

**SANTA YNEZ RIVER WATER CONSERVATION DISTRICT,
IMPROVEMENT DISTRICT NO.1**

**FY 2026/2027
PRELIMINARY
BUDGET**





BOARD OF TRUSTEES

Mark Moniot
Division 1

Jeff Clay, President
Division 2

Nick Urton
Division 3

Michael Burchardi, Vice President
Division 4

Brad Joos
Trustee-At-Large

This Budget was prepared under the direction of:

Paeter Garcia, General Manager

Racel Cota, Administrative and Financial Manager

STAFF CONTRIBUTORS

Dan Drugan, Water Resources Manager

Joe Come', Operations & Maintenance Superintendent

Danny Durbiano, Distribution & Operations Supervisor

MISSION STATEMENT

To provide the residential and agricultural customers in the Santa Ynez River Water Conservation District, Improvement District No.1 service area with reasonably priced, reliable, high quality water supply, and efficient and economical public services.

DISTRICT OVERVIEW, STRUCTURE AND STAFFING

The Santa Ynez River Water Conservation District, Improvement District No.1 (District) was formed in 1959 under the Water Conservation District Law of 1931, Division 21, Section 74000 et seq. of the California Water Code (the Act) for the purpose of furnishing water and related water supply services within the District's boundaries. The District has operated continuously since 1959.

Located in the central portion of Santa Barbara County, the District serves the communities of Santa Ynez, Los Olivos, Ballard, the Santa Ynez Band of Chumash Indians, and the City of Solvang on a limited basis. With a service area population of approximately 7,022 (excluding the City of Solvang), the District currently provides water directly to approximately 2,756 municipal and industrial customers (including domestic/residential, commercial, institutional, rural residential, and fire service) and approximately 98 agricultural customers. The District encompasses an area of approximately 10,850 acres (including approximately 1,300 acres within Solvang).

The District obtains its water supplies from the Cachuma Project/State Water Exchange, direct diversions from the Cachuma Project (as needed), contractual deliveries from the State Water Project as a member agency of the Central Coast Water Authority, production from the Santa Ynez Uplands Groundwater Basin, and diversions from the Santa Ynez River alluvium. The District's major activities include acquisition, construction, operation, and maintenance of works and facilities for the development and use of water resources and water rights, including without limitation, works and facilities to divert, store, pump, treat, deliver, and sell water for reasonable and beneficial uses by the District's customers.

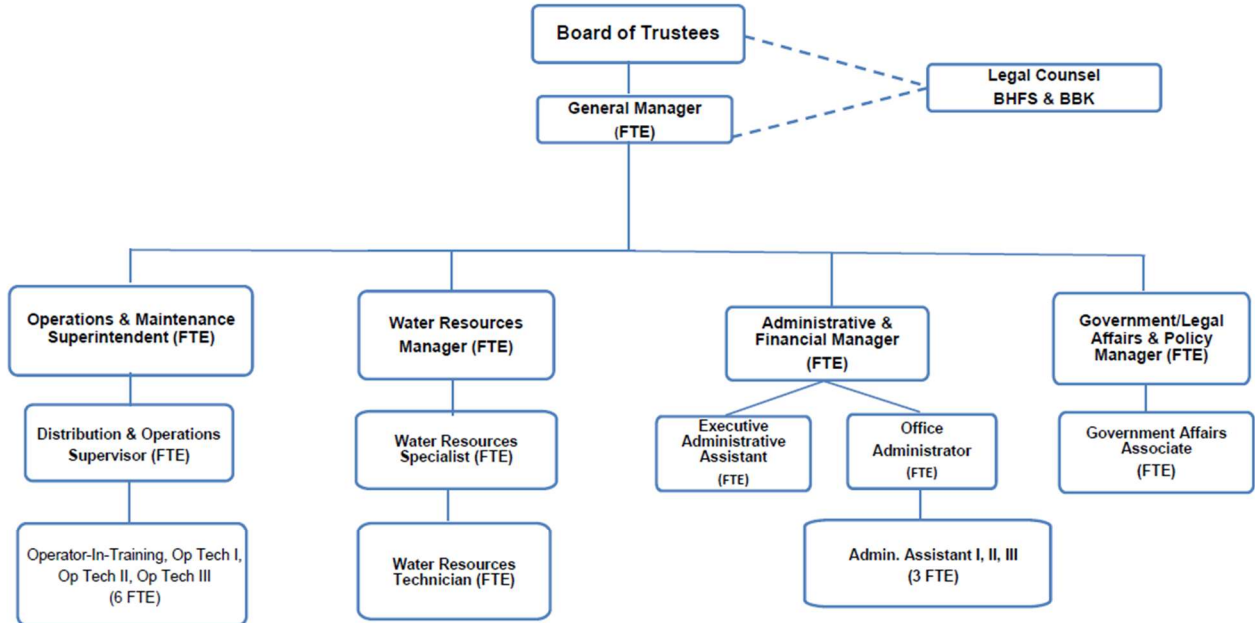
Operational Information

- District Pipelines (in miles) = 92
- Number of Booster Pump Stations = 4 with 11 pumps
- Number of Active Wells = 17
- SWP/ID No.1 Turnout = 5 pumps
- Number of water storage reservoirs/tanks = 4 with a total capacity of 16.7 million gallons
- Current number of approved, funded full-time equivalent (FTE) positions = 20

