



## Legislation Details (With Text)

**File #:** 2023-0485

**Type:** Regular Calendar Item **Status:** Held

**File created:** 4/7/2023 **In control:** Sonoma County Water Agency

**On agenda:** 5/16/2023 **Final action:**

**Title:** 1:40 P.M. Sewer Rates and Written Report of Charges

**Sponsors:** Sonoma County Water Agency, Sonoma Valley County Sanitation District (Director, South Park County Sanitation District, Russian River County Sanitation District, Occidental County Sanitation District, Airport/Larkfield/Wikiup Sanitation Zone, Geyserville Sanitation Zone, Penngrove Sanitation Zone, Sea Ranch Sanitation Zone)

### Indexes:

**Attachments:** 1. Summary Report, 2. Att1\_Zones\_Resolution1, 3. Att1\_OCSD Resolution2, 4. Att1\_RRCSD\_Resolution3, 5. Att1\_SVCSD\_Resolution4, 6. Att1\_SPCSD Resolution5, 7. Att2\_ZONES\_Ordinance95\_with ExhA, 8. Att2\_OCSD Ordinance99\_with ExhA, 9. Att2\_RRCSD\_Ordinance93\_with ExhA, 10. Att2\_SVCSD\_Ordinance103\_with ExhA, 11. Att2\_SPCSD\_Ordinance92\_with ExhA, 12. Att3\_Revenue Summary Chart, 13. CORRECTED Att3\_Revenue Summary Chart, 14. CORRECTED Att4\_Summary of Issues.ADA, 15. Att5\_Prop218 Notices, 16. CORRECTED Att6\_PowerPoint

Date	Ver.	Action By	Action	Result
5/16/2023	1	Board of Supervisors	Continued	

**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:

1:40 P.M. Sewer Rates and Written Report of Charges

### Recommended Actions:

- A) Adopt Resolutions (5) 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. 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) Authorize the Sonoma County Water Agency General Manager to implement a 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 \$1 million 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: (a) to finance the ongoing operation and maintenance costs of the system; (b) to 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) to maintain sufficient reserves.

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]). 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 Zones and Districts' ages range 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 Zones and Districts face more stringent water quality regulations, which increases operational and capital costs. Most of the Zones and Districts are relatively small. This means a smaller ratepayer base is responsible for these increasing costs.

The proposed rate increases for many of the Zones and Districts are higher 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, and to offer a Low-Income Sewer Bill Assistance Program funded from Sonoma Water's General Fund.

Rate increases are needed for the maintenance and replacement of aging infrastructure, deferred maintenance in some cases, to maintain the integrity of these publicly owned assets, and to responsibly manage the systems in a way that protects public health and the environment.

More than \$2.8 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, Computerized Maintenance Management System software improvements, Supervisory Control and Data Acquisition (SCADA) upgrades to improve wastewater process controls, Sustainable Energy Access and Climate Action Plan development, and sludge removal:
  - Airport-Larkfield-Wikiup: \$150,000
  - Geyserville: \$500,000
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: \$525,000
3. Match funding for grant funded capital improvement projects, including:
  - Occidental: \$575,000 for design of a pipeline from Occidental to Graton Community Services District treatment plant, and a lift station electrical automation project.
  - Russian River: \$1.1 million for underground storage tank replacement, and headworks, lift station, and force main improvements.

Grant revenue and Sonoma Water General Fund contributions make up from 4% to 86% of total revenue needed to operate the smaller Districts and Zones. Without these sources of funding, rate increases ranging from 12% to 660% would be needed to safely and effectively operate and maintain these Zones and Districts in compliance with regulatory requirements.

As part of its grant seeking activities, Sonoma Water actively sought relief for customers financially impacted during the COVID-19 Pandemic. Federal funds made available to the State of California have resulted in relief programs aimed at reducing or eliminating certain unpaid bills for wastewater services accrued during the pandemic. Sonoma Water credited 86 eligible customers with more than \$146,500 in grant funds and paid interest expenses totaling more than \$59,800 for those customers from Sonoma Water's General Fund. Approximately 85% of the customers who received grant funding were residential customers and 15% were small businesses.

