

Fiscal Year 2026-27 Budget



Adopted May 12, 2026



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

Tobe Plough, President

Floyd Wicks, Vice President

Ken Coates

Brian Goebel

Cori Hayman

This budget was prepared under the direction of:

General Manager / Board Secretary

Nicholas Turner

Staff Contributors

Adam Kanold, Assistant General Manager / Engineering Manager

Emma Godinez, Business Manager

Nicholas Kunstek, Groundwater Specialist

RESOLUTION NO. 25

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE
MONTECITO GROUNDWATER BASIN GROUNDWATER SUSTAINABILITY AGENCY
ADOPTING A BUDGET FOR FISCAL YEAR 2027**

WHEREAS, the Montecito Groundwater Basin Groundwater Sustainability Agency (“Agency”) is organized and existing under and pursuant to the Sustainable Groundwater Management Act (“SGMA”) and was declared by the California Department of Water Resources (“DWR”) as the exclusive Groundwater Sustainability Agency for the Montecito Groundwater Basin (“Basin”) in late 2018; and

WHEREAS, the mission of the Agency is to ensure a reliable and sustainable groundwater supply for the community through effective basin management pursuant to the SGMA; and

WHEREAS, pursuant to the SGMA, the Agency developed a Groundwater Sustainability Plan (“GSP”) for the Basin [Water Code §10727]; and

WHEREAS, on May 19, 2023, following a public review and hearing process, the Agency Board of Directors (“Board”) adopted a GSP for the Basin and subsequently DWR approved the GSP on February 27, 2025 [Water Code §10727.8]; and

WHEREAS, the GSP includes and supports the Agency’s Sustainability Goal which is to prevent undesirable results and optimize long-term use of the groundwater basin for the benefit of all stakeholders [Water Code §10727.2 and Water Code §10727.4]; and

WHEREAS, the Agency undertook a *5-year Financial Plan and Fee Study*, which was prepared by Raftelis, an independent financial consultant, and subsequently the Agency adopted Resolution No. 4 adopting a schedule of Groundwater Sustainability Fees (Fee) in June 2020 for Fiscal Years (FY) 2021 through 2025, which financial plan and fee model was updated by Raftelis for FY2026; and

WHEREAS, Raftelis prepared an updated financial plan and fee model for FY 2027 which revealed that the continuation of the FY 2026 Fee for FY 2027 was projected to meet the Agency’s financial and budgetary needs for its regulatory activities under SGMA, and subsequently the Agency adopted Resolution No. 24, a resolution continuing the Fee of \$120 per acre for FY 2027; and

WHEREAS, the Agency prepares and adopts an annual budget that provides a financial plan to assist with the implementation of its necessary programs, projects, and work plan for the fiscal year; and

WHEREAS, the Agency prepared a budget for Fiscal Year 2027 that estimates revenues and expenses from all sources required for operations; and

WHEREAS, the Fiscal Year 2027 budget is consistent with the June 2020 *5-year Financial Plan and Fee Study* and the updates thereto, and proposes a balanced budget which, if

implemented, will ensure that the Agency's revenue will be sufficient to fund all planned expenses and reserve fund balances; and

WHEREAS, the proposed Fiscal Year 2027 budget has been reviewed by the Board of Directors at a Budget Workshop held on April 15, 2026, and feedback received has been incorporated; and

WHEREAS, it has been determined to be in the best interest of the Agency to adopt the Fiscal Year 2027 budget for the continued sound financial operation of the Agency.

NOW THEREFORE BE IT RESOLVED by the Board of Directors of the Montecito Groundwater Basin Groundwater Sustainability Agency as follows:

1. The certain documents referred to as the "Montecito Groundwater Basin Groundwater Sustainability Agency Fiscal Year 2027 Budget" and all schedules, exhibits, and policies contained therein which are incorporated herein by this reference and included as Attachment "A", are hereby adopted as the annual budget of the Agency for the fiscal year beginning on July 1, 2026, and ending June 30, 2027.
2. That the amounts stated in the proposed budget shall become and thereafter be assigned to the departments, activities, and purposes stated therein and said monies are hereby authorized to be expended for the purposes and objects specific in said budget, subject to applicable California law, and the authority granted by the Agency Board concerning the authority of officers to execute contracts and instruments.

PASSED AND ADOPTED by the Board of Directors of the Montecito Groundwater Basin Groundwater Sustainability Agency this 12th day of May 2026 by the following roll call vote:

AYES: Coates, Goebel, Hayman, Plough, Wicks
NOES:
ABSENT:
ABSTAIN:

APPROVED:



Tobe Plough, Board President

ATTEST:



Nicholas Turner, Board Secretary

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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 the Fiscal Year 2027 (Fiscal Year Ending June 30, 2027) budget for the Montecito Groundwater Basin Groundwater Sustainability Agency (Agency). This budget was prepared by Agency Staff in collaboration with the Board of Directors. An extensive review and analysis were performed of the operational and capital needs of the Agency which supports the continued implementation of the Groundwater Sustainability Plan (GSP) and ongoing Basin management.

