

SAN BENITO COUNTY WATER DISTRICT

Zone 6 Water Rate and Capacity Fee Study

San Benito County Water District

FINAL

RAFTELIS

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December 8, 2025

Mr. Brett Miller
Assistant General Manager
San Benito County Water District
30 Mansfield Road
Hollister, CA 95023

Subject: Zone 6 Water Financial Plan, Cost-of-Service, and Rate Study - DRAFT Report

Dear Mr. Miller:

Raftelis is pleased to provide this Zone 6 Water Financial Plan, Cost-of-Service, and Rate Study Report for the San Benito County Water District (SBCWD) to help SBCWD maintain its strong financial position as it addresses water quality, supply, and reliability issues, as well as to establish water rates that are equitable and align with Proposition 218 and Proposition 26.

The major objectives of the study include the following:

- Develop a financial plan for the water enterprise to ensure financial sufficiency, meet operation and maintenance (O&M) costs, ensure sufficient funding for capital needs, and maintain required reserve levels
- Conduct a current water cost-of-service that aligns with Prop. 218 and Prop. 26
- Propose water and power rates for Water Years (WY) starting March 1, 2026, March 1, 2027, and March 1, 2028

The report summarizes the key findings and recommendations related to the development of the financial plan and the development of the updated water and power rates.

It has been a pleasure working with you, and we thank you and the SBCWD staff for the support provided during the course of this study.

Sincerely,

Theresa M. Jurotich

Theresa Jurotich, P.E., PMP
Manager, Raftelis

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1. Executive Summary

The San Benito County Water District (SBCWD) engaged Raftelis Financial Consultants, Inc. (Raftelis) to conduct a comprehensive water rates and charges study that could be utilized to evaluate and optimize user charges for SBCWD's water service while ensuring a proportionate recovery of costs from the various user classes. This report documents the resultant findings, analyses, and recommendations.

SBCWD manages the water resources within San Benito County and is the Groundwater Sustainability Agency for the county. SBCWD provides retail and wholesale water services, including raw water, treated water, and recycled water, in addition to managing the local groundwater basin. SBCWD owns two surface water treatment plants and manages local and imported surface water through the San Benito River System and the San Felipe Distribution System, respectively. A portion of the drinking water delivered to the Sunnyslope County Water District and City of Hollister becomes recycled water (from the City of Hollister's reclamation plant) that is used for irrigation. The imported water improves overall water quality as the groundwater available from local aquifers has varying levels of salts and high mineral content.

The major objectives of this study include the following:

- Develop a 10-year financial plan for Zone 6 to ensure financial sufficiency and funding for operation and maintenance, capital improvement, and capital replacement expenses.
- Conduct a cost-of-service analysis for water services and proportionately allocate the costs of providing services.
- Develop proposed water rates.
- Develop a report that demonstrates the nexus between SBCWD costs and rates, to align with the requirements of Proposition 218 and Proposition 26.

This report summarizes the water rate study's financial plan and rate development key findings and recommendations.

1.1. Methodology

The study is informed by SBCWD's policy objectives, the current Zone 6 water rates, and the legal requirements in California (namely, Proposition 218). The resulting cost-of-service analyses and rate design processes consider all these factors and follows five key steps, outlined below, to derive proposed rates that fulfill SBCWD's policy objectives, meet industry standards, and align with Proposition 218.

This study was also conducted using industry-standard principles outlined by the American Water Works Association's Manual M1 titled *Principles of Water Rates, Fees and Charges, Seventh Edition*.

1. Financial Plan: Develop cash flow projections for Zone 6 to determine the amount of revenue required from water rates to fully recover the costs of providing service.
2. Cost-of-Service Analysis: Allocate total costs to rate components, based on source of supply and customers' unique characteristics.
3. Rate Design: Develop rates for different types of water sources and customers classes, based on cost of service, that generate sufficient revenues to recover costs, and communicate policy preferences of the agency.

4. Report Preparation: Develop a study report to document the underlying inputs, assumptions, analyses, and results of the rate study.
5. Rate Adoption: Proposed rates may be adopted by SBCWD only after holding a public hearing in accordance with Proposition 218 requirements.

1.2. Proposed Financial Plan and Revenue Adjustments

Raftelis conducted a cash flow analysis to evaluate whether existing water rates adequately fund Zone 6's various expenses over the planning period. Annual projections of revenues, O&M expenses, debt service payments, and capital expenditures through FY 2036 were developed with SBCWD staff. The financial planning model enables SBCWD to set rates and charges to generate sufficient revenue to meet its short-term and long-term obligations, including reserve fund requirements. Table 1-1 shows the proposed revenue adjustments for the rate setting period (FY 2026 – FY 2028) as well as potential future revenue adjustments for planning purposes. Revenue adjustments occur on March 1 for each year. This proposed scenario allows SBCWD to slowly draw down reserves, build a more reliable water supply, and meet growing demand.

Table 1-1: Annual Revenue Adjustments

Effective Date	Increase
3/1/2026	2%
3/1/2027	2%
3/1/2028	2%
3/1/2029	2%
3/1/2030	2%
3/1/2031	2%
3/1/2032	2%
3/1/2033	2%
3/1/2034	2%
3/1/2035	2%

Key factors influencing the need for proposed revenue adjustments include:

- Cost inflation: operating costs continue to rise year-over-year due to inflationary pressures.
- Planned capital expenditures: While the water reliability and supply project capital project costs are designed to be recovered through specific rates and charges, the remainder of Zone 6 capital projects need to be funded, including annual improvements to the pipelines.

Table 1-2 shows the proposed financial plan incorporating the proposed revenue adjustments and projected water reliability and capacity fee revenue.

Table 1-2: Proposed Financial Plan Cashflow

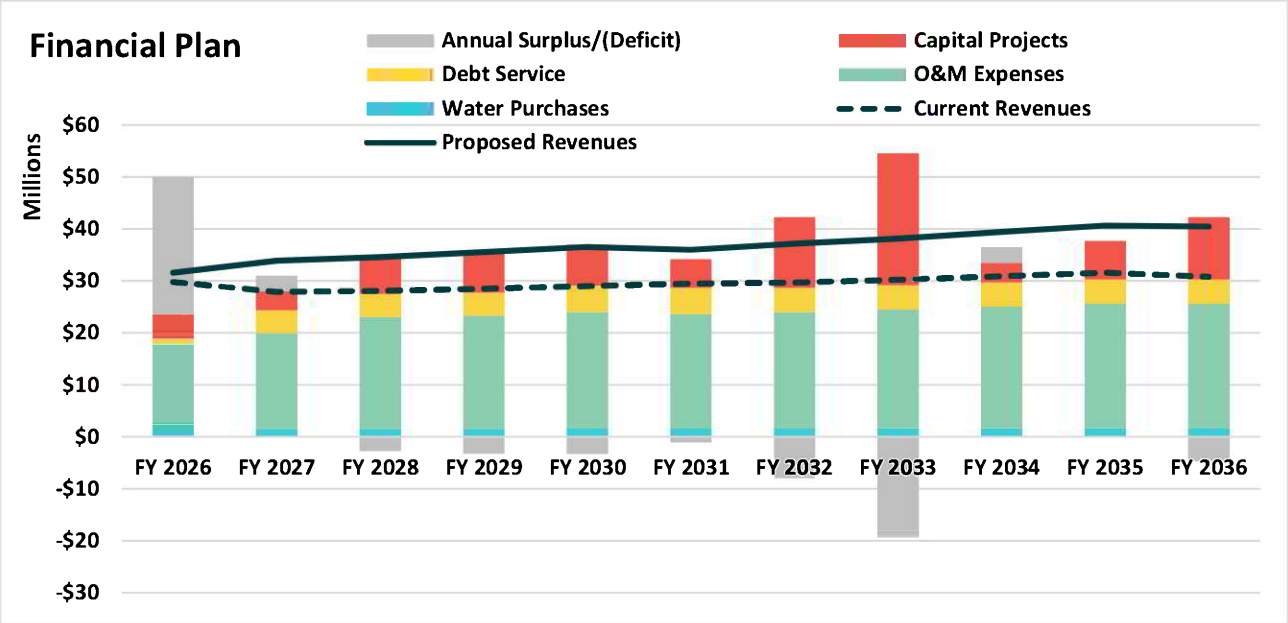
	Line Item	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034	FY 2035	FY 2036
	Revenues											
1	Water Sales and Power Charges	$3,424,302	$3,457,998	$3,492,895	$3,528,968	$3,566,214	$3,596,582	$3,630,473	$3,664,532	$3,700,100	$3,736,676	$3,774,594
2	Total Adjustments	$22,829	$92,674	$165,340	$240,968	$319,705	$400,808	$485,286	$572,926	$664,059	$758,769	$857,290
3	Water Reliability Charge [1]	$593,045	$623,328	$654,987	$688,043	$722,535	$754,011	$788,159	$823,149	$859,781	$897,801	$937,448
4	Capacity Fee Revenue	$1,721,671	$5,865,926	$6,264,225	$6,667,673	$7,089,689	$5,959,085	$6,844,373	$7,080,026	$7,620,352	$8,074,137	$8,614,558
	Other Revenue											
5	Other Operating Revenue	$22,000	$22,330	$22,665	$23,005	$23,350	$23,700	$24,056	$24,417	$24,783	$25,155	$25,532
6	Finished Water	$8,878,168	$8,318,332	$8,495,979	$8,679,263	$8,868,347	$9,058,449	$8,913,386	$9,116,704	$9,326,697	$9,543,241	$8,748,694
7	Cost of Stored & Acquired Water [2]	$972,672	$882,419	$882,419	$882,419	$882,419	$882,419	$882,419	$882,419	$882,419	$882,419	$882,419
8	General Purpose Tax	$1,049,500	$1,065,243	$1,081,221	$1,097,439	$1,113,901	$1,130,610	$1,147,569	$1,164,782	$1,182,254	$1,199,988	$1,217,988
9	Land Only Tax	$11,121,500	$11,455,145	$11,798,799	$12,152,763	$12,517,346	$12,892,867	$13,279,653	$13,678,042	$14,088,383	$14,511,035	$14,946,366
10	Other Non-Operating Revenues	$1,270,250	$320,250	$320,250	$320,250	$320,250	$320,250	$320,250	$320,250	$320,250	$320,250	$320,250
11	Interest Income	$2,489,636	$1,789,077	$1,421,115	$1,264,661	$1,110,174	$991,307	$875,699	$790,679	$775,880	$724,299	$136,417
12	**Total Revenue**	$31,565,573	$33,892,721	$34,599,896	$35,545,452	$36,533,930	$36,010,087	$37,191,322	$38,117,926	$39,444,957	$40,673,769	$40,461,554
13	**Grants**	$19,986,890	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
	Expenses											
14	O&M	$17,920,100	$19,953,168	$23,050,330	$23,296,465	$23,972,833	$23,613,921	$23,997,216	$24,489,435	$25,016,841	$25,581,324	$25,571,827
15	Existing Debt Service	$2,464,577	$3,860,865	$3,860,043	$3,860,104	$3,862,799	$3,746,208	$3,399,428	$3,397,216	$3,399,982	$3,399,478	$3,398,579
16	Proposed Debt Service	$0	$3,500,000	$3,500,000	$3,500,000	$4,201,045	$4,201,045	$4,201,045	$4,201,045	$4,201,045	$4,201,045	$4,201,045
17	Capital Projects - Cash Funded [3]	$4,780,695	$147,067	$6,988,600	$8,138,370	$7,828,475	$5,555,456	$13,602,590	$25,410,265	$3,812,709	$7,453,698	$12,041,426
18	**Total Expenses**	$25,165,371	$27,461,100	$37,398,972	$38,794,939	$39,865,152	$37,116,630	$45,200,280	$57,497,961	$36,430,577	$40,635,545	$45,212,877
19	**Net Cash Flow (Annual Surplus/(Deficit))**	$26,387,092	$6,431,621	($2,799,077)	($3,249,487)	($3,331,222)	($1,106,543)	($8,008,958)	($19,380,036)	$3,014,380	$38,224	($4,751,322)
20	Beginning Balance	$75,291,348	$101,678,440	$108,110,061	$105,310,984	$102,061,497	$98,730,275	$97,623,731	$89,614,774	$70,234,738	$73,249,118	$73,287,342
21	**Ending Balance**	$101,678,440	$108,110,061	$105,310,984	$102,061,497	$98,730,275	$97,623,731	$89,614,774	$70,234,738	$73,249,118	$73,287,342	$68,536,020
22	Target Reserve	$40,107,536	$47,911,321	$51,443,139	$49,994,309	$50,601,289	$53,213,648	$52,502,421	$53,545,832	$54,819,311	$54,960,542	$48,541,982
	Debt Coverage											
23	Calculated	5.54	1.89	1.57	1.66	1.56	1.56	1.74	1.79	1.90	1.99	1.96
24	Required	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20

[1] For the benefit of existing customers.
[2] Cost of Stored and Acquired Water cost not already captured within Finished Water. This is a pass-through cost from USBR.
[3] Cash from rate-based revenues, general purpose tax revenue, and capacity fees.

