

**MONTECITO
GROUNDWATER
BASIN
GROUNDWATER
SUSTAINABILITY
AGENCY**



**GSA FISCAL YEAR
2023 BUDGET**



MISSION STATEMENT

“The Montecito Groundwater Basin Groundwater Sustainability Agency’s mission is to ensure a reliable and sustainable groundwater supply for the community through effective basin management pursuant to the Sustainable Groundwater Management Act.”



MONTECITO GROUNDWATER BASIN
GROUNDWATER SUSTAINABILITY AGENCY

Board of Directors

Brian Goebel, President

Ken Coates, Vice President

Cori Hayman

Floyd Wicks

Tobe Plough

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INTRODUCTION



LETTER OF TRANSMITTAL

To the Board of Directors and Stakeholders of the Montecito Groundwater Basin:

We are pleased to present for your consideration, the Fiscal Year 2022-2023 budget for the Montecito Groundwater Basin Groundwater Sustainability Agency (Agency). Since January 2022, Agency Staff have collaborated on this budget. Together with the Board of Directors, Staff have gone through an extensive review and analysis of the operational and capital project needs that support the development of a Groundwater Sustainability Plan and continued Basin management.

The budget identifies and estimates financial resources and expenditures. It also serves as a policy document to guide management actions for Fiscal Year 2022-2023. The budget provides focus on sound financial management, efficient operations, achievable goals and objectives and transparent reporting.

The budget reflects the Montecito Groundwater Basin Groundwater Sustainability Agency's mission to ensure a reliable and sustainable groundwater supply for the community through effective basin management pursuant to the Sustainable Groundwater Management Act.

AGENCY & BUDGET OVERVIEW



AGENCY AND BUDGET OVERVIEW

HISTORY

The purpose of a Groundwater Sustainability Agency (GSA) is to implement and fulfill the requirements of the California Sustainable Groundwater Management Act (SGMA) as set forth in Water Code §§10720-10737.8.

The Montecito Water District (MWD) adopted Resolution 2169 on July 24, 2018 thereby giving notice to the California Department of Water Resources (DWR) of its intention to become the GSA pursuant to the SGMA for the Montecito Groundwater Basin, designated as DWR Basin Number 3049 (Basin). In November 2018, the DWR declared Montecito Water District as the exclusive GSA for the Basin.

In February 2019, the DWR finalized its groundwater basin reprioritization process re-designating the Montecito Groundwater Basin from a “very low” priority to a “medium” priority, thereby mandating compliance with the SGMA. The Montecito Groundwater Basin Groundwater Sustainability Agency (Agency) was formed after the adoption of Resolution 1, on April 29, 2019, by the Agency’s Board of Directors.

In accordance with SGMA, the Montecito Groundwater Basin Groundwater Sustainability Agency shall reasonably and equitably manage the Basin to protect and enhance the health of the Basin. The powers of the Agency are as set forth in the SGMA and advisory and decision-making responsibilities are vested in the Board of Directors (Board). The term “Director(s)” shall mean the elected and/or appointed representatives of Montecito Water District, who also serve as the Directors of the Agency. The Agency’s Board generally reserves unto itself the right to delegate by ordinance and resolution such powers as are appropriate and permissible by law. In general, SGMA requires all groundwater basins designated as medium and high priority, per Bulletin 118 issued by the DWR, to be sustainably managed by a GSA by 2040.

MISSION STATEMENT

The Montecito Groundwater Basin Groundwater Sustainability Agency’s mission is to ensure a reliable and sustainable groundwater supply for the community through effective basin management pursuant to the Sustainable Groundwater Management Act.

GOVERNANCE

The Agency is governed by a five-member Board of Directors (“Board”) elected by the registered voters of the Montecito Water District to four-year terms. The Board is responsible for setting Agency policy.

Terms begin and end in December of the applicable year.

Current Directors and their respective terms are as follows:

BOARD OF DIRECTORS



Brian Goebel
President
2018-2022



Ken Coates
Vice President
2018-2022



Cori Hayman
Director
2018-2022



Floyd Wicks
Director
2020-2024



Charles T.
Plough Director
2020-2024

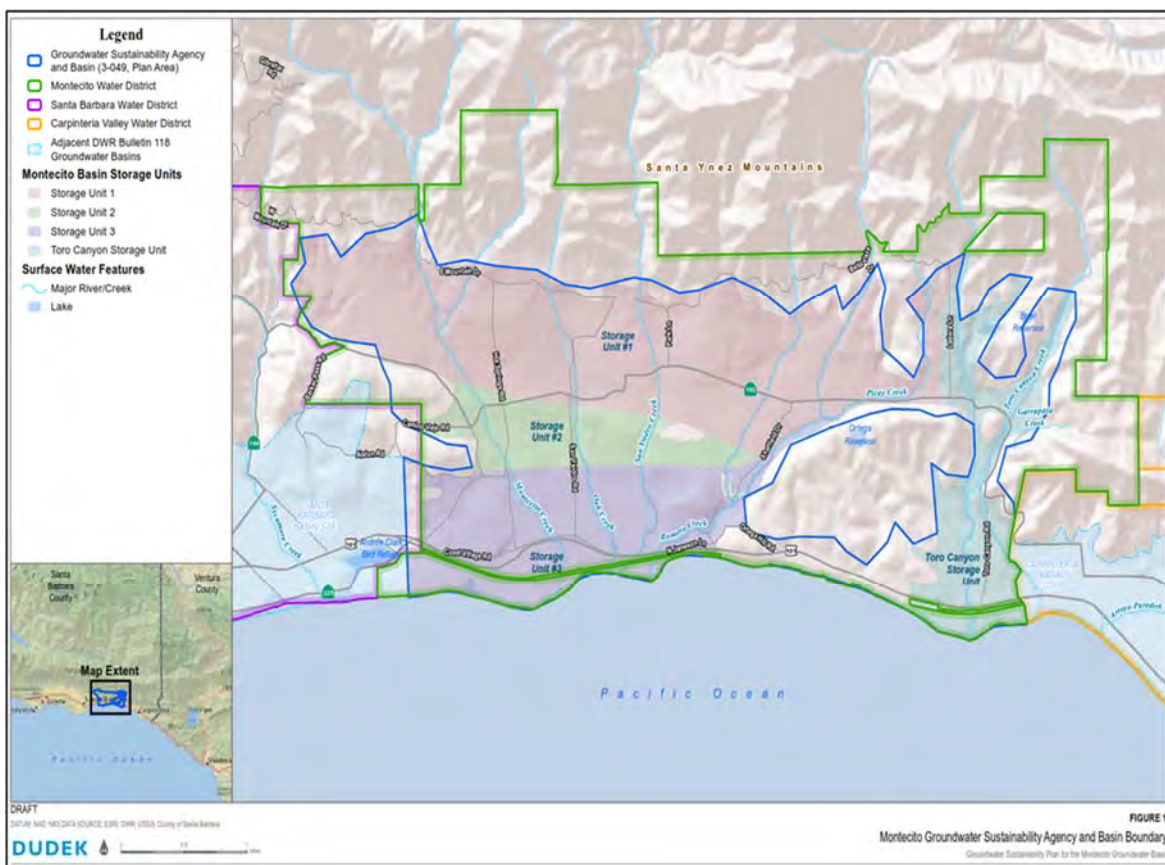
MONTECITO GROUNDWATER BASIN

The Basin is located in the southern coastal portion of Santa Barbara County bounded to the north by the Santa Ynez Mountains coastal range, to the south by the Pacific Ocean, to the west by the City of Santa Barbara and to the east of the Carpinteria Valley. The Basin includes the unincorporated communities of Montecito and Summerland, a small portion of the Carpinteria Valley on its eastern boundary and a small portion of the City of Santa Barbara on its western boundary.

The Basin encompasses an area of about 6,145 acres or 9.6 square miles and is segmented into 4 distinct hydrogeological storage units. These units are defined by regional faulting that transect the Basin.

Groundwater is heavily relied upon for residential use, along with some commercial and agricultural uses. Available data suggests that hundreds of public and private groundwater wells pump from the basin and that groundwater levels are low during the current and most severe drought in the region's history (2012-2022).

The Basin, its storage units, and its relationship with the Montecito Water District and neighboring water districts are shown below.



GROUNDWATER SUSTAINABILITY PLAN

SGMA mandates that critically over-drafted basins must reach sustainability by 2040, while high- and medium- priority basins have until 2042, or 20 years post-implementation for reprioritized basins. Since the Basin was reprioritized as a medium-priority basin by the DWR, it must achieve sustainability within 20 years from Groundwater Sustainability Plan (GSP) implementation. The GSP completion is anticipated for Fiscal Year 2023.

The Agency considers the interests of all beneficial uses and users of groundwater as it develops and implements a GSP for the long-term sustainable management of groundwater for the Basin.

SGMA defines sustainable groundwater management as “the management and use of groundwater in a manner that can be maintained during the planning and implementation horizon without causing undesirable results.” Undesirable results are defined as any of the following:

- Chronic lowering of Groundwater levels
- Significant and unreasonable reduction in Groundwater Storage
- Significant and unreasonable degradation of water quality
- Land subsidence due to collapsing of aquifer pore space
- Surface water depletions that have significant and unreasonable impacts on beneficial uses
- Seawater Intrusion

Several of these undesirable results are of concern in the Basin including significant and unreasonable reduction in groundwater storage and seawater intrusion.

GSP DEVELOPMENT AND GRANT FUNDED PROJECTS

In December 2019, the Agency submitted an application for grant funding to the DWR Sustainable Groundwater Management (SGM) Grant Program. In March 2020, the DWR issued a final grant award to the Basin. The Agency was awarded the total requested amount of \$2,171,205, of which the local match is 25%, or \$544,000. The approved grant includes the Agency’s cost to prepare the GSP document and several projects that will inform the GSP preparation process.

The grant agreement was finalized and signed by the Agency and DWR in May 2020. Agency staff are pursuing each of the grant projects and are adhering to the requirements of the grant. The grant funded projects and associated costs are listed in Table 1.

Table 1: MGB GSA Prop 68 SGM Grant Funded Projects and Costs

| Grant Projects | Grant Amount | Local Cost Share (Non-Grant Funded) | Total Cost | % Local Cost Share |
|---|---------------------|--|-------------------|---------------------------|
| Grant Agreement Administration | \$0 | \$110,000 | \$110,000 | 100% |
| Groundwater Sustainability Plan Development | \$181,128 | \$354,000 | \$535,128 | 66% |
| Sea Water Intrusion Monitoring | \$178,704 | \$20,000 | \$198,704 | 10% |
| Development of a Basin Numerical Model | \$162,400 | \$5,000 | \$167,400 | 3% |
| Private Well Metering Pilot Program | \$213,556 | \$25,000 | \$238,556 | 10% |
| Surface Water Flow Gage Installation | \$184,100 | \$15,000 | \$199,100 | 8% |
| Monitoring Well Construction | \$707,317 | \$15,000 | \$722,317 | 2% |
| Total GSP Development Costs | \$1,627,20 | \$544,000 | \$2,171,20 | 25% |

FINANCIAL PLAN AND GSA FEE

In June 2019, the Agency began developing a financial plan and GSA Fee Study (Study) to determine annual expenses associated with its regulatory activities in implementing SGMA, including the preparation of the GSP. The Study dated May 6, 2020 prepared by Raftelis, an independent financial consultant, sets forth the proposed methodology for charging a regulatory fee, to be known as the Montecito GSA Groundwater Sustainability Fee (Fee), to fund the activities of the Agency.