In alignment with Sonoma Water's strategic plan goal to increase revenue in the Zones and Districts for capital improvements to aging infrastructure, the anticipated revenue for Fiscal Year 2023/2024 is expected to increase by \$2,466,952 over Fiscal Year 2022/2023.

Understanding the impact of revenue and rate increases on low-income customers, Sonoma Water requests Board authorization to implement a Low-Income Sewer Bill Assistance Program on behalf of the Zones and Districts. The program would expend up to \$1 million annually from Sonoma Water's General Fund to rebate a portion of eligible low-income customers' sewer bills on the property tax roll.

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:**

## 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

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 16, 2023.

The draft proposed budget for Fiscal Year 2023/2024 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 §5473. Pursuant to this provision, Sonoma Water and District boards may approve collection of the charges on the property tax bill at a public hearing. The public hearing will also be facilitated virtually through Zoom. This hearing will be the same hearing in which sewer service charge increases are considered by Sonoma Water and 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 2023/2024 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.

### 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	2022/23 Number of ESDs <sup>3</sup>	2022/23 Rate Per ESD	2023/24 Number of ESDs	2023/24 Annual Rate Per ESD	2023/24 Monthly Rate	2023/24 Annual Dollar Increase	2023/24 Monthly Dollar Increase	Percent Increase
Airport Larkfield Wikiup Sanitation Zone	4,070	\$1,148	4,157	\$1,246	\$104	\$98	\$8.17	8.5%
Geyserville Sanitation Zone	365	\$1,310	370	\$1,424	\$119	\$114	\$9.50	8.7%
Penngrove Sanitation Zone	554	\$1,828	556	\$1,974	\$165	\$146	\$12.17	8.0%
Sea Ranch Sanitation Zone	612	\$1,400	622	\$1,524	\$127	\$124	\$10.33	8.9%
Occidental County Sanitation District	273	\$2,732	273	\$2,866	\$239	\$134	\$11.17	4.9%
Russian River County Sanitation District	3,214	\$1,932	3,217	\$2,104	\$175	\$172	\$14.33	8.9%
Sonoma Valley County Sanitation District <sup>1</sup>	17,791	\$1,200	17,789	\$1,272	\$106	\$72	\$6.00	6.0%
South Park County Sanitation District <sup>2</sup>	4,371	\$1,112	4,364	\$1,150	\$96	\$38	\$3.20	3.5%

- 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 2022 and 2023 were used to calculate the volumetric charge. Therefore, the actual billed amount will vary by the amount of water actually used.
- 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.
- 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 hereto (A5), and in the 2020 Wastewater Rate Study and 2023 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. This District relies in part on subsidies from Sonoma Water's General Fund for operations and maintenance expenses, and capital improvements. In Fiscal Year 2023/2024, the contribution is estimated to be \$1.1 million to fund routine operational costs, design of a pipeline from Occidental to Graton Community Services District treatment plant and hauling wastewater from Occidental to Airport/Larkfield/Wikiup Sanitation Zone for treatment and disposal to comply with a NCRWQCB Cease and Desist Order.

**South Park County Sanitation District transition.** 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 2023/2024 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 \$439.48 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 Service Charge. 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).

**Volumetric and fixed charges for Sonoma Valley.** 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 Zone and District. 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 \$1,272, the established fixed rate.

The 2023-24 volume-based sewer charges for residential customers with a public water connection are \$890.78 per equivalent single-family dwelling plus \$7.20 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 \$1,272, 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 4% to 86% of total revenue needed to operate the smaller Zones and Districts. Without these sources of funding, rate increases ranging from 12% to 660% would

be needed to safely and effectively operate and maintain these Zones and Districts in compliance with regulatory requirements.

