



Sonoma Water

OCCIDENTAL COUNTY SANITATION DISTRICT FY 2026/2027 WRITTEN BASIS FOR SEWER SERVICE CHARGE

DATE: March 2026

TO: Sonoma Water Management

FROM: Jake Spaulding, Financial Services Division Manager

SUBJECT: OCCIDENTAL COUNTY SANITATION DISTRICT 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 District 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 4.7% rate increase in FY 2026-2027. Revenue from sewer service charges comprises approximately 32% 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 projects to address aging infrastructure including the Occidental to Graton Pipeline Project, Collection System Rehabilitation and Repairs, and other projects. The 4.7% rate increase is necessary to fund an estimated \$14 million in capital improvements over the next five years. Offsetting revenue from a future grant application is necessary to fund construction of the Project.

The District faces an ongoing operations deficit and has a critical need for infrastructure improvements and upgrades. Sonoma Water General Fund subsidies to the District over the past five years have been more than \$4.8 million, and an additional \$6.2 million is projected for the next three years making up more than 76% of the total estimated revenue for the District. 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 4.7% rate increases.

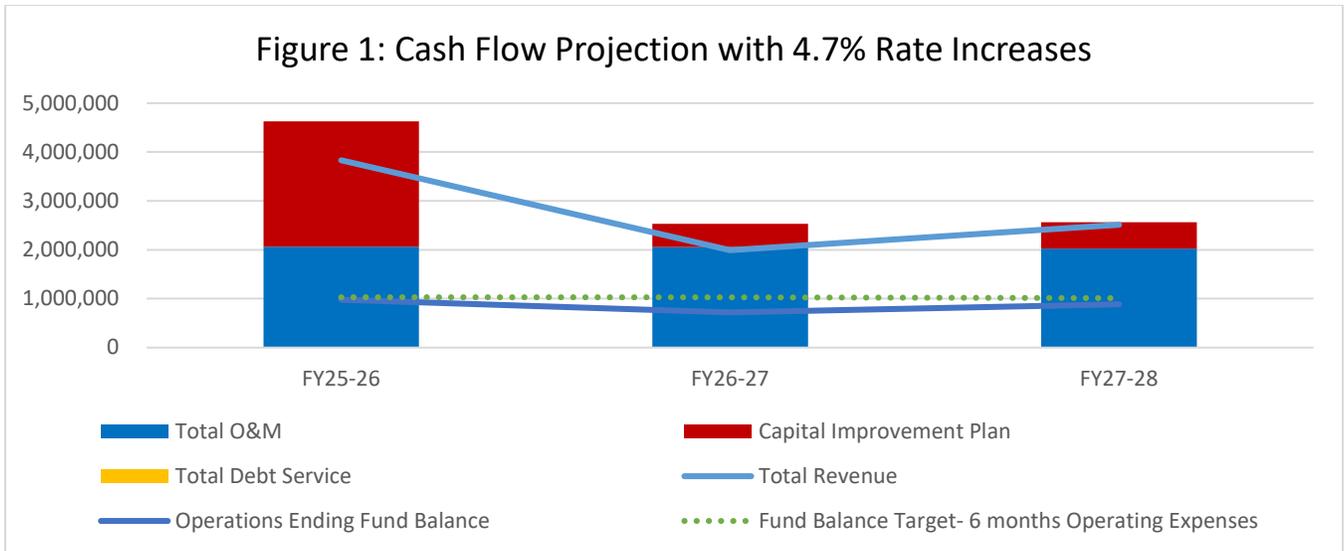


Table 1: Cash Flow Projection and Revenue Requirement

Fiscal Year	Estimated FY25-26	Projected FY26-27	Projected FY27-28
Proposed Rate Increase	4.7%	4.7%	4.7%
Rate	3,146	3,294	3,449
Equivalent Single Family Dwellings	273	273	203
BEGINNING FUND BALANCE	2,278,809	1,691,301	1,149,958
REVENUE			
Sanitation Charges	688,500	631,700	627,300
Interest on Pooled Cash	52,500	42,614	34,500
Transfers from General Fund	1,850,000	1,318,000	1,858,000
Miscellaneous Revenue	1,450,000	0	0
Total Revenue	4,041,000	1,992,314	2,519,800
EXPENDITURES			
Total O&M	2,062,485	2,059,514	2,024,770
Capital Improvement Plan	2,566,286	474,420	538,320
Total Expenditures	4,628,771	2,533,934	2,563,090
Net Revenue	(587,508)	(541,344)	(43,290)
Ending Fund Balance	1,691,301	1,149,958	890,301
Operations Ending Fund Balance	987,875	729,087	896,217
<i>Fund Balance Target- 6 months Operating Expenses</i>	<i>1,030,286</i>	<i>1,029,119</i>	<i>1,011,885</i>

The proposed rate increase for the Equivalent Single Family Dwelling (ESD) value relies upon the District 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 rate is the lowest the rate can be set given the need to maintain reserves, the structural deficit of the District, and the risks and uncertainties associated with receiving other sources of funding.

Fiscal Year	FY25-26	FY26-27	FY27-28
Total Expenditures Divided by ESDs	16,954	9,281	12,648
Expenditures budget minus grant/loan revenue divided by ESDs	16,954	9,281	12,648
Proposed ESD Rate	3,146	3,294	3,448

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.