



Sonoma Water

SEA RANCH SANITATION ZONE FY 2025/2026 WRITTEN BASIS OF SEWER SERVICE CHARGE

DATE: March 2025

TO: Sonoma Water Management

FROM: Lynne Rosselli, Financial Services Division Manager

SUBJECT: SEA RANCH SANITATION ZONE FY 2025/2026 WRITTEN BASIS OF SEWER SERVICE CHARGE

The purpose of this Memorandum is to provide a written basis for the sewer service charges and update current and projected costs and cost-of-service based rates. Key guiding principles include developing rates that are fair and equitable to all customer classes, distributing costs equally among ratepayers, and complying with the legal requirements of Proposition 218 and other California laws. Figure 1 below demonstrates the challenge that the Zone faces in recovering the costs of providing service, and generating adequate funding for operations, maintenance, and capital infrastructure upgrades due to its small customer base.

This memorandum provides the basis for an 8.9% rate increase in FY 2025-2026. Revenue from sewer service charges comprises approximately 75% to 85% of the total revenue needed to provide service.

Costs are projected to increase over the planning period shown in Figure 1 below. The increased costs are for aging infrastructure including the Helms Lift Station Control Panel Replacement, replacing the siding on multiple buildings, and other capital replacement projects. The 8.9% rate increase is needed to build reserves to fund operations, maintenance, and capital expenditures.

The Zone faces an ongoing operations deficit and has a critical need for infrastructure upgrades. Sonoma Water General Fund subsidies to the Zone projected over the next five to six years total \$1 million making up approximately 15% to 20% of the total estimated revenue for the Zone. Stewarding financially sound utilities and providing safe, high quality wastewater service that will protect the community and the environment requires that rates keep pace with rising costs. Figure 1 and Table 1 below provide documentation in support of the proposed 8.9 percent rate increases.