#### State and Federal Financial Assistance to Customers

As part of its grant seeking activities, Sonoma Water 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) resulted in the California Water and Wastewater Arrearage Payment Program (CWWAPP), administered by the State Water Resources Control Board (SWRCB). Federal funds made available to the State of California resulted in relief programs aimed at reducing or eliminating certain unpaid bills for wastewater services accrued during the pandemic.

Sonoma Water identified 86 customers who were eligible under the terms of the state grant program. These customers were credited \$146,500 utilizing grant funds and had nearly \$60,000 in interest expenses paid by Sonoma Water's General Fund. Approximately 85% of the customers who received grant funding were residential customers and 15% were small businesses. This grant funded program benefited disadvantage customers and helped to avoid placing accounts into collections.

Sonoma Water also applied for the Low-Income Household Water Assistance Program (LIHWAP), administered by the California Department of Community Services and Development (CSD). Sonoma Water, along with other California wastewater utilities is continuing to work with the state to determine whether the state funding program can accommodate rebates for utilities whose customers pay their sewer service charges on the property tax roll.

#### Sanitation Rate Relief Program

Owing to possible state grant program limitations for assisting low-income customers who pay their sewer service charges on the property tax roll, Sonoma Water requests Board authority to implement its own Sanitation Rate Relief Program for all the Zones and Districts. Staff requests authorization for a program with the following components:

- The program would use up to \$1 million from Sonoma Water's General Fund to pay one half of eligible low-income customer sewer bills for the subsequent fiscal year's sewer service charges on the property tax roll.
- Staff proposes that eligible customers must either be a current participant in the PG&E CARE Program or have a total income of all persons living in the home of 60% or less of the area median family income, which will be determined by the current Sonoma County Housing Authority income limits.
- Staff proposes that customers who own their home and live in the home as their primary residence, and 501(c)(3) non-profit organizations that provide housing to low-income renters that show evidence that they rent 85% or more of their properties to tenants that have household earnings of 60% or less



of the area median family income are eligible for the rebate.

- The Zones and Districts will post information about the program on the Sonoma Water website and conduct outreach through social media. Applications will be received from April through June each year so that rebates can be placed on the property tax roll for the following fiscal year. Sonoma Water will review the applications and apply the rebates to the property tax roll.
- Applications will be accepted until funds are exhausted and a waiting list will be maintained. Sonoma Water will monitor and evaluate program effectiveness following Board approval and program implementation.

Sonoma Water has limited census data on the number of customers in its Zones and Districts that would meet the income eligibility requirements. Based on census data, and consultation with other county departments and larger north bay wastewater utilities that offer low-income sewer bill assistance programs, Sonoma Water estimates that all the Zones and Districts combined will receive fewer than 200 applications per year. Assuming two hundred customers or less per year, the anticipated costs for the rebates and program administration are estimated to be less than \$400,000. If significantly more eligible customer applications are received, Sonoma Water has conservatively budgeted up to \$1 million from its General Fund to provide the rebates.

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.

Changes are proposed in the Zone and District rate ordinances to reflect the implementation of this program.

### Equity Analysis

Utilizing the Racial Equity Toolkit, published by the Government Alliance on Race and Equity, staff has expanded consideration of racial equity in decisions, including policies, practices, programs, and budgets. Staff recognizes the racial equity tool can help to develop strategies and actions that reduce racial inequities and improve success for underserved members of our community. Below are several questions adapted from the Toolkit.

How does your policy, project, or budget decision align with or leverage other Countywide initiatives to advance racial equity?

In alignment with the countywide goal to advance racial equity, the Zones and Districts have established decision-making processes that result in equitable wastewater system operations and maintenance. The Zones and Districts prepare and regularly update long range financial plans. Long range financial plans inform annual budgets, rate setting, and needs for grant funding and financing.