The budget serves as a policy document to guide management actions for Fiscal Year 2027. The budget provides sound financial management, efficient operations, achievable goals and objectives and transparent reporting.

The budget reflects the 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.*

BUDGET OVERVIEW



BUDGET OVERVIEW

HISTORY

The Sustainable Groundwater Management Act (“SGMA”) enacted in 2014 requires all high and medium priority non-adjudicated groundwater basins, as designated in Bulletin 118 issued by the California Department of Water Resources (“DWR”), to be managed by groundwater sustainability agencies and that such management be accomplished pursuant to groundwater sustainability plans (“GSP”). The requirements of the SGMA are set forth in Water Code Sections 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 Groundwater Sustainability Agency (GSA) for the Montecito Groundwater Basin (Basin) pursuant to the SGMA. In November 2018, the DWR declared MWD the exclusive GSA for the Basin.

In February 2019, the DWR finalized its groundwater basin reprioritization process designating the Basin as “medium” priority, thereby mandating compliance with the SGMA. The MWD formed the Montecito Groundwater Basin Groundwater Sustainability Agency (Agency) on April 29, 2019, through the Board of Directors’ adoption of Resolution No. 1, a founding resolution of the Agency. The Agency is created by statute (Water Code 10723), is granted powers under SGMA, and shares resources with MWD as memorialized in Resolution No. 12.

In accordance with the SGMA, the Agency shall reasonably and equitably manage the Basin to protect and enhance its health. The authorities of the Agency are granted pursuant to the SGMA legislation and advisory and decision-making responsibilities are vested in the Board of Directors (Board or Directors). The term “Director(s)” shall mean the elected and/or appointed representatives of MWD, 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.

The SGMA requires all groundwater basins designated as medium and high priority to be sustainably managed by a GSA by 2040, or 20 years after plan implementation. Between 2019 and 2023, the Agency developed the GSP for the Basin. After years of extensive data gathering, analysis, and modeling, the GSP concluded that the Basin is in relatively good health and that, as of May 2023, the Basin was not experiencing undesirable results as defined by the SGMA. As of May 2026, the Basin remains in good health. The GSP identified data gaps where additional information would improve the Agency's understanding of the Basin, aiding future monitoring and management.

Following a four-year process involving expert consultants and significant public involvement, the Agency adopted its GSP on May 19, 2023. The adopted GSP was subsequently submitted to DWR on June 22, 2023, for review. Immediately following adoption, the Agency began implementation of the GSP which focuses on additional data gathering, monitoring, and reporting. On February 27, 2025, the DWR approved the Agency’s GSP, finding that the GSP satisfies the objectives of the SGMA and substantially complies with the GSP regulations. The approval by DWR also proposes recommended corrective actions to enhance the GSP and facilitate future evaluation by DWR.

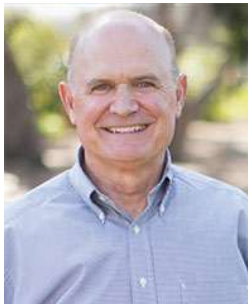
Fiscal Year (FY) 2027 will be year four of GSP implementation.

GOVERNANCE

The Agency is governed by a five-member Board of Directors (Board) elected by the registered voters of MWD for terms of four years. The Board is responsible for setting Agency policy. Terms are staggered for continuity and begin and end in December of the applicable year.

Current Directors and their respective terms are as follows:

BOARD OF DIRECTORS



Charles T. Plough
President
2024-2028



Floyd Wicks
Vice President
2024-2028



Ken Coates
Director
2022-2026



Brian Goebel
Director
2022-2026



Cori Hayman
Director
2022-2026

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 by 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 four hydrogeological storage units. These units are defined by regional faulting that transect the Basin.

Groundwater is relied upon primarily for residential use, with some commercial and agricultural uses. Available data suggests that there are approximately 400 public and private groundwater wells that pump from within the Basin boundary. Groundwater levels reached near historic low levels during the recent decade long drought (2012-2022), rebounded following the 2022/23 and 2023/2024 wet winters and are currently near average historical levels across a majority of the Basin.

The Basin, its storage units, and their relationship with MWD and neighboring public agencies' service areas are shown in Figure 1.

