Sunnyslope Water District

Annual Operating and Capital Improvement Budget

Fiscal Year Ending June 30, 2027

Sunnyslope County Water District | Hollister, California

Sunnyslopewater.org

EXECUTIVE SUMMARY

FISCAL YEAR 2027 BUDGET MESSAGE

To Our Valued Customers, Members of the Budget & Finance Committee, and the Board of Directors of the Sunnyslope County Water District:

On behalf of the Sunnyslope County Water District (SSCWD), we are pleased to present the Fiscal Year 2026–27 Operating and Capital Improvement Budget. The preparation of the annual budget is one of the District's most important responsibilities, serving as a financial roadmap for maintaining reliable water and wastewater services while ensuring the long-term sustainability of District operations and infrastructure. Over the past year, District staff have continued to identify operational efficiencies and cost-saving opportunities throughout the organization. The District continues to face upward pressure from rising healthcare costs, increasing Pacific Gas & Electric (PG&E) expenses, regulatory compliance requirements, treatment costs, and inflationary impacts affecting materials, equipment, and contracted services. These cost increases are expected to continue and remain a challenge for utility providers throughout California. As part of the budget development process, staff evaluated the District's adopted financial planning assumptions, which indicated that an 8% water rate adjustment would be necessary to fully absorb projected cost increases. However, due to the operational savings achieved by District staff and continued efforts to improve efficiency, staff determined that the full 8% adjustment is not necessary at this time. Accordingly, the Fiscal Year 2026-27 Budget has been developed utilizing a 4% water rate adjustment. When evaluating the budget on an operational basis, excluding interest income and other non-operational revenues, the District is projected to operate at approximately break-even levels during Fiscal Year 2026-27. On behalf of District management, we would like to express our sincere appreciation to the Board of Directors for their leadership and guidance throughout the budget process. We would also like to thank District staff for their dedication, professionalism, and commitment to serving our community each and every day. Finally, we extend our gratitude to our customers and the public for their continued trust and support of the District.

RESOLUTION NO. 621

A RESOLUTION OF THE BOARD OF DIRECTORS OF SUNNYSLOPE COUNTY WATER DISTRICT ADOPTING THE FISCAL YEAR 2026-27 OPERATING AND CAPITAL BUDGET

WHEREAS, the Sunnyslope County Water District Board of Directors held a Regular Meeting on June 23, 2026, to review the recommended Fiscal Year 2026-27 Operating and Capital Budget; and

WHEREAS, copies of the proposed Fiscal Year 2026-27 budget documents were made available for public review and inspection prior to adoption; and

WHEREAS, the District's budget was developed in accordance with applicable provisions of the California Government Code, enterprise fund accounting principles, debt obligations, capital project planning, and sound fiscal management practices; and

WHEREAS, the proposed budget incorporates projected operating revenues, operating expenditures, capital improvement funding, debt service obligations, and enterprise fund activities for the period of July 1, 2026, through June 30, 2027; and

WHEREAS, the District maintains enterprise operations associated with water treatment, water distribution, wastewater collection, wastewater treatment, customer service, administrative operations, debt service obligations, and capital infrastructure investments; and

WHEREAS, the District's budget includes appropriations necessary to maintain regulatory compliance with requirements established by the State Water Resources Control Board, Division of Drinking Water, Regional Water Quality Control Board, and other applicable local, state, and federal regulatory agencies; and

WHEREAS, the Fiscal Year 2026-27 Budget is intended to maintain operational reliability, financial stability, infrastructure investment, and long-term sustainability of District utility services while balancing impacts to District ratepayers; and

WHEREAS, the Board of Directors has reviewed the Fiscal Year 2026-27 Budget and sustains the fund appropriations as provided here in:

Description	FY 2026-27 Appropriation
Water Enterprise Operations	$14,645,700.00
Wastewater Enterprise Operations	$2,041,300.00
Capital Projects & Infrastructure Improvements	$5,686,000.00
Total FY27 Appropriations:	**$22,373,000.00**

NOW, THEREFORE, BE IT RESOLVED, by the Board of Directors of the Sunnyslope County Water District as follows:

1. The Fiscal Year 2026-27 Operating and Capital Budget is hereby adopted.

2. District staff are authorized to make administrative budget adjustments that do not significantly alter Board policy direction or materially affect year-end reserve balances.

3. The District's reserve funding allocations, debt service appropriations, investment allocations, and

enterprise fund appropriations included within the Fiscal Year 2026-27 Budget are hereby approved.

