

Attachment 7

Equity Analysis

05-13-2025 WA Sewer Rates Fee Hearing Agenda Item

Utilizing the Racial Equity Toolkit, published by the Government Alliance on Race and Equity, staff has expanded consideration of racial equity in decisions, including policies, practices, programs, and budgets. Staff recognizes the racial equity tool can help to develop strategies and actions that reduce racial inequities and improve success for underserved members of our community. Below are several questions adapted from the Toolkit.

How does your policy, project, or budget decision align with or leverage other Countywide initiatives to advance racial equity?

In alignment with the countywide goal to advance racial equity, the Zones and Districts have established decision-making processes that result in equitable wastewater system operations and maintenance. While sewer service charges must be assessed equally to all customers, Sonoma Water is implementing a Sanitation Rate Relief Program for low-income customers. Sonoma Water also utilized a federal grant program that passed funds through the state to sanitation districts and zones to provide rate relief to customers financially impacted during the COVID-19 Pandemic. The Zones and Districts prepare and regularly update long range financial plans. Long range financial plans inform annual budgets, rate setting, and needs for grant funding and financing. The rate setting process strives to establish rates to operate and maintain the sewer system and make infrastructure improvements and upgrades. Sonoma Water's Zones and Districts operate and maintain the sewer systems with the goal of ensuring that all customers have access to quality sewer services. To reduce the financial impacts to our customers, we continuously seek grant funding and financing opportunities to offset costs. The Proposition 218 process, which allows customers to protest rate increases, helps inform the Zones and Districts about the impacts of rates on customers.

In alignment with the County's Strategic Plan Climate Action and Resiliency and Resilient Infrastructure pillars, Sonoma Water's Board approved the Sonoma Water Climate Adaptation Plan (Plan) on October 19, 2021. The Plan serves as a roadmap for Sonoma Water to follow by providing strategies to reduce climate-risk impacts to its infrastructure and operations. The Plan enhances Sonoma Water's ability to meet the public health and safety needs of the community through Sonoma Water's water supply, flood-risk management, and sanitation core functions. The Plan identifies threats to Sonoma Water's water supply, flood control, and sanitation infrastructure and operations and develops adaptation strategies to reduce vulnerabilities and risks exacerbated by climate change. Some of the risks are specific to Sonoma Water infrastructure and operations, while other risks to Sonoma Water's operations involve broader watershed impacts that affect the community and thus require partnerships to address. The plan also includes anchor adaptation strategies for each of Sonoma Water's core functions of water supply, flood control, and sanitation.

During Plan implementation, Sonoma Water is strategically and proactively pursuing climate adaptation funding from state and federal agencies and collaborations with other local and regional entities to adapt to the current and future impacts of climate change to our core functions. This would allow Sonoma Water to continue to provide water supply, flood control, and sanitation services essential for the health and safety of the community. Sonoma Water will assess how our sanitation systems will respond to climate

change and how climate change may negatively impact communities of color disproportionately. The effects of climate change on our sanitation systems and impacts to our community will be evaluated and mitigated in collaboration with the community as Sonoma Water continues to implement the Plan.

What are the desired results and outcomes of the policy, project, or budget decision under consideration?

Sonoma Water prepares and regularly updates a long-range financial plan for each Zone and District to ensure adequate funding to reliably operate and maintain each system to minimize adverse impacts to all our customers. Incremental infrastructure improvements and rate increases are more cost effective than responding to catastrophic failures that are exponentially more expensive.

What is the data that informs this policy, project, or budget decision?

Sonoma Water reviews cash flow, fund balance, and revenue and expenditure reports on a monthly basis. Maintenance and construction projects and priorities are regularly reviewed and revised by project managers and senior management. These reviews inform regular updates to long-range financial plans for each Zone and District. Long-range financial plans are integrated into annual updates to operating and capital budgets and provide the data needed to ensure adequate funding to reliably operate and maintain each system. During implementation of the Plan, Sonoma Water will establish a methodology to collect, analyze, and report on disaggregated data.

Funds available for capital improvements and replacement are planned in such a way as to level expenditures from year to year and thus to reduce the impact that sharp rate increases would have on rate payers. Sonoma Water recognizes the value of stable rates for its services and, when possible, attempts to stabilize rates through its long-term financial planning efforts. Rates are established to recover operating and capital costs, and to maintain a prudent reserve. Sonoma Water creates and maintains a prudent level of financial resources within each of its funds to protect against temporary revenue shortfalls or unpredicted one-time expenditures in accordance with minimum fund balance reserve guidelines. These measures provide the Zones and Districts with the tools to continue providing reliable and equitable service to their customers.

