

ATTACHMENT NO. 4

Summary of Issues and Significant Changes - Sanitation

General Sanitation Overview

The Sonoma County Water Agency (“Agency”) has been responsible for the County sanitation functions effective January 1, 1995, as part of the County’s reorganization process. The Sanitation Zones (“SZ” or “Zone”), which are owned and operated by the Agency, include Airport-Larkfield- Wikiup, Geyserville, Penngrove, and Sea Ranch. The County Sanitation Districts (“CSD” or “District”) which are operated by the Agency under contract include Occidental, Russian River, Sonoma Valley, and South Park.

Generally, and for the past several years, costs have been increasing in the sanitation budget requests due to price increases for services and supplies, continuation of the capital replacement programs (described later in this narrative), cost of salaries and benefits, and the effort to improve the service. As a result, the FY 2020/2021 sewer service rates are proposed to increase between 3.5% and 5.5% for the various Zones and Districts. The rate increases for these Zones and Districts are necessary to fund operating and capital program expenditures.

The Agency has undertaken an effort to implement capital replacement programs within the sanitation Zones and Districts. The purpose of the programs is to provide for long-term replacement of existing facilities that have reached the end of their useful life or must be upgraded to comply with increasing stringent regulatory requirements. The cost of the programs is financed, when possible, through operating transfers from the operations fund at each Zone or District to the construction fund of that Zone or District. If the operations fund does not have sufficient cash available for transfer to the construction fund, a transfer will not be made for that fiscal year and the scheduled capital replacement projects may be delayed until the next fiscal year.

In January 2000, Agency staff held a Sanitation Workshop presenting a summary of operating and regulatory issues associated with sanitation systems operated by the Agency, providing information regarding past operating practices, changes in the regulatory environment, the estimated cost of sanitation services, and strategies for addressing current and future operating issues. Three levels of service and their costs were identified for each of the sanitation systems and are described below.

Minimum Level of Service: Includes services necessary for the protection of public health, employee safety, and public safety.

Standard Level of Service: Includes services necessary to operate and maintain the sanitation systems in order to limit or reduce the risk of (1) service interruption, and (2) violations of the respective National Pollutant Discharge Elimination System (NPDES) permit or Waste Discharge Requirements issued by the California Regional Water Quality Control Boards. A Standard Level of Service is obtained when net operating revenues, calculated as operating revenues less services and supplies, are positive.

Asset Preservation Level of Service: Includes services and programs necessary to provide for a Standard Level of Service plus investments needed to replace or upgrade capital equipment. An Asset Preservation Level of Service is obtained when net operating revenues, calculated as routine operating revenues including subsidies from the General Fund less routine operating expenses (excluding debt service, capital equipment and transfers to construction), meet or exceed annual depreciation costs.

Rate increases, discussed in more detail below, have been proposed with the objective of meeting the Standard Level of Service for most entities and the Asset Preservation Level of Service for some entities.

The following paragraphs provide a summary of the budget requests, and applicable rate increases, proposed in each Zone and District. All annual service charges are presented in terms of cost per equivalent single family dwelling (ESD).

Airport-Larkfield-Wikiup Sanitation Zone

The budgeted operating revenues for FY 2020/2021 are \$4,534,000. The routine operating expenses (Services and Supplies) are \$3,625,000 and non-routine expenses are \$295,000, for a total of \$3,920,000. The net operating revenues are \$614,000, which is sufficient to cover budgeted debt service of \$443,000.

The Construction Fund budget and other capital expenses (equipment, etc.) requested for FY 2020/2021 is \$615,000, which will fund costs for equipment (\$15,000), the Larkfield Estates Sewer Main (\$150,000), Programming Services for Filter Plant and Related Facilities (\$150,000), Aeration Basin Aerators (\$50,000), Main Electrical Breaker (\$100,000), Headworks Meter (\$50,000), and Recycled Water Pipeline Improvement (\$100,000). Larkfield Estates Sewer Main project will be entirely funded through a loan from the Facilities Fund.

The requested annual service charge for FY 2020/2021 is \$1,018, representing a 4.0% increase (or \$39) from FY 2019/2020. The requested budget will fund the programs and services necessary to provide a Standard Level of Service. In order to provide an Asset Preservation Level of Service, this Zone's net operating revenues would need to exceed its depreciation expenses of \$1,318,000.

Geyserville Sanitation Zone

The budgeted operating revenues for FY 2020/2021 are \$434,000. The routine operating expenses (Services and Supplies) are \$371,000 and non-routine expenses are \$150,000, for a total of \$521,000. The Zone has a negative net operating revenue of \$87,000. There are no debt service payments.

The Construction Fund budget and other capital expenses (equipment, etc.) requested for FY 2020/2021 is \$5,000, which will fund costs for equipment (\$5,000).

The requested annual service charge for FY 2020/2021 is \$1,159 representing a 5.5% increase (or \$60) from FY 2019/2020. The requested budget will fund the programs and services necessary to provide a Minimum Level of Service. In order to provide an Asset Preservation Level of Service, this District's net operating revenue would need to exceed its depreciation expenses of \$52,000.

Penngrove Sanitation Zone

The budgeted operating revenues for FY 2020/2021 are \$1,274,000. The routine operating expenses (Services and Supplies) are \$1,002,000 and non-routine expenses are \$10,000, for a total of \$1,012,000. The net operating revenues are \$262,000. There are no debt service payments.

The Construction Fund budget and other capital expenses (equipment, etc.) requested for FY 2020/2021 is \$159,000, which will fund costs for equipment (\$5,000) and lift station flood resiliency improvements (\$154,000), with offsetting revenue from a FEMA hazard mitigation grant.