The rate setting process strives to establish rates to operate and maintain the sewer system and make infrastructure improvements and upgrades to provide sewer service equitably to customers. Sonoma Water's Zones and Districts operate and maintain the sewer systems with the goal of ensuring that all customers have access to quality sewer services. To reduce the financial impacts to our customers, we continuously seek grant funding and financing opportunities to offset costs. The Proposition 218 process, which allows customers to protest rate increases, helps inform the Zones and Districts about the impacts of rates on customers.

In alignment with the County's Strategic Plan Climate Action and Resiliency and Resilient Infrastructure pillars, Sonoma Water's Board approved the Sonoma Water Climate Adaptation Plan (Plan) on October 19, 2021. The Plan serves as a roadmap for Sonoma Water to follow by providing strategies to reduce climate-risk impacts to its infrastructure and operations. The Plan enhances Sonoma Water's ability to meet the public health and safety needs of the community through Sonoma Water's water supply, flood-risk management, and sanitation core functions. The Plan identifies threats to Sonoma Water's water supply, flood control, and sanitation infrastructure and operations and develops adaptation strategies to reduce vulnerabilities and risks exacerbated by climate change. Some of the risks are specific to Sonoma Water infrastructure and operations, while other risks to Sonoma Water's operations involve broader watershed impacts that affect the community and thus require partnerships to address. The plan also includes anchor adaptation strategies for each of Sonoma Water's core functions of water supply, flood control, and sanitation.

During Plan implementation, Sonoma Water is strategically and proactively pursuing climate adaptation funding from state and federal agencies and collaborations with other local and regional entities to adapt to the current and future impacts of climate change to our core functions. This would allow Sonoma Water to continue to provide water supply, flood control, and sanitation services essential for the health and safety of the community. Sonoma Water will assess how our sanitation systems will respond to climate change and how climate change may impact communities of color disproportionately. The effects of climate change on our sanitation systems and impacts to our community will be evaluated and mitigated as Sonoma Water continues to implement the Plan.

What are the desired results and outcomes of the policy, project, or budget decision under consideration?

Sonoma Water prepares and regularly updates a long-range financial plan for each Zone and District to ensure adequate funding to reliably operate and maintain each system to minimize adverse impacts to all our customers. Incremental infrastructure improvements and rate increases are more cost effective than responding to catastrophic failures that are exponentially more expensive.

What is the data that informs this policy, project, or budget decision?

Sonoma Water reviews cash flow, fund balance, and revenue and expenditure reports on a monthly

basis. Maintenance and construction projects and priorities are regularly reviewed and revised by project managers and senior management. These reviews inform regular updates to long-range financial plans for each Zone and District. Long-range financial plans are integrated into annual updates to operating and capital budgets and provide the data needed to ensure adequate funding to reliably operate and maintain each system.

Funds available for capital improvements and replacement are planned in such a way as to level expenditures from year to year and thus to reduce the impact that sharp rate increases would have on rate payers. Sonoma Water recognizes the value of stable rates for its services and, when possible, attempts to stabilize rates through its long-term financial planning efforts. Rates are established to recover operating and capital costs, and to maintain a prudent reserve. Sonoma Water creates and maintains a prudent level of financial resources within each of its funds to protect against temporary revenue shortfalls or unpredicted one-time expenditures in accordance with minimum fund balance reserve guidelines. These measures provide the Zones and Districts with the tools to continue providing reliable and equitable service to their customers.

Will the policy, project, or budget decision have impacts in specific geographic areas (neighborhoods, areas, or regions) or community groups?

Each Zone and District has geographic boundaries. Infrastructure upgrades may take place in certain neighborhoods, with the intention of improving the entire system. If an infrastructure project will impact a neighborhood (traffic delays, noise etc.), the Zones and Districts engage community members through equitable and inclusive community outreach.

What community engagement does your policy, project, or budget decision require?

Proposition 218 notices are mailed to every customer in each Zone and District. The Proposition 218 notice is paired with a newsletter which highlights projects, explains the rate setting process, and provides the opportunity to protest the rate setting process. The newsletter is available in both English and Spanish. Public tours, in both English and Spanish, and advisory committee workshops are conducted annually. We also host public meetings or workshops for projects that impact the community.