Line 1 shows revenue from current rates (effective March 1, 2025), assuming no increase in rates; only increased demand at the water treatment plants. Revenue from current rates includes San Felipe Distribution water (for Ag and M&I), groundwater (for Ag and M&I), recycled water, and power charges. Line 2 shows the additional revenue received from the revenue adjustments proposed in Table 1-1. Lines 3 and 4 show the projected water reliability charge revenue and capacity fee revenue. Lines 5-11 show the other revenue line items including Finished Water (which recovers direct pass-through of finished water costs), the Cost of Stored and Acquired Water (based on USBR costs), General Purpose Tax, and Land Only Tax revenues. Interest revenues (Line 11) decrease due to declining reserve balances caused by funding major capital projects with reserves. Line 12 shows the projected total revenues. Line 13 shows grant revenue for the water reliability project. Lines 14 – 17 summarize the O&M expense projections, debt-related expenses, and capital outlays. Line 19 shows the annual surplus/deficit. Lines 20 and 21 show the beginning and ending Zone 6 fund balance, respectively. The ending balance is projected to be drawn down over the planning horizon. Line 22 shows the target reserves for Zone 6. Lines 23 and 24 show the calculated and required debt service coverage ratio. The proposed financial plan supports financial sufficiency and solvency for SBCWD to meet projected expenditures and financial obligations, including debt service, debt coverage, and reserve targets.

Figure 1-1 graphically illustrates the operating Financial Plan – it compares existing (current) and proposed revenues with projected expenses. The stacked bars show expenses, including O&M expenses, debt service, and cash-funded CIP. Total revenues at existing and proposed rates are shown by horizontal black dashed and black solid lines, respectively. Current revenue from existing rates (dashed line) does not meet future total expenses (it is below the total expenses each year from FY 2027 – FY 2036) and shows the nexus to the proposed revenue adjustments.

Figure 1-1: Proposed Zone 6 Financial Plan



1.3. Proposed Three-Year Rates

SBCWD's rates are all a uniform rate based on the amount of water extracted (groundwater) or water demanded (surface water), on a $/acre-foot ($/AF) basis.

1.3.1. Agricultural Water Rates

The current and proposed agricultural water rates through FY 2028 are shown in Table 1-3. The March 1, 2026 Cost of Stored & Acquired Water[1] component was provided by SBCWD as a direct pass-through of USBR costs. The other rate components (SLDMWA, SCVWD, and SBCWD) are based on cost-of-service. All rate components for March 1, 2027 and March 1, 2028 are escalated in accordance with the overall revenue adjustment. Rates have been rounded up to the nearest dollar.

[1] Pass-through cost from USBR.

Table 1-3: Current and Proposed Agricultural Rates, $/AF

San Felipe: Agricultural	Current	March 1, 2026	March 1, 2027	March 1, 2028
Cost of Stored & Acquired Water [1]	$119.65	$110.00	$112.00	$115.00
SLDMWA [2]	$11.97	$13.00	$14.00	$15.00
SCVWD [2]	$55.91	$57.00	$59.00	$61.00
SBCWD	$118.47	$83.00	$85.00	$87.00
Total	$306.00	$263.00	$270.00	$278.00

San Felipe: Agricultural Full Cost (RRA Section 205(a)(3))	Current	March 1, 2026	March 1, 2027	March 1, 2028
Cost of Stored & Acquired Water [1]	$119.65	$110.00	$112.00	$115.00
SLDMWA [2]	$11.97	$13.00	$14.00	$15.00
SCVWD [2]	$55.91	$57.00	$59.00	$61.00
SBCWD	$118.47	$83.00	$85.00	$87.00
Total	$306.00	$263.00	$270.00	$278.00

San Felipe: Agricultural Full Cost (RRA Section 202(3))	Current	March 1, 2026	March 1, 2027	March 1, 2028
Cost of Stored & Acquired Water [1]	$119.65	$110.00	$112.00	$115.00
SLDMWA [2]	$11.97	$13.00	$14.00	$15.00
SCVWD [2]	$55.91	$57.00	$59.00	$61.00
SBCWD	$118.47	$83.00	$85.00	$87.00
Total	$306.00	$263.00	$270.00	$278.00

[1] Cost of Stored & Acquired Water for March 1, 2026 provided by SBCWD. Other years escalated. This is a pass-through cost from USBR.

[2] Subject to pass-through if actual costs higher than projected.

1.3.2. M&I Water Rates

Current and proposed M&I rates are shown in Table 1-4. SBCWD calculated the Cost of Stored & Acquired Water[2] component of the San Felipe rate in a separate model based on USBR rates for March 1, 2026. The other rate components (SLDMWA, SCVWD, and SBCWD) are based on cost-of-service. All rate components for March 1, 2027 and March 1, 2028 are escalated in accordance with the overall revenue adjustment. Rates have been rounded up to the nearest dollar.

[2] Pass-through cost from USBR.

Table 1-4: Current and Proposed M&I Water Rates, $/AF

San Felipe: Non-Agricultural (M&I) Wholesale	Current	March 1, 2026	March 1, 2027	March 1, 2028
Cost of Stored & Acquired Water [1]	$412.36	$152.00	$156.00	$160.00
SLDMWA [2]	$11.97	$13.00	$14.00	$15.00
SCVWD [2]	$55.91	$57.00	$59.00	$61.00
SBCWD	$142.76	$195.00	$199.00	$203.00
Total	$623.00	$417.00	$428.00	$439.00

San Felipe: Small Parcel Service, Non-Agricultural (M&I)	Current	March 1, 2026	March 1, 2027	March 1, 2028
Cost of Stored & Acquired Water [1]	$412.36	$152.00	$156.00	$160.00
SLDMWA [2]	$11.97	$13.00	$14.00	$15.00
SCVWD [2]	$55.91	$57.00	$59.00	$61.00
SBCWD	$142.76	$195.00	$199.00	$203.00
Total	$623.00	$417.00	$428.00	$439.00

[1] Cost of Stored & Acquired Water provided by SBCWD. This includes a pass-through of USBR costs.
[2] Subject to pass-through if actual costs higher than projected.

1.3.3. Water Reliability Charge

Table 1-5 shows the projected water reliability charge. This charge is designed to recover costs associated with enhancing reliability of the water supply for M&I customers with the construction of the Accelerated Drought Response Project.

Table 1-5: Current and Proposed Water Reliability Charge, $/AF

Water Reliability Charge [1]	Current	March 1, 2026	March 1, 2027	March 1, 2028
All M&I Customers	$250.00	$137.00	$140.00	$143.00

[1] Charge to cover reliability projects for the benefit of existing customers.

1.3.4. Groundwater Rates

Table 1-6 shows the current and proposed groundwater rates, which are based on the cost-of-service analysis for March 1, 2026. The rates for March 1, 2027 and March 1, 2028 are escalated in accordance with the overall revenue adjustment. Rates have been rounded up to the nearest dollar. While the cost-of-service analysis shows a need for increased rates for March 1, 2026, per the District's direction, the rates will remain unchanged until March 1, 2027, whereupon the rates shown for March 1, 2027 and March 1, 2028 would be implemented on those dates.

Table 1-6: Current and Proposed Groundwater Rates, $/AF

Groundwater Charges (Well customers)	Current	March 1, 2026	March 1, 2027	March 1, 2028
Ag	$14.30	$17.00	$18.00	$19.00
M&I	$14.30	$21.00	$22.00	$23.00

Groundwater Charges (Well customers)	Current	March 1, 2026 COS	March 1, 2026 Proposed	March 1, 2027 Proposed	March 1, 2028 Proposed
Ag	$14.30	$17.00	$14.30	$18.00	$19.00
M&I	$14.30	$21.00	$14.30	$22.00	$23.00

1.3.5. Recycled Water Rates

Table 1-7 shows the current and proposed recycled water rates and power charges related to pumping recycled water. The March 1, 2026 rates are based on the cost-of-service. The subsequent recycled water rates are escalated in accordance with the overall revenue adjustment. The subsequent recycled water power costs are escalated in accordance with the presumed power cost escalator. The recycled water power charge is also subject to additional pass-through increases if actual costs are higher than projected. Rates have been rounded up to the nearest dollar.

Table 1-7: Current and Proposed Recycled Water & Power Rates, $/AF

Recycled Water Rates	Current	March 1, 2026	March 1, 2027	March 1, 2028
Recycled Water	$306.00	$263.00	$269.00	$275.00
Power Charge*	$108.30	$154.00	$160.00	$166.00

* Subject to pass-through if actual costs higher than projected.

1.3.6. Power Charge

Table 1-8 shows the current and proposed power charges. The rates are based on the cost-of-service rates. If the pass-through portion of the power charges increases, these charges are subject to those pass-throughs. The rates for March 1, 2027 and March 1, 2028 are escalated in accordance with the presumed power charge escalator. Rates have been rounded up to the nearest dollar.

Table 1-8: Current and Proposed Power Charges, $/AF

Power Charge	Current	March 1, 2026	March 1, 2027	March 1, 2028
Subsystem 2*	$43.10	$46.00	$48.00	$50.00
Subsystem 6H*	$43.10	$46.00	$48.00	$50.00
Subsystem 9L*	$100.70	$113.00	$117.00	$122.00
Subsystem 9H*	$100.70	$113.00	$117.00	$122.00
All other subsystems*	$43.10	$46.00	$48.00	$50.00

* Subject to pass-through if actual costs higher than projected.

Note that tables through the report may not add due to rounding.

2. Introduction

2.1. SBCWD Background

San Benito County Water District (SBCWD) manages the water resources within San Benito County and is the Groundwater Sustainability Agency for the county. SBCWD provides retail and wholesale water services, including raw water, treated water, and recycled water, in addition to managing the local groundwater basin. SBCWD owns two surface water treatment plants and manages local and imported surface water through the San Benito River System and the San Felipe Distribution System, respectively. A portion of the drinking water delivered to the Sunnyslope County Water District and City of Hollister becomes recycled water (from the City of Hollister's reclamation plant) that is used for irrigation. The imported water improves overall water quality as the groundwater available from local aquifers has varying levels of salts and high mineral content.

2.2. Scope of the Study

SBCWD engaged Raftelis Financial Consultants, Inc. (Raftelis) to conduct a comprehensive water rates and fees study that could be utilized to evaluate and optimize user charges for SBCWD's water service while ensuring a proportionate recovery of costs from the various user classes. This report documents the resultant findings, analyses, and recommendations.

The scope of this study includes the development of cost-based water rates through a comprehensive cost-of-service analysis and rate-design study process. The three major processes are as follows:

- **Financial Planning:** User information and three-year average water usage data are compiled. Operating and capital costs are compiled and revenue requirements are projected for Fiscal Year (FY) 2026 through FY 2036. Financial planning involves estimation and projection of annual O&M and capital expenditures, annual debt service and reserve requirements, operating and capital revenue sources, and the determination of required revenues from rates and charges.
- **Cost-of-Service Analysis:** The cost-of-service analysis apportions annual revenue requirements to the different user classes, demonstrating the nexus between the cost of providing water service to the various user classes and the revenue collected from each class. This approach is based on standard industry practice and commensurate with the legal requirements of Proposition 218.
- **Rate Design:** Rate design involves the development of a schedule of rates for each of the different user classes, to proportionately recover the costs attributable to them while considering the pricing objectives of SBCWD.

3. Rate Setting Methodology

As stated in the AWWA M1 Manual, "the costs of water rates and charges should be recovered from classes of customers in proportion to the cost of serving those customers." The four major steps to develop utility rates that comply with Proposition 218 and industry standards while meeting other emerging goals and objectives of the utility are discussed below.

3.1. Calculate Revenue Requirement

The rate-making process starts by determining the test year (rate setting year) revenue requirement. The revenue requirement should sufficiently fund the utility's O&M, debt service, capital expenses, and other identified costs with funding to reserves (positive cash) or using reserves (negative cash), all based on a long-term financial plan.

3.2. Cost-of-Service Analysis

The annual cost of providing water service is distributed among customer classes commensurate with their service requirements. A cost-of-service analysis involves allocating costs to customer classes in proportion to their burden on the water system.