4. The District's capital improvement appropriations identified within the Fiscal Year 2026-27 Budget are hereby authorized as subject to applicable purchasing policies and project approvals.

5. The General Manager, Finance Manager, or designee, is authorized to administer the adopted budget in accordance with District policies, applicable laws, and operational requirements.

THE FOREGOING RESOLUTION No. 621 upon a motion by Director ____Brown____ and second by Director ____Martinez____ is duly adopted this 23rd day of June 2026, by the following vote:

AYES: Brown, Perez-Kenny, Martinez, Alcorn
NAYS: Buzzetta
ABSTAIN:
ABSENT:

SUNNYSLOPE COUNTY WATER DISTRICT

By: Michael A. Alcorn

Mike Alcorn, President

(S E A L)

ATTEST:

Drew A. Lander, General Manager/
Secretary of the Board of Directors

SUNNYSLOPE COUNTY WATER DISTRICT

BOARD OF DIRECTORS

Orlando Martinez
Vice President

Dorthy (Dee)
Brown
Director

Mike Alcorn
President

Alexis Perez-Kenny
Director

Jerry Buzzetta
Director

EXECUTIVE MANAGEMENT

Jose Rodriguez
Water/Wastewater
Superintendent

Robert Hillebrecht,
P.E.
Principle Engineer

Drew Lander, P.E General
Manager

Michael D. Laredo
District Counsel

Barry Kelly
Finance Manager

Dee J. Burbank
Operations &
Maintenance Crew Chief

Alvin Do
Assistant
Engineer

Madsion Koester
Executive Assistant

Dana Sullivan
Assistant Finance
Manager

Sunnyslope
Water
District

SUNNYSLOPE COUNTY WATER DISTRICT

MISSION STATEMENT

"Our Mission is to provide safe, reliable, and high quality water and wastewater services to our customers and all future generations in an environmentally and financially responsible manner."

BUDGET CALENDAR
FISCAL YEAR 2027

DATE	ACTIVITY
January 5, 2026	Initiated development of the FY 27 budget template.
January 7, 2026	Finalized wage projections and reviewed updated health insurance rates.
February 6, 2026	Management met with the Finance Committee to review the Mid-Annual FY 26 Budget Review. The Committee approved advancing the item to the Board for discussion.
February 24, 2026	The Board reviewed and discussed the Mid-Annual FY 26 Budget. No action was required. Budget followed projections.
March 27, 2026	The Finance Committee met to discuss insurance premium projections.
April 8, 2026	Finance staff met with Operations staff to review projected raw water purchases for the upcoming fiscal year.
April 29, 2026	Management met to review the FY 27 budget and reserve requirements.
April 30, 2026	The Finance Committee reviewed the FY 27 budget and reserve needs and provided direction to staff.
June 6, 2026	The Finance Committee reviewed the proposed Fiscal Year 2026-27 Budget and approved forwarding the budget to the Board of Directors for consideration and adoption at on June 23, 2026.
June 23, 2026	The Board of Directors formally approved Resolution No. 621 Adopting the Fiscal Year 2026-27 Operating and Capital Budget.

