

CITY OF SANTA ROSA
BOARD OF PUBLIC UTILITIES

TO: BOARD OF PUBLIC UTILITIES
FROM: NICK HARVEY, DEPUTY DIRECTOR - ADMINISTRATION
SANTA ROSA WATER
SUBJECT: SONOMA WATER 2025/26 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 Fiscal Year 2025/26 Water Transmission System 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 7, 2025 WAC vote on Sonoma Water's proposed 2025/26 Water Transmission System Budget and rate increase.

EXECUTIVE SUMMARY

The City of Santa Rosa (City) purchases approximately 93% of its potable water supply from Sonoma Water, the region's water wholesaler. Sonoma Water's proposed Fiscal Year (FY) 2025/26 Water Transmission System budget includes a 8.68% increase in the wholesale rate of water, from \$1,289.02 to \$1,400.86 per acre foot effective at the beginning of Fiscal Year 2025/26.

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 FY 2025/26 Water Transmission System budget and rate increase. Ultimately, the Sonoma Water Board of Directors will have final authority to approve Sonoma Water's proposed FY 2025/26 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 elected official 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.

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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 FY 2025/26 Water Transmission System budget and rate increase is scheduled to be considered by the City Council at its meeting on March 18, 2025.

ANALYSIS

Sonoma Water staff presented the proposed FY 2025/26 Water Transmission System budget to the TAC Finance Subcommittee over a series of meetings in February. Working with the TAC Finance Subcommittee, Sonoma Water staff adjusted the budget resulting in the proposed rate increase. The TAC Finance Subcommittee voted to recommend TAC approve the proposed Sonoma Water FY 2025/26 Water Transmission System budget and rate increase. On March 3, 2025, TAC voted to recommend that the WAC approve the proposed Sonoma Water FY 2025/26 Water Transmission System budget and rate increase.

Sonoma Water proposes to increase rates for wholesale water purchased from the Santa Rosa Aqueduct by 8.68% from \$1,289.02 to \$1,400.86 per acre foot. Significant factors driving the proposed Sonoma Water FY 2025/26 Water Transmission System budget and rate increase are as follows:

1. Pursuant to the Restructured Agreement, estimated water deliveries for FY 2025/26 are 42,407 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 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 and therefore the decreased estimated deliveries require an increase in the cost per acre foot to maintain sufficient revenues to cover operations.
3. The majority of the increase is due to the need to complete deferred maintenance projects in Sonoma Water's transmission system. Over several years, capital and maintenance projects have been deferred to reduce the rate. Sonoma Water is preparing to implement many of the delayed projects.
4. The Santa Rosa Aqueduct Capital Charge, which is 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.

FISCAL IMPACT

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The proposed wholesale water rate increase is \$111.84 per acre foot or 8.68%. Santa Rosa's estimated water use for FY 2025/26 is 15,440 acre feet, a slight increase from last fiscal year, resulting in a total charge of \$21.63 million. This is an increase of approximately \$1.94 million over the FY 2024/25 budget of \$19.69 million. Santa Rosa Water's proposed rate structure for FY 2025/26 was developed to cover an 11% wholesale rate increase from Sonoma Water.

The increase from the anticipated wholesale rate increase will be covered by retail water usage and fixed charges to Santa Rosa Water customers. The estimated water purchase costs for the proposed wholesale rate increase will be fully accounted for in our proposed FY 2025/26 budget, with no need to utilize undesignated fund balance to offset that line item in Santa Rosa Water's 2025/26 budget.

ENVIRONMENTAL IMPACT

Pursuant to CEQA Guidelines Section 15378, the proposed action is not a "project" subject to the California Environmental Quality Act (CEQA) because it does not have a potential for resulting in either a direct physical change in the environment or a reasonably foreseeable indirect physical change in the environment. In the alternative, the proposed 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 project may have a significant effect on the environment.

BOARD/COMMISSION/COMMITTEE REVIEW AND RECOMMENDATIONS

On March 3, 2025, the TAC voted to recommend Sonoma Water's proposed FY 2025/26 Water Transmission System budget and rate increase for approval by the WAC. The WAC is scheduled to vote on whether to recommend Sonoma Water's proposed FY 2025/26 Water Transmission System budget and rate increase for approval to the Sonoma Water Board of Directors at the April 7, 2025 WAC meeting.

ATTACHMENTS

- Attachment 1 – Sonoma County Water Agency Water Transmission FY 2025/26 Draft Budget and Rates

PRESENTER

Nick Harvey, Deputy Director – Water Administration