3.3. Rate Design and Calculations

Rates do more than simply recover costs. Within the legal framework and industry standards, properly designed rates should support and optimize a blend of various utility objectives, such as promoting water conservation, affordability for essential needs, and revenue stability, among other objectives. Rates may also act as a public information tool in communicating these objectives to customers.

3.4. Rate Adoption

Rate adoption is the last step of the rate-making process and is part of the procedural requirements of Proposition 218. Raftelis documents the rate study results in this report to serve as the utility's administrative record and a public education tool about the proposed changes, the rationale and justifications behind the changes, and their anticipated financial impacts.

Government Code §54999.7(c) requires that water and wastewater agencies must conduct a cost-of-service study a minimum of every ten years. Raftelis conducted a comprehensive cost-of-service rate study for SBCWD in Section 5 and documented the results and findings in this report. This study focuses on developing a financial plan and cost projections for the next ten years. The proposed revenue adjustments resulting from the financial plan will be applied to calculate the proposed rates for FY 2026, FY 2027, and FY 2028.

Appendix A contains a summary of the legal authority and procedural requirements as summarized by Kronick Moskovitz Tiedemann & Girard.

4. Financial Plan

SBCWD is a special district that owns and operates capital facilities to provide treated and raw water supplies to both wholesale and retail water service customers. The water delivered by SBCWD to its wholesale and retail customers is sourced exclusively from the Central Valley Project ("CVP") pursuant to SBCWD's contract with the United States Bureau of Reclamation (USBR). In addition to operating its existing facilities, SBCWD is responsible for investigating new sources of water supplies that can satisfy the anticipated future demand for new growth.

This document identifies SBCWD's revenues sources, and then discusses how those revenue sources are allocated to pay for SBCWD's costs associated with providing water service.

This is a working document intended to provide information that can be used to supplement the narrative discussion of changes to SBCWD's water rates in an existing Fee Study prepared by Raftelis.

I. SBCWD's Revenue Sources

SBCWD's sources of revenue include:

- ***Portion of County-Wide 1% Levy***. The District receives a portion of the County-wide 1% ad valorem tax property tax levy. The property tax collected on behalf of the District is limited to a maximum total levy, which is adjusted annually based on a cost of living factor and a population factor in accordance with Article XIIIB of the California Constitution. For Fiscal Year 2023-24, the Zone 6 share of this levy was approximately $1.0 million.

- ***Additional Land Tax Levy***. In addition, the District levies a land tax equal to $0.25 per $100.00 of assessed land value for all parcels within Zone 6 to pay for the construction, operating, maintenance and capital repayment of the distribution system and the District's share of the San Felipe Division and San Felipe Distribution System Facilities. This tax is collected for the District by the County. For Fiscal Year 2023-24, this Zone 6 land levy generated approximately $10.4 million.

- ***Standby & Availability Charge (per-acre land charge).*** The Standby & Availability charge is applicable only to parcels of land that receive, or are eligible to receive, water service from the San Felipe Distribution System either by direct delivery or by special agreement and is based on the fact that water is available to those particular parcels of land. The District Act authorizes the District to set an annual Standby & Availability charge, by resolution, on or before the first day of July in any calendar year, up to a maximum of $10.00 per acre per year. Currently, the District levies $6.00 per acre per year.

- ***Agricultural and M&I Water Charges (per acre-foot water rate).*** The basis for the water charges are the operations and maintenance costs associated with the delivery of Zone 6 water to agricultural and M&I customers. These costs include the District's share of the operations and maintenance costs for the CVP, the SLDMWA (which operates a portion of the CVP under contract with USBR), the Reach 1 facility maintained by the SCVWD as well as the District's own operation and maintenance costs. Also included are interest costs related to water service from the CVP.

- ***Recycled Water Charges (per acre-foot water rate).*** As described elsewhere, certain parcels in the District's service area receive recycled water from the City of Hollister's water reclamation facility, for which they pay a per acre-foot rate of $306.00, consistent with the cost per acre-foot for CVP Zone 6 water.

- ***Groundwater Extraction Charges.*** The District does not have any groundwater wells of its own and does not pump any groundwater. However, the District does charge customers with groundwater wells within Zone 6 an extraction charge of $14.31 per acre-foot. The groundwater charge is based on the costs reasonably borne by the District in providing the water supply service in the period of charge. The amount charged for groundwater pumped from wells is largely based on amounts well-owners self-report to the District.

- ***Power Charges.*** The basis for the power charge is the cost of pumping, transmission and distribution of power associated with delivery of water to customers. These costs include pumping associated with the USBR pumping facilities, District pumping stations for specific subsystems, and power costs associated with San Justo Reservoir and the San Felipe Distribution system. The District has consolidated the power charge into the outside subsystem 9 and those within subsystem 9. Subsystem 9 is unique due to additional pumping requirements. The rates are based on the cost-of-service rates. If the pass-through portion of the power charges increases, these charges are subject to those pass-throughs.

- ***Regulatory Overuse Charge.*** Although not shown in the table, water used over the allocation(s) will be billed the regulatory overuse charge. This regulatory charge is to encourage conservation and discourage overuse, and is the current spot market rate, with a maximum of $2,000 per acre foot. This Regulatory Overuse Charge is subject to change based on water supply.

- ***Water Reliability Charge.*** Effective March 1, 2023, M&I customers have been paying a new water supply-reliability charge for the District's Accelerated Drought Response Project (ADRoP). This charge is designed to recover costs associated with enhancing reliability of the water supply for M&I customers (although the pledge of revenues for the 2025 Bonds is from all Zone 6 revenues). This $55 million dollar project will be offset with $20 million in grant proceeds and the remainder with bond proceeds.

- ***Water Capacity Fee.*** The District anticipates imposing a connection fee of $12,265 per connection for new water connections within Zone 6 for new future water supplies related to growth within Zone 6.

- ***Other Water Sales and Well Permit Fee.*** SBCWD also derives revenue from water sales of its CVP water supplies when excess water is available that cannot be used by existing customers. Well permit fee revenue is to recover costs associated with staff issuing and reviewing necessary documents in relation to a well being drilled. Fees and the authority to issue permits are set by the County of San Benito. These fees are not part of the Zone 6 revenues.

- ***Groundwater Monitoring and Management Costs:*** SBCWD is a Groundwater Sustainability Agency ("GSA") and obtains revenues from regulatory fees that are charged to groundwater users. These fees are exclude from the rate calculation.

- ***Zone 3 Tax:*** As a point of reference as Zone 3 is not part of the Zone 6 rate study, the District receives an Ad valorem tax Parcel Tax from landowners near the San Benito River.

Reviewing a utility's revenue requirement is a key first step in the rate study process. Raftelis analyzed annual operating revenue under the status quo, operation and maintenance (O&M) expenses, transfers between funds, and reserve requirements. This section of the report provides a discussion of the projected revenues, O&M expenses, reserve funding requirements, and the revenue adjustments needed to support fiscal sustainability and solvency.

4.1. Projected Revenue at Existing Rates

SBCWD receives revenues through the sale of raw and treated water from its customers as well as tax revenues and other income. SBCWD Zone 6 serves agricultural, municipal and industrial, and recycled water customers. Agricultural and municipal and industrial customers that receive San Felipe Water are charged for water supply and power. Water charges include SBCWD's share of the operating and maintenance costs for the United States Bureau of Reclamation (USBR) Central Valley Project, the San Luis Delta Mendota Water Authority (SLDMWA), the Reach 1 facility maintained by the Santa Clara Valley Water District (SCVWD), and SBCWD's own operating and maintenance costs. Interest costs for the USBR Central Valley Project are also included. Municipal and industrial customers also are charged for the water reliability project.

San Felipe Distribution Water system customers also pay a power charge depending on the subsystem in which they are located. Power charges recover costs associated with pumping, transmission, and distribution power associated with the delivery of water to customers. These costs include pumping associated with the USBR puling facilities, SBCWD pumping stations for specific subsystems, and power costs associated with the San Justo Reservoir and the San Felipe Distribution system.

Agricultural and municipal and industrial customers that extract groundwater are charged based on the amount of groundwater extracted. The charge is based on SBCWD's costs in providing the water supply service.

Those customers receiving recycled water pay a rate that recover operations, maintenance, and power supply costs associated with the delivery of recycled water.

4.1.1. Current Water and Power Rates

All rate-based revenue is based on $/acre-feet ($/AF); the SBCWD does not collect a customer or monthly meter charge. The SBCWD generally sets rates effective at the start of each water year (WY), March 1. Table 4-1 shows San Felipe Distribution Water, Power, Groundwater, and Recycled Water rates in effect as of March 1, 2025. All charges are uniform rates based on water use in acre-feet (AF).

Table 4-1: Current Water and Power Rates

San Felipe Distribution Water Rates Effective March 1, 2025, $/AF	
San Felipe Distribution System Water Charges (Water Supply)	
Agricultural(1)	
Cost of Stored & Acquired Water	$119.65
SLDMWA	$11.97
SCVWD	$55.91
SBCWD	$118.47
Agricultural - Total	$306.00
Non-Agricultural (Municipal & Industrial) - Wholesale	
Cost of Stored & Acquired Water	$412.36
SLDMWA	$11.97
SCVWD	$55.91
SBCWD	$142.76
Water Reliability Charge	$250.00
Non-Agricultural (Municipal & Industrial) - Wholesale	$873.00
Non-Agricultural/ Small Parcel (Municipal & Industrial)	
Cost of Stored & Acquired Water	$412.36
SLDMWA	$11.97
SCVWD	$55.91
SBCWD	$142.76
Water Reliability Charge	$250.00
Non-Agricultural/ Small Parcel (Municipal & Industrial)	$873.00

San Felipe Distribution Water Rates Effective March 1, 2025, $/AF	
Power Charges	
Subsystem 2	$43.10
Subsystem 6H	$43.10
Subsystem 9L	$100.70
Subsystem 9H	$100.70
All Other Subsystems	$43.10

Other Rates Effective March 1, 2025, $/AF	
Groundwater Charges	
Metered	
Water Primarily for Municipal & Industrial Purposes	$14.30
Water Primarily for Agricultural Purposes	$14.30
Recycled Water Charges	
Recycled Water Charge	$306.00
Power Charge	$108.30
Minimum Annual Purchase of Water for Each Parcel (applied to water charge)	$700.00

(1) Agricultural, Full Cost (RRA Section 205(a)(3), Full Cost (RRA Section 202(3))

4.1.2. Projected Water and Power Use

Based on discussions with SBCWD staff, the assumption is that growth will occur with respect to the water required from the treatment plants (Finished Water). The SBCWD's engineer, HDR, has estimated a low-growth scenario of approximately 3 percent per year through FY 2030 then lowering to about 2.5 percent per year in the final water supply and treatment master plan report[3]. At SBCWD staff direction, we are using that low demand scenario for water usage from the water treatment plants (M&I WTP Plants) and that no growth occurs in the other customer classes. SBCWD staff made this recommendation because it more closely aligns with recent growth trends and expected future development. Table 4-2 summarizes the projected water usage.

Table 4-2: Projected Customer Usage, AF

Customer Usage Data	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034	FY 2035	FY 2036
San Felipe Distribution Water											
Ag	5,970	5,970	5,970	5,970	5,970	5,970	5,970	5,970	5,970	5,970	5,970
Ag Full Cost	1,740	1,740	1,740	1,740	1,740	1,740	1,740	1,740	1,740	1,740	1,740
M&I	97	97	97	97	97	97	97	97	97	97	97
M&I Small Parcel	132	132	132	132	132	132	132	132	132	132	132
M&I (WTP Plants)	4,100	4,224	4,352	4,484	4,620	4,732	4,856	4,981	5,111	5,246	5,385
Total Surface Water (AF)	12,039	12,162	12,290	12,423	12,559	12,671	12,795	12,920	13,050	13,184	13,323
Recycled Water	420	420	420	420	420	420	420	420	420	420	420
Groundwater - Wells											
Ag	16,310	16,310	16,310	16,310	16,310	16,310	16,310	16,310	16,310	16,310	16,310
M&I	4,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800
Total Groundwater	21,110	21,110	21,110	21,110	21,110	21,110	21,110	21,110	21,110	21,110	21,110
Total Water Usage (AF)	33,569	33,692	33,820	33,953	34,089	34,201	34,325	34,450	34,580	34,714	34,853

[3] Kennedy, Holly, et al., "Final San Benito Urban Areas Water Supply and Treatment Master Plan Update", HDR, Folsom, California, October 2023.