ORGANIZATION CHART

FISCAL YEAR 2026/2027

ORGANIZATIONAL CHART



TOTAL POSITIONS = 20
FULL TIME = 20
Updated 01/2025

EXECUTIVE SUMMARY

FISCAL YEAR 2026/27

BUDGET PROCESS

The District's fiscal year budget is one of the most important documents prepared by management for the Board of Trustees. The financial accounts and line items reflected in this document and the FY 2026/27 Preliminary Budget describe the annual fiscal year budget beginning July 1, 2026 and ending on June 30, 2027.

The development and adoption of the District's annual budget is based on projected revenues and expenditures, as well as identified projects and programs which provide the financial foundation for District activities. The budget serves as a roadmap for ensuring reasonable costs and predictable customer rates and charges. The budget blends advanced revenue forecasting and effective expenditure management with the infrastructure investment needed to deliver safe, reliable, cost-effective, and sustainable water supplies to the communities served by the District.

Through the process of planning and preparing the budget, management compared the 2016 Water Rate Study results with the prior year financial conditions and year-end estimated outcomes, then forecasted the funding needs of the District in order to continue to provide high levels of water service, meet regulatory requirements, and comply with applicable financial obligations throughout the ensuing fiscal year and beyond.

To determine the annual operating budget and capital costs necessary to provide water service, the General Manager works with the Administrative & Financial Manager, Water Resources Manager, Operations & Maintenance Superintendent, and the Distribution & Operations Supervisor to identify and prioritize estimated operating expenditures and capital improvement projects. Once a Preliminary Budget is prepared, it is presented to the public and the Board of Trustees at a public meeting to provide an opportunity for questions, modifications, and directions to staff to finalize the budget for Board approval at a subsequent public meeting. The Preliminary Budget provides a necessary foundation for the District's general and administrative, operations, and maintenance programs, debt service obligations, and other financial commitments and service objectives for the coming fiscal year.

REPORTING BASIS

The District utilizes the accrual basis for budgeting purposes and for accounting and financial reporting. The accrual method recognizes revenues and expenses in the period in which they are earned and incurred. The accrual method is the Generally Accepted Accounting Principles (GAAP) practice for financial reporting.

The District reports its activities as an enterprise fund. This method of reporting is used to account for operations that are financed and administered in a manner similar to a private business enterprise. The costs of providing water and services to customers on a continuing basis (including the replacement of existing assets) should be financed or recovered primarily through user rates and charges and the costs are borne by the customers who are receiving the benefit of the assets.

The FY 2026/27 Preliminary Budget was developed from the Uniform System of Accounts for Water Utilities which includes a set of tables providing details for revenue and expenditure categories of the District. **The tables contained in this Report are intended to be reviewed in connection with the FY 2026/27 Preliminary Budget document.**

The accounting for the budget is supported by the QuickBooks accounting system which is verified annually by an independent audit performed by Bartlett, Pringle & Wolf, LLP. The budget tables show categories of the operating revenues as compared to operating expenditures along with debt service and special studies expenditures, including but not limited to compliance with various state and federal regulatory requirements applicable to fisheries protection in the Lower Santa Ynez River, compliance with water rights orders issued by the State Water Resources Control Board, and implementation of contractual requirements. Historically, the District's operating expenses and Capital Improvement Project program are to be fully funded by operating revenues, and as necessary and appropriate from reserve funds. The Capital Improvement Project expenditures can be funded by a combination of operating revenues and reserves.

BUDGET AND RESERVE FUND BACKGROUND

The District's 2016 Water Rate Study, inclusive of the approved Water Rate Schedule, was adopted by the District's Board of Trustees on December 13, 2016 and became effective on February 1, 2017. The Water Rate Study and Schedule provide the foundation for incrementally increased revenues over a five-year period. Rates were developed to meet operating expenses, debt service obligations, capital improvement projects (partially), and other planned expenditures. The Water Rate Study also includes a Reserves analysis and a plan for adding to the District's reserve funds over time to allow for recovery of reserve deficits that occurred over the previous six-year period. The last rate adjustment pursuant to the Water Rate Schedule went into effect on July 1, 2021 and remains in effect for the FY 2026/27 budget cycle. The FY 2026/27 Preliminary Budget proposes to fully fund all expense categories, including Operations and Maintenance (O&M), General and Administrative (G&A), Debt Service, Other Expenses and Special Studies, and a majority of Capital Improvement Project (CIP) program costs, leaving a projected budget shortfall of \$1,529,669 (resulting entirely from a proposed project to install a new groundwater production well at a cost of approximately \$3,000,000). To achieve a balanced budget, District management proposes a budget transfer from Unrestricted, Board Reserved Funds to Unrestricted Funds of \$1,529,669. Further explanation is provided in the CIP section below.

