Santa Ynez River Valley Groundwater Basin

Eastern Management Area Groundwater Sustainability Agency (EMA GSA)

2025 EMA GSA Rate Study

Draft Report – April 2025

Prepared by: Water Resources Economics, LLC

Water Resources Economics

PROMOTING THE VALUE AND PRICE OF WATER SERVICE

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April 22, 2025

Daniel Heimel
Executive Director
SYRVGB Eastern Management Area GSA
PO Box 68
Santa Ynez, CA 93460

Subject: EMA GSA Rate Study Report

Dear Mr. Heimel,

Water Resources Economics, LLC (WRE) is pleased to submit this Rate Study Report to the Santa Ynez River Valley Groundwater Basin (SYRVGB) Eastern Management Area Groundwater Sustainability Agency (EMA GSA). The goal of the study was to develop a five-year schedule of rates to fund the operations and administration of the EMA GSA under the Sustainability Groundwater Management Act (SGMA).

The resulting rates will allow the EMA GSA to sufficiently fund its operating cost requirements, meet its financial performance targets, and comply with cost-of-service principles over the study period. Our project team has a proven track record of developing fair and equitable rates for numerous public utility agencies in California over the past 25 years. We are confident in our ability to develop rates that satisfy the requirements of Proposition 218.

It has been a pleasure assisting the EMA GSA, and we appreciate the support provided by yourself, EMA GSA staff, and the Board of Directors during this study.

Sincerely,

Sanjay Gaur
Founder / President

Nancy Phan
Principal Consultant

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1. EXECUTIVE SUMMARY

1.1 EMA GSA BACKGROUND

The Sustainable Groundwater Management Act (SGMA) was enacted in the state of California in 2014, which provided a framework for local agencies to protect and conserve groundwater supplies. SGMA requires local agencies to form Groundwater Sustainability Agencies (GSAs) to manage groundwater basins through the development and implementation of a Groundwater Sustainability Plan (GSP). The goal of SGMA is to sustainably manage groundwater resources in California and to avoid overdraft of basins over a 20-year period.

The Santa Ynez River Valley Groundwater Basin (SYRVGB or Basin) is made up of three management areas that are each governed by a separate GSA, one of which includes the Eastern Management Area (EMA GSA). The EMA GSA is governed by a Joint Powers Agreement (JPA) between four member agencies: the Santa Ynez River Water Conservation District (SYRWCD), the Santa Ynez Water Conservation District Improvement District Number 1 (ID No. 1), the City of Solvang, and the Santa Barbara County Water Agency.

1.2 RATE STUDY OVERVIEW

The EMA GSA engaged Water Resources Economics, LLC (WRE) in September 2024 to conduct a study to develop a rate that funds the operations and administration costs of the EMA GSA. As part of the study, WRE assisted the EMA GSA with evaluating the available funding mechanisms for this rate, which includes:

1. Property-related fees, or Proposition 218 rates
2. Regulatory fees, or Proposition 26 exempt fees
3. Benefit assessments
4. Special taxes

Each funding mechanism has procedural and substantive requirements that are specific to that mechanism. Regulatory fees (Proposition 26 exempt fees) have limitations on types of costs that can be funded with fee revenues. Implementation of a benefit assessment requires a majority approval by all parcel owners within the GSA, weighted based on financial obligation of the parcel owner. The implementation of a special tax requires two-thirds voter approval.

Due to implementation feasibility, funding flexibility, and legal defensibility, EMA GSA staff and the Board of Directors have opted to evaluate a Proposition 218 rate to fund the operations and administration costs of the GSA. The EMA GSA intends to collect the proposed rate revenues through the County of Santa Barbara's property tax roll. This billing methodology reduces the administrative burden and cost for EMA GSA staff and helps ensure that customers pay their bills annually; however, revenues will be generated up to twice per year through the County.