Table 4-3 shows the projected power usage. All power usage remains flat except for Subsystem 9L, which includes the Lessalt water treatment plant, and All Other Subsystems, which includes the West Hills water treatment plant.

Table 4-3: Projected Power-Related Usage, AF

Power System	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034	FY 2035	FY 2036
Subsystem 2	173	173	173	173	173	173	173	173	173	173	173
Subsystem 6H	41	41	41	41	41	41	41	41	41	41	41
Subsystem 9L	1,364	1,404	1,446	1,490	1,535	1,571	1,612	1,653	1,696	1,740	1,786
Subsystem 9H	154	154	154	154	154	154	154	154	154	154	154
All Other Subsystems	10,158	10,241	10,327	10,416	10,508	10,582	10,666	10,750	10,837	10,927	11,021
Recycled Power Charge	420	420	420	420	420	420	420	420	420	420	420
Total Power-Related Usage	12,309	12,433	12,561	12,693	12,830	12,941	13,066	13,191	13,321	13,455	13,594

4.1.3. Revenue Projections

4.1.3.1. Rate Revenue

Table 4-4 shows the projected rate revenue based on current rates and projected water use. San Felipe Distribution water revenues exclude the cost of stored and acquired water component[4] as that rate is a direct pass-through of USBR costs.

Table 4-4: Rate Revenue Under Existing Rates

Line Item	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034	FY 2035	FY 2036
San Felipe Dist. Water*	$2,348,575	$2,374,600	$2,401,559	$2,429,426	$2,458,199	$2,481,659	$2,507,841	$2,534,152	$2,561,630	$2,589,885	$2,619,178
Power Charges	$599,848	$607,519	$615,458	$623,663	$632,136	$639,044	$646,753	$654,501	$662,592	$670,912	$679,537
Groundwater	$301,873	$301,873	$301,873	$301,873	$301,873	$301,873	$301,873	$301,873	$301,873	$301,873	$301,873
Recycled Water & Power	$174,006	$174,006	$174,006	$174,006	$174,006	$174,006	$174,006	$174,006	$174,006	$174,006	$174,006
Total Revenue	$3,424,302	$3,457,998	$3,492,895	$3,528,968	$3,566,214	$3,596,582	$3,630,473	$3,664,532	$3,700,100	$3,736,676	$3,774,594

* Excluding the Cost of Stored & Acquired Water component, which is a pass-through from USBR.

4.1.3.2. Other Revenues

Table 4-5 shows the projected other revenues, which includes revenues from direct pass-through of third-party charges (e.g., cost of stored and acquired water from USBR), interest earnings, taxes, miscellaneous revenues, and finished water. Finished water includes a direct pass-through of the wholesale cost of stored and acquired[5] water component of the San Felipe Distribution water rates, water treatment plants' operating and maintenance costs, additions to the water treatment plant asset replacement reserve, and debt service associated with the water treatment plants.. The cost of stored & acquired water[6] revenue includes projected revenue from this component of the San Felipe Distribution water rate for non-wholesale customers. This revenue is based on a direct pass-through of USBR charges. Other revenues also include miscellaneous operating and non-operating revenues, tax revenue, and interest earnings on cash balances. Finished water and the cost of stored and acquired water are a direct offset of associated costs. The other revenues are used to offset other SBCWD costs. For example, a portion of land only tax is used to offset the interest portion of the loan made for the water reliability project. The offset of revenue requirements is discussed in Section 5. Other operating and non-operating revenue, as well as general tax revenue, increases at 1.5 percent per year. Land tax increases at 3 percent per year.

[4] Pass-through cost from USBR.

[5] Pass-through cost from USBR.

[6] Pass through cost from USBR.

Table 4-5: Other Revenues

Line Item	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034	FY 2035	FY 2036
Finished Water*	$8,878,168	$8,318,332	$8,495,979	$8,679,263	$8,868,347	$9,058,449	$8,913,386	$9,116,704	$9,326,697	$9,543,241	$8,748,694
Cost of Stored & Acquired Water**	$972,672	$882,419	$882,419	$882,419	$882,419	$882,419	$882,419	$882,419	$882,419	$882,419	$882,419
Other Operating Revenue	$22,000	$22,330	$22,665	$23,005	$23,350	$23,700	$24,056	$24,417	$24,783	$25,155	$25,532
General Purpose Tax	$1,049,500	$1,065,243	$1,081,221	$1,097,439	$1,113,901	$1,130,610	$1,147,569	$1,164,782	$1,182,254	$1,199,988	$1,217,988
Land Only Tax	$11,121,500	$11,455,145	$11,798,799	$12,152,763	$12,517,346	$12,892,867	$13,279,653	$13,678,042	$14,088,383	$14,511,035	$14,946,366
Other Non-Operating Revenues	$1,270,250	$320,250	$320,250	$320,250	$320,250	$320,250	$320,250	$320,250	$320,250	$320,250	$320,250
Interest Income	$2,489,636	$1,735,777	$1,331,158	$1,172,427	$1,015,604	$894,343	$776,281	$688,744	$671,364	$617,137	$114,662
Total Other Revenue	$25,803,726	$23,799,496	$23,932,491	$24,327,567	$24,741,217	$25,202,637	$25,343,613	$25,875,357	$26,496,149	$27,099,224	$26,255,911

* Direct pass through of wholesale cost of stored & acquired water, operations & maintenance costs of the WTP, additions to the WTP asset replacement reserve, and debt service associated with the WTPs.

** Excluding Cost of Stored & Acquired Water revenues captured within Finished Water. The cost of stored and aquired water is a pass-through cost from USBR.

4.2. Operating and Maintenance Expenses

Rate Components and Allocations:

The District made the determinations about the following water rate components going forward.

Water Supply: This component which recovers water purchase costs incurred from the USBR to meet water demands of the Agency's customers. This component is recovered by water rates.

Costs Associated with Santa Clara Valley Water District (SCVWD: This component recovers costs associated with SCVWD charges for maintaining and operating the San Felipe Reach 1 section of the pipeline from San Luis Reservoir to Casa de Fruta. These costs are split between SCVWD and San Benito County Water District. These costs are paid by the ad valorem tax.

Costs Associated with San Luis and Delta-Mendota Water Authority (SLDMWA: This component recovers costs associated with SLDMWA charges for maintaining and operating the District's share of the Central Valley Project (CVP). These charges are allocated 50% to Agriculture and M&I and the other 50% to power charges based on historical trends. Both of these charges are paid by the ad valorem tax.

San Benito County Water District Costs: These costs are allocated based on historical trends.

- **Contract Repayment:** The District Paid off capital obligation of in-basin CVP, but this does not include San Felipe division capital costs associated with the CVP. Contract Repayments are paid on a semi-annual basis on July 1 and January 1. The payments will be going from an annual cost of $1,942,152 to $6,984,605 beginning January 1, 2027. These costs are paid by the ad valorem tax.

- **Operations and Maintenance of San Felipe System:**. The pipeline from Casa de Fruta to San Juan Valley including San Justo Reservoir are paid for exclusively by San Benito County Water District. These operation and maintenance costs are paid by the ad valorem tax.

- **Local Distribution System for the Distribution of Imported Water to Users and District Water Treatment Plants (San Felipe Distribution System):** These pressurized pipelines deliver water to end users and the District's water treatment plants. Approximately $29 million of capital replacements for the SBCWD portion of the San Felipewhich will be paid by ad valorem tax.

- **Local Distribution System:** This includes the system to the direct users, two Water Treatment Plants, the pipes to those treatment plants, and the pipes up to the Sunnyslope County Water District and the City of Hollister's systems which are owned by these individual retail customers.

The capital costs and the operations and maintenance costs of the local distribution system are paid by ad valorem tax.

- **Contracted Services:** This includes fees for legal, additional engineering services, general consulting, computer and technical services, and the operations of the District's treatment plants.
- **General and Administrative Costs:** This includes dues and fees, communications and insurance costs.
- **Materials and Equipment:** This includes chemicals, supplies, tools, equipment, and maintenance.
- **Utilities:** This includes costs related to utilities of the treatment plants and operations.
- **Wages and related costs:** This includes all labor costs associated with the District's operation.
- **Capital Improvement Needs of Aging Facilities**: Like many regional agencies, the District has a lot of aging water infrastructure that will require rehabilitation and replacement in upcoming years. Many of the District's water pipelines have been in service from 30 to over 50 years and have reached or are approaching the end of their useful lives. Other infrastructure, including both water treatment plants, are in need of substantial improvements to address existing deficiencies and support safe and reliable service. These future capital costs are allocated over the next 10 plus years. These capital costs are allocated based on historical use.

Allocation of Costs:

The costs associated with the District is allocated based on the calculation by taking a three year average of demand of either Ag or M&I and dividing it by total demand. The cost of the District are as follows:

	2026 Projected Demand	Allocation of Costs
Agricultural (Ag)	7,710AF	64%
Municipal and Industrial (M&I)	4,329AF	36%
Total	12,039AF	100%

The formula below shows the next step in the calculation and is used to determine the unit cost per AF of water.



Table 4-6 shows SBCWD's budget and projected O&M expenses for the study period. The cost of water incorporates the projected lowered cost of stored and acquired water. General-related costs escalate at 3.0 percent per year. Salary-related costs escalate at 2.5 percent per year. Benefits escalate at 6 percent per year. Utilities escalate at 3.5 percent per year. The largest contributors to O&M expenses are water treatment plants operations and maintenance, wages and related expenses, the cost of raw water[7], USBR contract payments, and contract services.

Table 4-6: O&M Expenses

Line Item	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034	FY 2035	FY 2036
Cost Of Water [1]	$2,319,651	$1,515,951	$1,535,149	$1,554,994	$1,575,484	$1,592,190	$1,610,834	$1,629,571	$1,649,138	$1,669,259	$1,690,119
Water Treatment Plants	$4,978,852	$5,132,463	$5,290,911	$5,454,352	$5,622,945	$5,796,341	$5,975,348	$6,159,930	$6,350,355	$6,546,778	$6,749,419
Direct Power & Other Power (Raw Water)	$435,350	$452,246	$469,852	$488,199	$507,319	$526,791	$547,210	$568,424	$590,546	$613,586	$637,606
USBR Mandatory Contract	$1,942,152	$4,463,378	$6,984,605	$6,984,605	$6,984,605	$6,984,605	$6,984,605	$6,984,605	$6,984,605	$6,984,605	$6,281,862
Contract Services	$1,755,804	$1,319,070	$1,358,642	$1,415,384	$1,441,383	$1,612,323	$1,546,629	$1,575,038	$1,622,289	$1,690,043	$1,869,124
General and Administrative	$401,700	$413,751	$426,164	$438,948	$452,117	$465,680	$479,651	$494,040	$508,862	$524,127	$539,851
Materials and Equipment	$925,320	$953,080	$981,672	$1,011,122	$1,041,456	$1,072,699	$1,104,880	$1,138,027	$1,172,168	$1,207,333	$1,243,553
Utilities	$295,600	$307,072	$319,027	$331,484	$344,467	$357,688	$371,552	$385,956	$400,977	$416,621	$432,930
Wages and Employee Related Expenses	$3,214,371	$3,317,646	$3,424,870	$3,536,225	$3,651,901	$3,772,098	$3,897,026	$4,026,907	$4,161,975	$4,302,474	$4,448,665
Spot Purchases Until ASR Phase I online	$0	$814,983	$955,415	$735,330	$962,188	$0	$0	$0	$0	$0	$0
Semitropic O&M	$8,600	$8,858	$9,124	$9,397	$9,679	$9,970	$10,269	$10,577	$10,894	$11,221	$11,558
Costs Associated with Santa Clara Valley WD	$658,700	$678,461	$698,815	$719,779	$741,373	$763,614	$786,522	$810,118	$834,421	$859,454	$885,238
Costs Associated with San Luis Delta Mendota (Other)	$984,000	$576,210	$596,084	$616,644	$637,916	$659,922	$682,689	$706,242	$730,610	$755,821	$781,903
END OF WORKSHEET	$17,920,100	$19,953,168	$23,050,330	$23,296,465	$23,972,833	$23,613,921	$23,997,216	$24,489,435	$25,016,841	$25,581,324	$25,571,827

[1] This is a pass-through cost from USBR.

