

CITY OF SANTA ROSA
BOARD OF PUBLIC UTILITIES

TO: BOARD OF PUBLIC UTILITIES
FROM: KIMBERLY ZUNINO, DEPUTY DIRECTOR ADMINISTRATION,
SANTA ROSA WATER

SUBJECT: SONOMA WATER 2022/23 WATER TRANSMISSION BUDGET
AND RATE INCREASE

AGENDA ACTION: MOTION

RECOMMENDATION

It is recommended by Santa Rosa Water that the Board of Public Utilities consider Sonoma Water's budget and proposed water rate increase and, by motion, make a recommendation to the City Council regarding Council's direction to its Water Advisory Committee (WAC) representative for the WAC vote on April 4, 2022.

EXECUTIVE SUMMARY

Santa Rosa Water purchases approximately 90% of the water supplied to our customers from Sonoma Water. Sonoma Water is proposing to raise the wholesale rate of water by 6.06% from \$1,000.46 to \$1,061.04 per acre foot.

The Board of Public Utilities may make a recommendation to the City Council, which will in turn advise their representative to the Water Advisory Committee (WAC) prior to a WAC vote. The WAC is an advisory board. Ultimately, the Sonoma Water Board of Director's will have final authority to approve the proposed rate increase.

BACKGROUND

The Water Advisory Committee (WAC) is made up of elected officials of each of the prime contractors to the Sonoma Water wholesale water. The WAC is an advisory committee to the Sonoma Water Board of Directors. The City's WAC Representative is Council Member Natalie Rogers. On April 4, 2022, the WAC is scheduled to vote on whether or not to recommend the Sonoma Water FY2022/23 budget and proposed rate increase for approval of the Sonoma Water Board of Directors.

The Technical Advisory Committee (TAC) is made up of technical staff of each of the prime contractors to Sonoma Water's wholesale water. The TAC provides technical analysis and recommendations to the WAC.

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The BPU recommendation to the City Council regarding Council's direction to its WAC member on the Sonoma Water FY2022/23 budget and proposed water rate increase is scheduled to be considered by the City Council at its meeting on March 29, 2022.

ANALYSIS

Sonoma Water staff presented the proposed 2022/23 Water Transmission System budget to the TAC budget subcommittee over a series of meetings in February. Working with the TAC budget subcommittee, Sonoma Water staff made adjustments to the budget resulting in the proposed rate increase. On March 7, 2022, the TAC voted to recommend approval of the Sonoma Water FY2022/23 budget and proposed rate increase. Sonoma Water proposes to increase rates for wholesale water on the Santa Rosa Aqueduct by 6.06% from \$1,000.46 to \$1,061.04 per acre foot. Significant factors driving the 2022/23 Sonoma Water budget and rate increase are as follows:

1. Per the Restructured Agreement, estimated water deliveries for 2022/23 are 45,748 acre feet – the lower of the previous 12 months or the average of the past three years.
2. Sonoma Water's revenue is 100% volumetric and therefore the decreased flows due to the drought require an increase in the cost per acre foot to maintain sufficient revenues to cover operations.
3. The majority of the increase is due to the need to complete deferred projects in the system. Over several years capital and maintenance projects have been deferred to reduce the rate to contractors. Many of the projects are now in a critical phase and cannot be delayed any longer.
4. The Santa Rosa Aqueduct Capital Charge, which is a discretionary charge will be reduced from \$20.00 to \$11.00 per acre foot to decrease the rate increase for Santa Rosa Water. This funding is set to accumulate for capital projects specific to the Santa Rosa Aqueduct. Santa Rosa and Windsor pay into the Santa Rosa Aqueduct Capital Charge.
5. Previously, Santa Rosa Water would pass through the cost of wholesale water to customers after the wholesale rate was approved by the Sonoma Water Board of Directors each year. Last year, with the approval of the 2021-2024 rate schedule, the wholesale pass through was removed and instead the rate model included a 6% wholesale rate increase each year. Therefore, there is no impact to Santa Rosa Water customer bills with the proposed Sonoma Water rate increase.

FISCAL IMPACT

The proposed wholesale water rate increase is \$60.58 per acre foot or 6.06% at Sonoma Water's estimated delivery of 45,748 acre-feet. Santa Rosa's estimated water use for next year of 14,400 acre-feet, a reduction from typical due to drought, would result in a total charge of \$15.2 million - an increase of \$800,000 over the FY2021/22 budget of \$14.4 million. The increased cost will be recovered by retail water usage and

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fixed charges to SRW customers. The current rate structure was developed to cover this rate increase and revenue from customers will be sufficient to cover the purchase of water from Sonoma Water.

ENVIRONMENTAL IMPACT

This action is exempt from the California Environmental Quality Act (CEQA) because it is not an action which has a potential for resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment and is not a project pursuant to CEQA Guidelines Section 15378.

BOARD/COMMISSION/COMMITTEE REVIEW AND RECOMMENDATIONS

The Technical Advisory Committee to the Water Advisory Committee voted to recommend approval of the Sonoma Water FY2022/23 budget and proposed rate increase at their meeting on March 7, 2022.

The Water Advisory Committee is scheduled to vote on whether or not to recommend the Sonoma Water FY2022/23 budget and proposed rate increase for approval to the Sonoma Water Board of Directors on April 4, 2022.

ATTACHMENTS

- Attachment 1 – Sonoma Water Transmission FY 2022/23 Draft Budget and Rates

CONTACT

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