



COUNTY OF SONOMA

575 ADMINISTRATION
DRIVE, ROOM 102A
SANTA ROSA, CA 95403

SUMMARY REPORT

Agenda Date: 5/17/2022

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): All

Title:

2:30 P.M. Sewer Rates and Written Report of Charges

Recommended Actions:

- A) Adopt Resolutions (5) overruling objections, adopting a report on charges for sewage services, modifications to rate structures and confirming charges for various Sonoma County Water Agency Sanitation Zones and County Sanitation Districts listed below:
 - I. Airport-Larkfield-Wikiup Sanitation Zone
 - II. Geyserville Sanitation Zone
 - III. Penngrove Sanitation Zone
 - IV. Sea Ranch Sanitation Zone
 - V. Occidental County Sanitation District
 - VI. Russian River County Sanitation District
 - VII. South Park County Sanitation District
 - VIII. Sonoma Valley County Sanitation District
- B) Adopt Ordinances 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.

(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 sanitation districts are operated under contract by Sonoma Water.

Generally, the Zones' and Districts' maintenance and operating costs are increasing due to increased costs for services and supplies, and continuation of a capital replacement program (described in the attached Summary of Issues and Significant Changes [A4]). In order to meet these additional costs, rate increases are necessary. Proposed rate increases are in the 3.5% to 8.9% range depending upon the Zone or District.

The districts and zones range in age from 70-plus years (Sonoma Valley, Occidental) to 40 years (Russian River, Airport/Larkfield/Wikiup) and they all face financial challenges. The aging collection and treatment systems require ongoing replacement and maintenance projects.

Each of the districts and zones face more stringent water quality regulations, which increases operational and capital costs. Most of the districts and zones are relatively small and that means a smaller ratepayer base is responsible for these increasing costs.

This year the proposed rate increases for many of the districts and zones are larger than they have been in recent years. 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. Rate increases are needed for the maintenance and replacement of aging infrastructure, deferred maintenance in some cases, and an effort to maintain the integrity of these publicly owned assets and responsibly manage the systems in a way that protects public health and the environment.

More than \$8 million in Sonoma Water General Fund contributions are included to offset additional rate increases. Contributions are needed to support:

1. Ongoing routine operations and maintenance costs; master planning; sludge removal; Local Hazard Mitigation Planning; and Supervisory Control and Data Acquisition (SCADA) upgrades to improve wastewater process controls:
 - Airport-Larkfield-Wikiup: \$838,000
 - Geyserville: \$275,000
 - Sea Ranch: \$200,000
 - Occidental: \$1,200,000
2. Ongoing wastewater hauling from Occidental to Airport treatment plant for treatment and disposal to comply with a North Coast Regional Water Quality Control Board (NCRWQCB) Cease and Desist Order:
 - Occidental: \$400,000
3. Grant funded capital improvement projects, including:
 - Occidental: \$600,000 for design of a pipeline from Occidental to Graton Community Services District treatment plant, and a lift station electrical automation project.
 - Russian River: \$4.6 million for disinfection system upgrade, underground storage tank

replacement, electrical resiliency improvement projects, clarifier seismic retrofit, and headworks, lift station, and force main improvements.

Grant revenue and Sonoma Water General Fund contributions make up from 15% to 82% of total revenue needed to operate the smaller districts and zones. Without these sources of funding, rate increases ranging from 20% to 630% would be needed to safely and effectively operate and maintain these districts and zones in compliance with regulatory requirements.

As part of its grant seeking activities, Sonoma Water has also actively sought relief for customers financially impacted during the COVID-19 Pandemic. Federal funds made available to the State of California have resulted in two one-time relief programs aimed at reducing or eliminating certain unpaid bills for wastewater services accrued during the pandemic. Sonoma Water has applied to both programs on behalf of the Districts and Zones and will credit eligible customers accounts with any relief received.

In alignment with Sonoma Water's strategic plan goal to increase revenue in the Districts and Zones for capital improvements to aging infrastructure, the anticipated revenue for Fiscal Year 2022/2023 is expected to increase by \$2,466,952 over Fiscal Year 2021/2022. A Summary of Annual Rate Increases is attached (A3). Fund balances are generally decreasing, particularly in the Zones and Districts where capital improvements are occurring.

Discussion:

In accordance with Proposition 218, notification of the proposed fee increase was provided to all record owners of each identified parcel or a tenant that is directly liable for paying the Sewer Service Fee 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

Any 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 17, 2022.

The draft proposed budget for Fiscal Year 2022/2023 describing the total annual expenses in detail was made

available for review by the public on Sonoma Water's website.

