment purchases and some contingency to account for minor changes in scope or purchasing factors such as inflation. It is also important to note that these projects include any outsourcing of engineering services needed to ensure these projects move forward. As the District has placed a greater emphasis on CIP projects in the past couple fiscal years, available CIP funds have decreased. This years CIP budget only includes projects that staff determine address higher risk areas to District infrastructure:

Program	2026/2027 Budget
Collections	\$ 1,585,000
Lift Stations	\$ 3,975,000
Treatment & Laboratory	\$ 1,350,000
Facilities	\$ 750,000
Total	\$ 7,660,000

A full breakdown of the proposed CIP Budget can be seen in **Attachment B – FY2026-27 CIP Budget – Proposed**.

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- **C004 – Channel Drive Force Main - CARRYFORWARD** - Staff anticipates construction to begin in the first quarter of the Fiscal Year.
- **C007 – Toyota Tacoma** – This vehicle will replace the current 2015 Toyota Tacoma that is past its useful life.
- **C008 – San Ysidro Upsizing – Design** - This project will address issues in the collection system that could lead to overflows during heavy rain incidents.
- **C009 – Olive Mill/Middle Road Upsizing – Design** - This project will address issues in the collection system that could lead to overflows during heavy rain incidents.
- **S001 – Septic to Sewer Strategic Plan – CARRYFORWARD** – This project started in the previous fiscal year and is projected to wrap up in July of 2026.
- **CINI** – This project will help identify possible areas of INI in the District’s collection system.

Lift Station Program

- **L002 – Eucalyptus Lift Station Relocation - Design – CARRYFORWARD** - This project will finalize design work for the relocation of one of the District’s Lift Stations that began in **Fiscal Year 2025-26**.
- **L008 – Channel Lift Station Generator – CARRYFORWARD** - This project is a carryforward from the prior fiscal year. The District anticipates receipt of the generator in early July with work performed to install shortly thereafter.

Treatment & Laboratory Program

- **T001 - Wastewater Treatment Plant Project – Design and Engineering – CARRYFORWARD** - This project is a carryforward from the prior fiscal year and will continue the design work for the Wastewater Treatment Plan Improvement Project.

Facilities Maintenance Program

- **F010 – Monte Cristo Improvements – CARRYFORWARD** - This project is a carryforward from the prior year. Staff is actively working to partner with residents of Monte Cristo Lane to repave the road leading to the Administrative office of the Wastewater Treatment plant.

District Infrastructure Emergency

- **CEME/CMAIN/LEME/TEME** – These line items are budgeted to address any unforeseen emergencies that occur to District infrastructure. Staff needs the budget to be able to address them as soon as possible, but in many cases these budgets aren’t utilized. They have been parsed out this fiscal year from the main CIP projects so that it can be easier to analyze the execution of planned CIP projects.

2017 SEWER REFUNDING REVENUE BONDS – CALIFORNIA SPECIAL DISTRICTS ASSOCIATION (CSDA) FINANCE CORPORATION

In May 2017 the District refunded its 2007 Certificates of Participation (COP). This refunding decreased the maturity term by seven years, removed the requirement for a reserve fund, and took advantage of lower interest rates.

The District will make two payments on its bond during **Fiscal Year 2026-27** totaling **\$912,325**. Of this total **\$775,000** will be applied to principal and **\$158,950** will be applied to interest. After all **Fiscal Year 2026-27** payments are made the remaining balance of the bond will be **\$3,460,000** and the bond is expected to be paid off by July 1, 2030, with the option to prepay with no penalty available July 1, 2027.

ANNUAL DEPRECIATION FUNDING

Annually, the Board considers contributing to the District’s Capital Replacement Fund. Typically, this contribution has been based on the prior fiscal year’s annual depreciation expense. The **Fiscal Year 2026-27** contribution will be based on the Fiscal Year 2025-26 Financial Audit and is anticipated to be around **\$1,295,000**. It should be noted that the District may withdraw monies from the Capital Replacement Fund at any time to fund capital projects or to meet any operational needs of the District.

FY 2026-27 PROJECTED OPERATIONS & MAINTENANCE AND CIP CASH POSITIONS

Taking into account the projected remaining expenditures for **Fiscal Year 2025-26** and the proposed budget for **Fiscal Year 2026-27**, the District’s projected cash position for its Operations and Maintenance fund and Capital Replacement fund are as follows:

	Operations and Maintenance Funds		
	2025-26 Projected	2026-27 Projected	Difference
Beginning Cash Balance	\$ 15,900,554	\$ 12,950,319	\$ (2,950,235)
Plus: Transfers From O&M	8,267,424	10,526,071	2,258,647
Less: Expenditures	(5,519,561)	(6,379,192)	(859,632)
Less: Bond Payments	(930,700)	(933,950)	(3,250)
Less: Capital Replacement Fund Contribution	(4,767,399)	(5,795,000)	(1,027,601)
Projected Ending Cash Balance	\$ 12,950,319	\$ 10,368,247	\$ (2,582,071)

	Capital Replacement Funds		
	2025-26 Projected	2026-27 Projected	Difference
	Balance	Balance	
Beginning Cash Balance	\$ 1,940,526	\$ 288,548	\$ (1,651,978)
Plus: Revenues	4,767,399	5,795,000	1,027,601
Plus: Reimbursements	-	1,614,297	1,614,297
Less: Expenditures	(6,419,377)	(7,660,000)	(1,240,623)
Projected Ending Cash Balance	\$ 288,548	\$ 37,845	\$ (250,703)

The District anticipates a cash balance of approximately **\$10,368,247** in its Operations and Maintenance funds and Capital Replacement funds at **6/30/2027**, based on the proposed budgetary figures presented in **Attachments A and B**. It should be noted that the Operations and Maintenance funds are supporting the

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District's CIP efforts far greater than the annual depreciation amount it has done in years past. If the District wishes to execute on its CIP plan then funds from the Districts' investment accounts, expected to be approximately **\$10,226,279** at **6/30/2026**, will need to be diverted to CIP accounts. This leaves cash balances in excess of the District's Reserve Funds target of **\$3,250,000**.

In summary, the District will head into, and end **Fiscal Year 2026-27** in sound financial shape. The timing and execution of the District's Capital Improvement Program have a significant impact on the District's finances, and we will continue to report during the Fiscal Year with updated estimates and recommendations.

At each quarterly financial update staff will continue to inform the Finance Committee and the Board of Directors of any significant variations, both positive and negative to the fiscal condition of the District, that arise during the year and seek guidance on how to address such items.

Attachments:

- Attachment A – FY 2026-27 Operating Budget – Proposed
- Attachment B – FY 2026-27 CIP Budget – Proposed
- Attachment C – FY 2026-27 Salary Schedules

OPERATING BUDGET FOR FISCAL YEAR 2026-27 - PROPOSED

A/C No	DESCRIPTION	FY2024-25 Actual Expenditures	FY2025-26 Approved Budget	BASED ON DATA AS OF 4/30/2026		FY2025-26 Proposed Budget	Increase/(Decrease) From Prior Fiscal Year
				FY2025-26 Actual Expense	Projected Year End		
6100	Regular Salaries	2,287,644	2,485,472	2,006,966	2,396,842	2,641,342	155,870
6105	Board Salaries	39,452	45,000	45,974	50,153	50,000	5,000
6108	Auto Allowance - GM	3,380	3,600	3,000	3,600	3,600	-
6270	Standby Pay	51,300	54,600	40,125	48,525	52,000	(2,600)
6300	Overtime	24,457	30,000	13,377	14,593	26,000	(4,000)
6400	CalPERS Contribution	457,219	450,000	465,696	508,032	475,000	25,000
6410	Employee Benefits	62,839	69,000	52,633	57,418	61,000	(8,000)
6500	FICA / Social Security Contribution	141,300	145,000	126,166	137,636	163,000	18,000
6510	Medicare Contribution	33,529	37,000	30,450	33,218	38,500	1,500
6520	Unemployment Tax - SUI	2,965	3,500	2,841	3,100	3,500	-
6600	Group Medical Insurance	302,825	310,000	253,144	351,144	372,000	62,000
6605	Retirement Medical Benefits	11,768	24,000	21,378	23,322	51,100	27,100
6610	Life Insurance	5,650	6,500	3,750	4,091	6,500	-
6615	Short / Long Term Disability	21,644	26,000	19,175	20,918	26,000	-
6620	Worker's Compensation	46,655	58,000	41,339	45,097	58,000	-
6640	Dental Insurance	12,148	19,000	11,201	12,219	21,000	2,000
6645	Vision Insurance	-	-	2,567	2,800	6,000	6,000
6650	Uniform Allowance	7,462	11,500	6,172	6,733	11,500	-
	Total Salaries and Benefits	\$ 3,512,238	\$ 3,778,172	\$ 3,145,955	\$ 3,719,442	\$ 4,066,042	\$ 287,870
7090	Pooled Liability Insurance	115,004	102,000	116,643	90,004	115,000	13,000
7091	Property Insurance	39,323	45,000	38,419	39,323	48,000	3,000
7093	Crime Policy	936	1,500	985	936	1,500	-
7094	Public Entity Physical Damage	9,142	12,000	8,138	9,142	13,500	1,500
7110	New Employee Physicals/Expenses	1,570	1,500	1,443	1,574	1,500	-
7121	Property Maintenance	69,887	85,000	48,383	58,781	\$73,000	(12,000)
7122	Vehicle Maintenance	8,387	15,000	12,591	13,736	15,000	-
7126	Coll - Equipment Rental	405	1,000	-	-	1,000	-
7127	Coll - Safety Equipment	7,555	5,000	322	351	5,000	-
7129	Lift Station Parts	13,328	32,000	23,124	25,227	28,000	(4,000)
7133	VacCon Equipment / Repairs	13,263	15,000	7,183	7,836	15,000	-
7134	CCTV Equipment / Repairs	7,870	15,000	1,931	2,106	15,000	-
7135	Private Lateral Replacement Incentive	-	-	-	-	-	-
7136	Miscellaneous Collection Tools/Supplies	12,431	10,000	17,798	19,416	10,000	-
7138	Jetter Truck Equipment / Repairs	9,187	7,000	4,812	5,249	7,000	-
7150	Mechanical Maintenance	-	1,500	-	-	1,500	-
7200	General Operating Supplies	16,594	10,000	15,412	16,813	10,000	-
7201	Drinking, Bottled Water	2,347	2,500	1,807	1,971	2,500	-
7202	Gloves	5,941	8,000	738	805	8,000	-
7205	Community & Employee Goodwill	2,090	6,000	6,687	7,295	6,000	-
7220	Mailing / Shipping Expenses	1,275	5,000	3,587	3,913	5,000	-
7430	Memberships	45,159	45,000	41,057	39,000	47,000	2,000

OPERATING BUDGET FOR FISCAL YEAR 2026-27 - PROPOSED

A/C No	DESCRIPTION	FY2024-25 Actual Expenditures	FY2025-26 Approved Budget	BASED ON DATA AS OF 4/30/2026		FY2025-26 Proposed Budget	Increase/(Decrease) From Prior Fiscal Year
				FY2025-26 Actual Expense	Projected Year End		
7440	Miscellaneous Expenses	-	2,500	205	224	2,500	-
7450	Office Expenses	10,932	15,000	9,187	10,022	15,000	-
7452	Scanning & Shredding	-	10,000	-	-	10,000	-
7454	Books / Subscriptions / Study Guides	506	2,000	351	383	2,000	-
7456	Computer Hardware/Software/Licensing	38,303	52,000	24,662	26,903	57,400	5,400
7461	Prof Services - Legal	80,486	75,000	78,890	123,890	100,000	25,000
7462	Prof Services - Accounting	30,961	40,000	22,293	39,000	40,000	-
7463	Prof Services - Engineering	21,050	75,000	370	404	20,000	(55,000)
7464	Prof Services - IT	89,942	68,000	66,204	72,223	30,000	(38,000)
7466	Prof Services - Human Resources	14,320	12,000	7,581	8,271	12,000	-
7467	Prof Services - Special Legal Counsel	-	-	-	-	-	-
7500	Public Outreach/Education	1,931	10,000	32,309	35,246	25,000	15,000
7506	Administrative Fees	38,049	30,000	27,815	30,344	30,000	-
7508	Collection/Treatment Fines	-	10,000	-	-	10,000	-
7510	Contracted Services/Labor	103,935	69,100	95,570	104,258	103,500	34,400
7530	Notices / Ads for Publication	-	3,000	880	960	1,500	(1,500)
7610	Furniture & Fixtures	1,942	10,000	-	-	50,000	40,000
7641	NPDES Permit Requirements - Lab	23,538	10,000	10,155	11,078	16,000	6,000
7645	NPDES Permit Requirements - Operations	28,750	210,000	28,753	31,366	180,000	(30,000)
7650	Election Expenses	29	500	-	-	500	-
7652	Biosolids Disposal	74,545	70,000	49,277	65,703	70,000	-
7653	Chemicals for Plant	287,739	300,000	189,520	284,280	300,000	-
7654	Generator Servicing - Plant	2,101	10,000	4,089	4,461	10,000	-
7655	Hazardous Materials Disposal	5,291	2,000	162	176	2,000	-
7656	Plant Equipment Rental	-	5,000	-	-	5,000	-
7657	Plant Maintenance Materials	51,819	75,000	15,965	17,416	55,000	(20,000)
7658	Plant Maintenance Projects	-	5,000	-	-	5,000	-
7659	Safety Expenses	3,812	5,000	626	683	5,000	-
7661	Polymer	-	10,000	-	-	-	(10,000)
7662	Small Tools/ Equipment - Plant	3,773	4,000	195	213	4,000	-
7663	UF/RO - Operations	-	-	-	-	-	-
7664	UF/RO - Lab	-	-	-	-	-	-
7665	UF/RO - Chemicals	-	-	-	-	-	-
7670	Special Projects	75,874	85,000	79,417	86,637	75,000	(10,000)
7671	Asset Management	54,580	140,000	56,408	61,535	131,750	(8,250)
7681	2023 Winter Storm	-	75,000	41,414	47,414	52,500	(22,500)
7700	Laboratory Consumables & Small Equipment	31,409	38,000	31,940	34,843	40,000	2,000
7702	Laboratory Equipment Maintenance	14,302	10,000	1,219	1,330	10,000	-
7703	Contract Laboratory Analyses	4,687	10,000	6,104	6,659	10,000	-
7704	Laboratory HVAC Maintenance	-	6,000	844	921	6,000	-
7722	Board Training/Conf Registration	2,015	2,500	1,650	1,800	12,000	9,500
7723	Board Meetings/Travel Expenses	4,620	5,000	6,509	7,101	12,000	7,000

OPERATING BUDGET FOR FISCAL YEAR 2026-27 - PROPOSED

A/C No	DESCRIPTION	FY2024-25 Actual Expenditures	FY2025-26 Approved Budget	BASED ON DATA AS OF 4/30/2026		FY2025-26 Proposed Budget	Increase/(Decrease) From Prior Fiscal Year
				FY2025-26 Actual Expense	Projected Year End		
7724	Staff Training/Conf. Registration	16,895	18,000	15,902	17,348	18,000	-
7725	Staff Travel Expenses	14,080	18,000	10,660	11,630	15,000	(3,000)
7726	Staff Certifications/Licenses	3,374	8,000	5,719	6,239	8,000	-
7727	OSHA Required Training	-	5,000	2,405	2,624	5,000	-
7728	Safety Boot Allowance	2,261	4,500	1,856	2,025	3,500	(1,000)
7729	Apparel and Uniforms	711	2,500	2,633	2,873	2,500	-
7731	Local Meeting Expenses	680	2,500	148	162	2,500	-
7740	Fuel and Oil	17,156	25,000	15,129	16,504	20,000	(5,000)
7761	Water	15,265	17,000	11,521	12,568	17,000	-
7762	Natural Gas	4,621	5,500	1,856	2,024	5,500	-
7763	Electricity	215,821	225,000	166,845	226,845	230,000	5,000
7766	Trash & Recycling Service	10,184	17,000	7,872	8,588	15,000	(2,000)
7767	Communications	19,188	20,000	18,333	20,000	20,000	-
7768	Telephone - Cellular	12,652	12,000	10,511	11,466	12,000	-
Total Operations & Maintenance		\$ 1,815,825	\$ 2,366,600	\$ 1,513,014	\$ 1,800,119	\$ 2,313,150	\$ (53,450)
Total Expenses		5,328,063	6,144,772	4,658,969	5,519,561	6,379,192	234,420

