

CITY OF SANTA ROSA
BOARD OF PUBLIC UTILITIES

TO: CHAIR AND BOARD MEMBERS
FROM: NICK HARVEY, DEPUTY DIRECTOR – ADMINISTRATION
SANTA ROSA WATER
SUBJECT: SONOMA WATER 2026/27 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 proposed 2026/27 Water Transmission Budget and 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 April 6, 2026 WAC vote on the proposed 2026/27 Water Transmission Budget and Rate increase.

EXECUTIVE SUMMARY

The City of Santa Rosa (City) purchases approximately 95% of its potable water supply from Sonoma Water, the region's water wholesaler. Sonoma Water's proposed water transmission budget includes an 8.21% increase in the wholesale rate of water, from \$1,400.86 to \$1,515.87 per acre foot effective at the beginning of Fiscal Year 2026/27.

The Board of Public Utilities (BPU) may make a recommendation to the City Council, which will subsequently advise Council's representative on the Water Advisory Committee (WAC) prior to a WAC vote on the proposed water transmission budget and rate increase. 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 one elected official (and an alternate) from each of the 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 Board of Directors. The City's WAC Representative is Council Member Natalie Rogers.

SONOMA WATER 2026/27 WATER TRANSMISSION BUDGET AND RATE
INCREASE
PAGE 2 OF 4

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.

The BPU's recommendation to the City Council regarding Council's direction to its WAC member on Sonoma Water's proposed 2026/27 water transmission budget and rate increase is scheduled to be considered by the City Council at its meeting on March 24, 2026.

PRIOR BOARD OF PUBLIC UTILITIES REVIEW

Not Applicable

ANALYSIS

Sonoma Water staff presented the proposed 2026/27 Water Transmission System budget and rates (2026/27 Budget and Rates) 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 of the 2026/27 Budget and Rates. The TAC will be considering the 2026/27 Budget and Rates at the TAC meeting on March 2, 2026.

Sonoma Water proposes to increase rates for wholesale water on the Santa Rosa Aqueduct by 8.21% from \$1,400.86 to \$1,515.87 per acre foot. Significant factors driving the proposed 2026/27 Budget and Rates are as follows:

1. Pursuant to the Restructured Agreement, estimated water deliveries for 2026/27 are 41,776-acre-feet – the lower of the previous 12 months of water deliveries or the average of the past three years of actual deliveries. The Restructured Agreement requires estimated water deliveries to be the lower of the previous 12 months of water deliveries or the average of the past three years of actual deliveries, unless the WAC approves an alternative estimate.
2. Sonoma Water's revenue is 100% volumetric. Therefore, the decreased deliveries require an increase in the cost per acre foot to maintain sufficient revenues to cover operations.
3. The entirety of the proposed increase is attributable to rising operations and maintenance costs as well as a nearly 15% increase in sub-fund costs, related to water management, watershed planning and restoration and water conservation initiatives.
4. The Santa Rosa Aqueduct Capital Charge, a discretionary charge, will remain flat this year at \$11.00 per acre-foot. This charge is used to accumulate funding for capital projects specific to the Santa Rosa Aqueduct. Santa Rosa and Windsor pay into the Santa Rosa Aqueduct Capital Charge.

SONOMA WATER 2026/27 WATER TRANSMISSION BUDGET AND RATE
INCREASE
PAGE 3 OF 4

FISCAL IMPACT

No fiscal impact. The proposed wholesale water rate increase is \$115.01 per acre foot or 8.21%. Per Sonoma Water's estimated delivery of 16,027 acre-feet to Santa Rosa, this would result in an estimated increase of about \$1.8 million with a coinciding revenue increase equivalent to the estimated increase. Per the recently re-introduced pass-through policy adopted pursuant to the City's 2025 water rate adoption, the average pass-through rate increase to a customer's water usage charge, if approved, will be 6.4% or about \$5.33 for a typical single-family residential customer. The water usage charge is only one component of the average bill.

ENVIRONMENTAL IMPACT

The proposed action has been reviewed in compliance with the California Environmental Quality Act (CEQA).

Pursuant to CEQA Guidelines Section 15378, the proposed action is not a "project" subject to CEQA because it involves fiscal and administrative activities related to consideration of a budget and rate increase and will not result in a direct or reasonably foreseeable indirect physical change in the environment.

In the alternative, the proposed action is exempt pursuant to CEQA Guidelines Section 15061(b)(3) (Common Sense Exemption), as it can be seen with certainty that there is no possibility that the activity may have a significant effect on the environment.

Accordingly, no further environmental review is required.

BOARD/COMMISSION/COMMITTEE REVIEW AND RECOMMENDATIONS

On March 2, 2026, the Technical Advisory Committee will consider whether or not to recommend Sonoma Water's proposed 2026/27 Water Transmission Budget and Rate increase.

On April 6, 2026, the Water Advisory Committee is scheduled to vote on whether or not to recommend Sonoma Water's proposed 2026/27 Water Transmission Budget and Rate increase for approval by the Sonoma Water Board of Directors.

NOTIFICATION

Not Applicable.

ATTACHMENTS

- Attachment 1 – Sonoma Water- Water Transmission FY 2026/27 Draft Budget and Rates

SONOMA WATER 2026/27 WATER TRANSMISSION BUDGET AND RATE
INCREASE
PAGE 4 OF 4

PRESENTER

Nick Harvey, Deputy Director – Water Administration