The Fee complies with the requirements of the California Constitution and other applicable California law, including the SGMA. The data upon which the Fee is based, in the form of the Study, was made available to the public 45 days prior to a public meeting on Fee adoption.

The Fee is based on the total acreage of a parcel overlying the Montecito Groundwater Basin. Individual charges are determined by multiplying the acreage overlying the Basin by the fee per acre. These fees are for Fiscal Year (FY) 2021 through 2025 and are shown in Table 3. Each FY begins July 1 and ends June 30 of the following calendar year. All government property and property belonging to public agencies are excluded from the parcel fee.

Table 2: Fee per Acre per Year (FY 2021 through FY 2025)

| | FY 2021 | FY 2022 | FY 2023 | FY 2024 | FY 2025 |
|--------------|----------------|----------------|----------------|----------------|----------------|
| Fee per acre | \$194.00 | \$194.00 | \$194.00 | \$120.00 | \$120.00 |

In accordance with the requirements of Section 6 of Article XIID of the California Constitution and Government Code 53755, a public hearing was held by the Agency's Board of Directors on the proposed Fee on June 24, 2020.

On June 24, 2020, the Agency Board of Directors, following public comment and the tallying of legal written protests, approved Resolution No. 4 adopting a 5-year schedule of the Fee.

The parcel fees are submitted for collection by the County of Santa Barbara with the Agency receiving revenues twice per year typically in December and April.

MWD COST RESPONSIBILITY

The total groundwater pumped from the basin in 2017 was estimated at 2,422 AF in total. Private pumpage estimates are based on a 2016 Groundwater Basin Recharge Feasibility Study and the succeeding 2017 DWR groundwater basin Reprioritization Process. The study used land cover data, source water information, and statistical methods to identify total annual groundwater extraction. From the study and reprioritization process, an estimate of private pumping was determined at 2,001 AF; MWD production records for the same time period reflects 421 AF.

As the sole municipal water provider with properties directly benefiting from groundwater extraction, MWD is responsible for its proportional share of Agency costs based on estimated groundwater extractions. As shown in Table 3, MWD is responsible for 17.4% of all future Agency costs, net of grants. The cost responsibility is rounded to the nearest tenth of a percent.

Table 3: MWD Cost Responsibility

| | Groundwater Extraction (AF) | % Share |
|--------------------------------|--|----------------|
| MWD Production | 421 | 17.4% |
| Private Pumpage | 2,001 | 82.6% |
| Total Estimated Pumping | 2,422 | 100% |

The Agency's discussion with MWD in determining the cost share is specific to MWD's cost responsibility. The groundwater pumping estimates used to derive the cost responsibility do not imply a basis for determining MWD's prescriptive right to Basin water.

MWD REPAYMENT

Prior to Fiscal Year 2021 the Agency's operating costs were funded by MWD. MWD tracked expenditures related to all the Montecito Groundwater Basin SGMA activities from 2016, through GSA formation, and through Fiscal Year 2020. The total incurred expenditures over this time period, that the Agency will repay equaled \$841,915. This amount was included in the GSA Fee Study and will be reimbursed to MWD equally over a three- year period, starting FY 2021 through FY 2023.

RESERVE FUND

In addition to the estimated operating expenses, the Agency has an established cash reserve. Water Code Sections 10730(a) and 10730.2(a)(1) explicitly authorize a prudent cash reserve. Reasonable and achievable reserves are a financial tool to aid in cash flow timing and unforeseen expenditures. Generally, a reserve for operations targets a specific percentage of annual operating costs or days of cash on hand. The reserve target is influenced by several factors, including the timing of expenses and infrequency in revenue disbursements to the Agency throughout the Fiscal Year. Given the infrequency of revenue and the monthly recurrence of many expenses, the Board has established a cash reserve target of approximately six months of operating expenses, averaged over the first three Fiscal Years. To ease the impact of the reserve on Fee, the Board is funding the reserve over three years, FY 2021 through FY 2023. The annual reserve fund target is \$275,000 per year.

FY 2023 BUDGET NARRATIVE



UNDERSTANDING THE BUDGET & BUDGET PROCESS

THE BUDGET

The purpose of the budget plan is to match resources with the needs of the Agency. The budget provides for the general operation of the Agency for a one-year period; it includes expenditures and the means to finance them.

The financial projections in this document describe the annual Fiscal Year (FY) budget beginning July 1, 2022 and ending June 30, 2023.

This budget is a foundational financial document that projects revenues and expenditures including capital projects for the upcoming Fiscal Year.

THE BUDGET PROCESS & SCHEDULE

MARCH: Agency Staff generate a draft budget in coordination with the General Manager and the Business Manager.

APRIL: The Draft Budget is reviewed by the General Manager and the Business Manager and presented to the Finance Committee. Committee input is then incorporated into the Draft Budget.

MAY: A Board Budget Workshop is held. Following the workshop, Agency Staff incorporate Board input into the Draft Budget.

JUNE: The Preliminary Budget is adopted by the Board of Directors prior to the District's Budget adoption.

BUDGET AMENDMENTS

The Agency's Board does not formally amend the budget after approval. The General Manager has authority to enter into contracts and agreements and expend funds up to \$100,000. Purchases in excess of \$100,000 require approval of the Board. The General Manager may make emergency purchases in excess of \$100,000, but emergency purchases must be ratified by the Board at the next regular Board meeting. An emergency, as defined by Administrative Code §1508A, is "an unforeseen crisis or incident which requires immediate action and the acquisition of goods or services to forestall a shutdown of essential services; to avoid a threat to public health, safety, or welfare; or to avoid serious damage to property." The Board ratifies all Agency disbursements and changes in authorized positions at regular Board meetings.

