2024 Comprehensive Water and Wastewater Rate Study Report

November 26, 2024

Jennifer Burke, Director of Santa Rosa Water
Santa Rosa Water
69 Stony Circle
Santa Rosa, CA95401

November 26, 2024

Re: 2024 Water and Wastewater Rate Study Report

Dear Ms. Burke,

Hildebrand Consulting, LLC is pleased to present this 2024 Comprehensive Water and Wastewater Rate Study (Study) for Santa Rosa Water. We appreciate the fine assistance provided by you and all of the members of the Santa Rosa Water staff who participated in the Study, as well as the input and guidance provided by the Board of Public Utilities (BPU).

If you or others at the Santa Rosa Water have any questions, please do not hesitate to contact us at:

mhildebrand@hildco.com
(510) 316-0621

We appreciate the opportunity to be of continued service and look forward to the opportunity to present the study's recommendations to the Board of Public Utilities and the City Council.

Sincerely,

Mark Hildebrand
Hildebrand Consulting, LLC

Enclosure

Executive Summary

Hildebrand Consulting was retained by Santa Rosa Water to develop a five -year rate plan for the water and wastewater utilities. The purpose of the Study is to develop ten-year financial plans to help ensure that each utility fund will meet financial obligations for ongoing operation and maintenance, debt service, and capital improvements while maintaining prudent financial reserves. The financial plans provide an opportunity to assess the potential implications of future operating and maintenance costs, capital improvement program needs, current and future debt obligations, changing customer demands and other variables. Santa Rosa's water and wastewater utilities are self-supporting independent enterprises of the City. That is, the utilities are expected to generate the revenues (through user charges, demand fees, and other revenues) to cover the ongoing costs of operations, maintenance, administration, regulatory compliance, debt service, capital improvements and maintenance of prudent financial reserves.

The full report describes in detail the assumptions, procedures, and results of the Study, including conclusions and recommendations.

Project Scope, Objectives, and Methodology - The scope of this Study is to prepare multi-year financial plans for the water and wastewater enterprises, review and update the water and wastewater cost-of-service analysis (COSA) and rate structures and propose a five-year rate plan. The Study identifies future annual adjustments to water and wastewater rates to help ensure adequate revenues to meet each utility's ongoing financial obligations, updates the cost of providing water and wastewater services using industry-accepted methodologies and ensures that Santa Rosa Water continues to equitably recover the cost of service and comporting with industry standards and California's legal requirements.

The Study applied methodologies that are aligned with applicable law, including California Constitution Article XIII D, commonly known as Proposition 218. These

methodologies are also consistent with industry standard practices for rate setting as laid out in the American Water Works Association (AWWA) M1 Manual.

To assist in the development of the water and wastewater rate study, the project team conferred with the Board of Public Utilities (BPU) Budget Subcommittee. The BPU Subcommittee members provided input on the development of the financial plans and reviewed the proposed updates to the rate structure to ensure fairness and equity across Santa Rosa Water's customer base while complying with legal requirements and Santa Rosa Water's revenue needs.

Cost Escalation Assumptions - Annual cost escalation factors for the various types of expenses were developed based upon a review of historical inflation trends, industry experience and discussions with Santa Rosa Water staff. During the projection period, specific inflationary assumptions were attributed to salaries, benefits, utilities, chemicals and other general cost categories. No inflationary assumptions were made for Sonoma Water rates due to a proposed Pass-Through policy, which will account for any changes in those rates when they actually occur.

Water Utility Financial Plan - Santa Rosa Water collects rate revenue from water customers based on a fixed "Service Charge" (assessed based on meter sizes) and water "Usage Rates" (applied to each thousand gallons (TGAL) of water use). The Water Utility financial plan starts with fiscal year (FY[1]) 2024/25 budgeted rate revenues. Estimated future water demand and rate revenues include a small amount of customer growth as well as the annual rate revenue adjustments proposed by the Study.

[1] Fiscal years (FY) in this report are generally shown in the format with the beginning and ending year (such as "FY 2024/25") but sometimes just with the ending year (in this example "FY 2025") when space is constrained (namely in charts and graphs).

The Study assumes that recent growth rates of approximately 1.10 percent per year will continue for the duration of the next ten years and that per capita water usage will remain stable.

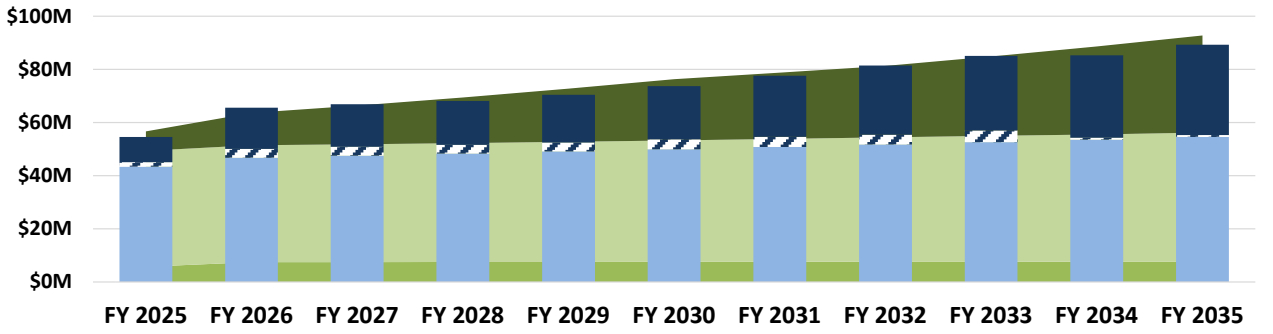
In addition to rate revenue, the Water Utility receives additional "non-rate revenue" from sources such as private fire service charges, miscellaneous service fees/charges, penalties, leases, demand fees and interest revenue on investments. Projections of all non-rate revenues were based on FY2024/25 budgeted revenues except for interest income which was calculated annually based upon projected fund balances and an assumed interest earnings rate of 1.0 percent.

The financial plan models are based on current operating and maintenance costs as reflected in the FY2024/25 operating budget with future estimates influenced by growth and water demand assumptions and cost escalation. The Water Utility's primary operating expense is water purchases from Sonoma County Water Agency (Sonoma Water). Sonoma Water adjusts its water rates annually. Given the financial impact of Sonoma Water rates on Santa Rosa Water's costs and given the difficulty in accurately predicting the future changes to Sonoma Water rates, this Study proposes a Pass-Through policy which will enable Santa Rosa to automatically pass-through increases in those costs to ratepayers. This will protect both the utility and its ratepayers by ensuring that Santa Rosa Water neither overcharges nor undercharges for the cost of wholesale water services.

Estimated annual CIP appropriations, as developed by staff and based on recommendations by the *2022 Santa Rosa Water Infrastructure Report Card*, are included in the financial plan. The capital appropriation budget is scheduled to increase steadily until the water utility appropriates $34 million per year by the end of the planning period (FY2034/35).

Based upon the financial data, assumptions, policies, and cash-funded capital program ("PayGo") strategy, the Study proposes a five-year plan with annual rate adjustments as detailed in the table at the bottom of the figure below. The financial plan, provided in detail in the full report, is summarized graphically below. It shows that both target

reserves and the debt coverage ratio are maintained at or above targets over the course of the planning period.



	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032	FY2033	FY2034	FY2035
		Proposed					Forecast				
Water Rate Revenue Increases:		8.0%	7.0%	7.0%	7.0%	7.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Debt Coverage Ratio:	7.95	5.04	5.66	6.36	7.11	7.03	7.36	7.92	7.30	50.02	54.34
Capital Appropriations:	$9.5M	$15.5M	$16.0M	$16.5M	$18.0M	$20.0M	$23.0M	$26.0M	$28.0M	$31.0M	$34.0M

Water Utility Financial Projection with Recommended Rate Increases

Proposed Water Rates – The water utility ten-year financial plan was used to identify the water rate revenue required to meet financial obligations for each fiscal year of the planning period. Once the annual water rate revenue requirement is determined, the next step in the rate-setting process is to evaluate the cost of providing service. The COSA is the process of allocating the costs of providing water service to customers in proportion to the extent to which each customer contributes to the utility's incursion of costs. The COSA evaluates the cost of providing water and allocates those costs to rate structure components to ensure the proposed rates are proportionate with the costs to provide service.

The Study's proposed water rates are intended to meet the utility's financial needs, satisfy legal requirements and achieve other rate-setting objectives while complying with Proposition 218. The study remains consistent with the rate-setting objectives that have been in place since the 2015 rate study by Santa Rosa Water staff and the BPU Budget

Subcommittee. The proposed rates retain the same general structure as the rates that were adopted in 2016, updated in 2021, and last adjusted in July 2024. The current rate structure includes a fixed service charge for all connections based on size of the water meter, a 2-tier structure for single-family residential, duplex and irrigation accounts, and uniform rates for multi-family, commercial, industrial and institutional accounts.

The following table summarizes the proposed schedule for water rates to be effective July 2025. The proposed water rates reflect a proportionate distribution of costs to all customers and customer classes and reflect the cost of providing service. The service charges, uniform water rate, and 2-tier water rate structures reflect a reasonable allocation of costs on a proportionate basis to each water user, as required by Section 6(b)(3) of Article XIIID of the California Constitution, as well as the overall limit that rates not exceed the cost of service required by Section 6(b)(1). The complete five-year plan of proposed water rates is presented in the full report. The actual rates charged in FY2025/26 through FY2029/30 will ultimately depend on Sonoma Water's rate increases (due to the proposed pass-through policy).