FY 2026-27 Proposed Capital Improvement Program (CIP) Budget

Collections:

Project No.	Description	Estimated Cost	2026/2027 Budget
C001	Collection System Master Plan - CARRYFORWARD	\$ 250,000	\$ 60,000
C004	Sewer Main CIPP Lining - Design	\$ 300,000	\$ 300,000
C007	Toyota Tacoma	\$ 50,000	\$ 50,000
C008	San Ysidro Upsizing - Design	\$ 500,000	\$ 500,000
C009	Olive Mill Road Upsizing - Design	\$ 150,000	\$ 150,000
S001	Septic to Sewer Strategic Plan - CARRYFORWARD	\$ 120,000	\$ 25,000
CINI	Collection System Inflow and Infiltration	\$ 500,000	\$ 500,000
Collections Total			\$ 1,585,000

Lift Stations:

Project No.	Description	Estimated Cost	2026/2027 Budget
L001	Channel Lift Station Improvement - Design - CARRYFORWARD	\$ 350,000	\$ 250,000
L001	Channel Drive Force Main - Construction - CARRYFORWARD	\$ 3,300,000	\$ 3,300,000
L002	Eucalyptus Lift Station Relocation - Design	\$ 350,000	\$ 350,000
L008	Channel Lift Station Generator - CARRYFORWARD	\$ 75,000	\$ 75,000
Lift Stations Total			\$ 3,975,000

Treatment & Laboratory:

Project No.	Description	Estimated Cost	2026/2027 Budget
T001	WWTP Improvement Project - Design and Engineering - CARRYFORWARD	\$ 1,675,000	\$ 1,150,000
T002	Outfall Inspection	\$ 200,000	\$ 200,000
Treatment & Laboratory Total			\$ 1,350,000

Facilities:

Project No.	Description	Estimated Cost	2026/2027 Budget
F010	Monte Cristo Improvements - Design - CARRYFORWARD	\$ 100,000	\$ 100,000
F010	Monte Cristo Improvements - Construction - CARRYFORWARD	\$ 500,000	\$ 500,000
F011	Administration Building Improvements	\$ 150,000	\$ 150,000
Facilities Total			\$ 750,000

District Infrastructure Emergency

Project No.	Description	Estimated Cost	2026/2027 Budget
CEME	Collection System Emergencies - RECURRING EVERY YEAR	\$ 50,000	\$ 50,000
CMAIN	Collection System Emergency Maintenance - RECURRING EVERY YEAR	\$ 150,000	\$ 150,000
LEME	Lift Station Emergency Repairs - RECURRING EVERY YEAR	\$ 50,000	\$ 50,000
TEME	Treatment Plant Emergency Repairs - RECURRING EVERY YEAR	\$ 500,000	\$ 500,000
Infrastructure Emergency Total			\$ 750,000

Program	2026/2027 Budget
Collections	\$ 1,585,000
Lift Stations	\$ 3,975,000
Treatment & Laboratory	\$ 1,350,000
Facilities	\$ 750,000
Total	\$ 7,660,000

Montecito Sanitary District Hourly Salary Range Table - Represented Fiscal Year 2026-27

Division	Role	EMPLOYMENT CLASSIFICATION	Step:	A	B	C	D	E
			Hourly	Hourly	Hourly	Hourly	Hourly	
Admin	Admin Asst	Administrative Technician II	\$	40.24	\$ 42.26	\$ 44.37	\$ 46.59	\$ 48.94
Admin	Engin Asst	Engineering Assistant	\$	50.10	\$ 52.60	\$ 55.23	\$ 58.00	\$ 60.90
Admin	Admin Asst	Accounting/Admin. Assistant	\$	50.77	\$ 53.30	\$ 55.98	\$ 58.77	\$ 61.71

Maint	Line	Facilities Maintenance	\$	41.16	\$ 43.33	\$ 45.61	\$ 48.01	\$ 50.54
Maint	Supervisor	Chief Maintenance Mechanic	\$	62.22	\$ 65.50	\$ 68.95	\$ 72.57	\$ 76.39

Collections	Trainee	Collections Operator in Training (OIT)	\$	28.84	\$ 30.29	\$ 31.81	\$ 33.40	\$ 35.07
Collections	Line	Collections I	\$	35.87	\$ 37.66	\$ 39.54	\$ 41.53	\$ 43.59
Collections	Line	Collections II	\$	39.45	\$ 41.41	\$ 43.48	\$ 45.66	\$ 47.94
Collections	Line	Collections III	\$	44.22	\$ 46.42	\$ 48.75	\$ 51.18	\$ 53.75
Collections	Line	Collections IV	\$	48.74	\$ 51.16	\$ 53.73	\$ 56.41	\$ 59.24
Collections	Supervisor	Collections Lead Operator	\$	56.41	\$ 59.24	\$ 62.20	\$ 65.31	\$ 68.58

Ops	Trainee	Operations Operator in Training (OIT)	\$	31.61	\$ 33.19	\$ 34.85	\$ 36.58	\$ 38.42
Ops	Line	Operator I	\$	39.21	\$ 41.27	\$ 43.45	\$ 45.73	\$ 48.14
Ops	Line	Operator II	\$	43.13	\$ 45.40	\$ 47.79	\$ 50.31	\$ 52.95
Ops	Line	Operator III	\$	47.44	\$ 49.94	\$ 52.57	\$ 55.33	\$ 58.25
Ops	Line	Operator IV	\$	52.19	\$ 54.93	\$ 57.82	\$ 60.87	\$ 64.07
Ops	Line	Operator V	\$	60.01	\$ 63.17	\$ 66.49	\$ 69.99	\$ 73.68

Montecito Sanitary District Management Hourly Salary Range Table - Unrepresented Fiscal Year 2026-27

MANAGERS			Hourly Low	Hourly High
Ops	Manager	Laboratory & Pretreatment Manager	\$ 60.14	\$ 78.70
Collections	Manager	Chief Plant Operator/Treatment Superintendent	\$ 78.23	\$ 90.58
Admin	Manager	Business and Administrative Manager	\$ 73.24	\$ 95.87
Collections/Ops	Manager	Collections & Maintenance Superintendent	\$ 76.80	\$ 98.01
Admin	Manager	Engineering Manager	\$ 75.21	\$ 108.82

EXECUTIVE			Hourly Rate
Admin	Executive	General Manager	\$ 108.17

Montecito Sanitary District Monthly Salary Range Table - Represented Fiscal Year 2026-27

Division	Role	EMPLOYMENT CLASSIFICATION	Step:	A	B	C	D	E
			Monthly	Monthly	Monthly	Monthly	Monthly	
Admin	Admin Asst	Administrative Technician II		\$ 6,974.32	\$ 7,325.07	\$ 7,690.58	\$ 8,076.40	\$ 8,482.53
Admin	Engin Asst	Engineering Assistant		\$ 8,153.67	\$ 8,561.35	\$ 8,989.42	\$ 9,438.89	\$ 9,910.83
Admin	Admin Asst	Accounting/Admin. Assistant		\$ 8,800.05	\$ 9,239.40	\$ 9,702.76	\$ 10,186.42	\$ 10,695.92

Maint	Line	Facilities Maintenance		\$ 7,134.61	\$ 7,510.12	\$ 7,905.39	\$ 8,321.46	\$ 8,759.43
Maint	Supervisor	Chief Maintenance Mechanic		\$ 10,785.37	\$ 11,353.02	\$ 11,950.55	\$ 12,579.53	\$ 13,241.61

Collections	Trainee	Collections Operator in Training (OIT)		\$ 4,999.06	\$ 5,250.12	\$ 5,514.11	\$ 5,789.16	\$ 6,078.99
Collections	Line	Collections I		\$ 6,217.44	\$ 6,527.58	\$ 6,854.33	\$ 7,197.69	\$ 7,555.82
Collections	Line	Collections II		\$ 6,837.71	\$ 7,177.38	\$ 7,537.36	\$ 7,913.95	\$ 8,309.00
Collections	Line	Collections III		\$ 7,664.74	\$ 8,046.87	\$ 8,449.30	\$ 8,872.04	\$ 9,316.94
Collections	Line	Collections IV		\$ 8,447.45	\$ 8,868.35	\$ 9,313.24	\$ 9,778.45	\$ 10,267.64
Collections	Supervisor	Collections Lead Operator		\$ 9,778.45	\$ 10,267.64	\$ 10,780.84	\$ 11,319.88	\$ 11,886.62

Ops	Trainee	Operations Operator in Training (OIT)		\$ 5,479.03	\$ 5,752.24	\$ 6,040.23	\$ 6,341.13	\$ 6,658.65
Ops	Line	Operator I		\$ 6,796.30	\$ 7,154.00	\$ 7,530.53	\$ 7,926.87	\$ 8,344.08
Ops	Line	Operator II		\$ 7,475.93	\$ 7,869.40	\$ 8,283.58	\$ 8,719.56	\$ 9,178.48
Ops	Line	Operator III		\$ 8,223.23	\$ 8,656.03	\$ 9,111.61	\$ 9,591.17	\$ 10,095.96
Ops	Line	Operator IV		\$ 9,045.70	\$ 9,521.79	\$ 10,022.93	\$ 10,550.46	\$ 11,105.74
Ops	Line	Operator V		\$ 10,401.95	\$ 10,949.42	\$ 11,525.71	\$ 12,132.32	\$ 12,770.87

Montecito Sanitary District Monthly Management Salary Range Table - Unrepresented Fiscal Year 2026-27

Approved at the June 11, 2025 Regular Board Meeting

MANAGERS			Monthly Low	Monthly High
Ops	Manager	Laboratory & Pretreatment Manager	\$ 10,424.37	\$ 13,642.01
Collections	Manager	Chief Plant Operator/Treatment Superintendent	\$ 13,560.60	\$ 15,700.26
Admin	Manager	Business and Administrative Manager	\$ 12,694.17	\$ 16,617.36
Collections/Ops	Manager	Collections & Maintenance Superintendent	\$ 13,311.76	\$ 16,988.90
Admin	Manager	Engineering Manager	\$ 13,036.70	\$ 18,862.78

EXECUTIVE			Monthly Rate
Admin	Executive	General Manager	\$ 18,750.00

Montecito Sanitary District Annual Salary Range Table - Represented Fiscal Year 2026-27

Division	Role	EMPLOYMENT CLASSIFICATION	Step:	A	B	C	D	E
			Annually	Annually	Annually	Annually	Annually	
Admin	Admin Asst	Administrative Technician II	\$	83,691.83	\$ 87,900.79	\$ 92,286.97	\$ 96,916.82	\$ 101,790.35
Admin	Engin Asst	Engineering Assistant	\$	97,844.00	\$ 102,736.20	\$ 107,873.01	\$ 113,266.66	\$ 118,929.99
Admin	Admin Asst	Accounting/Admin. Assistant	\$	105,600.57	\$ 110,872.84	\$ 116,433.10	\$ 122,237.03	\$ 128,351.10

Maint	Line	Facilities Maintenance	\$	85,615.37	\$ 90,121.44	\$ 94,864.68	\$ 99,857.55	\$ 105,113.21
Maint	Supv	Chief Maintenance Mechanic	\$	129,424.46	\$ 136,236.27	\$ 143,406.60	\$ 150,954.32	\$ 158,899.28

Collections	Trainee	Collections Operator in Training (OIT)	\$	59,988.74	\$ 63,001.47	\$ 66,169.27	\$ 69,469.98	\$ 72,947.91
Collections	Line	Collections I	\$	74,609.34	\$ 78,330.94	\$ 82,251.92	\$ 86,372.27	\$ 90,669.84
Collections	Line	Collections II	\$	82,052.55	\$ 86,128.59	\$ 90,448.31	\$ 94,967.41	\$ 99,708.02
Collections	Line	Collections III	\$	91,976.83	\$ 96,562.38	\$ 101,391.61	\$ 106,464.51	\$ 111,803.24
Collections	Line	Collections IV	\$	101,369.46	\$ 106,420.21	\$ 111,758.94	\$ 117,341.35	\$ 123,211.74
Collections	Supv	Collections Lead Operator	\$	117,341.35	\$ 123,211.74	\$ 129,370.11	\$ 135,838.61	\$ 142,639.41

Ops	Trainee	Operations Operator in Training (OIT)	\$	65,748.37	\$ 69,026.93	\$ 72,482.71	\$ 76,093.55	\$ 79,903.76
Ops	Line	Operator I	\$	81,555.63	\$ 85,848.03	\$ 90,366.35	\$ 95,122.47	\$ 100,128.92
Ops	Line	Operator II	\$	89,711.19	\$ 94,432.84	\$ 99,402.99	\$ 104,634.72	\$ 110,141.81
Ops	Line	Operator III	\$	98,678.71	\$ 103,872.32	\$ 109,339.29	\$ 115,093.98	\$ 121,151.56
Ops	Line	Operator IV	\$	108,548.38	\$ 114,261.45	\$ 120,275.21	\$ 126,605.49	\$ 133,268.93
Ops	Line	Operator V	\$	124,823.42	\$ 131,393.07	\$ 138,308.50	\$ 145,587.89	\$ 153,250.41

Montecito Sanitary District Annual Management Salary Range Table - Unrepresented Fiscal Year 2026-27

MANAGERS			Annual Low	Annual High
Ops	Manager	Laboratory & Pretreatment Manager	\$ 125,092.48	\$ 163,704.14
Collections	Manager	Chief Plant Operator/Treatment Superintendent	\$ 162,727.22	\$ 188,403.07
Admin	Manager	Business and Administrative Manager	\$ 152,329.98	\$ 199,408.30
Collections/Ops	Manager	Collections & Maintenance Superintendent	\$ 159,741.07	\$ 203,866.75
Admin	Manager	Engineering Manager	\$ 156,440.36	\$ 226,353.39

EXECUTIVE			Annual Rate
Admin	Executive	General Manager	\$ 225,000.00



Montecito Sanitary District

1042 Monte Cristo Lane
Santa Barbara, CA 93108

A Public Service Agency

Phone: (805) 969-4200
www.montsan.org

MONTECITO SANITARY DISTRICT STAFF REPORT

DATE: June 10, 2026
TO: Board of Directors
FROM: Aleks R. Giragosian, General Counsel
Taylor M. Anderson, Assistant General Counsel
SUBJECT: Public Hearing to Consider Adoption of Resolution No. 2026-991
Approving a Revised Sewer Rate Schedule

RECOMMENDATION – It is recommended that the Board:

1. Receive a presentation from legal counsel regarding the written objections and the District’s response; and
2. Hold a public hearing; and
3. Direct the Board Clerk to tabulate all protest ballots; and
4. Adopt Resolution No. 2026-991, included as Attachment A, to approve a revised sewer rate schedule.

DISCUSSION

Background

The District undertook a comprehensive review of its wastewater system needs and long-term financial obligations. As part of this effort, the District updated its Sewer System Management Plan, developed a five-year Capital Improvement Plan, and retained an independent financial consultant, Robert Niehaus, Inc. (RDN), to conduct its first sewer rate study in 10 years. Key factors driving the need for a new rate structure include:

- Sewer rates were last studied in 2016 and have not been adjusted since 2019, despite rising inflation and growing system costs.
- Much of the District's infrastructure was built in the 1960s and requires repair and replacement.
- The District identified approximately \$60 million in planned capital improvements, including \$10 million in near-term upgrades.

- Existing revenues and reserves are not sufficient to meet projected operational, capital, and reserve needs.
- Improvements will be funded through a combination of rate adjustments and a planned \$42 million debt issuance.
- Proposed rates are based on the cost of service and are designed to be fair, proportional, and compliant with Proposition 218.
- Ongoing improvements are necessary to meet evolving state and federal water quality requirements.