BUDGETING BASIS

The Agency utilizes the accrual basis of accounting for budgeting purposes, which is the same basis used for financial reporting purposes in accordance with GAAP. Under the accrual basis of accounting, revenues are recognized in the period in which they were earned, and expenses in the period in which they were incurred. However, for accountability purposes, the Agency also budgets for capital expenditures and debt service principal payments. The Agency collects and records revenues and expenses as a Proprietary Fund. The Proprietary Fund includes both Enterprise Funds (Water, Wastewater, and Recycled Water) and Internal Services Funds. The activities of the Enterprise Funds are used to account for operations that are financed and operated in a manner similar to a private business enterprise. The activities of the Internal Service Funds are used to account for the operations of the Vehicles, Information Technology and Facilities Maintenance funds, and are ultimately allocated to the Enterprise Funds. Enterprise Funds are generally financed through user fees and charges generated from providing goods and services to the general public on an ongoing basis. Rather than being accounted for as a single integral entity, the Agency utilizes a governmental accounting structure where its activities are accounted for in a collection of smaller separate accounting entities known as "funds". Each fund includes a self-balancing set of accounts established to record the financial position and results pertaining to a specific activity. None of the Agency's funds are subject to appropriation.

FY 2023 BUDGET SUMMARY



OVERVIEW

The FY 2023 budget anticipates \$2.44M in revenue, \$1.39M in operational and non-operational expenditures and \$0.54M in capital expenditures. The spending plan reflects the expenses necessary to conduct Agency operations, development of the GSP, and projects meant to inform GSP development.

A projected budget surplus of approximately \$445,003 is primarily attributable to revenues from the Proposition 218 Parcel Fee, MWD Cost Share, and Prop 68 SGM Grant 1 Funds. These three revenue line items were determined in the 2020 Rate Study. The Study assumed two factors which differ from the FY 2023 Budget. First, the Study included a 10% annual contingency from estimated revenue requirements (approx. \$139,000 in FY 2023). This amount is not included in the FY 2023 budget as a separate line item but is incorporated into the Prop 218 Fee and MWD Cost Share revenue line items. Secondly, the Study assumed that no portion of operating expenses from staffing would be reimbursable by grant funds. For the FY 2023 budget, approximately \$76,000 of operating expense from staffing is estimated to be refundable from grant funds.

Additionally, due to delay in reimbursement funds from DWR for Grant reimbursable expenses incurred in FY 2022, an estimated \$230,000 of Grant reimbursable funds are anticipated in FY 2023 instead of FY 2022.

The favorable variance stemming from these three factors accounts for the majority of projected budget surplus in FY 2023.

REVENUE

Revenue is required for Agency operations, the development of the GSP, and implementation of projects meant to inform the GSP. Tables 4 shows the Agency's anticipated revenues for FY 2023.

Table 4: GSA Revenues

| GSA 2022/2023 REVENUE | FY 2021-2022 ADOPTED BUDGET | FY 2021-2022 FORECAST | FY 2022-2023 DRAFT BUDGET | BUDGET TO FORECAST FAVORABLE (UNFAVORABLE) |
|-----------------------------|-----------------------------------|--------------------------|------------------------------|--|
| Prop 218 Fee | \$ 1,070,567 | \$ 1,085,876 | \$ 1,052,013 | \$ (33,863) |
| MWD Cost Share | \$ 235,925 | \$ 235,925 | \$ 219,364 | \$ (16,561) |
| Prop 68 SGM Grant 1 Funding | \$ 954,352 | \$ 79,944 | \$ 1,161,349 | \$ 1,081,405 |
| Other: Interest Revenue | \$ 3,200 | \$ 61 | \$ 3,200 | \$ 3,139 |
| Total Revenues | \$ 2,264,044 | \$ 1,401,745 | \$ 2,435,926 | \$ 1,034,121 |

PROP 218 FEE

The Prop 218 Parcel Fee charges are submitted in July 2022 for collection by the County of Santa Barbara with the Agency receiving revenues twice per year, typically in December and April. The fee revenue is collected from owners of parcels that overlay the Basin (excluding parcels owned by government and public agencies). The FY 2023 budgeted revenue for the Prop 218 Parcel Fee for is \$1,052,013.

MWD COST SHARE

As the sole municipal water provider with properties directly benefiting from groundwater extraction, MWD is responsible for its proportional share of the Agency's costs based on estimated groundwater extractions. This proportion was determined by the 2020 Rate Study and established to be 17.4% (rounded to the nearest tenth percent) of all future cost, net of grants. The FY 2023 budgeted revenue for the MWD cost share is \$219,364.

PROP 68 SGM GRANT FUNDING

The Agency applied for and received a \$1.63 million grant to assist in funding the development of the GSP. By applying the grant as a revenue offset, the grant reduces the Agency's total revenue requirement through 2023 by \$1.63 million. This funding was made available to GSAs throughout the State from the 2018 voter-approved Proposition 68. This Proposition authorized \$100 million for competitive grants for projects that develop and implement groundwater plans and projects in accordance with groundwater planning requirements established under Division 6, commencing with §10000, Water Code §79775. DWR formed the Sustainable Groundwater Management (SGM) Grant Program to provide funding for sustainable groundwater planning and implementation projects through a competitive grant solicitation process, including the development of GSPs.

