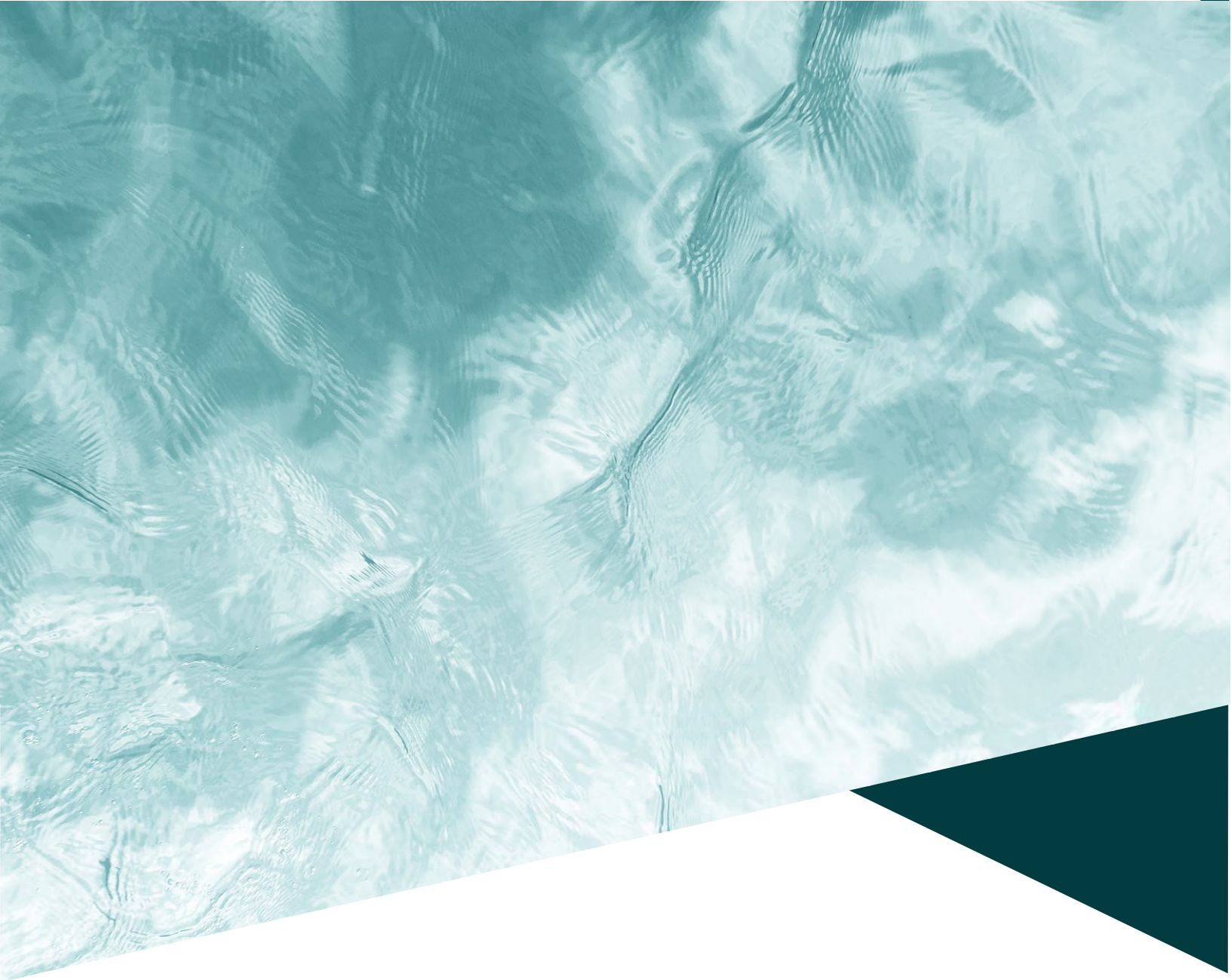


GOLETA SANITARY DISTRICT

Sewer Connection and Annexation Fee Report

REPORT / June 9, 2026

GOLETA SANITARY
Water Resource Recovery District
Protecting Public Health and the Environment

RAFTELIS

RAFTELIS

June 9, 2026

Mr. Steve Wagner
General Manager
Goleta Sanitary District
1 William Moffett Place
Goleta CA 93117

Subject: Sewer Connection and Annexation Fee Report

Dear Mr. Wagner:

Raftelis is pleased to provide this report for the Goleta Sanitary District (GSD or District). The study proposes updates to the District's fees for new development, including the annexation fees (the process of entering a land parcel into the service area of the District) and the connection fees (the cost of purchasing a unit of capacity in the District's facilities). This report details the methodology for the proposed fees and presents the recommended sewer connection fees and impacts.

It has been a pleasure working with you, and we thank you and other GSD staff for the support provided to Raftelis during this study.

Sincerely,

Sudhir Pardiwala, P.E.
Senior Principal

Kevin Kostiuk
Senior Manager

Journ Galvan
Consultant

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1. Executive Summary

1.1. Background

The Goleta Sanitary District (GSD) is a public utility agency established in 1942 to protect public health and the environment by providing essential wastewater collection, treatment, and resource recovery services. The District serves a population of approximately 80,000 residents within the Goleta Valley, which includes the City of Goleta, the University of California at Santa Barbara (UCSB), the Santa Barbara Airport, and unincorporated areas of Santa Barbara County. As a California Special District, GSD operates as an independent local government agency.