Procedural History

- On November 12, 2025, the Board directed staff to contract with Robert Niehaus, Inc. to conduct a sewer rate study. Included as Attachment B is a copy of the sewer rate study.
- On March 2, 2026, the Board decided to:
 - (1) proceed with the debt funding option of the wastewater treatment plant, with an assumed \$42 million debt issuance by FY 2029; and
 - (2) request proposed reserve adjustments for incorporation in the sewer rate study.
- On April 8, 2026, the Board adopted Resolution No. 2026-988 approving the 2026 sewer rate study and declaring its intent to hold a public hearing on proposed sewer rates. Included as Attachment C is a copy of Resolution No. 2026-988.
- On April 20, 2026, the District mailed a written notice to all affected property owners describing the proposed rates, the method to submit a written objection or protest, and the date and time of the public hearing. The content and timing of the notice is consistent with Section 6(a) of Article XIID of the California Constitution and Section IV of Ordinance No. 24. Included as Attachment D is a copy of the written notice titled, “Proposition 218 Notice of Public Hearing Regarding Proposed Sewer Rate Adjustments”.
- On April 30 and May 7, 2026, the District published notice of the June 10th public hearing in the Montecito Journal.
- On June 10, 2026, the Board will hold a public hearing to consider objections, tabulate protests, and approve the newer sewer rate schedule.

Rate Study Overview

The 2026 Sewer Rate Study outlines a five-year financial plan for FY 2027–2031, and it was updated to reflect the Board’s direction regarding the emergency fund and line of credit. Consultant Robert Niehaus, Inc. recommends modifications to the current sewer rates based on the 2026 Sewer Rate Study’s findings to:

- Adopt the proposed financial plan to upgrade and maintain the District's Sewer Treatment Plant by adjusting revenues 14.0 percent annually each July from 2027

through 2031, ensuring compliance with planned debt issuance requirements by the end of the study period (FY 2031).

- Realign the cost allocation for customers based on the Cost of Service analysis.

Statutory Authority to Adopt Rates

Health and Safety Code 5471 and 6520.5 authorize the District to adopt sewer rates. Both statutes require that the rates be adopted by a two-thirds majority of the Board of Directors. Therefore, for the rates to take effect, at least four Directors will need to vote in favor of Resolution No. 2026-991.

Procedural Requirements

The procedure to adopt sewer rates is governed by Proposition 218 (codified as Article XIID of the California Constitution). Section 6(a) of Article XIID of the California Constitution states:

Property Related Fees and Charges. (a) Procedures for New or Increased Fees and Charges. An agency shall follow the procedures pursuant to this section in imposing or increasing any fee or charge as defined pursuant to this article, including, but not limited to, the following:

(1) The parcels upon which a fee or charge is proposed for imposition shall be identified. The amount of the fee or charge proposed to be imposed upon each parcel shall be calculated. The agency shall provide written notice by mail of the proposed fee or charge to the record owner of each identified parcel upon which the fee or charge is proposed for imposition, the amount of the fee or charge proposed to be imposed upon each, the basis upon which the amount of the proposed fee or charge was calculated, the reason for the fee or charge, together with the date, time, and location of a public hearing on the proposed fee or charge.

(2) The agency shall conduct a public hearing upon the proposed fee or charge not less than 45 days after mailing the notice of the proposed fee or charge to the record owners of each identified parcel upon which the fee or charge is proposed for imposition. At the public hearing, the agency shall consider all protests against the proposed fee or charge. If written protests against the proposed fee or charge are presented by a majority of owners of the identified parcels, the agency shall not impose the fee or charge.

The written notices were mailed on April 20th — 51 days before the hearing — in satisfaction of State law. On June 10th, the Board must review the written objections (as

described below), conduct a public hearing, and direct the Board Clerk to tabulate any protests.

Following the close of the public hearing, but prior to the adoption of Resolution No. 2026-991, the Board should consider the elements of Section VI of Ordinance No. 24, titled “Board Determinations”, which states:

- “The Board of Directors, in exercising its legislative discretion, shall determine whether:
- A. The written objections and the District’s response warrant clarification to the proposed fee, charge, or assessment.
 - B. To reduce the proposed fee, charge or assessment.
 - C. To further review the proposed fee, charge, or assessment before determining whether clarification or reduction is needed.
 - D. To proceed with the Hearing, to continue it, or to abandon the proposal.

Exhaustion of Administrative Remedies

Ordinance No. 24 establishes an exhaustion of administrative remedies requirement for challenges to property-related sewer fees, charges, and assessments under Proposition 218. The exhaustion requirement means that any person who wishes to bring a legal challenge must first submit a timely written objection to the District via the administrative process established by Ordinance No. 24. A person who fails to submit a timely written objection is barred from raising that challenge in court.

Unlike a protest submitted under Proposition 218, which is a vote against the rates, an objection submitted under Ordinance No. 24 is an argument against the rates. The objection must identify the specific legal grounds for the challenge. Objections must be evaluated by the District and are not considered automatically valid. The District is required to consider and respond to each objection in writing before the rates are adopted.

To date, the District only received one written objection from Patrick and Karen Tsutsumida. Included as Attachment E is the objection and the District General Counsel’s response.

Fiscal Impact – An analysis was performed wherein the proposed rates were input into what was submitted to the County for inclusion on the tax roll for Fiscal Year 2025-26 to estimate the revenue increase. This resulted in an approximate \$497,000 and \$370,000 increase to residential and commercial revenues, respectively. This is based on 3,095 residential and 46 commercial properties.

Goals and Objectives – Financial Auditing (Goal 6).

Environmental Determination – The adoption of this Resolution is not subject to the California Environmental Quality Act (CEQA) under 14 CCR 15378(b)(4) because increasing rates does not constitute a “project” where it is “The creation of [a] government funding mechanism or other

government fiscal activities which do not involve any commitment to any specific project which may result in potentially significant physical impact on the environment”.

Attachments:

- A. Resolution No. 2026-991
- B. 2026 Sewer Rate Study
- C. Resolution No. 2026-988
- D. Proposition 218 Notice of Public Hearing Regarding Proposed Sewer Rate Adjustments
- E. Written Objection and General Counsel’s Response

RESOLUTION NO. 2026-991

RESOLUTION OF THE GOVERNING BOARD OF THE MONTECITO SANITARY DISTRICT ADOPTING A SEWER SERVICE CHARGE AND REPEALING RESOLUTION NO. 2016-897

WHEREAS, the Montecito Sanitary District (“District”) is authorized is adopt a sewer service charge pursuant to Health and Safety Code 5471 and 6520.5;

WHEREAS, on May 9, 2016, the Board of Directors adopted a sewer service charge via Resolution No. 2016-897;

WHEREAS, on April 8, 2026, the Board of Directors approved Resolution No. 2026-988, approving the "2026 Sewer Rate Study", attached as Exhibit A and on file with the Clerk of the Board for public inspection, and declaring its intent to hold a public hearing to consider adoption of the revised rates proposed in the 2026 Sewer Rate Study;

WHEREAS, on April 20, 2026, the District mailed a notice titled “Proposition 218 Notice of Public Hearing Regarding Proposed Sewer Rate Adjustments” to all affected property owners pursuant to Section 4(c)-(e) of Article XIID of the California Constitution and Government Code 53753(b);

WHEREAS, on April 30 and May 7, 2026, the District published notice of the June 10th public hearing in the Montecito Journal pursuant to Health and Safety Code 5473.1 and Government Code 6066;

WHEREAS, on June 10, 2026, the District held a properly noticed public hearing to consider written objections and tabulate protests pursuant to Section 4(e) of Article XIID of the California Constitution, Government Code 53753(d), and Health and Safety Code 5473.2;

WHEREAS, the District received and responded to one written objection pursuant to Ordinance No. 24 and determined that there was no majority protest against the proposed sewer rates and charges;

WHEREAS, the Board of Directors desires to approve the sewer rates and charges included in the 2026 Sewer Rate Study.

NOW, THEREFORE, the Governing Board of the Montecito Sanitary District hereby resolves:

1. Recitals. The Recitals above are true and correct and incorporated herein by reference.
2. Sewer Rates. The sewer rates and charges included in the 2026 Sewer Rate Study shall be effective July 1, 2026.
3. Repeal. Resolution No. 2016-897 is repealed in its entirety.

4. CEQA. The adoption of this Resolution is not subject to the California Environmental Quality Act (CEQA). Under 14 CCR 15378(b)(4), increasing rates does not constitute a “project” because it is “[t]he creation of [a] government funding mechanism or other government fiscal activities which do not involve any commitment to any specific project which may result in potentially significant physical impact on the environment.”

5. Effective Date. This Resolution will become effective immediately upon adoption.

PASSED AND ADOPTED by the Governing Board of the Montecito Sanitary District on the 10th day of June, 2026 by the following vote:

AYES:
NAYS:
ABSTAIN:
ABSENT:



ATTEST:

Rock Rockenbach, President of the
Governing Board of the
MONTECITO SANITARY DISTRICT

Ellwood T. Barrett II, Secretary of the
Governing Board of the
MONTECITO SANITARY DISTRICT

EXHIBIT A
2026 SEWER RATE STUDY



MONTECITO SANITARY DISTRICT
2026 Sewer Rate Study
Final Report

April 10, 2026

MONTECITO SANITARY DISTRICT 2026 SEWER RATE STUDY

FINAL REPORT

Prepared for:

Montecito Sanitary District
1042 Monte Cristo Lane
Montecito, CA 93108

Prepared by:

ROBERT D. NIEHAUS, INC.
140 East Carrillo Street
Santa Barbara, CA 93101
(805) 962-0611

RDN Project Number 398



April 10, 2026
Mr. John Weigold
General Manager
Montecito Sanitary District
1042 Monte Cristo Lane
Montecito, CA 93108

Subject: 2026 Sewer Rate Study

Dear Mr. Weigold,

Robert D. Niehaus, Inc. is pleased to provide this 2026 Sewer Rate Study (Study) report to the Montecito Sanitary District. This Study includes a financial plan to determine the revenue requirements for the next five years and a comprehensive review of the District's current rates based on the cost-of-service principles. We developed proposed rates for the next five years closely following Proposition 218 (Prop 218) requirements. This report outlines the approach, methodology, findings, and recommendations of the Study. The Study also includes a customer billing impact study. Each of the Study components has enhanced the defensibility and equitability of the proposed rates.

RDN utilized the District's billing records, accounting, operating and management records, capital plan, planning documents, and reserve policies. Based on the District provided data, key assumptions were made for the Study using appropriate resources and our econometric and finance expertise. We are confident that the rates and fees proposed in this report are cost-based and are fully compliant with Prop 218, Prop 26, and other legal requirements.

It has been an absolute pleasure and honor to work with your District. We thank you, Mr. Stephen Williams, and the District Board of Directors for the support provided during this Study.

Respectfully submitted,

A handwritten signature in blue ink that reads "Robert D. Niehaus".

Robert D. Niehaus, Ph.D.

Managing Director/Principal Economist

A handwritten signature in blue ink that reads "Anthony Elowsky".

Anthony Elowsky, M.A.

Project Manager

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EXECUTIVE SUMMARY

Study Overview

The Montecito Sanitary District (District) retained Robert D. Niehaus, Inc. (RDN) to develop a comprehensive Sewer Rate and Fee Study (Study), which includes financial planning, revenue requirements, cost of service, and rate-setting analyses. The Study's overall goal is to develop a financial plan to identify necessary revenue to meet the District's financial needs and propose rates and fees, which recover the costs from ratepayers commensurate with their service requirements. RDN collaborated with District staff to evaluate the District's financial stability, given the current and projected future financial conditions. RDN amended the current rates based on the cost of service (COS) analysis results to further improve equity and ensure compliance with Proposition 218 (Prop 218) requirements and other legal mandates. The main objective of this Study is to ensure that the District can accomplish the planned refurbishment of their wastewater treatment plant, with the associated cost of debt and increased operating expenses. Other objectives of the Study include:

1. Projecting account growth based on historical data and inputs from District staff for the study period (FY 2027 – FY 2031);
2. Developing a 10-year financial plan for the District to ensure financial sufficiency to fund day-to-day operation and maintenance, debt service requirements, and capital improvement and replacement projects while building up reserves to the District's target level;
3. Assessing wastewater treatment plant funding options and providing a financial plan which will fund necessary operating, capital, and debt requirements;
4. Estimating sewer flow by customer class based on the most recent available data;
5. Conducting a COS analysis to equitably allocate the costs of providing service to customers commensurate with their service requirements;
6. Designing rates based on the results of COS analysis to establish a strong nexus between costs and pricing of rates;
7. Conducting a rate comparison survey to assess how the proposed rates compare with current rates and other local agencies;
8. Developing an administrative record, which effectively communicates the findings of the Study.

Summary of Recommendations

RDN recommends the following changes and modifications to the current rates and fees based on the findings of the Study:

- Adopt the proposed financial plan which will allow the District to upgrade and maintain their Sewer Treatment Plant
 - Adjust revenues each year of the study period by 14.0 percent in July 2027, 14.0 percent in July 2028, 14.0 percent in July 2029, 14.0 percent in July 2030 and 14.0 percent in July 2031 to ensure compliance with planned debt issuance requirements by the end of the study period (FY 2031).
- Realign the cost allocation for customers based on the Cost of Service analysis.

Current Rates

The District currently bills customers based on customer class. Residential customers pay a fixed annual service charge that is assessed on their property tax bill. The annual charge varies by connection type: Single Family Dwelling or Condo/Second Dwelling Unit. As of July 2025, Single Family customers pay \$1,480 per account annually, while Condo and Second Dwelling Unit customers pay \$696 per unit, annually. Commercial customers are billed based on water use and sewage strength classification. The total annual commercial sewer service charge consists of two components: a Fixed Capacity Allocation Charge, based on the customer’s historic maximum annual water use, and a Variable Charge, based on prior calendar year actual water use. Both charges are assessed per hundred cubic feet (HCF) of water and vary by sewage strength category (low, medium, or high). The current sewer rates are summarized in Table 1.

Table 1. Current Sewer Rates

Current Rates	
Residential Account	
Single Family Dwelling	\$1,480.00
Condo or Second Dwelling	\$696.00
Commercial Class	
Fixed Capacity Charge (\$/hcf)	
Low Strength	\$4.33
Medium Strength	\$10.32
High Strength	\$12.59
Variable Charge (\$/hcf)	
Low Strength	\$2.88
Medium Strength	\$3.96
High Strength	\$5.57

Proposed Rates

RDN recommends that the District maintain its existing sewer rate structure as described above. The recommended rates incorporate updated revenue requirements and cost allocations developed as part of this Study.

The proposed rates allow the District to maintain healthy reserve fund balances, meet planned debt service requirements, and complete necessary capital improvement projects over the five-year study period. In addition to the proposed revenue adjustments, the recommended rates reallocate the District’s costs based on a detailed Cost of Service (COS) analysis. This analysis improves the equity of the rate structure by allocating District costs based on the relative demand each customer class places on the system. As a result, overall rate adjustments will vary by customer class.

The proposed annual revenue adjustments presented in this Study are 14.0 percent in FY 2027, 14.0 percent in FY 2028, 14.0 percent in FY 2029, 14.0 percent in FY 2030, and 14.0 percent in FY 2031. These adjustments allow the District to maintain financial stability while funding ongoing operations, capital improvements, and long-term system needs over the study period. Table 2 and Table 3 show the proposed revenue adjustments and rates for the study period, respectively.