4.3. Capital Improvement Program and Funding

4.3.1. Capital Improvement Plan

SBCWD has developed a capital improvement program to address current and future needs of the water system. Based on discussions with SBCWD staff, the model presumes that capital costs escalate at 5 percent per year for FY 2026 and FY 2027, then lower to 4 percent per year for FY 2028 and FY 2029, then level out at the long-term historical average of 3 percent per year. Anticipated capital improvements are summarized in Figure 4-1 and costs at the project category level are shown in Table 4-7. The FY 2026 capital includes the reliability project. The large increase in the capital plan between FY 2030 and FY 2033 is due to a supply project and assumed full implementation of the Delta-Mendota Canal Subsidence Project. The detailed capital improvement plan is shown in Appendix B. The figure also shows the anticipating funding sources each year. Sources of cash include rate-based revenue, withdrawals from the Reach 1 Major R&R fund, capacity fees, and draws on undesignated reserves as needed.

[7] Pass-through cost from USBR.

Figure 4-1: Capital Improvement Program with Funding Sources

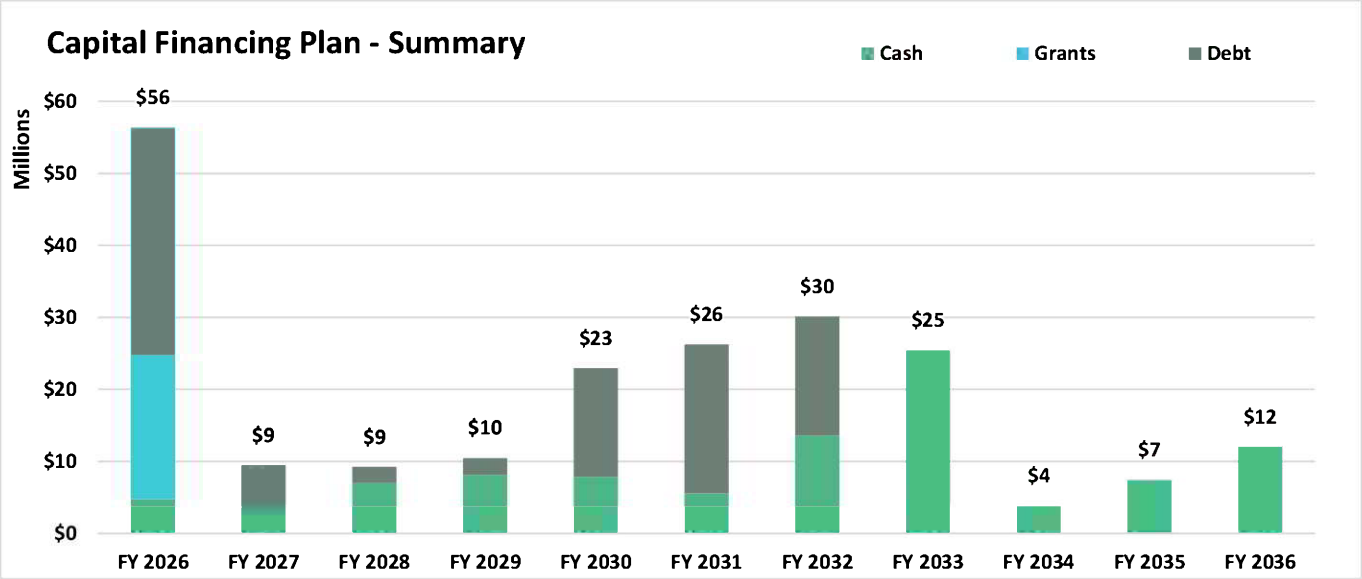


Table 4-7: Proposed Capital Improvement Program

Project Category	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034	FY 2035	FY 2036
Pumping System Evaluation & Rebuild	$59,370	$62,338	$64,832	$67,425	$69,448	$71,531	$73,677	$75,888	$78,164	$80,509	$82,924
WTP Projects	$0	$0	$0	$0	$0	$0	$0	$0	$0	$3,533,538	$0
Pacheco Pump Replacement	$0	$0	$0	$799,852	$823,847	$848,563	$874,020	$0	$0	$0	$0
Lateral Rehabs	$835,761	$542,415	$550,184	$639,412	$1,117,212	$1,112,401	$284,221	$0	$0	$0	$0
SBCWD Share of SCVWD Projects	$24,560	$212,560	$3,439,881	$3,589,869	$2,691,833	$309,971	$4,279,647	$0	$0	$0	$0
SLDM: Canal Subsidence Estimate	$0	$0	$0	$0	$12,700,253	$0	$0	$0	$0	$0	$0
Special Shelf Angle Replacement	$2,475,000	$2,598,750	$2,702,700	$2,810,808	$2,895,132	$2,981,986	$3,071,446	$3,163,589	$3,258,497	$3,356,252	$0
Supply & Reliability Projects	$52,749,979	$2,280,019	$2,258,756	$2,349,106	$2,419,580	$20,680,352	$21,300,762	$21,939,785	$245,044	$252,396	$11,958,501
Total CIP	$56,144,670	$5,696,083	$9,016,353	$10,256,473	$22,717,305	$26,004,804	$29,883,773	$25,179,262	$3,581,705	$7,222,694	$12,041,426

4.3.2. Debt Service

Debt service requirements include principal and interest payments being made on bonds and loans previously issued, as well as forecasted payments for projected future bonds and loans.

4.3.2.1. Existing Debt Service

SBCWD has three outstanding loans, which are captured within O&M expenses. The annual existing debt service over the financial planning period is summarized in Table 4-8.

Table 4-8: Existing Debt Service

Line Item	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034	FY 2035	FY 2036
WIIN CBT	$225,662	$226,006	$226,269	$226,451	$226,553	$226,573	$226,513	$226,372	$226,150	$225,848	$225,464
Citi National	$463,117	$463,117	$463,117	$463,117	$463,117	$347,338	$0	$0	$0	$0	$0
UAL	$243,167	$242,867	$243,407	$242,786	$243,004	$243,047	$242,915	$243,594	$243,082	$243,381	$242,489
Total	$931,946	$931,990	$932,793	$932,354	$932,674	$816,958	$469,428	$469,966	$469,232	$469,228	$467,954

4.3.2.2. Projected New and Proposed Debt Service

The financial plan includes a new bond that was recently issued for the water reliability project and presumes two bonds are issued over the financial planning period to help cover the cost of a water supply project and

the canal subsidence project. The debt for the water reliability project was obtained in FY 2025 with payments starting in FY 2026. The water supply project debt is based on approximately 5.6 percent interest rate, a 30-year term, and a 0.9 percent cost of issuance based on discussions with SBCWD's financial advisors. For long-range modeling purposes, Raftelis, in conjunction with SBCWD, has presumed a bond term of 30-years with an interest rate of 3.5 percent, and an issuance cost of 1.5 percent for the canal subsidence project[8]. Table 4-9 shows the new water reliability project debt and proposed debt service for the water supply and canal projects included in the financial plan.

Table 4-9: New and Proposed Debt Service

Line Item	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034	FY 2035	FY 2036
Water Reliability Project	$1,532,631	$2,928,875	$2,927,250	$2,927,750	$2,930,125	$2,929,250	$2,930,000	$2,927,250	$2,930,750	$2,930,250	$2,930,625
Water Supply Project	$0	$3,500,000	$3,500,000	$3,500,000	$3,500,000	$3,500,000	$3,500,000	$3,500,000	$3,500,000	$3,500,000	$3,500,000
Canal Subsidence	$0	$0	$0	$0	$701,045	$701,045	$701,045	$701,045	$701,045	$701,045	$701,045
Total	$1,532,631	$6,428,875	$6,427,250	$6,427,750	$7,131,170	$7,130,295	$7,131,045	$7,128,295	$7,131,795	$7,131,295	$7,131,670

4.3.3. Reserve Targets

SBCWD has several operating and capital reserves for Zone 6, as shown in Table 4-10. A description of the purpose of each reserve is shown in Appendix C.

Table 4-10: Reserve Balances at Beginning of FY 2026

Reserve	FY 2026 Beginning Balance
Undesignated	$27,802,136
Operations Reserves	$3,110,298
Capital Improvement Reserves	$5,269,611
Self-Insurance Reserve	$100,000
Capital Asset Replacement Reserve	$3,477,278
OPEB Trust	$942,371
Water Supply Revolving Reserve	$2,270,980
Future Water Supply Project	$1,643,685
San Felipe - Holister Conduit Reserve	$250,000
San Felipe - Reach 1 Reserve	$585,030
USBR Reserve	$24,685,457
Reach 1 Major R&R Reserve	$3,795,352
WTP - Asset Replacement	$5,024,780
Total	$78,956,978

4.4. Proposed Financial Plan and Revenue Adjustments

The proposed financial plan enables SBCWD to set rates to generate sufficient revenues to meet its short-term and long-term obligations and avoid significant future rate fluctuations. The plan shows the revenues that will be used to maintain appropriate reserves and provide adequate debt coverage while maintaining a sensitivity to rate increases.

[8] Raftelis encourages SBCWD to work with its municipal financial advisor as the time to bid the projects gets closer to reflect capital pricing at that time as well as bond market terms and conditions.

To meet projected revenue requirements and to maintain desired reserve levels, the revenue adjustments shown in Table 4-11 are proposed to the existing water rates. Revenue adjustments are shown outside the rate setting period (FY 2026 – FY 2028*) for planning purposes only* and are subject to the Board's approval in future years.

Table 4-11: Annual Revenue Adjustments

Effective Date	Increase
3/1/2026	2%
3/1/2027	2%
3/1/2028	2%
3/1/2029	2%
3/1/2030	2%
3/1/2031	2%
3/1/2032	2%
3/1/2033	2%
3/1/2034	2%
3/1/2035	2%

The Zone 6 financial plan shown in Table 4-12 provides a basis for evaluating the timing and level of water revenue adjustments needed to meet the revenue requirements over the study period. The financial plan shows an annual adjustment starting in FY 2026.

Table 4-12: Zone 6 Financial Plan

	Line Item	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034	FY 2035	FY 2036
	Revenues											
1	Water Sales and Power Charges	$3,424,302	$3,457,998	$3,492,895	$3,528,968	$3,566,214	$3,596,582	$3,630,473	$3,664,532	$3,700,100	$3,736,676	$3,774,594
2	Total Adjustments	$22,829	$92,674	$165,340	$240,968	$319,705	$400,808	$485,286	$572,926	$664,059	$758,769	$857,290
3	Water Reliability Charge [1]	$593,045	$623,328	$654,987	$688,043	$722,535	$754,011	$788,159	$823,149	$859,781	$897,801	$937,448
4	Capacity Fee Revenue	$1,721,671	$5,865,926	$6,264,225	$6,667,673	$7,089,689	$5,959,085	$6,844,373	$7,080,026	$7,620,352	$8,074,137	$8,614,558
	Other Revenue											
5	Other Operating Revenue	$22,000	$22,330	$22,665	$23,005	$23,350	$23,700	$24,056	$24,417	$24,783	$25,155	$25,532
6	Finished Water	$8,878,168	$8,318,332	$8,495,979	$8,679,263	$8,868,347	$9,058,449	$8,913,386	$9,116,704	$9,326,697	$9,543,241	$8,748,694
7	Cost of Stored & Acquired Water [2]	$972,672	$882,419	$882,419	$882,419	$882,419	$882,419	$882,419	$882,419	$882,419	$882,419	$882,419
8	General Purpose Tax	$1,049,500	$1,065,243	$1,081,221	$1,097,439	$1,113,901	$1,130,610	$1,147,569	$1,164,782	$1,182,254	$1,199,988	$1,217,988
9	Land Only Tax	$11,121,500	$11,455,145	$11,798,799	$12,152,763	$12,517,346	$12,892,867	$13,279,653	$13,678,042	$14,088,383	$14,511,035	$14,946,366
10	Other Non-Operating Revenues	$1,270,250	$320,250	$320,250	$320,250	$320,250	$320,250	$320,250	$320,250	$320,250	$320,250	$320,250
11	Interest Income	$2,489,636	$1,789,077	$1,421,115	$1,264,661	$1,110,174	$991,307	$875,699	$790,679	$775,880	$724,299	$136,417
12	**Total Revenue**	$31,565,573	$33,892,721	$34,599,896	$35,545,452	$36,533,930	$36,010,087	$37,191,322	$38,117,926	$39,444,957	$40,673,769	$40,461,554
13	**Grants**	$19,986,890	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
	Expenses											
14	O&M	$17,920,100	$19,953,168	$23,050,330	$23,296,465	$23,972,833	$23,613,921	$23,997,216	$24,489,435	$25,016,841	$25,581,324	$25,571,827
15	Existing Debt Service	$2,464,577	$3,860,865	$3,860,043	$3,860,104	$3,862,799	$3,746,208	$3,399,428	$3,397,216	$3,399,982	$3,399,478	$3,398,579
16	Proposed Debt Service	$0	$3,500,000	$3,500,000	$3,500,000	$4,201,045	$4,201,045	$4,201,045	$4,201,045	$4,201,045	$4,201,045	$4,201,045
17	Capital Projects - Cash Funded [3]	$4,780,695	$147,067	$6,988,600	$8,138,370	$7,828,475	$5,555,456	$13,602,590	$25,410,265	$3,812,709	$7,453,698	$12,041,426
18	**Total Expenses**	$25,165,371	$27,461,100	$37,398,972	$38,794,939	$39,865,152	$37,116,630	$45,200,280	$57,497,961	$36,430,577	$40,635,545	$45,212,877
19	**Net Cash Flow (Annual Surplus/(Deficit))**	$26,387,092	$6,431,621	($2,799,077)	($3,249,487)	($3,331,222)	($1,106,543)	($8,008,958)	($19,380,036)	$3,014,380	$38,224	($4,751,322)
20	Beginning Balance	$75,291,348	$101,678,440	$108,110,061	$105,310,984	$102,061,497	$98,730,275	$97,623,731	$89,614,774	$70,234,738	$73,249,118	$73,287,342
21	**Ending Balance**	$101,678,440	$108,110,061	$105,310,984	$102,061,497	$98,730,275	$97,623,731	$89,614,774	$70,234,738	$73,249,118	$73,287,342	$68,536,020
22	Target Reserve	$40,107,536	$47,911,321	$51,443,139	$49,994,309	$50,601,289	$53,213,648	$52,502,421	$53,545,832	$54,819,311	$54,960,542	$48,541,982
	Debt Coverage											
23	Calculated	5.54	1.89	1.57	1.66	1.56	1.56	1.74	1.79	1.90	1.99	1.96
24	Required	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20

[1] For the benefit of existing customers.
[2] Cost of Stored and Acquired Water cost not already captured within Finished Water. This is a pass-through cost from USBR.
[3] Cash from rate-based revenues, general purpose tax revenue, and capacity fees.