The mission of the Goleta Sanitary District is to provide safe, reliable, and cost-effective wastewater services while promoting environmental stewardship through innovative water reclamation and resource recovery. The District's core operations encompass the management of over 135 miles of sewer collection mains and the operation of a state-of-the-art Water Resource Recovery Facility (WRRF). The WRRF can treat up to 9 million gallons per day (MGD) of wastewater. Treated effluent not reused is discharged one mile offshore via the District's ocean outfall. The District provides a high level of secondary and tertiary treatment, ensuring that treated effluent meets or exceeds stringent California Title 22 standards for environmental discharge and reuse. Additionally, the District utilizes advanced anaerobic digestion to process biosolids, which can be repurposed for soil amendment, further reducing the agency's environmental footprint.

GSD is governed by a five-member elected Board of Directors who oversee the District's strategic direction and financial health. The agency's operations and capital costs are funded primarily through sewer service charges from retail customers and cost sharing of treatment facility costs with partner agencies including Goleta West Sanitary District (GWSD), UCSB, Santa Barbara County, and the Santa Barbara Airport. Rehabilitation of aging collection systems and the modernization of treatment technologies ensures compliance with evolving state and federal environmental regulations.

1.2. Background of the Study

The District engaged Raftelis in 2025 to conduct an updated sewer connection fee study in conjunction with the sewer rate and fee study. The objective was to review the existing fees, evaluate alternatives, and update as appropriate, the sewer connection and annexation fees. This report documents the resultant findings, analyses, and proposed changes to the District's sewer connection fees. The updated connection fees documented in this report are in alignment with the rules and regulations of California State Government Code Section 66013. This report is the formal technical documentation in support of modifications to the sewer connection and annexation fees within the District's service area.

The major objectives of the study include the following:

- Review of the existing connection and annexation fees including the basis for, structure of, and charge of each fee
- Updates the charges to reflect the current state of the District's collection and treatment facilities and corresponding user demands on the systems
- Establish charges that are fair to both future users and to existing users who have previously invested, and reinvested, in the sewer collection and treatment facilities

- Align the fee structure with the best available data and common estimates from the sewer rate and fee study

1.3. Connection Fees

Connection fees are also commonly known as developer fees, development impact fees, capacity fees, and system development charges, among others. This report uses the term connection fees reflecting the nomenclature used by GSD. Connection fees are one-time capital charges assessed against a new development to recover the proportional share of capital facility investment necessary to accommodate growth. Connection fees are codified in the California Government Code Sections 66000-66025 (also known as the Mitigation Fee Act). Connection fees must reflect the link between the fee imposed on, and the benefit received by, a new connection to the system. The fee charged may not exceed the reasonable share of costs associated with providing the service.

Broadly, utilities use one of three different methodologies to calculate connection fees: Buy-In, Incremental, or Hybrid; with variations of each dictated by local community and system characteristics, as well as policy objectives. Utilities have broad latitude in the method and approach used to calculate fees provided the fees reflect the benefit and do not exceed the reasonable costs for providing service to the connection. These fees are designed to be proportional to the burden placed on the system by new connections.

1.4. Current Fees

The District last revised its sewer connection fees in January 2018, implementing changes July 1, 2018[1]. Since that time fees have been updated to account for construction cost inflation. The District escalates fees each July 1 based on the 12-month change (April to April) in the Bureau of Labor Statistics (BLS) Producer Price Index (PPI) – Construction for Government[2] . The existing connection fee is expressed as an Equivalent Residential Unit (ERU) and the current fee is $2,750 per ERU. One ERU is equivalent to a Single Family Residential (SFR) dwelling unit and currently represents 203 gallons per day (gpd) of flow.

In addition to the connection fee, the existing annexation fee is a function of GSD's existing facilities. The District last revised its annexation fee in March 2018[3]. These fees were developed based on the equity in the maintenance of the District's facilities and are separate and distinct from the connection fees. The existing annexation fee is expressed as a fee per acre and the current per-acre fee is $2,546 multiplied by the total acreage of the property being annexed, or $2,546 for properties of one acre or less, plus a $200 application charge for processing.

While each property is unique, for a typical SFR home, the total fees are $5,496.

[1] Goleta Sanitary District Ordinance No. 87 dated January 15, 2018.
[2] WPUFD432 is the Bureau of Labor Statistics (BLS) Series ID for the **Producer Price Index (PPI) by Commodity: Final Demand: Construction for Government**. The index measures the average change over time in the selling prices charged by contractors for new, repair, and maintenance construction work performed for government.
[3] Goleta Sanitary District Ordinance No. 88 dated March 5, 2018.

1.5. Recommended Fees

1.5.1. Connection Fees

Since the District has existing capacity in its sewer system to meet the needs of new residential, commercial, and industrial customers, it is reasonable and appropriate to determine connection fees based on the Buy-In method. Raftelis worked closely with District staff to determine the value of the existing sewer system facilities, which is expressed in terms of replacement cost less depreciation (RCNLD). This approach estimates the system in today's dollars while acknowledging that system's facilities, in whole, are not new and subject to depreciation. The value of the system, including reserves, is spread over the existing system utilization to determine the "equity" of existing users and derive the proposed buy-in connection fees.

The analysis herein utilizes the Equity Buy-In method and an updated flow per ERU of 150 gpd, consistent with the analysis and determination of sewer service charges within the sewer rate and fee study. The calculated and proposed sewer connection fee is $6,070 per equivalent residential unit (ERU) or $38.89/gpd.

Table 1-1 shows the schedule of proposed sewer connection fees as well as the current schedule. For a new single family residential (SFR) dwelling, the sewer connection fee will increase by $3,320 per dwelling unit. Values shown in report tables and figures are rounded to the digit shown. Therefore, any manual reproduction of the calculations shown may not match the precise results displayed in the report.

