



Sonoma Water

SONOMA VALLEY 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: SONOMA VALLEY 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.

This memorandum provides the basis for a 6.0% rate increase in FY 2026-2027. Revenue from sewer service charges comprises approximately 94% 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 Trunk Main Replacement, Pumping & Piping Upgrade, Disinfection System Upgrade, Kohler Creek Bank Repair, Trunk Main Seismic Hazard Mitigation, Recycled Water Management Unit Restoration, and other projects. The 6% rate increase is necessary to fund an estimated \$46 million in capital improvements over the next five years and debt service on an estimated \$28 million in revenue bond proceeds.

The District faces an ongoing operations deficit and critical need for infrastructure improvements and upgrades. 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 6% rate increases.

Figure 1: Cash Flow Projection with 6% Rate Increases

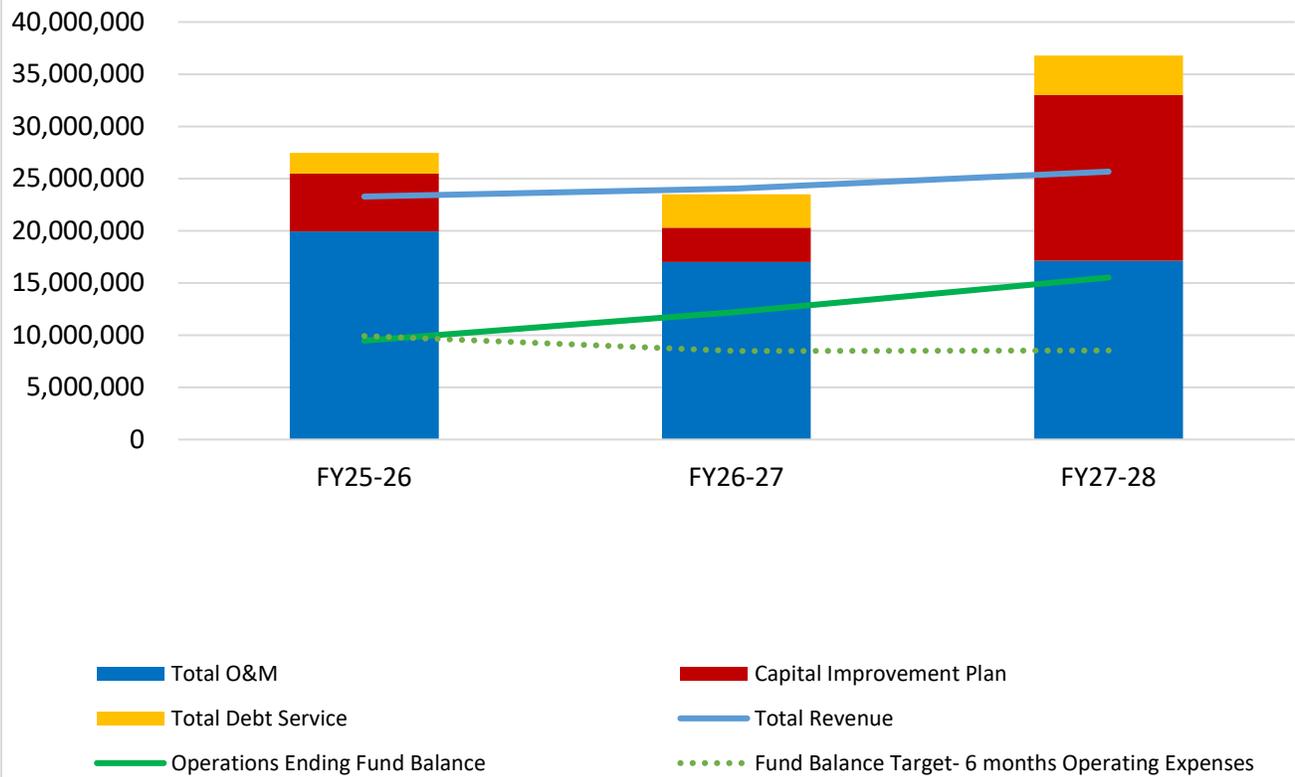


Table 1: Cash Flow Projection and Revenue Requirement

Fiscal Year	Estimated FY25-26	Projected FY26-27	Projected FY27-28
Proposed Rate Increase	6.0%	6.0%	6.0%
Rate	1,428	1,514	1,605
Equivalent Single Family Dwellings	17,919	17,947	17,959
BEGINNING FUND BALANCE	21,879,420	17,046,627	46,569,994
<u>REVENUE</u>			
Sanitation Charges	20,851,879	22,660,250	23,808,762
Interest on Pooled Cash	516,000	963,240	1,356,500
State/Federal Grants	1,847,730	0	0
Miscellaneous Revenue	63,479	325,002	399,976
Total Revenue	23,279,088	24,043,492	25,665,938
<u>EXPENDITURES</u>			
Total O&M	19,930,492	17,014,695	17,117,520
Capital Improvement Plan	6,143,191	3,269,555	15,886,209
Total Debt Service	1,998,680	3,200,229	3,777,904
Total Expenditures	28,072,363	23,484,479	36,781,633
<u>DEBT SERVICE</u>			
SWRCB SRF Loan Watmaugh Collection System	147,120	147,120	147,120
SWRCB SRF Loan Biosolids System Upgrade	202,113	202,113	202,113
Bonds: 2005/2013/2022 Revenue Bond	1,649,447	1,653,947	1,646,572
Bond Funding (\$39M): P&I + Fees	0	1,197,050	1,782,100
TOTAL DEBT SERVICE	1,998,680	3,200,229	3,777,904
Net Revenue	(4,793,275)	555,089	(11,116,595)
Bond Proceeds for 3 Years of Capital Expenditures	0	28,000,000	0
Ending Fund Balance - All Funds - Proposed 6.0% Rate Increase	17,046,628	46,569,993	34,471,581
Operations Ending Fund Balance	9,470,310	12,210,415	15,518,778
<i>Fund Balance Target- 6 months Operating Expenses</i>	<i>9,924,000</i>	<i>8,479,000</i>	<i>8,530,000</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 revenue bonds, loans, and grants. The total expenditures budget divided by ESDs, the total expenditures budget minus grant/bond 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	1,678	1,487	2,258
Expenditures budget minus grant/loan revenue divided by ESDs	1,460	1,290	2,026
Proposed ESD Rate	1,428	1,514	1,605

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 commercial ratepayer is the ESD cost multiplied by the number of ESDs assigned to the parcel. The assigned cost for residential properties includes a fixed charged plus volumetric charge based on winter water use. The proposed rate ordinance and Exhibit A to the rate ordinance that are attached to this memorandum describe the assigned ESDs and the sewer service charges for different uses.