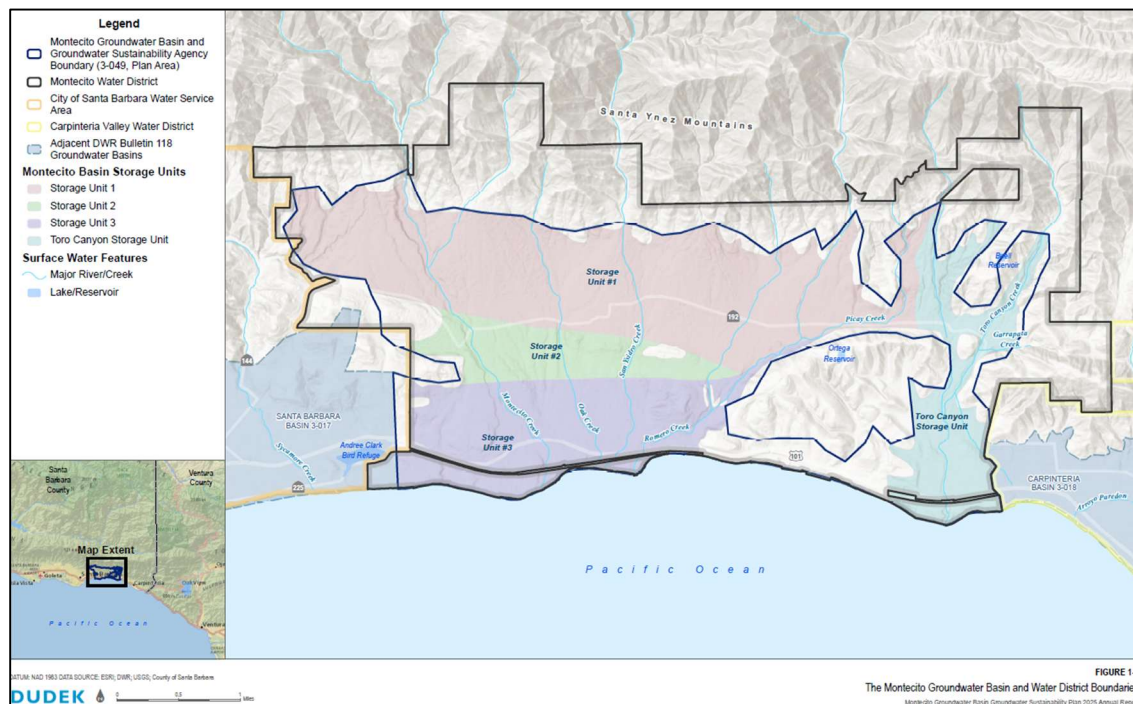


Figure 1: Montecito Groundwater Basin Boundary

GROUNDWATER SUSTAINABILITY PLAN

SGMA mandates high and medium priority basins be sustainably managed by 2042, or 20 years following GSP implementation. The Agency adopted the GSP for the Basin on May 19, 2023, and subsequently submitted it to DWR on June 22, 2023, for review and approval. This review was conducted by DWR and the GSP was subsequently approved on February 27, 2025. With GSP implementation beginning in 2023 following adoption, the Basin must achieve sustainability by 2043.

The development of the GSP for the Basin was an intensive four-year effort that resulted in a substantially enhanced understanding of the Basin. Consistent with the findings in the GSP, as of May 2026, the Basin is not experiencing undesirable results as defined by SGMA.

The GSP's Sustainability Goal is to prevent undesirable results and optimize long-term use of the groundwater basin for the benefit of all stakeholders. This will be achieved through a collaborative, knowledge-based process informed by locally defined quantitative criteria, ongoing monitoring and modeling, and incremental, data-supported management actions as needed to prevent seawater intrusion and ensure sustainable groundwater levels, storage, and quality.

During the first five years of GSP implementation, the Agency focus is on knowledge acquisition, data gathering and analysis, and vigilant monitoring. Incremental management actions will be taken only if Sustainable Management Criteria (SMCs) demonstrate they are necessary. In FY 2027, which is the fourth year of GSP implementation, the Agency's focus will remain on data gathering and implementing monitoring projects and management actions which are not capital intensive.

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
- Seawater Intrusion
- Surface water depletions that have significant and unreasonable impacts on beneficial uses

FINANCIAL PLAN AND GSA FEE

In June 2020, the Agency adopted a Five-Year Financial Plan and Fee Study (Fee Study) that established groundwater basin fees for Fiscal Years (FY) 2021 to 2025 that fairly and reasonably recover operating, administrative, and regulatory costs from properties which overlie the Basin. The Fee Study, dated May 6, 2020, was prepared by Raftelis, an independent financial consultant, and sets forth the methodology for charging a basin fee, known as the Montecito GSA Groundwater Sustainability Fee (Fee).

Table 1: Adopted Fees Schedule

(Per acre over basin)

FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027 Adopted
\$194.00	\$194.00	\$120.00	\$120.00	\$120.00	\$120.00 ¹

¹ Resolution No. 24: PASSED AND ADOPTED by the Board of Directors of the Montecito Basin Groundwater Sustainability Agency this 12th day of May 2026 for Fiscal Year 2027

The Fee is based on the total acreage of a parcel overlying the Basin. Individual charges are determined by multiplying the acreage overlying the Basin by the Fee. The adopted fees are shown in Table 2. Each fiscal year 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 Fee.

The Fee and its adoption comply with the requirements of the California Constitution and other applicable California law, including the SGMA.

The Fee is assessed annually by the Santa Barbara County Assessor’s office Department of Audit on each parcel overlying the Basin and is submitted for collection to the County of Santa Barbara with the Agency receiving revenues twice per year typically in December and April.

