# 2024 Water and Wastewater Rate Study

## Santa Rosa Water – Public Hearing on Water, Recycled Water and Wastewater Rates

April 1, 2025

Jennifer Burke – Santa Rosa Water Director

HILDEBRAND CONSULTING

# Agenda

1) Project Objectives and General Rate Setting
2) Water and Wastewater Rate Recommendations
3) Value of Water Campaign
4) Prop 218 Procedures
5) Recommendation
6) Protest Hearing

# Rate Setting Objectives

- Legal compliance
- Financial sufficiency and sustainability
- Minimize rate increases
- Public understanding
- Affordability

# Rate Study Overview

**Revenue Requirements**

Compare the revenues of the water, wastewater, and regional utilities to their expenses in multi-year ***financial plans*** to determine the overall level of annual rate adjustments

**Cost-of-Service**

Proportionately allocate revenue requirements between the various customer classes based on service and demand requirements

**Rate Design**

Design water and wastewater rates to recover the revenue requirement from each customer class and meet other rate setting objectives

# Water and Wastewater Rate Study Recommendations

# Summary of Recommended Water/Wastewater Rate Adjustments

| | Baseline Water Rate Adjustments [2] | Wastewater Rates Adjustment | Change in a Typical Single Family Utility Bill [3] |
|---|---|---|---|
| July 2025 [1] | **6.0%** | **5.0%** | 6.5% |
| July 2026 | **6.0%** | **5.0%** | 5.4% |
| July 2027 | **6.0%** | **5.0%** | 5.4% |
| July 2028 | **7.0%** | **5.0%** | 5.8% |
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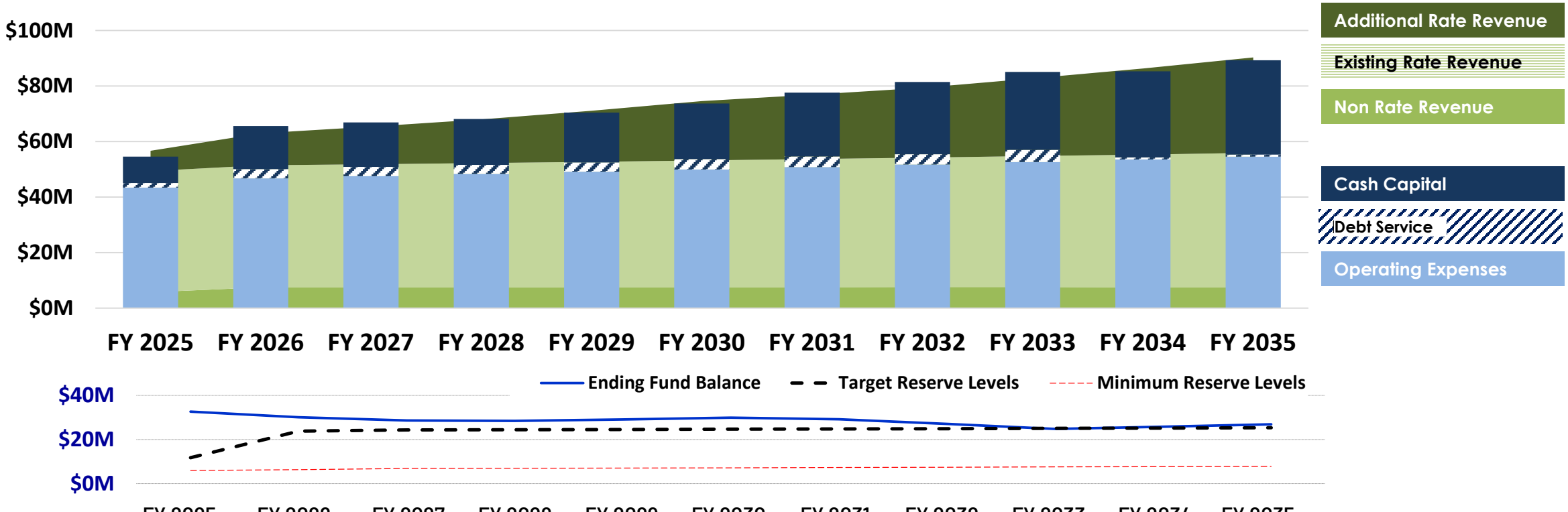
[1] While the overall rate revenue adjustment for FY 2025/26 are reflected in the table above, actual changes to individual customers' utility bills may vary in FY 2025/26 due to adjustments to the rate structure.

[2] The final adjustment to Water rates will be dictated by the pass-through of Sonoma Water wholesale water costs.

[3] Typical single family bill includes a 5/8" water meter, 7,000 gallons of monthly water use, and 4,500 gallons of wastewater.

