

## ATTACHMENT NO. 4

### Summary of Issues and Significant Changes - Sanitation

#### General Sanitation Overview

The Sonoma County Water Agency ("Agency") 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 the Agency, include Airport-Larkfield- Wikiup, Geyserville, Penngrove, and Sea Ranch. The County Sanitation Districts ("CSD" or "District") which are operated by the Agency 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 the service. As a result, the FY 2019/2020 sewer service rates are proposed to increase between 3.5% and 5.5% for the various Zones and Districts. The rate increases for these Zones and Districts are necessary to fund operating and capital program expenditures.

The Agency 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, Agency staff held a Sanitation Workshop presenting a summary of operating and regulatory issues associated with sanitation systems operated by the Agency, 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 less routine operating expenses (excluding 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 2019/2020 are \$3,755,000. The routine operating expenses (Services and Supplies plus Contingency expenses) are \$3,122,000 and non-routine expenses are \$225,000, for a total of \$3,347,000. The net operating revenues are \$408,000. Debt service is budgeted at \$440,000. A transfer from the Rate Stabilization Fund will be used to cover the remaining shortfall.

The Construction Fund budget and other capital expenses (equipment, etc.) requested for FY 2019/2020 is \$7,086,000, which will fund costs for equipment (\$10,000), the Larkfield Estates Sewer Main (\$6,751,000), Programming Services for Filter Plant and Related Facilities (\$150,000), Aeration Basin (\$125,000), and Headworks Meter (\$50,000). Larkfield Estates Sewer Main project will be entirely funded through a loan from the Facilities Fund.

The requested annual service charge for FY 2019/2020 is \$979, representing a 4.0% increase (or \$38) from FY 2018/2019. 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 this Zone's depreciation expense of \$1,093,000.

#### **Geyserville Sanitation Zone**

The budgeted operating revenues for FY 2019/2020 are \$396,000. The routine operating expenses (Services and Supplies plus Contingency expenses) are \$250,000 and non-routine expenses are \$105,000, for a total of \$355,000. The net operating revenues are \$41,000, which are sufficient to cover budgeted Debt Service of \$28,000.

The Construction Fund budget and other capital expenses (equipment, etc.) requested for FY 2019/2020 is \$60,000, which will fund costs for design of the Force Main Replacement project.

The requested annual service charge for FY 2019/2020 is \$1,099 representing a 5.5% increase (or \$57) from FY 2018/2019. 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 revenue would need to equal or exceed its depreciation expenses of \$46,000.

#### **Penngrove Sanitation Zone**

The budgeted operating revenues for FY 2019/2020 are \$1,140,000. The routine operating expenses (Services and Supplies plus Contingency funding) are \$877,000 and non-routine expenses are \$10,000, for a total of \$887,000. The net operating revenues are \$253,000. There are no debt service payments.

The Construction Fund budget and other capital expenses (equipment, etc.) requested for FY 2019/2020 is \$354,000, which will fund costs for equipment (\$10,000) and lift station flood resiliency improvements (\$344,000), with offsetting revenue from a FEMA hazard mitigation grant.

In FY 2019/2020, a subsidy from the Water Agency General Fund is estimated to be \$300,000 to fund routine operational costs, to build fund balance to offset costs to customers for future connections to the Zone's collection system, and construction of improvements such as lift station upgrade for flood protection and future capital improvement projects.

The requested annual service charge for FY 2019/2020 is \$1,543, representing a 5.5% (or \$80) increase from FY 2018/2019. The requested increase will fully fund the programs and services necessary to provide an Asset Preservation Level of Service as net operating revenues of \$253,000, exceed this Zone's annual depreciation expense of \$77,000.

#### **Sea Ranch Sanitation Zone**

The budgeted operating revenues for FY 2019/2020 are \$709,000. The routine operating expenses (Services and Supplies plus Contingency funding) are \$610,000. There are no budgeted non-routine expenses for FY 2019/2020. The net operating revenues are \$99,000. There are no debt service payments.

The Construction Fund budget and other capital expenses (equipment, etc.) requested for 2019/2020 is \$128,000, which will fund costs for equipment (\$3,000) and the Helms Lift Station Control Panel Replacement project (\$125,000).