Table 1-1: Current and Proposed Connection Fees

Connection Fees	$/ERU
Current	$2,750
Proposed	**$6,070**
Difference	*$3,320*

1.5.2. Annexation Fees

Annexation fees allow the new properties to achieve equity with the properties in the District by recognizing tax revenues to the District contributed by the property owners within the District.

Property owners in the District have paid assessed valuation (AV) based property taxes since the formation of the District. Developed properties paid higher taxes than undeveloped properties by virtue of their higher assessed values. Annexation fees are determined by estimating the present value of the taxes that the annexing property would have paid.

GSD receives approximately $200,000 per year in property tax revenues from properties within the service area. While the value is a material amount of the District's finances on its own, on an equivalent parcel basis the value is de minimis. A high-level estimate is an AV-based annexation fee of about $50 per ERU which would result in a very small amount of revenue earned by the District. Based on the costs of staff time in calculating an annexation charge, and in discussions with staff, it is our opinion that the effort would cost more in staff labor than the total charge. For this reason, Raftelis recommends that the annexation fee cover only the administrative costs that the District incurs to process the annexation. These costs should be passed on to customers based on the administrative time expended in processing annexations.

If historic data exists to identify the standard, or routine, cost of processing an annexation, the District could schedule a processing fee (i.e., $250 per annexation). Typical single family residential annexation can be a fixed amount based on the cost incurred which should be generally consistent for residential connections. For non -residential connections, annexation processing costs may vary, therefore, the District could base each annexation on a time and materials basis.

Table 1-2: Current and Proposed Annexation Fees

Annexation Fees	
Current	$2,546 / Acre[4]
Proposed	**Processing Time**

1.5.3. Total Combined Fees and Impacts

Table 1-3 shows the estimated change in total fees for a new single family residential connection. Impacts to other user classes are highly dependent on the user classification, estimated wastewater flow generation, and location. Combined fees are shown both with and without annexation, as this fee only applies to parcels currently outside the District's service area.

Table 1-3: Single Family Residential Fee Impacts – Current and Proposed

Single Family Residential	Current	Proposed
Connection Fee (1 ERU)	$2,750	$6,070
Annexation Fee	$2,546	$0
Annexation Processing[5] (if out of District)	$200	$200
Combined Fee w/Out Annexation	**$2,750**	**$6,070**
Combined Fee w/Annexation	**$5,496**	**$6,270**

Figure 1-1 and **Figure 1-2** provides a comparison of connection/capacity fees charged by neighboring, regional, and peer agencies. The GSD current is first shown with the annexation fee (i.e. includes the existing connection fee and existing annexation fee) and then shown without the annexation fee (connection fee only). The GSD proposed represents the results of this study. The average connection fee for the agencies surveyed (excluding the District's current and proposed charge) is approximately $7,200 per equivalent residential unit. The proposed GSD connection fee would be in the middle of surveyed agencies.

[4] One acre minimum

[5] Assumes current and proposed would be the same as both are for administrative processing

Figure 1-1: Single Family Residential Connection Fee Comparison (With GSD Annexation)

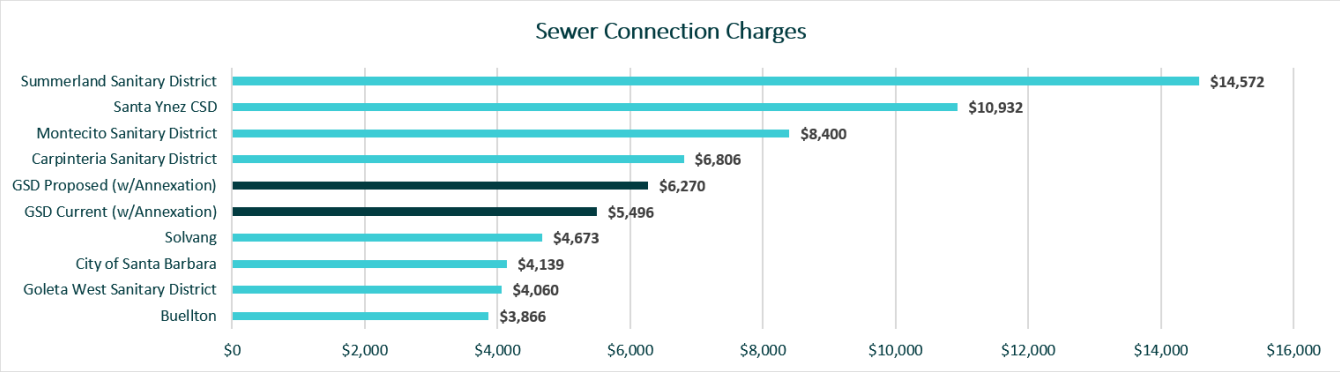
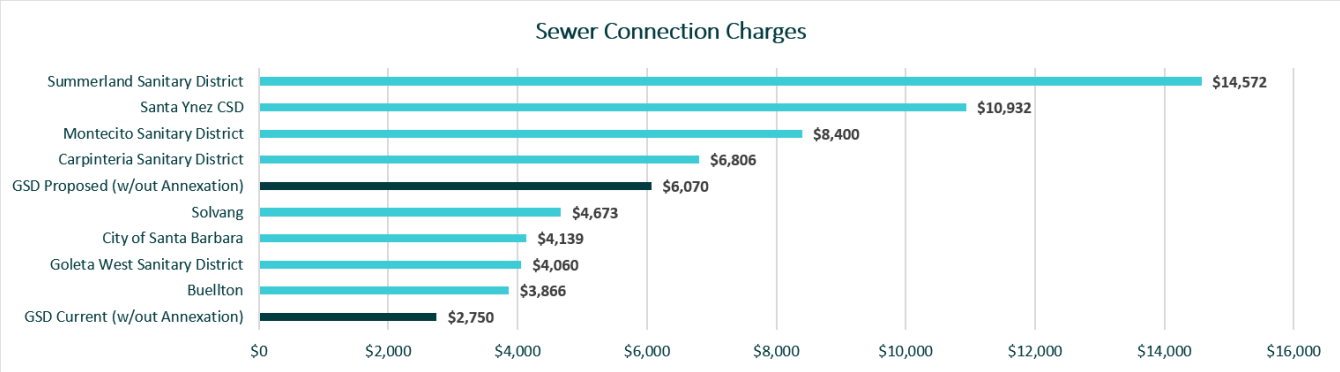