# Water
# Financial Forecast & Proposed Rate Revenue Increases







| | | Proposed | | | | | Forecast | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Water Rate Revenue Increases:** | | **6.0%** | **6.0%** | **6.0%** | **7.0%** | **7.0%** | **4.0%** | **4.0%** | **4.0%** | **4.0%** | **4.0%** |
| **Debt Coverage Ratio:** | **7.95** | **4.86** | **5.35** | **5.91** | **6.62** | **6.56** | **6.87** | **7.40** | **6.82** | **46.76** | **50.85** |
| **Capital Appropriations:** | **$9.5M** | **$15.5M** | **$16.0M** | **$16.5M** | **$18.0M** | **$20.0M** | **$23.0M** | **$26.0M** | **$28.0M** | **$31.0M** | **$34.0M** |



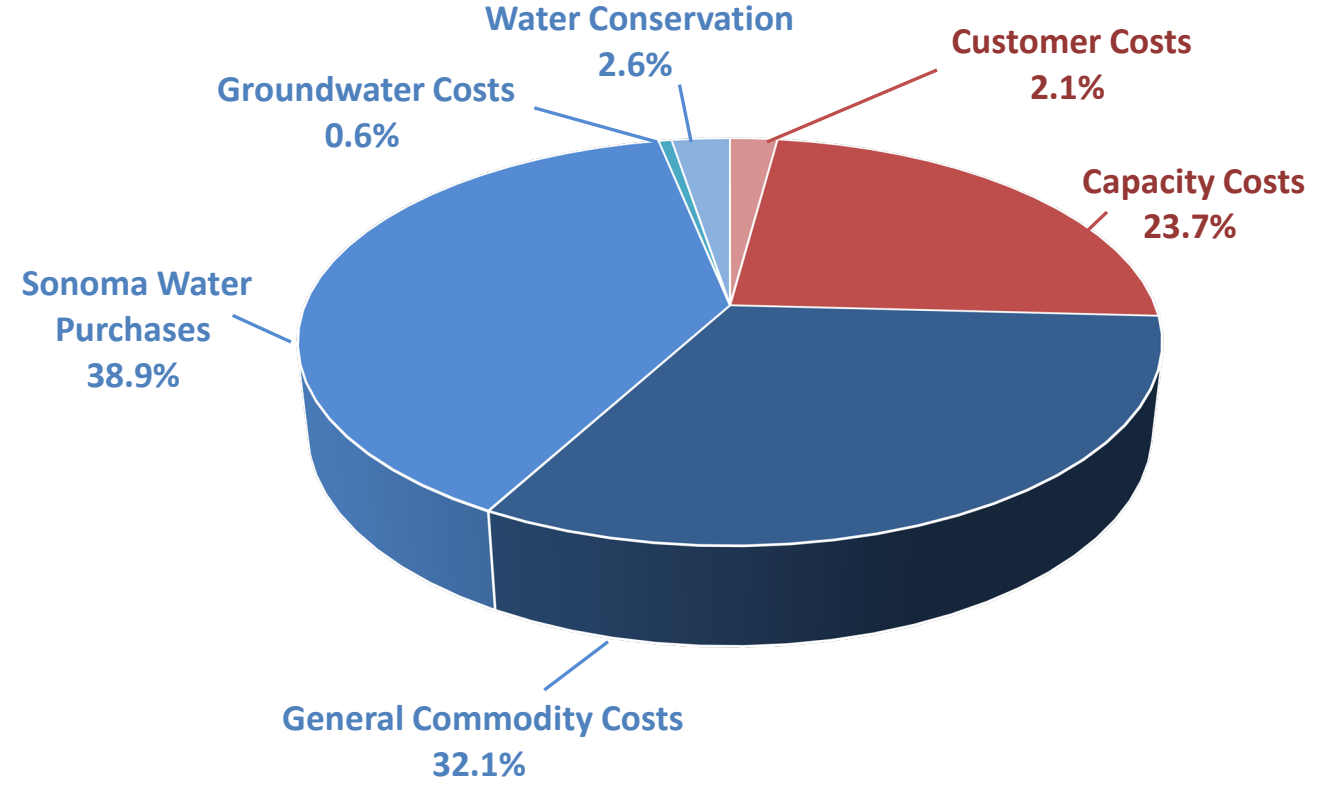
* Debt Coverage Ratio measures whether the Santa Rosa Water can afford its debt obligations. Minimum levels are 1.2 and target levels are 1.5.

# Water Cost Allocation Principles

- Customer costs
  - ✓ Assigned to each customer on an equal basis
- Capacity costs
  - ✓ Assigned to each customer based on meter size
- Commodity costs
  - ✓ Assigned to each customer based on usage
    - Tiered water usage rates based on differential water supply and water conservation costs

