



Sewer Rate Study for the Graton Community Services District

**Final Report
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SECTION 1: INTRODUCTION AND EXECUTIVE SUMMARY

1.1 Background

The Graton Community Services District (District or GCSD) is an independent Special District governed by the Graton CSD Board of Directors. In addition to management of the Town Square, the District provides sewer (wastewater) collection, treatment, and disposal services to a population of approximately 1,800 residents in the community of Graton, the businesses and schools within its boundaries, and several industries.

Graton CSD last increased its sewer service rates in 2013. Rates are billed annually via the Sonoma County tax roll and the District's rate structure consists of fixed charges for most customers. The fixed rate structure is not proposed to be adjusted, but this study offers an updated analysis of the underlying wastewater flows and pollutant loadings of each customer class and recommends rate increases for the next five years. Large industrial customers are subject to flow monitoring and are direct billed via special contracts. Rate increases for all customer classes are needed to keep up with inflationary operating cost increases, accumulate reserves, and to fund necessary capital improvements. The rates calculated in this report DO NOT include funding for the Town Square, Graton Green, or an interconnection to the Occidental County Sanitation District.

1.2 Requirements of Proposition 218

The implementation of public agency utility rates in California is governed by the substantive and procedural requirements of Proposition 218 the "Right to Vote on Taxes Act" which is codified as Articles XIIC and XIID of the California Constitution. The District must follow the procedural requirements of Proposition 218 for all utility rate increases. These requirements include:

1. **Noticing Requirement** – The District must mail a notice of the proposed rate increases to all affected property owners. The notice must specify the amount of the fees, the basis upon which they were calculated, the reason for the fees, and the date/time/location of a public rate hearing at which the proposed rates will be considered/adopted.
2. **Public Hearing** – The District must hold a public hearing prior to adopting the proposed rate increases. The public hearing must be held not less than 45 days after the required notices are mailed.
3. **Rate Increases Subject to Majority Protest** – At the public hearing, the proposed rate increases are subject to majority protest. If more than 50% of affected property owners submit written protests against the proposed rate increases, the increases cannot be adopted.

Proposition 218 also established substantive requirements that apply to sewer rates and charges, including:

1. **Cost of Service** – Revenues derived from the fee or charge cannot exceed the funds required to provide the service. In essence, fees cannot exceed the “cost of service”.
2. **Intended Purpose** – Revenues derived from the fee or charge can only be used for the purpose for which the fee was imposed (i.e. sewer service).
3. **Proportional Cost Recovery** – The amount of the fee or charge imposed upon any parcel or person as an incident of property ownership shall not exceed the proportional cost of service attributable to that parcel.
4. **Availability of Service** – No fee or charge may be imposed for a service unless that service is used by, or immediately available to, the owner of the property.
5. **General Government Services** – No fee or charge may be imposed for general governmental services where the service is available to the public at large.

Charges for sewer service are exempt from additional voting requirements of Proposition 218, provided the charges do not exceed the cost of providing service and are adopted pursuant to the procedural requirements of Proposition 218.

1.3 Rate Study Process

The following is a brief description of the rate study process:

- **Revenue Requirement** – Revenue requirements are analyzed via a cash flow projection based on the best information currently available such as the District’s historical operating results, budgets, audits, and input from staff. The cash flow serves as a roadmap for funding future operating costs and capital expenditures while maintaining long-term fiscal stability, all of which is calculated in this study to produce rates that will be necessary to recover only the cost of the sewer service per parcel under these proposed sewer rates.
- **Cost of Service Allocation** - The cost of service process builds on the revenue requirement analysis and assigns costs to functional cost components: wastewater flow, biochemical oxygen demand (BOD), and total suspended solids (TSS).
- **Rate Design** - Rate design involves developing a rate structure that fairly recovers costs from customers but does not exceed the proportional cost of the service attributable to the parcel. Final rate recommendations are designed to fund the District’s short- and long-term costs of providing service and fairly allocate costs to all customers.

The rates developed in this report are based on the best available and the cost allocations proposed herein are based on industry standard practice. The proposed rates are based on the reasonable cost of providing service and do not exceed the proportional cost of the service attributable to each parcel.

1.4 Proposed Rates

Current and proposed rates are provided below in Table 1. Rate changes are proposed to be implemented July 1 of each year for the next five years beginning on July 1, 2025 and billed annually on the Sonoma County tax roll for most customers.

Table 1: Proposed 5-Year Rate Plan

Customer Class	Billing Units (BU)	Current	Proposed Annual Rate per Billing Unit				
			July 1, 2025	July 1, 2026	July 1, 2027	July 1, 2028	July 1, 2029
Residential			<u>Per BU</u>	<u>Per BU</u>	<u>Per BU</u>	<u>Per BU</u>	<u>Per BU</u>
Single Family Dwelling	per dwelling unit	\$1,574.36	\$1,861	\$2,140	\$2,354	\$2,519	\$2,645
Accessory Dwelling	per dwelling unit	\$1,259.49	\$1,489	\$1,712	\$1,883	\$2,015	\$2,116
Duplex	per duplex	\$2,518.98	\$2,978	\$3,424	\$3,766	\$4,030	\$4,232
Manufactured Home	per dwelling unit	\$798.38	\$1,489	\$1,712	\$1,883	\$2,015	\$2,116
Mobile Home	per dwelling unit	NA	\$1,489	\$1,712	\$1,883	\$2,015	\$2,116
Non-residential							
Light Industrial	per 1,000 ft ²	Current non-residential rates vary based on land use	\$558	\$642	\$706	\$756	\$794
Market	per 1,000 ft ²		\$4,839	\$5,564	\$6,120	\$6,549	\$6,877
Packing Plant	per 1,000 ft ²		\$2,047	\$2,354	\$2,589	\$2,771	\$2,910
Religious Buildings	per 1,000 ft ²		\$558	\$642	\$706	\$756	\$794
Restaurant	per 1,000 ft ²		\$3,164	\$3,638	\$4,002	\$4,282	\$4,497
Schools	per 30 students		\$2,419	\$2,782	\$3,060	\$3,275	\$3,439
Small Commercial	per 1,000 ft ²		\$558	\$642	\$706	\$756	\$794
Wine Tasting	per 1,000 ft ²		\$1,861	\$2,140	\$2,354	\$2,519	\$2,645
Winery	per 1,000 ft ²		\$558	\$642	\$706	\$756	\$794

Figure 1 provides a bill survey comparing Graton CSD's current and proposed single family residential rate with the rates of other local sewer systems. July 1, 2025, it is proposed that the single-family residential sewer rate increase from \$1,574.36 (current) to \$1,861 per year. The District's sewer rate is currently in the middle of all agencies surveyed and will remain in the middle following the proposed increase.