The Agency engaged Raftelis in late 2025 to update the Five-Year Financial Plan and fee model, aiming to assess the viability of current Fee for FY 2027. This analysis revealed that the continuation of the current Fee of \$120 per acre for FY 2027 is projected to meet the Agency’s financial needs for its regulatory activities under SGMA, including the implementation of a GSP.

On May 12, 2026, the Board adopted Resolution No. 24 continuing the Groundwater Sustainability Fee of \$120 per acre over the basin for FY 2027. The fee will be calculated in the same manner as established in Agency Resolution No. 4, is based on the total acreage of a parcel overlying the Basin, and individual charges are determined by multiplying the acreage overlying the Basin by \$120 per acre.

MWD COST RESPONSIBILITY

As the public water purveyor supplying potable water to properties overlying the Basin, and benefiting from its groundwater extractions, MWD was determined responsible for a share of the Agency’s operating, administrative, and regulatory costs based on its average annual groundwater extractions as a percentage of the estimated total groundwater pumped annually from the Basin. A *2016 Groundwater Basin Recharge Feasibility Study* (Feasibility Study), prepared by Dudek estimated total groundwater pumped from the Basin at 2,422-acre feet per year (AFY) for 2017. Private pumping was estimated to be 2,001 AFY and MWD production records for the same period indicated 421 AFY.

As shown in Table 2, MWD’s proportionate share of total groundwater extraction was determined to be 17.4%. Therefore, MWD is responsible for an equivalent percentage of all Agency costs, net of grant funding, if any. The cost responsibility is rounded to the nearest tenth of one percent.

Table 2: Montecito Water District Cost Responsibility

Pumper	Estimated Groundwater Extraction (AFY)	% Share
Montecito Water District	421	17%
Private	2,001	83%
Total	2422	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 groundwater from the Basin.

RESERVE FUND

In addition to the estimated operating expenses, the Agency has an established Reserve Fund. Water Code Sections 10730(a) and 10730.2(a)(1) explicitly authorize prudent cash reserves. Reasonable and achievable reserves are a financial tool to aid in cash flow timing and unforeseen financial outlays.

The Agency's latest Reserve Policy was adopted on May 12, 2026, for FY 2027 through Resolution No. 23. The Reserve Fund consists of an *Operating Reserve* and *Capital Reserve*, with a total reserve balance of \$500,000.

The *Operating Reserve* is comprised of cash reserves that are available to mitigate the impacts of operations related to the sustainable management of the Basin and debt service costs, if any. The Operating Reserve can be used to address unanticipated operations costs and routine cash flow needs. All unassigned funds are placed in the Operating Reserve. The targeted minimum balance for the Operating Reserve in FY 2027 is \$500,000. This reserve is designated to maintain working capital by smoothing cash flow fluctuations and is based on an amount sufficient to pay for approximately 199 days of normal operations of the Agency.

The *Capital Reserve* is comprised of cash used to fund the planning and/or construction of new capital assets and/or their replacement. Because no capital projects are budgeted for FY 2026, the balance for the Capital Reserve in FY 2027 is \$0.

The reserve targets are influenced by several factors, including the timing of expenses and infrequency in revenue disbursements to the Agency throughout the fiscal year.

Fiscal Year 2027 Budget



THE BUDGET & PROCESS

THE BUDGET

This budget is a foundational financial document that projects revenues and expenses including capital project expenditures, if any, for FY 2027. This FY 2027 budget covers the period beginning July 1, 2026, and ending June 30, 2027.

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.

THE BUDGET PROCESS & SCHEDULE

The budget process for the Agency is designed to produce a document that is: a policy document providing the rationale for the budget; a communication tool effectively conveying how the budget supports implementing short and long-range goals and strategies; an operational guide representing the structure of operations and performance measures; and a long-term financial plan to guide the Agency's allocation of resources.

Throughout the budget development process, the Agency's General Manager works closely with department managers to ensure the budget includes the financial resources required to achieve the Agency's strategic goals and objectives.

The Board of Directors publicly reviews and adopts the annual budget typically in May of each year for the upcoming fiscal year. The budget is adopted by resolution. The Agency then monitors and reports budgeted information to the Board of Directors on a quarterly basis at regularly noticed public meetings.

The public meetings for development of the budget for FY 2027 are detailed below:

April 9, 2026: The Draft Budget was presented to the Agency's Finance Committee, and committee feedback was incorporated.

April 15, 2026: A Budget Workshop with the Board was held. Following the workshop, Board input was incorporated.

MAY 12, 2026: The FY 2027 Budget was adopted via Resolution No. 25

All meetings of the Board of Directors of the Agency are open to the public and compliant with the Ralph M. Brown Act. Public participation in meetings of the Agency, including those held specifically for the development of this budget are encouraged. The public is notified of all public meetings in advance using the Agency's e-news list, its website and various regular publications including the local newspaper.

BUDGET AMENDMENTS

The Agency's Board may formally amend the budget after adoption.