Figure 1-2: Single Family Residential Connection Fee Comparison (Without GSD Annexation)



2. Background

2.1. Economic Framework

For publicly owned systems, most of the assets are typically paid for by the contributions of existing customers through rates, charges, securing debt, and taxes. In service areas that incorporate new customers, the infrastructure developed by previous customers is generally extended towards the service of new customers. Existing customers' investment in the existing system capacity allows newly connecting customers to take advantage of unused surplus capacity. To further economic equality among new and existing customers, new connectors will typically "Buy-In" to the existing and pre-funded facilities based on the existing assets, effectively putting them on par with existing customers. In other words, the new users are buying into the existing system based on the replacement costs of existing assets to continue to provide the same level of service to new customers through repairs, expansions, and upgrades to the system.

The basic economic philosophy behind connection fees is that the costs of providing service should be paid for by those that receive utility from the product. To effect fair distribution of the value of the system, the charge should reflect a reasonable estimate of the cost of providing capacity to new users and not unduly burden existing users through a comparable rate increase. Accordingly, many utilities make this philosophy one of their primary guiding principles when developing their connection fee structure.

The philosophy that service should be paid for by those that receive utility from the product is often referred to as "growth-should-pay-for-growth." The principal is summarized in the American Water Works Association (AWWA) Manual M26: Water Rates and Related Charges:

> *"The purpose of designing customer-contributed-capital system charges is to prevent or reduce the inequity to existing customers that results when these customers must pay the increase in water rates that are needed to pay for added plant costs for new customers. Contributed capital reduces the need for new outside sources of capital, which ordinarily has been serviced from the revenue stream. Under a system of contributed capital, many water utilities are able to finance required facilities by use of a 'growth-pays-for-growth' policy."*

This principle, in general, applies to water, wastewater, and storm drainage systems. In the excerpt above, customer-contributed-capital system charges are equivalent to connection fees.

2.2. Legal Framework and California Requirements

In establishing connection fees, it is important to understand and comply with local laws and regulations governing the establishment, calculation, and implementation of new or adjusted connection fees. The following sections summarize Raftelis' understanding[6] of the regulations applicable to developing connection fees for the District.

[6] Raftelis does not practice law, nor does it provide legal advice. Our discussion provides a general overview of Raftelis' understanding as utility rate and charges practitioners and is labeled "Legal Framework and California Requirements" for literary convenience only. The City should consult with its legal counsel for clarification and/or specific guidance.

Connection fees must be established based on a reasonable relationship to the costs and benefits of the development or expansion. Courts have long used a standard of reasonableness to evaluate the legality of development charges. The basic statutory standards governing connection fees are embodied by California Government Code Sections 66013, 66016, 66022, and 66023. Government Code Section 66013 contains requirements specific to determining utility development charges:

> *"Notwithstanding any other provision of law, when a local agency imposes fees for water connections or sewer connections, or imposes capacity charges, those fees or charges shall not exceed the estimated reasonable cost of providing the service for which the fee or charge is imposed, unless a question regarding the amount the fee or charge in excess of the estimated reasonable cost of providing the services or materials is submitted to, and approved by, a popular vote of two-thirds of those electors voting on the issue."*

Section 66013 also includes the following relevant general requirements:

- Local agencies must follow a process set forth in the law, making certain determinations regarding the purpose and use of the charge; they must establish a nexus, or relationship, between a development project and the improvement being financed with the charge.

3. Methodology Overview

A connection or capacity fee is a one-time charge paid by a new sewer system customer for the cost of backbone facilities and/or incremental expansion necessary to provide sewer system capacity to a new or expanded customer connection. Revenues generated by this charge are used to pay for sewer facilities. Backbone facilities refer to those components of the system that are necessary to provide service to all customers, inclusive of treatment and major wastewater collection lines.

A connection fee may be developed as a single charge for the entire system or as individual charges for each component (i.e., collection separate from treatment). The District has historically calculated the connection fee as a single charge, which is the most common approach across California.

The District's current sewer connection fee is calculated on an ERU basis for all customers. Each new connection is estimated based on the ERU definition of 203 gpd of wastewater flow. Multi-Family Residential (MFR) connections pay a fractional amount (i.e., less than 1 ERU) based on the estimated wastewater generated per MFR dwelling unit. Commercial connections may pay a multiple of the ERU dependent on the estimated wastewater generated.

3.1. Connection Fee Methodologies

The method for calculating connection fees generally utilizes one of the following three approaches: Buy-In, Incremental, or Hybrid. The Buy-In approach is designed to recover the historical costs of plant investment in proportion to the amount of built capacity, some of which is available for new growth. The Incremental approach is designed to recover the costs of future growth-related projects and the additional capacity those projects will yield. The Hybrid approach is appropriate where some remaining capacity is available in the existing system and where new, future facilities are required for development.