The District last increased its sewer rate in 2013. Between 2013 and the present, the annual change Consumer Price Index was about 38%.¹ Had the District's rate increased by inflation during this period, the current rate would be \$2,177 – much more than the proposed rate of \$1,861, see Figure 2.

¹ The 2025 inflation rate is estimated at 3%.

Figure 1: Annual Sewer Bill Survey

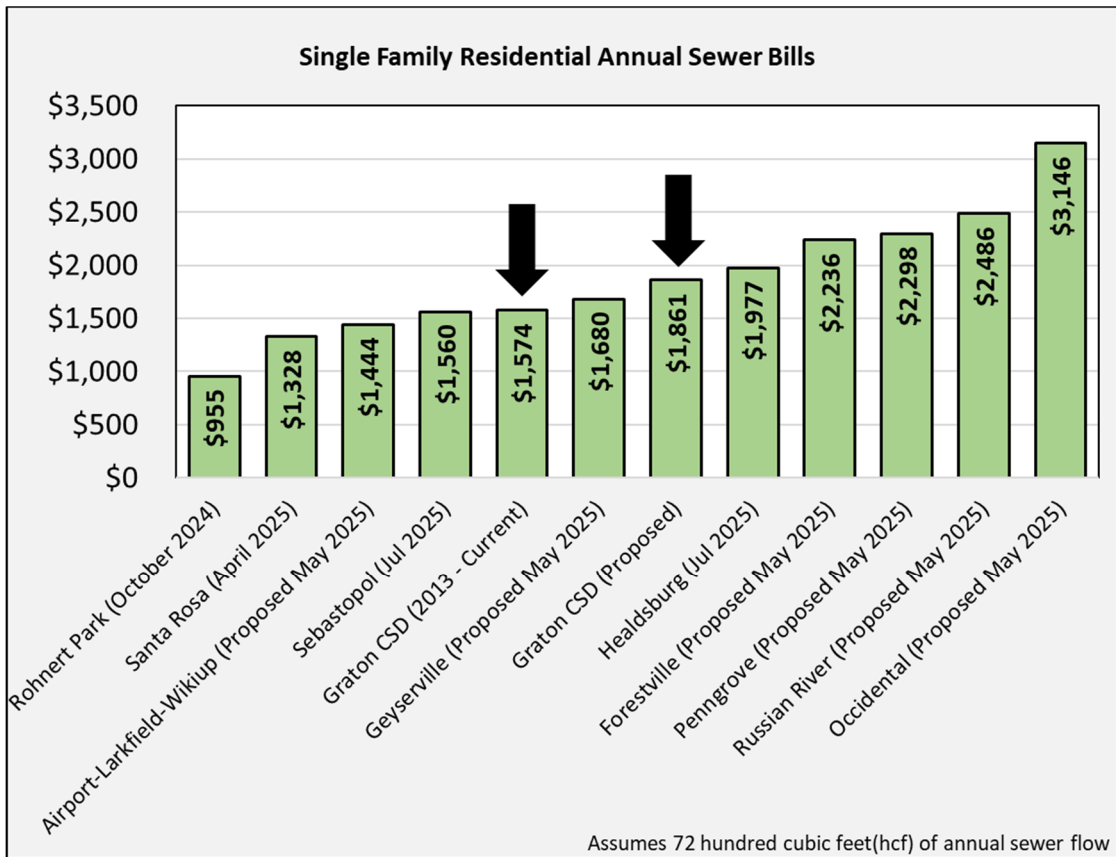
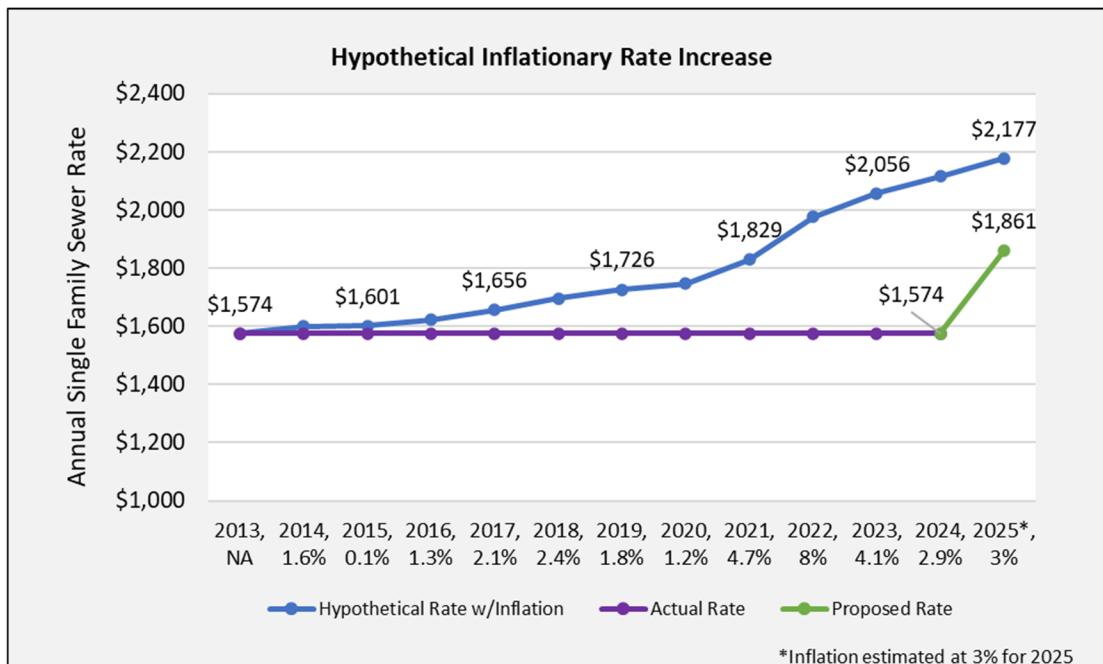


Figure 2: Hypothetical Inflationary Rate Increase



SECTION 2: CUSTOMER BASE AND CURRENT RATE REVENUES

The District provides wastewater collection, treatment, and disposal to 449 customers including single family homes, duplexes, manufactured homes, commercial customers, light industrial customers, and schools. The District charges nearly all customers fixed rates for sewer service. Customers are billed annually for sewer service on the Sonoma County tax roll with the exception of a few large industrial customers that are direct billed.