Who will benefit or be burdened from the policy, project, or budget decision?

The rate setting process establishes rates that are proportional to the impact of each property on the sewer system. Under Proposition 218, the Zones and Districts are required to set individual sewer service charges on a parcel-by-parcel basis so that no property owner pays more than his or her proportional share of the total cost for service. No property owner's sewer service charges may be greater than the proportionate cost to provide the property-related service to his or her parcel. This

proportionality requirement does not allow offering reduced rates to low-income residents or financing these lower rates by charging higher rates to other property-owners. As a result, rate increases could burden low-income families. However, sewer service charges provide the revenue needed to operate and maintain the systems so that all residents in each Zone and District benefit from a reliable sanitation system. Low-income assistance programs (funded by the General Fund and not rates) and grant funding can help offset these impacts. The Zones and Districts take advantage of grants that are tailored to disadvantaged communities.

How will you define policy, project, or budget decision success and evaluate results?

Proposition 218 protests give the Zones and Districts an indication of public concern about the rate setting process and historically have been less than 3% of total customers. Upon Board approval of the Low-Income Sewer Bill Assistance Program, the Zones and Districts will be able to measure the number of eligible customers, the benefits of the program for the customers, and the impacts of the program on the financial health of the sewer systems. Success includes collecting adequate funding to operate and maintain the sewer systems sustainably and reduce Sonoma Water General Fund contributions. Success also means reducing sanitary sewer overflows that impact the community and the environment by investing in routine maintenance and infrastructure upgrades.

The American Water Works Association provides utility benchmarking and performance management metrics for success. The Zones and Districts are working to incorporate metrics to better manage the systems and measure success.

What are your strategies for advancing racial equity or mitigating unintended consequences?

Staff continues to seek grant funding to defray project costs and reduce rate increases. Implementation of the proposed Low Income Sewer Bill Assistance Program will reduce costs for hundreds of eligible customers annually. The Zones and Districts will be able to monitor participation in the program and evaluate program effectiveness through outreach, education, and communication with customers.

A sewer lateral inspection program addresses inflow and infiltration of groundwater and stormwater into the Sonoma Valley County Sanitation District's sewer collection system. Using smoke and closed-circuit television (CCTV) equipment, District crews can locate structurally compromised private sewer laterals and require property owners to make necessary repairs. Repairing compromised sewer laterals will aid in preventing sanitary sewer spills and decrease influent flows to the treatment plant during storm events. This reduces costs for all rate payers.

**Prior Board Actions:**

05/17/22: Board approved sewer rate increases for Fiscal Year 2022/2023.

**FISCAL SUMMARY**

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Expenditures	FY 22-23 Adopted	FY 23-24 Projected	FY 24-25 Projected
Budgeted Expenses			
Additional Appropriation Requested			
<b>Total Expenditures</b>			
<b>Funding Sources</b>			
General Fund/WA GF			
State/Federal			
Charges/Other			
Use of Fund Balance			
Contingencies			
<b>Total Sources</b>			

**Narrative Explanation of Fiscal Impacts:**

None. This action sets the rates for Fiscal Year 2023/2024 only, with no impact on Fiscal Year 2022/2023. The anticipated revenue for Fiscal Year 2023/2024 is expected to increase by \$2,646,215 with these new rates. Total revenues generated by the rates for all the Zones and Districts are as follows:

Airport Larkfield Wikiup Sanitation Zone	\$5,179,485
Geyserville Sanitation Zone	\$526,481
Penngrove Sanitation Zone	\$1,097,208
Sea Ranch Sanitation Zone	\$947,532
Occidental County Sanitation District	\$783,507
Russian River County Sanitation District	\$6,769,452
Sonoma Valley County Sanitation District	\$22,627,608
South Park County Sanitation District	\$5,018,186

<b>Staffing Impacts:</b>			
Position Title (Payroll)	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
- 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

**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
- 4. Sanitation Rate Relief Program