Proposed Water Rate Schedule for FY 2025/26 (effective July 1, 2025)

Water Usage Rates ($/TGAL)		
Single Family Residential & Duplex		
Tier 1	Use up to Sewer Cap [1]	$7.29
Tier 2	Above Sewer Cap	$8.51
Multi-Family, Commercial, Industrial, and Institutional		
	All Water Use	$7.74
Irrigation (potable water) [2]		
Tier 1	Up to 125% of Water Budget	$7.41
Tier 2	Over 125% of Water Budget	$9.44
Irrigation (recycled water) [2]		
Tier 1	Use up to 125% of water budget	$7.04
Tier 2	Over 125% of water budget	$9.44
Monthly Service Charges (Potable)		
	5/8" & 3/4" meters	$15.61
	1" meter	$36.30
	1 1/2" meter	$70.77
	2" meter	$112.14
	3" meter	$208.67
	4" meter	$346.57
	6" meter	$691.32
Monthly Service Charges (Recycled Water)		
	5/8" & 3/4" meters	$14.05
	1" meter	$32.67
	1 1/2" meter	$63.69
	2" meter	$100.93
	3" meter	$187.80
	4" meter	$311.91
	6" meter	$622.19

Notes:

[1] The Sewer Cap is calculated for each customer based on the average billing period water use during November through March.

[2] The landscape water budget varies for each customer each billing period and is determined using the site's square footage for the types of plants and the evapotranspiration rate for the billing period.

Wastewater Utility Financial Plan - The Wastewater Utility is composed of two systems: (1) the Local Wastewater system, which collects and conveys wastewater from the City's customers to the Regional Water Reuse System; and (2) the Regional Water Reuse System ("Regional System"), which is comprised of the Laguna Wastewater Treatment Plant (WWTP), Water Reuse Operations and Biosolids Distribution System. The City of Santa Rosa owns and operates the Regional System as a wholesale operation for the benefit of the City and the surrounding communities of Rohnert Park, Cotati, Sebastopol, and the South Park County Sanitation District ("Member Agencies"). The Regional System and Local Wastewater system are treated as separate financial enterprises in this study for the purposes of financial planning and rate setting pursuant to Proposition 218.

Since the Regional System is treated as a wholesale wastewater treatment service to the City of Santa Rosa (and the other Member Agencies), there are no Regional System rates, per se, charged to wastewater customers. Rather, the City's share of Regional System service costs is treated simply as part of Local Wastewater's annual costs. As such, the report describes separate financial plans for each system, with the Regional System costs ultimately informing a significant part of the costs to the Local Wastewater financial plan.

The structure of the Regional Fund is very similar to the structure of the Water Utility Fund and the Local Wastewater Fund, with the important distinction that the Regional System does not collect rate revenue from customers, rather each Member Agency is charged for its proportionate share of operating and maintenance costs, capital program expenditures, and debt service obligations, in accordance with the Subregional Agreement.

Rate revenue is the revenue generated from customers for wastewater service. Santa Rosa Water collects rate revenue from wastewater customers based on a fixed "Service Charge" for each connection and a wastewater "Usage Rate" applied to estimates of wastewater flow generated by each customer. The Local Wastewater financial plan starts with FY2024/25 budgeted rate revenues. Estimated future sewer flows and rate

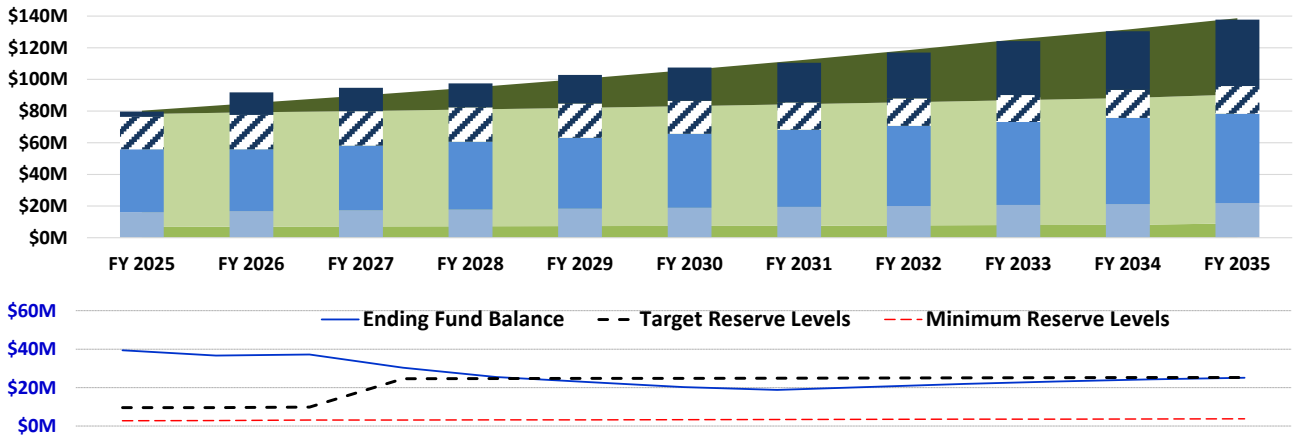
revenues reflect 1.1 percent in customer growth as well as the annual rate revenue adjustments proposed by the Study.

In addition to rate revenue, both the Local Wastewater Fund and Regional Fund receive additional "non-rate revenue" from sources such as miscellaneous service fees/charges, penalties, leases, demand fees, and interest revenue on investments. Projections of all non-rate revenues were based on FY 2024/25 budgeted revenues except for interest income which was calculated annually based upon projected fund balances and assumed interest earnings rate of 1.0 percent.

The financial plan models are based on current operating and maintenance costs as reflected in the FY 2024/25 operating budget with future estimates influenced by growth assumptions and cost escalation.

Estimated annual CIP appropriations, as developed by staff and based on recommendations by the 2022 Santa Rosa Water Infrastructure Report Card, are included in the financial plan. The Local Wastewater capital appropriation budget is scheduled to increase steadily until annual appropriations reach $42 million in FY 2034/35. Regional capital appropriation budgets are scheduled to increase by $1 million per year for the duration of the 10-year financial plan.

Based upon the previously discussed financial data, assumptions, policies, and debt strategy, this Study proposes a five -year rate plan for Local Wastewater with annual rate adjustments of 5.0 percent as detailed in the table at the bottom of the figure below. It shows that both target reserves and the debt coverage ratio are maintained at or above targets over the course of the planning period.



	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032	FY2033	FY2034	FY2035
		Recommended					Projected				
Wastewater Rate Increases:		5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	4.0%	4.0%
Combined Debt Coverage Ratio:	5.19	5.26	5.51	5.76	6.03	6.43	8.25	4.58	5.03	4.49	4.75
Local WW CIP:	$3.3M	$14.3M	$14.7M	$15.1M	$18.0M	$21.0M	$25.0M	$29.0M	$34.0M	$37.0M	$42.0M
Regional Cash CIP:	$7.8M	$8.5M	$9.2M	$9.9M	$10.6M	$11.3M	$12.0M	$12.7M	$13.4M	$14.2M	$14.9M
Debt Proceeds:		$35.0M									

Local Wastewater Utility Financial Projection with Recommended Rate Increases

Proposed Wastewater Rates – Proposed wastewater rates are intended to meet the utility's financial needs, satisfy legal requirements and achieve other rate-setting objectives. The proposed wastewater rates retain the same general structure as the rates that were adopted in 2016, updated in 2021, and last increased in July 2024. Current wastewater rates include a fixed monthly service charge. Fixed service charges for multi-family (including duplex units), commercial, industrial, and institutional accounts have been adjusted across the range of water meter sizes to reflect the capacity relationship across meter sizes. This proportionately assigns service charge costs to each customer in relation to the potential demand they place on the wastewater system. Single-family customers continue to pay a single service charge, regardless of meter size (larger meters are required for irrigation demands or fire flow considerations, rather than water use related to wastewater generation).

For residential customers, wastewater flow is estimated utilizing the sewer cap. The sewer cap is calculated annually for each residential account as the average water use from complete billing cycles that fall within the period from November through March.

This time period is used because there is typically no outdoor irrigation or other water use that would not be collected by the Local Wastewater system. The wastewater usage charge is based on the lesser of the sewer cap or actual water use during the billing period. In general, non-residential accounts are billed for wastewater service based on actual water usage during the billing period.

The wastewater utility ten-year financial plan (see Section 3.1) was used to identify the wastewater rate revenue required to meet financial obligations for each fiscal year of the planning period. Once the annual wastewater rate revenue requirement is determined, the next step in the rate-setting process is to evaluate the cost of providing service. The COSA is the process of allocating the costs of providing wastewater service to customers in proportion to the extent to which each customer contributes to the utility's incursion of costs. The COSA evaluates the cost of providing wastewater and allocates those costs to rate structure components to ensure the proposed rates are proportionate with the costs to provide service.

The table below summarizes the proposed wastewater rate schedule for wastewater rates to be effective in July 2025. The proposed wastewater rates reflect the cost of providing wastewater service to customers. In particular, the proposed wastewater rates reflect a proportionate distribution of costs to all customers and customer classes and reflect the cost of providing service. A complete schedule of proposed wastewater rates for the five-year schedule is provided in the full report.

Proposed Wastewater Rates for FY 2025/26 (effective July 1, 2025)

Wastewater Usage Rates ($/TGAL) [1]	
Single Family and Multi-Family [2]	$16.90
Commercial, Industrial, and Institutional	
Low Strength	$13.89
Standard Strength	$16.89
Medium Strength	$18.81
High Strength	$23.45
Monthly Service Charges	
Single Family	$29.63
Multi-Family, Commercial, Industrial, Institutional	
5/8" & 3/4" meters	$29.63
1" meter	$69.49
1 1/2" meter	$135.91
2" meter	$215.62
3" meter	$401.60
4" meter	$667.29
6" meter	$1,331.52

Notes:

[1] Wastewater usage charge applies to the estimated wastewater generated. For single-family residential accounts and multi-family accounts that don't have a separate irrigation meter for landscaping the esimated wastewater is based on the lower of current water use or the Sewer Cap. The Sewer Cap is calculated for these residential accounts based on the average water use from complete billing periods within the months of November through March. For all accounts with separate irrigation meters (whether multifamily or non-residential) the wastewater generated is based on actual water usage during the billing period.

[2] Multifamily accounts include duplex, and triplex accounts.

In Conclusion - This 2024 Comprehensive Water and Wastewater Rate Study proposes updated utility rates for Santa Rosa Water. The report recommends appropriate annual increases in water and wastewater rates over the next five years, as well as updates to the existing rate structures to reflect updated costs of providing these public services. The proposed rate increases are driven primarily by general cost inflation and an increase in capital appropriations as recommended by the 2022 Santa Rosa Water Infrastructure Report Card.