For the past several years, the annual sewer service charges to parcels served by sewer systems operated and maintained by Sonoma Water and the sanitation districts have been 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 §5473. Pursuant to this provision, Sonoma Water and sanitation district boards may approve collection of the fees on the property tax at a public hearing. As a result of the coronavirus pandemic, the public hearing may be facilitated virtually through Zoom in order to comply with Sonoma County Health Officer guidance or orders. This hearing will be the same hearing in which sewer service fee increases are considered by Sonoma Water and sanitation district boards. At the public hearing, Sonoma Water and District boards amend or confirm a written report of charges to be collected with property taxes on the Fiscal Year 2022/2023 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 fee on the property tax if they so desire. Sonoma Water and sanitation district boards will also consider protests regarding proposed increases in the sewer service fees 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 fees on the property tax bills or the proposed increases in the fees in question, the Boards may approve placing the increased fees on the tax roll. A copy of the Annual Sewer Service Charges report is on file with the Clerk of the Board.

Individual charges are calculated as the number of equivalent single-family dwellings assigned to a property multiplied by the rate per equivalent single-family dwelling. 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	2021/22 Number of ESDs ³	2021/22 Rate Per ESD	2022/23 Number of ESDs	2022/23 Annual Rate Per ESD	2022/23 Monthly Rate	2022/23 Annual Dollar Increase	2022/23 Monthly Dollar Increase	Percent Increase
Airport Larkfield Wikiup Sanitation Zone	4,017	\$1,058	4,070	\$1,148	\$96	\$90	\$7.50	8.50%
Geyserville Sanitation Zone	361	\$1,204	365	\$1,310	\$109	\$106	\$8.83	8.80%
Penngrove Sanitation Zone	550	\$1,692	554	\$1,828	\$152	\$136	\$11.33	8.00%
Sea Ranch Sanitation Zone	609	\$1,286	612	\$1,400	\$117	\$114	\$9.50	8.90%
Occidental County Sanitation District	273	\$2,604	273	\$2,732	\$228	\$128	\$10.67	4.90%
Russian River County Sanitation District	3,214	\$1,774	3,214	\$1,932	\$161	\$158	\$13.17	8.90%

Sonoma Valley County Sanitation District ¹	17,757	\$1,132	17,791	\$1,200	\$100	\$68	\$5.67	6.00%
South Park County Sanitation District ²	4,352	\$1,074	4,371	\$1,112	\$93	\$38	\$3.13	3.50%

1. Notes: 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 2021 and 2022 were used to calculate the volumetric charge. Therefore, the actual billed amount will vary by 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 Fee. 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 Sonoma Water Sanitation Zones and County Sanitation Districts is available in Proposition 218 Notices Provided to Property Owners and Tenants Directly Liable, attached hereto (A5), and in the 2020 Wastewater Rate Study and 2022 Addendum on file with the Clerk of the Board.

The Occidental County Sanitation District has the fewest connections, a contributing factor in the highest rate per equivalent single-family dwelling. The District relies in part on subsidies from Sonoma Water's General Fund for operations and maintenance expenses, and capital improvements. In Fiscal Year 2022/2023, the contribution is estimated to be \$2.1 million to fund routine operational costs, design of a pipeline from Occidental to Graton Community Services District treatment plant, hauling wastewater from Occidental to Airport/Larkfield/Wikiup Sanitation Zone for treatment and disposal to comply with a North Coast Regional Water Quality Control Board (NCRWQCB) Cease and Desist Order, and an electrical automation upgrade project.

On October 10, 2017, the South Park County Sanitation District received Board approval to execute an amended agreement with the City of Santa Rosa to provide a framework for continued coordination and cooperation between the District and the City following the City's annexation of certain County islands in southwest Santa Rosa. The agreement addresses rate restructuring, transfer of operations to the City, and a new governance structure to allow for the eventual transfer of all District operation and function to the City.

During the transition, South Park County Sanitation District is moving to a new rate structure designed first and foremost to recover the cost of providing District services while also providing customers greater control over their sewer bill with the phased introduction of volume-based rates and is similar to the City's rate structure. The District's proposed rate structure is designed to recover the costs of providing sewer services and includes two components (A) fixed charges; and (B) volumetric charges that are based on water used. The

rate increase is 3.5% versus current year.

South Park County Sanitation District's proposed Fiscal Year 2022/2023 wastewater rates will collect 40% of revenue from fixed charges and 60% of revenue from volumetric charges. The fixed charge recovers the District's costs to provide sewer services, including costs associated with the sewage treatment and collection system that are incurred regardless of increased or decreased sewage flow into the system. The fixed charge is based on the number of equivalent single-family dwellings. The fixed charge for all customers is \$424.62 per equivalent single family dwelling.

The volume-based charge recovers the District's costs to provide sewer services, including the costs associated with the sewage treatment and collection system that vary with the amount of sewage conveyed and treated, and gives District ratepayers the opportunity to control a portion of their sewer bill. The District uses City of Santa Rosa water usage data to calculate the annual volumetric charge portion of the Sewer Fee. All District customers pay an annual volumetric charge.

The South Park County Sanitation District's volume charge is calculated based on winter water use. For Residential Customers, average winter water usage provides the best available estimate of indoor water usage and its impact to the sewer system because outdoor irrigation is minimal during the winter months. For Non-Residential Customers, annual water usage is based on actual water usage.

The South Park County Sanitation District has four categories of customers for the volumetric charge calculation for whom the water usage and charge per thousand gallons will vary. Additional information for calculating individual rates for this district can be found in the attached Proposition 218 Notice for the South Park County Sanitation District (A5).