Figure 4-2 shows the projected fund balance for Zone 6. With the mix of rates, charges, and bond issues, the fund balances are projected to be drawn down yet stay above target over the planning horizon.

Figure 4-2: Zone 6 Projected Fund Balance

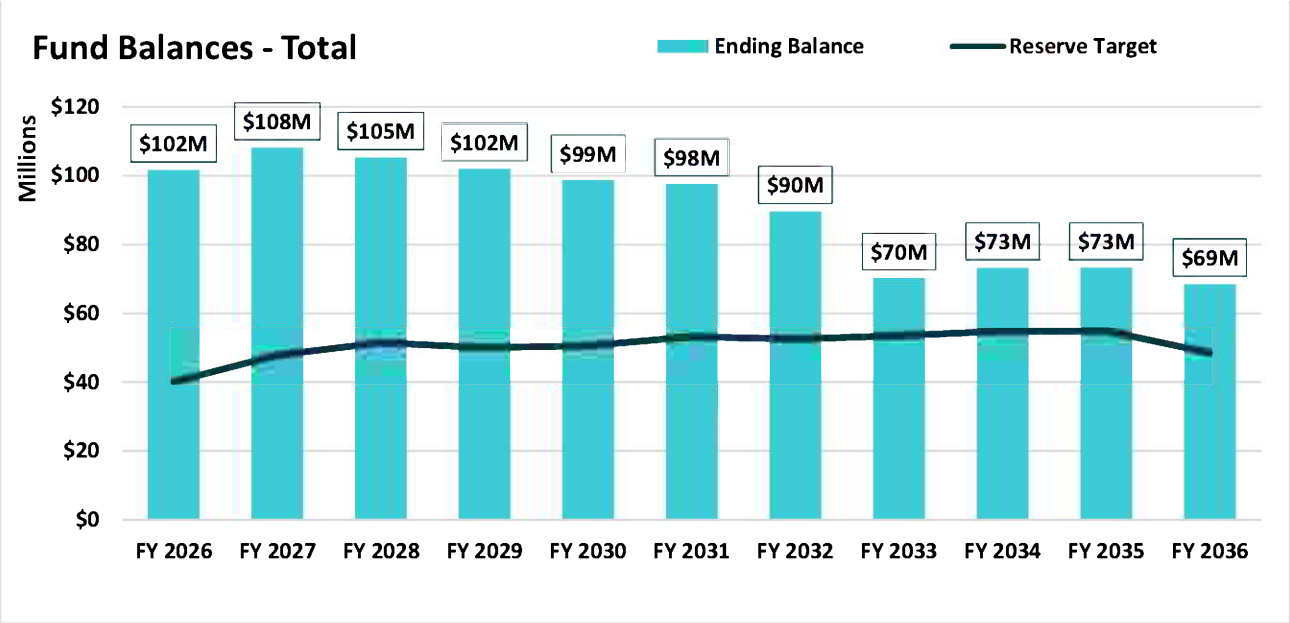
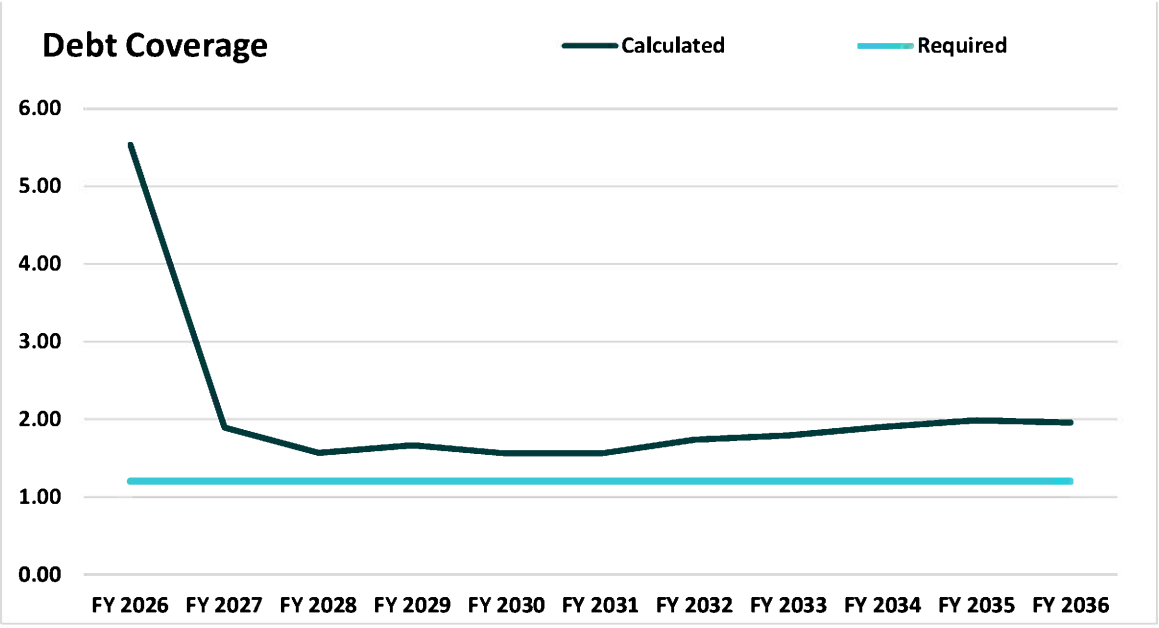


Figure 4-3 graphically displays the projected debt service coverage. With the proposed revenue adjustments and given the assumptions made for this study, SBCWD is expected to stay above its target debt service coverage ratio.

Figure 4-3: Projected Debt Service Coverage



4.5. Water Reliability and Supply Projects Funding

SBCWD is currently pursuing a water reliability project and has planned two projects to meet water supply needs for projected growth. SBCWD is funding the water reliability project through the water reliability charge and debt, and other existing revenue sources. SBCWD is funding the water supply projects through the capacity fee and a planned bond issue. Rate revenue will also be used to fund the contributions to the debt reserve for the new issue and to replenish reserves. Draws on reserves are needed, particularly in the early years, to balance the immediate need to fund capital expenditures with minimizing the rate impact. The water reliability charge, in conjunction with other revenue sources, is designed to eventually replenish those reserves and bring the cashflow associated with this project back to $0 by the end of the modeled debt service period, which is FY 2046. For a detailed projected cashflow, please see Appendix C.

5. Cost-of-Service Analysis

The overall goal of the cost-of-service analysis is to allocate the revenue requirement to the customer classes: Groundwater (agricultural and municipal and industrial), San Felipe Distribution Water (agricultural and municipal and industrial), Recycled Water, and Power. Cost-of-service analyses are based on a single year, the "test year". The allocation of revenue requirements is based on direct assignments or by usage. The allocation process ultimately determines the costs on a unit basis (e.g., usage). The unit rates then help guide the process for setting rates. This process follows the guidelines set out in the AWWA M1 Manual, modified, as applicable, to align with Proposition 218 requirements.

After determining a utility's revenue requirement, the next step in a cost-of-service analysis is to functionalize the net revenue requirements to the cost centers:

- Groundwater – costs associated with maintaining groundwater for all groundwater extractors. Groundwater costs specific to agriculture or municipal and industrial are allocated to those specific customer classes.
- San Felipe costs – costs associated with suppling surface water to all surface water customers as well as costs specific to agriculture or municipal and industrial customers. Costs include those specific to SLDMWA and SCVWD.
- Power – cost associated with pumping, transmission, and distribution power for the delivery of water to customers
- Recycled water – cost associated with recycled water operations, maintenance, and power supply.

5.1. Revenue Requirements (Costs-of-Service) to be Allocated

The annual cost-of-service, or revenue requirement, to be recovered from water rates includes O&M expenses (Table 4-6), capital costs (Table 4-7), debt service (Table 4-8 and Table 4-9), and maintaining target reserve balances (Table 4-12). The total FY 2026 net cost-of-service to be recovered by SBCWD customers is shown at the bottom of Table 5-1. The cost-of-service analysis is based on the need to generate revenues adequate to meet this estimated revenue requirement. As part of the cost-of-service analysis, revenues from sources other than water rates are deducted from the appropriate cost elements. Additional deductions are made for interest income and other non-operating income during FY 2026. Adjustments are also made for adjustments to reserves.

Table 5-1: Projected Net Revenue Requirement, FY 2026

No.	Line Item	Operating	Capital-Related	Total
	Total Revenue Requirements			
1	O&M	$17,920,100		$17,920,100
	Debt Service			
2	WIIN Debt Service		$225,662	$225,662
3	Citi National DS		$463,117	$463,117
4	UAL Sterling		$243,167	$243,167
	Capital			
5	RW Repayment		$231,003	$231,003
6	Cash Funded Capital		$3,370,131	$3,370,131
7	Reach 1 Major R&R		$24,560	$24,560
8	Transfer of Taxes to Water Reliability		$1,532,631	$1,532,631
9	Subtotal	$17,920,100	$6,090,271	$24,010,371
	Less Revenue Offsets			
10	Other Operating Revenue	$22,000		$22,000
11	Finished Water	$6,325,831	$2,552,337	$8,878,168
12	Cost of Stored & Acquired Water [1]	$972,672		$972,672
13	General Purpose Tax	$731,999	$317,501	$1,049,500
14	Land Only Tax	$11,121,500	$0	$11,121,500
14	Other Non-Operating Revenues	$1,270,250		$1,270,250
15	Interest Income	$0	$2,489,636	$2,489,636
16	Subtotal	$20,444,252	$5,359,474	$25,803,726
	Adjustments			
17	Change in Funds Available	$4,174,730	$1,065,756	$5,240,486
18	Annualized Rate Adjustment		$45,657	$45,657
19	Subtotal	$4,174,730	$1,111,413	$5,286,143
20	**Costs to be Recovered from Rates**	**$1,650,578**	**$1,842,210**	**$3,492,788**

[1] Cost of Stored and Aquired Water not already captured within Finished Water. This is a pass-through cost from USBR.

5.2. Allocation of Revenue Requirements to Cost Components

Once the costs to be recovered from rate-based revenue are determined, the costs are allocated to cost components, in this case SBCWD's customer classes. Net O&M expense, shown in the "Operating" column of Table 5-1, is allocated to the different rate components as shown in Table 5-2. O&M line item expenses are allocated based on input and review by SBCWD. For example, O&M costs associated with finished water are allocated 100 percent to finished water. O&M costs solely for groundwater are allocated 100 percent to groundwater. Source of supply costs are allocated based on flows. Allocation of O&M line items is shown in Appendix D. Revenue offsets are allocated based on discussions with SBCWD, are a direct pass-through offset, or are allocated like O&M excluding pass-through costs.

Net Capital-Related costs are allocated as shown in Table 5-3. Most costs are directly assigned. Those that are not, are allocated like net plant investment. The allocation of net plant investment is shown in Appendix E.

