



SUMMARY REPORT

Agenda Date: 5/13/2025

To: Board of Directors, Sonoma County Water Agency, Russian River County Sanitation District, Occidental County Sanitation District, South Park County Sanitation District, and Sonoma Valley County Sanitation District
Department or Agency Name(s): Sonoma County Water Agency and All County Sanitation Districts
Staff Name and Phone Number: Lynne Rosselli 707-524-3771
Vote Requirement: 2/3rd
Supervisory District(s): Countywide

Title:

10:05 A.M. Sewer Rates and Written Report of Charges

Recommended Actions:

- A) Adopt Resolutions (5) adopting a report on charges for sewage services, modifications to rates, and confirming charges for various Sonoma County Water Agency Sanitation Zones and County Sanitation Districts listed below:
 - i. Sonoma County Water Agency
 - a. Airport-Larkfield-Wikiup Sanitation Zone
 - b. Geyserville Sanitation Zone
 - c. Penngrove Sanitation Zone
 - d. Sea Ranch Sanitation Zone
 - ii. Occidental County Sanitation District
 - iii. Russian River County Sanitation District
 - iv. South Park County Sanitation District
 - v. Sonoma Valley County Sanitation District
- B) Adopt an Ordinance setting sewer service charges on behalf of Sonoma County Water Agency Sanitation Zones Airport-Larkfield-Wikiup, Geyserville, Penngrove, and Sea Ranch, calling for collection on the tax roll for all Zones, and remaining in effect until modified by the Board, and making findings and determination of exemption pursuant to the California Environmental Quality Act.
- C) Adopt Ordinances for the Occidental County Sanitation District, Russian River County Sanitation District, South Park County Sanitation District, and Sonoma Valley County Sanitation District, setting sewer service charges, revising rate structures, and calling for collection on the tax roll, and remaining in effect until modified by the Board, and making findings and determination of exemption pursuant to the California Environmental Quality Act.
- D) Adopt a Concurrent Resolution of Sonoma County Water Agency, Occidental County Sanitation District, Russian River County Sanitation District, South Park County Sanitation District, and Sonoma Valley County Sanitation District, setting capacity charges.
- E) Authorize Sonoma County Water Agency's General Manager to continue to implement the Low-Income Sewer Bill Assistance Program on behalf of the four Sonoma County Water Agency Sanitation Zones and four County Sanitation Districts and expend up to \$600,000 annually from Sonoma Water's General Fund to fund the program.

(2/3rd Vote Required)

Executive Summary:

The Sonoma County Water Agency's (Sonoma Water) Sanitation Zones (Zones) include Airport-Larkfield-Wikiup, Geyserville, Penngrove, and Sea Ranch. The County Sanitation Districts (Districts) include Occidental, Russian River, Sonoma Valley, and South Park. The Districts are operated under contract by Sonoma Water.

The annual sewer service charge is imposed by the Zones and Districts to pay for the cost of providing safe and reliable sewer service in conformance with legal requirements, and is necessary to: (a) finance the ongoing operation and maintenance costs of the system; (b) pay the capital replacement program costs of the system, which provides for the long-term replacement of system facilities as they wear out; and (c) maintain sufficient reserves.

Generally, the Zones' and Districts' costs are increasing due to increased costs for services and supplies, deferred maintenance costs to maintain the integrity of these publicly owned assets, more stringent water quality regulations, which increases operational and capital costs, and costs to continue a capital replacement program to upgrade aging infrastructure (described in the attached Summary of Issues and Significant Changes [A4]). Most of the Zones and Districts are relatively small. This means a smaller rate-payer base is responsible for these increasing costs.

The Zones' and Districts' ages range from 40-plus years (Russian River, Airport/Larkfield/Wikiup) to 70-plus years (Sonoma Valley, Occidental), and they all face financial challenges. The aging collection and treatment systems require ongoing replacement and maintenance projects. To responsibly manage the systems in a way that protects public health and the environment, rate increases are necessary. Proposed rate increases are 3.5% to 8.9% range depending upon the Zone or District.

Sonoma Water recognizes the rate increases can present a financial hardship for ratepayers, and every effort is being made to seek out grants and loans to offset some of the costs for capital projects, and to offer a Sanitation Rate Relief Program funded from Sonoma Water's General Fund.

Grant revenue and Sonoma Water General Fund contributions range from 3% to 60% of total revenue needed to operate the smaller Districts and Zones. Without these contributions, and with budgeted expenditures remaining equal, sewer rate increases would range from 10% to 450% to safely and effectively operate and maintain these Zones and Districts in compliance with regulatory requirements.