# Water
# Fixed vs Variable Revenue

**Usage Revenue**
(74.2%)




**Fixed Revenue**
(25.8%)

# Recommended FY 2025/26 Water Rate Schedule

| | | Current | July 2025 | Change $ | Change % |
|---|---|---|---|---|---|
| ***Water Usage Rates ($/TGAL)*** | | | | | |
| Single Family Residential & Duplex | | | | | |
| Tier 1 | Use up to Sewer Cap [1] | $6.61 | $7.21 | $0.60 | 9.1% |
| Tier 2 | Above Sewer Cap | $7.49 | $8.43 | $0.94 | 12.6% |
| Multi-Family, Commercial, Industrial, and Institutional | | | | | |
| | All water use | $6.98 | $7.66 | $0.68 | 9.7% |
| Irrigation (potable water) [2] | | | | | |
| Tier 1 | Use up to 125% of water budget | $6.72 | $7.33 | $0.61 | 9.1% |
| Tier 2 | Over 125% of water budget | $8.32 | $9.36 | $1.04 | 12.5% |
| Irrigation (recycled water) [2] | | | | | |
| Tier 1 | Use up to 125% of water budget | $6.38 | $6.96 | $0.58 | 9.1% |
| Tier 2 | Over 125% of water budget | $8.32 | $9.36 | $1.04 | 12.5% |
| ***Monthly Service Charges (Potable Water)*** | | | | | |
| | 5/8" & 3/4" meters | $15.55 | $15.38 | ($0.17) | -1.1% |
| | 1" meter | $34.90 | $35.78 | $0.88 | 2.5% |
| | 1 1/2" meter | $67.15 | $69.78 | $2.63 | 3.9% |
| | 2" meter | $105.87 | $110.58 | $4.71 | 4.4% |
| | 3" meter | $196.18 | $205.78 | $9.60 | 4.9% |
| | 4" meter | $325.22 | $341.78 | $16.56 | 5.1% |
| | 6" meter | $647.80 | $681.78 | $33.98 | 5.2% |
| ***Monthly Service Charges (Recycled Water)*** | | | | | |
| | 5/8" & 3/4" meters | $13.99 | $13.84 | ($0.15) | -1.1% |
| | 1" meter | $31.41 | $32.20 | $0.79 | 2.5% |
| | 1 1/2" meter | $60.43 | $62.80 | $2.37 | 3.9% |
| | 2" meter | $95.28 | $99.52 | $4.24 | 4.5% |
| | 3" meter | $176.57 | $185.20 | $8.63 | 4.9% |
| | 4" meter | $292.70 | $307.60 | $14.90 | 5.1% |
| | 6" meter | $583.02 | $613.60 | $30.58 | 5.2% |

**Notes:**

[1] The Sewer Cap is calculated for each customer based on the average billing period water use during November through March.

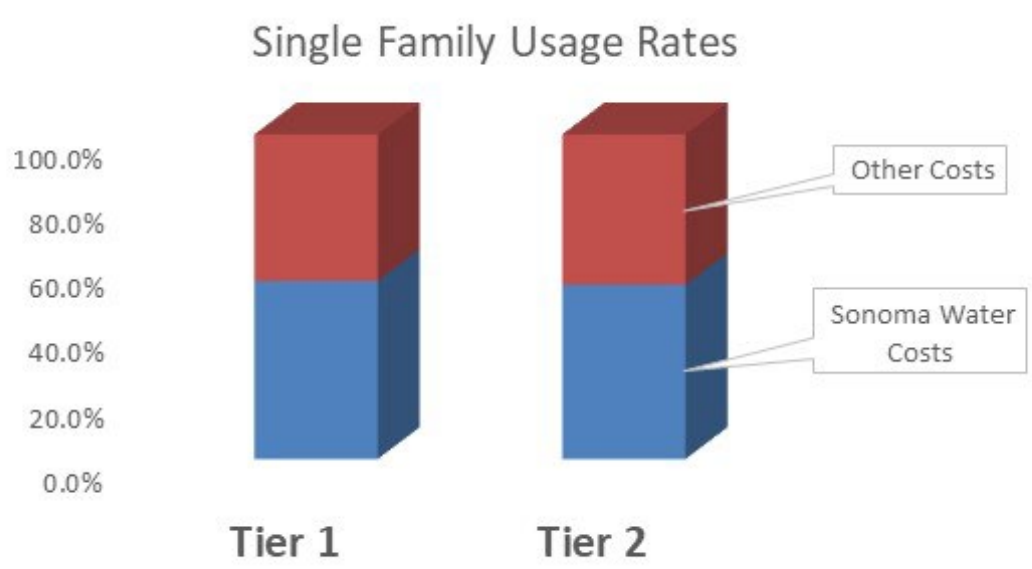
[2] The landscape water budget varies for each customer each billing period and is determined using the site's square footage for the types of plants and the evapotranspiration rate for the billing period.

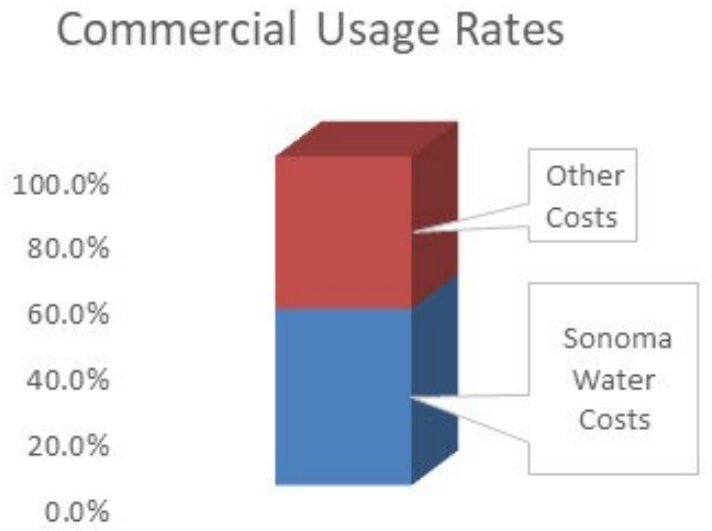


* This schedule no longer includes special rate for single family or duplex accounts with no outdoor usage