In FY 2020/2021, a subsidy from the Water Agency General Fund is estimated to be \$400,000 to fund routine operational costs, to build fund balance to offset costs to customers for future connections to the Zone's collection system, and construction of improvements such as lift station upgrade for flood protection and future capital improvement projects.

The requested annual service charge for FY 2020/2021 is \$1,628, representing a 5.5% (or \$85) increase from FY 2019/2020. The requested budget will fund the programs and services necessary to provide an Asset Preservation Level of Service, as net operating revenues exceed this Zone's annual depreciation expenses of \$74,000.

Sea Ranch Sanitation Zone

The budgeted operating revenues for FY 2020/2021 are \$741,000. The routine operating expenses (Services and Supplies) are \$666,000 and non-routine expenses are \$150,000, for a total of \$816,000. The Zone has a negative net operating revenue of \$75,000. There are no debt service payments.

The Construction Fund budget and other capital expenses (equipment, etc.) requested for FY 2020/2021 is \$155,000, which will fund costs for equipment (\$5,000), a collection system creek crossing project (\$50,000), and future capital replacement projects (\$100,000).

The requested annual service charge for FY 2020/2021 is \$1,242, representing a 3.5% (or \$42) increase from FY 2019/2020. The requested budget will fund the programs and services necessary to provide a Minimum Level of Service. In order to provide an Asset Preservation Level of Service, this Zone's net operating revenues would need to exceed its depreciation expenses of \$43,000.

Occidental CSD

The budgeted operating revenues for FY 2020/2021 are \$1,467,000. The routine operating expenses (Services and Supplies) are \$933,000 and non-routine expenses are \$210,000, for a total of \$1,143,000. The net operating revenues are \$324,000. There are no debt service payments.

The Construction Fund budget and other capital expenses (equipment, etc.) requested for FY 2020/2021 is \$66,000, which will fund costs for equipment (\$15,000) and the completion of a lift station automation project (\$51,000).

In FY 2020/2021, a subsidy from the Water Agency General Fund is estimated to be \$800,000 to fund routine operational costs, to build fund balance to offset costs to customers for future connections to the District's collection system, and construction of a lift station automation project.

The requested annual service charge for FY 2020/2021 is \$2,504, representing a 4.9% (or \$117) increase from FY 2019/2020. Due to the subsidy from the General fund, the requested budget will fund the programs and services necessary to provide an Asset Preservation Level of Service, as net operating revenue exceed this Zone's depreciation expenses of \$158,000.

Russian River CSD

The budgeted operating revenues for FY 2020/2021 are \$5,362,000. The routine operating expenses (Services and Supplies) are \$4,104,000 and non-routine expenses are \$375,000, for a total of \$4,479,000. The net operating revenues are \$883,000, which are sufficient to cover debt service budgeted at \$368,000.

The Construction Fund budget and other capital expenses (equipment, etc.) requested for FY 2020/2021 is \$2,665,000, which will fund costs for equipment (\$10,000), ACL compliance projects allowed in lieu of regulatory fines associated with treatment plant violations and sewer overflows (\$325,000), an electrical service replacement project (\$300,000), a lift station electrical resiliency project (\$267,000), and two FEMA funded grant projects (FEMA grants pending); a road slide at Mays Canyon (\$1,540,000) and a headworks/lift station/force main project (\$223,000).

In FY 2020/2021, a subsidy from the Water Agency General Fund is estimated to be \$100,000 to fund routine operational costs, to build fund balance to offset costs to customers for future connections to the District's collection system, and construction of improvements for electrical resiliency projects.

The requested annual service charge for FY 2020/2021 is \$1,706, representing a 5.0% (or \$81) increase from FY 2019/2020. The requested budget will fund the programs and services necessary to provide a Standard Level of Service. In order to provide an Asset Preservation Level of Service, this District's net operating revenues would need to exceed its depreciation expenses of \$1,481,000.

Sonoma Valley CSD

The budgeted operating revenues for FY 2020/2021 are \$18,504,000. The routine operating expenses (Services and Supplies) are \$10,210,000 and non-routine expenses are \$850,000, for a total of \$11,060,000. The net operating revenues are \$7,888,000, which are sufficient to cover debt service (\$2,401,000).

The Construction Fund budget and other capital expenses (equipment, etc.) requested for FY 2020/2021 is \$8,971,000, which will fund the following capital projects: equipment (\$147,000), Trunk Main Replacement Phase 4B.2-5 (\$5,674,000), Headworks Rehabilitation (\$2,575,000), Electrical Resiliency (\$315,000), and a local hazard mitigation project (\$260,000).

The requested annual service charge for FY 2020/2021 is \$1,094, representing a 3.5% (\$37) increase from FY 2019/2020. The requested budget will fund the programs and services necessary to provide an Asset Preservation Level of Service, as net operating revenues exceed this District's annual depreciation expenses of \$4,660,000.

South Park CSD

The budgeted operating revenues for FY 2020/2021 are \$4,394,000. The routine operating expenses (Services and Supplies and Sewer Capacity Rights) are \$2,619,000. There are no non-routine expenses budgeted for FY 2020/2021. The net operating revenues are \$1,775,000, which are sufficient to cover debt service budgeted at \$13,000.

The Construction Fund budget and other capital expenses (equipment, etc.) requested for FY 2020/2021 is \$380,000, which will fund equipment (\$5,000) and future capital improvement projects (\$375,000).

The requested annual service charge for FY 2020/2021 is \$1,037, representing a 3.5% (or \$35) increase from FY 2019/2020. This increase is necessary to meet obligations to the City of Santa Rosa in completing the required work on the collection system. The requested budget will fund the programs and services necessary to provide an Asset Preservation Level of Service, as net operating revenues exceed this District's annual depreciation expenses of \$603,000.