In addition to adopting ordinances to set sewer service charges, Sonoma Water is requesting that the Board adopt a Resolution authorizing Sonoma Water's General Manager to continue to implement an annual Sanitation Rate Relief Program on behalf of the four Sonoma County Water Agency Sanitation Zones and four County Sanitation Districts, and authorizing the General Manager to expend up to \$600,000 annually from Sonoma Water's General Fund to fund the program.

A Summary of Annual Rate Increases is attached (A3).

Discussion:

Proposition 218 and Sewer Rate Hearing

In accordance with Proposition 218, notification of the proposed sewer service charge increase was provided

to all record owners of each identified parcel or a tenant that is directly liable for paying the sewer service charge for the property receiving wastewater collection and treatment services within the following affected Zones and Districts:

1. Airport-Larkfield-Wikiup Sanitation Zone
2. Geyserville Sanitation Zone
3. Penngrove Sanitation Zone
4. Sea Ranch Sanitation Zone
5. Occidental County Sanitation District
6. Russian River County Sanitation District
7. South Park County Sanitation District
8. Sonoma Valley County Sanitation District

The draft proposed budget for Fiscal Year 2025/2026 describing the total annual expenses in detail was made available for review by the public on Sonoma Water's website.

The annual sewer service charges to parcels served by sewer systems operated and maintained by Sonoma Water and the Districts will be billed to property owners in two installments included on the property tax bills. Approval for placement on the property tax is authorized by Health and Safety Code section 5473. Pursuant to this provision, the Sonoma Water and District boards may approve collection of the charges on the property tax bill at a public hearing. At the public hearing, the Sonoma Water and District boards may amend or confirm a written report of charges to be collected with property taxes on the Fiscal Year 2025/2026 tax roll. Notice of the hearing for this purpose is provided pursuant to Government Code section 6066 which requires publication once a week for two weeks. At the hearing, ratepayers are provided the opportunity to protest placement of the sewer service charge on the property tax bill. Sonoma Water and District boards will also consider protests regarding proposed increases in the sewer service charges pursuant to the requirements of Proposition 218 at the hearing. If there is not a majority protest of greater than 50% of the properties connected to the sewer regarding placement of the charges on the property tax bills or the proposed increases in the charges in question, the Boards may approve placing the increased charges on the tax roll. A copy of the Annual Sewer Service Charges report is on file with the Clerk of the Board.

Written protests received from the Zones or Districts will be summarized and the results will be delivered to the Clerk of the Board on May 13, 2025.

Written Response to Legal Objections

In 2024, the Legislature set forth a new process that a water or sewer agency must follow in order to bar litigation arguments that were not raised before the agency's board. In addition to the majority protest process described above, an agency must now respond to written objections. The deadline to submit legal objections was April 22, 2025, and some objections were received. As required by Government Code section 53759.1, Staff's Written Response to Objections is attached (A8).

Annual Sewer Service Charges

Individual charges are calculated as the number of equivalent single-family dwellings (ESDs) assigned to a property multiplied by the rate per ESD. A standard single-family home constitutes one ESD. Parcels with other uses (for example, apartments and commercial buildings) are assigned several ESDs using standard

equivalency factors that estimate the probable quantity and quality of sewage effluent normally generated by such uses in comparison to a single-family home.

Each year staff updates the file of equivalent single-family dwellings assigned to each parcel to reflect the most current information available.

The rates to be reflected on the tax roll are:

Sewer Service Charges	2024/25 Number of ESDs ³	2024/25 Rate Per ESD	2025/26 Number of ESDs	2025/26 Annual Rate Per ESD	2025/26 Monthly Rate	2025/26 Annual Dollar Increase	2025/26 Monthly Dollar Increase	Percent Increase
Airport Larkfield Wikiup Sanitation Zone	4,129	\$1,332	4,137	\$1,444	\$120	\$112	\$9.33	8.5%
Geyserville Sanitation Zone	371	\$1,548	370	\$1,680	\$140	\$132	\$11.00	8.6%
Penngrove Sanitation Zone	554	\$2,132	556	\$2,298	\$192	\$166	\$13.83	7.8%
Sea Ranch Sanitation Zone	624	\$1,658	626	\$1,806	\$151	\$148	\$12.33	8.9%
Occidental County Sanitation District	273	\$3,006	273	\$3,146	\$262	\$140	\$11.67	4.7%
Russian River County Sanitation District	3,212	\$2,292	3,232	\$2,486	\$207	\$194	\$16.17	8.5%
Sonoma Valley County Sanitation District ¹	17,820	\$1,348	17,919	\$1,428	\$119	\$80	\$6.67	6.0%
South Park County Sanitation District ²	4,476	\$1,190	4,499	\$1,232	\$103	\$42	\$3.50	3.5%

Notes:

1. For residents with a public water connection, the number of equivalent single-family dwellings for Sonoma Valley is calculated 70% based on a fixed charge and 30% based on volume of winter water used per data provided by Valley of the Moon Water District and City of Sonoma. The lowest water use data from winter water bills in both 2024 and 2025 have been used to calculate the volumetric charge. Therefore, the actual billed amount will vary depending on the amount of water actually used.
2. Wastewater rates will collect 40% of revenue from fixed charges and 60% of revenue from volumetric charges. The fixed charge is based on the number of equivalent single-family dwellings. The District will use City of Santa Rosa water usage data to calculate the annual volumetric charge portion of the Sewer Service Charge. All District customers will pay the fixed charge and an annual volumetric charge.
3. ESD = equivalent single-family dwelling.

Additional information regarding the calculation of sewer bills by the Zones and Districts is available in Proposition 218 Notices Provided to Property Owners and Tenants Directly Liable, attached to this summary (A5), and in the 2020 Wastewater Rate Study and 2023 Addendum on file with the Clerk of the Board.

Sanitation Sewer Service Charge Rate Relief Program

Sonoma Water received Board authority on May 23, 2023, to implement its own Sanitation Rate Relief Program for all the Zones and Districts, and based on two successful years, is requesting ongoing authority from the Board subject to budget ratification. Staff requests authorization for a program with the same

components as the FY 2024/2025 program. Program components are summarized in Attachment 9.

In Fiscal Year 2023/2024, Sonoma Water received 174 applications of which 168 were eligible for rate relief and were credited rate relief dollars totaling \$129,352. In Fiscal Year 2024/2025, Sonoma Water received 233 applications of which 212 were eligible for rate relief and were credited rate relief dollars totaling \$231,477.

To raise awareness of the program, the Zones and Districts will post information on the Sonoma Water website, social media, press releases, and through social service agencies and non-profit organizations.

Sewer service charge revenue that would result from an anticipated 3% delinquency rate is estimated to total approximately \$1 million dollars. It is expected that in addition to providing financial relief to low-income customers, this program could help reduce delinquencies, increase funding, and as a result, reduce future Sonoma Water General Fund contributions to the Zones and Districts. Based on FY 2024/2025 rate relief results, Sonoma Water General Fund contributions of \$600,000 are expected to be sufficient to fund the program.

Capacity Charges

By statute, capacity charges are charges “for public facilities in existence at the time a charge is imposed or charges for new public facilities to be acquired or constructed in the future that are of proportional benefit to the person or property being charged.” Unlike impact fees, capacity charges are one-time capital charges for facilities (existing or new) to accommodate growth. The purpose of these charges is to make “growth pay for growth,” rather than placing the costs of growth on existing ratepayers. The charges ensure equitable funding by placing a “fair share” cost for facilities on new customers.

Sonoma Water contracted with Bartle Wells Associates to prepare a study to inform the proposed adjustment of the capacity charges for each District and Zone. Their Wastewater Capacity Charge Study is attached (A10). Bartle Wells Associates used the “System Buy-In Approach” under which new connections “buy in” for their proportionate share of costs (in current dollars) for capacity needed in the Agency’s existing wastewater system facilities and assets. Wastewater system valuations were calculated based on the estimated Replacement Cost New (RCN) (Option A) and the estimated Replacement Cost New Less Depreciation (RCNLD) (Option B). In both approaches, the current value of the system is based on the estimated cost of replacing the system assets in 2024 (in current dollars). In the latter approach, Bartle Wells Associates valued the systems using depreciation, which has the effect of lowering the capacity charge costs considerably and errs, if at all, on the side of undercharging.

As explained by Bartle Wells Associates: “Depreciation takes into account the anticipated losses in system value caused by aging. At the same time, this approach a) may underestimate the actual replacement cost of existing facilities, b) does not account for the theoretical cost of interest that future customers would have to repay existing customers for the implicit loan provided by existing customers prefunding facilities for growth, and c) does not account for the cost of maintaining capacity in existing infrastructure for growth.” Proposed capacity charges for Options A and B for each district and zone are shown below. Sonoma Water staff recommend that capacity charges be set in accordance with Option B in the table below. Option B capacity charges ensure equitable funding by placing a “fair share” cost for facilities on new customers rather than placing the costs of growth on existing ratepayers, while also reducing burdens on new development relative to Option A.