1.3 PROPOSITION 218 REQUIREMENTS

Legal considerations relating to property-related rates in California focus heavily on Proposition 218, which was enacted in 1996 and is now reflected in Article XIII C and Article XIII D of the California Constitution. Proposition 218 states that "property-related fees and charges" (which include GSA rates) may not exceed the proportional cost of providing the service to the customer and may not be used for any purpose other than providing said service. The practical implication is that public agencies in California must demonstrate a sufficient nexus between the costs incurred by the agency to provide service and the rates charged to customers.

Proposition 218 also affects the rate adoption process by requiring agencies to hold a public hearing to adopt rates. The agency must mail public hearing notices to all customers no fewer than 45 days prior to the public hearing. The public hearing notices must clearly show all proposed rate changes, provide information on the public hearing date/time/location, and provide instructions on how customers may protest the proposed rate. If a majority of customers submit a protest, the proposed rate cannot be adopted.

1.4 ADDITIONAL INFORMATION AND DISCLAIMERS

This report summarizes the data, analyses, processes, and results of the EMA GSA's rate study. Some important information to keep in mind when reading the report includes the following:

- All study projections are based on the best available data as of April 2025.
- All table values are rounded to the nearest digit shown unless stated otherwise. However, all calculations are based on precise values. Attempting to manually recreate the calculations described in this report from the values displayed in tables may therefore produce slightly different results.
- Financial projections are on a fiscal year (FY) basis. For the purposes of this study, FY 2026 is the year starting July 1, 2025 and ending June 30, 2026.

1.5 FINANCIAL DRIVERS

The main financial driver of the rate study is the need to develop a revenue generating rate to fund the EMA GSA's operating and administration costs. The EMA GSA currently does not have a recurring source of revenue to fund these costs. Current costs of the system are funded through financial contributions from the EMA GSA's member agencies, which must be paid back over time, and Proposition 68 grant funds, which are depleted at the end of FY 2026. The financial planning period for the study is from FY 2025 (current fiscal year) to FY 2030 (last year of rates). The financial components driving the proposed rates include:

- **Operating and administration costs**, equal to approximately $2.4 million from FY 2025 to FY 2030.
- **Payback of member agency contributions plus interest**, equal to approximately $459 thousand from FY 2027 to FY 2030.

- **Annual operating contingency** to mitigate some financial risk associated with decreased groundwater extractions or increased operating costs, equal to 20% of annual operating costs and totals approximately $486 thousand from FY 2025 to FY 2030.
- **Operating reserve funding** to ensure adequate cash flow since the EMA GSA receives revenues up to twice per year as part of the County property tax roll, equal to 50% of operating costs each and ranges from approximately $125 thousand in FY 2025 to $290 thousand in FY 2030.

1.6 UNITS OF SERVICE

The units of service are also known as the basis for the EMA GSA's revenue generating rate. WRE worked with EMA GSA staff and the Board of Directors to evaluate several options to determine the most appropriate units of service to utilize as part of the rate calculation. The options evaluated during the study include:

- Total parcels in EMA GSA
- Total acreage
- Total irrigated acreage
- Total estimated groundwater extractions in acre-feet (AF)

Based on direction from the EMA GSA Board of Directors, the units of service used in this study are estimated groundwater extractions in AF. The five-year average of groundwater extractions is used to calculate the proposed rates to account for annual fluctuations in hydrologic conditions (wet years and dry years). However, estimated groundwater extractions for each year will be used to calculate the annual bills of each customer.

1.7 PROPOSED RATES

The proposed rates in this study were developed to meet the EMA GSA's financial obligations, fund an annual operating contingency as directed by the Board of Directors, and build an operating reserve over the study period from FY 2026 through FY 2030. **Table 1-1** shows the proposed EMA GSA rates by AF of groundwater extraction for the five-year period, with implementation starting in July of every fiscal year.