3.1.1. Buy-In Method

The Buy-In Method is based on the premise that new customers are entitled to service at the same cost as existing customers. Under this approach, new customers pay only an amount equal to the current system value, either using the original cost or replacement cost as the valuation basis and either netting the value of depreciation or not. This net investment, or value of the system, is then divided by the current capacity utilization on the system by existing users to determine the Buy-In cost per unit.

For example, if the existing system has 100 equivalent dwelling units and the new connector uses an equivalent unit, then the new customer would pay 1/100 of the total value of the existing system. By contributing this connection fee, the new connector has "bought in" to the existing system. The new user has effectively acquired a financial position on par with existing customers and will face future capital re-investment on equal financial footing with those customers. This approach is suitable when: (1) an agency has built most or all of their facilities and only a small, or no, portion of future facilities are required for build-out development, (2) an agency does not have a detailed adopted long-term capital improvement plan, or (3) an agency's "build-out" date is so far out in the future that it is difficult to accurately project growth and required facilities with precision. **Figure 3-1** shows the framework for calculating an Equity Buy-In connection fee.

Figure 3-1: Formula for Equity Buy-In Approach



3.1.2. Incremental Cost Method

The Incremental-Cost Method states that new development (new users) should pay for the additional capacity and expansions necessary to accommodate them. This method is typically used when there are specific capital improvements required to furnish growth for new development. Under the Incremental-Cost Method, growth-related capital improvements are allocated to new development based on their estimated usage or capacity requirements, irrespective of the value of past investments made by existing customers.

For instance, if it costs X dollars ($X) to provide sewer collection and treatment for 100 additional equivalent dwelling units and a new connector uses one of those equivalents, then the new user would pay $X/100 to connect to the system. In other words, new customers pay the incremental cost of capacity based on the estimated cost of the new facility projects. This method is generally used when detailed facilities are identified for the capacity required to serve new customers and little to no existing system capacity is available for development. While California Code 66013 (b)(3) does not define a specific period over which to include future projects, these periods can be as long as a master planning period. **Figure 3-2** shows the framework for calculating an incremental cost connection fee.

Figure 3-2: Formula for Incremental Cost Method



3.1.3. Hybrid Method

The Hybrid Method is typically used where some capacity is available to serve new growth, but additional expansion is still necessary to accommodate new development. Under the hybrid method, the connection fee is based on a weighted average of the existing capacity value and the costs of necessary expansions (i.e., the Buy-In component and the Incremental-cost component).

Capital improvements that are required to serve existing users and expand system capacity to serve future customers may be included proportionally to the percentage of the cost specifically required for expansion of the system.

3.1.4. Recommended Methodology

Since the District has sufficient remaining capacity to meet the projected demands of development, Raftelis recommends using the Equity Buy-In Method.

3.2. Asset Cost Basis

Four principal methods can be used to estimate the value of existing facilities: original cost, replacement cost, original cost less depreciation (the same as "book value"), and replacement cost less depreciation.

3.2.1. Original Cost (OC)

The principal advantages of original cost valuation are relative simplicity and stability since the recorded costs of fixed assets are held constant. The major criticism levied against the original cost method is that it disregards changes in the time value of money, and future capital costs, which are attributable to inflation and other factors. As evidenced by history, prices tend to increase rather than to remain constant or decrease. This situation may be exacerbated since most water and sewer systems are developed over time on a piecemeal basis as demanded by the customer base and service area growth. Consequently, each asset addition is paid for with dollars of different purchasing power. When these outlays are added together to obtain a plant value, the result can be misleading. Additionally, original cost does not account for the depreciation of facilities and other assets as they age, which may not be representative of the state of the systems. We discuss depreciation in further detail below.

3.2.2. Replacement Cost (RC)

Changes in the value of the dollar over time, represented by cost inflation, is recognized by replacement cost. Replacement cost represents the cost of duplicating the existing facilities (or duplicating their functions) at current dollars. Unlike the original cost approach, the replacement cost approach recognizes price level changes that have occurred since plant construction and subsequent investments. The most accurate replacement cost valuation requires a physical inventory and appraisal of plant components in terms of their replacement costs at the time of valuation. However, with original cost records available, a reasonable approximation of replacement cost plant value can be easily derived by trending historical original costs. This approach employs the use of cost indices to express actual capital investment by the utility in current dollars. An obvious advantage of the replacement cost approach is that it accounts for changes in the value of money over time. However, just like original cost it does not account for the depreciation of facilities and other system assets.

3.2.3. Original Cost Less Depreciation (OCLD)

The current value of sewer facilities is materially affected by the effects of age. All assets have estimated useful lives, which vary by type. For example, pumps may have a 20-year life, buildings 50 years, and pipelines 40-80 years depending on the material of construction. Each year an asset is revalued by the fraction of its useful life relative to its original cost. This is referred to as straight line or linear depreciation. At the end of an asset's useful life, it is worth zero dollars on paper, though it may still be in service. Depreciation accounts for estimated devaluation in system assets caused by wear and tear, decay, inadequacy, and obsolescence. To provide appropriate recognition of the effects of depreciation on existing systems, the original cost valuation can be expressed as net of depreciation to yield the original cost less depreciation. Accumulated depreciation is computed for each asset and reduces the valuation based on age or condition, from the respective total original cost.