Pursuant to the Agency's policy concerning the authorities of officers to execute contracts and instruments, the General Manager has authority to enter into contracts and agreements for budgeted studies and projects and expend funds up to \$200,000. Expenditures in excess of \$200,000 require the approval of the Board. The General Manager may make emergency purchases and contract for work in excess of \$200,000, but emergency purchases require advance concurrence of the Board President and subsequently must be ratified by the Board at its next regular meeting. The Board ratifies all Agency disbursements and changes in authorized positions at regular Board meetings.

BUDGETING BASIS

The Agency operates as a governmental fund and utilizes the accrual basis of accounting for budgeting and financial reporting in accordance with GAAP and GASB. Under the accrual basis of accounting, revenues are recognized in the period in which earned, and expenses in the period in which incurred. Additionally, the Agency also budgets for capital expenditures and debt service principal payments, if any. The Agency's accounting is managed by MWD using fund accounting. Each fund is a self-balancing set of accounts established to record the financial position and results pertaining to a specific activity or agency. Funds may be created to track activity for specific grants, projects, or reserves. Agency funds are not subject to appropriation.

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FISCAL YEAR 2027 BUDGET SUMMARY



Table 3: Fiscal Year 2027 Adopted Budget

	FY 2026	FY 2026 Forecast	FY 2027 Adopted	\$ Change FY27 vs FY26
REVENUES				
Groundwater Sustainability Fee	649,958	649,958	649,958	—
Montecito Water District Fee	136,916	136,916	136,916	—
Operating Revenue Subtotal	786,874	786,874	786,874	—
State Grants	43,450	—	43,450	43,450
Interest Revenue	24,000	30,000	30,000	—
Non-Operating Revenue Subtotal	67,450	30,000	73,450	43,450
TOTAL REVENUES	854,324	816,874	860,324	43,450
EXPENSES				
Personnel Services	272,397	272,397	303,802	31,405
Supplies	—	25,000	15,600	(9,400)
Outside Services	326,550	240,000	257,400	17,400
Rebates	12,000	8,000	12,000	4,000
Engineering Subtotal	610,947	545,397	588,802	43,405
Personnel Services	105,844	115,021	119,482	4,461
Professional Training	2,500	4,500	4,500	—
Supplies	3,000	2,430	1,850	(580)
Fuels	500	600	750	150
GIS	3,000	3,000	3,500	500
Outside Services	20,060	12,000	26,500	14,500
Software & App Subscriptions	2,204	1,200	2,300	1,100
Utilities	8,457	2,400	3,600	1,200
General Liability Insurance	70,000	29,175	30,000	825
Special Legal	2,500	—	2,000	2,000
Legal	30,000	19,000	30,000	11,000
Dues, Fees, Subscriptions	1,110	200	1,500	1,300
Office Space Rent	39,339	39,400	47,500	8,100
Administration Subtotal	288,514	228,926	273,482	44,556
Personnel Services	22,400	22,400	30,591	8,191
Postage	5,000	—	1,000	1,000
Website Development	3,000	500	3,000	2,500
GSA Outreach	17,888	5,000	10,000	5,000
Public Information Subtotal	48,288	27,900	44,591	16,691
Personnel Services	6,660	5,400	9,000	3,600
Administrative Services	—	1,500	2,500	1,000
Governing Board Subtotal	6,660	6,900	11,500	4,600
TOTAL EXPENDITURES	954,409	809,123	918,375	109,252
Net Operating Surplus / (Deficit)			(58,051)	

OVERVIEW

The FY 2027 budget anticipates \$860K in operating revenue, and \$918K in operating expenses. The spending plan reflects the expenses necessary to conduct Agency operations, and the fourth year of GSP implementation. GSP implementation, as outlined in the Agency’s adopted GSP, includes continued Basin monitoring, required annual reporting, and execution of various defined Projects and Management Actions. These Projects and Management Actions are planned over the first five years of GSP implementation and will be pursued as authorized by the Board and subject to available funding. The FY 2027 budget focuses on continued data acquisition, monitoring and reporting and does not include capital expenditure outlays.

The spending plan projects expenses to exceed revenue by (\$58K). This is attributable to the implementation of various projects and management actions necessary to advance the Agency’s understanding of the Basin and to assist in its future monitoring and management. The Agency is projected to have sufficient reserve funds, above the \$500K minimum reserve target, to fully cover the deficit. With the transfer of reserve funds into the operating account to cover the deficit, the FY 2027 budget is balanced.

Additionally, the spending plan projects approximately \$557K in the Operating Reserve in excess of the \$500K minimum reserve target at the end of FY 2027. These funds are surplus from prior fiscal years.