Figure 1: Cash Flow Projection with 8.9% Rate Increases

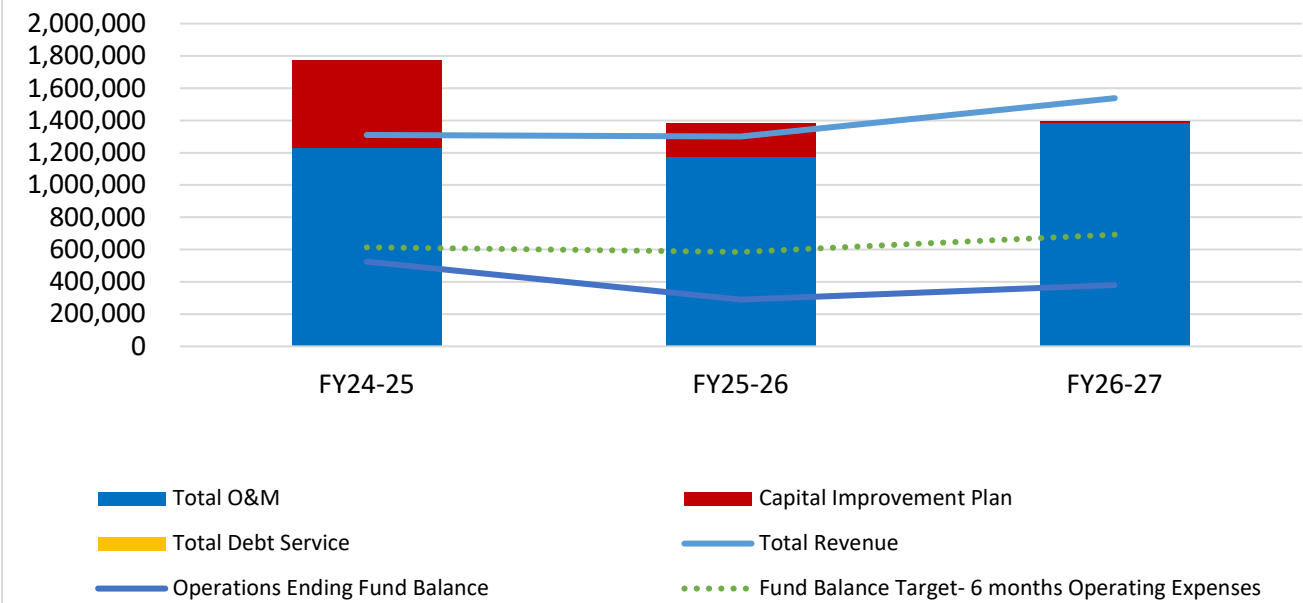


Table 1: Cash Flow Projection and Revenue Requirement

Fiscal Year	Estimated FY24-25	Projected FY25-26	Projected FY26-27
Proposed Rate Increase	8.9%	8.9%	8.9%
Rate	1,658	1,806	1,967
Equivalent Single Family Dwellings	603	626	627
 BEGINNING FUND BALANCE	 842,380	 377,860	 296,380
 <u>REVENUE</u>			
Sanitation Charges	997,480	1,086,300	1,183,000
Interest on Pooled Cash	13,000	14,220	8,900
Transfers from General Fund	300,000	200,000	346,000
Total Revenue	1,310,480	1,300,520	1,537,900
 <u>EXPENDITURES</u>			
Total O&M	1,230,000	1,172,000	1,387,000
Capital Improvement Plan	545,000	210,000	10,000
Total Expenditures	1,775,000	1,382,000	1,397,000
 Net Revenue	 (464,520)	 (81,480)	 140,900
 Ending Fund Balance - Proposed 8.9% Rate Increase	 377,860	 296,380	 437,280
Operations Ending Fund Balance	525,249	289,669	380,369
<i>Fund Balance Target- 6 months Operating Expenses</i>	<i>614,000</i>	<i>585,000</i>	<i>692,500</i>

The total expenditures budget divided by ESDs and the proposed ESD rate are shown in the table below. The proposed ESD rate is the lowest the rate can be set given the need to maintain reserves, the structural deficit of the Zone, and the risks and uncertainties associated with receiving other sources of funding.

Fiscal Year	FY24-25	FY25-26	FY26-27
Total Expenditures Divided by ESDs	2,945	2,209	2,229
Proposed ESD Rate	1,658	1,806	1,967

Proportionality of costs for users is maintained by using the Equivalent Single Family Dwelling (ESD) methodology. A standard single-family home constitutes one ESD. Parcels with other uses (for example, apartments and commercial buildings) are assigned a number of 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. The assigned cost per ratepayer is the ESD cost multiplied by the number of ESDs assigned to the parcel. The ESDs are assigned in Exhibit A of the proposed rate ordinance, which is attached to this memorandum.

EXHIBIT A

EQUIVALENT SINGLE-FAMILY DWELLING BILLING UNIT FOR SEA RANCH SANITATION ZONE

Use Category		Billing Basis			2025-2026	
		Flow gallons	BOD mg/l	TSS mg/l	Use	ESD
Residential						
	Single-Family	200			connections	1.0
	JADU	-			units	0.00
	ADU, under 751 sq ft*	80			units	0.40
	ADU, 751-900 sq ft*	160			units	0.80
	ADU, over 900 sq ft*	200			units	1.00
Commercial	see note 1 below					
ALL COMMERCIAL ESDs TO BE DETERMINED BY THE GENERAL MANAGER USING THE FOLLOWING FORMULA:						
ESD = (TSS x FLOW x 0.33) / (SFD TSS x SFD FLOW) + (BOD x FLOW x 0.33) / (SFD BOD x SFD FLOW) + (FLOW x (0.34 / SFD FLOW))						
Note 1: For non-standard uses, uses and when agreement on a use category cannot be reached, the General Manager, in his or her sole discretion, may						
a) base charges on the user's actual or estimated contribution of wastewater into the District's facilities in terms of flow, biological oxygen demand (BOD), and total suspended solids (TSS), and						
b) calculate the user's charge using the above Charge Formula. The user shall provide verifiable data, as requested by the General Manager, for the charge to be determined.						
Definitions	Flow = Gallons per Day	TSS = Total Suspended Solids				
	BOD = Biological Oxygen Demand	DW = dishwasher				
	ESD = Equivalent Single Family Dwelling	disp. = disposal				
* Note that no Capacity Charge is accessed when existing structures are converted in accordance with CGC 65852.2 (e)(1)(A) as determined by the County of Sonoma or the jurisdiction having authority per the Building Code.						