

San Benito County Water District

Zone 6 Water Rate Study

February 23, 2022



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Agenda

1. Project Team
2. Study Objective
3. Rate Study Overview
4. Review of Current Rates
5. Policy Discussion
6. Next Steps
7. Q&A

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Project Team



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Study Objective



Study Objectives for Zone 6

- Develop a 15-year financial plan (FY2022 – FY2036)
- Allocate cost of providing services to develop defensible rates for Zone 6
 - › Water charges, power charges, groundwater, and recycled water
- Develop a financial strategy associated with aquifer recharge / storage program
 - › Potential funding sources include M&I rates and capacity fee (one-time fee from development)
- Adopt 5-years of rates
- Develop administrative record

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Rate Study Overview



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Steps in Conducting a Rate Study

STEP 1

Rate Setting Framework

- Financial goals and policies

STEP 2

Financial Plan

- Evaluation of CIP and financing options
- Cash flow analysis for financial sufficiency

STEP 3

Cost of Service & Rate Design

- Cost of service allocations
- Rate design
 - Rate calculations
 - Customer impact analyses

STEP 4

Final Rate Adoption

- Report
- Prop 218 Public Hearing

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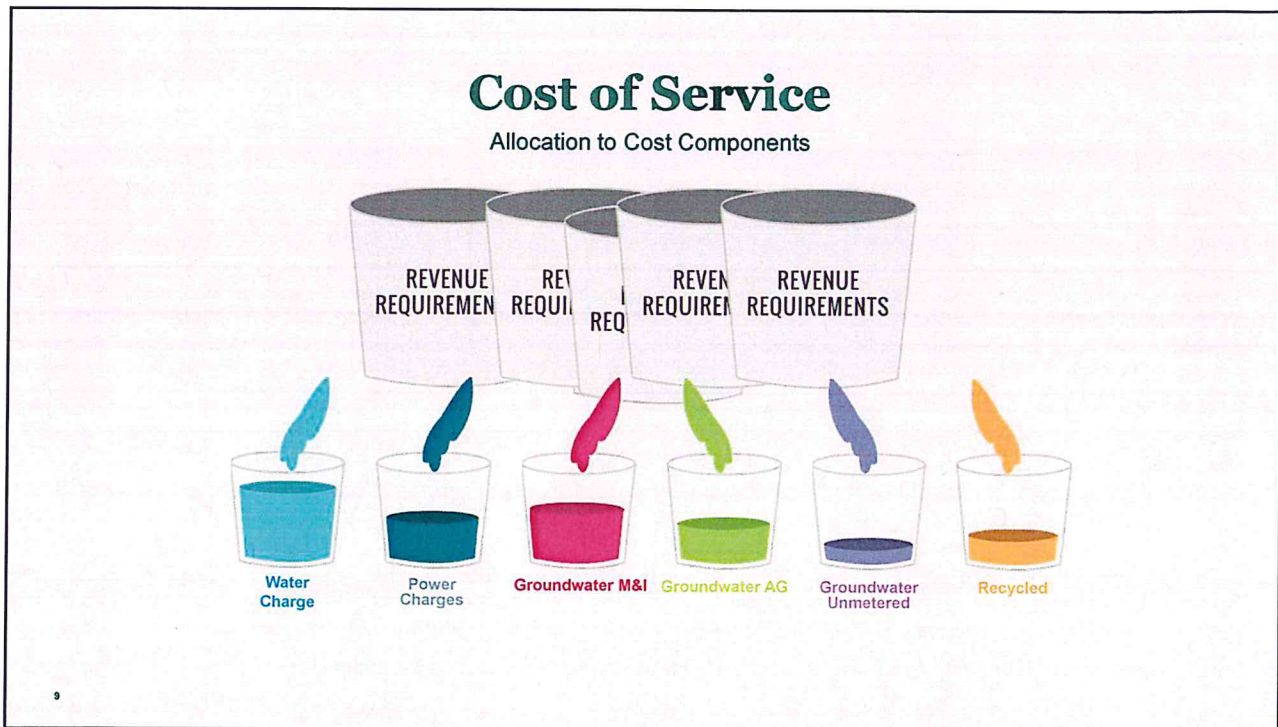
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Scope of Service