Below are the past fiscal year and the most current fiscal quarter-end Reserve balances based on actual accounting and audit information.

Table 1

RESERVE BALANCES

	June 30, 2025	March 31, 2026
<u>BOARD RESERVED</u>		
Debt Repayment Obligation	\$587,247	\$560,271 ¹
Repair & Replacement	\$8,507,435	\$10,026,021
Plant Expansion	\$10,458,199	\$12,739,079
Subtotal	\$19,552,881	\$23,325,371
<u>RESTRICTED RESERVE</u>		
Dev. Fee; SY Septic	\$109,212	\$109,212
State Water Project Reserve ²	\$3,000,000	\$3,000,000

1. This amount represents a Debt Payment Obligation reserve balance for 9-months of current FY 2025-26. The year-end reserve amount in this category will change on June 30, 2026 to reflect payments for the SWP payment due on June 1st, and the USBR Safety of Dams Repayment Contract payment.
2. One year set aside payment established to guarantee ID No.1's contractual debt obligation in the event of a default by the City of Solvang.

BUDGET IN DETAIL

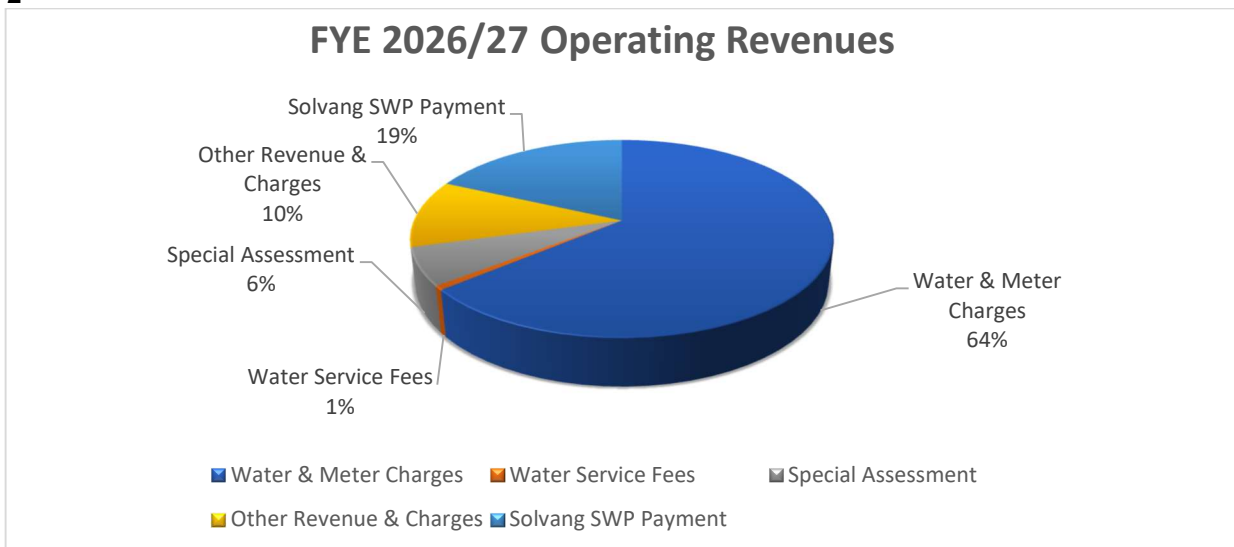
The specific revenue and expenditure categories of the budget account for the adopted water rates and revenues, prior year audit data, and financial account information. The categories are displayed using actual 9-month revenue and expenditure data from the current fiscal year and are also projected to show the fiscal year-end figures (June 30, 2026). This information is used as part of the evaluation to develop the FY 2026/27 Preliminary Budget.