Table 1-1: Proposed EMA GSA Rates

Line	Fiscal Year	Effective Date	Proposed Rates
1	FY 2026	July 2025	$39.50
2	FY 2027	July 2026	$41.50
3	FY 2028	July 2027	$43.60
4	FY 2029	July 2028	$45.80
5	FY 2030	July 2029	$48.10

2. FINANCIAL PLAN AND RATES

2.1 FINANCIAL PLAN METHODOLOGY

The purpose of a financial plan is to project revenues, expenses, cash flows, and reserve balances over a multi-year period to assess financial sufficiency and performance. The goal of the financial plan is to determine the amount of required rate revenue each year. For this study, the planning period is from FY 2024 through FY 2030. The key steps in developing a financial plan for the EMA GSA are below:

- **Revenue projections:** Annual revenues from rates and other miscellaneous sources are projected over the planning period. Since the EMA GSA does not currently have a revenue generating rate in effect, the first year of rate revenues in FY 2026 is calculated based on the rate revenue requirement.
- **Expense projections:** Annual expenses are projected over the study period, including those related to internal operations, legal, technical support services, and expenses funded by Proposition 68 grant funds.
- **Financial policy evaluation:** Key financial policies include operating contingencies and reserve balance targets. The EMA GSA currently does not have any adopted financial policies; all the financial policies described in this report are based on WRE recommendations and direction from the Board of Directors.

2.2 ESTIMATED GROUNDWATER EXTRACTION

The units of service used in this study are estimated groundwater extractions per year in AF[1]. The five-year average of groundwater extractions is used to calculate the proposed rates to account for annual fluctuations in hydrologic conditions (wet years and dry years). However, estimated groundwater extractions for each year will be used to calculate the annual bills of each customer.

Table 2-1 shows the estimated groundwater extractions for the past five water years[2] and the five-year average, which is used to calculate the proposed rates in a later section of this report. The estimated groundwater extractions for municipalities, mutual water companies, and rural domestic customers were derived from the EMA GSA's annual reports.

[1] An acre-foot is a unit of volume equal to the volume over an area of one acre and the depth of one foot. This is approximately equal to 43,560 cubic feet or 325,851 gallons.
[2] A water year is the year starting on October 1 and ending September 30.

Table 2-1: Five-Year Estimated Groundwater Extractions (AF)

Line	Water Year	Municipalities	Mutual Water Companies	Rural Domestic	Agricultural	Total
1	2020	1,880	957	307	11,812	14,956
2	2021	2,320	963	309	13,379	16,971
3	2022	2,516	969	311	13,264	17,060
4	2023	2,516	975	313	9,099	12,903
5	2024	2,076	981	315	9,436	12,808
6	**5-Year Average**	**2,262**	**969**	**311**	**11,398**	**14,940**

2.3 REVENUES AND EXPENSES

Revenues and expense projections over the study period were based on budget documents provided by EMA GSA staff. **Table 2-2** shows the financial assumptions utilized in the study. Interest income is calculated based on projected fund balances and a conservative interest rate of 1.0% (Line 2). All other non-rate revenues are non-inflated. The General expense inflationary assumption (Line 4) is equal to 3.0% and derived from the EMA GSA's budget documents. Interest rates for payback of member agency contributions (Line 5) are equal to 3.0%.

Table 2-2: Financial Assumptions

Line	Assumptions	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	**Revenues**						
2	Interest Income	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
3	**Expenses**						
4	General Inflation	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
5	Member Agency Interest	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%

Table 2-3 shows the revenues from member agency contributions (Line 1) and the expenses from the annual payback from the EMA GSA to the member agencies (Line 2). The EMA GSA's member agencies are projected to contribute $400 thousand in FY 2025 to maintain adequate cash flow at the start of the study period prior to the implementation of a revenue generating rate. The EMA GSA will pay back the member agencies annually starting in FY 2027 and ending in FY 2030. The last year of the payback schedule includes the accumulated interest based on the initial contribution amount and the assumed interest rate (**Table 2-2**, Line 5).

Table 2-3: Member Agency Contributions and Payback Schedule

Line	Member Agency Funds	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	Contributions	$400,000	$0	$0	$0	$0	$0
2	Annual Payback	$0	$0	$100,000	$100,000	$100,000	$159,258

Table 2-4 shows the projected revenues for the study period, excluding any revenue generated from the proposed rates developed as part of the study. Proposed rate revenues will be calculated and incorporated in a later section of the report. Member agency contributions are $400 thousand in FY 2025 (**Table 2-3**, Line 1). SGMA grant reimbursements (Line 2) from Proposition 68 grant funding will equal the total SGMA grant expenses on the expense side. Interest income (Line 3) is calculated based on the projected reserve balances and the interest income assumption (**Table 2-2**, Line 2).

