

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 2023/2024 sewer service rates are proposed to increase between 3.5% and 8.9% for the various Zones and Districts. The rate increases for these Zones and Districts are necessary to fund operating and capital program expenditures.

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.

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 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. Given the facilities life span, the aging infrastructure of collection and treatment systems require ongoing replacement and maintenance projects. 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 2023/2024 are \$5,200,000. The routine operating expenses (Services and Supplies) are \$3,786,500 and non-routine expenses are \$986,500, for a total of \$4,773,000. The net operating revenues are \$419,000, which is not sufficient to cover budgeted debt service of \$432,000.

The Construction Fund budget and other capital expenses (equipment, etc.) requested for FY 2023/2024 are \$80,000, which will fund costs for equipment (\$30,000), and treatment plant control improvements project (\$50,000).

In FY 2023/2024, a Sonoma Water General Fund contribution is estimated to be \$150,000 to fund routine operational costs and sludge removal.

The requested annual service charge for FY 2023/2024 is \$1,246, representing an 8.5% increase (or \$98) from FY 2022/2023. 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 \$1,133,000.

Geyserville Sanitation Zone

The budgeted operating revenues for FY 2023/2024 are \$972,000. The routine operating expenses (Services and Supplies) are \$486,500 and non-routine expenses are \$409,000, for a total of \$895,800. The net operating revenues are \$77,000. There are no debt service payments.

The Construction Fund budget and other capital expenses (equipment, etc.) requested for FY 2023/2024 is \$405,000, which will fund costs for equipment (\$5,000) and a force main replacement project (\$400,200).

In FY 2023/2024, a Sonoma Water General Fund contribution is estimated to be \$500,000 to fund routine operational costs, sludge removal, and a Sustainable Energy and Climate Action Plan (SEACAP) analysis.

The requested annual service charge for FY 2023/2024 is \$1,424 representing an 8.8% increase (or \$114) from FY 2022/2023. Due to the General Fund contribution, 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 \$61,000.

Penngrove Sanitation Zone

The budgeted operating revenues for FY 2023/2024 are \$1,003,200. The routine operating expenses (Services and Supplies) are \$827,000 and non-routine expenses are \$343,500, for a total of \$1,170,500. The net operating

revenues are negative \$168,000. There are no debt service payments.

The Construction Fund budget and other capital expenses (equipment, etc.) requested for FY 2023/2024 is \$5,000, which will fund costs for equipment (\$5,000).

The requested annual service charge for FY 2023/2024 is \$1,974, representing an 8.0% (or \$146) increase from FY 2022/2023. 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 \$130,000.

Sea Ranch Sanitation Zone

The budgeted operating revenues for FY 2023/2024 are \$918,000. The routine operating expenses (Services and Supplies) are \$784,000 and non-routine expenses are \$6,200, for a total of \$790,000. The net operating revenues are \$128,000. There are no debt service payments.

The Construction Fund budget and other capital expenses (equipment, etc.) requested for FY 2023/2024 is \$55,000, which will fund costs for equipment (\$5,000) and an influent creek crossing project (\$50,000).

The requested annual service charge for FY 2023/2024 is \$1,524, representing an 8.9% (or \$124) increase from FY 2022/202. The requested budget will fund the programs and services necessary to provide an Asset Preservation Level of Service, as net operating revenue exceed this District's depreciation expenses of \$63,000.

Occidental CSD

The budgeted operating revenues for FY 2023/2024 are \$1,514,000. The routine operating expenses (Services and Supplies) are \$1,030,000 and non-routine expenses are \$152,000, for a total of \$1,182,000. The net operating revenues are \$332,000. There are no debt service payments.

The Construction Fund budget and other capital expenses (equipment, etc.) requested for FY 2023/2024 is \$991,500, which will fund costs for equipment (\$2,500), the Automation project (\$150,000) and the Occidental-Graton pipeline project (\$839,000).

In FY 2023/2024, a Sonoma Water General Fund contribution is estimated to be \$1,100,000 to fund routine operational costs, and pond treatment projects.

The requested annual service charge for FY 2023/2024 is \$2,866, representing a 4.9% (or \$134) increase from FY 2022/2023. Due to the General Fund contribution, 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 \$175,000.

Russian River CSD

The budgeted operating revenues for FY 2023/2024 are \$7,367,000. The routine operating expenses (Services and Supplies) are \$5,000,000 and non-routine expenses are \$800,000, for a total of \$5,800,000. The net operating revenues are \$1,565,000, which are sufficient to cover budgeted debt service of \$368,000.

The Construction Fund budget and other capital expenses (equipment, etc.) requested for FY 2023/2024 are \$2,105,000, which will fund costs for equipment (\$25,000), an underground storage tank removal project (\$756,000), and a state grant funded headworks/lift station/force main project (\$1,024,000).

In FY 2023/2024, a Sonoma Water General Fund contribution is estimated to be \$1,100,000 to fund routine operational costs, Supervisory Control and Data Acquisition (SCADA) upgrade to improve wastewater process controls, a concrete project and security projects.

The requested annual service charge for FY 2023/2024 is \$2,104, representing an 8.9% (or \$172) increase from FY 2022/2023. 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 District's net operating revenues would need to exceed its depreciation expenses of \$1,697,000.

Sonoma Valley CSD

The budgeted operating revenues for FY 2023/2024 are \$19,627,000. The routine operating expenses (Services and Supplies) are \$11,437,000 and non-routine expenses are \$4,610,000, for a total of \$16,047,000. The net operating revenues are \$3,580,000, which are sufficient to cover budgeted debt service of \$2,910,000.

The Construction Fund budget and other capital expenses (equipment, etc.) requested for FY 2023/2024 is \$13,777,000 which will fund costs for equipment (\$437,000), trunk main replacement phase 5 (\$5,779,000), clarifier seismic retrofit project with offsetting revenue from a FEMA hazard mitigation grant (\$104,000), influent/effluent pumping and piping upgrade (\$6,626,000), sewer replacement (\$195,000), trunk main seismic mitigation project (\$436,000), recycled water pipeline project (\$50,000), and preliminary design of a local hazard mitigation project (\$150,000).

The requested annual service charge for FY 2023/2024 is \$1,272, representing a 6.0% (\$72) increase from FY 2022/2023. 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 \$4,612,000.

South Park CSD

The budgeted operating revenues for FY 2023/2024 are \$4,626,500. The routine operating expenses (Services and Supplies and Sewer Capacity Rights) are 2,386,000 and non-routine expenses are \$964,000, for a total of \$3,350,000. The net operating revenues are \$1,277,000, which are sufficient to cover debt service budgeted at \$228,000.

The Construction Fund budget and other capital expenses (equipment, etc.) requested for FY 2023/2024 is \$975,000, which will fund equipment (\$15,000) and design of the Santa Rosa Avenue sewers project - Todd to E. Robles (\$600,000), and Barbara-Winston Collection System replacement project (\$360,000).

The requested annual service charge for FY 2023/2024 is \$1,150, representing a 3.5% (or \$38) increase from FY 2022/2023. 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.