

PROPOSED FEES AND CHARGES – IF APPROVED, CHANGES ARE EFFECTIVE JULY 1, 2020

	July 1, 2020	July 1, 2021	July 1, 2022	July 1, 2023	July 1, 2025
Monthly Meter Charge					
3/4-inch	\$46.86	\$48.18	\$49.53	\$50.92	\$52.35
1-inch	\$76.69	\$78.84	\$81.05	\$83.32	\$85.66
1 1/2-inch	\$135.04	\$138.83	\$142.72	\$146.72	\$150.83
2-inch	\$212.83	\$218.79	\$224.92	\$231.22	\$237.70
3-inch	\$731.49	\$751.98	\$773.04	\$794.69	\$816.95
4-inch	\$1,431.67	\$1,471.76	\$1,512.97	\$1,555.34	\$1,598.89
6-inch	\$3,246.97	\$3,337.89	\$3,431.36	\$3,527.44	\$3,626.21
Monthly Private Fire Charge					
2-inch	\$19.35	\$19.90	\$20.46	\$21.04	\$21.63
4-inch	\$91.89	\$94.47	\$97.12	\$99.84	\$102.64
6-inch	\$256.70	\$263.89	\$271.28	\$278.88	\$286.69
8-inch	\$540.96	\$556.11	\$571.69	\$587.70	\$604.16
Water Usage Rates (\$/hundred cubic feet or hcf)					
Residential					
Tier 1: 9 hcf	\$6.56	\$6.75	\$6.94	\$7.14	\$7.34
Tier 2: 10 - 35 hcf	\$11.14	\$11.46	\$11.79	\$12.13	\$12.47
Tier 3: 35+ hcf	\$12.31	\$12.66	\$13.02	\$13.39	\$13.77
Commercial	\$9.63	\$9.90	\$10.18	\$10.47	\$10.77
Institutional	\$10.58	\$10.88	\$11.19	\$11.51	\$11.84
Agriculture	\$5.50	\$5.66	\$5.82	\$5.99	\$6.16
Non-Potable	\$1.80	\$1.86	\$1.92	\$1.98	\$2.04

Note: 1 hcf = 748 gallons

WHERE CAN I GET MORE INFORMATION?

The COVID-19 pandemic means we must rely on many different communication methods to inform customers and gather feedback. In addition to this notice, we've inserted information in your bills, put messages on your bills, placed ads in the Montecito Journal, used our electronic newsletter and social media. Visit www.montecitowater.com to get more information or review the rate study. For assistance in determining the impact of the proposed rate changes on your bill, please call **Customer Service at 805-969-2271**. We welcome your questions and feedback.



Montecito Water District
583 San Ysidro Road
Santa Barbara, CA 93108

Public Hearing:
June 25, 2020 | 9:30 a.m.
583 San Ysidro Road
Montecito, CA 93108
COVID-19 remote/virtual
access information inside



NOTICE OF PUBLIC HEARING ON PROPOSED WATER RATE INCREASE

Notice is hereby given that the Board of Directors of the Montecito Water District ("MWD" or "District") will conduct a public hearing on June 25, 2020 at 9:30 a.m. at 583 San Ysidro Road, Montecito, CA 93108. Members of the public may attend the public hearing at the address indicated above, where the Board will consider adopting increases to the District's water rates and charges. If California Governor Gavin Newsom's Executive Order N-29-20 has not been rescinded or modified to allow for public gathering or in-person participation (due to COVID-19), remote participation information will be posted at the above location, on the website www.montecitowater.com, and available by calling 805-969-2271. The proposed increases are the result of detailed budget analysis and the findings of the Montecito Water District Rate Study Report ("Rate Study") prepared by Raftelis, an independent financial consulting firm specializing in cost of services analyses and rate setting, to determine appropriateness of the amounts and a fair and equitable cost allocation among water customer categories. The net impact of the proposed changes in the rates for water customers will vary based upon actual water consumption and meter size.

WHY AM I RECEIVING THIS NOTICE?

You are receiving this notice because you are the customer of record (or landlord) of one or more water connections located within the service area of the District. California's Proposition 218 law requires water providers such as MWD to notify and secure approval from customers when proposing an increase to water rates and fees.

www.montecitowater.com | 805-969-2271
info@montecitowater.com

MONTECITO WATER DISTRICT IS DELIVERING A SECURE WATER FUTURE

WHAT'S DRIVING THE NEED FOR WATER RATE CHANGES?