Table 5-2: Net O&M Allocation

Line Item	Test Year	Groundwater			San Felipe							Power Charge		Finished	Recycled	
					SF - Stored & Acquired[1]											
		All	Ag Only	M&I Only	COW/USBR	Semitropic	SLDMWA	SCVWD	SBCWD	SBCWD Ag Only	SBCWD M&I Only	All	Sub9	Water	Water	Power
O&M	$17,920,100	$758,252	$31,071	$24,735	$972,672	$8,600	$634,277	$802,686	$6,284,947	$14,688	$183,156	$1,488,833	$76,781	$6,325,831	$264,572	$49,000
Revenue Offsets																
Other Operating Revenue	-$22,000	-$1,818	-$74	-$59	$0	$0	$0	$0	-$15,068	-$35	-$439	-$3,570	-$184	$0	-$634	-$117
Finished Water	-$6,325,831	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	-$6,325,831	$0	$0
Cost of Water [1]	-$972,672	$0	$0	$0	-$972,672	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
General Purpose Tax	-$731,999	-$709,199	$0	$0	$0	$0	-$4,000	-$18,800	$0	$0	$0	$0	$0	$0	$0	$0
Land Only Tax	-$11,121,500	$0	$0	$0	$0	$0	-$485,762	-$126,848	-$8,259,245	-$18,705	-$233,257	-$1,650,000	$0	$0	-$347,683	$0
Other Non-Operating	-$1,270,250	-$104,966	-$4,301	-$3,424	$0	$0	$0	$0	-$870,033	-$2,033	-$25,354	-$206,101	-$10,629	$0	-$36,625	-$6,783
Change in Funds Available	$4,174,730	$344,975	$14,136	$11,254	$0	$0	$0	$0	$2,859,400	$6,682	$83,329	$677,360	$34,932	$0	$120,370	$22,293
Net O&M Rev. Req.	$1,650,578	$287,245	$40,831	$32,505	$0	$8,600	$144,515	$657,038	$0	$596	$7,434	$306,522	$100,901	$0	$0	$64,392

[1] This is a pass-through cost.

Table 5-3: Net Capital-Related Allocation

Line Item	Test Year	Ground Water		San Felipe						Power Charge		Finished	Recycled
		Ag Only	M&I Only	Stored & Acquired [1]	SLDMWA	SCVWD	SBCWD	SBCWD Ag Only	SBCWD M&I Only	All	Sub9	Water	Water
WIIN Debt Service	$225,662	$0	$0	$0	$0	$0	$0	$182,786	$42,876	$0		$0	$0
Citi National DS	$463,117	$0	$0	$0	$0	$0	$0	$0	$0	$0		$336,812	$126,305
UAL Sterling	$243,167	$956	$213	$0	$0	$0	$0	$49,273	$1,365	$25,640		$159,206	$6,513
RW Repayment	$231,003	$0	$0	$0	$0	$0	$0	$0	$0	$0		$0	$231,003
Cash Funded Capital	$3,370,131	$13,256	$2,958	$0	$0	$0	$0	$682,890	$18,923	$355,349		$2,206,489	$90,265
Reach 1 Major R&R	$24,560	$0	$0	$0	$0	$24,560	$0	$0	$0	$0		$0	$0
Transfer of Taxes to Water Reliability	$1,532,631	$0	$0						$1,532,631	$0		$0	$0
Revenue Offsets													
Finished Water	-$2,552,337	$0	$0	$0	$0	$0	$0	$0	-$752,178	$0		-$1,800,159	$0
General Purpose Tax	-$317,501	-$8,792	-$1,962	$0	$0	$0	$0	$0	$0	$0		$0	-$306,748
Interest Income	-$2,489,636	-$9,793	-$2,185	$0	$0	$0	$0	-$504,475	-$13,979	-$262,509		-$1,630,012	-$66,682
Change in Funds Available	$1,065,756	$4,192	$935	$0	$0	$0	$0	$215,954	$5,984	$112,374		$697,771	$28,545
Annualized Rate Adjustment	$45,657	$180	$40	$0	$0	$0	$0	$9,252	$256	$4,814		$29,893	$1,223
Net Capital-Related Rev. Req.	$1,842,210	$0	$0	$0	$0	$24,560	$0	$635,680	$835,878	$235,668	$0	$0	$110,424

[1] This is a pass-through cost from USBR.

5.3. Unit Cost Derivation

The next step of the cost-of-service analysis is to calculate the unit cost. The unit cost is determined for each customer class based on the amount of demand projected for the test year (Table 4-2 and Table 4-3) and the net revenue requirements from Table 5-2 and Table 5-3. Table 5-4 shows the development of the unit costs. The bold unit rates shown in the last row of Table 5-4 are the FY 2026 costs-of-service based rates for each charge (or component of a charge). For example, the total Subsystem 9 power charge is the sum of the All power unit rate and the Subsystem 9 unit rate. The unit rates have been rounded to the nearest whole dollar.

Table 5-4: Unit Cost-of-Service, FY 2026

		Groundwater			San Felipe							Power Charge		Recycled	
					Stored & Acquired [1]					SBCWD					
Line Item	Test Year	All	Ag Only	M&I Only	COW/USBR	Semitropic	SLDMWA	SCVWD	SBCWD	Ag Only	M&I Only	All	Subsystem 9	Water	Power
Units, AF		*21,110*	*16,310*	*4,800*			*12,039*	*12,039*	*12,039*	*7,710*	*4,329*	*11,889*	*1,518*	*420*	420
Net O&M Rev. Req.	$1,650,578	$287,245	$40,831	$32,505	$0	$8,600	$144,515	$657,038	$0	$596	$7,434	$306,522	$100,901	$0	$64,392
Net Capital-Related Rev. Req.	$1,842,210	$0	$0	$0	$0	$0	$0	$24,560	$0	$635,680	$835,878	$235,668	$0	$110,424	$0
Total	$3,492,788	$287,245	$40,831	$32,505	$0	$8,600	$144,515	$681,598	$0	$636,276	$843,312	$542,190	$100,901	$110,424	$64,392
Unit Cost, $/AF		$13.61	$2.50	$6.77			$13.00	$57.00		$82.53	$194.81	$45.60	$66.49	$263.00	$154.00
Total Unit Cost, $/AF			**$17.00**	**$21.00**		**$2.00**	**$13.00**	**$57.00**		**$83.00**	**$195.00**	**$46.00**	**$113.00**	**$263.00**	**$154.00**

[1] This is a pass-through cost.

6. Proposed Zone 6 Water and Power Rates

The test year unit costs-of-service presented in Table 5-4 are used to develop the proposed rate schedules shown in this section.

6.1. Agricultural Water Rates

The current and proposed agricultural water rates through FY 2028 are shown in Table 6-1. The March 1, 2026 Cost of Stored & Acquired Water[9] is a direct pass-through of USBR rates. The other rate components (SLDMWA, SCVWD, and SBCWD) come from the unit rates shown in the last row of Table 5-4. All rate components for March 1, 2027 and March 1, 2028 are escalated in accordance with Table 4-11.

Table 6-1: Current and Proposed Agricultural Rates, $/AF

San Felipe: Agricultural	Current	March 1, 2026	March 1, 2027	March 1, 2028
Cost of Stored & Acquired Water [1]	$119.65	$110.00	$112.00	$115.00
SLDMWA [2]	$11.97	$13.00	$14.00	$15.00
SCVWD [2]	$55.91	$57.00	$59.00	$61.00
SBCWD	$118.47	$83.00	$85.00	$87.00
Total	$306.00	$263.00	$270.00	$278.00

San Felipe: Agricultural Full Cost (RRA Section 205(a)(3))	Current	March 1, 2026	March 1, 2027	March 1, 2028
Cost of Stored & Acquired Water [1]	$119.65	$110.00	$112.00	$115.00
SLDMWA [2]	$11.97	$13.00	$14.00	$15.00
SCVWD [2]	$55.91	$57.00	$59.00	$61.00
SBCWD	$118.47	$83.00	$85.00	$87.00
Total	$306.00	$263.00	$270.00	$278.00

San Felipe: Agricultural Full Cost (RRA Section 202(3))	Current	March 1, 2026	March 1, 2027	March 1, 2028
Cost of Stored & Acquired Water [1]	$119.65	$110.00	$112.00	$115.00
SLDMWA [2]	$11.97	$13.00	$14.00	$15.00
SCVWD [2]	$55.91	$57.00	$59.00	$61.00
SBCWD	$118.47	$83.00	$85.00	$87.00
Total	$306.00	$263.00	$270.00	$278.00

[1] Cost of Stored & Acquired Water for March 1, 2026 provided by SBCWD. Other years escalated. This is a pass-through cost from USBR.

[2] Subject to pass-through if actual costs higher than projected.

[9] Pass-through cost from USBR.

6.2. M&I Water Rates

Current and proposed M&I rates are shown in Table 6-2. SBCWD calculates the Cost of Stored & Acquired Water[10] component of the San Felipe rate in a separate model based on USBR rates for March 1, 2026. The other rate components (SLDMWA, SCVWD, and SBCWD) come from the unit rates shown in the last row of Table 5-4 for March 1, 2026. All rate components for March 1, 2027 and March 1, 2028 are escalated in accordance with Table 4-11.

Table 6-2: Current and Proposed M&I Water Rates, $/AF

San Felipe: Non-Agricultural (M&I) Wholesale	Current	March 1, 2026	March 1, 2027	March 1, 2028
Cost of Stored & Acquired Water [1]	$412.36	$152.00	$156.00	$160.00
SLDMWA [2]	$11.97	$13.00	$14.00	$15.00
SCVWD [2]	$55.91	$57.00	$59.00	$61.00
SBCWD	$142.76	$195.00	$199.00	$203.00
Total	$623.00	$417.00	$428.00	$439.00

San Felipe: Small Parcel Service, Non-Agricultural (M&I)	Current	March 1, 2026	March 1, 2027	March 1, 2028
Cost of Stored & Acquired Water [1]	$412.36	$152.00	$156.00	$160.00
SLDMWA [2]	$11.97	$13.00	$14.00	$15.00
SCVWD [2]	$55.91	$57.00	$59.00	$61.00
SBCWD	$142.76	$195.00	$199.00	$203.00
Total	$623.00	$417.00	$428.00	$439.00

[1] Cost of Stored & Acquired Water provided by SBCWD. This includes a pass-through of USBR costs.
[2] Subject to pass-through if actual costs higher than projected.

M&I customers are also subject to the water reliability charge, which is a charge to cover the reliability project being developed for the benefit of existing customers. As discussed in Section 4.5, this charge is designed to recover costs associated with enhancing reliability of the water supply for M&I customers.

Table 6-3: Proposed Water Supply-Reliability Charge, $/AF

Water Reliability Charge [1]	Current	March 1, 2026	March 1, 2027	March 1, 2028
All M&I Customers	$250.00	$137.00	$140.00	$143.00

[1] Charge to cover reliability projects for the benefit of existing customers.

The total combined M&I rate is shown in Table 6-4.

Table 6-4: Total Proposed M&I Charge, $/AF

Total Charge	Current	March 1, 2026	March 1, 2027	March 1, 2028
Total M&I	**$873.00**	**$554.00**	**$568.00**	**$582.00**

[10] Pass-through cost from USBR.

6.3. Groundwater Rates

Table 6-5 shows the current and proposed groundwater rates. The March 1, 2026 rate is the cost-of-service rate and the subsequent years are in accordance with Table 4-11. While the cost-of-service analysis shows a need for increased rates for March 1, 2026, per the District's direction, the rates will remain unchanged until March 1, 2027, whereupon the rates shown for March 1, 2027 and March 1, 2028 would be implemented on those dates.

Table 6-5: Current and Proposed Groundwater Rates, $/AF

Groundwater Charges (Well customers)	Current	March 1, 2026	March 1, 2027	March 1, 2028
Ag	$14.30	$17.00	$18.00	$19.00
M&I	$14.30	$21.00	$22.00	$23.00

Groundwater Charges (Well customers)	Current	March 1, 2026 COS	March 1, 2026 Proposed	March 1, 2027 Proposed	March 1, 2028 Proposed
Ag	$14.30	$17.00	$14.30	$18.00	$19.00
M&I	$14.30	$21.00	$14.30	$22.00	$23.00

6.4. Recycled Water Rates

Table 6-6 shows the current and proposed recycled water rates and power charges related to pumping recycled water. The March 1, 2026 rates are the cost-of-service rate. The recycled water rate in subsequent years is escalated in accordance with Table 4-11. The recycled water power rate in subsequent years is escalated at 3.5 percent per year consistent with the escalation used for utility-related costs. The recycled water power charge is subject to additional pass-through increases if actual costs are higher than projected.