# Proposed SCWA Pass-Through Provision

- All Usage Rates increase based on the proposed schedule…
- … however, a portion of the Usage Rates will be adjusted based on actual changes in wholesale water costs
- Adjustments occur each July, following Sonoma Water rate action (with 30-day notice provided to customers)



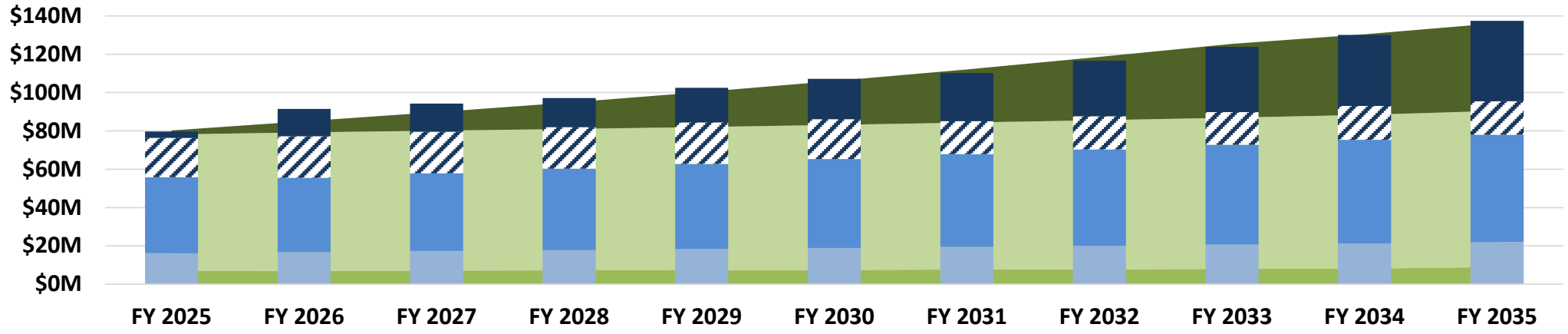
# Example Calculation of SCWA Pass-Through Provision

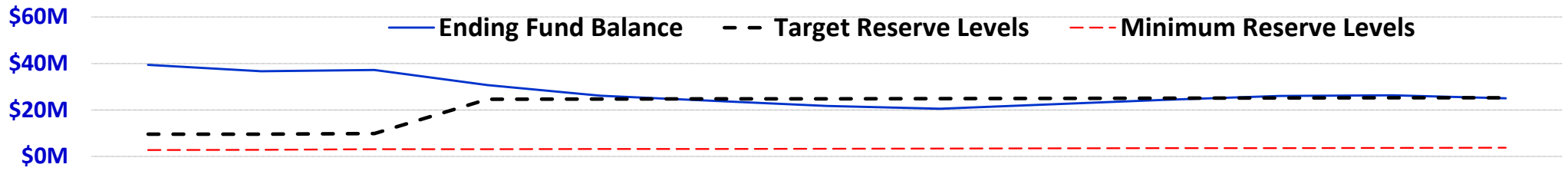
| | Current Rates | Current Santa Rosa Costs | Current SCWA Costs | Santa Rosa Rate Adjustment | SCWA Adjustment | Final Usage Rates | Change |
|---|---|---|---|---|---|---|---|
| ***Santa Rosa Water Rate Increase*** Proposed 2027 Change: **6.00%** | | | | ***SCWA Santa Rosa Aqueduct Rate Change*** [1] Example Change: **10.0%** | | | |
| ***Water Usage Rates ($/TGAL)*** | | | | | | | |
| Single Family | | | | | | | |
| Tier 1 | $7.21 | $3.36 | $3.85 | $0.20 | $0.39 | **$7.80** | 8.2% |
| Tier 2 | $8.43 | $4.01 | $4.42 | $0.24 | $0.44 | **$9.11** | 8.1% |
| Commercial/Industrial/Multifamily | | | | | | | |
| All Water Use | $7.66 | $3.60 | $4.06 | $0.22 | $0.41 | **$8.28** | 8.1% |
| Irrigation (potable) | | | | | | | |
| Tier 1 | $7.33 | $3.34 | $3.99 | $0.20 | $0.40 | **$7.93** | 8.2% |
| Tier 2 | $9.36 | $4.95 | $4.41 | $0.30 | $0.44 | **$10.10** | 7.9% |
| Irrigation (recycled) | | | | | | | |
| Tier 1 | $6.96 | $3.17 | $3.79 | $0.19 | $0.38 | **$7.53** | 8.2% |
| Tier 2 | $9.36 | $4.95 | $4.41 | $0.30 | $0.44 | **$10.10** | 7.9% |
| (No change to service charges due to changes in SCWA costs) | | | | | | | |

**Notes:**

[1] Rates charged by SCWA for water from the Santa Rosa Aqueduct. Rates for the upcoming fiscal year are typically adopted in April of each year.