REVENUE

Table 4: Operating Revenues

	FY 2026	FY 2026 Forecast	FY 2027 Adopted	\$ Change FY27 vs FY26
OPERATING REVENUE				
Groundwater Sustainability Fee	649,958	649,958	649,958	—
Montecit Water District Parcel Fee	136,916	136,916	136,916	—
Operating Revenue Subtotal	786,874	786,874	786,874	—
NON-OPERATING REVENUE				
State Grants	43,450	—	43,450	43,450
Interest Revenue	24,000	30,000	30,000	—
Non-Operating Revenue Subtotal	67,450	30,000	73,450	43,450
TOTAL REVENUES	854,324	816,874	860,324	43,450

GROUNDWATER SUSTAINABILITY FEE

The Groundwater Sustainability Fee (Fee) is assessed annually by the Santa Barbara County Assessor's office Department of Audit on each parcel overlying the Basin. The schedule of Fees is submitted for collection to the County of Santa Barbara annually in July, with the Agency receiving revenues twice per year, a portion in December and the remainder the following April. The Fee is not collected from parcels owned by government and public agencies and is based on acreage. Pursuant to Agency Resolution No. 24, the Fee for FY 2027 is \$120/acre, as shown in Table 4. The planned total Fee revenue for FY 2027 is \$650K.

MONTECITO WATER DISTRICT FEE PAYMENT

As the sole municipal water purveyor overlying the Basin and with customers directly benefiting from groundwater use, MWD is responsible for a portion of the Agency's costs. MWD's share was determined in the 2020 Fee Study to be 17.4% of all future costs, net of grants, and is based on its estimated groundwater extractions compared to estimated total Basin extractions. Based on an evaluation of the updated 5-Year Financial Plan by Raftelis, and the Boards concurrence with that evaluation, the Agency's existing revenue sources, including the Fee and MWD Fee Payment, are sufficient to meet the revenue requirement for FY 2027 and both will remain consistent with their respective FY 2026 amounts. The planned MWD Fee Payment revenue for FY 2027 is \$137K.

GRANT FUNDING

In March 2025, the Agency was awarded grant funds totaling \$87,275 to upgrade one of its streamflow gaging stations. The funds awarded are for the purchase, installation, calibration, and the first year of operations and maintenance of the radar unit.

In April 2025, the Agency adopted Resolution No. 16 authorizing the funding request, acceptance and execution for the Stream Gage Upgrade Project. Of the \$87,275 grant award, \$43,825 was utilized for capital expenditures in FY 2026 for the purchase, installation, and calibration of the streamflow gaging station. The remaining \$43,450 will be utilized for the operation and maintenance of the streamflow gaging station in FY 2027. The Agency anticipates full reimbursement of the remaining grant funds in FY 2027.

INTEREST REVENUE

Interest Revenue for FY 2027 is budgeted at \$30,000, based on projected fund balances invested.

EXPENSES

Planned operating expenditures are separated into two categories consisting of operating and non-operating expenses. Operating expenses are costs that the Agency incurs to perform its primary activities to manage the Basin. Non-operating expenses are costs that are not directly required for those activities.

Pursuant to Resolution No. 12, the Agency shares resources with MWD including staffing. Based on historical activity, staffing expenses such as salaries and benefits are allocated between the Agency and MWD on a percentage basis. The percentage of staff allocated to the Agency is then distributed among Agency departments based on duties performed. The Agency's allocation of staffing is shown in Table 5.

Table 5: Staffing Allocation

Classification	% Allocation
Groundwater Specialist	100%
Intern	100%
General Manager	20%
Public Information Officer	15%
Assistant General Manager	10%
Business Manager	10%
Administrative Assistant	5%

Operating expenses are categorized by department and are described in Table 6.

Table 6: Operating Expenses

Department	FY 2026	FY 2026 Forecast	FY 2027 Adopted	\$ Change FY27 vs FY26
Engineering	610,947	545,397	588,802	43,405
Administration	326,076	228,926	273,482	44,556
Governing Board	6,660	6,900	11,500	4,600
Public Information	57,785	27,900	44,591	16,991
TOTAL OPERATING EXPENSES	1,001,468	809,123	918,375	109,552

ENGINEERING

\$589K is budgeted for Engineering department expenses and includes all engineering-related duties such as data acquisition, Basin monitoring, and annual reporting. The FY 2027 planned budget for Engineering expenses is 7% above FY 2026 forecast and is further detailed in Table 7.

Table 7: Engineering Expenses

Engineering	FY 2026	FY 2026 Forecast	FY 2027 Adopted	\$ Change FY27 vs FY26
Personnel Services	272,397	272,397	303,802	31,405
Supplies	—	25,000	15,600	(9,400)
Outside Services	326,550	240,000	257,400	17,400
Rebates	12,000	8,000	12,000	4,000
Total	610,947	545,397	588,802	43,405

Personnel Services & Supplies

\$319K is budgeted for the Engineering department Personnel Services and Supplies, which includes all engineering staff duties including Basin monitoring, GSP project management, data collection and analysis, and administrative tasks related to the engineering department. \$15K is budgeted for Supplies for the engineering department that are not directly related to an individual project.