The base rate per equivalent single-family dwellings (ESD) is \$1,574.36 and was last increased in 2013. The multifamily customer class consists of accessory dwelling units (ADUs), manufactured homes, and duplexes. Each accessory dwelling unit is billed 0.8 ESDs (reflecting 80% of the estimated flow of a single family home) and pays a rate of \$1,259.49. Each duplex property is billed 1.6 ESD and pays a rate of \$2,518.98. The District provides service to a manufactured home park of 54 homes. The current rate per manufactured home is \$798.38 or about 0.51 ESDs. In total, the residential customer class pays about 79% of the District's total annual rate revenues.

Table 2: Current Residential Rates

Customer Class	Billing Unit	Current Rate	ESD per Billing Unit
Single Family Rate	per dwelling unit	\$1,574.36	1.00
Accessory Dwelling Unit	per dwelling unit	\$1,259.49	0.80
Duplex	per duplex	\$2,518.98	1.60
Manufactured Home	per dwelling unit	\$798.38	0.51

The number of ESDs for each non-residential customer was assigned by the District based on the flows and pollutant loading of each customer relative to the flows and loads of a single family residential customer. About 21% of the District's rate revenues are paid by non-residential customers. As shown in Table 3, the District provides service to about 654 ESDs and collects about \$1,029,040 in annual sewer rate revenues.

Table 3: Current Annual Rate Revenue

Customer Class	Current Equivalent Single-Family Dwellings (ESDs)	FY2025 Annual Sewer Revenue (\$1,574.36/ESD)	% of Total
Residential			
Single Family Dwelling	437.25	\$688,389	66.90%
ADUs	40.80	\$64,234	6.24%
Duplex	8.00	\$12,595	1.22%
Manufactured Home	<u>29.78 (1)</u>	<u>\$46,891</u>	<u>4.56%</u>
Subtotal Residential	515.83	\$812,108	78.92%
Non-residential			
Light Industrial	8.68	\$13,665	1.33%
Market And Mobile Homes	18.00	\$28,338	2.75%
Packing Plant	12.20	\$19,207	1.87%
Religious Buildings	3.80	\$5,983	0.58%
Restaurant	10.63	\$16,735	1.63%
Schools	4.05	\$6,376	0.62%
Small Commercial	15.88	\$25,001	2.43%
Wine Tasting	21.05	\$33,140	3.22%
Winery	<u>43.50</u>	<u>\$68,485</u>	<u>6.66%</u>
Subtotal Non-residential	137.79	\$216,931	21.08%
Total	653.62	\$1,029,040	100.00%

1 – includes 3 homes that are not located in the manufactured home park

SECTION 3: COST OF SERVICE

This section provides an analysis of revenues and expenses to determine the total cost of service to be recovered via rates. The cost of service is expressed in a cash flow table that illustrates revenue increases needed to keep up with expenses and maintain financial health. Over the five-year rate study period, rate increases are proposed so that the District can fund operating costs, debt service, capital expenses, and maintain reasonable reserves, all of which are calculated in this study to produce rates that will be necessary to recover only the cost of sewer service per parcel. The rates calculated in this report DO NOT include funding for the Town Square, Graton Green, or an interconnection to the Occidental County Sanitation District.

The District maintains two funds for sewer service: 1) operations and 2) construction. The operations fund is responsible for collecting yearly rates and funds day-to-day expenses such as staffing, chemicals, utilities, regulatory compliance, and miscellaneous supplies. Rate revenues are paid into the operations fund. The construction fund collects connection fees which are one-time payments paid by new customers to connect to the system. The construction fund is responsible for paying for longer term expenses such as repairs and maintenance as well as debt service. As needed, the operations fund transfers rate revenues to the construction fund to cover debt service and/or capital costs.

3.1 Revenues

The District's revenues primarily consist of sewer service charges paid by ratepayers, about \$1.0M under current rates. In fiscal year (FY) 2026, the District also expects to receive about \$60,000 from direct billed customers and about \$10,000 in interest revenue. Interest revenue is estimated as 5% of each year's beginning cash balance. Direct billed customers will see the same rate increases as property tax roll ratepayers.

July 1, 2025, it is proposed that annual rate revenues increase from \$1,029,500 (current) to \$1,338,800, see Table 4. This represents a 30% increase to the revenue requirement in FY2026. The basis of the revenue increase is a proposed rate increase per ESD, the addition of 33 new mobile home park dwelling units, and the reassignment of ESDs amongst the various customer classes. A description of ESD reassignment is provided in Section 4.

Table 4: Rate Revenue Requirement

	Current	FY2026	FY2027	FY2028	FY2029	FY2030
Increase % in Rate Revenue (absolute \$)		30%	15%	10%	7%	5%
Rate Revenue Requirement	\$1,029,040	\$1,338,800	\$1,543,600	\$1,702,600	\$1,826,900	\$1,923,700
ESDs	653.62	719.28	721.28	723.28	725.28	727.28
Yearly Rate (\$/ESD)	\$1,574.36	\$1,861	\$2,140	\$2,354	\$2,519	\$2,645
% Rate Increase		18%	15%	10%	7%	5%

3.2 Expenses

3.2.1 Operating Costs

In FY2026, the District expects to incur about \$1,025,600 in expenses to operate and maintain the sewer system. Major operating expenses consist of salaries & employee benefits as well as professional services, chemicals, and miscellaneous expenses such as insurance, equipment rentals, and supplies. Most operating expenses are projected to increase by 3.0% annually. In FY2027, the District plans to hire an operator in training to assist with wastewater treatment operations. Utilities are expected to decrease in FY2026 due to the floating solar panel project that was installed at the plant and completed this year. Utilities and chemicals costs are expected to increase proportional to the increase in flows from new customers connecting to the system.