# Local Wastewater
# Financial Forecast & Proposed Rate Revenue Increases




| | FY 2025 | FY 2026 | FY 2027 | FY 2028 | FY 2029 | FY 2030 | FY 2031 | FY 2032 | FY 2033 | FY 2034 | FY 2035 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Recommended | | | | | Projected | | | | |
| Wastewater Rate Increases: | | 5.0% | 5.0% | 5.0% | 5.0% | 5.0% | 5.0% | 5.0% | 5.0% | 3.0% | 3.0% |
| Combined Debt Coverage Ratio: | 5.19 | 5.26 | 5.50 | 5.75 | 6.02 | 6.42 | 8.24 | 4.58 | 5.03 | 4.44 | 4.65 |
| Local WW CIP: | $3.3M | $14.3M | $14.7M | $15.1M | $18.0M | $21.0M | $25.0M | $29.0M | $34.0M | $37.0M | $42.0M |
| Regional Cash CIP: | $7.8M | $8.5M | $9.2M | $9.9M | $10.6M | $11.3M | $12.0M | $12.7M | $13.4M | $14.2M | $14.9M |
| Debt Proceeds: | | $35.0M | | | | | | | | | |



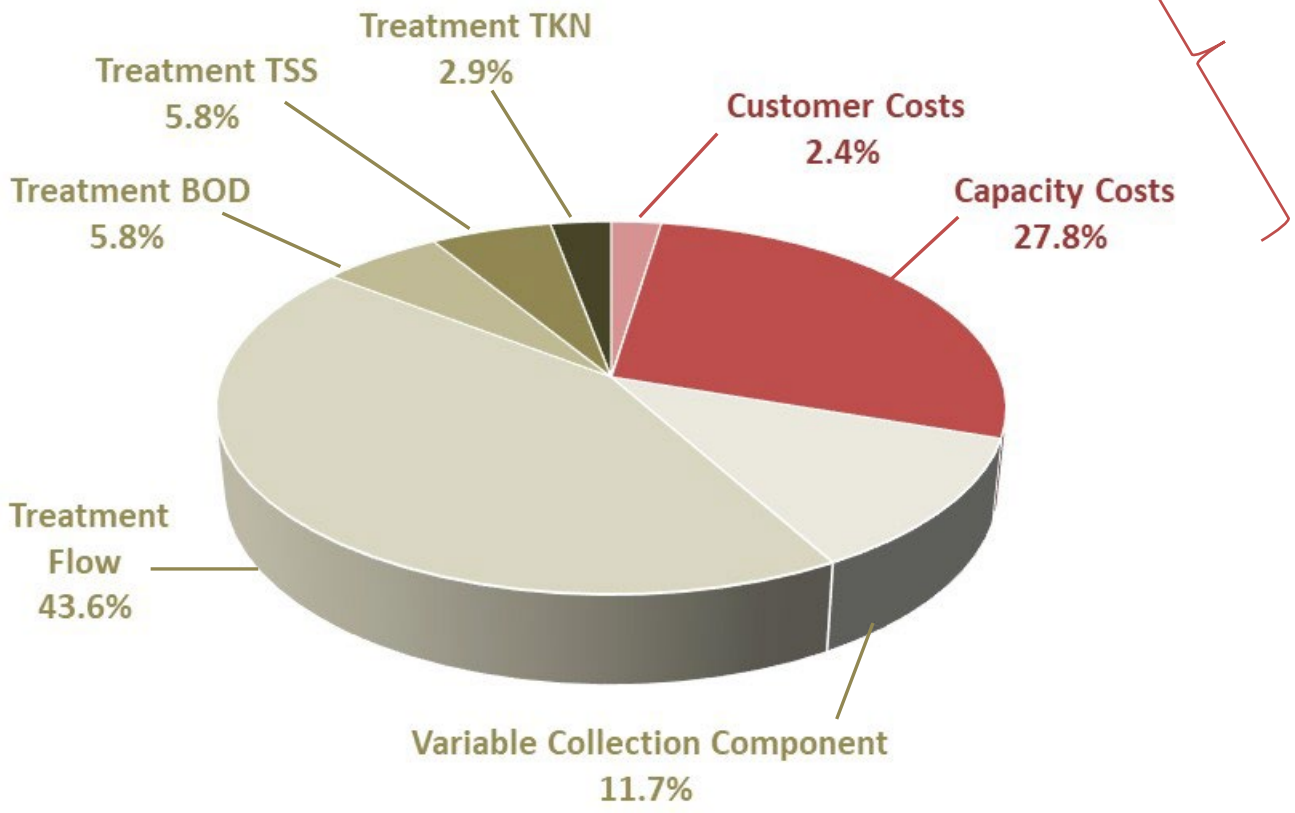
* Debt Coverage Ratio measures whether Santa Rosa Water can afford its debt obligations. Minimum levels are 1.2 and target levels are 1.5.