Table 2-4: Projected Revenues (Excluding Rates)

Line	Revenues	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	Member Agency Contributions	$400,000	$0	$0	$0	$0	$0
2	SGMA Grant Reimbursement	$392,168	$676,672	$193,335	$0	$0	$0
3	Interest Income	$0	$0	$1,878	$2,842	$3,009	$3,050
4	**Total**	**$792,168**	**$676,672**	**$195,213**	**$2,842**	**$3,009**	**$3,050**

Table 2-5 shows the projected expenses for the study period which are derived from the budget planning documents provided by EMA GSA staff and projected using the General inflation factor (**Table 2-2**, Line 4). Expense categories include internal operations/expenses, legal, technical support services, and SGMA grant expenses. Note that the total SGMA grant expenses (Line 24) from FY 2024 to FY 2026 are equal to the total SGMA grant reimbursements (**Table 2-4**, Line 2) from FY 2025 to FY 2027.

Table 2-5: Projected Expenses

Line	Expenses	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	**Internal Operations/Expenses**							
2	Executive Director	$0	$113,057	$151,988	$156,547	$161,244	$166,081	$171,064
3	Program Administration	$0	$0	$50,000	$51,500	$53,045	$54,636	$56,275
4	Bookkeeping	$0	$6,200	$6,386	$6,578	$6,775	$6,978	$7,187
5	Annual Audit	$0	$0	$25,000	$25,750	$26,523	$27,318	$28,138
6	General Liability Insurance	$0	$6,000	$6,180	$6,365	$6,556	$6,753	$6,956
7	Miscellaneous Expenses	$0	$1,000	$1,030	$1,061	$1,093	$1,126	$1,159
8	Website Hosting	$0	$2,280	$2,348	$2,419	$2,491	$2,566	$2,643
9	Member Agency Payback	$0	$0	$0	$100,000	$100,000	$100,000	$159,258
10	**Subtotal**	**$0**	**$128,537**	**$242,932**	**$350,220**	**$357,727**	**$365,459**	**$432,681**
11								
12	**Legal**							
13	General Counsel	$0	$60,000	$61,800	$63,654	$65,564	$67,531	$69,556
14	Specialized Legal Counsel	$0	$20,000	$20,600	$21,218	$21,855	$22,510	$23,185
15	**Subtotal**	**$0**	**$80,000**	**$82,400**	**$84,872**	**$87,418**	**$90,041**	**$92,742**
16								
17	**Technical Support Services**							
18	Hydrogeologic/Engineering	$0	$0	$50,000	$51,500	$53,045	$54,636	$56,275
19	Annual Report	$0	$0	$0	$55,000	$56,650	$58,350	$60,100
20	**Subtotal**	**$0**	**$0**	**$50,000**	**$106,500**	**$109,695**	**$112,986**	**$116,375**
21								
22	**SGMA Grant Expenses**							
23	Proposition 68 Grants	$102,165	$386,670	$773,339	$0	$0	$0	$0
24	**Subtotal**	**$102,165**	**$386,670**	**$773,339**	**$0**	**$0**	**$0**	**$0**
25								
26	**Total**	**$102,165**	**$595,207**	**$1,148,671**	**$541,592**	**$554,840**	**$568,485**	**$641,798**

2.4 FINANCIAL POLICIES

Table 2-6 shows the recommended financial policies that were developed based on WRE recommendations and direction received from the EMA GSA Board of Directors.

The annual operating contingency (Line 1) is equal to 20% of operating expenses each year and is designed to mitigate some financial risk associated with decreased groundwater extractions compared to the five-year average (**Table 2-1**) or increased operating costs compared to the expense projections (**Table 2-5**). The annual operating contingency totals approximately $486 thousand from FY 2025 through FY 2030.