OPERATING BUDGET

Sunnyslope Water District

BUDGET | FY 26-27

Financial Type	Measure	Board of Directors	City of Hollister - Sewer	Customer Service	General & Administrative	Lessalt	San Benito Foods	West Hills	Wastewater Treatment	Wastewater Collection	Water Distribution	Water Production	Water Operations Total	Wastewater Operations Total	Grand Total
Revenue															
	Sum of FY 26 Projection	-	254,233	44,579	-	1,034,833	413,695	2,430,537		1,964,698	9,596,256	-	13,300,675	2,438,155	15,738,830
	Sum of FY 26 Budget	-	240,000	24,000	-	1,460,000	585,000	2,755,000	-	2,022,000	9,606,000	-	14,032,200	2,659,800	16,692,000
	Sum of FY 27 Budget	-	250,000	31,000	-	1,066,000	-	2,790,000		2,048,000	10,595,000		14,650,800	2,129,200	16,780,000
	Budget to Projection Change	-	-2%	-30%	-	3%	N/A	15%	-	4%	10%	-	10%	-13%	7%
Cost of Goods															
	Sum of FY 26 Projection	(27,616)	-	(462,578)	(1,619,068)	(329,367)	(250,633)	(463,032)	(144,071)	(63,605)	(955,916)	(50,760)	(3,486,484)	(880,162)	(4,366,646)
	Sum of FY 26 Budget	(32,000)	-	(445,500)	(1,509,000)	(327,500)	(110,000)	(507,500)	(135,000)	(80,000)	(806,000)	(62,500)	(3,292,700)	(722,300)	(4,015,000)
	Sum of FY 27 Budget	(32,000)	-	(510,500)	(1,562,000)	(347,000)	-	(490,000)	(233,500)	(209,000)	(905,000)	(53,000)	(3,442,900)	(899,100)	(4,342,000)
	Budget to Projection Change	-16%	-	-10%	4%	-5%	N/A	-6%	-62%	-229%	5%	-4%	1%	-2%	1%
Expenses															
	Sum of FY 26 Projection	-	-	(224,170)	(1,183,368)	(2,299,798)	(266,063)	(5,397,039)	(727,803)	(158,142)	(1,396,253)	(455,925)	(10,675,046)	(1,433,515)	(12,108,561)
	Sum of FY 26 Budget	-	-	(211,000)	(1,188,000)	(3,043,000)	(259,000)	(5,888,500)	(820,000)	(108,000)	(1,526,000)	(418,000)	(11,994,700)	(1,466,800)	(13,461,500)
	Sum of FY 27 Budget	-	-	(229,500)	(1,118,500)	(2,545,000)	-	(5,352,000)	(721,500)	(177,000)	(1,709,500)	(492,000)	(11,176,900)	(1,168,100)	(12,345,000)
	Budget to Projection Change	-	-	-2%	5%	-11%	N/A	1%	1%	-12%	-22%	-8%	-5%	19%	-2%
Other															
	Sum of FY 26 Projection	-	-	-	207,079	-	-	-	-	138,997	3,422,659	-	3,588,322	180,412	3,768,734
	Sum of FY 26 Budget	-	-	-	259,000	-	-	-	-	94,000	563,000	-	770,200	145,800	916,000
	Sum of FY 27 Budget	-	-	-	209,000	-	-	-	-	84,000	579,000	-	746,200	125,800	872,000
Net Income															
	Sum of FY 26 Projection	(27,616)	254,233	(642,170)	(2,595,357)	(1,594,332)	(103,002)	(3,429,534)	(871,874)	1,881,948	10,666,746	(506,684)	2,727,467	304,890	3,032,357
	Sum of FY 26 Budget	(32,000)	240,000	(632,500)	(2,438,000)	(1,910,500)	216,000	(3,641,000)	(955,000)	1,928,000	7,837,000	(480,500)	(485,000)	616,500	131,500
	Sum of FY 27 Budget	(32,000)	250,000	(709,000)	(2,471,500)	(1,826,000)	-	(3,052,000)	(955,000)	1,746,000	8,559,500	(545,000)	777,200	187,800	965,000
Net Operating Income (NOI) Excluding Non-Budgeted Items & Interest Income															
	FY 26 Projection	(24,903)	254,233	(642,170)	(2,583,230)	(1,402,166)	(103,002)	(3,134,202)	(871,856)	1,736,471	6,488,220	(501,391)	(908,473)	124,478	(783,995)
	FY 26 Budget	(32,000)	240,000	(632,500)	(2,701,000)	(1,910,500)	216,000	(3,641,000)	(955,000)	1,834,000	7,274,000	(480,500)	(1,259,200)	470,700	(788,500)
	FY 27 Budget	(32,000)	250,000	(709,000)	(2,681,500)	(1,826,000)	-	(3,052,000)	(955,000)	1,654,900	7,980,500	(545,000)	22,900	62,000	84,900
	Budget to Projection Change	-28%	-2%	-10%	-4%	-30%	N/A	3%	-10%	-5%	23%	-9%	103%	-50%	111%