# Wastewater Cost Allocation Principles

- Customer costs
  - ✓ Assigned to each customer on an equal basis
- Capacity costs
  - ✓ Assigned to each customer based on meter size
- Wastewater treatment costs
  - ✓ Assigned to sewer usage rates based on flow and strength

# Wastewater
# Fixed vs Variable Revenue

**Usage Revenue**
(69.8%)




**Fixed Revenue**
(30.2%)

# Recommended FY 2025/26 Wastewater Rate Schedule

| | Current | July 2025 | Change | |
|---|---|---|---|---|
| ***Wastewater Usage Rates ($/TGAL)*** [1] | | | $ | % |
| Single Family and Multi-Family [2] | $16.04 | $16.86 | $0.82 | 5.1% |
| Commercial, Industrial, and Institutional | | | | |
| Low Strength | $13.18 | $13.87 | $0.69 | 5.2% |
| Standard Strength | $16.04 | $16.86 | $0.82 | 5.1% |
| Medium Strength | $17.88 | $18.77 | $0.89 | 5.0% |
| High Strength | $22.30 | $23.39 | $1.09 | 4.9% |
| ***Monthly Service Charges*** | | | | |
| Single Family | $27.65 | $29.77 | $2.12 | 7.7% |
| Multi-Family, Commercial, Industrial, Institutional | | | | |
| 5/8" & 3/4" meters | $27.65 | $29.77 | $2.12 | 7.7% |
| 1" meter | $63.83 | $69.80 | $5.97 | 9.4% |
| 1 1/2" meter | $124.12 | $136.53 | $12.41 | 10.0% |
| 2" meter | $196.47 | $216.60 | $20.13 | 10.2% |
| 3" meter | $365.28 | $403.42 | $38.14 | 10.4% |
| 4" meter | $606.46 | $670.32 | $63.86 | 10.5% |
| 6" meter | $1,209.38 | $1,337.56 | $128.18 | 10.6% |

**Notes:**

[1] Wastewater usage charge applies to the estimated wastewater generated. For single-family residential accounts and multi-family accounts that don't have a separate irrigation meter for landscaping the esimated wastewater is based on the lower of current water use or the Sewer Cap. The Sewer Cap is calculated for these residential accounts based on the average water use from complete billing periods within the months of November through March. For all accounts with separate irrigation meters (whether multifamily or non-residential) the wastewater generated is based on actual water usage during the billing period.

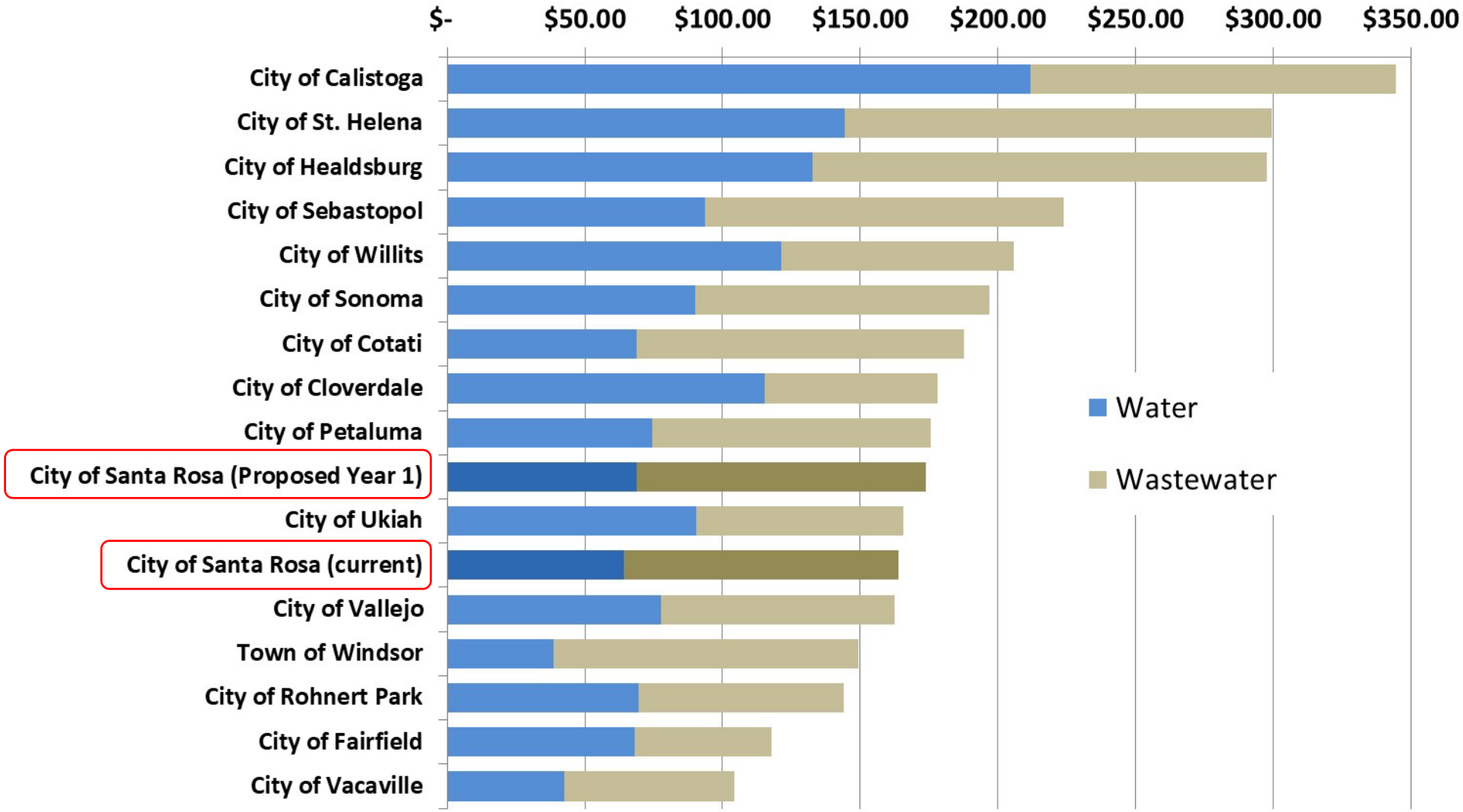
[2] Multifamily accounts include duplex, and triplex accounts.