- Financial Plan Development
- Capacity Fee for Aquifer Recharge/Storage Program
- Cost of Service Analysis
- Rate Design
- Board of Directors Rate Workshop
- Rate Study Report
- Prop 218 Public Hearing

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Review of Current Rates



Current Water Charges (O&M associated with delivery of San Felipe Water)

* Rate is developed from 4 components:

- › Cost of Stored & Acquired Water (pass-through)
- › San Luis Delta Mendota (Other) (pass-through)
- › Santa Clara Valley Water District (pass-through)
- › San Benito County Water District

Customer	Current Rate, \$/AF
Agricultural	\$274.00
Agricultural Full Cost (RRA Section 205(a)(3))*	\$433.00
Agricultural Full Cost (RRA Section 202(3))*	\$411.00
Non-Agricultural (Municipal & Industrial)	\$424.00

* Full cost is applicable to certain forms of ownership as determined by federal regulations. Those regulations are dealt with through the US Bureau of Reclamation land registration process, as administered by the District.

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Current Groundwater Charges (Well Customers – Zone 6)

Customer	Current Rate, \$/AF*
Metered	
Water Primarily for Municipal & Industrial Purposes	\$40.55
Water Primarily for Agricultural Purposes	\$13.55 (~1/3 of M&I rate)
Unmetered	
Base Water per Residence	0.10 AF
Inside Water Use	0.05 AF per person per residence or dwelling unit
Outside Water Use for Irrigation	Water areas up to 2.0 acres: 0.09 AF/1000 sqft of watered land Water areas >= 2.0 AF: generally accepted unit water duties based on crop type and irrigation method as determined by the District
Outside Water Use for Livestock Watering	Animal unit up to 10: 0.02 AF per animal unit Animal unit >= 10: 0.01 AF per animal unit

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Current Recycled Water Charges (Zone 6: O&M costs associated with delivery of recycled water)

Customer	Current Rate (3/1/2022)
Metered	
Recycled Water Charge	\$211.00/AF
Power Charge	\$63.09/AF
Minimum Annual Purchase of Water for Each Parcel (applied to water charge)	\$700.00 (min)

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Current Power Charges (cost of pumping, transmission and distribution)

Customer	Current Rate, \$/AF
Subsystem 2	\$85.35
Subsystem 6H	\$41.50
Subsystem 9L	\$93.55
Subsystem 9H	\$138.25
All other subsystems	\$35.75

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Policy Discussion



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Financial Policy Overview

- Importance of Financial Policies:
 - › To maintain financial solvency
 - Provide a basis for coping with fiscal emergencies (revenue shortfalls, asset failure, emergencies, etc.)
 - › To provide guidelines for sound financial management with an overall long-range perspective
 - › To enhance financial management transparency
 - Improve public's confidence and elected officials' credibility

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Financial Policy Overview

- Goals of Financial/Reserve Policies:
 - › To mitigate financial risk
 - Rate/revenue instability
 - Emergency with asset failure
 - Volatility in working capital
 - › To achieve/maintain a certain credit rating
 - › To determine most opportune time to issue debt
- Raftelis Team will review and evaluate the current reserve policy of the Agency

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Policy Considerations

- Ag and M&I rate
 - › Current policy states that Ag rates can't exceed 1/3 the rate of the groundwater M&I rate
- 30% land tax revenues to fund USBR reserve
 - › Examine/confirm tax revenue is sufficient.
 - › USBR payment increases to ~\$7M/year in FY2028.
 - › During this time period land value will increase.
 - › Is there sufficient revenue to pay for the debt service?

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Financial Strategy Aquifer Recharge/Storage project

- The Agency is developing Aquifer Recharge/Storage Project
 - › This project will primarily benefit current and future users of M&I
- Raftelis Team will confirm that the benefit only occurs to M&I customers
 - › The cost will need to be allocated proportion between current and future users
 - › M&I water rate will capture the cost associated with current users
 - › Water Capacity fee will capture the cost associated with future users
 - Water Capacity fee is one time fee for development to occur
 - Address equity concerns between current users and growth

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Next Steps



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Next Steps

- Finalize the 15-year financial model
- Conduct the Cost of Service to allocate cost between the different rate categories
- Conduct Board Workshop in late Spring to receive input

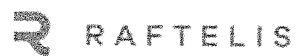
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Thank you!

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