

CITY OF SANTA ROSA
CITY COUNCIL

TO: MAYOR AND CITY COUNCIL
FROM: JENNIFER BURKE, DIRECTOR – SANTA ROSA WATER
SUBJECT: SONOMA COUNTY WATER AGENCY 2026-27 WATER
TRANSMISSION BUDGET AND RATE INCREASE

AGENDA ACTION: MOTION

RECOMMENDATION

The Board of Public Utilities and Santa Rosa Water recommend that the Council consider Sonoma Water's proposed 2026-27 Water Transmission System Budget and Rate increase and, by motion, make a recommendation to its Water Advisory Committee (WAC) representative for the April 6, 2026 WAC vote on Sonoma Water's proposed 2026-27 Water Transmission System Budget and Rate increase. This item has no impact on current fiscal year budget.

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. The Board of Public Utilities reviewed Sonoma Water's proposed budget and rate increase on March 5, 2026 and made a recommendation to City Council. The City Council may advise its representative to the Water Advisory Committee (WAC) prior to a WAC vote, which will occur on April 6, 2026. The WAC is an advisory board to Sonoma Water. Ultimately the Sonoma Water Board of Directors will have final authority to approve the proposed 2026-27 Water Transmission Budget and Rate increase (2026-27 Budget and Rates), which is attached hereto.

GOAL

This item relates to Council Goal #1 - Achieve and Maintain Budgeting Excellence and Fiscal Stability by providing sufficient expenditure appropriations to absorb the expected cost increases to wholesale water and by allowing Santa Rosa Water to properly incorporate such costs into its 2026-27 budget and rate structure, insuring the sustainability of water revenues.

BACKGROUND/PRIOR COUNCIL REVIEW

The Water Advisory Committee (WAC) is comprised of an elected official from 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. The Technical Advisory Committee (TAC) consists of a staff member 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.

Sonoma Water staff presented the proposed 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 and, on March 2, 2026, the TAC recommended approval of the proposed 2026-27 Budget and Rates.

ANALYSIS

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 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 Restructured Agreement requires estimated water deliveries to be the lower of the 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 result in 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 an 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.

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AND RATE INCREASE
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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 an average single-family residential customer bill during summer months. The water usage charge is only one component of the average bill.

ENVIRONMENTAL IMPACT

Pursuant to CEQA Guidelines Section 15378(b)(4), the recommended action is not a "project" subject to the California Environmental Quality Act (CEQA) because it consists of a government fiscal activity, specifically, consideration of a wholesale water transmission budget and rate recommendation, that does not involve any commitment to a specific construction or operational project and will not result in a direct or reasonably foreseeable indirect physical change in the environment. In the alternative, the recommended action is exempt from CEQA pursuant to CEQA Guidelines section 15061(b)(3) because it can be seen with certainty that there is no possibility that the recommended action may have a significant effect on the environment.

BOARD/COMMISSION/COMMITTEE REVIEW AND RECOMMENDATIONS

On March 2, 2026, the TAC recommended approval of Sonoma Water's proposed 2026-27 Budget and Rates to the Water Advisory Committee.

On March 5, 2026, the Board of Public Utilities reviewed Sonoma Water's proposed 2026-27 Budget and Rates and made a recommendation to City Council.

On April 6, 2026, the WAC is scheduled to vote on whether to recommend the Sonoma Water 2026-27 Budget and Rates for approval to the Sonoma Water Board of Directors.

NOTIFICATION

Not applicable.

ATTACHMENTS

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

PRESENTER(S)

Nick Harvey, Deputy Director – Administration, Santa Rosa Water