For FY 2023, the Agency is projecting revenue from Prop 68 SGM Grant repayments to be \$1,161,349. This revenue amount includes all the grant refundable expenses from Q1-Q4 of FY 2022, and a portion of grant refundable expenses that will be incurred for FY 2023 (Q1 and Q2). Expenses from Q3 and Q4 of FY 2023 are projected to be received as revenue in FY 2024.

Grant refundable expenses are submitted in report form to the DWR on a quarterly basis and are due approximately 2 months after the end of each quarter. The grant repayments are then disbursed to the Agency approximately 3 months after submission of the quarterly report. This creates an approximate lag of 4-5 months for grant repayment revenues from when the expenses are incurred.

OTHER: INTEREST REVENUE

Interest Revenue for the FY 2023 is estimated to be \$3,200.

REVENUE ASSUMPTIONS

1. **Prop 68 SGM Grant Funding**

Assumes the Agency will receive an extension on its grant completion date. Currently, October 31, 2022, is the final completion date for all projects under the GSP Development Grant. The Agency has requested from DWR an extension of this deadline to June 30, 2023 in order to complete several projects and the GSP. This extension will be in the form of an amendment to the existing Grant.

2. **Interest Revenue**

Interest Revenue for FY 2023 is estimated to be 0.15%. This estimate was provided by our investment advisor, Charles Schwab, and is thought to be conservative based on short-term rates at the time of budget preparation.

EXPENSES

Planned FY 2023 expenses are consistent with the 5-year financial plan and Fee Study (2020 Fee Study) prepared by Raftelis, dated May 6, 2020 and adopted by the Board of Directors on June 24, 2020.

OPERATING EXPENSES

Planned operating expenditures are separated into two categories consisting of operating and non-operating expenses. Operating expenditures are described in Table 5.

Table 5: GSA Operating Expenses

| GSA 2022/2023 EXPENSES | FY 2021-2022 ADOPTED BUDGET | FY 2021-2022 FORECAST | FY 2022-2023 DRAFT BUDGET | BUDGET TO FORECAST FAVORABLE (UNFAVORABLE) |
|--|-----------------------------------|--------------------------|------------------------------|--|
| OPERATING EXPENSES | | | | |
| Staffing | \$ (284,133) | \$ (194,068) | \$ (360,302) | \$ (166,234) |
| Administrative Expenses | \$ (88,904) | \$ (115,172) | \$ (89,469) | \$ 25,703 |
| PARCEL FEE ADMIN | \$ (8,250) | \$ (8,250) | \$ (8,250) | \$ - |
| LEGAL | \$ (37,500) | \$ (24,227) | \$ (37,500) | \$ (13,273) |
| <u>SGM Grant 1 Projects for GSP Development</u> | | | | \$ - |
| 1. Grant Agreement Admin | \$ (39,658) | \$ (39,658) | \$ (55,826) | \$ (16,168) |
| 2. GSP Development | \$ (130,000) | \$ (83,550) | \$ (122,682) | \$ (39,132) |
| 3. Sea Water Intrusion Monitoring | \$ (32,130) | \$ (170,328) | \$ (51,000) | \$ 119,328 |
| 4. Basin Numerical Model | \$ (49,532) | \$ (60,901) | \$ (25,183) | \$ 35,718 |
| 5. Private Well Metering Pilot | \$ (96,714) | \$ (54,723) | \$ (95,100) | \$ (40,377) |
| 6. Surface Water Flow Gauge Installation | \$ (130,000) | \$ (193,356) | \$ (72,864) | \$ 120,492 |
| | | | | \$ - |
| <u>Additional Engineering/Project Related Expenses</u> | | | | \$ - |
| 1. SGM Grant 2 Application Assistance | | | \$ (50,000) | \$ (50,000) |
| <u>Potentially Grant Refunable</u> | | | | |
| 2. Grant Agreement Admin | | | \$ (1,500) | \$ (1,500) |
| 3. Annual Reporting | | | \$ (35,000) | \$ (35,000) |
| 4. Continued Sea Water Intrusion Monitoring | | | \$ (25,500) | \$ (25,500) |
| 5. Continued Surface Water Flow Monitoring | | | \$ (62,813) | \$ (62,813) |
| 6. Upgrading Rain Collection Stations | | | \$ (10,000) | \$ (10,000) |
| ENGINEERING: GSP Development / Projects | \$ (478,034) | \$ (602,516) | \$ (607,468) | \$ (4,952) |
| Professional Services | \$ (523,784) | \$ (634,992) | \$ (653,218) | \$ (18,225) |
| | | | | |
| Subtotal Operating Expenses | \$ (896,821) | \$ (944,233) | \$ (1,102,990) | \$ (158,757) |

STAFFING

Staffing expenses for FY 2023 are estimated to be \$360,302 and include the estimates of salaries and benefits. The majority of Agency staff are shared employees with the MWD. Table 6 shows estimates of employee time allocation for Agency work.

Table 6: GSA Time Allocation

| Employee Type | % Time Allocation to GSA | % Time Allocation to Eng Projects |
|----------------------------|--------------------------|-----------------------------------|
| GSA Groundwater Specialist | 100% | 50% |
| General Manager | 20% | 0% |
| Engineering Manager | 20% | 3% |
| Business Manager | 10% | 0% |
| Public Information Officer | 30% | 0% |
| Administrative Assistant | 8% | 0% |
| GSA Temp Employee | 100% | 50% |

Table 6 also shows estimates of time that Agency staff will be working on Engineering Projects, which is accounted for within each Engineering project line item, most of these hours are grant refundable.

ADMINISTRATIVE EXPENSES

Administrative expenses for FY 2023 are estimated to be \$89,469, which include overhead related to office space, utilities, equipment, fuel, and liability insurance.