Table 8: Engineering Expenses By Program

Engineering Program	FY 2027 Adopted
Reporting: Annual GSP Report	48,000
Reporting: 5-Year Evaluation	60,000
Monitoring: Labs - RMPs	7,200
Monitoring: Labs - Seawater Intrusion	4,400
Monitoring: Labs - Potential RMPs	10,400
Stream Monitoring	58,000
Stream Monitoring: Radar Unit Monitoring O&M	30,000
Voluntary Metering	2,400
Well Upgrades (Sound Tubes)	12,000
Recharge Rebates	12,000
SW Storage WQ Analysis	25,000
Total	269,400

Reporting

Annual Reporting

\$48K is budgeted for the development of the Agency’s fourth GSP annual report, which is required by DWR. This report will incorporate data collected on basin conditions for Water Year (WY) 2026 (October 1, 2025 – September 30, 2026) and is due on or before April 1, 2027. The Agency will coordinate with a consultant to prepare the annual report.

5-year Periodic Evaluation

\$60K is budgeted for the development of the Agency’s first 5-year Periodic Evaluation (Evaluation) of the GSP. The Agency is required to provide DWR with this Evaluation every five years. The Evaluation is designed to assess progress toward achieving the sustainability goals defined in the GSP and to address any corrective actions identified by DWR. The evaluation serves

to report on the status of the Agency's implementation of the projects and management actions identified in the GSP, and to integrate updated or new data, scientific information, or changed conditions. Completion of the Evaluation will span both FY 2027 and FY 2028. Approximately 30% of the expenses to prepare the Evaluation are budgeted for FY 2027 with the remainder planned for FY 2028.

Monitoring

\$22K is budgeted for ongoing monitoring of Basin groundwater level and water quality conditions at Representative Monitoring Points (RMP). An RMP is defined as a subset of monitoring wells or sites chosen to represent conditions within the Basin. Monitoring includes collecting data using the Agency's defined monitoring well networks, individual wells referred to as Representative Monitoring Points (RMP). Additionally, groundwater water levels and quality for potential seawater intrusion will be monitored at various RMPs.

\$58K is budgeted for Streamflow monitoring. Streamflow is a significant contributor to Basin recharge and is an important component of the Basin water budget. Streamflow over the Basin is intermittent, and flows are highly variable, which presents challenges for estimating recharge. In FY 2027, Streamflow monitoring will continue on two creeks that traverse the Basin at four locations. This is a reduction from 12 locations monitored on four creeks since streamflow monitoring began in 2021 and includes the use of installed equipment and manual measurements taken periodically throughout the water year. Stream flow monitoring will be performed by a consultant. This budgeted amount assumes WY 2027 will present average rainfall conditions. Should hydrologic conditions differ, the required monitoring and associated budget may require modification.

In April 2025, the Agency adopted Resolution No. 16 authorizing the funding request, acceptance and execution for the Streamflow Gage Upgrade Project. Of the \$87,275 accepted grant award, \$43,450 is anticipated in operating expenses covering the first year of operations and maintenance of the radar unit which spans FY 2026 and FY 2027. \$13K in expenses relating to O&M of this radar unit is forecast for FY 2026 with the remaining \$30K planned for FY 2027. Following the first year of operation, annual operations and maintenance is projected to reduce with the integration of the station into the entire stream monitoring network. The Agency anticipates full reimbursement of these expenses in FY 2027.

Project: Basin Numerical Model

No expenses are planned for this project in FY 2027. The Basin Numerical Model will be updated with recent groundwater conditions as a part of the GSP Annual Report. Expenses relating to this update are included in the Reporting section of this budget.

Project: Voluntary Private Well Metering

\$2.4K is budgeted to cover the cost of installing meter equipment and associated appurtenances on an estimated two private wells. A reasonable understanding of Basin extractions is important for sustainable management. The purpose of this stakeholder incentive program, which was originally implemented in 2021, is to encourage private well owners to volunteer to participate in the Agency's groundwater monitoring program to meter private groundwater extractions. The Agency is proposing to cover all expenses associated with the installation of a flow meter on a private well(s) for purposes of monitoring groundwater extractions, level and/or quality to enhance the understanding of Basin conditions.

Project: Upgrade RMP Well Network

\$12K is budgeted for upgrading the RMP network. This project involves equipping several wells in the Agency's RMP network with features such as high frequency monitoring equipment, sample ports, and sounding tubes. These upgrades will help improve the efficiency and accuracy of the Agency's monitoring activities.

Project: Well Registry

Expenses related to this project are limited to staff time and public outreach and are budgeted in the Administration department . In April 2024, the Agency instituted a well registration program (Registry). The Registry allows the Agency to collect well information from all groundwater wells in the Basin, pursuant to Ordinance No. 1. Data collected through the Registry includes current owner and operator contact information and well status and, if known, well construction information, and extraction estimates. This additional information is helping to refine model estimates, improve the understanding of groundwater conditions, and inform Basin management. As of the beginning of FY2027, the Agency has achieved 60% compliance with this program.