Table 2. Proposed Revenue Adjustments

	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Revenue Adjustment	14.0%	14.0%	14.0%	14.0%	14.0%

Table 3. Proposed Sewer Rates

Residential Account	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Single Family Dwelling	\$1,650.93	\$1,882.06	\$2,145.55	\$2,445.93	\$2,788.36
Condo or Second Dwelling	\$766.20	\$873.47	\$995.76	\$1,135.17	\$1,294.09
Commercial Class	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Fixed Capacity Charge (\$/hcf)					
Low Strength	\$4.90	\$5.59	\$6.37	\$7.26	\$8.28
Medium Strength	\$12.86	\$14.66	\$16.71	\$19.05	\$21.72
High Strength	\$15.15	\$17.27	\$19.69	\$22.45	\$25.59
Variable Charge (\$/hcf)					
Low Strength	\$3.47	\$3.96	\$4.51	\$5.14	\$5.86
Medium Strength	\$4.46	\$5.08	\$5.79	\$6.60	\$7.52
High Strength	\$6.70	\$7.64	\$8.71	\$9.93	\$11.32

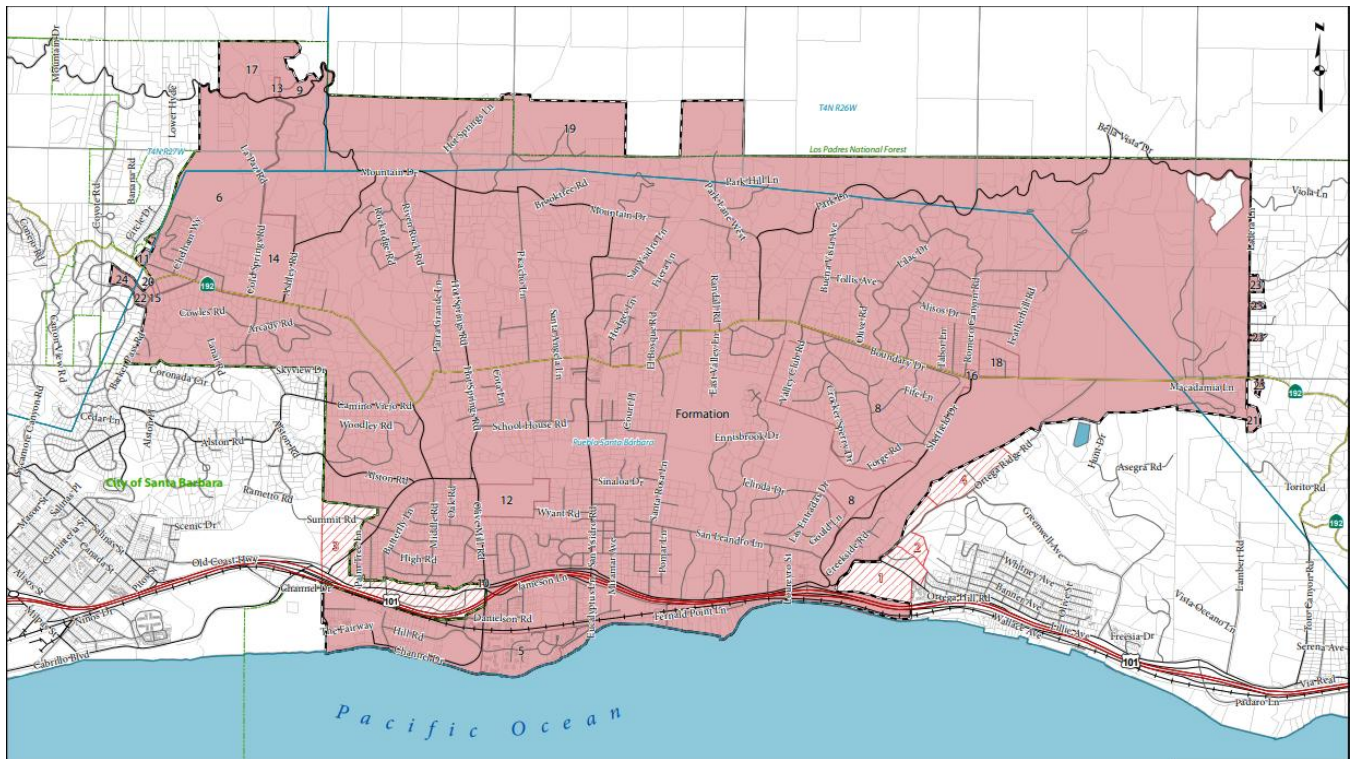
1 INTRODUCTION

The Montecito Sanitary District (MSD, District) provides wastewater collection, treatment, and disposal services to residents and businesses within the Montecito community in Santa Barbara County, California. The District operates and maintains the sewer collection system and wastewater treatment facilities necessary to safely convey and treat wastewater generated within its service area. Through these services, the District protects public health and the environment while complying with applicable state and federal regulatory requirements.

The District's sewer collection system serves residential, commercial, and institutional customers throughout the community. Wastewater collected through the system is conveyed to the District's treatment facilities where it is treated prior to disposal in accordance with regulatory standards. Maintaining this infrastructure requires ongoing investment in operations, maintenance, and capital improvements to ensure reliable service and regulatory compliance.

This Study evaluates the District's wastewater revenue requirements and rate structure to ensure sufficient funding for operations, capital improvements, and long-term system sustainability while equitably allocating costs among customer classes. Figure 1 shows the District service area in red.

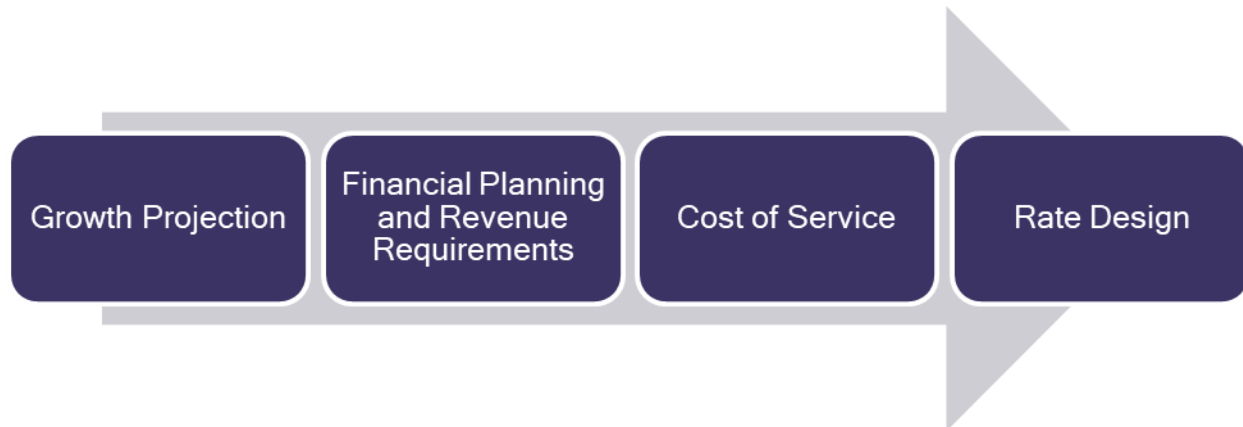
Figure 1. Montecito Sanitary District



1.1 Methodology

The sewer rates formulated in the Study were developed using principles set forth by the Water Environment Federation (WEF). RDN rate-making practices incorporate methods described in the WEF Financing and Charges for Sewer Systems Manual 27¹. Figure 2 presents the steps taken to develop the District's proposed rates.

Figure 2. Rate Study Process



1. **Growth Projection:** Project customer growth for FY 2026 and ten additional years, including the five-year study period, FY 2027 through FY 2031, using District historical billing data and local planning documents. Forecast revenues for the study period based on projected customer growth.
2. **Financial Planning/Revenue Requirements:** Develop a five-year financial plan based on the projected revenues and annual costs, which include both operating and non-operating expenses. The District's target reserve level is also to be considered part of the financial planning. Based on financial planning, revenue requirements and necessary revenue adjustments are determined for each year of the study period.
3. **Cost of Service (COS) Analysis:** Perform a COS analysis to allocate costs among the customers commensurate with their service requirements.
4. **Rate Design:** Design rates to equitably recover the rate revenue requirements from each customer class based on the proportional revenue requirements determined through the COS analysis.

1.2 Legal Framework

The primary goal of this study is to help the District establish rates that achieve the District's objectives of revenue stability, equitable cost recovery, and ratepayer affordability. This section of the report describes the legal framework considered in developing the rates to ensure that the calculated cost of service rates provide a fair and equitable allocation of costs to the different customer classes.

¹ Financing and Charges for Sewer Systems, WEF Manual of Practice Number 27, Water Environment Federation

California Constitution-Article XIII D, Section 6 (Proposition 218)

In November 1996, California voters passed Proposition 218, the “Right to Vote on Taxes Act.” This constitutional amendment protects taxpayers by limiting the methods by which local governments can create or increase taxes, fees, and charges without taxpayer consent. California courts have ruled that fees associated with providing sewer services are “property-related” and thus under the jurisdiction of Prop 218. The principal requirements for fairness of the fees related to public sewer service are as follows:

- Revenues derived from the fee or charge shall not exceed the funds required to provide the property-related service.
- Revenues derived by the fee or charge shall not be used for any other purpose other than that for which the charge was imposed.
- The amount of the fee or charge imposed upon any parcel shall not exceed the proportional cost of service attributable to the parcel.

The rates developed in this Report use a methodology to establish an equitable system of charges that recover the cost of providing service and fairly apportion costs to each customer as required by Proposition 218.

1.3 Key Assumptions

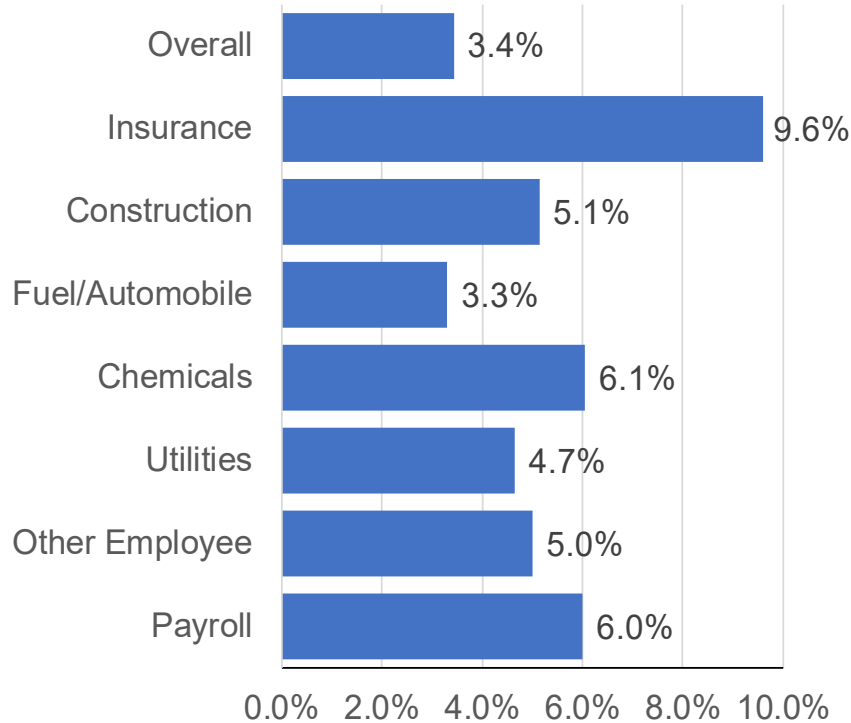
A test year, FY 2026, was selected for which costs are to be analyzed, and rates established for this study. The financial plan was built for the next 10 years, which includes the five-year study period, FY 2027 through FY 2031 with a detailed revenue adjustment plan. The District’s fiscal year starts on July 1 and ends on June 30.

Escalation Factors

The financial plan was built based on an assumption in the projected escalation of revenues and expenses associated with both operations and maintenance (O&M) and capital improvement projects (CIPs). Escalation factors were calculated for nine independent variables using historical Consumer Price Index (CPI) data from the Los Angeles-Long Beach-Riverside, CA between the year 2000 and the most current calendar year², and projections by the Federal Reserve Bank of St. Louis (FRED) Economic Research Division, Quarterly Census of Employment and Wages (QCEW), and Engineering News Record (ENR) Building Cost Index (BCI). All escalation factors were developed by calculating an average rate of change and projecting that rate into future years. Figure 3 displays the escalation factors estimated for the District for FY 2027.

² Bureau of Labor Statistics (2026) *Consumer Price Indices Los Angeles-Long Beach-Riverside, CA, Not Seasonally Adjusted*.

Figure 3. Expense Escalation Factors Estimated for MSD, FY 2027



Customer Growth

Customer growth projections were developed based on an analysis of historical billing records and long-term growth trends observed within the District. There are currently approximately 3,673 billed units connected to the District system, which includes residential and commercial customer accounts. In ten years, 3,759 units are projected. Over the 5-year planning period, 41 additional units are projected to join the system, approximately 8 per year. Table 4 shows the projected number of units by customer class during the rate setting period.

Table 4. Forecasted Customer Growth

Customer Class	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Single Family	2,744	2,745	2,746	2,747	2,748	2,749
Condo or 2nd Dwelling	888	895	902	909	916	924
Low Strength Commercial	24	24	24	24	24	24
Medium Strength Commercial	14	14	14	14	14	14
High Strength Commercial	3	3	3	3	3	3
Total	3,673	3,681	3,689	3,697	3,705	3,714

Reserve Target

The District’s total reserve target for FY 2026 is \$3.4 million. Table 5 shows the targets for each reserve fund for FY 2026, as well as the reserve policy for each individual reserve. During the course of the current study, the District revised their reserve policy to include an emergency reserve for cases of severe equipment failure or other unanticipated events that impact sewer service operations. To supplement funds in times of emergency, the District will also pursue a line of credit (LOC) for an additional \$1,000,000.

Table 5. District Reserve Policies and FY 2026 Target

Reserve	Policy	FY 2026 Target
Operating Reserve	3 Months O&M Expenses	\$1,536,193
Capital Reserve	\$750k Balance	\$750,000
Emergency Reserve	\$1,150,000 Balance	\$1,150,000
Total		\$3,436,193

Debt Service

As part of the financial planning process, an analysis was completed which evaluated the customer impact of completing the Treatment Plant Upgrade with customer rate increases or with debt issuance. The District’s Board of Directors determined that debt financing would have the least impact on customer rates while spreading the cost of critical infrastructure between current and future customers, thus creating generational equity in system investment. RDN proposed a \$42.0 million debt issuance to cover capital costs. The projection assumed a 30-year repayment schedule at 5.0 percent interest, which will be issued in FY 2029, with a 1.0 percent issuance. If the District ultimately chooses this option, debt payments will begin in FY 2030. The proposed debt issuance also assumes that the District will maintain a debt service coverage ratio of 1.25 times revenue over operating expenses. Annual debt payments which result from the issuance average \$2.7 million per year. The financial plan in this report uses the proposed debt as the preferred scenario.

2 FINANCIAL PLAN

RDN built a 10-year financial model for the District’s sewer system to meet the system’s long-term financial goals. The detailed rate analysis was performed for the first five years.

2.1 Revenues

Based on the projected billing units, RDN conducted a revenue analysis using the current Sewer rates. The District currently collects revenues from Residential fixed annual charges, annual charges for Commercial customers based on historical water use, and other operating revenues. With no change to the current sewer rates, the District is expected to collect roughly \$6.5 million in rate revenues per year during the study period. Forecasted rate revenues by customer class are shown in Table 6.

Table 6. Projected Status Quo Rate Revenue, FY 2026 to FY 2031

Rate Revenue Category	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Single Family	\$4,061,120	\$4,062,600	\$4,064,080	\$4,065,560	\$4,067,040	\$4,068,520
Condo or 2nd Dwelling	\$618,048	\$622,920	\$627,792	\$632,664	\$637,536	\$643,104
Low Strength Commercial	\$206,974	\$206,974	\$206,974	\$206,974	\$206,974	\$206,974
Medium Strength Commercial	\$1,464,208	\$1,464,208	\$1,464,208	\$1,464,208	\$1,464,208	\$1,464,208
High Strength Commercial	\$110,665	\$110,665	\$110,665	\$110,665	\$110,665	\$110,665
Total Rate Revenue	\$6,461,015	\$6,467,367	\$6,473,719	\$6,480,071	\$6,486,423	\$6,493,471

The revenue analysis also includes non-operating revenues such as property tax revenue, investments, and connection fees. These revenues average approximately \$1.0 million a year and are used to offset the revenue requirements that need to be recovered from customers’ rates. Additionally, the District received a FEMA reimbursement totaling \$1.6 million in FY 2026. This is a one-time reimbursement. Forecasted revenues by category are shown in Table 7.