This Study used methodologies that are aligned with all applicable law and are also consistent with industry standard practices for rate setting. The proposed water and wastewater rates will need to be adopted in accordance with Proposition 218, which requires a detailed notice describing the proposed charges to be mailed to each affected property owner or customer at least 45 days prior to conducting a public hearing to consider any written protests and in the absence of a majority protest adopt the rates.

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LIST OF SCHEDULES

List of Acronyms & Defined Terms

AF	acre-feet (measure of water volume)
AWWA	American Water Works Association
BOD	biochemical oxygen demand
BPU	Board of Public Utilities
CIP	capital improvement program
COSA	cost-of-service analysis
DCR	debt service coverage ratio
DU	dwelling unit
ESFD	equivalent single-family dwellings
FY	fiscal year (which ends on June 30 for Santa Rosa Water)
Member Agencies	Members of the Regional System, including the City of Santa Rosa, the City of Rohnert Park, the City of Cotati, the City of Sebastopol, and the South Park County Sanitation District.
O&M	operations and maintenance
PayGo	"pay-as-you-go" (i.e., cash appropriations for capital projects)
Regional System	Regional Water Reuse System
SWRCB	California State Water Resources Control Board
TGAL	thousand gallons
TKN	total Kjeldahl nitrogen
TSS	total suspended solids
WWTF	wastewater treatment facility (i.e. Laguna Wastewater Treatment Plant)

Section 1. ', 20- "3!2'-, ,"%#,#0 *', $-0+ 2'-,

Hildebrand Consulting has been retained by Santa Rosa Water to develop five-year rate plans for the water and wastewater utilities. Hildebrand Consulting has assisted Santa Rosa Water on a variety of utility rate, cost of service, demand fee, and related issues over the past 6 years.

The purpose of this 2024 Comprehensive Water and Wastewater Rate Study ("2024 Rate Study") is to develop ten-year financial plans and associated updated rate schedules for the next five years. The financial plan will help ensure that each utility will meet financial obligations for ongoing operation and maintenance, debt service and capital improvements while maintaining prudent financial reserves. The financial plans provide an opportunity to assess the potential implications of future operating and maintenance costs, capital improvement program needs, current and future debt obligations, changing customer demands and other variables. The proposed rate schedules are based on updated cost-of-service analyses and utilize the same rate design as previously adopted by Santa Rosa Water. The last comprehensive rate study was completed in 2021 by The Reed Group ("2021 Rate Study") and the most recent adjustments to the water and wastewater rates occurred in July 2024.

This report describes in detail the assumptions, procedures, and results of the Study, including conclusions and recommendations.

1.1 UTILITY BACKGROUND

The Wastewater Utility is composed of two systems: the Local Wastewater system, which collects and conveys wastewater from the City's customers and the Regional Water Reuse System ("Regional System"), which is comprised of the Laguna Wastewater Treatment Plant (WWTP), Water Reuse Operations and Biosolids Distribution System. The City of Santa Rosa owns and operates the Regional System as

a wholesale operation for the benefit of the City and the surrounding communities of Rohnert Park, Cotati, Sebastopol, and the South Park County Sanitation District ("Member Agencies"). The Regional System and Local Wastewater system are treated as separate financial enterprises in this study for the purposes of financial planning and rate setting.

Santa Rosa Water delivers over five billion gallons of drinking water each year to over 53,000 customer accounts and maintains the sanitary sewer system for nearly 50,000 customer accounts. These systems include roughly 1,200 miles of water and sewer pipelines. The Regional System includes water reuse (i.e., agricultural and urban irrigation, and the Geysers geothermal power plant), and biosolids beneficial reuse. These operations are carried out at the Laguna Treatment Plant.

1.2 SCOPE & OBJECTIVES OF STUDY

The scope of this Study is to prepare multi-year financial plans for the water and wastewater enterprises, review and update the water and wastewater cost of service analysis (COSA) and rate structures and to propose five-year rate plans for the water and wastewater utilities in compliance with California's Proposition 218 (California Constitution, Article XIIID).

The primary objectives of this Study are to:

i. Develop multi-year water and wastewater financial plans that integrate operational and capital project funding needs with a funding strategy
ii. Identify future annual adjustments to water and wastewater rates to help ensure adequate revenues to meet each utility's ongoing financial obligations
iii. Determine the proportional cost of providing water and wastewater services
iv. Recommend specific updates to Santa Rosa Water's existing rate structures to ensure that Santa Rosa Water is proportionately recovering the cost of service and comporting with California's legal requirements

1.3 STUDY METHODOLOGY

This Study applied methodologies that are aligned with applicable law, including California Constitution Article XIII D, Section 6(b), commonly known as Proposition 218. The methodologies are also consistent with industry standard practices for rate setting as laid out in the American Water Works Association (AWWA) M1 Manual.

The Study began with a review of the financial dynamics of both utilities and the latest available data for the utilities' operations. Multi-year financial management plans were then developed to determine the level of annual rate revenue required to cover projected annual operating expenses, debt service (including coverage targets) and capital cost requirements while maintaining adequate reserves. The financial plans were developed through analyses using an annual cash flow planning model developed for each utility. As a cash flow model, it differs from standard accounting income statements and balance sheets. The financial plan models reflect sources and uses of funds into, out of, and between the various funds and reserves of each utility.

This portion of the Study was conducted using MS Excel©-based financial planning models which were customized to reflect financial dynamics and latest available data for Santa Rosa Water's operations to develop a long-term financial management plan, inclusive of projected annual revenue requirements and corresponding annual rate adjustments.

The financial plan models reflect each utility's current fund and reserve structure and incorporate specific reserve recommendations. The fund and reserve structure common to both utilities is depicted in Figure 1 below, which shows the funds, reserves, and major cash flows associated with the financial plan models. This structure provides a helpful framework for evaluating the financial needs of both utilities and for clearly demonstrating how operating and maintenance costs, debt service obligations, and capital program needs are addressed for the duration of the planning period.

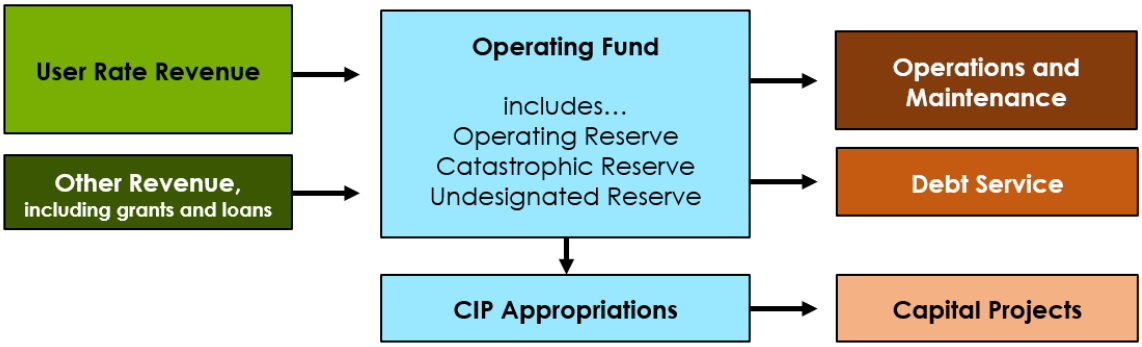


Figure 1 – Schematic Drawing of Water and Wastewater Fund/Reserve Structures and Cash Flows

The COSAand rate structure design were conducted based upon principles that comply with the requirements of Proposition 218 and other generally accepted industry practices to develop rates that reflect the cost of providing service.

1.4 BOARD OF PUBLIC UTILITIES PARTICIPATION

To assist in the development of this 2024 Rate Study, the project team conferred with the Board of Public Utilities (BPU) Budget Subcommittee (BPU Subcommittee). The BPU Subcommittee provided input on the development of the financial plans and reviewed the proposed updates to the rate structure to ensure fairness and equity across Santa Rosa Water's customer base while complying with Proposition 218 and satisfying Santa Rosa Water's revenue needs. In addition, presentations are scheduled to be provided to the full BPU in November and December of 2024 and to the Santa Rosa City Council in January of 2025.

1.5 PLANNING AND ADOPTION PROCESS

Santa Rosa Water generally adjusts water and wastewater rates annually to meet the financial and service needs of the utilities. Santa Rosa Water's water and wastewater rate adjustments in July 2024 were the last of the four-year rate adoption plans proposed by the 2021 Rate Study.

This Study recommends five-year rate schedules based on the ten-year financial plans developed by this study. The ten-year planning horizon enables greater confidence in making near-term decisions, improves rate certainty and stability over time, and reduces financial risk. The five-year rate adoption period provides customers with adequate notice regarding the level of rates in the future, while also acknowledging that financial conditions may change with time and that regular rate updates are prudent for managing the utilities' revenue needs and reserve balances. Annually, during the budget process, Santa Rosa Water staff will evaluate the adopted rate adjustment for each utility as well as calculate and apply the proposed Pass-Through policy for the water utility (see Section 2.2.7) with notice given to ratepayers as appropriate.

1.6 RATE SETTING OBJECTIVES

The rate setting process was guided by the following considerations:

Legal Requirements – Based on the California Constitution (Proposition 218) and relevant case law that water and wastewater rates not exceed the cost of providing service, and that rates reflect a proportionate share of costs attributable to each parcel.

Financial sufficiency and sustainability – Water and wastewater rates should generate sufficient revenues to meet each utility's service and financial obligations including covering operating and maintenance costs, funding capital improvements, meeting debt service obligations, and rehabilitating and upgrading the respective systems to provide high quality utility services to customers.

Fiduciary Responsibility – Santa Rosa Water seeks to minimize the amount of rate increases and limit the need for issuance of debt.

Rate Structure - Utility rates should strike a reasonable balance between fixed and usage-based charges, with consideration of:

- Revenue stability
- Conservation costs

- Affordability for basic usage
- The impacts of rate structure changes on customer bills
- Customer understanding and administrative simplicity
- Public understanding

1.7 REPORT ORGANIZATION

This report contains two major sections: Section 2 is the water rate study and Section 3 is the wastewater rate study. By design there is considerable redundancy in the language between Section 2 and Section 3; they are meant to stand alone to avoid the need to cross-reference between them.