Table 6-6: Current and Proposed Recycled Water and Power Rates, $/AF

Recycled Water Rates	Current	March 1, 2026	March 1, 2027	March 1, 2028
Recycled Water	$306.00	$263.00	$269.00	$275.00
Power Charge*	$108.30	$154.00	$160.00	$166.00

* Subject to pass-through if actual costs higher than projected.

6.5. Power Charges

Table 6-7 shows the current and proposed power charges. The March 1, 2026 rates are the cost-of-service rates and the subsequent years are escalated at 3.5 percent per year consistent with the escalation used for utility-related costs. If the pass-through portion of the power charges increases, these charges are subject to those pass-throughs.

Table 6-7: Current and Proposed Power Charges, $/AF

Power Charge	Current	March 1, 2026	March 1, 2027	March 1, 2028
Subsystem 2*	$43.10	$46.00	$48.00	$50.00
Subsystem 6H*	$43.10	$46.00	$48.00	$50.00
Subsystem 9L*	$100.70	$113.00	$117.00	$122.00
Subsystem 9H*	$100.70	$113.00	$117.00	$122.00
All other subsystems*	$43.10	$46.00	$48.00	$50.00

* Subject to pass-through if actual costs higher than projected.

APPENDIX A:

Legal Authority & Procedural Requirements

APPENDIX B:

Capital Improvement Program, Inflated

Project Description	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034	FY 2035	FY 2036
Pumping System Evaluation and Rebuild Program	$59,370	$62,338	$64,832	$67,425	$69,448	$71,531	$73,677	$75,888	$78,164	$80,509	$82,924
Lessalt Water Treatment Plant Asset Management Project	$0	$0	$0	$0	$0	$0	$0	$0	$0	$1,261,978	$0
West Hills Water Treatment Plant Asset Management Project	$0	$0	$0	$0	$0	$0	$0	$0	$0	$2,271,560	$0
Pacheco Pump Replacement Project	$0	$0	$0	$799,852	$823,847	$848,563	$874,020	$0	$0	$0	$0
Lateral 4 Rehab Project	$835,761	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Lateral 5 Rehab Project	$0	$542,415	$0	$0	$0	$0	$0	$0	$0	$0	$0
Lateral 6 Rehab Project	$0	$0	$550,184	$0	$0	$0	$0	$0	$0	$0	$0
Lateral 7 Rehab Project	$0	$0	$0	$639,412	$0	$0	$0	$0	$0	$0	$0
Lateral 9 Rehab Project	$0	$0	$0	$0	$1,117,212	$0	$0	$0	$0	$0	$0
Lateral 10 Rehab Project	$0	$0	$0	$0	$0	$1,112,401	$0	$0	$0	$0	$0
Lateral 11 Rehab Project	$0	$0	$0	$0	$0	$0	$284,221	$0	$0	$0	$0
Santa Clara Valley WD - SBCWD Share	$24,560	$212,560	$3,439,881	$3,589,869	$2,691,833	$309,971	$4,279,647	$0	$0	$0	$0
SLDM: Canal Subsidence Estimate	$0	$0	$0	$0	$12,700,253	$0	$0	$0	$0	$0	$0
Special Shelf Angle Replacement	$2,475,000	$2,598,750	$2,702,700	$2,810,808	$2,895,132	$2,981,986	$3,071,446	$3,163,589	$3,258,497	$3,356,252	$0
Reliability Project	$51,594,979	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Growth Projects	$1,155,000	$2,280,019	$2,258,756	$2,349,106	$2,419,580	$20,680,352	$21,300,762	$21,939,785	$245,044	$252,396	$11,958,501
Total Project Costs - Inflated	**$56,144,670**	**$5,696,083**	**$9,016,353**	**$10,256,473**	**$22,717,305**	**$26,004,804**	**$29,883,773**	**$25,179,262**	**$3,581,705**	**$7,222,694**	**$12,041,426**

APPENDIX C:

Summary of Reserve Funds

Reserve Fund	Purpose
Undesignated	To provide funds which may be used for emergencies and to pay costs necessary for the establishment of a zone within the District.
Operations	The reserves designated for operating contingencies are established to provide for unforeseen needs, revenue shortfalls, and emergency appropriations during the year.
Reserved for Capital Improvements	Established by board action(s) to fund future capital improvement projects. The purpose of this designation is to accumulate funds for specific projects or utility purpose to provide all or a portion of the cost.
Reserved for Self-Insurance	Established by board policy to fund the contingent liability for the District's self-insured portion of vehicle coverage.
Reserved for Capital Asset Replacement	This designation is to accrue funding for asset purchase and replacement in the period of use. Through this funding reservation, monies are set aside for planned future asset expenditures within specified categories. In addition, this reserve provides a funding source for unanticipated asset needs, mitigates the impact of large budget expenditures, and assists with asset management and long range planning.
Reserve for Other Post-Employment Benefits (OPEB) Trust	To provide restricted funds for retiree future medical payments.
Water Supply Revolving Reserve	To provide additional source of funds for Zone 6 water supply augmentation through local or imported water purchases.
Future Water Supply Project	To provide funds for the pre-construction (planning and design) phase of the project.
San Felipe-Hollister Conduit Reserve	To meet unforeseen extraordinary costs and emergencies.
San Felipe-Reach 1 Reserve	To meet operations and maintenance costs incurred during period of special stress and extraordinary repair or replacement costs associate with Reach 1.
USBR Contract Repayment and Rate Management Reserve	Funds to pay for San Felipe Division costs, including existing foreseeable and unforeseeable costs that may result from catastrophic failure of San Felipe Division facilities. Funds from this restricted reserve are to be used for USBR Amendatory Contract Repayment . This USBR Contract Repayment and Rate Management Reserve is intended to provide funds to make interest and principal payments on the Amendatory contract in an effort to minimize the impact of the repayment schedule on water rates and taxes.
Reach 1 Major Repair and Replacement Reserve	To provide funds for major repair and replacement associated with Reach 1.
Reserved for Water Treatment Plants-Asset Replacement Reserve	To provide funds for capital replacement of assets of the Water Supply and Treatment Program, and funds so expended will be replaced through subsequent contributions.

APPENDIX D:

Water Reliability Cashflow Projection

Water Reliability Cashflow Projection

	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Beginning Balance	($3,445,630)	$17,134,305	$16,652,632	$16,147,619	$15,615,662	$15,053,197
Revenues						
Grant	$19,986,890	$0	$0	$0	$0	$0
Property Taxes	$1,532,631	$1,823,875	$1,767,250	$1,707,750	$1,645,125	$1,579,250
Debt Service Reserve Paying for last P	$0	$0	$0	$0	$0	$0
Water Reliability Charge	$593,045	$623,328	$654,987	$688,043	$722,535	$754,011
Total Sources	$22,112,565	$2,447,203	$2,422,237	$2,395,793	$2,367,660	$2,333,261
Expenses						
Cash Funded Capital	$0	$0	$0	$0	$0	$0
Debt Service - Principal	$0	$1,105,000	$1,160,000	$1,220,000	$1,285,000	$1,350,000
Debt Service - Interest	$1,532,631	$1,823,875	$1,767,250	$1,707,750	$1,645,125	$1,579,250
Total Uses	$1,532,631	$2,928,875	$2,927,250	$2,927,750	$2,930,125	$2,929,250
Ending Balance	$17,134,305	$16,652,632	$16,147,619	$15,615,662	$15,053,197	$14,457,208

	FY 2032	FY 2033	FY 2034	FY 2035	FY 2036	FY 2037
Beginning Balance	$14,457,208	$13,825,367	$13,158,516	$12,448,297	$11,696,098	$10,898,546
Revenues						
Grant	$0	$0	$0	$0	$0	$0
Property Taxes	$1,510,000	$1,437,250	$1,360,750	$1,280,250	$1,195,625	$1,106,750
Debt Service Reserve Paying for last P	$0	$0	$0	$0	$0	$0
Water Reliability Charge	$788,159	$823,149	$859,781	$897,801	$937,448	$978,661
Total Sources	$2,298,159	$2,260,399	$2,220,531	$2,178,051	$2,133,073	$2,085,411
Expenses						
Cash Funded Capital	$0	$0	$0	$0	$0	$0
Debt Service - Principal	$1,420,000	$1,490,000	$1,570,000	$1,650,000	$1,735,000	$1,820,000
Debt Service - Interest	$1,510,000	$1,437,250	$1,360,750	$1,280,250	$1,195,625	$1,106,750
Total Uses	$2,930,000	$2,927,250	$2,930,750	$2,930,250	$2,930,625	$2,926,750
Ending Balance	$13,825,367	$13,158,516	$12,448,297	$11,696,098	$10,898,546	$10,057,208

Water Reliability Cashflow Projection, Continued

	FY 2038	FY 2039	FY 2040	FY 2041	FY 2042
Beginning Balance	$10,057,208	$9,164,862	$8,218,338	$7,225,747	$6,179,350
Revenues					
Grant	$0	$0	$0	$0	$0
Property Taxes	$1,013,375	$915,125	$811,875	$703,375	$589,250
Debt Service Reserve Paying for last P	$0	$0	$0	$0	$0
Water Reliability Charge	$1,022,654	$1,068,476	$1,122,409	$1,178,603	$1,237,241
Total Sources	$2,036,029	$1,983,601	$1,934,284	$1,881,978	$1,826,491
Expenses					
Cash Funded Capital	$0	$0	$0	$0	$0
Debt Service - Principal	$1,915,000	$2,015,000	$2,115,000	$2,225,000	$2,340,000
Debt Service - Interest	$1,013,375	$915,125	$811,875	$703,375	$589,250
Total Uses	$2,928,375	$2,930,125	$2,926,875	$2,928,375	$2,929,250
Ending Balance	$9,164,862	$8,218,338	$7,225,747	$6,179,350	$5,076,591

	FY 2043	FY 2044	FY 2045	FY 2046
Beginning Balance	$5,076,591	$3,914,981	$2,692,229	$1,405,990
Revenues				
Grant	$0	$0	$0	$0
Property Taxes	$469,250	$343,125	$210,625	$71,375
Debt Service Reserve Paying for last P	$0	$0	$0	$0
Water Reliability Charge	$1,298,390	$1,362,248	$1,428,761	$1,457,336
Total Sources	$1,767,640	$1,705,373	$1,639,386	$1,528,711
Expenses				
Cash Funded Capital	$0	$0	$0	$0
Debt Service - Principal	$2,460,000	$2,585,000	$2,715,000	$2,855,000
Debt Service - Interest	$469,250	$343,125	$210,625	$71,375
Total Uses	$2,929,250	$2,928,125	$2,925,625	$2,926,375
Ending Balance	$3,914,981	$2,692,229	$1,405,990	$8,326

APPENDIX E:

O&M Allocation, Test Year

APPENDIX F:

Net Plant Investment Allocation, Test Year

Description	Ending Balance June 30, 2025	Ground Water			San Felipe						Power Charge	Finished Water	Recycled Water
		All	Ag Only	M&I Only	Stored & Acquired	SLDMWA	SCVWD	SBCWD	SBCWD Ag Only	SBCWD M&I Only			
Source of Supply	$374,943		82%	18%									
Pumping	$10,271,242								0%	0%	80%	20%	
Transmission Distribution System	$20,285,658								78%	2%		20%	
Transmission Distribution System - RW	$2,087,259												100%
Treatment Plant	$44,910,862											100%	
Total Directly Assigned	$77,929,964	**$0**	**$306,538**	**$68,405**	**$0**	**$0**	**$0**	**$0**	**$15,790,951**	**$437,575**	**$8,216,993**	**$51,022,242**	**$2,087,259**
		0.0%	0.4%	0.1%	0.0%	0.0%	0.0%	0.0%	20.3%	0.6%	10.5%	65.5%	2.7%
General Plant Allocation [1]	$1,725,739	$0	$6,788	$1,515	$0	$0	$0	$0	$349,687	$9,690	$181,963	$1,129,875	$46,222
Total Net Plant Investment	**$79,655,704**	**$0**	**$313,326**	**$69,920**	**$0**	**$0**	**$0**	**$0**	**$16,140,638**	**$447,265**	**$8,398,957**	**$52,152,117**	**$2,133,481**
Total Net Plant Investment Allocation		**0.0%**	**0.4%**	**0.1%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**20.3%**	**0.6%**	**10.5%**	**65.5%**	**2.7%**

[1] General Plant is allocated like the sum of directly assigned.