Table 7. Projected Status Quo Revenue, FY 2026 to FY 2031³

Revenue Category	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Rate Revenue	\$6,461,015	\$6,467,367	\$6,473,719	\$6,480,071	\$6,486,423	\$6,493,471
Other Operating Revenue	\$280,000	\$280,000	\$280,000	\$280,000	\$280,000	\$280,000
FEMA Reimbursement	\$1,614,297	\$0	\$0	\$0	\$0	\$0
Investment Revenue	\$415,000	\$264,783	\$162,471	\$13,217	\$433,745	\$0
Property Tax Revenue	\$828,500	\$845,070	\$861,971	\$879,211	\$896,795	\$914,731
Total Revenue	\$9,598,812	\$7,857,220	\$7,778,161	\$7,652,498	\$8,096,963	\$7,688,202

2.2 Operating and Maintenance (O&M) Expense

The District’s FY 2026 Budget anticipated approximately \$6.1 million in expenses classified as O&M expenses. The itemized O&M expenses were carefully reviewed by RDN and forecasted over the study period using the escalation factors discussed in the Key Assumptions section (Figure 3). On average, O&M Expenses are expected to increase by 5.3 percent annually through the study period. By FY 2031,

³ Investment revenues are based on the District available fund balances. Because the status quo financial plan projects a decrease in available balance, investment revenues will also decrease.

annual O&M expenses are projected to reach around \$7.9 million. O&M expenses by function are shown in Table 8.

Table 8. Operating Expense, FY 2026 to FY 2031⁴

Expense Category	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Salaries and Benefits	\$3,778,172	\$4,010,260	\$4,254,313	\$4,503,704	\$4,767,793	\$5,037,985
Insurance	\$160,500	\$168,660	\$176,988	\$184,508	\$192,382	\$199,360
Maintenance and Repairs	\$188,000	\$195,877	\$204,097	\$211,556	\$219,289	\$227,306
Goods and Supplies	\$158,000	\$163,416	\$169,018	\$174,812	\$180,805	\$187,003
Professional Services	\$355,000	\$367,169	\$379,756	\$392,774	\$406,238	\$420,164
Administrative	\$342,600	\$354,344	\$366,491	\$379,055	\$392,049	\$405,488
Plant and Lab	\$775,000	\$812,789	\$852,549	\$894,324	\$938,288	\$984,519
Safety and Training	\$66,000	\$68,262	\$70,603	\$73,023	\$75,526	\$78,115
Utilities	\$321,500	\$336,452	\$352,100	\$368,476	\$385,613	\$402,177
Total Operating Expense	\$6,144,772	\$6,477,230	\$6,825,915	\$7,182,232	\$7,557,983	\$7,942,117

2.3 Capital Improvement Projects

In addition to the costs associated with daily operation and maintenance, the District estimates capital project spending averaging approximately \$12.0 million per year with no inflation adjustment for the study period. Major capital projects during the study period include Treatment Plant upgrades, sewer main upgrades, and Lift Station repair, among others. Table 9 shows the planned annual CIP expenses by project category for the study period.

Table 9. Planned Capital Expenditures by Category, FY 2026 to FY 2031

CIP Category	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
General	\$380,000	\$3,000,000	\$600,000	\$650,000	\$775,000	\$780,000
Mains	\$5,020,000	\$0	\$0	\$0	\$0	\$0
Sewer Line	\$2,387,000	\$1,200,000	\$4,600,000	\$2,100,000	\$2,225,000	\$2,125,000
Lift Stations	\$1,575,000	\$250,000	\$2,250,000	\$400,000	\$3,600,000	\$0
Plant	\$600,000	\$1,100,000	\$0	\$17,500,000	\$17,500,000	\$0
Meters	\$45,000	\$0	\$0	\$0	\$0	\$0
Total CIP	\$10,007,000	\$5,550,000	\$7,450,000	\$20,650,000	\$24,100,000	\$2,905,000

2.4 Debt Service and Coverage Ratio

The District currently has outstanding annual debt service payments of approximately \$918,000 per year. Outstanding debt includes the BONY S California Loan, which will be fully repaid in the outyear of the study period, FY 2031. Table 10 shows the annual debt service payment schedule by loan as well as the total debt service payment.

Table 10. Current Debt Service Payment Schedule, FY 2026 to FY 2031

Description	Category	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
BONY S California	Principal	\$735,000	\$775,000	\$820,000	\$855,000	\$880,000	\$905,000
BONY S California	Interest	\$177,325	\$139,575	\$99,700	\$66,375	\$40,350	\$13,575
Current Debt Service Payment		\$912,325	\$914,575	\$919,700	\$921,375	\$920,350	\$918,575

⁴ Operating categories taken from FY 2025-26 Proposed Operating Budget

As part of the financial planning process, an analysis was completed which evaluated the customer impact of completing the Treatment Plant Upgrade with customer rate increases or with debt issuance. The District's Board of Directors determined that debt financing would have the least impact on customer rates while spreading the cost of critical infrastructure between current and future customers, thus creating generational equity in system investment. The proposed \$42.0 million debt issuance assumed a 30-year issuance at 5.0 percent interest and will be issued in FY 2029, with a 1.0 percent issuance fee and payments beginning in FY 2030. Table 11 shows the District's annual debt payments resulting from the proposed issuance and the current debt payments shown in Table 10.

Table 11. Proposed Debt Service Payment Schedule, FY 2026 to FY 2031

Description	Category	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
BONY S California	Principal	\$735,000	\$775,000	\$820,000	\$855,000	\$880,000	\$905,000
BONY S California	Interest	\$177,325	\$139,575	\$99,700	\$66,375	\$40,350	\$13,575
Treatment Plant Issuance	Principal	\$0	\$0	\$0	\$0	\$632,160	\$642,768
Treatment Plant Issuance	Interest	\$0	\$0	\$0	\$0	\$2,100,000	\$2,089,392
Current Debt Service Payment		\$912,325	\$914,575	\$919,700	\$921,375	\$3,652,510	\$3,650,735

Generally, as a condition of debt issuance, a coverage requirement for revenues to exceed operating expenses is included in debt covenants. The District policy, and standard for municipal loans, is a debt service coverage requirement of 125 percent, or 1.25 times the operating expenses. Maintaining a healthy debt coverage ratio will help the District maintain a high credit rating and allow the District to issue debt at lower rates. Table 12 shows the debt service coverage ratio based on the proposed debt issuance and the revenues and expenses under current rates.

Table 12. Projected Debt Service Coverage, FY 2026 to FY 2031

Category	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Total Revenue	\$9,598,812	\$7,857,220	\$7,778,161	\$7,652,498	\$8,096,963	\$7,688,202
Total Operating Expenses	\$6,144,772	\$6,477,230	\$6,825,915	\$7,182,232	\$7,557,983	\$7,942,117
Total Debt Service	\$912,325	\$914,575	\$919,700	\$921,375	\$3,652,510	\$3,650,735
Debt Service Coverage Ratio	3.79	1.51	1.04	0.51	0.15	(0.07)

2.5 Reserve Policy

The District must maintain an appropriate reserve balance to ensure that day-to-day operations will continue during emergencies and guarantee the future stability of the system. As part of this rate study plan, RDN recommends that the District's financial goal be to build an appropriate level of cash reserves for each reserve fund included in the financial plan. The District adheres to the following reserve policies:

Operating Reserve: 3 months of budgeted Operating and Maintenance (O&M) expense.

Capital Reserve: balance of \$750,000.

Emergency Reserve: balance of \$1,150,000

The reserve target at the end of the study period reaches \$3.9 million. Table 13 shows the District's reserve targets for FY 2026 through FY 2031 based on the current reserve policy. In order to supplement the reserves in times of emergency, the District will also maintain \$1.0 million LOC.

Table 13. District Reserve Target, FY 2026 to FY 2031

Reserve Fund	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Operating Reserve	\$1,536,193	\$1,619,308	\$1,706,479	\$1,795,558	\$1,889,496	\$1,985,529
Capital Reserve	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000
Emergency Reserve	\$1,150,000	\$1,150,000	\$1,150,000	\$1,150,000	\$1,150,000	\$1,150,000
Total Reserve Target	\$3,436,193	\$3,519,308	\$3,606,479	\$3,695,558	\$3,789,496	\$3,885,529

2.6 Status Quo Financial Proforma

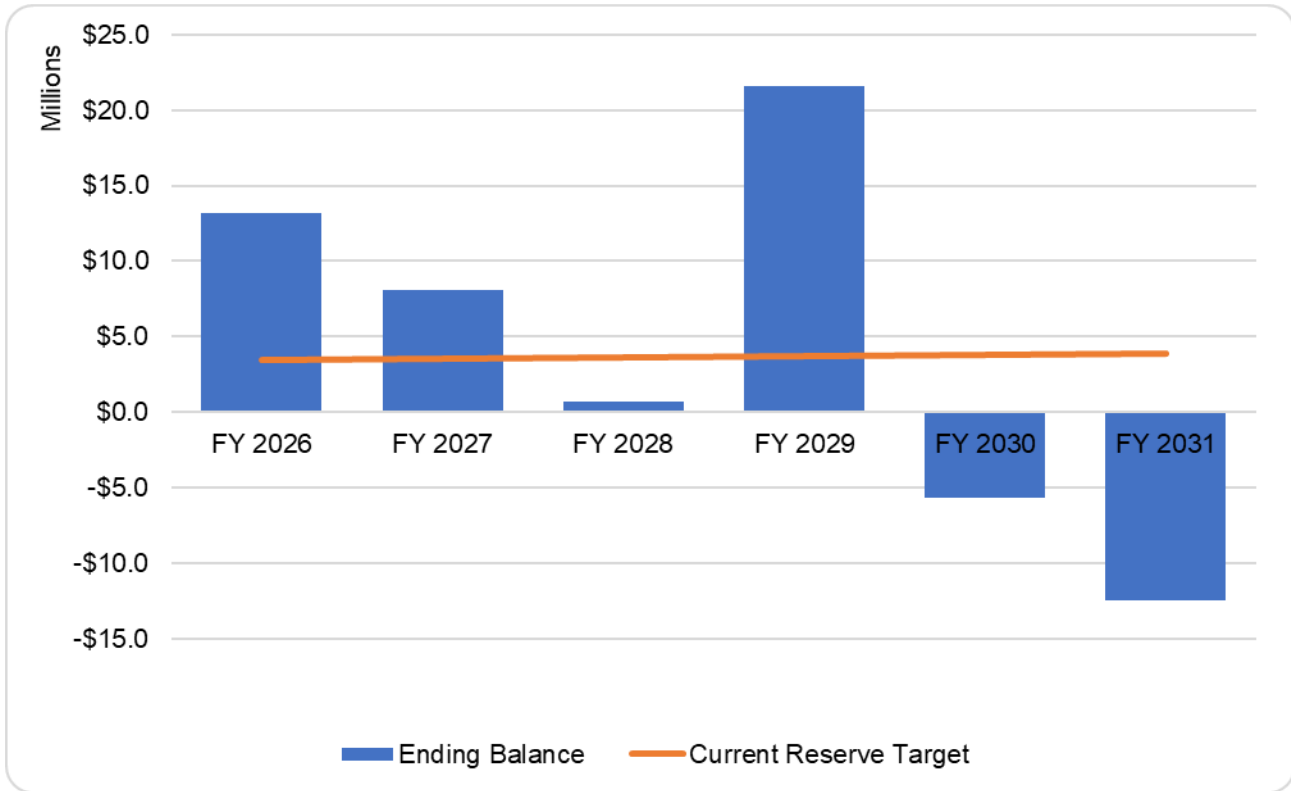
The District currently has a projected opening cash balance of \$20.6 million for FY 2026. Table 14 shows the status quo financial proforma with no revenue adjustments and the resulting balances based on the revenues and expenses outlined in the above sections. With no revenue adjustments, the District will have negative net income each fiscal year, which will cause reserves to fall below target levels beginning in FY 2028.

Table 14. Financial Proforma with no Revenue Adjustments

	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Cash Position Opening Balance	\$ 20,624,148	\$ 13,158,862	\$ 8,074,277	\$ 656,823	\$ 21,555,715	\$ (5,657,815)
Revenues						
Sewer Rate Revenue	\$ 6,461,015	\$ 6,467,367	\$ 6,473,719	\$ 6,480,071	\$ 6,486,423	\$ 6,493,471
Adjusted Sewer Rate Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Operating Revenue	\$ 280,000	\$ 280,000	\$ 280,000	\$ 280,000	\$ 280,000	\$ 280,000
Non-Operating Revenue	\$ 1,614,297	\$ -	\$ -	\$ -	\$ -	\$ -
Investment Revenue	\$ 415,000	\$ 264,783	\$ 162,471	\$ 13,217	\$ 433,745	\$ -
Property Tax Revenue	\$ 828,500	\$ 845,070	\$ 861,971	\$ 879,211	\$ 896,795	\$ 914,731
Total Revenues	\$ 9,598,812	\$ 7,857,220	\$ 7,778,161	\$ 7,652,498	\$ 8,096,963	\$ 7,688,202
Total Operating Expenses	\$ 6,144,772	\$ 6,477,230	\$ 6,825,915	\$ 7,182,232	\$ 7,557,983	\$ 7,942,117
Net Operating Revenue	\$3,454,040	\$1,379,990	\$952,246	\$470,267	\$538,980	\$ (253,915)
Current Debt Service	\$ 912,325	\$ 914,575	\$ 919,700	\$ 921,375	\$ 920,350	\$ 918,575
Proposed Debt Service	\$ -	\$ -	\$ -	\$ -	\$ 2,732,160	\$ 2,732,160
Total Debt Service	\$ 912,325	\$ 914,575	\$ 919,700	\$ 921,375	\$ 3,652,510	\$ 3,650,735
Net Revenues Before CIP	\$ 2,541,715	\$ 465,415	\$ 32,546	\$ (451,108)	\$ (3,113,530)	\$ (3,904,651)
Capital Expenditure	\$ 10,007,000	\$ 5,550,000	\$ 7,450,000	\$ 20,650,000	\$ 24,100,000	\$ 2,905,000
Debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Debt New	\$ -	\$ -	\$ -	\$ 42,000,000	\$ -	\$ -
Cash	\$ 10,007,000	\$ 5,550,000	\$ 7,450,000	\$ (21,350,000)	\$ 24,100,000	\$ 2,905,000
Net Income	\$ (7,465,285)	\$ (5,084,585)	\$ (7,417,454)	\$ 20,898,892	\$ (27,213,530)	\$ (6,809,651)
Ending Balance	\$ 13,158,862	\$ 8,074,277	\$ 656,823	\$ 21,555,715	\$ (5,657,815)	\$ (12,467,466)

Figure 4 displays the expected ending fund balances under the status quo financial plan. Under the status quo financial plan, the District will remain solvent through FY 2029 due to the issuance of debt proceeds for the Treatment Plant upgrade. However, the last two years of the study period project a negative cash balance for the District. A new financial plan was developed in order to maintain sufficient revenue to fund operations, ongoing maintenance and repair, and to maintain a sufficient debt service coverage ratio. The following section details the proposed financial plan inputs and results.

Figure 4. Status Quo Reserve Fund Balances



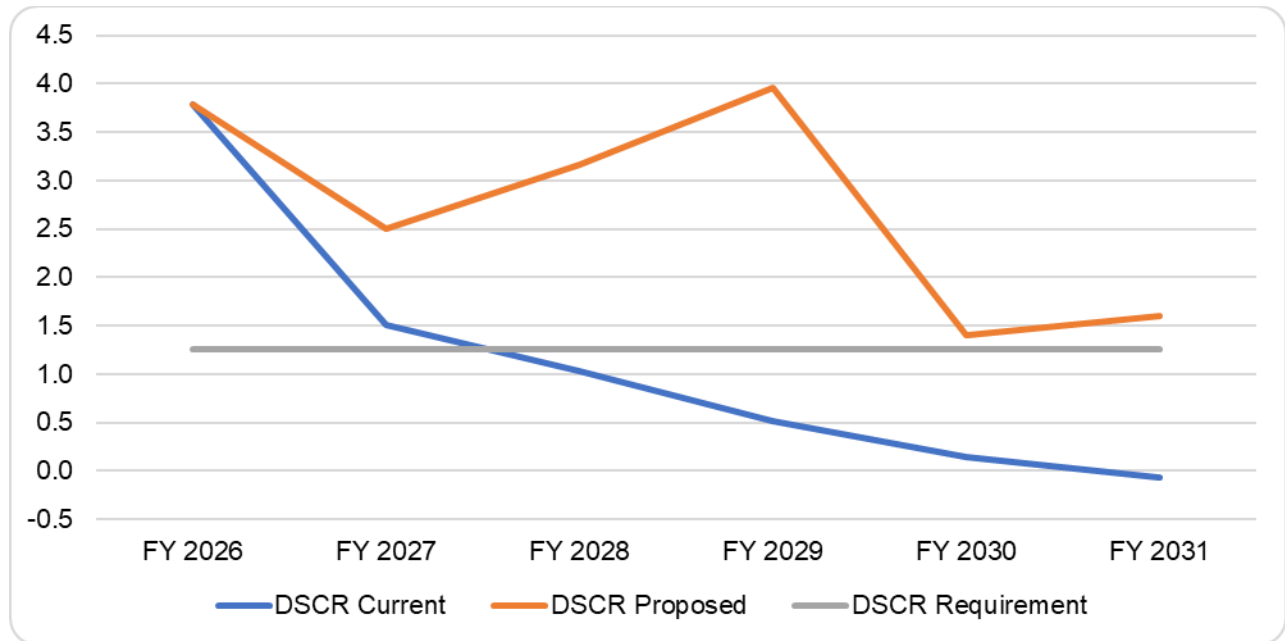
2.7 Proposed Financial Plan Proforma

Based on the projected total revenue and necessary costs to be recovered during the study period, RDN built a financial plan that will generate sufficient revenues for the day-to-day operation and annual PAYGO and make appropriate contributions to reserves. The District currently has a projected beginning cash balance of \$20.6 in FY 2026. Table 15 shows the proposed financial plan through the study period under the proposed rate plan. By adopting this plan, the District will maintain debt service coverage ratios (Figure 5) and fund balance needs (Figure 6) throughout the study period.