1.8 GENERAL ASSUMPTIONS

As explained above, this report includes some redundancies in format and content between Section 2 (Water Utility) and Section 3 (Wastewater Utility). In the interest of minimizing this redundancy, the following subsections describe some assumptions that apply identically to both utilities.

1.8.1 Santa Rosa Water Cash Reserve Policies

Santa Rosa Water's reserve policies help protect its utilities and customers from financial risk and catastrophic events, including the risk of long-term drought. Cash reserve policies are reserve balance targets that are retained for specific needs. The reserve targets are an important component when developing a multi-year financial plan for both the Water Utility and the Wastewater Utility, and maintaining prudent reserves is an essential component of any sound financial management strategy. Utilities rely on reserves to provide working capital and manage cash flow needs, mitigate financial risk, maintain financial stability, address the interests of credit rating agencies regarding adherence to formally adopted reserve targets and satisfy debt covenants that require utilities to maintain specific debt reserves for outstanding loans.

Financial reserve policies were last formally reviewed by the BPU and the City Council in 2016 and amended by Council Resolution 28785. The current reserves for the Water Utility and Wastewater Utility are discussed in detail in Section 2.1.1 (Water), Section 3.1.1 (Local Wastewater), and Section 3.1.2 (Regional System).

1.8.2 Cost Escalation

Annual cost escalation factors for the various types of expenses were developed based upon a review of historical inflation trends, industry experience and discussions with Santa Rosa Water staff. During the projection period, expenses are projected to increase at the inflation rates listed in Table 1, which are reasonable for the planning period. Near-term inflation for salaries and benefits is based on Staff's understanding of recently negotiated employee contract terms[2]. Utility and chemical inflation assumptions are based on recent inflation trends which have been consistently higher than the long-term historical average of 3 percent. All other inflation assumptions are set at the long-term historical average of 3 percent. This Study assumes that Sonoma Water rates will increase by 11.7 percent in FY2025/26[3] but does not attempt to forecast the annual rate increases beyond that period, due to the fact that the proposed Pass-Through policy will implement adjustments based on actual future rate changes by Sonoma Water. The Pass-Through policy will result in any changes in costs being offset

[2] This includes the Memorandum of Understandings (MOUs) between Santa Rosa and the Operating Engineers Local Union No. 3 ALF-CIO, the Teamsters Local Union 856, the Operating Engineers Local Union No. 3 ALF-CIO, and the Santa Rosa Management Association; as well as wages, hours and other terms and conditions of employment approved by the Santa Rosa City Council for Employees in the City's Unit 10 Executive Management.

[3] Based on projections provided by Sonoma Water in a *FY 2024/25 Proposed Budget and Rates presentation*

by a reciprocal change in revenue, resulting in no change in net cash flow. The Pass-Through policy and its assumptions are discussed in more detail in Section 2.2.7.

Table 1: Assumed Cost Inflation Rates

	Assumed Inflation Rate		
Cost Category	FY2026	FY2027	2028 and thereafter
Salaries	9.0%	4.0%	3.5%
Benefits	3.6%	1.6%	2.0%
Professional Services	3.0%	3.0%	3.0%
Utilities	4.5%	4.5%	4.5%
Supplies/Materials	3.0%	3.0%	3.0%
Chemicals	4.5%	4.5%	4.5%
Consumer Price Index	3.0%	3.0%	3.0%
Construction Cost Index	3.0%	3.0%	3.0%
SCWA Water Rates	11.7%	(not applicable)*	

* No inflation assumed due to pass-through provision.

1.8.3 Customer Growth and Water Demands

In the past two years, Santa Rosa Water has collected an average of approximately $2.8 million per year in Water Demand Fee revenue and approximately $4.6 million per year in Wastewater Demand Fee revenue from new customers connecting to the respective systems. This equates to growth rates of approximately 0.84 percent per year and 1.34 percent, respectively. This Study assumes the average of these two growth rates (1.1 percent) will continue for the duration of the next 10 years and that the entirety of this revenue will be made available for funding water capital projects.

The state of California emerged from a historical drought in 2022. During that drought and since, Santa Rosa Water customers have used considerably less water than the most recent peak year of 2013. Current overall water demands are approximately 34 percent lower than demand in 2013. The financial plan assumes that average customer water demands over the planning period will remain stable.

It is important to recognize that water demand can (and does) fluctuate by material amounts based on weather, economic conditions and other factors. There are fluctuations in both revenues and expenses as demand fluctuates, which may result in financial deficits, underlining the importance of robust reserve policies (see Section 2.1.1). Future water demand and wastewater flows are uncertain and may be influenced by emerging drought conditions, conservation and environmental ethics of customers, economic conditions, State water conservation regulations, weather patterns and other factors. The assumptions used in the financial analysis are reasonable and are based on the best available information.

1.8.4 Debt Service Coverage

One of the requirements associated with bond financing is to maintain rates and other revenues at levels sufficient to meet debt service coverage ratio (DCR) requirements. At present, Santa Rosa Water is required to maintain utility revenues including Demand Fee revenue at a level that covers all ongoing operating and maintenance costs, as well as 1.25 times annual debt service (or 1.0 times when excluding Demand Fee revenue). Based on published guidance from Fitch Ratings, utility systems with *midrange* financial profiles should maintain a DCR greater than 1.50 times annual debt service. Because the Water Utility holds minimal debt relative to its revenue profile, this Water Utility financial plan demonstrates that a DCR that is well above prudent target levels will be maintained throughout the planning period. The Regional System carries a significant amount of debt, a majority of which is allocated to the Local Wastewater system. However, the wastewater DCR is also well above prudent target levels. The DCR should not be interpreted as "excessive" but rather an indication that Santa Rosa Water has made it a policy to limit its reliance on debt to finance capital projects.

Section 2. 5 2#0 0 2# 123 " 7

The following subsections include the Water Utility's financial plan, cost of service, rate design and proposed rates schedule.

2.1 WATER UTILITY FINANCIAL PLAN

Santa Rosa's Water Utility is a self-supporting, independent enterprise of the City. That is, the Water Utility is expected to generate sufficient revenues (through user charges, demand fees, and other revenues) to cover the ongoing costs of operations, maintenance, administration, regulatory compliance, debt service, capital improvements and maintenance of prudent financial reserves.

This section presents the Water Utility's ten-year financial plan, including a description of the source data, assumptions and Santa Rosa Water's financial policies. Santa Rosa Water provided historical and budgeted financial information, including historical and budgeted operating costs, a multi-year capital improvement program (CIP) and outstanding debt service obligations. Santa Rosa Water staff also assisted in providing other assumptions and policies, such as cash reserve targets and escalation rates for operating costs.

2.1.1 Water Utility Fund & Reserve Structure

The basic structure of the Water Utility Fund was depicted previously in Figure 1. A more detailed description of the fund structure and reserves clarifies the financial plan and the mechanics of the annual cash flows. The Water Utility Fund is comprised of the following elements and reserves:

- *Operating Fund* – The Operating Fund is the primary fund within the Water Utility. Most of the water system's revenues, including user rate revenues, flow into the Operating Fund. All operating and maintenance costs, including debt service payments, are paid out of this fund.

- *Operating Reserves* – Within the Operating Fund is an Operating Reserve. Under Santa Rosa Water's current reserve policy (Council Resolution 28785), the Water Utility Fund maintains an Operating Reserve equal to 15 percent of annual operating and maintenance costs, excluding debt service costs. The purpose of the Operating Reserve is to provide sufficient funds for working capital and to manage cash flow, as well as to provide funds for unanticipated expenditures or revenue shortfalls and for minor emergencies. As of June 30, 2023, the Water Utility had an audited operating reserve of about $5.2 million. The operating reserve balance on June 30, 2022 was $5.0 million.
- *Water Catastrophic Reserves* – Catastrophic reserves are intended to help protect the Water Utility from financial risk associated with major disruptive events such as earthquakes, fires, floods, pandemics or other catastrophic events. These reserves are intended to be available in the event of a reduction in revenues and/or an increase in costs. Since 2016 the Water Utility has held $5.75 million in the Water Utility Fund catastrophic reserve as per City policy (Council Resolution 28785). In a 2020 report[4], GHD Engineers recommended that the Water Utility Fund increase its catastrophic reserve to $17.5 million (an increase of $11.75 million). The Water Utility Fund has sufficient undesignated fund balance (see below) to meet this increase to the reserve requirement.
- *Undesignated Fund Balance* – The balance in the Operating Fund in excess of the target amounts for the Operating Reserve and the Catastrophic Reserve is shown in the financial plan as Undesignated Fund Balance. After all other obligations are met this available balance can be used to offset rate increases. This surplus provides important flexibility in managing the financial needs of the utility.

  The Water Utility Fund's Undesignated Fund Balance was about $14.9 million as of June 30, 2023. This financial plan proposes to transfer the undesignated balance to the catastrophic reserve.
- *Capital Project Appropriations* – Each year Santa Rosa Water appropriates funds for specific capital improvement projects. When appropriations are made funds

[4] 2020 Catastrophic Reserve Calculation Update Letter Report, GHD, June 10, 2020

are set aside to cover project costs. For the Water Utility Fund, this cash sits in the cash-funded capital fund (Fund 1614) until capital project expenditures are incurred and bills are paid. As of June 30, 2023, it is estimated that the Water Utility had about $51.3 million appropriated for capital projects.

- *Rate Stabilization Fund* – Unlike Local Wastewater (see Section 3.1.1), the water utility has not funded a Rate Stabilization Reserve.

2.1.2 Water Utility Rate Revenue

Rate revenue is the revenue generated from customers for water service. Santa Rosa Water collects rate revenue from water customers based on a fixed "Service Charge" (assessed based on meter sizes) and water "Usage Rates" (applied to each thousand gallons (TGAL) of water use). Customers receive a monthly bill. The Water Utility financial plan starts with FY2024/25 budgeted rate revenues. Estimated future water demand and rate revenues include the small amount of customer growth (see Section 1.8.3) as well as the annual rate revenue adjustments proposed by this Study. Other than demand increases associated with customer growth, water demand is anticipated to remain constant. Budgeted and projected rate revenues (including proposed rate adjustments) are listed in **Schedule W-1** (cash flow proforma), at the end of this report.

