



Sonoma Water

SEA RANCH SANITATION ZONE FY 2026/2027 WRITTEN BASIS OF SEWER SERVICE CHARGE

DATE: March 2026

TO: Sonoma Water Management

FROM: Jake Spaulding, Financial Services Division Manager

SUBJECT: SEA RANCH 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 8.9% rate increase in FY 2026-2027. Revenue from sewer service charges comprises approximately 84% to 99% of the total revenue needed to provide service.

Excluding capital projects, costs are projected to increase over the planning period shown in Figure 1 below. The increased costs are for aging infrastructure including valve and pump replacements at the Main Lift Station. 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 subsidizes to the Zone projected over the next five to six years total \$332K making up approximately 4% to 6% of the total estimated revenue for the Zone annually. 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

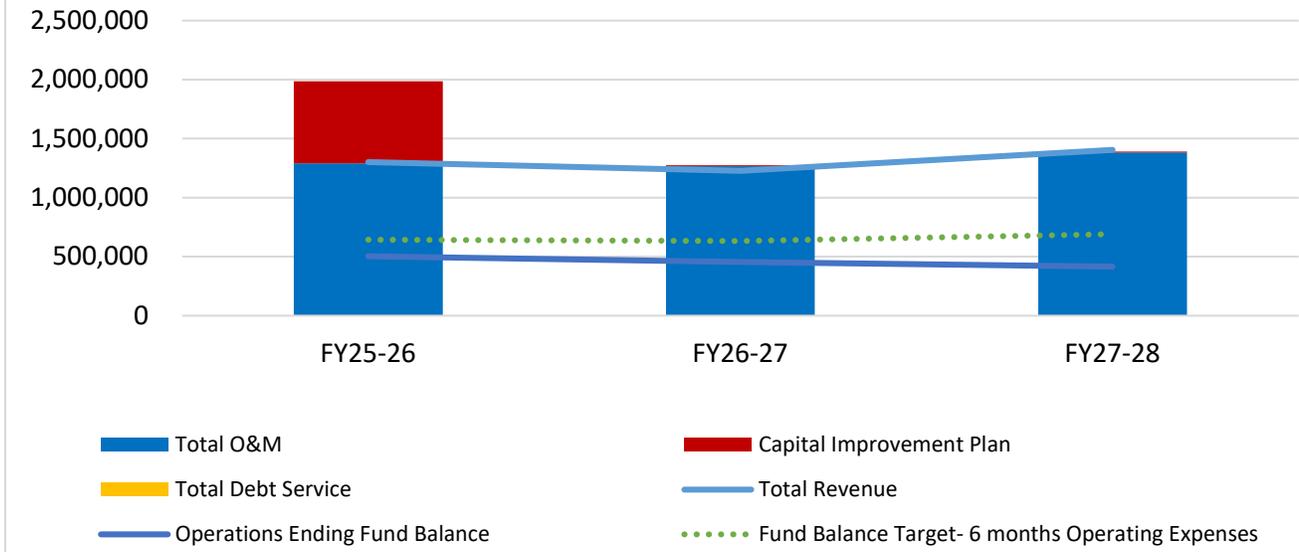


Table 1: Cash Flow Projection and Revenue Requirement

Fiscal Year	Estimated FY25-26	Projected FY26-27	Projected FY27-28
Proposed Rate Increase	8.9%	8.9%	8.9%
Rate	1,806	1,966	2,142
Equivalent Single Family Dwellings	626	606	631
BEGINNING FUND BALANCE	1,243,180	558,194	510,321
<u>REVENUE</u>			
Sanitation Charges	1,086,300	1,210,100	1,307,400
Interest on Pooled Cash	14,220	16,028	15,300
Transfers from General Fund	200,000	1,000	82,000
Total Revenue	1,300,520	1,227,128	1,404,700
<u>EXPENDITURES</u>			
Total O&M	1,290,506	1,267,500	1,383,600
Capital Improvement Plan	695,000	7,500	7,650
Total Expenditures	1,985,506	1,275,000	1,391,250
Net Revenue	(684,986)	(47,872)	13,450
Ending Fund Balance - Proposed 8.9% Rate Increase	558,194	510,321	523,771
Operations Ending Fund Balance	503,590	454,055	415,805
<i>Fund Balance Target- 6 months Operating Expenses</i>	<i>643,802</i>	<i>632,750</i>	<i>690,800</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	FY25-26	FY26-27	FY27-28
Total Expenditures Divided by ESDs	3,172	2,104	2,206
Proposed ESD Rate	1,806	1,966	2,142

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.