The operating reserve target (Line 2) is equal to 50% of operating expenses and is designed to ensure that the EMA GSA has adequate cash flow throughout the year to pay for necessary expenses. Revenues from the proposed rates would be collected through the County property tax roll up to twice per year. The reserve target ranges from approximately $125 thousand in FY 2025 to $290 thousand in FY 2030.

Table 2-6: Recommended Financial Policies

Line	Financial Policies	Policy Targets
1	Operating Contingency	20% of operating expenses
2	Operating Reserve Target	50% of operating expenses

2.5 RATE REVENUE REQUIREMENTS

Table 2-7 shows the rate revenue requirement (or the revenue required from rate revenues) for the first year of proposed rates in FY 2026. The revenue requirements (or expenses) are equal to the expenses projected in FY 2026 (**Table 2-5**). The revenue offsets (or non-rate revenues) are equal to the non-rate revenues projected in FY 2026 (**Table 2-4**). Adjustments (Line 16) include some reserve funding, with the goal of meeting the operating reserve target (**Table 2-6**, Line 2) at the end of the five-year rate period. The revenue required from rates (Line 20) is used to calculate the first year of proposed rates starting in FY 2026.

Table 2-7: Proposed Rate Revenue Requirement (FY 2026)

Line	Rate Revenue Requirement	FY 2026
1	**Revenue Requirements (Expenses)**	
2	Internal Operations/Expenses	$242,932
3	Member Agency Payback	$0
4	Legal	$82,400
5	Technical Support Services	$50,000
6	SGMA Grant Expenses	$773,339
7	Contingency	$75,066
8	**Subtotal**	**$1,223,738**
9		
10	**Revenue Offsets**	
11	Member Agency Contributions	$0
12	SGMA Grant Reimbursement	$676,672
13	Interest Income	$0
14	**Subtotal**	**$676,672**
15		
16	**Adjustments**	
17	Reserve Funding	$43,048
18	**Subtotal**	**$43,048**
19		
20	**Revenue Required from Rates**	**$590,114**

Table 2-8 shows the proposed rate calculation for FY 2026. The revenue required from rates (Line 1) is equal to the rate revenue requirement for FY 2026 (**Table 2-7**, Line 20) and the units of service area based on the five-year average groundwater in AF (**Table 2-1**, Line 6). The proposed rate for FY 2026 (Line 3) is calculated by dividing the revenue requirement (Line 1) by the units of service (Line 2).

Table 2-8: Proposed Rate Calculation (FY 2026)

Line	First Year Rate Calculation	FY 2026
1	Revenue Required from Rates	$590,114
2	5-Year Average Groundwater (AF)	14,940
3	**Proposed Rate ($/AF)**	**$39.50**

Table 2-9 shows the proposed revenue adjustments and rates for the entire study period. The proposed rate for FY 2026 is calculated based on the revenue requirement for that year (**Table 2-8**). The proposed rates for other years assume a revenue and rate adjustment of 5% per year after FY 2026. The proposed revenue adjustments were developed to meet the EMA GSA's financial performance metrics (operating contingency and reserve targets) and to smooth out rate impacts over the study period.

Table 2-9: Proposed Revenue and Rate Adjustments

Line	Fiscal Year	Revenue Adjustments	Proposed Rates
1	FY 2026	Calculated	$39.50
2	FY 2027	5.0%	$41.50
3	FY 2028	5.0%	$43.60
4	FY 2029	5.0%	$45.80
5	FY 2030	5.0%	$48.10

Table 2-10 shows the proposed rate revenues for the study period based on the proposed rates (**Table 2-9**) and the five-year average groundwater extractions in AF (**Table 2-1**, Line 6). The five-year average of groundwater extractions is used to calculate the proposed rates to account for annual fluctuations in hydrologic conditions (wet years and dry years). However, estimated groundwater extractions for each year will be used to calculate the annual bills of each customer; therefore, the actual rate revenues may differ from the projections based on annual groundwater extractions.

