



# Sonoma Water

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## GEYSERVILLE SANITATION ZONE FY 2026/2027 WRITTEN BASIS OF SEWER SERVICE CHARGE

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**DATE:** March 2026

**TO:** Sonoma Water Management

**FROM:** Jake Spaulding, Financial Services Division Manager

**SUBJECT: GEYSERVILLE SANITATION ZONE FY 2026/2027 WRITTEN BASIS OF SEWER SERVICE CHARGE**

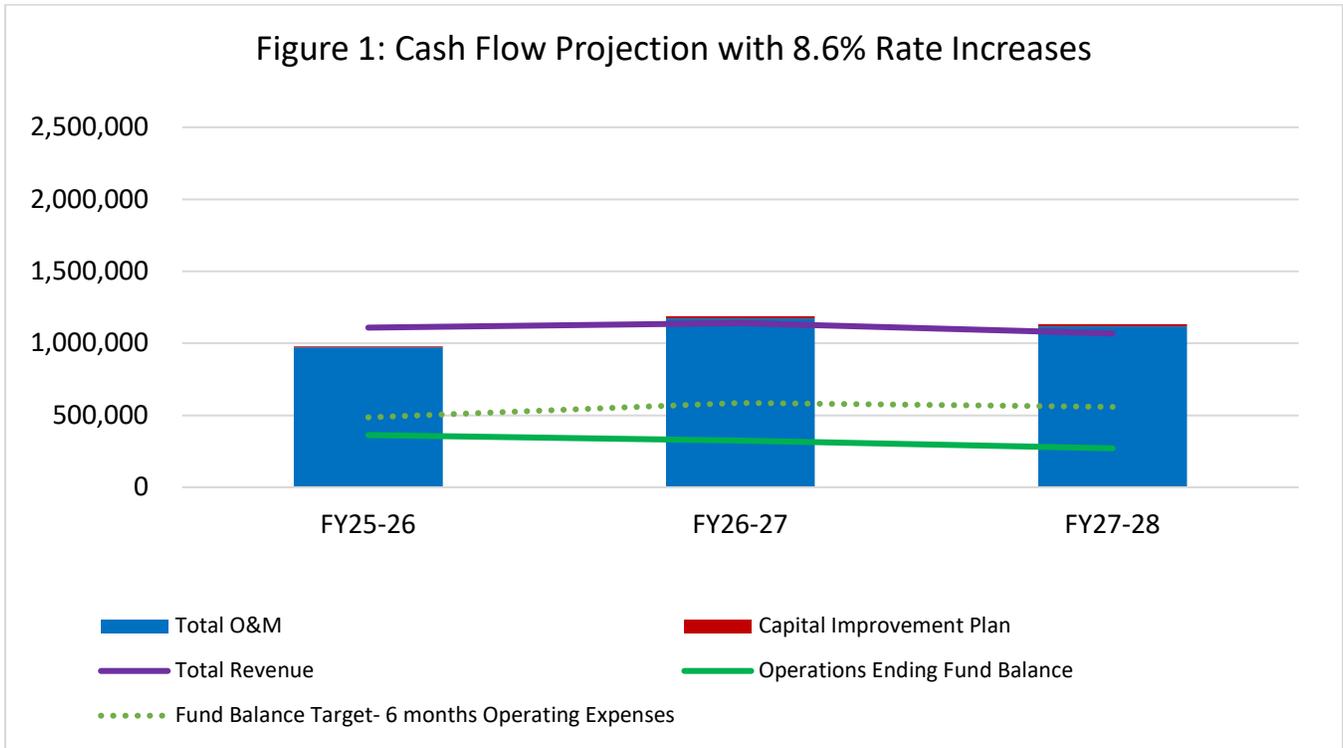
The purpose of this Memorandum is to provide a written basis for the sewer service charges and update current and projected costs and cost-of-service based rates. Key guiding principles include developing rates that are fair and equitable to all customer classes, distributing costs equally among ratepayers, 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 8.6% rate increase in FY 2026-2027. Revenue from sewer service charges comprises approximately 53% 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 Force Main Replacement Project scheduled in FY 2028-2029. Estimated costs for the Force Main Replacement Project are \$1.6 million over the next three years. The 8.6% rate increase is needed to build reserves to fund the Force Main Replacement Project and apply for grant funding. Offsetting revenue from a future grant application is necessary to fund construction projects.

The Zone faces an ongoing operations deficit and has a critical need for infrastructure upgrades. Sonoma Water General Fund subsidies to the Zone over the past five years have been more than \$2.2 million, and \$1.3 million is projected for the next three years making up approximately 28 percent of the total estimated revenue for the Zone (with grant revenue making up another 26 percent). 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 8.6 percent rate increases.

Figure 1: Cash Flow Projection with 8.6% Rate Increases



**Table 1: Cash Flow Projection and Revenue Requirement**

<b>Fiscal Year</b>	<b>Estimated FY25-26</b>	<b>Projected FY26-27</b>	<b>Projected FY27-28</b>
Proposed Rate Increase	8.6%	8.6%	8.6%
Rate	1,680	1,824	1,980
Equivalent Single Family Dwellings	370	371	373
BEGINNING FUND BALANCE	533,303	668,888	640,625
<b><u>REVENUE</u></b>			
Sanitation Charges	522,700	620,700	649,300
Interest on Pooled Cash	15,870	19,643	19,200
State/Federal Grants	0	0	0
Transfers from General Fund	575,000	500,000	400,000
Other Rev	0	20,000	20,000
<b>Total Revenue</b>	<b>1,113,570</b>	<b>1,160,343</b>	<b>1,088,500</b>
<b><u>EXPENDITURES</u></b>			
Total O&M	972,985	1,173,606	1,118,300
Capital Improvement Plan	5,000	15,000	15,000
<b>Total Expenditures</b>	<b>977,985</b>	<b>1,188,606</b>	<b>1,133,300</b>
Net Revenue	135,585	(28,263)	(44,800)
Ending Fund Balance - Proposed 8.6% Rate Increase	668,888	640,625	595,825
Operations Ending Fund Balance	361,630	324,009	269,709
<i>Fund Balance Target- 6 months Operating Expenses</i>	<i>485,903</i>	<i>586,303</i>	<i>558,650</i>

The proposed rate increase for the Equivalent Single Family Dwelling (ESD) value relies upon the Zone obtaining additional revenues from other sources of funding such as loans and grants. The total expenditures budget divided by ESDs, the total expenditures budget minus grant/loan revenue 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.

<b>Fiscal Year</b>	<b>FY25-26</b>	<b>FY26-27</b>	<b>FY27-28</b>
Total Expenditures Divided by ESDs	2,643	3,204	3,042
Expenditures budget minus grant/loan revenue divided by ESDs	2,643	3,204	3,042
Proposed ESD Rate	1,680	1,824	1,980

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.