2.1.3 Water Utility Non-Rate Revenues

In addition to rate revenue, the Water Utility receives additional "non-rate revenue" from sources such as private fire service charges, miscellaneous service fees/charges, penalties, leases, Demand Fees[5], and interest revenue on investments. Projections of all non-rate revenues were based on FY2024/25 budgeted revenues with the exception of interest income which was calculated annually based upon projected fund balances and an assumed interest rate of 1.0 percent, which is consistent with Santa Rosa Water's historical interest earnings relative to its total reserve levels (combined average of all water and wastewater funds).

[5] Santa Rosa Water's "Demand Fees" are also known as "Capacity Charges" per Government Code Section 66013.

Budgeted water rate and non-rate revenues are depicted in Figure 2 below and listed in more detail in **Schedule W-1**.

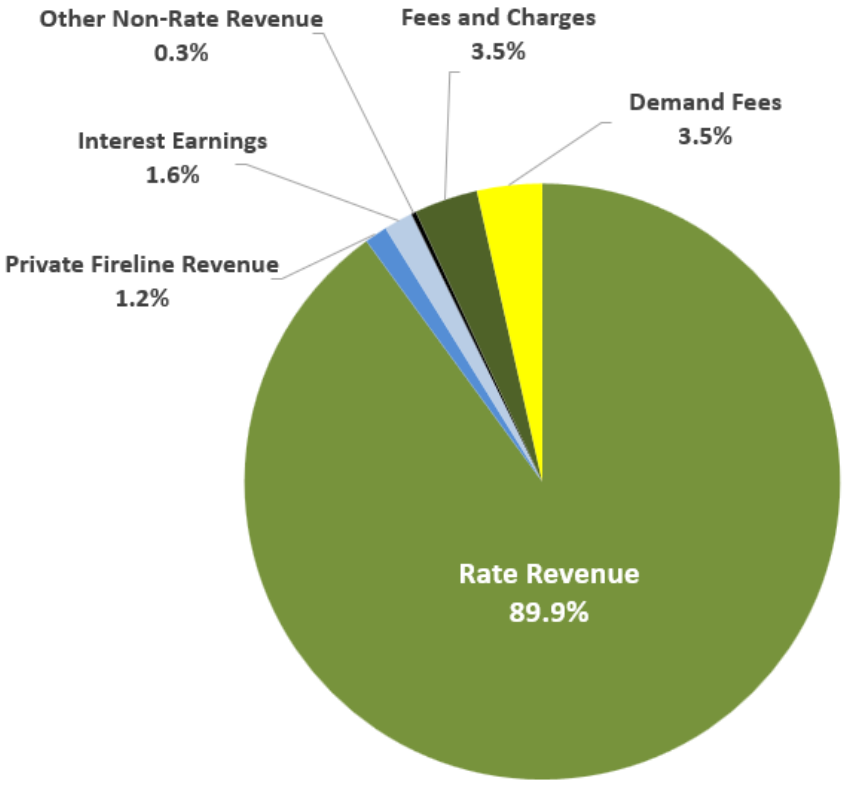


Figure 2: Budgeted Water Utility Revenue Categories (FY 2024/25)

2.1.4 Water Utility Operating and Debt Expenses

The financial plan models are based on current operating and maintenance costs as reflected in the FY 2024/25 operating budget with future estimates influenced by growth and water demand assumptions (see Section 1.8.3) and cost escalation (see Section 1.8.2), with the exceptions listed below.

- *Sonoma Water Purchases* – As explained in Section 2.2.7, this Study proposes the adoption of a Pass-Through policy for changes in the cost to purchase water from the Sonoma County Water Agency (Sonoma Water). This Pass-Through policy has been recommended, in part, due to the difficulty of accurately

projecting the changes that Sonoma Water will make to its water rates. For purposes of projecting net cash-flow, this financial plan assumes that Sonoma Water costs will remain unchanged starting in FY2026/27 and through the end of the financial planning period. This approach simplifies the cash-flow projection because any changes to Sonoma Water costs will, by definition, be offset by the change in revenues generated by the Pass-Through policy.

- *Existing Debt Obligations* – Existing long-term debt repayment obligations are summarized in Schedule W-1 (see Row 27). The Water Utility is responsible for the repayment on two outstanding bonds (Refunding Water Revenue Bonds Series 2018 and New Money 2002B). In FY2025/26 the annual debt service will be about $3.34 million and will grow annually until the annual debt service peaks at $3.8 million in FY2029/30 before decreasing to about $700 thousand in FY 2033/34.
- *New Long-Term Debt* – This financial plan does not include any additional debt for the Water Utility.
- *"Turnback" Rate* – Historically, Santa Rosa Water's actual operating costs have underspent the operating budget. Given this information, and because this rate study financial plan is based on budget figures for FY2024/25, it is necessary to include an adjustment to the forecasted operating costs in order to avoid calculating excessive rates. As was done with the 2021 Rate Study, this financial plan reduces the annual operating budget by 5 percent (as seen in Row 24 of Schedule W-1).

Major budgeted expense categories for FY2024/25 are depicted in **Figure 3**. Budgeted and projected operating and maintenance costs as well as debt service expenses are listed in detail in **Schedule W-1**.

Capital spending is addressed separately in Section 2.1.5.

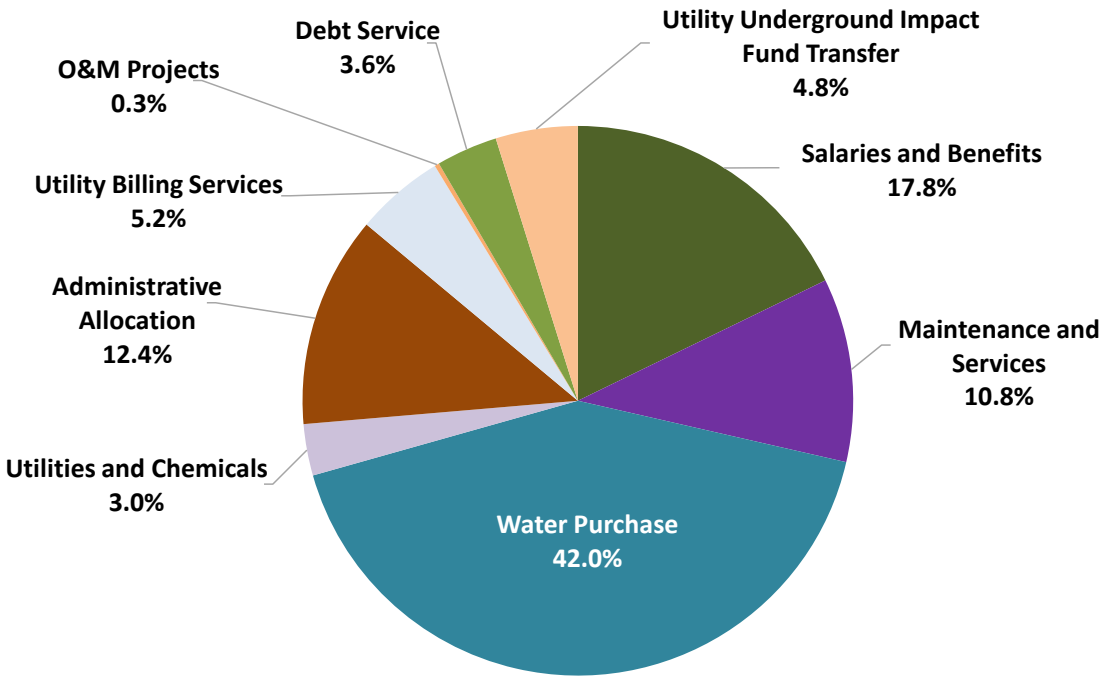


Figure 3: Water Utility Operating and Debt Expense Categories (FY 2024/25)

2.1.5 Water Utility Capital Appropriations

Santa Rosa Water appropriates funds for capital improvement projects within each of the utilities each year. Estimated annual CIP appropriations, as developed by staff for the next ten years, are included in the financial plan. The proposed level of capital appropriations is designed to meet the annual capital spending targets as described by the 2022 Santa Rosa Water Infrastructure Report Card.

The Water capital appropriation budget in FY 2023/24 was $14.6 million and in FY 2024/25 it is $9.5 million. The 2022 Santa Rosa Water Infrastructure Report Card establishes the goal of annual appropriations of $34 million. As such, this financial plan assumes a steady increase of annual appropriations at a rate that will achieve this target by FY 2034/35. Figure 4 and Schedule W-1 (see Row 28) summarize the annual capital program appropriations included in the financial plan model.

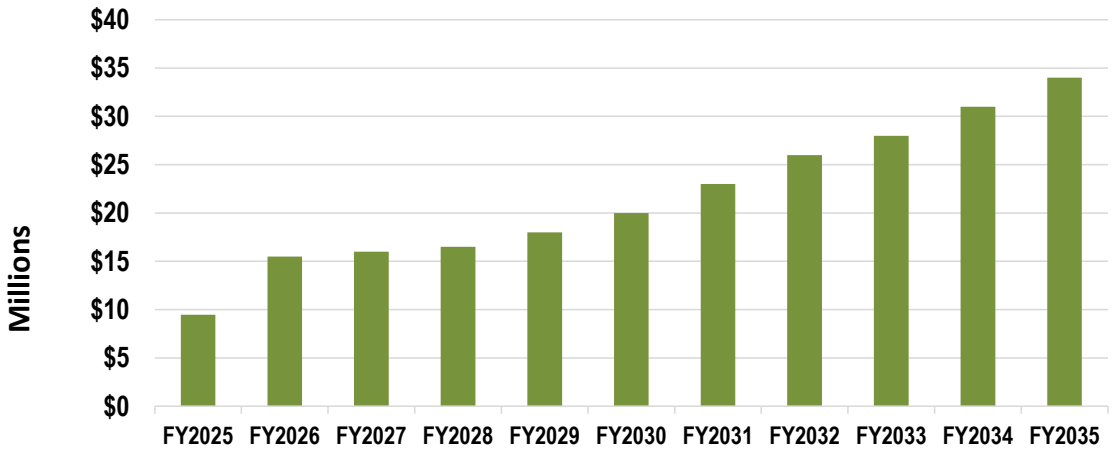


Figure 4: Projected Water Utility Capital Appropriations

This financial plan is proposing that all capital spending be funded on a "pay-as-you-go" (PayGo) basis as opposed to issuing new debt. This recommendation is based on the fact that debt financing is generally avoided unless there is an anomalous spike in capital spending that cannot be afforded without a significant rate increase (which is not the case for this financial plan).