Table 2-10: Proposed Rate Revenues

Line	Proposed Rate Revenues	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	Proposed Rates ($/AF)	$39.50	$41.50	$43.60	$45.80	$48.10
2	5-Year Average Groundwater (AF)	14,940	14,940	14,940	14,940	14,940
3	**Proposed SGMA Rate Revenues**	**$590,114**	**$619,993**	**$651,367**	**$684,234**	**$718,595**

2.6 CASH FLOW PROJECTIONS

Table 2-11 shows the cash flow projections and financial plan summary for the study period. Revenues (Lines 1-6) are derived from the proposed rate revenues (**Table 2-10**, Line 3) and the projected non-rate revenues (**Table 2-4**). Expenses (Lines 9-13) are derived from the projected GSA expenses (**Table 2-5**). The contingency (Line 14) is calculated based on the 20% contingency assumption multiplied by total expenses less the member agency payback (Line 10) and SGMA grant expenses (Line 13). Member agency paybacks are excluded since these are not ongoing costs. SGMA grant expenses are excluded since these are fully reimbursed.

The net cash flow (Line 17) is the difference between total revenues and expenses for each year of the study. A positive net cash flow means that the EMA GSA is adding to its reserves; conversely, a negative net cash flow means that the EMA GSA is pulling from its reserves to fund operating expenses.

Table 2-11: Proposed Cash Flow Projections

Line	Cash Flow Projections	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	**Revenues**							
2	SGMA Rates	$0	$0	$590,114	$619,993	$651,367	$684,234	$718,595
3	Member Agency Contributions	$0	$400,000	$0	$0	$0	$0	$0
4	SGMA Grant Reimbursement	$0	$392,168	$676,672	$193,335	$0	$0	$0
5	Interest Income	$0	$0	$0	$1,878	$2,842	$3,009	$3,050
6	**Subtotal**	**$0**	**$792,168**	**$1,266,786**	**$815,207**	**$654,209**	**$687,242**	**$721,645**
7								
8	**Expenses**							
9	Internal Operations/Expenses	$0	$128,537	$242,932	$250,220	$257,727	$265,459	$273,422
10	Member Agency Payback	$0	$0	$0	$100,000	$100,000	$100,000	$159,258
11	Legal	$0	$80,000	$82,400	$84,872	$87,418	$90,041	$92,742
12	Technical Support Services	$0	$0	$50,000	$106,500	$109,695	$112,986	$116,375
13	SGMA Grant Expenses	$102,165	$386,670	$773,339	$0	$0	$0	$0
14	Contingency	$0	$41,707	$75,066	$88,318	$90,968	$93,697	$96,508
15	**Subtotal**	**$102,165**	**$636,914**	**$1,223,738**	**$629,911**	**$645,808**	**$662,182**	**$738,306**
16								
17	**Net Cash Flow**	**($102,165)**	**$155,254**	**$43,048**	**$185,296**	**$8,401**	**$25,060**	**($16,661)**

2.7 FUND BALANCE PROJECTIONS

Table 2-12 shows the projected reserve balances for the study period. The EMA GSA started FY 2024 with no reserves. The net cash flow (Line 2) is derived from the cash flow projections (**Table 2-11**, Line 17). Over time, the EMA GSA will build its reserves to meet its financial performance targets at the end of the study period.

Table 2-12: Proposed Reserve Balance Projections

Line	Reserve Balances	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	**Beginning Balance**	**$0**	**($102,165)**	**$53,088**	**$96,136**	**$281,432**	**$289,833**	**$314,893**
2	Net Cash Flow	($102,165)	$155,254	$43,048	$185,296	$8,401	$25,060	($16,661)
3	**Ending Balance**	**($102,165)**	**$53,088**	**$96,136**	**$281,432**	**$289,833**	**$314,893**	**$298,232**