Table 15. Proposed Financial Plan Pro Forma⁵

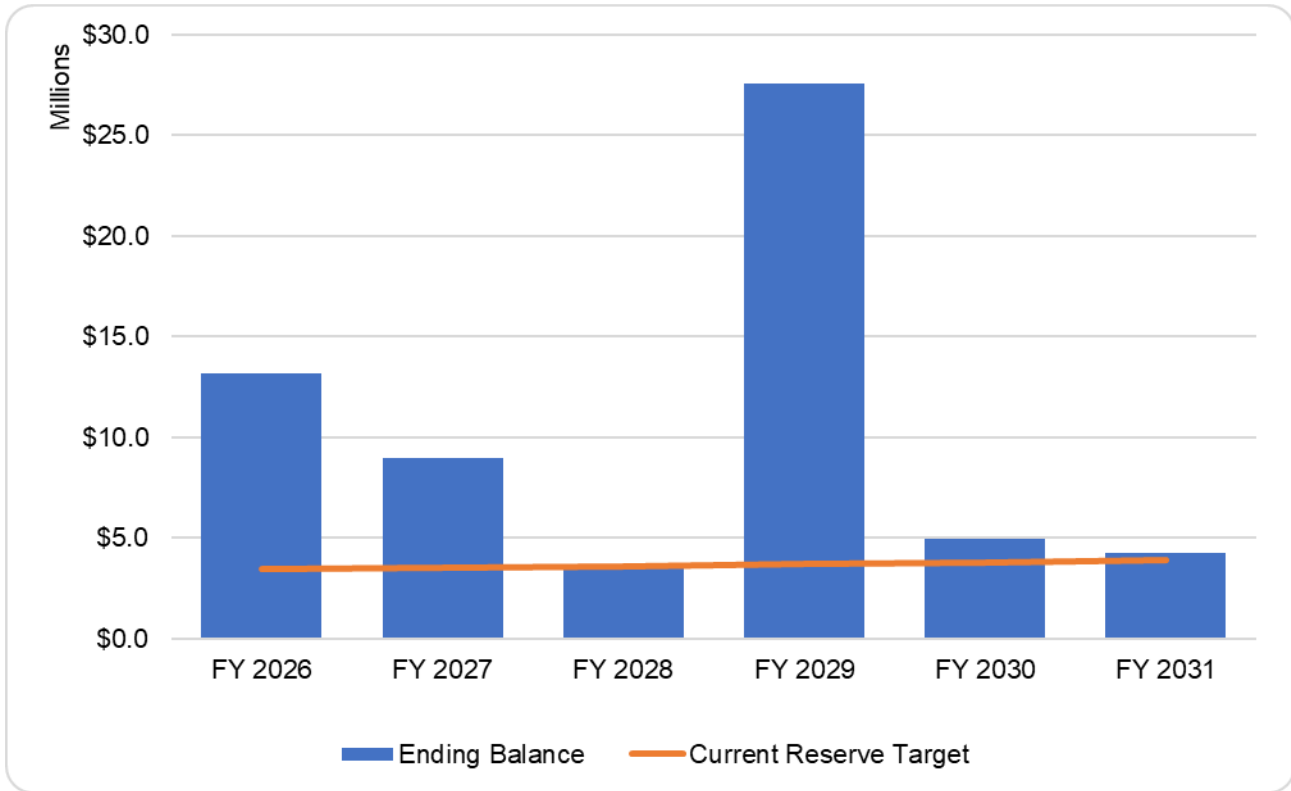
Rate Increase	14.0%		14.0%		14.0%	
Rate Month Implemented	1-Jul		1-Jul		1-Jul	
	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Cash Position Opening Balance	\$ 20,624,148	\$ 13,158,862	\$ 8,979,709	\$ 3,520,000	\$ 27,596,944	\$ 4,973,863
Revenues						
Sewer Rate Revenue	\$ 6,461,015	\$ 6,467,367	\$ 6,473,719	\$ 6,480,071	\$ 6,486,423	\$ 6,493,471
Adjusted Sewer Rate Revenue	\$ -	\$ 905,431	\$ 1,939,526	\$ 3,120,439	\$ 4,468,887	\$ 6,009,153
Other Operating Revenue	\$ 280,000	\$ 280,000	\$ 280,000	\$ 280,000	\$ 280,000	\$ 280,000
Non-Operating Revenue	\$ 1,614,297	\$ -	\$ -	\$ -	\$ -	\$ -
Investment Revenue	\$ 415,000	\$ 264,783	\$ 180,690	\$ 70,830	\$ 555,307	\$ 100,084
Property Tax Revenue	\$ 828,500	\$ 845,070	\$ 861,971	\$ 879,211	\$ 896,795	\$ 914,731
Total Revenues	\$ 9,598,812	\$ 8,762,651	\$ 9,735,907	\$ 10,830,551	\$ 12,687,412	\$ 13,797,439
Total Operating Expenses	\$ 6,144,772	\$ 6,477,230	\$ 6,825,915	\$ 7,182,232	\$ 7,557,983	\$ 7,942,117
Net Operating Revenue	\$ 3,454,040	\$ 2,285,421	\$ 2,909,991	\$ 3,648,319	\$ 5,129,429	\$ 5,855,322
Current Debt Service	\$ 912,325	\$ 914,575	\$ 919,700	\$ 921,375	\$ 920,350	\$ 918,575
Proposed Debt Service	\$ -	\$ -	\$ -	\$ -	\$ 2,732,160	\$ 2,732,160
Total Debt Service	\$ 912,325	\$ 914,575	\$ 919,700	\$ 921,375	\$ 3,652,510	\$ 3,650,735
Net Revenues Before CIP	\$ 2,541,715	\$ 1,370,846	\$ 1,990,291	\$ 2,726,944	\$ 1,476,919	\$ 2,204,586
Capital Expenditure	\$ 10,007,000	\$ 5,550,000	\$ 7,450,000	\$ 20,650,000	\$ 24,100,000	\$ 2,905,000
Debt Proceeds Proposed	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Debt Proceeds New	\$ -	\$ -	\$ -	\$ 42,000,000	\$ -	\$ -
Cash	\$ 10,007,000	\$ 5,550,000	\$ 7,450,000	\$ (21,350,000)	\$ 24,100,000	\$ 2,905,000
Net Income	\$ (7,465,285)	\$ (4,179,154)	\$ (5,459,709)	\$ 24,076,944	\$ (22,623,081)	\$ (700,414)
Ending Balance	\$ 13,158,862	\$ 8,979,709	\$ 3,520,000	\$ 27,596,944	\$ 4,973,863	\$ 4,273,449

Figure 5. Debt Service Coverage Ratio Under Status Quo and Proposed Financial Plan



⁵ Projected revenues collected due to the proposed revenue adjustment are shown in the Adjusted Sewer Rate Revenue line.

Figure 6. Fund Balances Under Proposed Rate Adjustments



2.8 Revenue Requirements

Table 16 displays the District’s revenue requirements for FY 2026. The total expense is offset by other operating revenues and non-operating revenues to compute a pure portion of revenue requirements that need to be recovered from customers’ rates. RDN proposes annual revenue adjustments of 14.0 percent to reach the financial goals set by the District. The recommended adjustments will balance the budget and fund debt service requirements through the study period.

Table 16. Revenue Requirements for the Cost of Service Analysis

Revenue Requirement	FY 2026
Operating Expense	\$6,144,772
Debt Service	\$912,325
Rate Funded CIP	\$10,007,000
Other Operating Revenue	(\$280,000)
Non-Operating Revenue	(\$1,614,297)
Property Tax Revenue	(\$828,500)
Investment Revenue	(\$415,000)
Net Balance From Operations	(\$7,465,285)
Rate Revenue Requirement	\$6,461,015

3 COST OF SERVICE ANALYSIS

The purpose of a Cost of Service (COS) analysis is to allocate costs among customers commensurate with their service requirements. The Sewer system’s COS analysis utilizes a three-step approach to allocate costs equitably among customers. These steps include 1) functionalization of costs, 2) cost classification, and 3) cost allocation to customers. Provided below is a detailed discussion of the Sewer COS analysis conducted for the District and the specific steps taken for the analysis.

3.1 Functionalization of Costs

The functions included in a Sewer study are:

- **Operations** – costs associated with the day-to-day operations of the sewer system
- **Treatment** - the costs associated with the treatment of sewer represented by the following categories:
 - Bio-Oxygen Demand (BOD)
 - Total Suspended Solids (TSS)
- **Customer Service** – costs to provide billing and customer service
- **Collection** – costs associated with the collection and transmission of sewer flow
- **Administrative and General** – costs not directly related to the other operating functions

RDN carefully distributed each of the O&M expenses and the asset items into the District’s sewer system functions. Table 17 and Table 18 show the allocation of the operating budget and the District’s sewer assets to the standard sewer functions, respectively.

Table 17. Percentage of Operating Costs Allocated to Standard Functions

O&M Expense		
O&M Category	Allocation	Percentage
Operations	\$593,500	9.7%
BOD	\$497,500	8.1%
TSS	\$497,500	8.1%
Customer	\$130,000	2.1%
Collection	\$165,600	2.7%
Admin and General	\$4,260,672	69.3%
Total O&M	\$6,144,772	100.0%

Table 18. Percentage of Assets Allocated to Standard Functions

Non-Operating Expense		
Category	Allocation	Percentage
Operations	\$3,215,356	9.1%
BOD	\$1,748,212	4.9%
TSS	\$1,748,212	4.9%
Customer	\$0	0.0%
Collection	\$27,967,395	79.0%
Admin and General	\$714,380	2.0%
Total Assets	\$35,393,554	100.0%

Once costs were functionalized, RDN further classified costs into service categories (cost causative components). The cost causative components include:

- **Sewer Flow** – costs associated with the transmission of sewer flow
- **Customer Service** – costs to provide billing and customer service
- **Treatment** - the costs associated with the treatment of Sewer represented by the following categories:
 - Bio-Oxygen Demand (BOD)
 - Total Suspended Solids (TSS)

Table 19 and Table 20 show the percentage of the functionalized operating costs and asset values allocated to cost causative components, respectively. Administrative and general costs are allocated based on the percentage of costs allocated to each component based on the total cost of the other categories.

Table 19. Percent of Operating Costs Allocated to Cost Causative Components

Category	Allocation	Flow	BOD	TSS	Customer Service
Operations	\$593,500	0.0%	0.0%	0.0%	100.0%
BOD	\$497,500	0.0%	100.0%	0.0%	0.0%
TSS	\$497,500	0.0%	0.0%	100.0%	0.0%
Customer	\$130,000	0.0%	0.0%	0.0%	100.0%
Collection	\$165,600	100.0%	0.0%	0.0%	0.0%
Admin and General	\$4,260,672	8.8%	26.4%	26.4%	38.4%
Total Allocation		8.8%	26.4%	26.4%	38.4%

Table 20. Percent of Asset Values Allocated to Cost Causative Components

Category	Allocation	Flow	BOD	TSS	Customer Service
Operations	\$3,215,356	100.0%	0.0%	0.0%	0.0%
BOD	\$1,748,212	0.0%	100.0%	0.0%	0.0%
TSS	\$1,748,212	0.0%	0.0%	100.0%	0.0%
Customer	\$0	0.0%	0.0%	0.0%	100.0%
Collection	\$27,967,395	100.0%	0.0%	0.0%	0.0%
Admin and General	\$714,380	89.9%	5.0%	5.0%	0.0%
Total Allocation		89.9%	5.0%	5.0%	0.0%

Table 21 shows the revenue requirements allocated based on the percentages shown above. The total allocation is used to distribute other revenues and net balances.

Table 21. Revenue requirements allocated to Cost Components

Category	Allocation	Flow	BOD	TSS	Customer Service
O&M Revenue Requirements	\$6,144,772	\$540,085	\$1,622,538	\$1,622,538	\$2,359,611
Percent		8.8%	26.4%	26.4%	38.4%
Non-Operating Revenue Requirements	\$10,919,325	\$9,818,417	\$550,454	\$550,454	\$0
Percent		89.9%	5.0%	5.0%	0.0%
Total Allocation	\$17,064,097	60.7%	12.7%	12.7%	13.8%

Table 22 shows the results of the cost of service analysis. The total rate revenue requirements are allocated to cost components that will be used to complete the rate design.

Table 22. Total Cost of Service Allocated to Cost Components

Category	Total	Flow	BOD	TSS	Customer Service
O&M Revenue Requirements	\$6,144,772	\$540,085	\$1,622,538	\$1,622,538	\$2,359,611
Non-Operating Revenue Requirements	\$10,919,325	\$9,818,417	\$550,454	\$550,454	\$0
Total	\$17,064,097	\$10,358,502	\$2,172,992	\$2,172,992	\$2,359,611
Total Allocation		60.7%	12.7%	12.7%	13.8%
Other Operating Revenue	(\$280,000)	(\$169,970)	(\$35,656)	(\$35,656)	(\$38,718)
Non-Operating Revenue	(\$2,857,797)	(\$1,734,782)	(\$363,920)	(\$363,920)	(\$395,174)
Net Balance From Operations	(\$7,465,285)	(\$4,531,688)	(\$950,651)	(\$950,651)	(\$1,032,294)
Rate Revenue Requirement	\$6,461,015	\$3,922,061	\$822,765	\$822,765	\$893,424

3.2 Allocation to Units

In developing equitable rate structures, revenue requirements are allocated to customers commensurate with customer demand and services rendered. First, an overall number of units was determined for each cost component.

RDN completed a sewer mass balance-based flow to the treatment plant to determine flows and TSS and BOD volumes for each customer class. The District provided monthly and annual influent flow data, totaling 277.23 million gallons (MG) of sewer collected annually. The mass balance assumed around 2.7 percent of the total influent consisted of inflow and infiltration (I&I), which refers to clear water (stormwater or groundwater) that enters sanitary sewer systems through cracked pipes or leaky joints. The remaining flow was attributed to District customers.

Commercial customer flows were derived using actual water use data, assuming a 70 percent, 90 percent, and 90 percent water return to sewer rate for Low Strength, Medium Strength, and High Strength commercial customers, respectively. Residential customer sewer flows were determined by subtracting Commercial customer flow and inflow estimates from the total wastewater flows reported by the District. Table 23 shows the total sewer flow per day for fiscal year 2025 as well as annual sewer flow for each customer class.

Table 23. Total Plant Sewer Flows

Customer Class	Sewer Flow (gallons)	Gallons per day (million)	Annual Flow (hcf)
Single Family	173,343,395	0.47	231,743
Condo or 2nd Dwelling	19,965,793	0.05	26,692
Low Strength Commercial	12,138,095	0.03	16,227
Medium Strength Commercial	60,526,066	0.17	80,917
High Strength Commercial	3,776,652	0.01	5,049
Inflow	7,480,000	0.02	10,000
Total	277,230,000	0.76	370,628

As part of the Mass Balance analysis, wastewater strength ratios were also estimated to allocate costs for each customer class. The average strength of flow to the plant is around 352 milligrams per liter BOD, and 397 milligrams per liter of TSS. The strength ratios for BOD and TSS for each customer class are shown in Table 24 and displayed in milligrams per liter (mg/L).