Table 5: Operating Expense Projection

Operation Expenses	Estimated 2024/25	PROJECTED (1)				
		FY2026	FY2027	FY2028	FY2029	FY2030
Salaries & Benefits (2)	\$368,300	\$379,300	\$450,700	\$464,200	\$478,100	\$492,400
Utilities (3)	\$56,100	\$34,800	\$39,200	\$40,400	\$41,600	\$42,800
Professional Services (4)	\$234,100	\$241,100	\$248,300	\$255,700	\$263,400	\$271,300
Testing (Brelje & Race)	\$23,300	\$24,000	\$24,700	\$25,400	\$26,200	\$27,000
Chemicals (5)	\$84,100	\$86,600	\$97,500	\$100,400	\$103,400	\$106,500
Other Miscellaneous	\$252,200	\$259,800	\$267,600	\$275,600	\$283,900	\$292,400
Total Operational Expenses	\$1,018,100	\$1,025,600	\$1,128,000	\$1,161,700	\$1,196,600	\$1,232,400
Annual Percent Change		1%	10%	3%	3%	3%

1 - Escalation Factor each year of 3% unless otherwise noted

2 - New Employee projected at \$60,000/yr in FY2027

3 - Utilities set to decrease due to Solar at Treatment Plant, will receive 4.3% increase due to new ESDs added in FY2026

4 - Legal, Accounting, Contract, and Consulting Services

5 - Chemicals receive 4.3% increase due to ESDs added in FY2026

3.2.2 Capital Projects

The District's engineer, West Yost, determined capital improvement needs over the next five years consisting of maintenance in addition to larger projects, see Table 6 and Figure 3. West Yost identified \$250,000 in annual maintenance costs consisting of \$100,000 in sewer line repairs and \$150,000 in wastewater treatment plant maintenance. Over the next five years, maintenance costs total \$1.25M and will be funded via rate revenue.

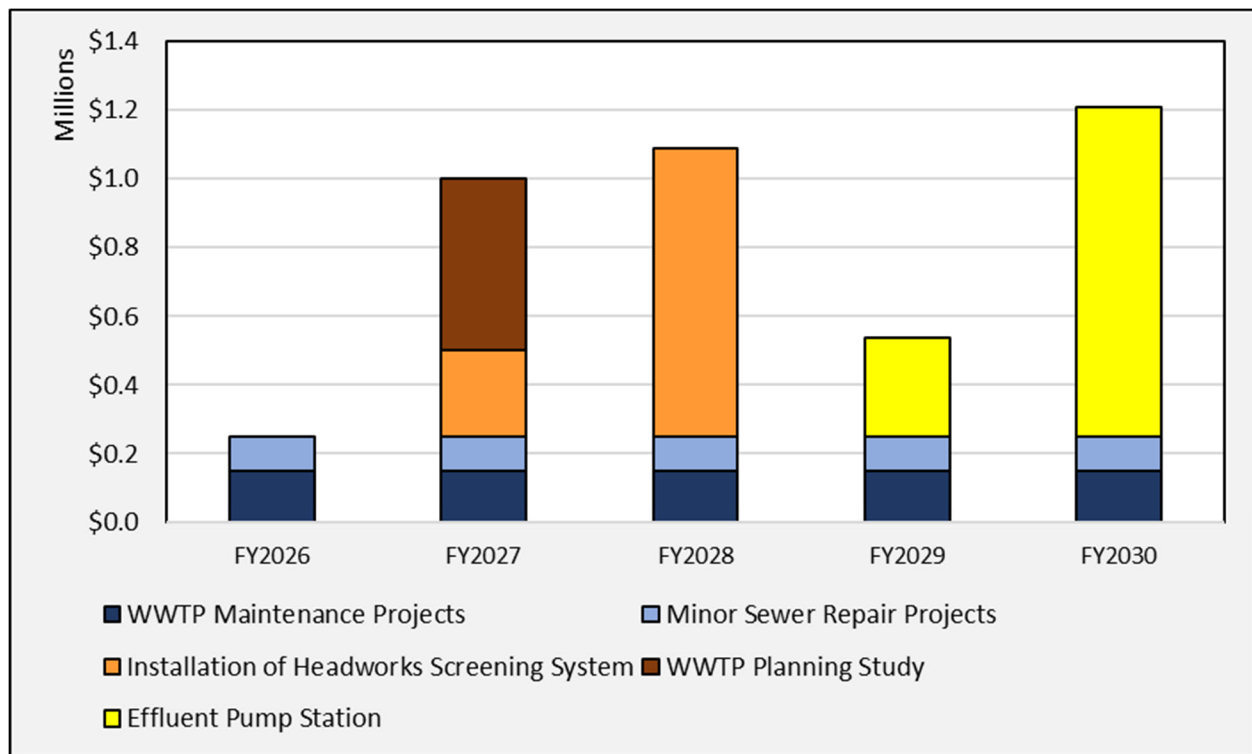
Major capital projects consist of a wastewater planning study, installation of a headworks screening system, and improvements to the effluent pump station. These projects are estimated to cost a total of \$2.84 million and are projected to be debt-funded to mitigate impacts on the ratepayers. This rate study assumes the projects will be funded via two State Revolving Fund (SRF) loans with 30-year terms at 3% interest. The first loan is projected to be issued in FY2027 to fund the planning study and the headworks. The second loan is projected to be issued in FY2029 to fund the effluent pump station.