3.2.4. Replacement Cost Less Depreciation (RCNLD)

The RCNLD method is identical to the original cost less depreciation valuation method, with the exception that asset cost and asset depreciation is expressed in today's dollars rather than the value of the dollar when the asset was placed in service. Original cost and depreciation are escalated using historical indices to reflect today's dollars. Depreciation in replacement cost dollars is then subtracted from the full replacement cost of the asset to yield replacement cost less depreciation, or RCNLD. RCNLD allows for an accounting of system assets in present value while also accounting for proportional devaluation via depreciation. To reiterate from Section 3.2.2, replacement cost is the common nomenclature; however, in the context of this study it is not a process to appraise or receive bids on replacing each existing asset or facility; it is instead a method of approximating the replacement cost of existing facilities based on historical construction cost increases.

3.2.5. Recommended Asset Valuation Method

Raftelis recommends using the RCNLD method to account for today's replacement cost for system improvements while acknowledging the remaining useful life of the system facilities. This valuation approach ensures that future users' investment represents a fair share of the system in both the accounting sense and the level of service these future users are purchasing.

4. Connection Fee Development

4.1. Buy-In System Value

The cost basis for determining the Buy-In connection fee is RCNLD. System assets data is current as of June 30, 2024, the last day of fiscal year (FY) 2024[7]. GSD staff provided a detailed capitalized asset database which included asset descriptions, in service date, original cost, accumulated depreciation, and a functional categorization, among other data.

OC is a summation of original cost by functional category. OCLD, also known as book value is the summation of original cost, net of depreciation, by functional category. RC is an estimate of original cost for each individual asset in today's dollars based on construction cost escalation. Finally, RCNLD represents book value in today's dollars. **Table 4-1** shows the GSD facilities cost information by asset function. The total represents all facilities (i.e., agency-wide). The total value of facilities in RCNLD is approximately $91.1 million at June 30, 2025.

Table 4-1: GSD System Value – Agency-wide

Asset Summary by Function - Total	OC	OCLD	RC	RCNLD
COLLECTION SYSTEM	$27,588,896	$15,855,921	$73,441,558	$24,116,015
TREATMENT FACILITIES	$64,404,679	$29,859,476	$119,390,039	$43,429,510
PUMP STATION	$7,132,929	$4,637,367	$10,608,686	$5,168,537
OUTFALL	$3,743,731	$220,385	$19,898,571	$2,794,372
ADMINISTRATION	$2,137,324	$198,368	$5,757,854	$434,892
LABORATORY	$0	$0	$0	$0
RECLAMATION	$15,683,312	$3,965,157	$37,869,934	$9,100,589
IWC	$58,992	$27,177	$90,572	$28,264
FIRESTONE LIFT STATION	$3,009,144	$1,846,508	$4,502,869	$2,764,942
RECYCLED WATER ONLY	$0	$0	$0	$0
MISC	$4,541,623	$2,330,311	$6,689,385	$3,302,464
Total	**$128,300,629**	**$58,940,670**	**$278,249,468**	**$91,139,584**

Since the connection fees calculated in this study are for GSD's retail service area, the total system value must be adjusted to account for the specific capital allocations between GSD and partner agencies. Capital cost allocations are shown in **Table 4-2**. GWSD is Goleta West Sanitation District, Airport is the Santa Barbara Municipal Airport, County is the County of Santa Barbara, UCSB is the University of California at Santa Barbara, and GWD is Goleta Water District. For purposes of this study, the allocations to GSD are the relevant cost allocation factors which are then applied against the total system value to derive the GSD share of system value.

[7] The fiscal year begins on July 1 of each calendar year and runs through June 30 of the following year. For example, FY 2024 is July 1, 2023 through June 30, 2024.

Table 4-2: Capital Allocations by System Function

Agency	Plant Capacity (%)	Outfall Capacity (%)	Reclamation Capacity (%)	Collection System (%)
GSD	47.9%	55.8%	0%	100%
GWSD	40.8%	35.0%	0%	0%
Airport	2.8%	2.6%	0%	0%
County	1.4%	1.9%	0%	0%
UCSB	7.1%	4.7%	0%	0%
GWD	0%	0%	100%	0%

Table 4-3 shows the GSD retail service facilities cost information by asset function. The total represents the ownership of facilities utilized for GSD service and is net of ownership from other agencies. The GSD service system is estimated at approximately $58.2 million in RCNLD as of June 30, 2024.

Table 4-3: GSD System Value – GSD Retail Service Area

Capital Allocation %	Asset Summary by Function GSD Local	OC	OCLD	RC	RCNLD
100%	COLLECTION SYSTEM	$27,588,896	$15,855,921	$73,441,558	$24,116,015
47.9%	TREATMENT FACILITIES	$30,830,520	$14,293,731	$57,152,012	$20,789,707
100%	PUMP STATION	$7,132,929	$4,637,367	$10,608,686	$5,168,537
55.8%	OUTFALL	$2,089,376	$122,997	$11,105,393	$1,559,539
100%	ADMINISTRATION	$2,137,324	$198,368	$5,757,854	$434,892
0%	RECLAMATION	$0	$0	$0	$0
100%	IWC	$58,992	$27,177	$90,572	$28,264
100%	FIRESTONE LIFT STATION	$3,009,144	$1,846,508	$4,502,869	$2,764,942
0%	RECYCLED WATER ONLY	$0	$0	$0	$0
100%	MISC	$4,541,623	$2,330,311	$6,689,385	$3,302,464
	Total	**$77,388,803**	**$39,312,380**	**$169,348,328**	**$58,164,359**

Table 4-4 shows the calculation of the adjusted value for the connection fee calculation. The RCNLD system value of $58.2 million is adjusted to reflect the equity, or debt-free investment position, of the current customers. Because asset values are as of June 30, 2024, while cash reserves are as of June 30, 2025, capital projects completed and capitalized in FY 2025 are added to the system assets. The total capital completed in FY 2025 was $8,131,348.