PROFESSIONAL SERVICES

Professional services for FY 2023 are budgeted to be \$653,218 and include numerous projects related to the development of the GSP, data collection projects, and administrative projects. Several of these projects are eligible for Grant reimbursement funds through the Agency's GSP development Grant (1). Additionally, the Agency will be applying for additional Grant funds through DWR in FY 2023 relating to GSP Implementation expenses. Several projects within Professional Services are anticipated by Agency staff to be eligible for reimbursement by the GSP Implementation Grant (2).

PARCEL FEE ADMINISTRATION

Expenses of \$8,250 are estimated to be incurred by use of contractors to assist with the administration of the GSA's parcel Fee.

LEGAL

Expenses of \$37,500 are estimated to be incurred by use of general and special legal counsel.

ENGINEERING: GSP DEVELOPMENT/PROJECTS GRANT 1

Expenses from the development of the GSP and implementation of numerous SGM Grant (1 and 2) projects.

1. Grant Agreement Administration (Grant 1)

Expenses of \$55,826 are estimated for the preparation and submission of all invoices, quarterly reports, and final reports pertaining to GSP Development and Grant Projects.

2. GSP Development

Expenses of \$122,682 are estimated for the development of the GSP document. The GSP is planned for completion, Board adoption, and submission to DWR in FY 2023.

3. Sea Water Intrusion Monitoring

Expenses of \$51,000 are estimated for the Sea Water Intrusion Monitoring project in FY 2023. The project will develop a network to monitor water level and water quality in several existing coastal wells. These wells will be used to assess existing and potential seawater intrusion risk and will be used as monitoring points for minimum thresholds related to groundwater levels and water quality. Expenses for FY 2023 will be incurred from sampling, analysis, interpreting, and reporting of water quality data from 5 wells in the Monitoring Network.

4. Basin Numerical Model

Due to the hydrogeologic complexity of the Basin, lack of recent technical analyses, and lack of data for specific components of the hydrogeologic conceptual model, an Agency consultant has constructed a Basin Numerical Model (BNM). The BNM provides the flexibility and detail needed to assess impacts related to the estimation and acquisition of data components, specific projects, and climate change over time.

Necessary components of the BNM, such as the hydrogeologic conceptual model and water use within certain sectors of the Basin, will be compiled as part of the larger GSP preparation, thereby minimizing costs associated with the BNM. Projects 3, 5, 6, and 7 of the GSP Grant Funded Projects will also provide data for refinement of the BNM over time. Expenses of \$25,183 are estimated for this project in FY 2023.

5. Private Well Metering Pilot

The MGB is unique to most California basins in that there is a high density of private wells with unknown extractions. In order to develop the GSP and sustainably manage the Basin, it is important that groundwater extractions from the private sector be reasonably known. The purpose of the Private Well Metering Pilot project is to engage a small number of private well owners in the Basin in the SGMA process. To do this, the Agency is providing an economic incentive for private well owners to volunteer for the installation of a flow meter on their private well(s) for purposes of monitor groundwater extractions and permitting the MGB GSA's collection of information on private groundwater systems. Expenses of \$95,100 are estimated for FY 2023 and will be incurred from the installation and monitoring and reporting of an estimated 30 meters on private wells.

6. Surface Water Flow Gauge Installation

Groundwater recharge from creek flow is a significant component of the Basins water budget for which there is little or no existing data. Regional creek flow is intermittent and extremely variable, which presents additional challenges for estimating recharge. This project provides a direct method of estimating recharge from creeks. Currently stream monitoring is being conducted on four creeks in the Basin at 12 locations. Monitoring includes the use of installed equipment and monthly manual measurements. These locations are as close as possible to where the creeks enter and exit the Basin. The difference in flow at these gages will be used to estimate the recharge to the Basin aquifer. Expenses of \$72,864 are estimated for FY 2023 will be incurred from the monitoring, calibrating, and reporting of these flow gauges.

ADDITIONAL ENGINEERING PROJECT RELATED EXPESNES

1. SGM Grant 2 Application Assistance

Agency staff are anticipating the submission of an application for Grant funds pertaining to the Implementation of the GSP (Grant 2) to the DWR. This application is planned for Q1 and Q2 of FY 2023. Agency staff will work with a consultant to generate this application. Expenses of \$50,000 are estimated for the preparation and submission of this Grant application. This expense will not be refundable by Grant 1 or 2.

2. Grant Agreement Administration (Grant 2)

Expenses of \$1,500 are estimated for the preparation and submission of all invoices, quarterly reports, and final reports pertaining to GSP Implementation and associated projects.

3. Annual Reporting

After GSP adoption, the Agency will be required to generate and submit annual reports to the DWR on its groundwater monitoring networks and overall Basin health. Expenses of \$35,000 are estimated for the preparation and submission of these reports. This work is planned to be conducted by consultants under direction by Agency staff. This work is anticipated to be refundable by the SGM GSP Implementation Grant 2, if received.

4. Continued Seawater Intrusion Monitoring

Expenses of \$25,500 are estimated for this project in FY 2023. These expenses are for the continued sampling, analysis, interpreting, and reporting of water quality data wells in the existing Monitoring Network.

5. Continued Surface Water Flow Monitoring

Expenses of \$62,813 are estimated for this project in FY 2023. These expenses are for the continued monitoring, analysis, and reporting of creek flow at previously defined locations in the existing Surface Water Flow Monitoring Network.

6. Upgrading Rain Collection Stations

Currently, the District owns and operates three rain collection sites south of the Santa Ynez Mountains. This project is designed to upgrade these rain collection sites to more accurate and digitally integrated systems. Total expenses for this project are estimated at \$20,000 and will be shared equally between the Agency and the District. Expenses of \$10,000 are estimated for this project in FY 2023.

