

CITY OF SANTA ROSA
CITY COUNCIL

TO: MAYOR AND CITY COUNCIL
FROM: JENNIFER BURKE, DIRECTOR - SANTA ROSA WATER
SUBJECT: SONOMA COUNTY WATER AGENCY 2024/25 WATER
TRANSMISSION BUDGET AND RATE INCREASE

AGENDA ACTION: MOTION

RECOMMENDATION

It is recommended by the Water Department and the Board of Public Utilities that the Council consider Sonoma Water's proposed 2024/25 Water Transmission Budget and proposed rate increase and, by motion, make a recommendation to its Water Advisory Committee (WAC) representative for the April 8, 2024 WAC vote on the proposed 2024/25 Water Transmission Budget and rate increase.

EXECUTIVE SUMMARY

The City of Santa Rosa (City) purchases approximately 90% of its potable water supply from Sonoma Water the region's water wholesaler. Sonoma Water's proposed water transmission budget includes a 9.88% increase in the wholesale rate of water, from \$1,173.09 to \$1,289.02 per acre foot.

The Board of Public Utilities will review Sonoma Water's proposed budget and rate increase on March 21, 2024 and make a recommendation to City Council. The City Council may advise its representative to the Water Advisory Committee (WAC) prior to a WAC vote. The WAC is an advisory board to Sonoma Water. Ultimately the Sonoma Water Board of Directors will have final authority to approve the proposed budget and rate increase.

BACKGROUND

The Water Advisory Committee (WAC) is comprised of an elected official (and an alternate) from eight prime contractors that purchase water from Sonoma Water, plus a non-voting representative from Marin Water. The WAC is an advisory committee to the Sonoma Water's Board of Directors. The City's WAC Representative is Mayor Natalie Rogers.

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The Technical Advisory Committee (TAC) consists of staff from each of the eight prime contractors that purchase water from Sonoma Water, plus a non-voting representative from Marin Water. The City's TAC representative is the Santa Rosa Water Director. The TAC provides technical analysis and recommendations to the WAC.

PRIOR CITY COUNCIL REVIEW

Each year the City Council reviews Sonoma Water's budget and proposed rate increase and makes a recommendation to the WAC representative.

ANALYSIS

Sonoma Water staff presented the proposed 2024/25 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 adjusted the budget resulting in the proposed rate increase. The TAC Budget Subcommittee voted unanimously to recommend TAC approval on February 28, 2024, and the TAC recommended approval of the proposed Sonoma Water 2024/25 water transmission budget and rate increase on March 4, 2024. Sonoma Water proposes to increase rates for wholesale water on the Santa Rosa Aqueduct by 9.88% from \$1,172.89 to \$1288.77 per acre foot. Significant factors driving the 2024/25 Water Agency budget and rate increase are as follows:

1. Per the Restructured Agreement, estimated water deliveries for 2024/25 are 42,826 acre feet – the lower of the previous 12 months or the average of the past three years of actual deliveries. Although actual deliveries for the past 12 months of 40,844 acre feet, the WAC approved the use of the 3 year average instead, as allowed by the Restructured Agreement.
2. Sonoma Water's revenue is 100% volumetric and therefore the decreased flows due to the drought requires an increase in the costs 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. Sonoma Water is preparing to implement many of the delayed projects.
4. The Santa Rosa Aqueduct Capital Charge, which is classified as a discretionary charge will remain flat this year at \$11.00 an acre foot. This funding is set to accumulate funding for capital projects specific to the Santa Rosa Aqueduct. Santa Rosa and Windsor pay into the Santa Rosa Aqueduct Capital Charge.

FISCAL IMPACT

The proposed wholesale water rate increase is \$115.93 per acre foot or 9.88%. Santa Rosa's estimated water use for 2024/25 is 15,272 acre feet, a slight increase from last year, resulting in a total charge of \$19.69 million, which is an increase of approximately

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\$1.9 million over the 2023/24 FY budget of \$17.8m. Santa Rosa Water's current rate structure was developed to cover a 6% rate increase from Sonoma Water. The increase from the anticipated wholesale rate increase will be covered by retail water usage and fixed charges to Santa Rosa Water customers. The additional costs above the 6% wholesale rate increase budgeted for next year will be offset by the reduction of other line items in Santa Rosa Water's 2024/25 budget.

ENVIRONMENTAL IMPACT

This action is exempt from the California Environmental Quality Act (CEQA) because it is not a project 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, pursuant to CEQA Guidelines Section 15378.

BOARD/COMMISSION/COMMITTEE REVIEW AND RECOMMENDATIONS

On March 4, 2024, the Technical Advisory Committee to the Water Advisory Committee voted to recommend the Sonoma Water budget and proposed rate increase for approval of the Water Advisory Committee.

The Water Advisory Committee is scheduled to vote on whether to recommend the Sonoma Water budget and proposed rate increase for approval to the Sonoma Water Board of Directors on April 8, 2024.

The Board of Public Utilities reviewed the Sonoma Water proposed budget and rate increase on March 21, 2024 and made a recommendation to City Council.

NOTIFICATION

Not applicable.

ATTACHMENTS

- Attachment 1 – Sonoma County Water Agency Water Transmission FY 2024/25 Draft Budget and Rates

PRESENTER

Nick Harvey, Acting Deputy Director, Water Administration