2.8 FINANCIAL PERFORMANCE

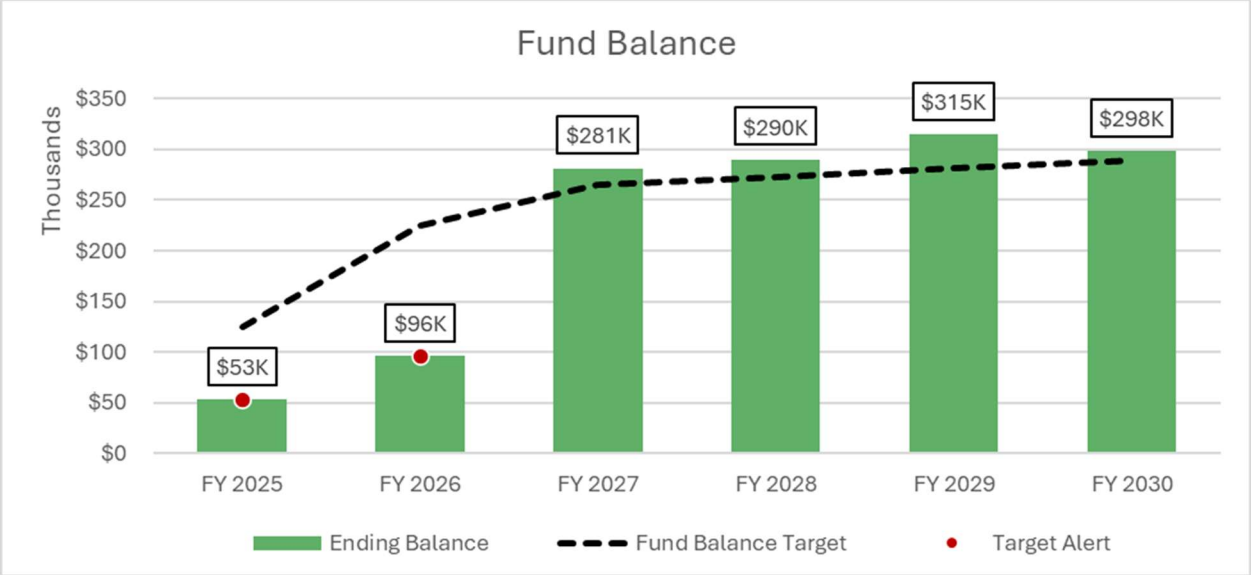
Table 2-13 shows the financial performance based on the proposed financial plan and rates developed in this study. The ending reserve balance (**Table 2-12**, Line 3) is compared to the reserve balance target, which is equal to 50% of operating expenses in each year less member agency payback and SGMA grant expenses. The EMA GSA will not meet its reserve targets in FY 2026 as it starts to build its reserves over time but is expected to meet its reserve targets for all the following years.

Table 2-13: Proposed Financial Performance

Line	Financial Performance	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	Ending Balance	$53,088	$96,136	$281,432	$289,833	$314,893	$298,232
2	Reserve Balance Target	$125,122	$225,199	$264,955	$272,904	$281,091	$289,524
3	Meets Target?	No	No	Yes	Yes	Yes	Yes

Figure 2-1 shows the proposed fund balance projections. The green bars represent the ending balance (**Table 2-13**, Line 1) and the dashed line represents the reserve balance target (**Table 2-13**, Line 2). The EMA GSA will not meet its reserve targets in FY 2026 as it starts to build its reserves over time but is expected to meet its reserve targets for all the following years.

Figure 2-1: Proposed Fund Balance Projections



2.9 PROPOSED RATE SCHEDULE

Table 2-14 shows the proposed EMA GSA rates by AF of groundwater extraction for the five-year period, with implementation starting in July of every fiscal year. The proposed rates were designed to meet the annual financial obligations of the EMA GSA, fund an annual operating contingency of 20% as directed by the Board of Directors, and build an operating reserve equal to 50% of annual operating expenses each year by the end of the study period in FY 2030.

The five-year average of groundwater extractions is used to calculate the proposed rates to account for annual fluctuations in hydrologic conditions (wet years and dry years). However, estimated groundwater extractions for each year will be used to calculate the annual bills of each customer.

Table 2-14: Proposed EMA GSA Rates

Line	Fiscal Year	Effective Date	Proposed Rates
1	FY 2026	July 2025	$39.50
2	FY 2027	July 2026	$41.50
3	FY 2028	July 2027	$43.60
4	FY 2029	July 2028	$45.80
5	FY 2030	July 2029	$48.10