Next, contributions to cash reserves for future capital reinvestment are added to the asset valuation. Total cash reserves at July 1, 2025 ($45,204,961) is adjusted by the portion of cash required for ongoing operating cash flow ($7,161,116). This yields cash on hand, available and planned for future CIP expenditures. Second, outstanding debt principal is subtracted, since new customers, through future sewer service charges, will contribute to annual debt service payments. The outstanding principal balance at July 1, 2025 was $12.4 million. The net of the system assets, FY 2025 capitalized assets, capital-related cash reserves, and debt principal adjustment yields an adjusted value of approximately $91.9 million for the connection fee calculation. This total represents the numerator in the equity buy-in connection fee calculation.

Table 4-4: System Value for Buy-In Connection Fee

System Assets	Value RCNLD
Collection System	$24,116,015
Lift Stations	$7,933,479
Treatment Plant	$20,789,707
Outfall	$1,559,539
Other	$3,765,620
FY 2025 Capitalized Assets	$8,131,348
Total GSD Retail Service Area Assets	**$66,295,707**
+ Capital Reserves	$38,043,845
-Debt Principal	$12,412,580
Adjusted Value for Connection Fee Calculation	**$91,926,972**

4.2. Capacity Utilization

The District's WRRF can treat up to 9 million gallons per day (MGD) of wastewater. Based on the capital allocation, the District's share of capacity is approximately 4.3 MGD. As part of the sewer rate and fee study, Raftelis analyzed multi-year plant influent data to estimate flows to the WRRF from both GSD customers and other agencies. **Table 4-5** provides the three-year average for FY 2023 through FY 2025. Based on this multi-year analysis, the average daily flows from GSD retail service customers is 2.36 MGD. This value becomes the denominator in the equity buy-in connection fee calculation in the following section.

Table 4-5: Three-Year Average Flows – GSD Retail Service Area

	GWSD	Airport Total	UCSB	GSD
FY 2023	2.16	0.06	0.15	**2.33**
FY 2024	2.15	0.08	0.15	**2.27**
FY 2025	2.07	0.05	0.15	**2.50**
Three-Year Average (MGD)	*2.12*	*0.06*	*0.15*	***2.36***

4.3. Equivalent Residential Unit (ERU) Definition

To relate between types of users and uses across a system an equivalency basis must be determined. An equivalent unit basis is developed for the common customer type, a SFR connection. The current connection fees define an ERU as a SFR unit with flows of 203 gpd.

As part of the sewer rate and fee study, the ERU definition was updated to reflect the most up to date user estimates on wastewater generation. Based on multiple data points the proposed ERU definition is 150 gpd. This data include: US Census Bureau information on household size for Goleta, California and state indoor efficiency standards of approximately 50 gallons per person per day (gpcd); known average winter water use (a proxy for year-round wastewater generation) of a typical SFR served by Goleta Water District[8]; and largely aligned with

[8] Based on Goleta Water District's 2025 Rate Study, typical winter water use is approximately six (6) hundred cubic feet (HCF) per month, which is in line with a 3-person household at 50 gpcd (rounded to the nearest whole HCF).

the California Association of Sanitation Agencies (CASA) Flow and Loadings Study results.
To determine a best estimate of winter water use for MFR, Raftelis utilizes the ratio of Apartment and Mobile Home use to SFR use relying on the CASA Study results (i.e., 135/161). This ratio is applied to the proposed SFR definition of 150 gpd yielding an estimated winter water use/wastewater flow per MFR of 125 (rounded down to the nearest whole gallon). **Table 4-6** shows the current and proposed flow definitions in gpd for different residential classes.

Table 4-6: ERU Flow Definitions, by Residential Classification

Customer Class	Current gpd	Proposed gpd	Ratio
SFR	203	**150**	1.00
MFR	164	**125**	0.83
Mobile	164	**125**	0.83

5. Proposed Connection Fees

5.1. Connection Fee Calculation

Table 5-1 shows the derivation of the connection fee. The adjusted value for connection fee calculation (from Table 4-4) is divided by the capacity utilization of existing customers (from Table 4-5). This yields a value per MGD). Dividing by 1,000,000 results in a value per gallon per day (gpd). This unit rate of $38.89 is multiplied by the ERU definition of 150 gpd to yield the connection fee in $/ERU. This calculated fee represents the connection fee estimate as of the end of FY 2025.

Table 5-1: Connection Fee Derivation

System Valuation	
System Assets	**RCNLD Value ($)**
Collection System	$24,116,015
Lift Stations	$7,933,479
Treatment Plant	$20,789,707
Outfall	$1,559,539
Other	$3,765,620
FY 2025 Capitalized Assets	$8,131,348
Total System Assets	**$66,295,707**
+ Capital Reserves	$38,043,845
-Debt Principal	$12,412,580
Adjusted Value for Connection Fee Calculation	**$91,926,972**
Utilized Capacity (MGD)	2.36
Value ($/MGD)	$38,893,508
Value ($/gpd)	$38.89
gpd / ERU	150
Connection Fee ($/ERU)	**$5,818**

5.2. Proposed Connection Fee

Because asset costs are as of June 30, 2024, the connection fee calculation is adjusted by construction cost inflation to align the proposed fees with current day dollars. The District adjusts fees based on the 12-month change (April to April) in the Bureau of Labor Statistics (BLS) Producer Price Index (PPI) – Construction for Government. March 2026 is the most recent data available. Raftelis accounted for the change over the period of mid-2024 to present day to align the date of asset date as closely as possible to today. The percent difference over that period (July 2024 through March of 2026 was 4.32%. **Table 5-2** shows the calculation of the connection fee, adjusted for PPI, and proposed for implementation July 1, 2026.

