



Sonoma Water

RUSSIAN RIVER 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: RUSSIAN RIVER 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 an 8.5% rate increase in FY 2026-2027. Revenue from sewer service charges comprises approximately 74% 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 Headworks, Lift Station, and Force Main Improvements Project, sewer system capacity improvements, aboveground diesel tank installation, underground storage tank removal, ultraviolet light disinfection system retrofit, and other projects. The 8.5% rate increase is necessary to fund an estimated \$55 million in capital improvements over the next five years, and to build reserves and apply for grant funding. Offsetting revenue from a future grant application is necessary to fund future construction projects.

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 \$9.0 million, and \$4.5 million is projected for the next three years making up 15% of the total estimated revenue for the District, excluding grant revenue. 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 8.5% rate increases.

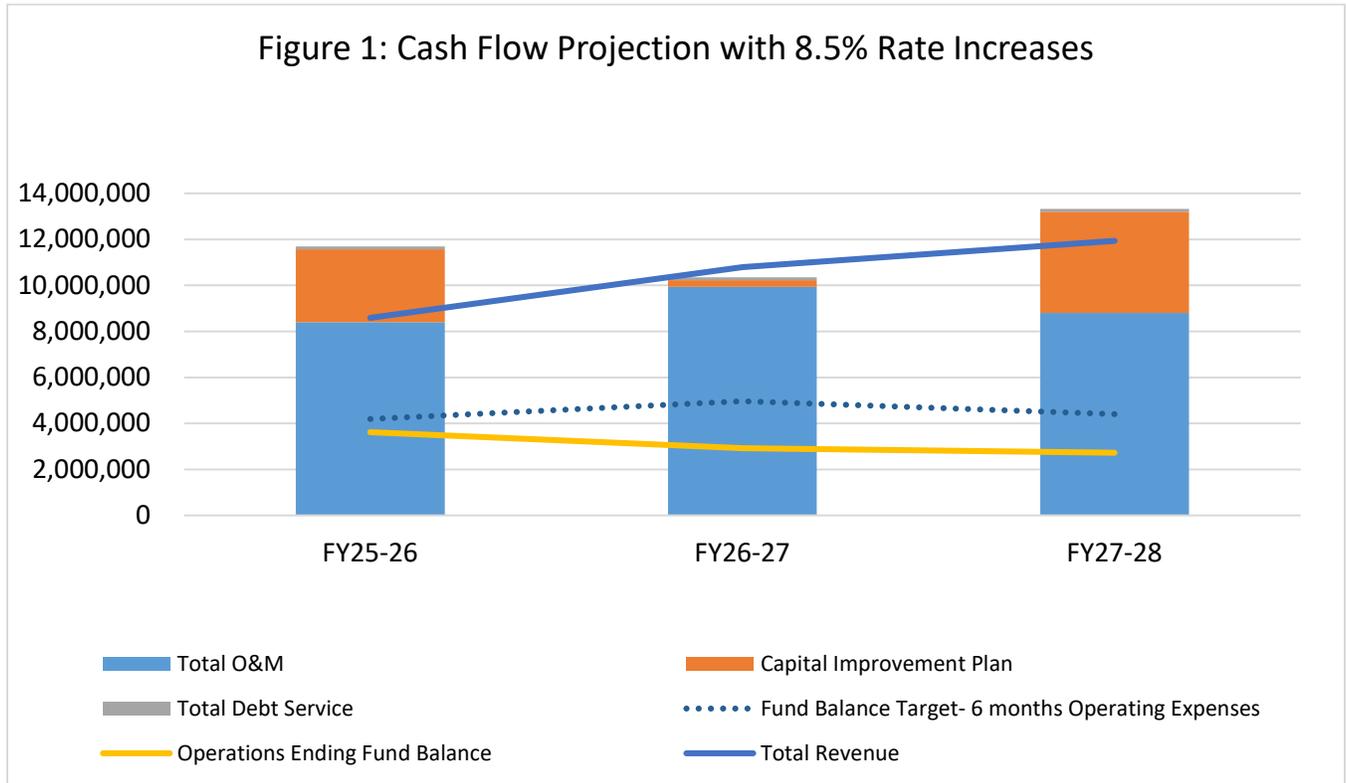


Table 1: Cash Flow Projection and Revenue Requirement

Fiscal Year	Estimated FY25-26	Projected FY26-27	Projected FY27-28
Proposed Rate Increase	8.5%	8.5%	8.5%
Rate	2,486	2,696	2,926
Equivalent Single Family Dwellings	3,232	3,252	3,252
BEGINNING FUND BALANCE	6,354,199	3,624,084	4,096,470
<u>REVENUE</u>			
Sanitation Charges	7,393,300	8,027,223	8,235,400
Interest on Pooled Cash	96,000	103,114	111,400
State/Federal Grants	0	543,551	2,636,484
County Funding of Regional WW Study in West County (42601)	52,366	0	0
General Fund Contributions	900,000	2,145,000	1,020,000
Loans	50,000	10,000	10,000
Total Revenue	8,491,666	10,828,888	12,013,284
<u>EXPENDITURES</u>			
Total O&M	8,396,886	9,942,461	8,807,650
Capital Improvement Plan	3,174,417	289,930	4,386,974
Total Debt Service	126,807	124,111	124,111
Total Expenditures	11,698,110	10,356,502	13,318,735
Net Revenue	(3,206,444)	472,386	(1,305,451)
Change in Encumbrances/Adjustments			
Ending Fund Balance - Proposed 8.5% Rate Increase	3,147,755	3,620,141	2,314,690
Operations Ending Fund Balance	3,141,006	2,448,371	2,234,310
<i>Fund Balance Target- 6 months Operating Expenses</i>	<i>4,191,000</i>	<i>4,966,000</i>	<i>4,399,000</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.

	FY25-26	FY26-27	FY27-28
Total Expenditures Divided by ESDs	3,619	3,185	4,096
Expenditures budget minus grant/loan revenue divided by ESDs	3,619	3,024	3,310
Proposed ESD Rate	2,486	2,696	2,926

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.