

CITY OF SANTA ROSA
CITY COUNCIL

TO: MAYOR AND CITY COUNCIL
FROM: KIMBERLY ZUNINO, DEPUTY DIRECTOR ADMINISTRATION,
SANTA ROSA WATER
SUBJECT: SONOMA COUNTY WATER AGENCY 2022/23 WATER
TRANSMISSION BUDGET AND RATE INCREASE

AGENDA ACTION: MOTION

RECOMMENDATION

It is recommended by the Board of Public Utilities and Santa Rosa Water that the Council, by motion, consider Sonoma Water's 2022/23 Water Transmission Budget and proposed rate increase and provide direction to its Water Advisory Committee (WAC) representative for the WAC vote on April 4, 2022.

EXECUTIVE SUMMARY

Santa Rosa Water purchases approximately 90% of the water supplied to our customers from Sonoma Water. Sonoma Water is proposing to raise the wholesale rate of water by 6.06% from \$1,000.46 to \$1,061.04 per acre foot.

The Board of Public Utilities reviewed Sonoma Water's proposed budget and rate increase on March 17, 2022 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 on April 4, 2022. 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 made up of elected officials of each of the prime contractors including cities of Cotati, Petaluma, Rohnert Park, Santa Rosa, Sonoma, Town of Windsor and Valley of the Moon and North Marin Water Districts which receive water through the Sonoma Water aqueduct system. The WAC is an advisory committee to the Sonoma Water Board of Directors. The City's WAC Representative is Council Member Natalie Rogers. On April 4, 2022, the WAC is scheduled to vote on whether or not to recommend the Sonoma Water FY2022/23 budget and proposed rate increase for approval of the Sonoma Water Board of Directors.

The Technical Advisory Committee (TAC) is made up of technical staff of each of the contractors to Sonoma Water receiving water through the aqueduct system. 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 2022/23 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 made adjustments to the budget resulting in the proposed rate increase. On March 7, 2022, the TAC voted to recommend approval of the Sonoma Water budget and proposed rate increase. Sonoma Water proposes to increase rates for wholesale water on the Santa Rosa Aqueduct by 6.06% from \$1,000.46 to \$1,061.04 per acre foot. Significant factors driving the 2022/23 Sonoma Water budget are as follows:

1. Per the Restructured Agreement, estimated water deliveries for 2022/23 are 45,748 acre feet – the lower of the previous 12 months or the average of the past three years.
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 overall Operations and Maintenance charge is up 3.68% which includes increased expenditures on maintenance and system resiliency.
4. 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. Many of the projects are now in a critical phase and cannot be delayed any longer.
5. The Santa Rosa Aqueduct Capital Charge, which is a discretionary charge will be reduced from \$20.00 to \$11.00 per acre foot to decrease the rate increase for Santa Rosa Water. This funding is set to accumulate for capital projects specific to the Santa Rosa Aqueduct. Santa Rosa and Windsor pay into the Santa Rosa Aqueduct Capital Charge.

Previously, Santa Rosa Water would pass through the cost of wholesale water to customers after the wholesale rate was approved by the Sonoma Water Board of Directors each year. Last year, with the approval of the 2021-2024 rate schedule, the wholesale pass through was removed and instead the rate model included a 6% whole rate increase each year. Therefore, there is no impact to Santa Rosa Water customer bills with the proposed Sonoma Water rate increase.

FISCAL IMPACT

The proposed wholesale water rate increase is \$60.58 per acre foot or 6.06% at Sonoma Water's estimated delivery of 45,748 acre-feet. Santa Rosa's estimated water use for next year of 14,400 acre-feet, a reduction from typical due to drought, would result in a total charge of \$15.2 million - an increase of \$800,000 over the FY2021/22 budget of \$14.4 million. The increased cost will be recovered by retail water usage and fixed charges to SRW customers. The current rate structure was developed to cover this rate increase and revenue from customers will be sufficient to cover the purchase of water from Sonoma Water.

ENVIRONMENTAL IMPACT

This action is exempt from the California Environmental Quality Act (CEQA) because it is not an action 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, and is not a project pursuant to CEQA Guidelines Section 15378. Therefore, no environmental review is required.

BOARD/COMMISSION/COMMITTEE REVIEW AND RECOMMENDATIONS

The Technical Advisory Committee to the Water Advisory Committee voted to recommend approval of the Sonoma Water FY2022/23 budget and proposed rate increase at their meeting on March 7, 2022.

Water Advisory Committee is scheduled to vote on whether or not to recommend the Sonoma Water FY2022/23 budget and proposed rate increase for approval to the Sonoma Water Board of Directors on April 4, 2022.

The Board of Public Utilities reviewed the SCWA proposed budget and rate increase on March 17, 2022 and made a recommendation to City Council.

NOTIFICATION

Not Applicable.

ATTACHMENTS

- Attachment 1 – Sonoma County Water Agency Water Transmission FY 2022/23 Draft Budget and Rates

CONTACT

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