

ATTACHMENT NO. 4

Summary of Issues and Significant Changes - Sanitation

General Sanitation Overview

The Sonoma County Water Agency (Sonoma Water) 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 Sonoma Water, include Airport-Larkfield- Wikiup, Geyserville, Penngrove, and Sea Ranch. The County Sanitation Districts ("CSD" or "District") which are operated by Sonoma Water 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 service. As a result, the FY 2021/2022 sewer service rates are proposed to increase between 3.5% and 4.0% for the various Zones and Districts. The rate increases for these Zones and Districts are necessary to fund operating and capital program expenditures.

Sonoma Water 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, Sonoma Water staff held a Sanitation Workshop presenting a summary of operating and regulatory issues associated with sanitation systems operated by Sonoma Water, 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 2021/2022 are \$5,163,000. The routine operating expenses (Services and Supplies) are \$4,158,000 and non-routine expenses are \$205,000, for a total of \$4,363,000. The net operating revenues are \$800,000, which is sufficient to cover budgeted debt service of \$433,000.

The Construction Fund budget and other capital expenses (equipment, etc.) requested for FY 2021/2022 is \$563,000, which will fund costs for equipment (\$15,000), the main electrical breaker (\$202,000), aeration basin aerators (\$96,000), chemical feed tanks (\$100,000), and programming services for filter plant and related facilities (\$150,000).

In FY 2021/2022, a Sonoma Water General Fund contribution is estimated to be \$1,075,000 to fund routine operational costs and equipment purchases.

The requested annual service charge for FY 2021/2022 is \$1,058, representing a 4.0% increase (or \$40) from FY 2020/2021. Due to the General Fund contribution, 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 \$1,297,000.

Geyserville Sanitation Zone

The budgeted operating revenues for FY 2021/2022 are \$993,000. The routine operating expenses (Services and Supplies) are \$435,000 and non-routine expenses are \$385,000, for a total of \$820,000. The net operating revenues are \$173,000. There are no debt service payments.

The Construction Fund budget and other capital expenses (equipment, etc.) requested for FY 2021/2022 is \$25,000, which will fund costs for equipment (\$5,000) and future capital replacement projects (\$20,000).

In FY 2021/2022, a Sonoma Water General Fund contribution is estimated to be \$575,000 to fund routine operational costs, sludge removal, and master planning.

The requested annual service charge for FY 2021/2022 is \$1,204 representing a 4.0% increase (or \$46) from FY 2020/2021. Due to the General Fund contribution, 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 \$56,000.

Penngrove Sanitation Zone

The budgeted operating revenues for FY 2021/2022 are \$1,078,000. The routine operating expenses (Services and Supplies) are \$963,000 and non-routine expenses are \$10,000, for a total of \$973,000. The net operating revenues are \$105,000. There are no debt service payments.

The Construction Fund budget and other capital expenses (equipment, etc.) requested for FY 2021/2022 is \$198,000, which will fund costs for equipment (\$5,000) and lift station flood resiliency improvements (\$193,000), with offsetting revenue from a FEMA hazard mitigation grant.

In FY 2021/2022, a Sonoma Water General Fund contribution is estimated to be \$175,000 to fund routine operational costs, and construction of improvements such as lift station upgrade for flood protection, and future capital improvement projects.

The requested annual service charge for FY 2021/2022 is \$1,692, representing a 4.0% (or \$64) increase from FY 2020/2021. Due to the General Fund contribution 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 2021/2022 are \$762,000. The routine operating expenses (Services and Supplies) are \$682,000 and non-routine expenses are \$80,000, for a total of \$762,000. The net operating revenues are zero. There are no debt service payments.

The Construction Fund budget and other capital expenses (equipment, etc.) requested for FY 2021/2022 is \$180,000, which will fund costs for equipment (\$105,000) and future capital replacement projects (\$75,000).

The requested annual service charge for FY 2021/2022 is \$1,286, representing a 3.5% (or \$44) increase from FY 2020/2021. 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 \$32,000.

Occidental CSD

The budgeted operating revenues for FY 2021/2022 are \$1,618,000. The routine operating expenses (Services and Supplies) are \$993,000 and non-routine expenses are \$207,000, for a total of \$1,200,000. The net operating revenues are \$418,000. There are no debt service payments.

The Construction Fund budget and other capital expenses (equipment, etc.) requested for FY 2021/2022 is \$460,000, which will fund costs for equipment (\$10,000) and the Occidental-Graton pipeline feasibility study project (\$450,000).

In FY 2021/2022, a Sonoma Water General Fund contribution is estimated to be \$925,000 to fund routine operational costs, and an Occidental-Graton pipeline feasibility study project.

The requested annual service charge for FY 2021/2022 is \$2,604, representing a 4.0% (or \$100) increase from FY 2020/2021. Due to the General Fund contribution, 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 \$181,000.

Russian River CSD

The budgeted operating revenues for FY 2021/2022 are \$6,069,000. The routine operating expenses (Services and Supplies) are \$4,314,000 and non-routine expenses are \$768,000, for a total of \$5,082,000. The net operating revenues are \$987,000, which are sufficient to cover budgeted debt service of \$368,000.

The Construction Fund budget and other capital expenses (equipment, etc.) requested for FY 2021/2022 is \$810,000, 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 (\$250,000), a UV system retrofit project

(\$25,000), a lift station electrical resiliency project (\$200,000), a FEMA funded seismic retrofit of a secondary clarifier (\$125,000) and a state grant funded headworks/lift station/force main project (\$200,000).

In FY 2021/2022, a Sonoma Water General Fund contribution is estimated to be \$600,000 to fund routine operational costs and construction of improvements for electrical resiliency projects.

The requested annual service charge for FY 2021/2022 is \$1,774, representing a 4.0% (or \$68) increase from FY 2020/2021. 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 \$1,576,000.

Sonoma Valley CSD

The budgeted operating revenues for FY 2021/2022 are \$17,647,000. The routine operating expenses (Services and Supplies) are \$9,442,000 and non-routine expenses are \$960,000, for a total of \$10,402,000. The net operating revenues are \$7,245,000, which are sufficient to cover budgeted debt service of \$2,394,000.

The Construction Fund budget and other capital expenses (equipment, etc.) requested for FY 2021/2022 is \$10,192,000 which will fund costs for equipment (\$201,000), trunk main replacement phase 4C-5 (\$2,680,000), headworks rehabilitation (\$3,157,000), clarifier seismic retrofit project with offsetting revenue from a FEMA hazard mitigation grant (\$3,546,000), influent/effluent pumping and piping upgrade (\$400,000), sewer replacement & creek crossing (\$58,000), and preliminary design of a local hazard mitigation project (\$150,000).

The requested annual service charge for FY 2021/2022 is \$1,132, representing a 3.5% (\$38) increase from FY 2020/2021. 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 \$4,963,000.

South Park CSD

The budgeted operating revenues for FY 2021/2022 are \$4,398,000. The routine operating expenses (Services and Supplies and Sewer Capacity Rights) are \$2,737,000. There are no non-routine expenses budgeted for FY 2021/2022. The net operating revenues are \$1,661,000, which are sufficient to cover debt service budgeted at \$228,000.

The Construction Fund budget and other capital expenses (equipment, etc.) requested for FY 2021/2022 is \$705,000, which will fund equipment (\$5,000) and design of the Santa Rosa Avenue sewers project - Todd to E. Robles (\$700,000).

The requested annual service charge for FY 2021/2022 is \$1,074, representing a 3.5% (or \$37) increase from FY 2020/2021. 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 \$555,000.