The requested annual service charge for FY 2019/2020 is \$1,200, representing a 3.5% (or \$41) increase from FY 2018/2019. The requested increase will fund the programs and services necessary to provide an Asset Level of Services as net operating revenues exceed this Zone's annual depreciation expense of \$29,000.

#### **Occidental CSD**

The budgeted operating revenues for FY 2019/2020 are \$1,080,000. The routine operating expenses (Services and Supplies plus Contingency expenses) are \$952,000 and non-routine expenses are \$80,000, for a total of \$1,032,000. The net operating revenues are \$48,000. There are no debt service payments

There are no planned capital projects for FY 19/20. Other Capital expenses (equipment, etc.) budgeted for FY 19/20 are \$15,000.

In FY 2019/2020, a subsidy from the Water Agency General Fund is estimated to be \$400,000 to fund routine operational costs, to build fund balance to offset costs to customers for future connections to the District's collection system, and construction of improvements for 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.

The requested annual service charge for FY 2019/2020 is \$2,387, representing a 4.9 % (or \$112) increase from FY 2018/2019. 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 revenue would need to equal or exceed its depreciation expenses of \$173,000.

#### **Russian River CSD**

The budgeted operating revenues for FY 2019/2020 are \$5,584,000. The routine operating expenses (Services and Supplies plus Contingency funding) are \$3,672,000 and non-routine expenses are \$196,000, for a total of \$3,868,000. The net operating revenues are \$1,716,000, which are sufficient to cover debt service budgeted at \$839,000.

The Construction Fund budget and other capital expenses (equipment, etc.) requested for FY 2019/2020 is \$3,400,000, which will fund costs for equipment (\$25,000), ACL compliance projects allowed in lieu of regulatory fines associated with treatment plant violations and sewer overflows (\$175,000), and a clarifier seismic retrofit project (\$3,200,000), partially funded by a FEMA grant.

In FY 2019/2020, a subsidy from the Water Agency General Fund is estimated to be \$350,000 to fund routine operational costs, to build fund balance to offset costs to customers for future connections to the District's collection system, and construction of improvements for clarifier seismic retrofit project.

The requested rate per ESD for FY 2019/2020 annual service charges is \$1,625, representing a 4.5% (or \$70) increase from FY 2018/2019. 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 revenue would need to equal or exceed its depreciation expenses \$1,562,000.

#### **Sonoma Valley CSD**

The budgeted operating revenues for FY 2019/2020 are \$18,342,000. The routine operating expenses (Services and Supplies plus Contingency funding) are \$8,314,000 and non-routine expenses are \$2,141,000, for a total of \$10,454,000. The net operating revenues are \$7,888,000, which are sufficient to cover debt service and discretionary transfers to the Construction Fund budgeted at \$7,395,000.

The Construction Fund budget and other capital expenses (equipment, etc.) requested for FY 19/20 is \$7,611,000, which will fund the following capital projects: equipment (\$143,000), Trunk Main Replacement 6<sup>th</sup> Street Agua Caliente Creek (\$6,585,000), Headworks Rehabilitation (\$400,000), Agua Caliente Creek Crossing (\$33,000), Chase Street Bridge Sewer Replacement (\$20,000), Clarifiers Seismic Retrofit (\$450,000), Relining the EQ Pond (\$200,000), and local hazard mitigation project (\$250,000). These projects are funded through bonds, loans, grants and transfers from the Operations Fund.

The requested rate per ESD for the FY 2019/2020 annual service charges is \$1,057, representing a 4.0% (\$41) increase from FY 2018/2019. 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 revenue would need to equal or exceed its depreciation expenses \$5,093,000.

#### **South Park CSD**

The budgeted operating revenues for FY 2019/2020 are \$4,230,000. The routine operating expenses (Services and Supplies, Sewer Capacity Rights, and Contingency funding) are \$2,583,000. There are no non-routine expenses budget for FY 2019/2020. The net operating revenues are \$1,647,000, which are sufficient to cover debt service budgeted at \$232,000.

The Construction Fund budget and other capital expenses (equipment, etc.) requested for FY 19/20 is \$380,000, which will fund equipment (\$5,000) and future Capital Improvement Projects (\$375,000).

The requested rate per ESD for FY 19/20 is \$1,002 representing a 3.5% (or \$34) increase from FY 2018/2019. This increase is necessary to meet obligations to the City of Santa Rosa in completing the required work on the collection system. The requested increase will fully 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 \$719,000.