The FY 2026/27 Preliminary Budget of \$14,243,915 reflects an overall 2.00% increase compared to the projected June 30, 2026 year-end results. As noted above, the FY 2026/27 Preliminary Budget assumes that water rates remain static based upon the last rate increase that went into effect on July 1, 2021. The water rates are applied to forecasted water sales and meter charges in FY 2026/27 based on actual sales and charges in the current and prior fiscal years. The budget also assumes no increase in the \$875,000 Special Assessment/Ad Valorem Tax, even though the authorized limit for FY 2026/27 is \$2,785,524. Other factors such as capital facilities charges and interest income are integral parts of the forecast. The information below shows that budgeted revenues will meet projected operating expenditures and debt service obligations and result in a projected net revenue balance of \$4,071,831. This revenue balance will fund the Other Expenses and Special Studies categories as further detailed in the Preliminary Budget, leaving a balance of \$2,504,831 in net operating revenues, which will fund the majority of the proposed \$4,034,500 Capital Improvement Projects (CIP) Program for FY 2026/27, leaving a projected budget shortfall of \$1,529,669. As discussed above District management proposes a budget transfer from Unrestricted, Board Reserve Funds to Unrestricted Funds of \$1,529,669 to fund a major capital project (new groundwater production well) to help bolster the District's water supply resilience.

SUMMARY OF REVENUES

The District operates according to cost of service, with revenues derived primarily from water sales, fixed monthly service charges, other water services, and the special tax assessment. For the FY 2026/27 Preliminary Budget, the total operating revenues are projected at \$14,243,915 including the SWP revenue of \$2,588,182 from the City of Solvang. Projected total revenues are \$11,655,733 without the SWP pass-through payment. Table 2 below summarizes the distribution of the District's projected revenue sources for FY 2026/27.

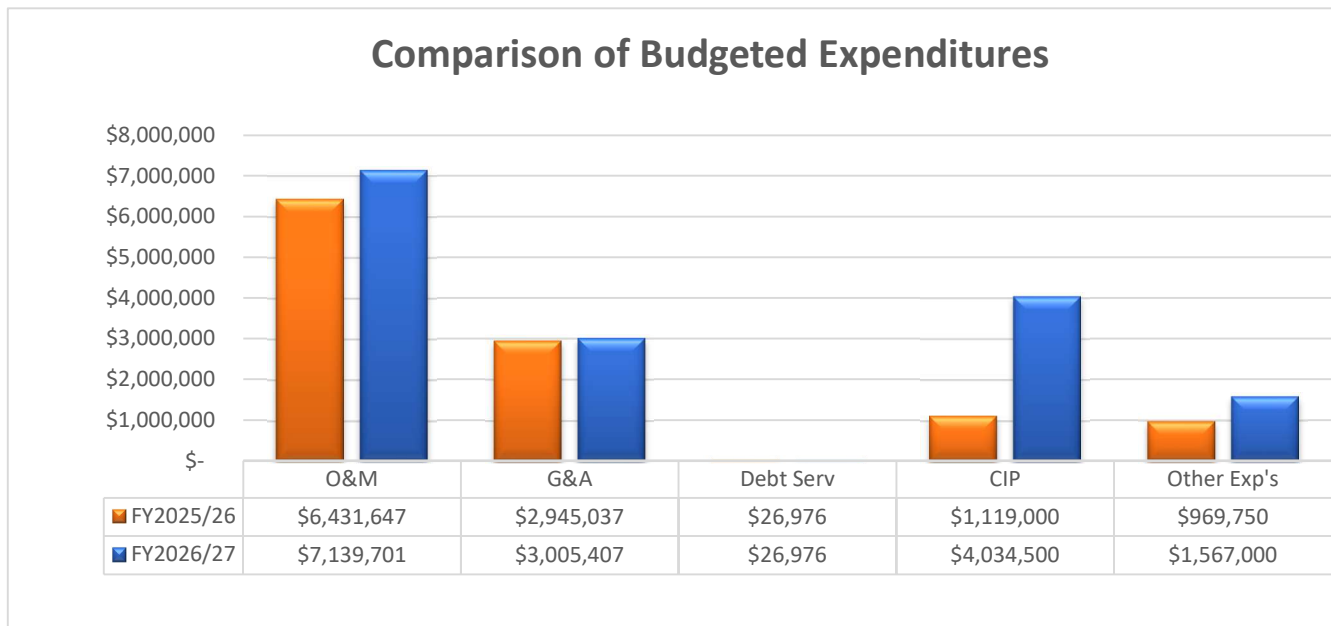
Table 2



SUMMARY OF EXPENDITURES

Based on the FY 2026/27 Preliminary Budget, the District’s projected water sales and other operating revenues, including the proposed FY 2026/27 special tax assessment, will fully fund the overall operating expenditures, including all categories of Operation & Maintenance, General & Administrative, and Debt Service, and result in a net revenue balance of \$4,071,831. This net balance of operating revenues is proposed to fund the District’s Other Expenses and Special Studies categories as further detailed in the Preliminary Budget. Thereafter, a net revenue balance of \$2,504,831 is proposed to fund the majority of the District’s FY 2026/27 CIP program. Table 3 below shows all budgeted expenditure categories for FY 2026/27 in comparison to the previous fiscal year.

