



COUNTY OF SONOMA

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

SUMMARY REPORT

Agenda Date: 5/21/2019

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: Michael Thompson 707 521-1863
Vote Requirement: 2/3rd
Supervisory District(s): All

Title:

1:50 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.

Executive Summary:

The Sonoma County Water Agency's (Sonoma Water) Sanitation Zones (Zone) include Airport-Larkfield-Wikiup, Geyserville, Penngrove, and Sea Ranch. The County Sanitation Districts (District) include Occidental, Russian

River, Sonoma Valley, and South Park. The sanitation districts are operated by Sonoma Water.

Generally, the Zones' and Districts' costs are increasing due to increased costs for salaries and employee benefits, price increases 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 to continue to maintain and operate the sanitation system for customers. Some costs are also not included in these rates. Sonoma Water's General Fund is subsidizing Airport/Larkfield/Wikiup with \$150,000 to provide adequate debt service coverage, Penngrove with \$300,000 for the Lift Station Flood Resiliency Project, Occidental with \$400,000 to haul 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 Russian River with \$350,000 to support match costs for the grant funded headworks, lift station, and force main project.

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 2019/2020 is expected to increase by \$6,413,927 over Fiscal Year 2018/2019. Proposed rate increases are in the 3.5% to 5.5% range for all Zones and Districts. A Summary of Annual Rate Increases is attached (A3). Fund balances are generally staying constant or slightly decreasing 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 21, 2019.

As in previous years, the draft proposed budget for Fiscal Year 2019/2020 describing the total annual expenses in detail was made available for review by the public on Sonoma Water's website and copies were provided to

the Regional Libraries in Santa Rosa (Main & Northwest), Windsor, Healdsburg, Cloverdale, Guerneville, Sebastopol, Petaluma, Rohnert Park, Rincon Valley, Sonoma, and Forestville (El Molino High School) sufficiently in advance of the mailing of the Proposition 218 notifications.

For the past several years, the annual sewer service charges to parcels served by sewerage 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. 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 2019/2020 tax roll. Notice of the hearing for this purpose is provided pursuant to Government Code 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 such placement and the increases in the fees. A copy of the Annual Sewer Service Charges report is on file with the Clerk of the Board and at Sonoma Water's administrative office.

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. New Accessory Dwelling Units are treated as 0.8 equivalent single-family dwellings for the purpose of calculating rates.

The rates to be reflected on the tax roll are:

Sewer Service Charges	2018/19 Number of ESDs ³	2018/19 Rate Per ESD	2019/20 Number of ESDs	2019/20 Rate Per ESD	Annual Dollar Increase	Percent Increase
Airport Larkfield Wikiup Sanitation Zone	3,590	\$941	3,637	979	\$38	4.0%
Geyserville Sanitation Zone	356	\$1,042	356	1,099	\$57	5.5%
Penngrove Sanitation Zone	546	\$1,463	546	1,543	\$80	5.5%
Sea Ranch Sanitation Zone	601	\$1,159	605	1,200	\$41	3.5%

Occidental County Sanitation District	274	\$2,275	273	2,387	\$112	4.9%
Russian River County Sanitation District	3,202	\$1,555	3,212	1,625	\$70	4.5%
Sonoma Valley County Sanitation District ¹	17,513	\$1,016	17,508	1,057	\$41	4.0%
South Park County Sanitation District ²	3,992	\$968	4,257	1,002	\$34	3.5%

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 2017 and 2018 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 60% of revenue from fixed charges and 40% 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 Agency Sanitation Zone and County Sanitation District is available in Proposition 218 Notices Provided to Property Owners and Tenants Directly Liable, attached hereto (A5).

The Occidental County Sanitation District has the fewest connections, a contributing factor in the highest rate per equivalent single-family dwelling, more than double that of other districts and zones. The District relies in part on subsidies from Sonoma Water's General Fund for operations and maintenance expenses, and capital improvements. In Fiscal Year 2019/2020, the subsidy is estimated to be \$400,000 to fund routine operational costs, to build reserves for future infrastructure improvements, and 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. Sonoma Water's General Fund also subsidizes other districts and zones but in smaller amounts.