Non-Operating Expenses

Planned non-operating expenditures are separated into two categories consisting of other expenses and reimbursement of MWD's past GSA expenses. These two categories are described in Table 7.

Table 7: GSA Non-Operating Expenses

| GSA 2022/2023 EXPENSES | FY 2021-2022 ADOPTED BUDGET | FY 2021-2022 FORECAST | FY 2022-2023 DRAFT BUDGET | BUDGET TO FORECAST FAVORABLE (UNFAVORABLE) |
|---|-----------------------------------|--------------------------|------------------------------|--|
| NON OPERATING EXPENSES | | | | |
| Board Member Compensation | \$ (7,480) | \$ (3,706) | \$ (7,480) | \$ (3,774) |
| Staff/Board Travel | \$ (1,875) | \$ - | \$ (1,875) | \$ (1,875) |
| Other Expenses | \$ (9,355) | \$ (3,706) | \$ (9,355) | \$ (5,649) |
| Reimbursement of MWD's past GSA Expenses | \$ (280,638) | \$ (280,638) | \$ (280,638) | \$ - |
| Subtotal Non Operating Expenses | \$ (289,993) | \$ (284,344) | \$ (289,993) | \$ (5,649) |

OTHER EXPENSES

Expenses of \$9,355 are estimated for FY 2023 for Other Expenses, which include Agency Board member compensation and Agency Staff/ Board member travel expenses. Board member compensation was calculated assuming 4 full board meetings and 6 committee meetings per year.

REIMBURSEMENT OF MWD'S PAST GSA EXPENSES

This expense is designed to reimburse MWD for prior GSA related costs. The reimbursement total amount (\$841,915) was calculated from expenses MWD paid on behalf of the GSA from FY 2016 thru FY 2020. The reimbursement of these costs are made to MWD in equal installments over a three-year period. The estimated expense of \$280,638 for FY 2023 will be the last year of this repayment.

Expense Assumptions

1. **Zero-Based Budgeting**

Methodology in which all expenses are justified for each new period.

2. **Cost of Living Adjustment (COLA)**

Determined using the Social Security Method, based on the U.S. Bureau of Labor Statistics Consumer Price Index for All Urban Consumers (CPI-U), Los Angeles-Long Beach-Anaheim, CA report for the 12-month period ending on March 31. COLA for FY 2023 is 7.0%. This COLA applies to all positions excluding the General Manager.

3. **Staffing Exclusions**

Agency Staff hours on Engineering Projects have been budgeted in each individual engineering project and excluded from Staffing.

4. **Parcel Fee Administration**

The Parcel Fee Administration is handled by NBS Government Finance Group

5. **Legal**

Legal expenses shown in the Budget are a combination of regular and special legal counsel.

6. **SGM GSP Implementation Grant**

Staff will be applying for additional DWR grant funds in FY 2023 relating to the Implementation phase of the GSP.

7. **Grant Administration**

This project consists solely of GSA Staff hours and is not refundable by either Grant.

CAPITAL EXPENDITURES

Capital expenditures for FY 2023 included all expenses related to the SGM Grant project that entails the planning, design, construction, and monitoring of groundwater monitoring wells in the Basin.

PLANNED CAPITAL PROJECTS

Monitoring Well Construction

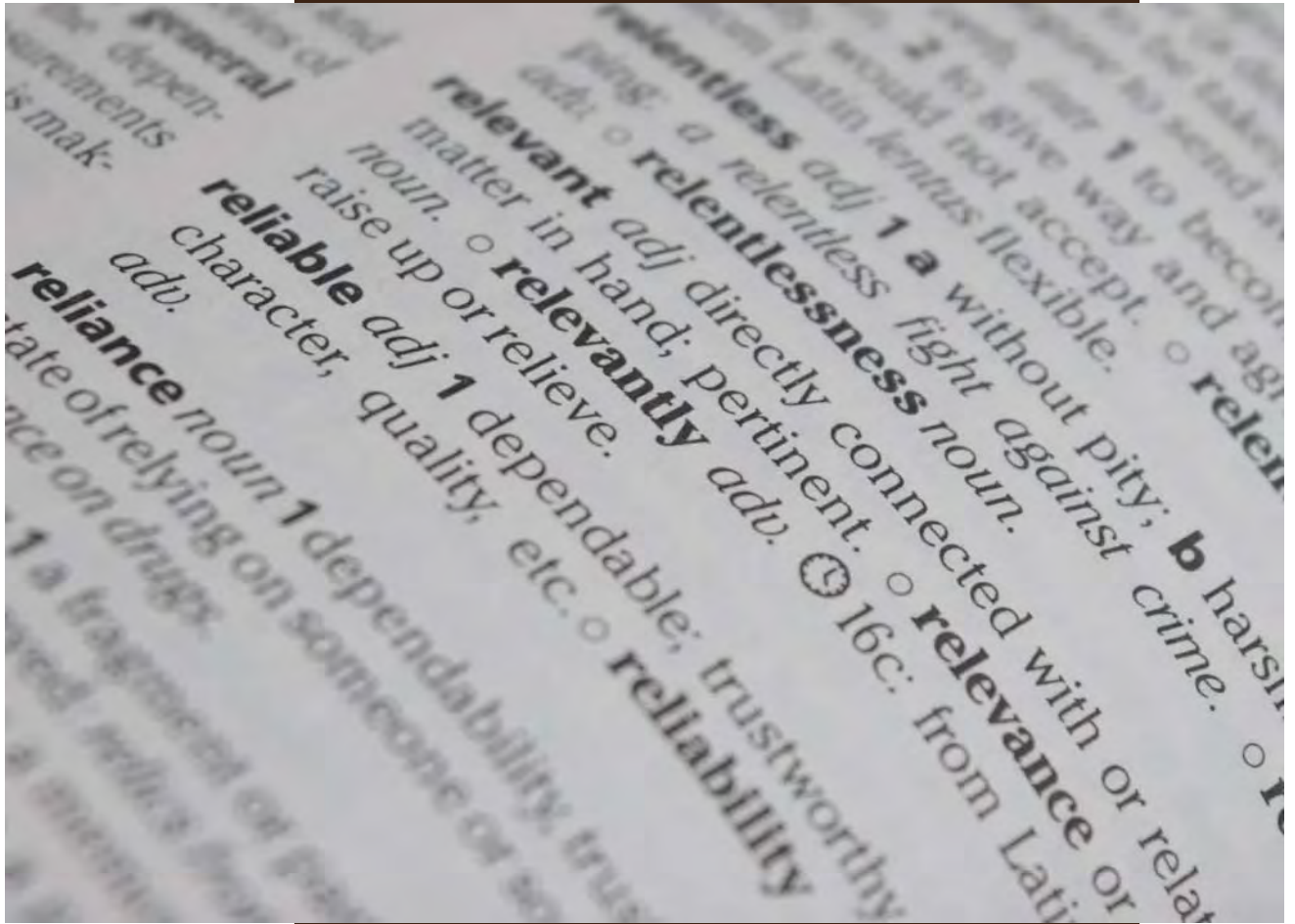
This project involves the construction of two clustered groundwater monitoring wells at key locations within the Basin to fill existing groundwater data gaps, such as in areas without wells