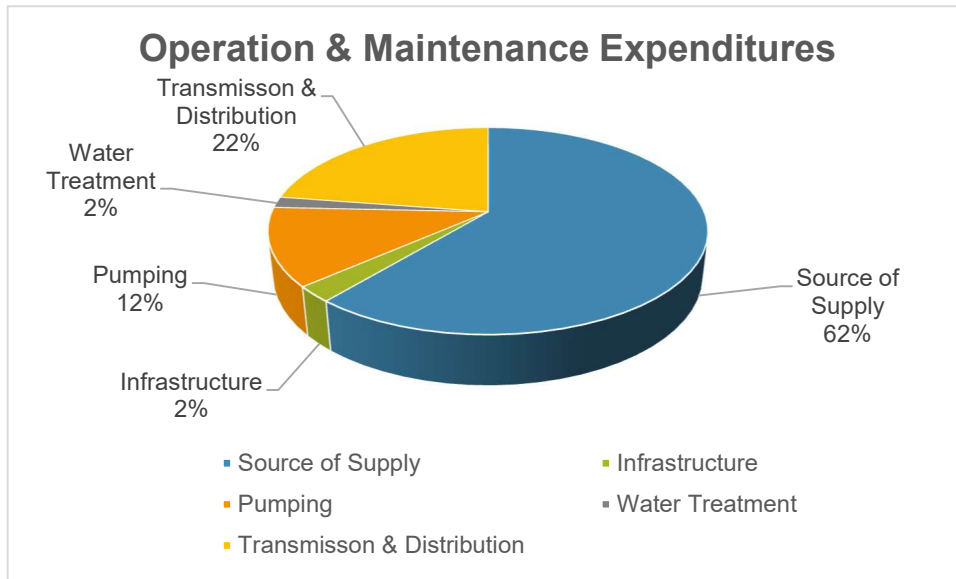
Table 3



EXPENDITURES - OPERATION AND MAINTENANCE (O&M)

The overall budget for O&M expenditures for FY 2026/27 is \$708,054, which is 11.01 percent higher than last year’s FY 2025/26 budget figure. The Source of Supply category shows the largest cost increase, which relates to increased charges by the California Department of Water Resources (DWR) charges for State Water Project (SWP) deliveries to the District and the City of Solvang in the amounts of \$349,271 and \$190,813, respectively. The Infrastructure, Pumping, and Water Treatment costs are also projected to increase by \$112,500 as the result of increasing electrical utility rates. The Transmission & Distribution cost increase of \$40,222 in comparison to the FY 2025/26 budget is attributable to needed upgrades to the Supervisory Control and Data Acquisition (SCADA) system. Finally, ACWA JPIA premiums for health, dental, and vision coverage are anticipated to have an inflationary increase of 5 percent for each coverage plan.

Table 4



EXPENDITURES - GENERAL AND ADMINISTRATION (G&A)

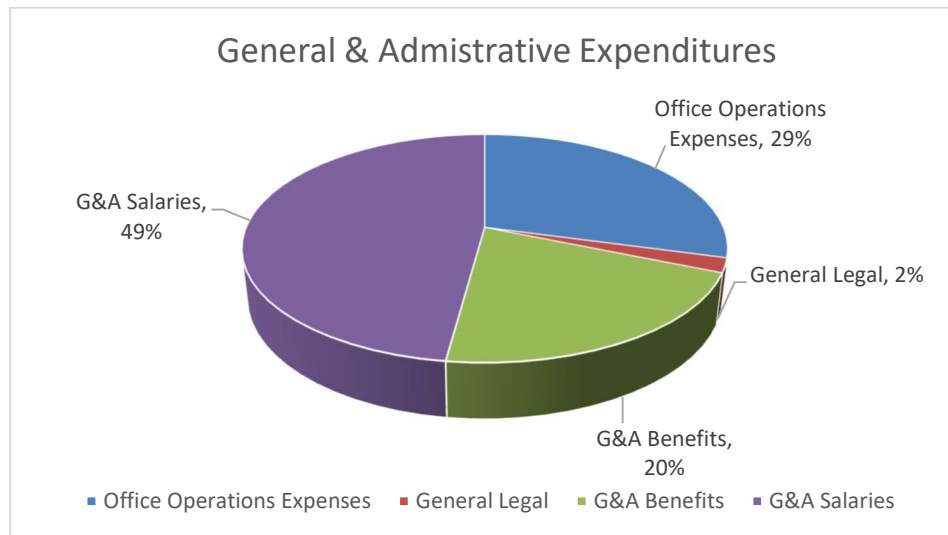
The overall budget for G&A expenditures for FY 2026/27 increased by \$60,370 (2.05%) compared to last year’s FY 2025/26 budget.