Table 6: Capital Improvement Projection

Capital Improvements	FY2026	FY2027	FY2028	FY2029	FY2030	5-Year Total
WWTP Maintenance Projects	\$150,000	\$150,000	\$150,000	\$150,000	\$150,000	\$750,000
Minor Sewer Repair Projects	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$500,000
Subtotal Maintenance Projects Only	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000	\$1,250,000
Headworks Screening System	\$0	\$252,000	\$840,000	\$0	\$0	\$1,092,000
Effluent Pump Station	\$0	\$0	\$0	\$288,000	\$960,000	\$1,248,000
WWTP Planning Study	\$0	\$500,000	\$0	\$0	\$0	\$500,000
Subtotal Major Projects	\$0	\$752,000	\$840,000	\$288,000	\$960,000	\$2,840,000
Total All Projects	\$250,000	\$1,002,000	\$1,090,000	\$538,000	\$1,210,000	\$4,090,000

WWTP - Wastewater Treatment Plant

Figure 3: 5-Year Capital Project Costs



3.2.3 Debt Service Costs

GCSD currently has two loans with total annual debt service costs of approximately \$282,600. The Municipal Finance Loan (\$206,900) will be paid off in FY2033, and the US Bank Solar Loan (\$75,700) will be paid off in FY2029. As described above, to fund the necessary capital improvements, it is recommended that GCSD seek out State Revolving Loans. The projected annual cost of new debt would be approximately \$80,900 starting in FY2027 and increase to \$144,200 in FY2030.

Most forms of public agency debt require that the issuer maintain a coverage ratio of 1.2 times or greater. This is calculated as net revenues (not including grant funding) divided by the annual debt service cost. Following the first rate increase, it is projected that the District will have ample debt coverage. Debt coverage is one factor that lenders take into consideration when determining the credit rating of issuers. By maintaining a strong coverage ratio, the District should have a streamlined debt issuance process in the future.

3.2.4 Reserves

Accumulation of appropriate reserves is one component of the cost of service recovered from customers via rates. The District's policies are outlined below in Table 7 as well as recommendations based on best industry practices. For the Operations Reserve, current policy mandates adding \$50,000 each year until the reserve equals the prior year's budgeted operating expenses. The proposed recommendation aims to hold enough funds to cover nine months of operating expenses plus one full year of debt service. Should there be revenue shortfalls or delays in disbursements from the County, typically in April and December, the District will have funds on hand to pay operating and debt service costs. It should be noted that SRF loan proceeds are typically provided to public agencies as reimbursements as construction occurs. It is prudent for Graton CSD to have cash reserves available to fund contractor payments while waiting for reimbursement from the State.

The current Operation Reserve is well below both the District's current target and the proposed target. Over the next five years, it is proposed that the District will accumulate rate revenues to eventually meet the Operation Reserve target by FY2030.

The current Construction Reserve policy currently caps contributions to \$25,000 annually, up to a \$100,000 maximum. This reserve target is reasonable. While the existing balance exceeds this cap, it is proposed that these funds be spent down on upcoming maintenance projects.

Table 7: Reserve Targets

Reserve	Adopted Policy	Recommendation
Operations Reserve	+\$50,000 annually, the maximum amount will be equal to the prior year's budgeted operating expenses. Current balance: \$157,700	9 months of operating expenses + 1 year of debt service expense Proposed FY2030: \$1,276,000
Construction Reserve	+\$25,000 annually, the maximum amount will be \$100,000. Current balance: \$691,200	Keep the same as adopted; or equal to the cost of an emergency repair Proposed FY2030: \$100,000
Total Balance	\$887,900 (June 30, 2025 estimate)	Proposed FY2030: \$1,376,000

3.3 Cash Flow

Table 8 provides the operations cash flow projection showing revenues and expenses for the five-year rate study period spanning from FY2026 to FY2030. Table 9 provides the construction cash flow. Rate revenues are transferred from the operations fund to the construction fund as needed to fund debt service and/or capital projects. Figure 4 provides a summary of the combined operations and construction cash flow. Table 10 provides estimated debt service coverage and Table 11 provides the projected reserve balance over the next five years.

Table 8: Operations Cash Flow Projection

	Estimated 6/30/2025	PROJECTED				
		FY2026	FY2027	FY2028	FY2029	FY2030
Rate Increase Effective Date		July 1, 2025	July 1, 2026	July 1, 2027	July 1, 2028	July 1, 2029
Beginning Operation Fund Balance (as of 2/28/25)	\$157,645	\$203,600	\$306,000	\$524,500	\$805,300	\$1,195,000
Operations Revenue						
Property Taxes (Rate Revenue)	1,029,500	1,338,800	1,543,600	1,702,600	1,826,900	1,923,700
Interest Revenue	8,700	10,200	12,100	20,300	33,100	52,200
Direct Billed Customers	50,500	60,600	69,700	76,700	82,100	86,200
State Other Funding	387,300	0	0	0	0	0
<u>Other Miscellaneous</u>	<u>36,200</u>	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>
Subtotal Operations Revenue	1,512,200	1,410,600	1,629,600	1,806,500	1,950,300	2,070,700
Operation Expenses						
Salaries & Employee Benefits	368,300	379,300	450,700	464,200	478,100	492,400
Utilities	56,100	34,800	39,300	40,500	41,700	43,000
Professional Services	234,100	241,100	248,300	255,700	263,400	271,300
Testing (Brelje & Race)	23,300	24,000	24,700	25,400	26,200	27,000
Chemicals	84,100	86,600	97,900	100,800	103,800	106,900
<u>Other Miscellaneous</u>	<u>252,200</u>	<u>259,800</u>	<u>267,600</u>	<u>275,600</u>	<u>283,900</u>	<u>292,400</u>
Subtotal Operational Expenses	1,018,100	1,025,600	1,128,500	1,162,200	1,197,100	1,233,000
Net Operating Revenues	494,100	385,000	501,100	644,300	753,200	837,700
Transfers Out (To Construction)	274,800	282,600	282,600	363,500	363,500	500,000
Ending Operations Fund Balance	\$203,600	\$306,000	\$524,500	\$805,300	\$1,195,000	\$1,532,700
Operations Reserve Fund Target (1)	1,046,200	1,051,800	1,129,000	1,235,200	1,261,300	1,275,900
Target Met?	No	No	No	No	No	Yes