We've heard from our customers, who want their drinking water to come from local, reliable supplies with stable, predictable, and affordable rates. To that end, there are several primary factors influencing our review of how we charge for water service:

The Challenges:

- Our current water sources are projected to be insufficient to meet our community's future needs.
- In the most recent drought, surface supplies dwindled, and groundwater was relied on heavily and became severely depleted. High-risk supplemental water had to be purchased to cover our community's needs, even though customers cut their water use. Future droughts are forecast to last longer and be more severe. Climate change is one factor.
- Environmental and regulatory restrictions are expanding, which is expected to further limit supplies from the State Water Project and Lake Cachuma.
- Water storage is also a concern. Capacity in Jameson Lake and Lake Cachuma has been permanently reduced as a result of silting and fires, which also impacts water quality.
- Many parts of Montecito and Summerland rely on water infrastructure that is almost 100 years old and becomes less reliable each day.

We must have a plan to provide for water needs moving forward. Our solution includes:

- Negotiating a long-term Water Supply Agreement (WSA) with the City of Santa Barbara. The City's desalination plant provides the foundation for the WSA, which will cement a regional partnership in water management and provide our customers with a flexible, drought-resilient supply at a guaranteed cost for the next 50 years.
- Continuing to modernize our water system to better ensure reliability, with planned investments of more than \$11.7 million over the next five years.

WHY IS MWD PURSUING A WATER SUPPLY AGREEMENT WITH THE CITY OF SANTA BARBARA?

It's vital that we have a local reliable drought-proof water supply and predictable water rates. A long-term water supply agreement with the City of Santa Barbara will provide our customers certainty for the next 50 years.

This new water supply would provide:

- Guaranteed supply at predictable cost—to dramatically reduce the need to purchase costly and unreliable supplemental water in the future; especially important given the uncertain availability and cost of State Water Project water.
- Local, reliable water—securing the supply agreement will make 40% of our water supply nearly 100% reliable.
- Increased value for our State Water Project (SWP) investment—if there is surplus SWP water in non-drought cycles, water can be "banked" and securely stored for future use, or possibly leased/sold.
- Potential for the District to become a water seller—not buyer—of supplemental water in the future. This limits unknown costs for future supplemental water purchases and creates an opportunity to earn revenue that would reduce costs for our customers.

DROUGHTS COME AND GO, WHY CAN'T WE JUST RELY ON CURRENT SOURCES AND CONSERVE MORE RATHER THAN COMMITTING TO NEW WATER SOURCES?

The impacts of climate change are evident in our region. Droughts are increasing in intensity and impacting all our main water sources including surface water and groundwater. Environmental requirements, like safeguarding fish habitats and protecting groundwater supplies, will further reduce water supply availability.

MWD relies heavily on State Water Project (SWP) infrastructure for allocation deliveries and supplemental water purchases. On average, the District receives just 60% of its annual allocation, with future allocations projected by the state of California to drop as low as 40%. This year we expect to receive just 15% of our allocation. Costs for SWP supply will continue to rise while deliveries remain unreliable in the future.

An ongoing commitment to water conservation remains an essential part of our water supply plan. District customers reduced their water use by nearly 50% during the recent historic drought, though conservation has relaxed a bit since then. Frankly, there's not much more water use that can be cut without significant lifestyle changes.

WHAT IS THE BASIS FOR THE PROPOSED WATER RATE STRUCTURE AND WATER RATES?

The rate setting process began last year, when MWD hired Raftelis, an independent financial consulting firm with water district clients throughout California and across the United States. Raftelis helped the District develop our plan that provides water supply reliability at predictable costs.

Raftelis' work included three critical elements:

- Developing a sound financial plan that aligns with our need to invest in water supply and infrastructure projects.
- Performing a detailed cost of service analysis to verify that revenue coming from customers aligns with the costs to serve them. This approach helps us ensure we keep rates fair, equitable, and tied to the demand customers place on the water system.
- Delivering a comprehensive water rate study. This industry best practice helps ensure that the District will be able to meet future obligations to our customers.

WHAT WERE THE RESULTS OF THE RATE STUDY?

The rate study determined that the District requires 2.8 percent more revenue each year for five years, beginning July 1, 2020, to fund operating and capital costs, maintain adequate reserve balances, and meet existing debt service obligations.