The Water Utility financial plan assumes that Demand Fee reserves and revenues can be used to contribute towards paying for appropriate capital projects as detailed in the 2021 Water and Wastewater Demand Fee study. This is appropriate given the "buy-in" methodology used to calculate Demand Fees (see *2021 Water and Wastewater Demand Fee Study*, The Reed Group, Inc. May 10, 2021).

2.1.6 Proposed Water Rate Revenue Increases

All of the above information was entered into a financial planning model to produce a ten-year projection of the sufficiency of current rate revenues to meet projected financial requirements and determine the level of rate revenue increases necessary in each year of the projection period. Specific findings and recommendations pertaining to the Water Utility's financial plan are presented below, beginning with a description of the current situation.

- While the Water Utility's debt service obligations are currently relatively low ($830,000), the obligation will increase over time until it reaches $3.8 million by FY2029/30.
- The Pass-Through policy described in Section 2.2.7 eliminates the need to forecast how Sonoma Water rates will change in the future.
- Many conditions can and will change over the ten-year planning period, and it would be imprudent to adopt a schedule of water rate adjustments for the entire ten-year period. However, a five-year rate plan could be adopted with reasonable confidence and in compliance with Proposition 218's implementing legislation (Government Code §53755). Adopting a multi-year rate plan would enable the Water Utility to reduce costs associated with rate development and approval processes. It would also help ensure the financial stability of the utility and rate confidence for customers. Nevertheless, it is recommended that Santa Rosa Water staff review its financial condition and recommend annual rate adjustments as part of the annual budget process.
- The water rate increases proposed by this study for the next five years are intended to financially position the water utility to systematically and proactively replace aging infrastructure before it fails.

Based upon the previously discussed financial data, assumptions, policies, and PayGo strategy, this Study proposes a five-year schedule of annual rate adjustments as detailed in Table 2.

Table 2: Proposed Water Rate Revenue Increases

Rate Adjustment Date	Proposed Rate Increase
July 1, 2025	8.0%
July 1, 2026	7.0%
July 1, 2027	7.0%
July 1, 2028	7.0%
July 1, 2029	7.0%

The numbers provided in Schedule W-1 (cash flow proforma) are summarized graphically in Figure 5, which shows that the target reserves are essentially maintained over the course of the planning period and the DCR remains at healthy levels throughout the planning period.

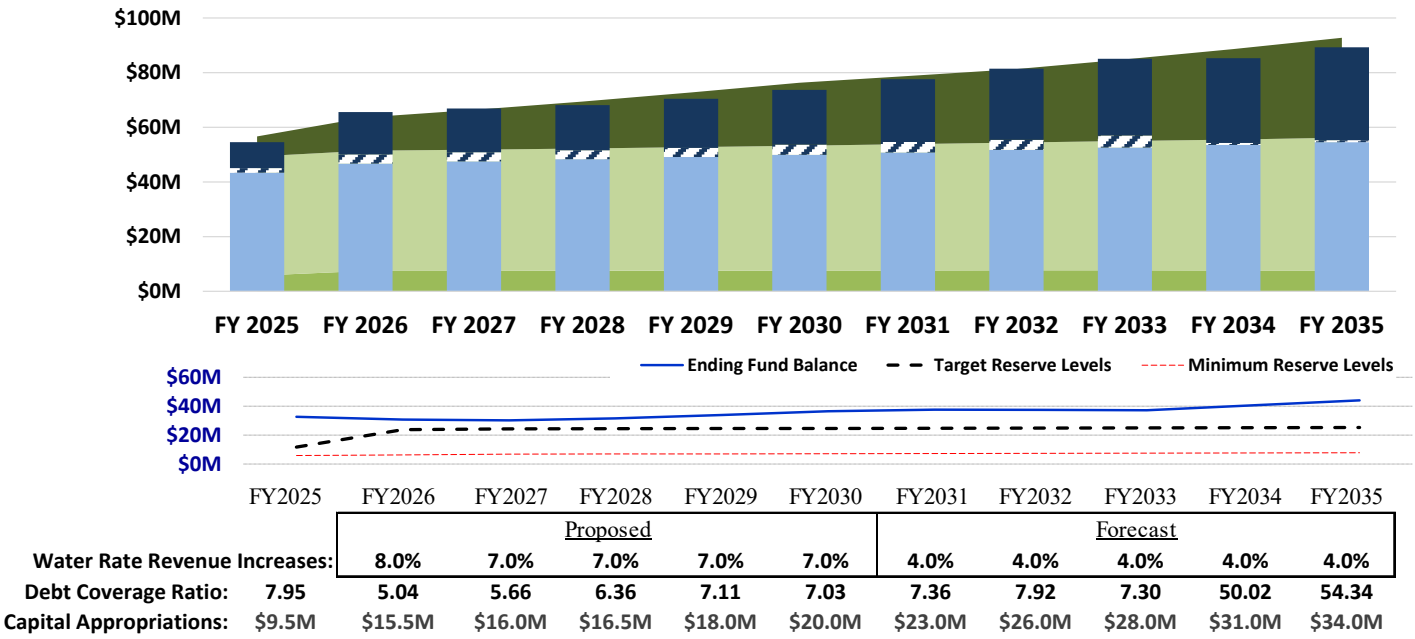


Figure 5: Water Utility Financial Projection with Recommended Rate Increases

Proposed rate structure changes and rate schedules for the next five years are presented in Section 2.2 of this report.

2.2 WATER COST OF SERVICE AND RATE STRUCTURE

This section of the report provides the COSA and design of water rates to comply with Proposition 218 and meet the water utility's service and financial obligations for FY 2025/26 and beyond. Proposed water rates are intended to meet the utility's financial needs, satisfy legal requirements, and achieve other rate-setting objectives. The water rate analyses and related recommendations address each of the following:

- Identification of water rate-setting objectives
- Evaluation of customer account and water usage data
- A COSA used to allocate costs to each customer and customer class in proportion with service demands
- Design of a water rate structure to meet revenue needs, satisfy legal requirements, and achieve rate-setting objectives in a fair and reasonable manner

The water utility ten-year financial plan was used to identify the water rate revenue required to meet financial obligations for each fiscal year of the planning period. Once the annual water rate revenue requirement is determined, the next step in the rate-setting process is to evaluate the cost of providing service. The COSA is the process of allocating the costs of providing water service to customers in proportion to the extent to which each customer contributes to the utility's incursion of costs. The COSA evaluates the cost of providing water and allocates those costs to rate structure components to ensure the proposed rates are proportionate with the costs to provide service.

2.2.1 Rate Setting Objectives

This study remains consistent with the rate-setting objectives that were established in 2015 (and again in 2021) by Santa Rosa Water staff and the BPU Budget Subcommittee. There are two rate-setting objectives that are primary and fundamental to guiding the rate-setting process. They include (1) water rates must generate sufficient revenue to meet the utility's service and financial obligations, and (2) water rates must be

calculated consistent with the requirements of the California Constitution, Article XIIID (Proposition 218) and relevant case law. Other rate-setting objectives are secondary and can be addressed only if the primary objectives are first achieved. Beyond the primary objectives, other rate-setting objectives identified to help guide the rate design process included the following:

- Water rates should be viewed as fair and equitable by the public
- Water rates should be simple, understandable, and easy to administer
- Water rates should strike an appropriate balance between fixed and usage-based charges, with consideration of:
  - Revenue stability
  - Conservation costs
  - Affordability for basic usage
  - Impacts of rate structure changes on customer bills

2.2.2 Current Water Rates

Santa Rosa Water's water rates were last increased (by four percent) in July 2024. The current water rates are presented in Table 3. Current water rates include a fixed service charge for all connections based on size of the water meter, a 2-tier structure for single-family, duplex, and irrigation accounts, and uniform rates for multi-family, commercial, industrial and institutional accounts.

The current 2-tier structure for single-family customers and duplexes reflects the difference in the cost of Santa Rosa's two sources of water and also allocates the cost of the conservation program to the customers that use the most water. The water allocation for the first tier is based on each customer's winter water use, or sewer/water[6] cap. The sewer/water cap is calculated as the average water use for complete billing periods from November through March, when water is primarily used for domestic (indoor) purposes. In addition to providing the basis for the allocation of

[6] Customers without sewer service have a water cap calculated to determine tiered usage.

water in the first tier, the sewer cap is also used for wastewater billing (see Section 3). The second tier is intended to provide the remaining water needs at the cost of providing the service. Approximately 63 percent of single-family water use occurs within the first tier with the remainder occurring in the second tier.

The 2-tier structure for irrigation customers also reflects the difference in the cost of Santa Rosa's two sources of water and also allocates the cost of the conservation program to the customers that use the most water. The water allocation in Tier 1 is based on a landscape water budget determined for each connection, which incorporates the irrigated area, plant types, and actual evapotranspiration rates per billing period. The first tier includes water usage up to 125 percent of the water budget (allowing for inherent inefficiency in irrigation systems), while the second tier provides for any additional water usage. At present, about 85 percent of irrigation water use occurs in the first tier, with the remainder occurring in the second tier.

A small number of customers use recycled water for irrigation purposes. Recycled water users are obligated to monitor water use, post signs, avoid runoff, and take other special precautions, all of which offset staff time that would otherwise need to be spent by Santa Rosa Water employees. Because of these in-kind contributions, monthly service charges for recycled water accounts are set 10 percent below potable water service charges. In addition, the Tier 1 water usage rate for irrigation with recycled is set five percent below the Tier 1 irrigation rate for recycled water. No reduction is provided for Tier 2 rate since it represents excessive use, which needs to be avoided. These pricing practices effectively serve to compensate recycled water customers for the extra burdens placed on them.