Administrative expenses, including dues and subscriptions, miscellaneous service contracts, various utilities, and liability insurance are projected to increase slightly due to inflationary and vendor cost increases related to the current economic climate.

Other increases to this expense category are tied to annual Cost of Living Adjustments (COLA) and merit increases to employee salaries in accordance with the District’s adopted Personnel Policy Manual and Salary Schedule, which in turn affect retirement and payroll tax expenses. The District-wide COLA is being proposed at 3.9% for FY 2026/27. The COLA is consistent with industry standards and is based on the Consumer Price Index 12-month calculation data (May-April). The COLA factor is derived from the U.S. Bureau of Labor Statistics through averaging the most recent 12-month indexes compared to the prior year for all urban wage earners and clerical workers for the Los Angeles-Long Beach-Anaheim area of California.

Table 5 below illustrates the distribution of costs for the G&A expense categories.

Table 5



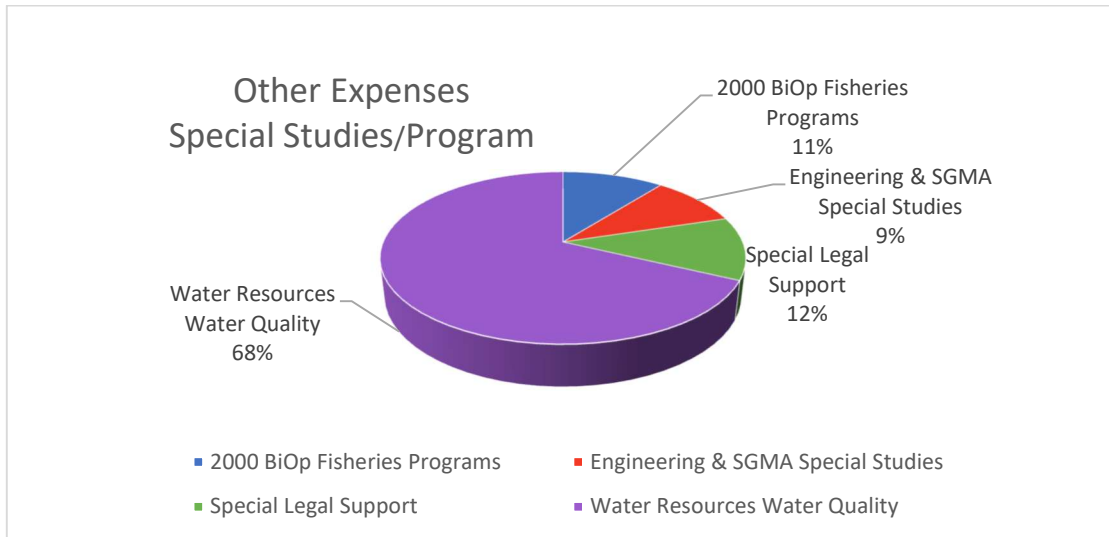
DEBT SERVICE

The District’s Debt Service category for FY 2026/27 includes the United States Bureau of Reclamation (USBR) Safety of Dams repayment obligation (principal and interest) which remains constant for a 50-year term at \$26,976 per year, which term expires in 2052. As detailed above, the FY 2026/27 operating revenues, inclusive of the special tax assessment, are projected to fully fund the District’s operating expenses plus debt service.

OTHER EXPENSES AND SPECIAL STUDIES

For FY 2026/27, the budgeted amount of \$1,567,000 in the Other Expenses category will be funded by the net revenue balance of \$4,071,831. The FY 2026/27 budget for Other Expenses is \$597,250 more than what was budgeted in FY 2025/26, with the Cr6 Implementation Plan and Other Treatment & Supply Projects having the largest increase of \$665,000, which is partially offset by decreases in other cost components. Notably, the FY 2026/27 Preliminary Budget prominently includes funding for professional services needed to implement the District’s Cr6 Compliance Plan, treatment options and feasibility studies for wells that may be affected by the new MCL, additional well exploration and replacement capacity studies, and public outreach to District customers in relation to the Cr6 regulation and long-term water supply planning. Table 6 below illustrates the distribution of costs for the Other Expenses and Special Studies categories.

Table 6



CAPITAL IMPROVEMENT PROJECTS (CIP)

Infrastructure planning and investment are critical to the ongoing reliability of the District’s water production and distribution system. In years past, the District’s CIP program was seriously compromised by shortfalls in operating revenues caused by outdated water rates and a multi-year suspension on the levy of a special tax assessment. Those shortfalls required incremental drawdowns of District reserves simply to meet annual operating expenses and debt service. Consequently, monies were not available to fund the CIP program, and needed capital improvements to the District’s aging water system were deferred.