# FY 2025/26 Bill Impact Analysis

| | Meter Size | Water Use (TGAL) | WW Use (TGAL) | Bills With Current Water/WW Rates | | | Bills With Proposed Water/WW Rates | | | Change in Total Bill | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Water | Wastewater | Total | Water | Wastewater | Total | $ | % |
| Single Family Residential | | | | | | | | | | | |
| Low Water Use | 5/8" | 4 | 4 | $41.99 | $91.81 | **$133.80** | $44.22 | $97.21 | **$141.43** | **$7.63** | **5.7%** |
| Median Water Use | 5/8" | 7 | 4.5 | $64.02 | $99.83 | **$163.85** | $68.90 | $105.64 | **$174.54** | **$10.69** | **6.5%** |
| High Water Use | 5/8" | 12 | 6 | $100.15 | $123.89 | **$224.04** | $109.22 | $130.93 | **$240.15** | **$16.11** | **7.2%** |
| Very High Water Use | 5/8" | 20 | 7 | $159.19 | $139.93 | **$299.12** | $175.44 | $147.79 | **$323.23** | **$24.11** | **8.1%** |
| Duplex | 5/8" | 8 | 6 | $70.19 | $123.89 | **$194.08** | $75.50 | $130.93 | **$206.43** | **$12.35** | **6.4%** |
| Small Apartment (4 DUs) | 1" | 15 | 12 | $139.60 | $256.31 | **$395.91** | $150.68 | $272.12 | **$422.80** | **$26.89** | **6.8%** |
| Large Apartment (24 DUs) | 2" | 80 | 80 | $664.27 | $1,479.67 | **$2,143.94** | $723.38 | $1,565.40 | **$2,288.78** | **$144.84** | **6.8%** |
| Very Lrg. Apart. (100 DUs) | 4" | 320 | 320 | $2,558.82 | $5,739.26 | **$8,298.08** | $2,792.98 | $6,065.52 | **$8,858.50** | **$560.42** | **6.8%** |
| Small Retail | 5/8" | 6 | 6 | $57.43 | $106.73 | **$164.16** | $61.34 | $112.99 | **$174.33** | **$10.17** | **6.2%** |
| Large Retail | 2" | 80 | 80 | $664.27 | $1,250.87 | **$1,915.14** | $723.38 | $1,326.20 | **$2,049.58** | **$134.44** | **7.0%** |
| Office Building | 1 1/2" | 40 | 40 | $346.35 | $651.32 | **$997.67** | $376.18 | $691.33 | **$1,067.51** | **$69.84** | **7.0%** |
| Car Wash | 2" | 60 | 60 | $524.67 | $987.27 | **$1,511.94** | $570.18 | $1,048.80 | **$1,618.98** | **$107.04** | **7.1%** |
| Mixed Comm. w/ Food | 1" | 35 | 35 | $279.20 | $844.33 | **$1,123.53** | $303.88 | $888.45 | **$1,192.33** | **$68.80** | **6.1%** |
| Hotel w/ Restaurant | 3" | 200 | 200 | $1,592.18 | $4,825.28 | **$6,417.46** | $1,737.78 | $5,081.42 | **$6,819.20** | **$401.74** | **6.3%** |
| Restaurant | 1 1/2" | 50 | 50 | $416.15 | $1,239.12 | **$1,655.27** | $452.78 | $1,306.03 | **$1,758.81** | **$103.54** | **6.3%** |
| Supermarket | 2" | 160 | 160 | $1,222.67 | $3,057.27 | **$4,279.94** | $1,336.18 | $3,219.80 | **$4,555.98** | **$276.04** | **6.4%** |
| Mortuary | 1" | 20 | 20 | $174.50 | $509.83 | **$684.33** | $188.98 | $537.60 | **$726.58** | **$42.25** | **6.2%** |
| Small Winery | 1" | 10 | 10 | $104.70 | $286.83 | **$391.53** | $112.38 | $303.70 | **$416.08** | **$24.55** | **6.3%** |
| Sm. Irrig. (Wtr Budg.=18 tg) | 1" | 20 | | $172.50 | (na) | **$172.50** | $186.44 | (na) | **$186.44** | **$13.94** | **8.1%** |
| Lrg. Irrig. (Wtr. Budg.=250 tg) | 4" | 300 | | $2,421.22 | (na) | **$2,421.22** | $2,540.78 | (na) | **$2,540.78** | **$119.56** | **4.9%** |

# Comparison to Other Local Agencies – Combined

for single family homes with ¾" meter, 7,000 gallons of water usage and 4,500 gallons of winter water usage



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[3] Typical single family bill includes a 5/8" water meter, 7,000 gallons of monthly water use, and 4,500 gallons of wastewater.