Table 24. Sewer Strength Classification by Customer Class

Customer Class	BOD	TSS
Single Family	280	280
Condo or 2nd Dwelling	280	280
Low Strength Commercial	140	140
Medium Strength Commercial	600	800
High Strength Commercial	1,000	1,000

Total proportional strength contribution for each customer class was determined by multiplying the total customer class sewer flow by strength in milligrams per liter. This total was converted to pounds per year by customer class. Table 25 shows the total strength contributions by customer class, and the District-wide BOD and TSS contributions.

Table 25. Strength Contribution by Customer Class

Customer Class	BOD	TSS
Single Family	4,051	4,051
Condo or 2nd Dwelling	467	467
Low Strength Commercial	142	142
Medium Strength Commercial	3,031	4,041
High Strength Commercial	315	315
Total	8,005	9,016

Table 26 shows the total functional units allocated to each customer class, which is used as the unit to divide the total costs allocated to each sewer function.

Table 26. Cost of Service Units

Customer Class	Flow	LBS/Year BOD	LBS/Year TSS	Customers
Single Family	231,743	4,051	4,051	2,744
Condo or 2nd Dwelling	26,692	467	467	888
Low Strength Commercial	16,227	142	142	24
Medium Strength Commercial	80,917	3,031	4,041	14
High Strength Commercial	5,049	315	315	3
Total	360,628	8,005	9,016	3,673

Costs allocated to each cost component were divided by the number of units to determine a unit cost, shown in Table 27.

Table 27. Cost of Service Unit Cost

Customer Class	Total	Flow	BOD	TSS	Customers
Rate Revenue Requirement	\$6,461,015	\$3,922,061	\$822,765	\$822,765	\$893,424
Units		360,628	8,005	9,016	3,673
Unit Cost		\$10.88	\$102.78	\$91.26	\$243.24

The final step in the cost of service analysis is to allocate costs to each customer class. This is done by multiplying the unit cost for each function, as shown in Table 27, by the corresponding number of service units attributed to each customer class (Table 26). Table 28 presents the resulting cost allocations by customer class, which form the basis for the sewer rate calculations discussed in the next section.

Table 28. Cost of Service Allocated to Customer Class

Customer Class	Total	Flow	BOD	TSS	Customers
Single Family	\$3,973,809	\$2,520,346	\$416,332	\$369,678	\$667,453
Condo or 2nd Dwelling	\$596,826	\$290,295	\$47,953	\$42,580	\$215,998
Low Strength Commercial	\$209,841	\$176,483	\$14,576	\$12,943	\$5,838
Medium Strength Commercial	\$1,563,738	\$880,026	\$311,507	\$368,799	\$3,405
High Strength Commercial	\$116,801	\$54,911	\$32,395	\$28,765	\$730

4 RATE DESIGN

The District’s current rate structure varies by customer class. Residential customers are assessed a fixed annual service charge on their property tax bill, with charges differentiated by connection type. Commercial customers are billed based on both water use and sewage strength classification, with total charges consisting of a fixed component associated with capacity and a variable component based on actual usage. Based on its review, RDN recommends that the District maintain this existing rate structure, as it appropriately reflects differences in customer characteristics and cost drivers, while maintaining compliance with Proposition 218.

4.1 Residential Rates Derivation

Residential rates are derived by dividing the total costs to be recovered by the number of Residential connections. The calculation used to determine the number of bills in a year is shown in Table 29.

Table 29. Count of Bill Calculation

Customer Class	Cost Allocation	Customers	Annual Charge
Single Family	\$3,973,809 ÷	2,744 =	\$1,448.18
Condo or 2nd Dwelling	\$596,826 ÷	888 =	\$672.10

To produce the proposed rate structure, the cost of service based rates are multiplied by the proposed annual revenue adjustment. Table 30 shows the proposed fixed charges for the study period. The proposed Fixed charges should be implemented on July 1, or the beginning of the respective fiscal year.

Table 30. Proposed Residential Fixed Charges (per year)

Revenue Adjustment	14.0%	14.0%	14.0%	14.0%	14.0%
Customer Class	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Single Family	\$1,650.93	\$1,882.06	\$2,145.55	\$2,445.93	\$2,788.36
Condo or 2nd Dwelling	\$766.20	\$873.47	\$995.76	\$1,135.17	\$1,294.09

4.2 Commercial Rates Derivation

Commercial sewer customers are billed based on both water usage and the strength classification of their wastewater discharges. The total annual sewer service charge for commercial accounts is comprised of two components: (1) a Fixed Capacity Allocation Charge and (2) a Variable Usage Charge. The Fixed Capacity Allocation Charge is determined based on the customer’s historic maximum annual water use and reflects the system capacity reserved to serve that customer. The Variable Usage Charge is based on the customer’s actual water use during the prior calendar year. Both components are calculated on a per hundred cubic feet (HCF) basis and are differentiated by sewage strength category, low, medium, or high, to account for variations in treatment requirements and associated costs.

The Strength and Customer cost categories were fully allocated to the Fixed Capacity Charge. Flow-related costs were allocated between the Fixed Capacity Charge and the Variable Usage Charge, with 60 percent of Flow costs assigned to the Fixed Capacity Charge for Low and Medium strength customers and 40 percent assigned for High strength customers. The remaining Flow costs are recovered through the Variable Usage Charge. Table 31 shows the allocation of Commercial Flow costs. The flow cost

allocation is then added to the strength and customer costs to complete the allocation between the Fixed Capacity Charge and Variable Usage Charge (Table 32).

Table 31. Allocation of Commercial Flow Costs

Customer Class	Flow Costs	Percent to Fixed	Fixed Charge Basis	Percent to Variable	Variable Charge Basis
Low Strength Commercial	\$176,483	60%	\$105,890	40%	\$70,593
Medium Strength Commercial	\$880,026	60%	\$528,015	40%	\$352,010
High Strength Commercial	\$54,911	40%	\$21,964	60%	\$32,947

Table 32. Allocation of Commercial Costs

Customer Class	Total Cost Allocation	Fixed Allocation Capacity	Variable Usage Charge
Low Strength Commercial	\$209,841	\$139,247	\$70,593
Medium Strength Commercial	\$1,563,738	\$1,211,727	\$352,010
High Strength Commercial	\$116,801	\$83,854	\$32,947

Once costs were allocated between Fixed and Variable rate components, the total costs for each customer class were divided by the units of service for each charge to derive the rate per hcf for Commercial customers.

Table 33. Aggregate Customer Class and Applicable Water Use Calculation

Customer Class	Cost Allocation	Sewer Flow Units	Unit Rate
Low Strength Commercial			
Fixed Allocation Capacity	\$139,247 ÷	32,381 =	\$4.30
Variable Usage Charge	\$70,593 ÷	23,182 =	\$3.05
Medium Strength Commercial			
Fixed Allocation Capacity	\$1,211,727 ÷	107,381 =	\$11.28
Variable Usage Charge	\$352,010 ÷	89,908 =	\$3.92
High Strength Commercial			
Fixed Allocation Capacity	\$83,854 ÷	6,308 =	\$13.29
Variable Usage Charge	\$32,947 ÷	5,610 =	\$5.87

To produce the proposed rate structure, the cost of service based rates are multiplied by the proposed annual revenue adjustment. Table 34 shows the proposed variable charges for the study period. The proposed charges should be implemented on July 1, or the beginning of the respective fiscal year.

Table 34. Proposed Commercial Charges (per hcf)

Revenue Adjustment	14.0%	14.0%	14.0%	14.0%	14.0%
Commercial Class	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Fixed Capacity Charge (\$/hcf)					
Low Strength	\$4.90	\$5.59	\$6.37	\$7.26	\$8.28
Medium Strength	\$12.86	\$14.66	\$16.71	\$19.05	\$21.72
High Strength	\$15.15	\$17.27	\$19.69	\$22.45	\$25.59
Variable Charge (\$/hcf)					
Low Strength	\$3.47	\$3.96	\$4.51	\$5.14	\$5.86
Medium Strength	\$4.46	\$5.08	\$5.79	\$6.60	\$7.52
High Strength	\$6.70	\$7.64	\$8.71	\$9.93	\$11.32

4.3 Rate Comparison

Under the proposed rates, single family residences will see an annual bill increase of \$170.93 in FY 2027, which calculates to approximately \$14.24 per month. Multi-family and second dwellings will see an annual increase of \$70.20, or \$5.85 per month. For commercial customers, the total rate increase will be based on their total water use as well as their maximum water use. Table 35 shows the average maximum water use (fixed capacity charge basis) and average annual use (variable charge basis) for each commercial customer class.

Table 35. Average Max and Annual Use by Customer Class (hcf)

Customer Class	Average Max Use	Average Annual Use
Low Strength Commercial	1,349	966
Medium Strength Commercial	7,670	6,422
High Strength Commercial	2,103	1,870

Table 36 shows the current and proposed annual bill for the average commercial customer under each strength category. The average customer does not reflect any specific customer, and impacts will vary based on total and maximum water use characteristics of each customer.

Table 36. Current and Proposed Bill for Average Commercial Customers

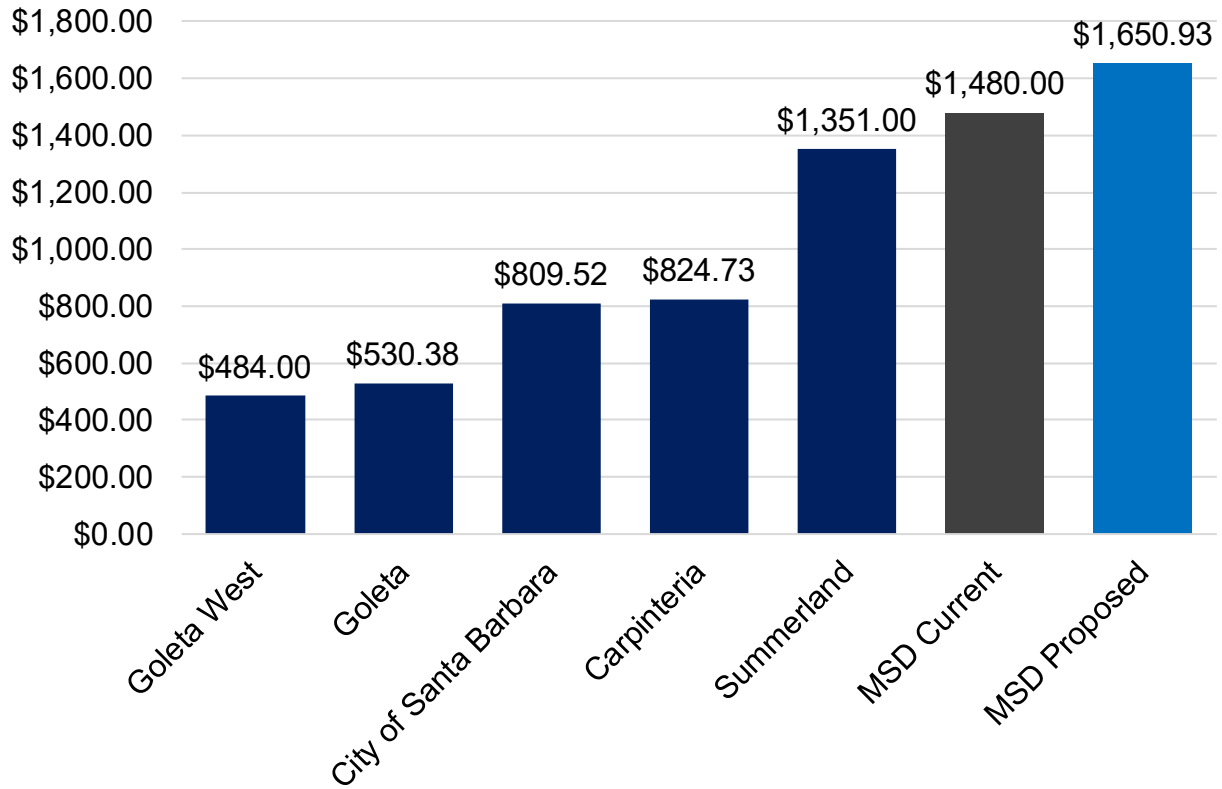
Customer Class	Current Bill	Proposed Bill	Difference
Low Strength Commercial	\$8,623.91	\$9,962.85	\$1,338.94
Medium Strength Commercial	\$104,586.26	\$127,279.24	\$22,692.98
High Strength Commercial	\$36,888.47	\$44,384.40	\$7,495.93

As part of the rate study process, RDN also reviewed sewer rates for agencies surrounding the MSD service area. RDN surveyed five local agencies to compare how MSD's current and proposed rates align with local trends. Of the agencies surveyed, MSD currently has and will maintain the highest rate for single family residential customers. Figure 7 shows the current and proposed rates for Montecito Sanitary District's single family residential customers compared to five other local agencies.

It is important to note that there are significant differences in the rates and operating structures of sewer providers in the neighboring communities to Montecito Sanitary District. Some of the differences are because of administrative paradigms, which are unique to each agency. For example, capital investment needs are unique to each agency. Furthermore, customer rates can be affected by the availability of

outside funding sources such as grants, property taxes, and transfers. Finally, the rate structure itself may influence which types of users pay a larger proportion of costs.

Figure 7. Local Rate Comparison



5 CONCLUSION

RDN recommends the following changes and modifications to the current rates and fees based on the findings of the Study:

- Adopt the proposed financial plan which will allow the District to upgrade and maintain their Sewer Treatment Plant
 - Adjust revenues each year of the study period by 14.0 percent in July 2027, 14.0 percent in July 2028, 14.0 percent in July 2029, 14.0 percent in July 2030 and 14.0 percent in July 2031 to ensure compliance with planned debt issuance requirements by the end of the study period (FY 2031).
- Realign the cost allocation for customers based on the Cost of Service analysis.

Proposed Sewer Rates

RDN recommends that the District maintain its existing sewer rate structure as described above. The recommended rates incorporate updated revenue requirements and cost allocations developed as part of this Study.

The proposed rates allow the District to maintain healthy reserve fund balances, meet planned debt service requirements, and complete necessary capital improvement projects over the five-year study period. In addition to the proposed revenue adjustments, the recommended rates reallocate the District's costs based on a detailed Cost of Service (COS) analysis. This analysis improves the equity of the rate structure by allocating District costs based on the relative demand each customer class places on the system. As a result, overall rate adjustments will vary by customer class.

The proposed annual revenue adjustments presented in this Study are 14.0 percent in FY 2027, 14.0 percent in FY 2028, 14.0 percent in FY 2029, 14.0 percent in FY 2030, and 14.0 percent in FY 2031. These adjustments allow the District to maintain financial stability while funding ongoing operations, capital improvements, and long-term system needs over the study period. Table 37 and Table 38 show the proposed revenue adjustments and rates for the study period, respectively.

Table 37. Proposed Revenue Adjustments

	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Revenue Adjustment	14.0%	14.0%	14.0%	14.0%	14.0%

Table 38. Proposed Sewer Rates

Residential Account	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Single Family Dwelling	\$1,650.93	\$1,882.06	\$2,145.55	\$2,445.93	\$2,788.36
Condo or Second Dwelling	\$766.20	\$873.47	\$995.76	\$1,135.17	\$1,294.09
Commercial Class	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Fixed Capacity Charge (\$/hcf)					
Low Strength	\$4.90	\$5.59	\$6.37	\$7.26	\$8.28
Medium Strength	\$12.86	\$14.66	\$16.71	\$19.05	\$21.72
High Strength	\$15.15	\$17.27	\$19.69	\$22.45	\$25.59
Variable Charge (\$/hcf)					
Low Strength	\$3.47	\$3.96	\$4.51	\$5.14	\$5.86
Medium Strength	\$4.46	\$5.08	\$5.79	\$6.60	\$7.52
High Strength	\$6.70	\$7.64	\$8.71	\$9.93	\$11.32



RESOLUTION NO. 2026-988

RESOLUTION OF THE GOVERNING BOARD OF THE MONTECITO SANITARY DISTRICT DECLARING ITS INTENT TO HOLD A PUBLIC HEARING ON PROPOSED SEWER RATES AND INSTRUCTING THE GENERAL MANAGER AND CLERK OF THE BOARD TO GIVE NOTICE OF THAT HEARING

WHEREAS, the Montecito Sanitary District (“District) is an independent sanitary district serving the unincorporated community of Montecito in Santa Barbara County, California responsible for collecting, treating, and disposing of wastewater for residents within its 8.9-square-mile service area; and

WHEREAS, the District last studied its sewer rates in 2016, and it has not adjusted its sewer rates since 2019; and

WHEREAS, the District completed the "2026 Sewer Rate Study" report, attached as Exhibit A and on file with the Clerk of the Board for public inspection; and

WHEREAS, pursuant to Section 5473 of the California Health & Safety Code, the Board of Directors has received a report of sewer charges for Fiscal Years 2026-2027 through 2030–2031, computed in conformity with the 2026 Sewer Rate Study; and

WHEREAS, the Board of Directors desires to approve the 2026 Sewer Rate Study and to hold a public hearing to consider protests to those rates as required by Proposition 218, Article XIII D, Section 6(a) of the California Constitution, Government Code Section 53755, and District Ordinance No. 24.