Table 3: Current Water Rate Schedule

Water Usage Rates ($/TGAL)		
Single Family Residential & Duplex		
Tier 1	Use up to Sewer Cap [1]	$6.61
Tier 2	Above Sewer Cap	$7.49
Single Family with No Irrigation Needs (Z=Y) [2]		
	All water use	$6.61
Multi-Family, Commercial, Industrial, and Institutional		
	All water use	$6.98
Irrigation (potable water) 2		
Tier 1	Use up to 125% of water budget	$6.72
Tier 2	Over 125% of water budget	$8.32
Irrigation (recycled water) [3]		
Tier 1	Use up to 125% of water budget	$6.38
Tier 2	Over 125% of water budget	$8.32
Monthly Service Charges (Potable Water)		
	5/8" meter	$15.55
	1" meter	$34.90
	1 1/2" meter	$67.15
	2" meter	$105.87
	3" meter	$196.18
	4" meter	$325.22
	6" meter	$647.80
Monthly Service Charges (Recycled Water)		
	5/8" meter	$13.99
	1" meter	$31.41
	1 1/2" meter	$60.43
	2" meter	$95.28
	3" meter	$176.57
	4" meter	$292.70
	6" meter	$583.02
Private Fire Line Service (Fixed Monthly Fee)		
	2" meter	$32.00
	4" meter	$32.00
	6" meter	$41.00

Notes:

[1] The Sewer Cap is calculated for each customer based on the average billing period water use during November through March.

[2] "Z=Y" accounts are single family or duplex accounts with no outdoor usage.

[3] The landscape water budget varies for each customer each billing period and is determined using the site's square footage for the types of plants and the evapotranspiration rate for the billing period.

2.2.3 Customer Account Data and Water Use Estimates

Table 4 summarizes customer account and water usage data used in water rate calculations for this report. Account information is based on the utility billing data from FY2023/24.

Table 4: Summary of Water Accounts for 2025/26 Rate Calculations

		Meter Size [1]								Annual Water
	Customer Class	5/8" & 3/4"	1"	1 1/2"	2"	3"	4"	6"	Total	Usage (TGAL)[2]
1	Single Family	41,951	3,729	65	15	0	0	0	**45,760**	2,797,000
2	Duplexes	1,668	203	2	0	0	0	0	**1,873**	164,200
3	Multi-Family	388	535	111	459	85	36	16	**1,630**	900,800
4	Comm./Indus./Inst.	1,194	864	168	486	67	20	11	**2,810**	912,400
5	Irrigation (Potable)	405	724	88	429	22	16	1	**1,685**	535,000
6	Irrigation (Recycled Water)	3	8	1	17		1	1	**31**	33,700
7	**Total Accounts**	**45,609**	**6,063**	**435**	**1,406**	**174**	**73**	**29**	**53,789**	**5,343,100**
8	No. of 5/8" Equiv. Mtrs.	45,609	15,158	2,175	11,248	2,610	1,825	1,450	**80,075**	
9	Hydraulic Capacity Factor [3]	1.0	2.5	5.0	8.0	15.0	25.0	50.0		

Notes:

[1] Summary of active water accounts during June of 2024

[2] Actual water use from FY 2023/24

[3] AWWA M1 Manual 7th Edition, Table B-2

Water rate calculations are based on several factors related to Santa Rosa Water's customer base. Factors include the number of customers, customer classes, meter size and monthly water usage. Santa Rosa Water provides water service through 53,789 water service connections, including 45,760 single-family accounts, 1,873 duplex accounts, 1,630 multi-family accounts, 2,810 non-residential service accounts and 1,685 irrigation accounts. Single-family customers comprise about 85 percent of the customer accounts and about 52 percent of annual water usage. Duplex accounts make up about 3.5 percent of the customer accounts and 3 percent of the annual water usage. Multi-family customer accounts make up about 3 percent of the customer accounts and 17 percent of annual water usage. Non-residential customer accounts make up about 5 percent of the customers and 17 percent of annual water usage. Irrigation accounts make up about 3 percent of the customer accounts and 10 percent of the water use.

Duplex accounts are grouped with single-family customers for water rate and utility billing purposes since duplex accounts tend to have dual-use meters (indoor and

irrigation) and exhibit water use patterns that are more consistent with single-family accounts than with multi-family accounts.

Water usage for multi-family dwellings is generally less than for single-family residences (on a per dwelling unit basis) for a variety of reasons including fewer people per household, limited landscape irrigation (or irrigation that is separately metered) and therefore less seasonal peaking.

Larger meters have the capacity to place higher demands on the water system than smaller meters. This means that larger (more costly) infrastructure is needed in order to serve accounts with larger meters. To relate the potential demands on the water system from customers with different size water meters, hydraulic capacity factors are used to determine the number of equivalent meters represented by the total customer base with variable meter sizes. Table 4 (see Row 9) presents the hydraulic capacity factors (based on the rated flow capacity of various meter sizes) used to determine the number of equivalent meters. For purposes of rate analysis, a 5/8" meter is assigned a hydraulic capacity factor of 1.0. The ratios of rated flow capacities of the various meter sizes to the capacity of a 5/8" meter are used to determine the capacity factors for other meter sizes. This capacity relationship across meter sizes is used to allocate capacity-related fixed costs to various customers, a common rate-setting practice used in the water industry.

2.2.4 Cost-of-Service Analysis

There are three steps to determining water rates. These are:

- Determine annual water rate revenue requirements
- Analyze the cost of providing service and proportionately allocate costs to each customer class and customer
- Design water rates to recover costs from each customer class and customer.

The water utility ten-year financial plan (see Section 2.1) was used to identify the water rate revenue required to meet financial obligations for each fiscal year of the planning period. As presented in Section 2.1.6 of this report, a water rate revenue increase of 8

percent is proposed for FY 2025/26. The cost-of-service analysis and rate structure updates that are proposed by this study are based on the revenue requirements FY 2025/26 ("test year").

Once the annual water rate revenue requirement is determined, the next step in the rate-setting process is to evaluate the cost of providing service. The COSA allocates the costs of providing water service to customers in proportion to the extent to which each customer contributes to the utility's incursion of costs. The COSA evaluates the cost of providing water and allocates those costs to rate structure components to ensure the proposed rates are aligned with the costs to provide service.

There are many approaches to cost-of-service analyses. Some are more complex than others. The approach used herein is commensurate with the available data, the distinctions made between various types of customers and requirements contained in the California Constitution, Article XIIID (Proposition 218), relevant court decisions, and other requirements. The primary provisions of Article XIIID that affect water and wastewater rate calculations include:

- Section 6(b)(1) – Revenues derived from the fee or charge shall not exceed the funds required to provide the service.
- Section 6(b)(3) – The amount of a fee or charge imposed upon any parcel or person shall not exceed the proportional cost of the service attributable to the parcel.

The cost allocation methodology used herein follows the methodology that was developed in 2015 and simply updates the financial values (which results in slight changes to the COSA and ultimately the rate structure). The goal of the methodology was to allocate costs in a manner that both satisfies all cost-of-service (proportionality) requirements and also meets Santa Rosa Water's objectives of revenue sufficiency and revenue stability.

The cost allocation methodology begins by assigning all costs to one of three categories. The cost allocation process is performed with data available in the Water Utility's detailed budget and related financial documents. The three categories include:

- Customer costs, such as meter reading and billing, are fixed costs that tend to vary as a function of the number of customers being served, but do not vary depending on meter size or water usage. Customer costs are allocated to customers based on the number of accounts. That is, every customer will pay an equal share of customer-related costs.
- Capacity costs are also fixed costs; however, these tend to vary in relation to the capacity of the water system and the ability to serve the demands of active customers. Customers that place greater or lesser burdens on the capacity of the water system should bear greater or lesser shares of these costs. The sizing of the water system is based on the potential demand that each customer could place on the water system. Capacity costs are allocated to customers based on the hydraulic capacity of the water meter. The hydraulic capacity reflects the potential demand that a customer could place on the water system at any given time and is a general indicator of total system demand. A customer with a large meter size will be assigned a larger share of fixed capacity-related costs than one with a smaller meter. Capacity costs include costs associated with the water system's capacity including contributions to the capital program, debt service, maintenance, and certain fixed operating costs.
- Commodity costs are variable costs that vary entirely or substantially in response to the amount of actual water use or are reasonably allocated based on water use. Water acquisition and treatment costs and energy costs are typical examples. However, some fixed costs are frequently included in commodity components such that a larger portion of cost is recovered on the basis of usage. Even though some commodity costs are fixed rather than variable, it is reasonable to allocate these costs to customers based on usage, rather than the capacity relationship expressed by meter size and hydraulic capacity. Asignificant portion of the water utility's fixed

costs is currently recovered through water usage charges. Proposed water rates continue this practice to a similar degree.

Table 5 summarizes how the water rate revenue requirement of $55.8 million is comprised of various functional categories of operating and maintenance costs, debt service obligations and capital program appropriations with offsetting revenues and the application of available reserves. It also illustrates how the functional cost categories that make up the revenue requirement are each assigned to one or more of the three cost components, as previously described.

The costs within each of the functional categories were derived from the detailed cost forecast for FY 2025/26. Once functional cost categories are allocated to the components, the total for each component is divided by the number of units to arrive at total unit costs for each component. The units of demand include the number of customer accounts (service connections), number of 5/8" equivalent meters, and annual water sales for the customer, capacity, and commodity components, respectively.

The allocation of costs to the customer, capacity, and commodity components is shown to be 2.1 percent, 23.8 percent, and 74.1 percent, respectively in Row 31 of Table 5.