# Capital Project Delivery

# Proposed Capital Delivery Program

- Two current Master Professional Services Agreements for Project Management
  - Allow for additional project delivery while rate update process is underway
- Issue Project Management RFP → Prepared and issued after rate public hearing
- Issue Design Services RFP for package of projects → early FY25-26
- Deliver projects during FY26-27 and FY27-28
- Prepare next cycle during FY27-28 at increased scale

# Value of Water Campaign

# Value of Water Campaign

**Outreach Plan:**

- May – Nov. 2024: Value of Water Service and the Need to Invest
- Dec. – July 2025: Proposed Water Rates, Prop 218 Noticing, and Adopted Rate Schedule

**Advertising:**

- srcity.org/ValueOfWater
- City Connections eNewsletter
- QuenchCA Campaign
- Water Bill Messaging
- Digital, Print, and Radio
- Social Media

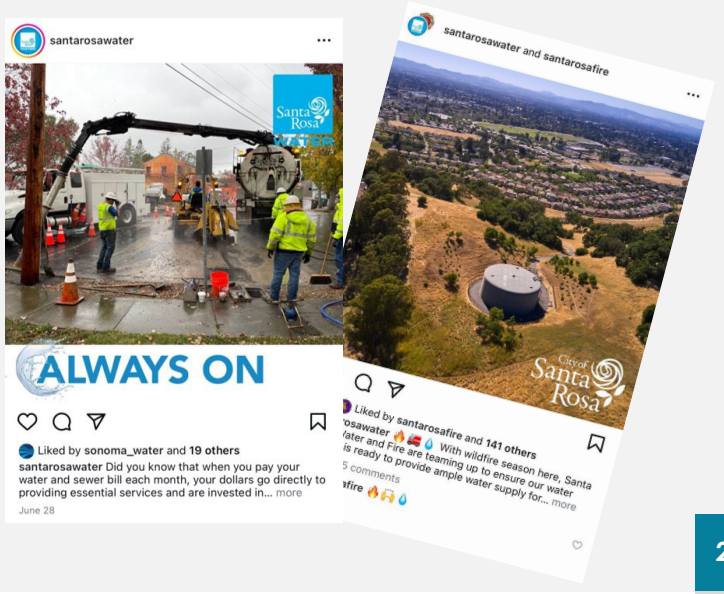
# Value of Water Campaign

Digital Campaign
using Google Ads for
Sept. 2024 – March 2025

- 2.48M Impressions
- 50.8K Clicks to srcity.org/ValueOfWater

Social Media Campaign
May 2024 – March 2025

- 110K Impressions
- 4K Engagement/Link Clicks



# Prop 218 Procedures

# **Legal Requirements** for Setting Water Rates In California

Proposition 218 (Article XIIID, Section 6 of California Constitution)

- Revenues shall not exceed funds required to provide service; nor used for another purpose
- Amount shall not exceed the proportional cost of the service attributable to the parcel
- Service must be actually used or immediately available
- Approval process includes 45-day notice, public hearing, and written majority protest.  Does not require a voting process (unlike taxes).

# New Legislation Related to Prop 218

- SB 323 (2022) - Establishes a 120-day statue of limitations for challenging adoption of water or sewer service charges
  - Language was included in Prop 218 notice
- AB 2257 (2025) - Requires would-be challengers to "exhaust administrative remedies" prior to filing a lawsuit
  - Objections were considered in the previous Council item

# Amendments to City Code Title 14

- Rates and Charges for potable and recycled water and City maintained meters on private systems previously adopted by ordinance
- Rates and Charges for sewer previously adopted resolution
- City Charter provides for water and sewer rates and charges to be set by resolution of the City Council
- Recommend setting both water and sewer rates and charges by resolution

# Recommendation

- It is recommended by the Board of Public Utilities and Santa Rosa Water that the City Council:
  - 1) after conducting a protest hearing pursuant to Proposition 218, by resolution, approve 5 years of water, recycled water and wastewater fixed and usage charge rate increases to go into effect on July 1 of each year, 2025-2029; and
  - 2) introduce an ordinance amending Title 14 of the Santa Rosa City Code by amending Chapter 14-04 and 14-08 to allow fixed monthly service charges, potable and recycled water service and delivery charges, and charges for City maintained meters on private systems to be established by resolution of the City Council as prescribed by the City Charter and amend Chapter 14-08 to establish potable and recycled water rates and charges policy, rules and standards.
- Open Public Hearing