Many Sonoma County communities (including the Cities of Cotati, Healdsburg, Petaluma, Rohnert Park, Santa Rosa, Sebastopol, and the Town of Windsor) base their sewer rates partially on an estimate of the amount of sewage generated by each household, based on water usage during winter months. A consultant for Sonoma Water conducted a study in 2011 to assess the impacts of implementing a sewer rate structure that includes a variable component based on estimated discharge for each sanitation district and zone. While the study found that such "volume-based" rate structures promote water conservation, and provide ratepayers with the opportunity to control a portion of their sewage bills, it also cited access to and the availability of water data, and the significant cost of implementing the new rate structure as challenges.

In Fiscal Year 2012/2013, Sonoma Water worked with the water purveyors in the Sonoma Valley County Sanitation District service area to obtain consumption data and implement a volume-based rate structure. The volume-based rate structure only applies to residential customers, not commercial accounts. The structure generates the same total revenue for the District as the current equivalent single-family dwellings average charge for all customers.

The Sonoma Valley County Sanitation District volume charge is calculated based on winter water use per household for specified winter month water bills, multiplied by 6 billing periods annually for Valley of the Moon Water District customers and 12 billing periods for City of Sonoma water customers to derive the annual use. Winter water use provides the best available estimate of indoor water use and its impact to the District's treatment facilities because outdoor irrigation is minimal during the winter months.

For commercial property or a property that has no water account- i.e. the property is on a well, and is connected to the sewer system-the sewer charges will be based on the number of equivalent single-family dwellings times \$1,200, the established fixed rate.

The 2022-23 volume-based sewer charges for residential customers with a public water connection are \$840.36 per equivalent single-family dwelling plus \$6.80 per thousand gallons times 6 billing periods annually for Valley of the Moon Water District customers and 12 billing periods for City of Sonoma water customers based on winter water usage. If a property has a water account but no winter water use, the rate will be \$1,200, the established fixed rate per equivalent single-family dwelling.

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. Grant revenue and Sonoma Water General Fund contributions make up from 15% to 82% of total revenue needed to operate the smaller districts and zones. Without these sources of funding, rate increases ranging from 20% to 630% would be needed to safely and effectively operate and maintain these districts and zones in compliance with regulatory requirements.

As part of its grant seeking activities, Sonoma Water has also actively sought relief for customers financially impacted during the COVID-19 Pandemic. Federal funds made available to the State of California via the Consolidated Appropriations Act (2021) and the American Rescue Plan Act (2021) have resulted in the California Water and Wastewater Arrearage Payment Program (CWWAPP), administered by the State Water Resources Control Board (SWRCB) and the Low Income Household Water Assistance Program (LIHWAP), administered by the California Department of Community Services and Development (CSD). These two financial assistance programs are aimed at reducing or eliminating certain unpaid bills for wastewater services accrued during the pandemic. Both programs provide funds to wastewater service providers to cover these debts, and both programs are one-time relief efforts.

Sonoma Water has applied to both programs on behalf of the Districts and Zones to obtain funds to credit the accounts of eligible customers who have fallen behind in their payments. Sonoma Water will bring an item before the Board of Directors in June seeking ratification and approval of the applications and authority to sign and file all documents necessary to receive the funds. These programs will benefit disadvantaged customers, and will help to avoid placing accounts into collections.

Prior Board Actions:

05/18/21: Board approved sewer rate increases for Fiscal Year 2021/2022.

FISCAL SUMMARY

Expenditures	FY 21-22 Adopted	FY22-23 Projected	FY 23-24 Projected
Budgeted Expenses			
Additional Appropriation Requested			
Total Expenditures			
Funding Sources			
General Fund/WA GF			
State/Federal			
Fees/Other			
Use of Fund Balance			
Contingencies			
Total Sources			

Narrative Explanation of Fiscal Impacts:

None. This action sets the rates for Fiscal Year 2022/2023 only with no impact on Fiscal Year 2021/2022. The anticipated revenue for Fiscal Year 2022/2023 is expected to increase by \$2,466,952 with these new rates. Total revenues generated by the rates for all of the Districts and Zones are as follows:

Airport Larkfield Wikiup Sanitation Zone	\$4,672,360
Geyserville Sanitation Zone	\$478,150
Penngrove Sanitation Zone	\$1,012,712
Sea Ranch Sanitation Zone	\$856,800
Occidental County Sanitation District	\$745,836
Russian River County Sanitation District	\$6,209,448
Sonoma Valley County Sanitation District	\$21,349,200
South Park County Sanitation District	\$4,858,760

Staffing Impacts:

Position Title (Payroll)	Monthly Salary Range (A - I Step)	Additions (number)	Deletions (number)

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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
2. Proposed Fee 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 Fees (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)

Related Items "On File" with the Clerk of the Board:

1. Report of Annual Sewer Service Charges
2. Wastewater Rate Study 2020 and 2022 Addendum
3. Technical Memorandum on Accessory Dwelling Units Rate Structure