NOW, THEREFORE, BE IT RESOLVED:

- 1) Recitals. The Recitals above are true and correct and incorporated herein by reference.
- 2) Approval of Study. The Board of Directors approves the 2026 Sewer Rate Study prepared by Robert D. Niehaus, Inc.
- 3) Public Hearing. The Board of Directors declares its intent to hold a public hearing on the proposed sewer rate increases on Wednesday, June 10, 2026, at 2:00 p.m. at the Montecito Sanitary District Offices at 1042 Monte Cristo Ln, Montecito, CA 93108.
- 4) Notice. The General Manager and Clerk of the Board are hereby instructed and authorized to:
 - a) give notice of a hearing on the proposed rates in the manner required by Health & Safety Code section 5473.1 and Government Code section 6066; and
 - b) give notice of a protest hearing on the proposed rates as required by Article XIII D, section 6(a) and section 4(c) of the California Constitution; and

- c) give notice of the objection procedures required for exhaustion of administrative remedies under District Ordinance No. 24, including posting the 2026 Sewer Rate Study on the District's website and including a link thereto in the written notice of the hearing.
- 5) Objections. All written objections submitted pursuant to District Ordinance No. 24 must be received by the Secretary of the Board by the end of public comment period at the hearing.
- 6) CEQA. The adoption of this Resolution is not subject to the California Environmental Quality Act (CEQA) pursuant to 14 CCR 15378(b)(4) in that increasing rates does not constitute "project" because it is "[t]he creation of [a] government funding mechanism or other government fiscal activities which do not involve any commitment to any specific project which may result in potentially significant physical impact on the environment."
- 7) Effective Date. This Resolution will become effective immediately upon adoption.

PASSED AND ADOPTED by the Governing Board of the Montecito Sanitary District on the 8th day of April 2026, by the following vote:

AYES: **Directors Barrett, Johnson, Ohlmann, and Rockenbach**
NAYS: **None**
ABSENT: **Director Newquist**
ABSTAIN: **None**

(Seal)



Rock Rockenbach, President of the
 Governing Board of the
 MONTECITO SANITARY DISTRICT

ATTEST:

Ellwood T. Barrett II, Secretary of the
 Governing Board of the
 MONTECITO SANITARY DISTRICT



1042 Monte Cristo Lane
Santa Barbara, CA 93108

BOARD OF DIRECTORS

Rock Rockenbach, President
Dana Newquist, Vice President
Dorinne Lee Johnson, Treasurer
Woody Barrett, Secretary
Carter Ohlmann, Director

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MAIL PANEL

MONTECITO'S WASTEWATER SYSTEM

The Montecito Sanitary District operates its wastewater system 24 hours a day, 7 days a week, safely collecting, treating, and disposing of wastewater for 3,150 residences and businesses. The system is made up of:

Treatment Plant

- Built in 1962 and not substantially upgraded since.
- Located on 5 acres and capable of handling up to 1.5 million gallons of wastewater per day.

Collection System

- Approximately 77 miles of sewer pipelines
- 1,847 manholes
- 181 cleanouts
- 5 regional pump stations

INVESTING IN INFRASTRUCTURE

The District must maintain and rehabilitate its aging sewer system and plan for the future to ensure reliable wastewater services that meet the community's long-term needs. Over the next five years, planned capital improvement projects include:

- Wastewater Treatment Plant Rehabilitation
- Rehabilitation and Lining of High Priority Sewer Mains
- Manhole Lining and Rehabilitation
- Channel Drive Lift Station Improvements
- Channel Drive Force Main Construction
- San Ysidro Area Sewer Line Upsizing
- Inflow and Infiltration Investigations
- Eucalyptus Lift Station Relocation
- Bonnymede Lift Station and Force Main Upgrades



2026 SEWER RATE UPDATE

Ensuring Reliable Sewer Service for Montecito

PROPOSITION 218 NOTICE OF PUBLIC HEARING REGARDING PROPOSED SEWER RATE ADJUSTMENTS

Wednesday, June 10, 2026 at 2:00 p.m.
District Office Meeting Room | 1042 Monte Cristo Lane | Santa Barbara, CA 93108

The Montecito Sanitary District is responsible for collecting and treating wastewater from homes and businesses in the community, helping to protect public health and the environment. The District, as required by Article XIID of the California Constitution (Proposition 218), has conducted a sewer rate study to review the existing rates and to determine the estimated future costs of maintaining the District's high level of service and meeting state regulations.

This 45-day notice is hereby given in accordance with Section 6(a) and Section 4(c) of Article XIID of the California Constitution. The purpose of this notice is to provide you with information about the proposed rate increase and to inform you about your opportunity to protest the rate increase and/or submit a legal objection.



WHY ARE SEWER RATES CHANGING?

As a public agency, the revenues collected from rates must adequately fund District operations, maintenance, capital improvement projects, and compliance with regulations and environmental standards. The District takes a comprehensive approach to assess its wastewater system needs and develop a long-term financial plan. This involves updating its Sewer System Management Plan, creating a five-year Capital Improvement Plan, and completing a comprehensive sewer rate study.

To facilitate this process, the District hired an independent economic consulting firm, Robert D. Neihaus, Inc., to evaluate operating costs, capital requirements, reserve targets, and its rate structure. This analysis was designed to ensure all rates, fees, and sewer charges are calculated to cover the actual cost of providing service and support future system needs. The District can not and does not make a profit. Key factors driving the proposed rate changes include:

- **First Sewer Rate Study in 10 Years.** The last rate study was in 2016. There have been no rate changes since 2019, despite increasing regulatory requirements and rising system costs needed to maintain safe and reliable wastewater services.
- **Aging infrastructure requires major investment.** Much of the system was built in the 1960s and needs repair and replacement, including upgrades to the District's wastewater treatment plant.
- **\$60 million in planned rehabilitation.** The District is planning significant infrastructure projects over the next five years (2027–2031), including approximately \$10 million in near-term needs and more than \$35 million for its over 60 year old wastewater treatment plant.
- **Ensuring financial stability.** Current revenues are insufficient to support operations, capital needs, and appropriate reserve levels, including an emergency reserve for unexpected system failures. They also fall short of meeting required debt coverage for planned infrastructure investments. Maintaining strong reserves and financial stability allows the District to respond to emergencies and secure financing on favorable terms.

UNDERSTANDING SEWER RATES


Montecito Sanitary District sewer service charges are collected annually through your County of Santa Barbara property tax bill. The District bills customers based on customer class. These rates are determined by the cost of providing services for each class.

Residential customers pay a fixed annual sewer service charge based on the connection type: Single Family Dwelling or Condo/Second Dwelling Unit. Commercial customers are charged based on water use and sewage strength classification. The total annual commercial sewer service charge consists of two components: a Fixed Capacity Allocation Charge based on the customer's historic maximum water use, and a Variable Charge, based on actual annual water use from the prior calendar year. Both are calculated per hundred cubic feet (HCF) and vary by wastewater strength category (low, medium, or high). Wastewater strength refers to the concentration the organic and dissolved material in the wastewater. Higher-strength wastewater requires more intensive treatment, leading to increased costs.

PROPOSED SEWER RATE CHANGES

The District is proposing phased sewer rate adjustments over the next five years, beginning July 1, 2026 (FY 2027). These proposed rates would take effect each year on July 1. The proposed adjustments listed below are intended to cover operating costs and infrastructure improvements, and to ensure the system's long-term reliability. No changes are proposed to the District's existing rate structure. The tables below show the District's current and proposed rates.

PROPOSED RESIDENTIAL SEWER RATES (FIXED ANNUAL SEWER CHARGE)						
Account Type	Current	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Single Family Dwelling	\$1,480.00	\$1,650.93	\$1,882.06	\$2,145.55	\$2,445.93	\$2,788.36
Condo/Second Dwelling	\$696.00	\$766.20	\$873.47	\$995.76	\$1,135.17	\$1,294.09

 For the typical single-family residence, sewer rates would increase by approximately **\$14.25 per month in the first year, which is approximately \$0.47 per day**. Condo or second-unit rates would increase by about **\$5.85 per month, or \$0.20 per day**.

PROPOSED COMMERCIAL SEWER RATES						
	Current	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
FIXED CAPACITY CHARGE (\$/HCF)						
Low Strength	\$4.33	\$4.90	\$5.59	\$6.37	\$7.26	\$8.28
Medium Strength	\$10.32	\$12.86	\$14.66	\$16.71	\$19.05	\$21.72
High Strength	\$12.59	\$15.15	\$17.27	\$19.69	\$22.45	\$25.59
VARIABLE CHARGE (\$/HCF)						
Low Strength	\$2.88	\$3.47	\$3.96	\$4.51	\$5.14	\$5.86
Medium Strength	\$3.96	\$4.46	\$5.08	\$5.79	\$6.60	\$7.52
High Strength	\$5.57	\$6.70	\$7.64	\$8.71	\$9.93	\$11.32

HOW TO PARTICIPATE

VIEW THE SEWER RATE STUDY	SUBMIT A WRITTEN PROTEST AND/OR LEGAL OBJECTION	ATTEND THE PUBLIC HEARING
The 2026 Sewer Rate Study is available at the District office or online at www.montsan.org/rates .	Submit a written protest and/or file a legal written objection against the proposed adjustments.	The Board will receive and consider public input and written protests. The hearing is on June 10 at 2:00 p.m.

HOW TO SUBMIT A PROTEST

Property (parcel) owners or customers of record may comment and file a written protest (one protest per parcel) on the proposed increases. California law prohibits the District from increasing charges if protests are filed from a majority of affected parcels before the end of the public hearing. Written protests must be mailed or personally delivered to the District at **1042 Monte Cristo Lane, Montecito, CA 93108** at or before the end of the public hearing on **June 10, 2026 at 2:00 p.m.**

A valid protest must: a) include the name and signature of the person submitting the written protest, b) identify the address or assessors' parcel number of the affected property, and c) state whether the protest is submitted in opposition to the sewer rate increases. Any protest provided by telephone, e-mail, social media, or other electronic means will not be accepted as a valid written protest. Oral protests at the public hearing will not qualify as a protest unless accompanied by a written protest. The rate study and a written protest form are available online at montsan.org/rates.

HOW TO SUBMIT A LEGAL OBJECTION

Under Assembly Bill 2257, record owners and customers of record may also submit a written legal objection. A written legal objection must specify the grounds for alleging non-compliance with the California Constitution or other applicable law for any new, increased, or extended fee, charge, or assessment levied by the District. All written objections seeking a written response before the public hearing must be submitted to the Secretary of the Board by June 4, 2026. Pursuant to Government Code Section 53759.1, failure to submit a legal objection in writing bars any right to challenge that fee, charge, or assessment in court or through any legal action or proceeding.

The issues raised in any such action or proceeding shall be limited to those raised in such a legal objection unless a court finds the issue could not have been raised in such a legal objection by those exercising reasonable diligence. Legal objections must be mailed or personally delivered to the Montecito Sanitary District at 1042 Monte Cristo Lane, Montecito, CA 93108, at or before the end of the public hearing. Any legal objection provided by telephone, e-mail, social media, or other electronic means will not be accepted as a valid written objection. Oral legal objections at the public hearing will not qualify as a legal objection unless accompanied by a written legal objection. To be considered sufficient, a written legal objection must:

- Include the property owner/customer name and signature, and the parcel number and/or service address.
- State that the communication is a legal objection.
- Specify the grounds for alleging Montecito Sanitary District's noncompliance with Proposition 218 in sufficient detail to allow the District to determine whether any adjustments to the proposed rates are necessary. Stating that the rates are too high, or illegal without explaining why, is insufficient to constitute a valid written legal objection.

Proposition 218 Objection

Chris Albertson

2211 Sycamore Canyon
Santa Barbara, California 93108
C - (707) 287-1605
chrisalbertsonsb@gmail.com

April 23, 2026

Board of Directors
Montecito Sanitation District
1042 Monte Cristo Lane
Montecito, California 93108

Re : Proposed Sewer Rate “Adjustments” (Increases)

Honorable Board of Directors,

I am in receipt of the recent district mailer, describing the proposed sewer rate increases. I do not oppose increases in basic residential services provided by the district. I request that the increases be applied equitably.

Under “Single Family Dwelling”, the current annual fee is \$1,480. This annual fee will increase by \$171 in FY-2027, with \$200 to \$300 increases each year through FY-2031.

My wife and I are two retirees living in a 1,800 sq/ft, 3 bedroom / 2 bath home. Our monthly water usage is significantly below the water district’s target for my property. The water district has indicated that approximately

one half of our residential water use is for landscaping and hence does not impact our sewer usage.

Down the street from me (and all over Montecito) there are homes that are 4,000 to 5,000 sq/ft, housing families of 4 to 6 residents, using 6 bedrooms and 6 to 8 bathrooms. These larger families in larger homes are going to have a proportional increase on the Sanitary District's infrastructure. Even so, properties with increased district impacts are currently paying the same annual service fee as I do and the proposed rate increase will be the same as for my property, even though these larger homes / families have a significantly larger impact on the district.

The Board of Directors should ask their District Legal Counsel if Proposition 218 requires some type of equity in assessing new fees, maybe based on district impacts for the specific property, or is it simply one-size-fits-all type of approach?

Respectfully,

A handwritten signature in black ink that reads "Chris Albertson". The signature is written in a cursive, flowing style.

Chris Albertson

Parcel # 013-143-010

General Counsel Response to Proposition 218 Objection

District staff have reviewed the correspondence from Chris Albertson dated April 23, 2026. The District does not concede that this letter is a formal “objection” under Government Code section 53759.1 because it is unclear whether it asserts a violation of Proposition 218 (Cal. Const., art. XIII D, § 6) or instead expresses the author’s view that a different approach to rates would be more equitable as a matter of policy. Nevertheless, without waiving this point, the District responds here for the record assuming this letter may be treated as a formal objection under Section 53759.1.

The letter asserts that the proposed wastewater rates are improper because they do not distinguish among individual single-family residential parcels based on factors such as household size, square footage, or the number of bathrooms. The District respectfully disagrees with the premise that such individualized differentiation is legally required. Proposition 218 requires that property-related fees not exceed the proportional cost of service attributable to parcels in a given customer class. It does not require local agencies to account for every potential variation in use among parcels within the same customer class.

As documented in the rate study, the District’s rate structure incorporates multiple layers of distinction grounded in cost of service. The rate study first separates residential customers from non-residential customers, reflecting materially different wastewater flow characteristics and cost drivers. Within the residential category, the study further distinguishes single-family residential parcels from condominiums and second dwelling units, based on differences in typical usage patterns, system demands, and account characteristics. The costs allocated to each class are then recovered on a per-connection basis within that class.

This level of classification satisfies the proportionality requirement of Proposition 218. The law *permits* an agency to adopt more granular distinctions if it has sufficient data and staff time to review that data, but it does not *require* the District to subdivide the single-family residential class further, based on individualized household attributes such as occupancy or plumbing configuration. The District’s methodology reasonably allocates wastewater system costs to parcels based on class-level cost causation, which is particularly appropriate for a service that is capacity-driven and largely composed of fixed costs. In short, this is a question of policy, not law.