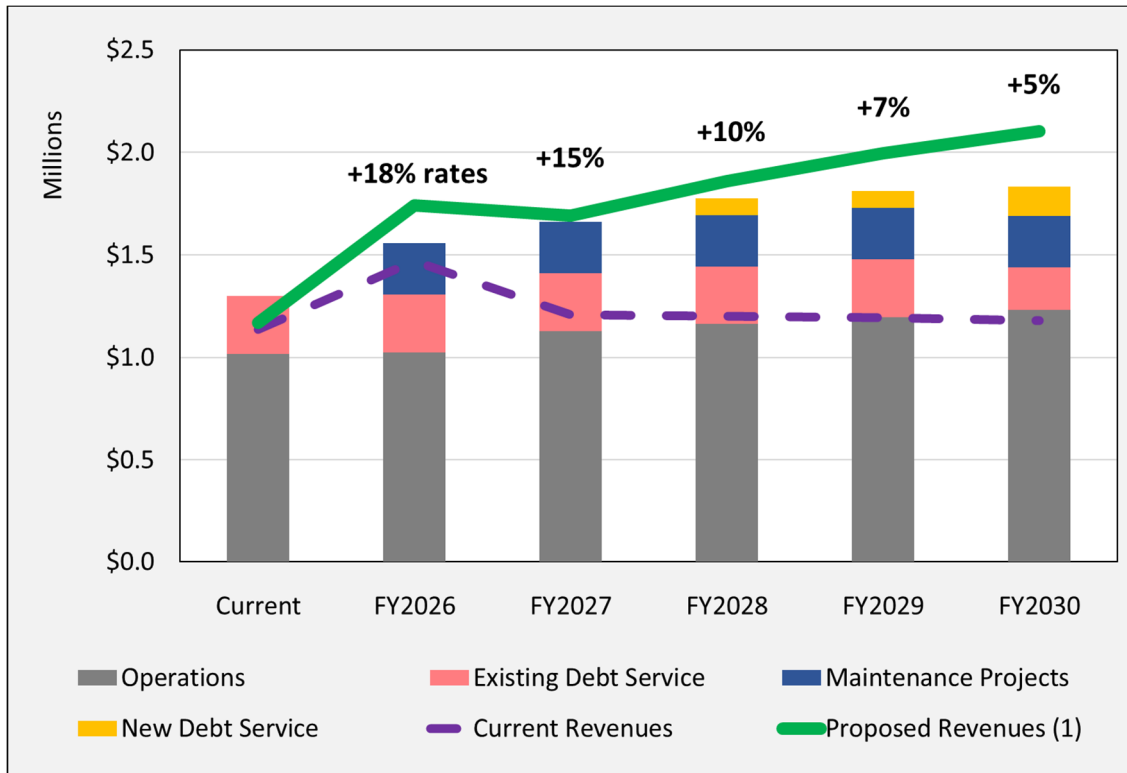
1 - Proposed: 9 Months O/M + Debt Service

Table 9: Construction Cash Flow Projection

	Estimated 6/30/2025	PROJECTED				
		FY2026	FY2027	FY2028	FY2029	FY2030
Beginning Construction Fund Balance (as of 2/28/25)	\$691,200	\$684,300	\$766,600	\$579,900	\$383,900	\$178,100
Construction Revenue						
Connection Fees	24,800	298,100	25,000	25,000	25,000	25,000
Transfers In (From Operations)	274,800	282,600	282,600	363,500	363,500	500,000
<u>Interest Revenue</u>	<u>21,100</u>	<u>34,200</u>	<u>38,300</u>	<u>29,000</u>	<u>19,200</u>	<u>8,900</u>
Subtotal Construction Revenue	320,700	614,900	345,900	417,500	407,700	533,900
Rate Funded Capital Projects	0	250,000	250,000	250,000	250,000	250,000
Debt Service						
Municipal Finance Corporation	206,900	206,900	206,900	206,900	206,900	206,900
GCSD US Bank Solar Loan	75,700	75,700	75,700	75,700	75,700	0
<u>New Debt (SRF)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>80,900</u>	<u>80,900</u>	<u>144,200</u>
Subtotal Debt Service	282,600	282,600	282,600	363,500	363,500	351,100
Ending Construction Fund Balance	684,300	766,600	579,900	383,900	178,100	110,900
Construction Reserve Fund Target	100,000	100,000	100,000	100,000	100,000	100,000
Target Met?	Yes	Yes	Yes	Yes	Yes	Yes

SRF – State Revolving Fund

Figure 4: Combined Operations and Construction Cash Flow



1 – Total revenues including rates, connection fees, interest earnings and revenues from new customers; not every customer will receive exactly the % increases shown due to proposed rate design changes. Current revenues shown in the chart include connection fees from the new 33 unit mobile home park.

Table 10: Debt Service Coverage Projection

	Estimated 06/30/25	FY2026	FY2027	FY2028	FY2029	FY2030
Revenue						
Operations (1)	\$1,124,900	\$1,410,600	\$1,629,600	\$1,806,500	\$1,950,300	\$2,070,700
Construction	<u>\$45,900</u>	<u>\$332,300</u>	<u>\$63,300</u>	<u>\$54,000</u>	<u>\$44,200</u>	<u>\$33,900</u>
Total Revenue	\$1,170,800	\$1,742,900	\$1,692,900	\$1,860,500	\$1,994,500	\$2,104,600
Operations Expense	\$1,018,100	\$1,025,600	\$1,128,500	\$1,162,200	\$1,197,100	\$1,233,000
Net Revenue	\$152,700	\$717,300	\$564,400	\$698,300	\$797,400	\$871,600
Debt Service	\$282,600	\$282,600	\$282,600	\$363,500	\$363,500	\$351,100
Debt Service Coverage (1)	0.54	2.54	2.00	1.92	2.19	2.48

1 - For this calculation, Net Revenue doesn't include State Funding and Transfers In/Out; the typical minimum required is 1.2X