BUDGET OVERVIEW

The Fiscal Year 2026-2027 Operating Budget has been developed to support the District's operational, capital, regulatory, and long-term infrastructure obligations while maintaining financial stability and minimizing impacts to ratepayers. The FY 2026-2027 Budget includes a 4% water rate increase, which is significantly lower than the previously authorized maximum increase of 8%. Staff believes this reduced increase is financially supportable due to several positive factors, including reductions in San Benito County Water District raw water costs, operational efficiencies identified and implemented by District staff, continued focus on expense management, and improvements in the District's overall financial condition. As part of the budget development process, staff also performed a comprehensive review of historical budgeting methodologies. In prior years, investment and interest income were incorporated into operational budget calculations, which created the appearance of positive operating results when, in reality, the District's core operations were experiencing financial deficits. For example, while the prior fiscal year budget reflected a positive financial position, operational activities were projected to be approximately ($790,000) short when investment income was excluded from the analysis. To provide a more accurate assessment of operational performance, interest income has been removed from the District's operational budgeting calculations for Fiscal Year 2026-2027. While investment earnings remain an important component of the District's overall financial health, they are subject to market conditions and are not directly generated through utility operations. By separating operating performance from investment performance, the District can more clearly evaluate the sustainability of its water and wastewater operations. The FY 2026-2027 Budget reflects the District's continued recovery from the financial impacts experienced during and following the COVID-19 pandemic. Through prudent fiscal management, responsible budgeting practices, strategic rate adjustments, and the dedication of District staff, the organization has made significant progress toward restoring long-term financial stability while continuing to provide reliable service to customers. Based on current assumptions, the Fiscal Year 2026-2027 Budget projects operations to perform at approximately break-even levels when excluding non-operating revenues, demonstrating that the District's operating revenues are becoming more closely aligned with the actual cost of providing service. The budget projects a combined Net Operating Income (NOI) of approximately $84,900, consisting of $23,300 from water operations and $61,600 from wastewater operations. The wastewater operating results are based on the proposed flat sewer service rate of $126.50 per month throughout the Sunnyslope sewer service area. These results represent an important milestone in strengthening the District's financial foundation, improving operational sustainability, and reducing reliance on investment earnings to support ongoing operations. Staff recognize that healthcare costs, PG&E expenses, regulatory compliance requirements, treatment costs, and inflationary pressures continue to impact operations. As a result, budget performance, operating revenues, expenditures, reserve levels, and overall cash flow will continue to be closely monitored throughout Fiscal Year 2026-2027 to ensure the District remains financially stable and responsive to changing economic conditions. Overall, the FY 2026-2027 Budget reflects a balanced and responsible financial plan that maintains essential services, supports critical infrastructure investments, strengthens financial transparency, and positions the District for continued long-term success while minimizing impacts to our customers.

DEPARTMENT ALLOCATION SCHEDULE FY 26-27

Allocation Type	Source Department	Amount	Water Distribution	Water Production	Lessalt	West Hills	Wastewater Collection	Wastewater Treatment
Revenue Allocation	City of Hollister	$250,000	$172,200	$3,300	-	-	$24,900	$49,600
Revenue Allocation	Customer Service	$31,000	$21,400	$400	-	-	$3,100	$6,100
Revenue Allocation	Board of Directors	-	-	-	-	-	-	-
Revenue Allocation	G&A	-	-	-	-	-	-	-
Labor Allocation	City of Hollister	-	-	-	-	-	-	-
Labor Allocation	Customer Service	($510,500)	($239,500)	($4,600)	($60,500)	($102,300)	($34,600)	($69,000)
Labor Allocation	Board of Directors	($32,000)	($15,000)	($300)	($3,800)	($6,400)	($2,200)	($4,300)
Labor Allocation	G&A	($1,562,000)	($732,900)	($14,100)	($185,200)	($313,000)	($105,800)	($211,000)
Expense Allocation	City of Hollister	-	-	-	-	-	-	-
Expense Allocation	Customer Service	($229,500)	($107,700)	($2,100)	($27,200)	($46,000)	($15,500)	($31,000)
Expense Allocation	Board of Directors	-	-	-	-	-	-	-
Expense Allocation	G&A	($1,118,500)	($524,800)	($10,100)	($132,600)	($224,100)	($75,800)	($151,100)
Non-Op Allocation	City of Hollister	-	-	-	-	-	-	-
Non-Op Allocation	Customer Service	-	-	-	-	-	-	-
Non-Op Allocation	Board of Directors	-	-	-	-	-	-	-
Non-Op Allocation	G&A	$209,000	$144,000	$2,800	-	-	$20,800	$41,400
Total Allocated		**($2,962,500)**	**($1,282,300)**	**($24,700)**	**($409,300)**	**($691,800)**	**($185,100)**	**($369,300)**

DEPARTMENT ALLOCATION SUMMARY

To accurately reflect the cost of providing water and wastewater services, the District allocates shared administrative and support costs across operational departments. These costs include functions such as Customer Service, General & Administrative (G&A) activities, Board governance, and other support services that benefit multiple areas of the District. Allocations are important because they ensure that each operational department bears its fair share of the costs required to support District operations. Without allocations, expenses would be concentrated in administrative departments and would not accurately reflect the true cost of operating the District's water and wastewater systems. The District determines allocation percentages using a labor-based methodology. Each year, staff evaluate the average number of labor hours dedicated to each operational department. The percentage of total hours attributed to each department becomes the basis for allocating shared costs. This methodology provides a reasonable and transparent approach for distributing shared costs based on the level of effort and resources required to support each operational area.