District/Zone	Current Charges per ESD	Proposed Charges per ESD Option A	Proposed Charges per ESD Option B
Airport/Larkfield/Wikiup SZ	\$15,051	\$36,941	\$19,308
Geyserville SZ	\$4,984	\$31,143	8,046
Penngrove SZ	\$4,984	\$38,397	14,390
Sea Ranch SZ	\$6,230	\$60,104	20,232
Occidental CSD	\$2,284	\$21,423	7,290
Russian River CSD	\$5,969	\$61,507	15,589
Sonoma Valley CSD	\$17,752	\$49,867	19,204
South Park CSD	\$2,284	\$12,537	8,965
Option A - Replacement Cost New (RCN)			
Option B - Replacement Cost New Less Depreciation (RCNLD)			

In the cases where the increases are significant, this is because the charges had not been indexed to be increased annually for several years. Additional information and comparisons with neighboring jurisdictions are in the Bartle Wells Associates Wastewater Capacity Fees Study (A10).

Future Audit and Adjustment of ESDs

The proportionality of both sewer service charges and capacity charges is ensured by calculating these charges in terms of equivalent single-family dwellings (ESDs).

The means by which ESDs are calculated for each type of use is set forth in Exhibit A of the respective fee ordinances for each District and Zone. Parcels with other uses (for example, apartments and commercial buildings) are assigned a number of ESDs using standard equivalency factors that estimate the probable quantity and quality of sewage effluent normally generated by such uses in comparison to a single-family home.

In planning for future rates, Sonoma Water is commencing a study of whether its ESD methodology should be updated. This is a very significant effort as it involves a review of the ESDs assigned to all existing users, outreach to impacted community members, and adjustments both up and down for customers. Staff believe this effort will be warranted to ensure that the costs of each of the sanitation systems are fairly allocated.

County of Sonoma Strategic Plan Alignment

N/A

Sonoma Water Strategic Plan Alignment

Goal 2: Improve the financial health of wastewater treatment and water reuse systems.

Approval of the proposed sewer service charges will increase revenue received by the districts and zones to: (a) pay for the cost of providing safe and reliable sewer service in conformance with legal requirements; (b) finance the ongoing operation and maintenance costs of the system; (c) pay the capital replacement program costs of the system, which provides for the long-term replacement of system facilities as they wear out; and

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(d) maintain sufficient reserves.

Racial Equity:

Was this item identified as an opportunity to apply the Racial Equity Toolkit?

Yes - See Attachment 7.

Prior Board Actions:

05/21/24: Board approved sewer rate increases for Fiscal Year 2024/2025.

FISCAL SUMMARY

Expenditures	FY 24-25 Adopted	FY 25-26 Projected	FY 26-27 Projected
Budgeted Expenses			
Additional Appropriation Requested			
Total Expenditures			
Funding Sources			
General Fund/WA GF			
State/Federal			
Fees/Other			
Use of Fund Balance			
General Fund Contingencies			
Total Sources			

Narrative Explanation of Fiscal Impacts:

None. This action sets the rates for Fiscal Year 2025/26 only. Total revenues generated by the rates for all the Zones and Districts are as follows:

Airport Larkfield Wikiup Sanitation Zone	5,934,840
Geyserville Sanitation Zone	621,600
Penngrove Sanitation Zone	1,277,688
Sea Ranch Sanitation Zone	1,130,556
Occidental County Sanitation District	858,858
Russian River County Sanitation District	8,049,668
Sonoma Valley County Sanitation District	25,599,756
South Park County Sanitation District	5,542,768

Staffing Impacts:			
Position Title (Payro	Monthly Salary Range (A - I Step)	Additions (number)	Deletions (number)

Narrative Explanation of Staffing Impacts (If Required):

N/A

Attachments:

1. Proposed Resolutions:
 - a. Sanitation Zones R1
 - b. Sanitation Districts: R2 Occidental, R3 Russian River, R4 Sonoma Valley, R5 South Park
 - c. Zones and Districts Capacity Charges R6
2. Proposed Charge Ordinances with Exhibits:
 - a. Sanitation Zones O1
 - b. Sanitation Districts: O2 Occidental, O3 Russian River, O4 Sonoma Valley, O5 South Park
3. Revenue Summary Chart - Sewer Service Charges (A3)
4. Summary of Issues and Significant Changes - Sanitation (A4)
5. Copies of Proposition 218 Notices Provided to Property Owners and Tenants Directly Liable (A5)
6. PowerPoint
7. Equity Analysis
8. Written Response to Objections (To be provided by counsel after the 4/22 response deadline)
9. Sanitation Rate Relief Program Components
10. Capacity Charge Study
11. Written Basis of Sewer Service Charges

Related Items “On File” with the Clerk of the Board:

1. Report of Annual Sewer Service Charges
2. Wastewater Rate Study 2020 and 2023 Addendum
3. Technical Memorandum on Accessory Dwelling Units Rate Structure (note: statutory references changed with recodification of ADU statutes (SB 477(2024)) but analysis is not impacted by recodification)
4. Sanitation Rate Relief Program Application