Will the policy, project, or budget decision have impacts in specific geographic areas (neighborhoods, areas, or regions) or community groups?

Each Zone and District has geographic boundaries. Infrastructure upgrades may take place in certain neighborhoods, with the intention of improving the entire system. If an infrastructure project will impact a neighborhood (traffic delays, noise etc.), the Zones and Districts engage community members through equitable and inclusive community outreach such as the Proposition 218 notices and community engagement described below.

What community engagement does your policy, project, or budget decision require?

Proposition 218 notices are mailed to every customer in each Zone and District. The Proposition 218 notice is paired with a newsletter which highlights projects, explains the rate setting process, and provides the opportunity to protest the rate setting process. The newsletter is available in both English and Spanish. Public tours, in both English and Spanish, and advisory committee workshops are conducted annually. Sonoma Water also hosts public meetings or workshops for projects that impact the community. Sonoma

Water's community engagement team has worked closely with the Office of Equity to develop equitable and intentional best practices for public meetings and workshops.

Who will benefit or be burdened from the policy, project, or budget decision?

The rate setting process establishes rates that are proportional to the impact of each property on the sewer system. Under Proposition 218, the Zones and Districts are required to set individual sewer service charges on a parcel-by-parcel basis so that no property owner pays more than their proportional share of the total cost for service. No property owner's sewer service charges may be greater than the proportionate cost to provide the property-related service to their parcel. This proportionality requirement does not allow offering reduced rates to low-income residents or financing these lower rates by charging higher rates to other property-owners. As a result, rate increases could burden low-income families. However, sewer service charges provide the revenue needed to operate and maintain the systems so that all residents in each Zone and District benefit from a reliable sanitation system. The Sanitation Rate Relief Program (funded by Sonoma Water's General Fund and not rates) and grant funding can help offset these impacts. The Zones and Districts take advantage of grants that are tailored to historically marginalized communities.

How will you define policy, project, or budget decision success and evaluate results?

Proposition 218 protests give the Zones and Districts an indication of public concern about the rate setting process and historically have been less than 4% of total customers except in Fiscal Year 2024/2025 Occidental County Sanitation District had protests of 24% of all customers with the highest sewer service charges in California owing to the exceptionally small ratepayer base (100 customers). Typically, of those customers who submit protests, approximately 30 of a total of 18,772 indicate that they are on fixed incomes and sewer rates represent a financial hardship. Upon Board approval of the Low-Income Sewer Bill Assistance Program, the Zones and Districts will be able to establish a methodology to measure the number of eligible customers, collect disaggregated data to understand the demographics of the community who are most impacted, identify the benefits of the program for the customers, and evaluate the impacts of the program on the financial health of the sewer systems. In Fiscal Year 2023/2024, Sonoma Water received 174 applications of which 168 were eligible for rate relief and were credited rate relief dollars of \$129,400. In Fiscal Year 2024/2025, Sonoma Water received 212 applications of which 212 were eligible for rate relief and were credited rate relief dollars totaling \$231,500. Customer participation in the program may be low in part due to concerns of submitting sensitive personal information for the purposes of determining eligibility. Sonoma Water limits the application review process to two staff and sensitive information is stored in a secured electronic folder.

Success includes collecting adequate funding to operate and maintain the sewer systems sustainably and reduce Sonoma Water General Fund contributions. Success also means reducing sanitary sewer overflows that impact the community and the environment by investing in routine maintenance and infrastructure upgrades.

The American Water Works Association provides utility benchmarking and performance management metrics for success. The Zones and Districts are working to incorporate metrics to better manage the systems and measure success.

What are your strategies for advancing racial equity or mitigating unintended consequences?

Staff continues to seek grant funding to defray project costs and reduce rate increases. Implementation of the proposed Sanitation Rate Relief Program will reduce costs for hundreds of eligible customers annually. The Zones and Districts will be able to monitor participation in the program and evaluate program effectiveness through outreach, education, and communication with customers. Sonoma Water will explore methodologies for collection of disaggregated data to measure program effectiveness, especially for impacts on communities of color and other historically marginalized communities. This Equity Analysis is for Sonoma Water's annual Sewer Rate Fee Hearing. Sonoma Water will continue to build on and improve this analysis and work toward decreasing disparities.

A sewer lateral inspection program addresses inflow and infiltration of groundwater and stormwater into the Sonoma Valley County Sanitation District's sewer collection system. Using smoke and closed-circuit television (CCTV) equipment, District crews can locate structurally compromised private sewer laterals and require property owners to make necessary repairs. Repairing compromised sewer laterals will aid in preventing sanitary sewer spills and decrease influent flows to the treatment plant during storm events. This reduces costs for all rate payers.