Table 11: Projected Reserve Balance

	Estimated 06/30/25	FY2026	FY2027	FY2028	FY2029	FY2030
Projected Balance						
Operations Ending Balance	\$203,600	\$306,000	\$524,500	\$805,300	\$1,195,000	\$1,532,700
<u>Construction Ending Balance</u>	<u>\$684,300</u>	<u>\$766,600</u>	<u>\$579,900</u>	<u>\$383,900</u>	<u>\$178,100</u>	<u>\$110,900</u>
Total Ending Balance	\$887,900	\$1,072,600	\$1,104,400	\$1,189,200	\$1,373,100	\$1,643,600
Proposed Target Balance						
Operations Ending Balance	\$1,046,200	\$1,051,800	\$1,129,000	\$1,235,200	\$1,261,300	\$1,275,900
<u>Construction Ending Balance</u>	<u>\$100,000</u>	<u>\$100,000</u>	<u>\$100,000</u>	<u>\$100,000</u>	<u>\$100,000</u>	<u>\$100,000</u>
Total Ending Balance	\$1,146,200	\$1,151,800	\$1,229,000	\$1,335,200	\$1,361,300	\$1,375,900

SECTION 4: COST ALLOCATION

The prior section determined the total cost of providing service to customers. In this section, the cost of service is allocated to rates to fairly recover costs based on how customers use the system, and in any event, not to exceed the proportional cost of the sewer service attributable to each parcel.

4.1 Methodology

The cost of sewer service of each parcel is proportional to the wastewater flow and pollutant loading of the parcel. Wastewater flow is expressed in gallons per day (gpd) and pollutant loading is expressed in terms of milligrams per liter (mg/L) of biochemical oxygen demand (BOD) and total suspended solids (TSS). These parameters reflect the amount of sewage Graton CSD must collect and convey as well as the composition of pollution the District must treat and dispose of.

For cost allocation and rate design purposes, each customer is assigned a number of equivalent dwelling units. One equivalent single family dwelling unit (ESD) represents the flow and pollutant loading of an average single family residential customer. Each accessory dwelling unit is estimated to have about 80% of the wastewater flow of a single-family dwelling and the same concentration of BOD and TSS. Thus, each accessory dwelling unit is proposed to be allocated 0.8 ESDs per billing unit. The assignment of ESDs to each customer represents the relative cost to serve that customer.

4.2 Cost Allocation

The proposed allocation to flow, BOD, and TSS are shown in Table 12 based on the net book value of the District's sewer infrastructure. Costs are allocated 50.7% to flow, 24.7% to BOD, and 24.7% to TSS. Total estimated flow of each customer is scaled to the estimated 150 gallons per day of wastewater generated by a single-family home. Similarly, the BOD and TSS concentrations of each customer are scaled to the estimated single family residential concentrations of 250 mg/L for BOD and 300 mg/L for TSS. Many customer classes, including multifamily dwelling units, markets, schools, and some commercial buildings, are estimated to have the same concentration of BOD and TSS as single-family dwellings but different average daily flows. Based on the proposed cost allocation, the total projected number of ESDs for FY2026 is 719.28, see Table 13.

Table 12: Allocation to Flow, BOD, and TSS

Asset Category	Book Value of Assets (1)	Flow	BOD	TSS
Treatment & Land	\$8,146,845	50.00%	25.00%	25.00%
Subsurface Lines	\$110,749	100.00%	0.00%	0.00%
	\$8,257,594	\$4,184,171	\$2,036,711	\$2,036,711
% Allocation		50.67%	24.66%	24.66%

1 - As reported in the June 30, 2024 Depreciation Schedule

Table 13: Proposed Cost Allocation

$$ESD \text{ per Billable Unit} = \frac{Flow_{gpd}}{150 \text{ gpd}} \times (50.67\% + [24.66\% \times \frac{BOD \text{ mg/l}}{250 \text{ mg/l}}] + [24.66\% \times \frac{TSS}{300 \text{ mg/l}}])$$

Customer Class	Billable Units	Count	Flow per BU 50.7% gpd	BOD 24.7% mg/L	TSS 24.7% mg/L	ESDs per Billable Unit	# of Allocated ESDs
Residential							
Single Family Dwelling (1)	per dwelling unit	439.25	150	250	300	1.0	439.25
Accessory Dwelling	per dwelling unit	51	120	250	300	0.8	40.80
Duplex	Per duplex	5	240	250	300	1.6	8.00
Manufactured Homes & Mobile Homes (2)	per dwelling unit	90	120	250	300	0.8	72.00
Non-residential (3)							
	(4)						
Light Industrial	per 1,000 ft ²	28	50	250	300	0.3	8.40
Market	per 1,000 ft ²	7	385	250	300	2.6	18.20
Packing Plant	per 1,000 ft ²	12	100	800	500	1.1	13.20
Religious Buildings	per 1,000 ft ²	13	50	250	300	0.3	3.90
Restaurant	per 1,000 ft ²	8	150	800	500	1.7	13.60
Schools	per 30 students	3	200	250	300	1.3	4.33
Small Commercial	per 1,000 ft ²	44	50	250	300	0.3	13.20
Wine Tasting	per 1,000 ft ²	22	150	250	300	1.0	22.00
Winery	per 1,000 ft ²	208	50	250	300	0.3	<u>62.40</u>
Total							719.28

DU – dwelling unit; BOD - biochemical oxygen demand; TSS - total suspended solids

1 - Single Family Dwelling flow, BOD, TSS is taken from the *Occidental to Graton Wastewater Pipeline Feasibility Study* dated January 10, 2022

2 - Includes 33 new mobile homes projected to connect in FY2026

3 - Commercial Flow, BOD, TSS estimated based on industry standard generation factors

4 - Building square feet provided by the District; if not available, approximate measurements were made

SECTION 5: RATE DESIGN

5.1 Rate Calculation

As shown in Table 13, the proposed cost allocation results in a total of 719.28 ESDs. The proposed FY2026 revenue requirement of \$1,338,800 divided by 719.28 proposed ESDs results in a rate of \$1,861 per ESD annually, see Table 14. This equates to an 18% increase over the current rate of \$1,574.36. The proposed rate per ESD in the four remaining years of the rate plan is calculated in the same manner by dividing the annual revenue requirement (from Table 8) by the number of ESDs to generate the annual rate per ESD. To be conservative, it is projected that two new customers will connect to the system over the next five years (in addition to 33 mobile homes in FY2026). For ease of billing, the proposed rates are rounded to the nearest dollar.