Table 5-2: Proposed Connection Fee

Adjusted Connection Fee	
Test Year Connection Fee	$5,818
BLS PPI Adjustment (July 2024 to March 2026)	4.32%
Proposed Connection Fee	**$6,070**

Future connection fees would be subject to annual adjustments based on the change of the respective PPI selected by the District. Historically, and in effect in the District's Ordinance No. 87, the District adjusts fees on July 1 each year based on the 12-month April to April change in the BLS PPI – Construction for Government.

6. Annexation Fees

Annexation fees are collected when properties outside the District's current boundaries wish to annex into the District to receive service. Annexation fees allow the new properties to achieve equity with the properties in the District by recognizing tax revenues to the District contributed by the property owners within the District.

Property owners in the District have paid assessed valuation (AV) based property taxes since the formation of the District. Developed properties paid higher taxes than undeveloped properties by virtue of their higher assessed values. Annexation fees are determined by estimating the present value of the taxes that the annexing property would have paid.

GSD receives approximately $200,000 per year in property tax revenues from properties within the service area. While the value is a material amount of the District's finances on its own, on an equivalent parcel basis the value is de minimis. A high-level estimate is an AV-based annexation fee of about $50 per ERU which would result in a very small amount of revenue the District would earn. Based on the costs of staff time in calculating an annexation charge, and in discussions with staff, it is our opinion that the effort would cost more in staff labor than the total charge. For this reason, Raftelis recommends that the annexation fee cover only the administrative costs that the District incurs to process the annexation. These costs should be passed on to customers based on the administrative time expended in processing annexations.

If historic data exists to identify the standard, or routine, cost of processing an annexation, the District could schedule a processing fee (i.e., $250 per annexation). Typical single family annexation can be a fixed amount based on the cost incurred which should be generally consistent for residential connections. For non-residential connections, annexation processing costs may vary, therefore, the District could base each annexation on a time and materials basis.

Table 6-1: Current and Proposed Annexation Fees

Annexation Fees	
Current	$2,546 / Acre
Proposed	**Processing Time**

7. Impacts

7.1. Combined Impacts: Proposed Connection and Annexation Fees

Table 7-1 shows the estimated change in total fees for a new single family residential connection. The proposed connection fee is based on the results in Section 5. The proposed annexation fee is based on the discussion in Section 6. Combined fees are shown both with and without annexation, as this fee only applies to parcels currently outside the District's service area.

Table 7-1: Single Family Residential Fee Impacts – Current and Proposed

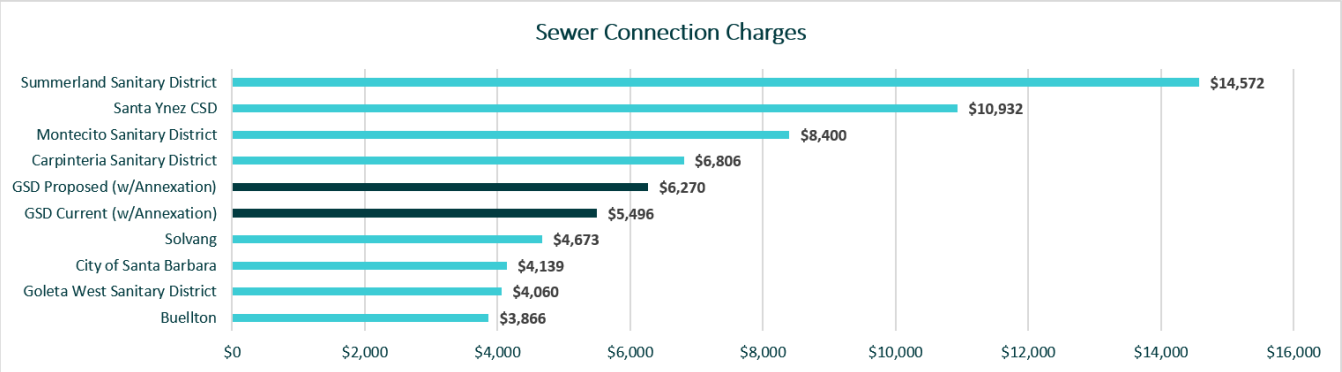
Single Family Residential	Current	Proposed
Connection Fee (1 ERU)	$2,750	$6,070
Annexation Fee	$2,546	$0
Annexation Processing[9]	$200	$200
Combined Fee w/Out Annexation	**$2,750**	**$6,070**
Combined Fee w/Annexation	**$5,496**	**$6,270**

Impacts to other user classes are highly dependent on the user classification, estimated wastewater flow generation, and location.

7.2. Regional Connection Fee Comparison

Figure 7-1 and **Figure 7-2** compare connection/capacity fees charged by neighboring, regional, and peer agencies. The GSD current is first shown with the annexation fee (i.e. includes the existing connection fee and existing annexation fee) and then shown without the annexation fee (connection fee only). The GSD proposed represents the results of this study. The average connection fee for the agencies surveyed (excluding the District's current and proposed charge) is approximately $7,200 per equivalent residential unit. The proposed GSD connection fee would be in the middle of surveyed agencies.

Figure 7-1: Single Family Residential Connection Fee Comparison (With GSD Annexation)



[9] Assumes current and proposed would be the same as both are for administrative processing

Figure 7-2: Single Family Residential Connection Fee Comparison (Without GSD Annexation)