CAPITAL IMPROVEMENT BUDGET FY 26-27

SUNNYSLOPE COUNTY WATER DISTRICT CAPITAL IMPROVEMENT PROJECTS

FY 2026 / 2027

San Benito Urban Area Projects 1/2 Cost	Project	Department	26/27
SBUA 1	SBCWD Tranches for Lessalt & West Hills	SBUA	$ 1,181,721
SBUA 2	ADRoP Project	SBUA	$ 287,700
SBUA 21	Treated Water Tank Inspections (Clear Wells)		$ 7,500
SBUA 23	Lessalt Backwash Water Pump to Hollister Conduit		$ 40,000
SBUA Sub-Total			$ 1,516,921
Water Supply & Treatment	**Project**	**Department**	**26/27**
WS&T 9	Cr-VI at Well 7	WS&T	$ 100,000
WS&T 10	Cr-VI at Well 5	WS&T	$ 750,000
WS&T 11	Cr-VI at Well 8	WS&T	$ 750,000
WS&T Sub-Total			$ 1,600,000
Water Distribution	**Project**	**Department**	**26/27**
WD 2	New Enterprise Booster Station - In Progress	WD	$ 150,000
	New Enterprise Garage Development - In Progress		$ 750,000
WD 3	Upgrade Airline Highway Booster Station SCADA	WD	$ 60,000
WD 9	Water Meter AMI Radio Network and Upgrades - In Progress	WD	$ 300,000
WD 15	Connect Fairview Tank Solar to Grid through Meter	WD	$ 30,000
WD 21	Gate Valve Replacement	WD	$ 400,000
WD 25	SCADA Panel Upgrades for tanks and interties	WD	$ 75,000
WD 26	Storage Tanks Inspections	WD	$ 20,000
WD 28	Foxhill & Lessalt Blending Station - In Progress		$ 350,000
WD 29	Turf Removal & Conservation - Continuous		$ 200,000
WD Sub-Total			$ 2,335,000
Foxhill Zone	**Project**	**Department**	**26/27**
FH 4	Mega Consolidation- In Progress	WIS	$ 50,000
FH 6	Harbern Way Improvements - In Progress	WIS	$ 50,000
FH 7	Meter Replacement - In Progress	WIS	$ 138,000
FH 14	Stonegate Tank SCADA	WD	$ 80,000
FH 22	Tansfer RMK landscape meters adjacent to pipes to FXH	WD	$ 15,000
WIS Sub-Total			$ 318,000
Wastewater Treatment	**Project**	**Department**	**26/27**
WWT 2	Pond 6 Lift Station Wet Well, Pump, Electrical	WWT	$ 165,000
WWT 4	Convert Wastewater SCADA from Wonderware to Ignition	WWT	$ 60,000
WWT 7	New Monitoring Wells	WWT	$ 200,000
WWT 12	SBR Loan Payments		$ 760,000
WWT Sub-Total			$ 1,185,000
Wastewater Collection	**Project**	**Department**	**26/27**
WWC 9	Spot Repairs & CCTV Inspection	WWC	$ 200,000
WWC Sub-Total			$ 200,000
Administration	**Project**	**Department**	**26/27**
AD 4	Replace floor electrical and re-carpet District Office	AD	$ 48,000
AD Sub-Total			$ 48,000

ANNUAL TOTAL			$ 5,686,000
	SAN BENITO URBAN AREA (SBUA)		$ 1,516,921
	WATER SUPPLY & TREATMENT (WS&T)		$ 1,600,000
	WATER DISTRIBUTION (WD)		$ 2,335,000
	FOXHILL ZONE (FH)		$ 318,000
	WASTEWATER TREATMENT (WWT)		$ 1,185,000
	WASTEWATER COLLECTION (WWC)		$ 200,000
	ADMINISTRATION (AD)		$ 48,000
SSCWD BUDGET			**$ 5,686,000**

	26/27
Water Capacity Fee Projects Costs	$ 2,874,421
Sewer Capacity Fee Project Costs	$ 1,185,000
Revenue Funded CIP projects: Board Reserves	$ 533,500