Project: Recharge Rebates

\$12K is budgeted for recharge rebates. In April 2024, the Agency adopted a Rebate Program to provide funding for small scale projects on private property that encourage infiltration of localized runoff into the Basin such as rain gardens and the conversion of impermeable surfaces to permeable surfaces.

Project: Evaluate Groundwater/Surface Water Interactions

The GSP defines Sustainable Management Criteria (SMC) for the Sustainable Indicators (SI) defined by DWR. SMC for the Interaction between Surface Water and Groundwater is not defined in the GSP due to a lack of available data. The GSP identifies a Baseline Project to acquire

the data necessary to better understand the Interaction between Surface Water and Groundwater in the Basin and if needed, define SMC in the 5-year Periodic Evaluation. In FY 2025, the Agency finalized the development of an *Interconnected Surface Water Evaluation Plan* to aid in the characterization of surface water–groundwater interactions in the Basin (ISW Plan). In FY 2026, the Agency completed Phase 1 of the ISW Plan, which involved analyzing all basin wells to determine their potential impact on surface water–groundwater interactions. . Expenses relating to implementing future phases of the ISW Plan including defining SMCs for this SI are not required and therefore not included in this Budget.

Project: SW Storage Unit 3 WQ Analysis

\$25K is budgeted for the continued evaluation of water quality in the southwestern region of Storage Unit 3 of the Basin, which has elevated levels of total dissolved solids (TDS), chlorides and other constituents in this region. In 2021, the Agency established a Seawater Intrusion (SWI) Monitoring Network using five private and public wells along the coastline. This network has been expanded to include seven wells. Historical water quality data suggests the southwestern region of Storage Unit 3 has elevated constituent levels as compared to other areas of the Basin. This is noted in the GSP as an area where further data collection and analysis is needed.

ADMINISTRATION

\$273K is budgeted for Administration department expenses, which includes all administrative duties including management, finance, and legal. The department includes costs associated with office space, utilities, equipment, fuel, subscriptions, and insurance. The FY 2027 planned budget for Administration expenses is 14% over FY 2026 forecast, which is primarily attributable to an increase in general liability insurance and personnel costs, and a decrease in planned outside services.

GOVERNING BOARD

\$11K of non-operating expenses include Board Governance compensation, travel expenses, and meals / training. Board member compensation was calculated, assuming four full board meetings and eight committee meetings per year.

PUBLIC INFORMATION

\$45K is budgeted for the Public Information department which includes continued public outreach for SGMA and GSP implementation, and to encourage stakeholder involvement.

Depreciation

\$31K in Depreciation projected during FY 2027 on two monitoring wells completed during FY 2024. One well is located on the Santa Barbara County property and the other on Montecito Sanitary District property.

Budget Assumptions

1. Zero-Based Budgeting

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

2. Projects and Management Actions

The FY 2027 Budget incorporates Projects and Management Actions as defined in Chapter 4 of the GSP. No capital projects are budgeted.

3. 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 2027 is 3.40%.

CAPITAL CONTRIBUTIONS

No capital projects are planned or budgeted for FY 2027.

CAPITAL EXPENDITURES

No capital expenses are planned for budgeted in FY 2027.

RESERVES

The Agency has an established Reserve Fund to aid with cash flow and unforeseen expenditures pursuant to Water Code Sections 10730(a) and 10730.2(a)(1) which explicitly authorizes a prudent cash reserve. The reserve target is influenced by several factors including the timing of expenses and infrequency in revenue disbursements throughout the fiscal year.

SURPLUS/DEFICIT

A (\$58K) Deficit is attributable to the implementation of various projects and management actions necessary to advance the Agency's understanding of the Basin and to assist in its future monitoring and management. The Agency is projecting sufficient reserve funds, in excess of the \$500,000 minimum reserve target balance, to absorb the projected deficit.

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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.

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.

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

GOVERNMENTAL FUND: Primarily supported through fees and assessments.

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 of the subsequent year.

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

FUND BALANCE: Fund balances are classified as non-spendable, restricted, committed, assigned and unassigned. Restricted fund balances have external restrictions. Committed and assigned funds are Board directed purpose constraints with committed funds having a constraint imposed by formal action of the Board. Unassigned funds are unrestricted and available for ordinary expenditures.

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.

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
Agency	Montecito Groundwater Basin Groundwater Sustainability Agency
Basin	Montecito Groundwater Basin (DWR Basin Number 3049)
Board	Board of Directors
COLA	Cost of Living Adjustment
CY	Calendar Year
DWR	California Department of Water Resources
FY	Fiscal Year
GASB	Governmental Accounting Standards Board
GAAP	Generally Accepted Accounting Practices
GFOA	Government Finance Officers Association
GSP	Groundwater Sustainability Plan
GSA	Groundwater Sustainability Agency
ISW	Interconnected Surface Water
MWD	Montecito Water District
P&MA	Baseline Projects and Management Actions
RMP	Representative Monitoring Point
SGM	Sustainable Groundwater Management
SGMA	Sustainable Groundwater Management Act
SMC	Sustainable Management Criteria
SI	Sustainability Indicator
WY	Water Year