However, following the 2016 Rate Study, operating revenues have been able to meet and exceed operating expenses, and net revenues have been available to fund the District’s Debt Service and Other Expenses (including Special Studies) and then contribute to building reserves and/or funding the CIP program. The CIP items include projects needed for replacements, betterments, upgrades, and repairs of the District water supply, production, and distribution system.

For FY 2026/27, a total of \$4,034,500 is budgeted for the CIP program. This amount is \$2,915,500 more than the \$1,119,000 CIP budget in FY 2025/26. Of particular note, the majority of the CIP program for FY 2026/27 will be funded from the District’s projected net revenues of \$2,504,831 (after funding Other Expenses and Special Studies). The funding balance of \$1,529,669 would require a transfer from the District’s Unrestricted, Board Reserves.

Account 900332 (\$50,000) – District Building (Rollforward Project) – Several years ago this account was budgeted as a higher amount to include the combination of a steel building to house a water treatment and control system for the District’s office wells, along with a garage bay for District equipment and needed expansion and upgrade of field crew quarters. The FY 2026/27 Preliminary Budget includes funding to finalize architectural and engineering design modifications for a new District building to provide a District-designated Board Room, conference rooms, and various administrative and employee workspace.

900372 (\$14,500) – Office Computers, Furniture & Equipment – The FY 2026/27 Preliminary Budget for this account includes \$2,000 for office workstations and \$4,500 for network switches reaching the end of their reliable lifespan. The remaining \$8,000 is budgeted to modernize the District’s back up and disaster recovery platform to a cloud-based solution from its current tape-based backup system for data protection and archival storage. Datto Backup and Disaster Recovery (BDR) is an automatic off-site replication of the District’s work files and programs. It is a comprehensive solution designed to protect and restore critical data. Datto BDR keeps systems running during failures, automatically backs up files and programs to an off-site server, and performs frequent backups to help mitigate data loss. The District’s backup system currently requires manual intervention and has slower speeds and higher risks than the cloud-based solution.

900376 (\$190,000) – Communications/Telemetry and SCADA (Rollforward Project) – The FY 2026/27 Preliminary Budget includes \$165,000 to conduct a comprehensive radio transmission survey and upgrade for the District’s entire service area. The District’s water distribution system, including reservoirs, wells, and booster pump stations, is operated by utilizing an electronically secure Supervisory Control and Data Acquisition (SCADA) system, an indispensable feature of virtually all modern water systems. Generally speaking, the SCADA system electronically monitors, displays, and communicates critical water system data and parameters, such as reservoir levels and production velocities in wells and pump stations. SCADA also enables District personnel to remotely control operational changes to key infrastructure throughout the system. Because the SCADA system functions through radio communications, the effectiveness of those communications can be limited by the age and functionality of supporting radio equipment, signaling devices, signaling locations, surrounding topography, and other factors. The District’s existing radio and signaling equipment is significantly outdated and our overall radio transmission capabilities have not been evaluated for many years. Consequently, the District’s SCADA system is not performing at an optimal level. District staff have consulted with several industry professionals who advise that a comprehensive radio transmission survey for the entire service area can be used to identify equipment, location, and other technological upgrades to improve the functionality of the District’s telemetry and SCADA system.

This project includes \$25,000 for procurement and installation of a new secured backup server configured to host a virtualized environment. The District currently operates its SCADA system on a single server, with a separate workstation serving as a limited backup. This configuration is outdated and the existing hardware is approaching the end of its reliable lifespan. The virtual server will provide a redundant operating platform, allowing the District to maintain SCADA functionality during operating system patching, software upgrades, or in the event of a primary system failure.

900378 (\$10,000) – Major Tools, Shop & Garage Equipment – The FY 2026/27 Preliminary Budget of \$10,000 in this account is for the acquisition and replacement of major tools and shop equipment, including a shop compressor, industrial grade shelving, equipment racks, organizational bins, and storage improvements.

900350 (\$3,000,000) – Upland Wells - As part of the District’s Water Supply Portfolio and Treatment Alternatives strategy, including efforts to address the State’s recently adopted drinking water standard for hexavalent chromium (Cr6), this CIP project is budgeted to construct a new/replacement groundwater production well within the District, which plans are being closely coordinated with hydrogeologic and engineering studies to optimize production capacity within desired water quality parameters.

900200 (\$175,000) – Pump & Motor Replacement – Pumps and motors serve as indispensable components of the District’s infrastructure and are essential for water supply and operational reliability. Due to continuous usage and wear over time, these assets are subject to deterioration and eventual failure. Unforeseen breakdowns can disrupt operations, leading to downtime, increased maintenance costs, and decreased water supply reliability. Funds under this account will be utilized as situations arise that dictate the replacement of failed pumps and/or motors that occur during the fiscal year.