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 will be 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 2019/2020 wastewater rates will collect 60% of revenue from fixed charges and 40% 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 \$546.00 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 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 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:

1. Residential Customers with a City of Santa Rosa Water Connection: Charge per Thousand Gallons \$9.95.
 - District will calculate Customer's average monthly water usage during the billing periods of November through March.
 - For each month of the prior fiscal year, the District will select either the customer's winter average water usage or the customer's actual water used whichever is lower.
 - District will add up the customer's monthly water usage to arrive at the total annual water usage.
2. Residential Customers with No City of Santa Rosa Water Connection: Charge per Thousand Gallons \$9.95.
 - District will average the winter water usage during the billing periods of November through March of similar residential customers that have a City of Santa Rosa water connection.
 - Similar residential customers are determined based on household size.
 - Average winter water usage will be multiplied by 12 to determine annual water usage.
3. Non-Residential Customers with a City of Santa Rosa Water Connection: Charge based on estimated wastewater strength as shown in the table below.

- For each month of the prior fiscal year, District will add up the customer's actual monthly water usage to arrive at the total annual water usage.
4. Non-Residential Customers with No City of Santa Rosa Water Connection: Charge based on estimated wastewater strength as shown in the table below.
- District will average annual water usage from similar customers based on City of Santa Rosa water usage data.
 - For multifamily and mobile home park customers, similar uses are based on household size.
 - For other non-residential customers, similar uses are generally based on the type of use and physical size. However, for certain unique uses such as laundry, car wash, and residential care facilities, alternative calculations that better approximate water usage are used.

Categories of Wastewater Strength and Examples of Types of Uses	Charge per Thousand Gallons
Low Strength - car wash, glass products	\$8.27
Standard Strength - multi-family (except duplex) complexes, condominium complexes, mobile home parks, warehouses, general commercial/industrial including retail, schools, churches, auto sales, dental and medical offices.	\$9.95
Medium Strength - mixed use commercial; hotel/motel, convenience store, bar, winery, brewery, auto repair.	\$11.03
High Strength - bakery, restaurant, coffee shop, meat and food processing, miller, hospital, veterinary clinic.	\$13.63

Many surrounding 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, the Agency 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 \$1,016, the established fixed rate.

The 2019 volume-based sewer charges for residential customers with a public water connection are \$740 per equivalent single-family dwelling plus \$5.99 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 \$1,057, the established fixed rate per equivalent single-family dwelling.

If not approved, existing rates and ordinance language would remain unchanged. Staff would recommend options to match costs to reduced revenue levels which would mean deferring maintenance and capital improvements. The ordinances allow for collection of certain rates on the tax roll and that, if not approved, these would need to be invoiced separately.

Prior Board Actions:

05/22/18: Board approved sewer rate increases for Fiscal Year 2018/2019.

FISCAL SUMMARY

Expenditures	FY 18-19 Adopted	FY19-20 Projected	FY 20-21 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:

Agenda Date: 5/21/2019

None. This action sets the rates for Fiscal Year 2019/2020 only with no impact on Fiscal Year 2018/2019. The anticipated revenue for Fiscal Year 2019/2020 is expected to increase by \$6,413,927 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	3,136,000
Geyserville Sanitation Zone	383,000
Penngrove Sanitation Zone	815,000
Sea Ranch Sanitation Zone	700,000
Occidental County Sanitation District	646,000
Russian River County Sanitation District	5,163,000
Sonoma Valley County Sanitation District	16,041,000
South Park County Sanitation District	4,090,000

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

Narrative Explanation of Staffing Impacts (If Required):

N/A

Attachments:

1. 5 Resolutions (R1, R2, R3, R4, R5)
2. 5 Ordinances with Exhibit A (O1, O2, O3, O4, O5)
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 2019
3. Wastewater Rate Study 2012