or where existing wells are inadequate or inaccessible. Based on what is known of the Basin hydrogeology, it is anticipated that each well “cluster” will consist of two individual casings completed and screened to different depths. These installations are forecasted to be drilled in Q1 and Q2 of FY 2023. Expenses of \$540,000 are estimated for this project in FY 2023.

RESERVES

The Agency has established a cash reserve to aid in inconsistent cash flow timing and unforeseen expenditures pursuant to Water Code Sections 10730(a) and 10730.2(a)(1) which explicitly authorize a prudent cash reserve. The reserve target is influenced by several factors including the timing of expenses and infrequency in revenue disbursements to the Agency throughout the Fiscal Year. Given the infrequency of revenue and the monthly recurrence of many expenses, the Board has established a cash reserve target of approximately six months of operating expenses, averaged over the first three Fiscal Years. To smooth the impact of the reserve on the new parcel fee, the Board elected to fund the reserve over three years beginning in FY 2021. The annual reserve fund target is \$275,000 per year. This is year 3 of 3 for reserve funding.

GLOSSARY



TERMINOLOGY & DEFINITIONS

ACRE-FOOT (AF): A unit of measure equivalent to one acre covered by one foot of water (equal to 325,851 gallons or 435.6 hundred cubic feet of water).

ACCOUNT: A financial tool for tracking revenues, expenditures and other financial transactions.

ACCRUAL BASIS: The method of accounting that recognizes income when earned and expenses when incurred regardless of when cash is received or disbursed.

APPROPRIATION: a sum of money or total of assets devoted to a special purpose.

ARBITRAGE: the simultaneous buying and selling of securities, currency, or commodities in different markets or in derivative forms in order to take advantage of differing prices for the same asset.

AUDIT: an official inspection of an individual's or organization's accounts, typically by an independent body.

BALANCED BUDGET: A budget in which the expenditures incurred during a given period are matched by revenues.

BASIN: Montecito Groundwater Basin

BUDGET: A financial plan that identifies anticipated revenues, projected expenses, and establishes the amount of funding allocated for each.

CAPITAL PROJECTS FUND: Utilized to account for financial resources used in the acquisition or construction of major capital facilities.

DEFICIT: The excess of expenditures over revenues during an accounting period.

DEPRECIATION: a reduction in the value of an asset with the passage of time, due in particular to wear and tear

ENTERPRISE FUND: Utilized to account for operations that are financed and operated in a manner similar to private sector enterprises where the cost of providing services to the general public is recovered primarily through user charges.

EXPENDITURE: Decrease in net financial resources. Represents the actual payment for goods and services or the accrual thereof.

FISCAL YEAR: A twelve-month time period signifying the beginning and ending period for recording financial transactions. The Agency's Fiscal Year begins July 1 and ends June 30.

FUND: An accounting entity with a set of self-balancing accounts for recording the financial resources and transactions of specific activities for a governmental organization.

OPERATING EXPENDITURES: Costs relating to labor, materials, repairs, equipment, and other costs required for daily operation of a department or fund.

PROGRAM: An activity or group of similar activities organized as a subunit of a department for planning and performance measurement purposes.

RESTRICTED FUNDS: Funds set aside or restricted for a specific purpose by legal commitment, by law, or by Board action.

REVENUE: Income received through such sources as taxes, fines, fees, grants or service charges which can be used to finance operations or capital assets.

SURPLUS: The excess of revenues over expenditures during an accounting period.

ACRONYMS AND ABBREVIATIONS

| | |
|-------------|--|
| AF: | Acre Feet |
| AFY: | Acre Feet per Year |
| HCF or CCF: | Hundreds of Cubic Feet (1 CCF = 748 Gallons) |
| COLA: | Cost of Living Adjustment |
| CY | Calendar Year |
| District | Montecito Water District |
| DWR: | California Department of Water Resources |
| FY: | Fiscal Year |
| GFOA: | Government Finance Officers Association |
| GSP | Groundwater Sustainability Plan |
| GSA | Groundwater Sustainability Agency |
| MWD | Montecito Water District |
| SGM Grant: | Sustainable Groundwater Management Grant |
| SGMA: | Sustainable Groundwater Management Act |
| WY | Water Year |