



Sonoma Water

AIRPORT-LARKFIELD WIKIUP SANITATION ZONE 2026 WRITTEN BASIS OF SEWER SERVICE CHARGE

DATE: March 2026

TO: Sonoma Water Management

FROM: Jake Spaulding, Financial Services Division Manager

SUBJECT: AIRPORT-LARKFIELD-WIKIUP SANITATION ZONE 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, capital infrastructure upgrades, and debt service due to its small customer base.

This memorandum provides the basis for a 7.5% rate increase in FY 2026-2027. Revenue from sewer service charges comprises approximately 90% of the total revenue needed to provide service.

In June 2024, the Town of Windsor/Windsor Water District (Windsor) and Sonoma Water entered into an agreement whereby Windsor is responsible for collecting and treating wastewater from the Zone on a contractual basis. The agreement serves the best interests of the ratepayers of both Windsor and the Zone by providing environmental benefits, increasing efficiency and water-supply resiliency, and avoiding expensive capital projects.

Costs are projected to increase over the planning period shown in Figure 1 below. Costs will be incurred to decommission the Airport treatment plant and to pay Windsor for operations and maintenance among other expenditures. The Zone faces an ongoing operations deficit and there was a critical need for infrastructure improvements and upgrades prior to contracting with Windsor for operations and maintenance. Sonoma Water General Fund subsidies to the Zone over the past five years have been more than \$2.4 million. 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 7.5% rate increases.

Figure 1: Cash Flow Projection with 7.5% Rate Increases

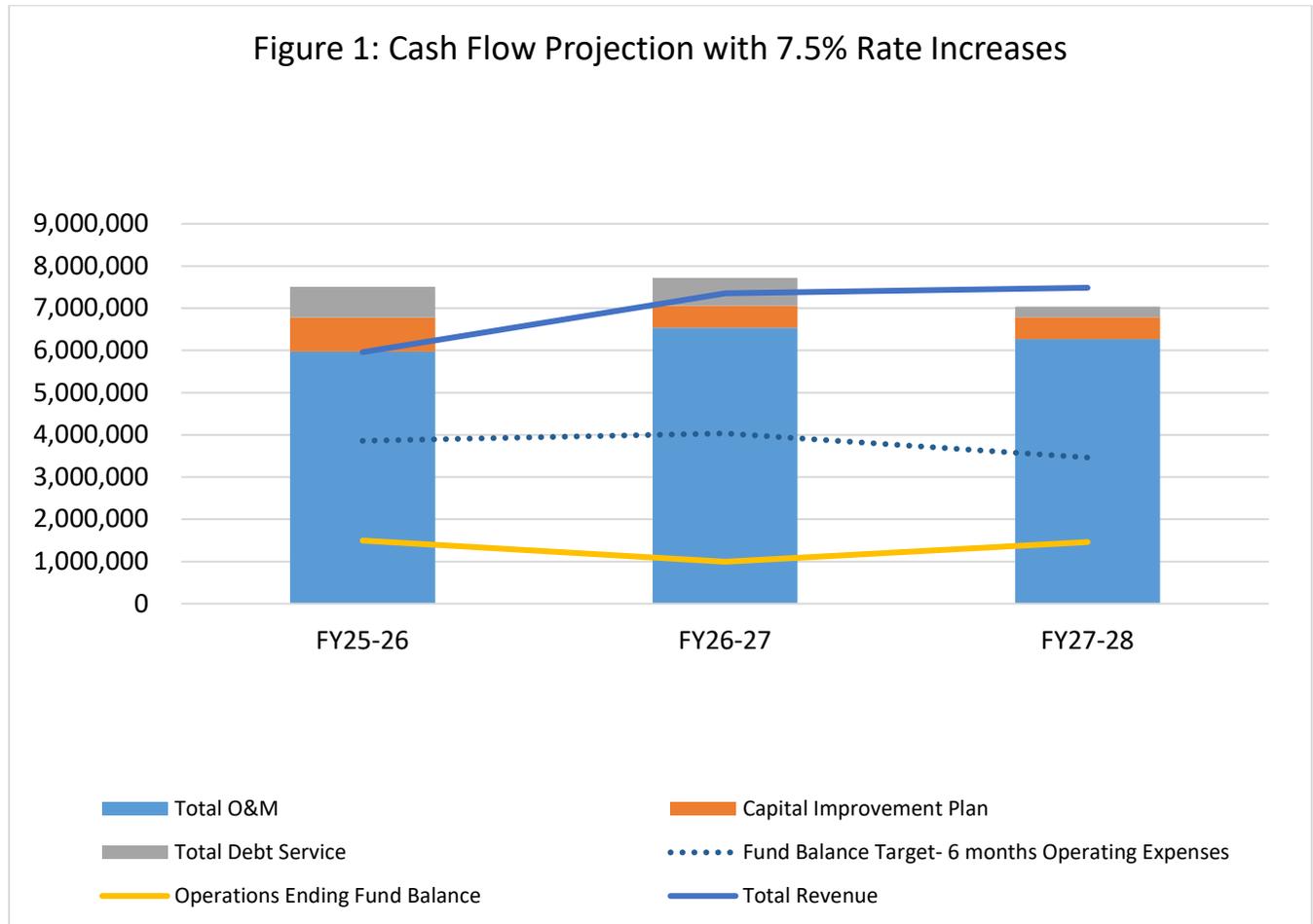


Table 1: Cash Flow Projection and Revenue Requirement

Fiscal Year	Estimated FY25-26	Projected FY26-27	Projected FY27-28
Proposed Rate Increase	8.5%	7.5%	7.5%
Rate	1,444	1,552	1,668
Equivalent Single Family Dwellings	4,137	4,125	4,155
BEGINNING FUND BALANCE	3,872,457	2,353,191	1,981,553
<u>REVENUE</u>			
Sanitation Charges	5,311,491	6,393,155	6,803,789
Interest on Pooled Cash	67,800	67,570	43,084
State/Federal Grants ¹	0	0	0
Transfers from General Fund	200,000	450,000	200,000
Rent/Disposal Fees from OCSD	379,000	438,900	437,000
Total Revenue	5,958,291	7,349,625	7,483,872
<u>EXPENDITURES</u>			
Total O&M	5,973,534	6,534,410	6,262,800
Capital Improvement Plan	805,854	522,500	522,950
Total Debt Service	727,714	664,353	250,000
Total Expenditures	7,507,102	7,721,263	7,035,750
Net Revenue	(1,548,811)	(371,638)	448,122
Ending Fund Balance - All Funds - Proposed 7.5% Rate Increase	2,353,191	1,981,553	2,429,675
Operations Ending Fund Balance	1,495,484	994,543	1,458,809
<i>Fund Balance Target- 6 months Operating Expenses</i>	<i>3,858,000</i>	<i>4,034,000</i>	<i>3,463,000</i>

The total expenditures budget divided by ESDs and the proposed ESD rate are shown in the table below. The proposed FY 2026/2027 rate is the lowest the rate can be set given the structural deficit of the Zone, and the need to maintain reserves.

Fiscal Year	FY25-26	FY26-27	FY27-28
Total Expenditures Divided by ESDs	1,815	1,872	1,693
Proposed ESD Rate	1,444	1,552	1,668

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.