900106 (\$80,000) – Rehabilitation/Replacement of Mains/Laterals/Valves and Fire Hydrants – The FY 2026/27 Preliminary Budget for this account includes \$40,000 for the replacement of mainline valves that are found to be broken or rendered inoperable during the District’s ongoing valve maintenance and replacement program. Additionally, \$40,000 is budgeted to replace certain fire hydrants within the District’s system.

900379 (\$50,000) – Infrastructure Security – Over the last several years, the District has been upgrading and installing new features at various locations to enhance the security of District water supplies and water supply infrastructure. For FY 2026/27, the Preliminary Budget amount of \$50,000 will be used to acquire and install additional security measures at certain locations within the District’s service area, including but not limited to security fencing, camera devices, and alarm systems.

900373 (\$220,000) – Fleet Vehicle Replacement – This account includes funds for the purchase of one replacement fleet vehicle (valve truck). This vehicle will replace an existing 1998 model that is undersized, underequipped, and at the end of its reliable service life (125,750 miles) for valve maintenance and exercising activities that are critical to the District’s water supply activities and responsibilities. A new valve operating platform will enable the District to implement a more robust valve maintenance program (including systemwide data aggregation and integration for all District valves), while also ensuring adequate and reliable equipment for conducting routine and emergency shutdowns. Further, new and more modernized valve operating equipment results in lower risk of breaking or damaging valves during operating and exercising activities.

Truck mounted valve operating platforms are specialized units and not widely available. Staff research indicates that truck mounted platforms are currently available from only two manufacturers in the United States (Pres Tech and Wachs). The smallest platform produced by Wachs requires a 1.5-ton truck for the size and weight of its equipment, which is oversized for the District’s needs and comes at a higher price, starting at approximately \$275,000 or more. On the other hand, Pres Tech offers a more compact platform that can be installed on a 3/4-ton truck (which is better for accessing some locations in our rural area) with equipment that is more suitable for the District’s needs. Additionally, Pres Tech is a sole source vendor that sells a truck with all the related equipment as a single package, whereas

purchasing through Wachs would require the District to acquire and purchase the components separately. A new operating platform will also enhance field ergonomics and operational safety for our field technicians.

900171 (\$40,000) – 4.0 CFS Well Field – For FY 2026/27, the Preliminary Budget includes an updated pump and motor for Well 18 in the District’s 4.0 CFS wellfield. The lower Santa Ynez River alluvium remain a key component of the District’s water supply portfolio and these improvements are needed to ensure the ongoing sufficiency and reliability of public water supplies throughout the District’s service area.

900102 (\$205,000) – Zone 1, 2, 3 Reservoirs (Partial Rollforward Project) – For FY 2026/27, \$150,000 is budgeted for the installation of power service at the Zone 2 Reservoir including a \$35,000 rollover from FY 2025/26. Currently this site is not equipped with power, which requires all facilities (including the reservoir mixers and telemetry/SCADA equipment) to be run with solar devices. Installing a new electrical service for the Zone 2 Reservoir site will enable the District to utilize higher-power mixing devices and enhance the functionality of communication, security, and maintenance activities for this property. This category also includes \$50,400 for needed enhancements to the ventilation screens at the Zone 1 and Zone 2 reservoir sites. Each reservoir site contains 84 screens, for a total of 168 screens and wood frames to be retrofitted due to age and deferred maintenance.

If additional CIP expenditures are needed, proposed funding would come from the Repair and Replace and/or Plant Expansion Reserves. Alternatively, the projects could be deferred or re-prioritized.

FY 2026/27 PRELIMINARY BUDGET CONCLUSION

The FY 2026/27 Preliminary Budget revenues of **\$14,243,915** are projected to be sufficient to meet total O&M expenses, G&A expenses, and Debt Service obligations of **\$10,172,084** with a net revenue balance of **\$4,071,831**. This net revenue balance of \$4,071,831 will be used to fund the \$1,567,000 of Other Expenses for special studies, engineering, design, legal, and consulting work to maintain protection and preservation of the District’s water rights and to ensure compliance with various regulatory orders and requirements applicable to the District’s rights and water supply portfolio, including but not limited to state-mandated water quality standards and fishery protections applicable to the Cachuma Project in accordance with State Water Resources Control Board Orders and the state and federal Endangered Species Acts. The remaining net revenue balance of **\$2,504,831** will be used to fund the majority of the District’s FY 2026/27 CIP program of **\$4,034,500** as detailed above. To fund the remaining balance, District management proposes a budget transfer from Unrestricted, Board Reserved Funds to Unrestricted Funds in the amount of \$1,529,669 which would result in a balanced budget for the FY 2026/27 Preliminary Budget.

RECOMMENDATION

That the Board of Trustees and public provide feedback and comments regarding the Fiscal Year 2026/27 Preliminary Budget and proposed collection of an assessment levy of \$875,000 for Fiscal Year 2026/27.