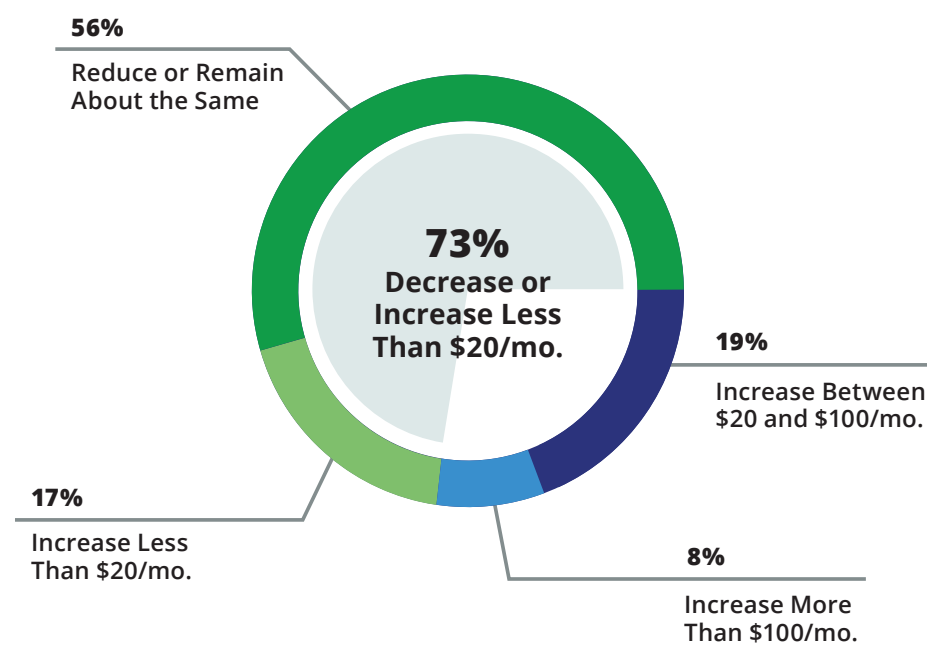
The results of the rate study allowed us to develop a proposed rate structure that:

- Keeps things simple and transparent; making it easy for our customers to monitor their water use to encourage water efficiency.
- Adjusts tiered volumetric rates to more accurately reflect how customers use water today, and to reinforce our commitment to conservation.
- Funds critical water supply investments and infrastructure improvements to ensure water supply availability long term and prevent/reduce service disruptions and associated water loss.
- Adjusts rates to be aligned with total District consumption and include drought related expenses to avoid the need for a surcharge.
- Solidifies MWD's long-term financial plan and builds responsible reserve funds that will help maintain gradual, predictable future rate increases.

WHAT IMPACT WILL THIS HAVE ON MY MONTHLY BILL?

If the new proposed rate structure is implemented in July 2020, approximately 56% of customers will see a decrease in their bills for the next 12 months, assuming their water consumption remains the same as it has been in the past. Even with these changes it will still cost less than two pennies per gallon to have water delivered to your faucet 24/7/365.

MONTHLY CUSTOMER BILL IMPACTS 2020



EXAMPLES OF THREE RESIDENTIAL MWD CUSTOMERS WITH DIFFERENT WATER USAGE AND ANTICIPATED IMPACTS ON THEIR BILLS:

Customer 1 12 hundred cubic feet/mo.	Customer 2 23 hundred cubic feet/mo.	Customer 3 36 hundred cubic feet/mo.
Monthly Bill Decreases by \$11.47	Monthly Bill Increases by \$13.72	Monthly Bill Increases by \$38.28

Note: 1 hcf = 748 gallons

IF YOU OPPOSE THE PROPOSED CHANGES

Any current customer of record upon which the water rate changes are proposed, or any tenant directly responsible for payment of water rates (i.e., a customer of record who is not a property owner), may submit a written protest to the proposed rate increases to the District's water rates; provided, however, only one protest will be counted per identified parcel. Each protest must: (1) be in writing; (2) state if the protest is submitted in opposition to the water rate increase; (3) provide the location of the identified parcel (by service address or assessors' parcel number); and (4) include the name and signature of the person submitting the written protest. Written protests may be submitted by mail or in person (via door mail slot if COVID-19 restrictions remain in place) to the Montecito Water District office at 583 San Ysidro Road, Montecito, CA 93108. All written protests must be received prior to the conclusion of the public comment portion of the public hearing. Any protest submitted via email, facsimile, or other electronic means will not be accepted as a formal written protest. For any protest submittal, whether mailed or submitted in person, please identify on the front of the envelope that the enclosed letter is for the public hearing on Proposed Water Rate Increases. The Board of Directors will consider all written protests timely submitted and hear and consider all public comments made at the public hearing. Oral comments at the public hearing will not qualify as formal protests unless accompanied by a written protest. At the conclusion of the public hearing, the Board of Directors will determine whether to adopt the proposed rate increases described in this notice. If, after the close of the public hearing, written protests against the proposed rate increases and as outlined above are not presented by a majority of the record customers or responsible tenants of the identified parcels upon which they are proposed to be imposed, the Board of Directors will be authorized to impose the rate increases. If you have any questions regarding the information provided in this notice, or the rates applicable to your property, please contact **Customer Service at 805-969-2271**.