

CITY OF SANTA ROSA
BOARD OF PUBLIC UTILITIES

TO: CHAIR AND BOARD MEMBERS
FROM: KEVIN BUCHANAN, BUDGET & FINANCIAL ANALYSIS
MANAGER, WATER DEPARTMENT
SUBJECT: APPROVAL OF CHANGES TO SANTA ROSA WATER'S HELP 2
OTHERS (H2O) PROGRAM

AGENDA ACTION: MOTION

RECOMMENDATION

It is recommended by Santa Rosa Water that the Board of Public Utilities, by motion, approve the following changes to the Help 2 Others program: 1) For Fiscal Year 2027, add 50 applicants from the wait list to the program and lower the program subsidy to 75% of fixed fees; and 2) For Fiscal Year 2028, lower the program subsidy to 50% of fixed fees.

EXECUTIVE SUMMARY

The Help 2 Others ("H2O") water bill assistance program provides financial assistance to qualifying residential customers. The program uses non-ratepayer revenue to pay for qualified customers' fixed water and sewer fees. Program expenses have grown at a faster rate than revenue due to a variety of factors: increased program enrollment, water and sewer rate increases, and the loss of several telecom leases. The H2O program is currently in an unsustainable financial position, and changes are needed to continue the program.

BACKGROUND

Between 2014 and 2016 Santa Rosa City Council and the Board of Public Utilities expressed interest in seeing Santa Rosa Water develop a program to assist low-income residents with their water bill. Proposition 218 requirements prevent Santa Rosa Water from funding a program using ratepayer revenue. Staff identified cell phone tower lease revenue as a form of non-ratepayer revenue that could be used to fund this new program.

Beginning in 2016, the H2O program was established, initially offering a 50% subsidy on fixed charges. Applicants were screened by Community Action Partnership of Sonoma County (now Sonoma CAN) for financial eligibility, attended a financial

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workshop, and went through a water audit. For the first 3 years the H2O program had low enrollment and program expenses were much lower than cell tower lease revenue. Excess revenue remained as fund reserves for future years. In March 2019, the Water Conservation Subcommittee of the Board of Public Utilities authorized a change to the H2O program to increase the subsidy to 100% of fixed fees to attract more participation. Between the increase in subsidy and the COVID-19 pandemic in 2020, the H2O program saw a dramatic increase in enrollment.

Fiscal Year (FY) 2021 was the first year program expenses were higher than non-ratepayer revenue and thus fund reserves had to be applied to cover the difference. By 2024 it was apparent the program was not sustainable in its current form as program expenses were exceeding revenue each year. In response, enrollment of new participants was paused and a waitlist was established to allow staff to explore options for changes to the program. As options were being analyzed, in 2025 T-Mobile ended their lease followed by Dish canceling their lease in January 2026. The impacts were a revenue reduction of over \$120,000 per year, further exacerbating the program deficit.

PRIOR BOARD OF PUBLIC UTILITIES REVIEW

On October 1, 2015, the Board of Public Utilities held a study session to review a draft program outline.

On July 16, 2019, the Board of Public Utilities Budget Subcommittee authorized increasing the fixed fee subsidy from 50% to 100% in an effort to help more customers and provide more assistance for existing customers.

On March 5, 2026, the Board of Public Utilities held a study session on the financial sustainability of the H2O program.

ANALYSIS

Without any changes, the H2O program will exhaust all funding during Fiscal Year 2029. To make the program sustainable, expenses will need to be reduced. This can best be accomplished by lowering the subsidy of fixed fees. Staff proposes lowering the subsidy from 100% to 75% next year in FY27. The program would require a second reduction to 50% in FY28 but the two-year gradual step-down provides existing customers with the smallest potential financial impacts.

Feedback from the Board during the March 5th BPU meeting included the direction to develop options where more participants are enrolled in the program given the amount of applicants on the waitlist. By reducing the subsidy to 75% and applying some fund balance in FY27, 50 additional participants can be added to the program. Exact costs are somewhat difficult to estimate as contacting and vetting 50 new participants presents costs that are difficult to precisely estimate. . However, by adding 50 participants and then further lowering the subsidy to 50% of fixed fees in FY28, the

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program expenses are expected to be less than program revenue and would be sustainable over the next few years.

FISCAL IMPACT

Approval of this action does not have a fiscal impact on the General Fund. Lowering the H2O subsidy and adding 50 additional participants may result in fund balance usage of approximately \$80,000 for Fiscal Year 2026-27. However, by further lowering the subsidy to 50% beginning in Fiscal Year 2027-28, revenues are expected to exceed program expenses, negating the consumption of fund balance, and ensuring ongoing program sustainability.

ENVIRONMENTAL IMPACT

Pursuant to CEQA Guidelines section 15378, the recommended action is not a "project" subject to the California Environmental Quality Act (CEQA) because it does not have the potential to 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), as it can be seen with certainty that there is no possibility that the action may have a significant effect on the environment.

BOARD/COMMISSION/COMMITTEE REVIEW AND RECOMMENDATIONS

Not applicable.

NOTIFICATION

Not applicable.

ATTACHMENTS

None.

PRESENTER

Kevin Buchanan, Budget and Financial Analysis Manager