Table 14: Proposed Rate per Equivalent Single Family Dwelling

	Current	FY2026	FY2027	FY2028	FY2029	FY2030
Rate Revenue Requirement	\$1,029,040	\$1,338,800	\$1,543,600	\$1,702,600	\$1,826,900	\$1,923,700
ESDs	653.62	719.28	721.28	723.28	725.28	727.28
Yearly Rate (\$/ESD)	\$1,574.36	\$1,861	\$2,140	\$2,354	\$2,519	\$2,645
% Rate Increase		18%	15%	10%	7%	5%

5.2 Proposed Rates and Bill Impacts

To calculate the proposed rates, the yearly rate per ESD (Table 14) is multiplied by the ESDs per billable unit (Table 13) for each customer class. Table 15 lists the resulting full cost rates for FY2026 and the estimated annual rate revenues based on the number of customers in the District.

Table 15: Proposed Fiscal Year 2026 Rates and Revenue

Customer Class	Proposed					
	Billing Unit	Count of Billing Units	ESDs per billing unit	Rate per Billing Unit (1)	Annual Revenue	% of Total
Residential						
Single Family Dwelling	per dwelling unit	439.25	1.00	\$1,861	\$817,400	61%
Accessory Dwelling	per dwelling unit	51.00	0.80	\$1,489	\$75,900	6%
Duplex	per duplex	5.00	1.80	\$2,978	\$14,900	1%
Manufactured Homes & Mobile Homes	per dwelling unit	90.00	0.80	\$1,489	\$134,000	10%
Non-residential						
Light Industrial	per 1,000 ft ²	28.00	0.30	\$558	\$15,600	1%
Market	per 1,000 ft ²	7.00	2.60	\$4,839	\$33,900	3%
Packing Plant	per 1,000 ft ²	12.00	1.10	\$2,047	\$24,600	2%
Religious Buildings	per 1,000 ft ²	13.00	0.30	\$558	\$7,300	1%
Restaurant	per 1,000 ft ²	8.00	1.70	\$3,164	\$25,300	2%
Schools	per 30 students	3.33	1.30	\$2,419	\$8,100	1%
Small Commercial	per 1,000 ft ²	44.00	0.30	\$558	\$24,600	2%
Wine Tasting	per 1,000 ft ²	22.00	1.00	\$1,861	\$40,900	3%
Winery	per 1,000 ft ²	208.00	0.30	\$558	<u>\$116,100</u>	<u>9%</u>
Total					\$1,338,600	100%

1 – ESD per billing unit X rate of \$1,861 per ESD

Table 16 shows full cost rates through FY2030. Due to rate design changes, there are a range of rate impacts in the first year. In subsequent years, the rate increase for each customer will correspond with the percentage increases shown in Table 14. A comparison of current and proposed residential rates is provided in Table 17.

Table 16: Current Rates vs Proposed Rates

Customer Class	Billing Units (BU)	Current	Proposed Rate per Billing Unit				
			July 1, 2025	July 1, 2026	July 1, 2027	July 1, 2028	July 1, 2029
		Rate Increase	Varies	15.0%	10.0%	7.0%	5.0%
Residential			<u>Per BU</u>	<u>Per BU</u>	<u>Per BU</u>	<u>Per BU</u>	<u>Per BU</u>
Single Family Dwelling	per dwelling unit	\$1,574.36	\$1,861	\$2,140	\$2,354	\$2,519	\$2,645
Accessory Dwelling	per dwelling unit	\$1,259.49	\$1,489	\$1,712	\$1,883	\$2,015	\$2,116
Duplex	per duplex	\$2,518.98	\$2,978	\$3,424	\$3,766	\$4,030	\$4,232
Manufactured Home	per dwelling unit	\$798.38	\$1,489	\$1,712	\$1,883	\$2,015	\$2,116
Mobile Home	per dwelling unit	NA	\$1,489	\$1,712	\$1,883	\$2,015	\$2,116
Non-residential							
Light Industrial	per 1,000 ft ²		\$558	\$642	\$706	\$756	\$794
Market	per 1,000 ft ²		\$4,839	\$5,564	\$6,120	\$6,549	\$6,877
Packing Plant	per 1,000 ft ²		\$2,047	\$2,354	\$2,589	\$2,771	\$2,910
Religious Buildings	per 1,000 ft ²		\$558	\$642	\$706	\$756	\$794
Restaurant	per 1,000 ft ²		\$3,164	\$3,638	\$4,002	\$4,282	\$4,497
Schools	per 30 students		\$2,419	\$2,782	\$3,060	\$3,275	\$3,439
Small Commercial	per 1,000 ft ²		\$558	\$642	\$706	\$756	\$794
Wine Tasting	per 1,000 ft ²		\$1,861	\$2,140	\$2,354	\$2,519	\$2,645
Winery	per 1,000 ft ²		\$558	\$642	\$706	\$756	\$794

Table 17: Current and Proposed Residential Rate Comparison

Effective Date	Current	FY2026	FY2027	FY2028	FY2029	FY2030
	July 1, 2013	July 1, 2025	July 1, 2026	July 1, 2027	July 1, 2028	July 1, 2029
Single Family Rate	\$1,574.36	\$1,861	\$2,140	\$2,354	\$2,519	\$2,645
% increase		18%	15%	10%	7%	5%
Accessory Dwelling Unit	\$1,259.49	\$1,489	\$1,712	\$1,883	\$2,015	\$2,116
% increase		18%	15%	10%	7%	5%
Duplex	\$2,518.98	\$2,978	\$3,424	\$3,766	\$4,030	\$4,232
% increase		18%	15%	10%	7%	5%
Manufactured Home	\$798.38	\$1,489	\$1,712	\$1,883	\$2,015	\$2,116
% increase		87%	15%	10%	7%	5%