Table 5: FY 2025/26 Unit Costs of Water Service

		Total Water Rate Revenue Requirement	Customer Costs	Capacity Costs	Commodity Costs
1	**Units of Service -->**		**53,789** Accounts	**80,075** 5/8" Equivalent Meters	**5,343,100** TGALs
	Salaries and Benefits				
2	Total	$8,784,000	$0	$0	$8,784,000
3	Unit Cost		$0.00	$0.00	$1.64
	Utility Billing Services				
4	Total	$2,491,000	$2,491,000	$0	$0
5	Unit Cost		$46.31	$0.00	$0.00
	Water Purchases/Production/Chemicals				
6	Total	$21,710,000	$0	$0	$21,710,000
7	Unit Cost		$0.00	$0.00	$4.06
	Utilities				
8	Total	$1,463,000	$0	$0	$1,463,000
9	Unit Cost		$0.00	$0.00	$0.27
	Other Services and Supplies				
10	Total	$5,060,000	$0	$0	$5,060,000
11	Unit Cost		$0.00	$0.00	$0.95
	Indirect Costs				
12	Total	$5,924,000	$0	$5,924,000	$0
13	Unit Cost		$0.00	$73.98	$0.00
	O&M Projects and Capital Outlay				
14	Total	$214,000	$0	$0	$214,000
15	Unit Cost		$0.00	$0.00	$0.04
	To Utility Impact Fee Fund				
16	Total	$2,296,000	$0	$2,296,000	$0
17	Unit Cost		$0.00	$28.67	$0.00
	To Debt Service Fund				
18	Total	$3,345,000	$0	$3,345,000	$0
19	Unit Cost		$0.00	$41.77	$0.00
	To Capital Fund				
20	Total	$15,500,000	$0	$7,750,000	$7,750,000
21	Unit Cost		$0.00	$96.78	$1.45
	Turnback				
22	Total	-$1,199,000	-$45,000	-$347,000	-$808,000
23	Unit Cost		-$0.84	-$4.33	-$0.15
	To/From Operating Reserves				
24	Total	-$1,972,000	-$74,000	-$570,000	-$1,328,000
25	Unit Cost		-$1.38	-$7.12	-$0.25
	Charges for Services				
26	Total	-$1,977,000	-$1,050,000	-$927,000	$0
27	Unit Cost		-$19.52	-$11.58	$0.00
	Other Revenue				
28	Total	-$5,854,000	-$148,000	-$4,216,000	-$1,490,000
29	Unit Cost		-$2.75	-$52.65	-$0.28
30	**Totals**	**$55,784,000**	**$1,174,000**	**$13,255,000**	**$41,355,000**
31			2.1%	23.8%	74.1%
32	**Unit Costs of Service -->**		**$21.83** per Account	**$165.53** per Equivalent Meter	**$7.74** per TGAL

The unit costs presented in Table 5 are then used to distribute the costs of providing service to each customer class, as presented in Table 6. Customer classes include single-family and duplex accounts, multi-family, commercial, industrial and institutional accounts and dedicated irrigation accounts. For each customer class, unit costs for each cost component are multiplied by the units of demand. The resulting allocation of the total water rate revenue requirement to each customer class is shown in Column E of Table 6. This indicates that 58.9 percent of costs are allocated to single-family and duplex customers, 31.0 percent to multi-family, commercial, industrial and institutional customers, and 10.1 percent to irrigation accounts.

Table 6: Cost Distribution to Customer Classes

	A	B	C	D	E	F
		Customer Costs	**Capacity Costs**	**Commodity Costs**	**Cost of Service**	
1	**Unit Costs of Service -->**	**$21.83** per Account	**$165.53** per Equivalent Meter	**$7.74** per TGAL		
	Customer Classes					
	Single Family and Duplex Accounts					
2	Units of Service	47,633	53,904	2,961,200		
3	Cost of Service	$1,039,828	$8,922,729	$22,919,688	**$32,882,246**	58.9%
	Multi-Family, Commercial, Industrial, and Institutional Accounts					
4	Units of Service	4,440	19,065	1,813,200		
5	Cost of Service	$96,925	$3,155,747	$14,034,168	**$17,286,840**	31.0%
	Dedicated Irrigation Accounts					
6	Units of Service	1,716	7,106	568,700		
7	Cost of Service	$37,460	$1,176,256	$4,401,738	**$5,615,454**	10.1%
8	**Total Costs**	**$1,174,214**	**$13,254,732**	**$41,355,594**	**$55,784,540**	100%
9		2.1%	23.8%	74.1%		

2.2.5 Water Rate Design

The third and final step in the rate setting process is the design of water rates to recover costs from each customer class and generate the revenue needed for the utility. Table 7 summarizes the basic elements of the water rate structure for each customer class. Costs that were distributed to each customer class under each rate component are then divided by the units of demand within each class to arrive at basic rate components.

Table 7: Summary of FY 2025/26 Water Rate Calculations

	Single Family and Duplex	Multi-Family, Commercial, Industrial, & Institutional	Irrigation	Totals	
Allocated Costs -->	**$32,882,246**	**$17,286,840**	**$5,615,454**	**$55,784,540**	
Rate Component Calculations					
Customer Costs	$1,039,828	$96,925	$37,460	$1,174,214	2.1%
No. of Accounts	47,633	4,440	1,716		
Monthly Customer Cost -->	**$1.82**	**$1.82**	**$1.82**		
Capacity Costs	$8,922,729	$3,155,747	$1,176,256	$13,254,732	23.8%
No. of 5/8" Equivalent Meters	53,904	19,065	7,106		
Monthly Capacity Cost -->	**$13.79**	**$13.79**	**$13.79**		
Commodity Costs	$22,919,688	$14,034,168	$4,401,738	$41,355,594	74.1%
Annual Water Use (TGAL)	2,961,200	1,813,200	568,700		
Uniform Water Rate ($/TGAL) -->	$7.74	**$7.74**	$7.74		
Tiered Water Rate ($/TGAL) [1]	**$7.29** Tier 1 **$8.51** Tier 2		**$7.41** Tier 1 **$9.44** Tier 2		

[1] Derivation of tiered rates shown in Table 9

In general, proposed water rates follow the same basic structure as the current water rates, even though the specific rate amounts have been updated to reflect the current COSA. Water rates include fixed service charges based on the size of the water meter and water usage rates applicable to each customer class.

2.2.5.1 SERVICE CHARGES

Table 8 presents the calculation of monthly service charges for the proposed water rates. Service charges are intended to recover the customer and capacity costs identified through the COSA. Service charges apply to all customer water bills regardless of the amount of water used. Customers that use no water during a billing period should still be required to pay the service charge, as service is immediately available to them. In calculating service charges, customer costs are allocated equally to all customers and capacity costs are allocated based on meter size in relation to the hydraulic capacity associated with the various meter sizes.

The proposed service charge for a 5/8" meter (typical for single-family homes) is $15.61. All proposed service charges reflect the capacity relationship across meter sizes as well as the revenue needs of the utility. The changes to service charges across the range of

meter sizes objectively reflect a consistent proportioning of the cost of providing service to customers of varying meter sizes.

Table 8: FY 2025/26 Water Utility Monthly Service Charge Calculations

Meter Size	Customer Cost	Hydraulic Capacity Factor	Capacity Cost	Monthly Service Charge
5/8" & 3/4"	$1.82	1.0	$13.79	$15.61
1"	$1.82	2.5	$34.48	$36.30
1 1/2"	$1.82	5.0	$68.95	$70.77
2"	$1.82	8.0	$110.32	$112.14
3"	$1.82	15.0	$206.85	$208.67
4"	$1.82	25.0	$344.75	$346.57
6"	$1.82	50.0	$689.50	$691.32

The service charge for a 3/4" water meter is the same as for a 5/8" meter. On occasion, customers are required by the Fire Code to upsize from a 5/8" meter to a 3/4" meter. In these instances, charging the same service charge is reasonable and appropriate.

2.2.5.2 WATER USAGE RATES

Current water rates include a 2-tier rate structures for single-family and duplex accounts, as well as for dedicated irrigation accounts. Table 9 shows the calculation of these 2-tier water rate structures.

The price difference between Tier 1 and Tier 2 is based on the cost of the Water Utility's water supply as well as the cost of the conservation program. Santa Rosa Water obtains its water supplies from three different sources including water purchased from Sonoma Water, groundwater produced from local wells and recycled water purchased from the Regional System. The current cost to purchase or produce an acre-foot (AF) of water from Sonoma Water is about $1,289 per AF, ground water was about $215 per AF in FY 2023/24, and recycled water is currently about $342 per AF. For purposes of the rate calculations, all of these costs were updated with inflation assumptions (11.7%[7], 6.1%,

[7] Based on Sonoma Water's own projection of rate increases as communicated in a FY2024/25 Proposed Budget and Rates presentation.

and 4.5% respectively). The calculated rates are shown in Rows 2, 3, &4 of Figure 9. At present, water imports from Sonoma Water make up about 92 percent of total water supply, groundwater about 7.5 percent, and recycled water about 0.5 percent. The cost difference between Tier 1 and Tier 2 is created based on the fact that Tier 1 water is calculated based on the blended cost of imported water, groundwater, and recycled water, while Tier 2 rates are based entirely on the cost of imported water. Tier 2 also includes the cost of the conservation program. Water conservation costs have been assigned only to usage in the second tier, because usage in the first tier generally reflects reasonable water use. Water conservation program costs are assigned equally to each customer class at $0.27 per TGAL for all water usage (see Row 13 of Table 9). However, the allocated costs are recovered only from second tier usage for single-family and duplex accounts, as well as for irrigation accounts. Because the percentage of usage in Tier 2 differs between these two customer classes, the Tier 2 water conservation cost differs as well. Commodity costs that are not related to water supply or water conservation costs are equally allocated across all water usage (see Row 10 of Table 9).

As discussed in Section 2.2.2, the water allocation of Tier 1 water for single-family and duplex accounts is based on the sewer/water cap for each account and represents water for indoor purposes (necessary for health and safety). Water use above the sewer cap is generally for irrigation and consequently is more discretionary in nature. The Tier 1 water allocation for dedicated irrigation accounts is based on 125 percent of the water budget for each account and represents efficient irrigation water use (no irrigation system is 100 percent efficient). Water use above 125 percent of the water budget exceeds the reasonable need for the landscape. Because the sewer cap and the water budget are derived separately the water supply mix in the first tier differs slightly for single-family and duplex accounts than it does for irrigation accounts. As a result, the water supply costs and hence the water usage tier rates for each customer class are somewhat different.

Because of the broad diversity of water use and water using characteristics exhibited by multi-family, commercial, industrial, and institutional customers, it continues to be

appropriate to use a uniform water rate for these customer classes. However, both single-family accounts (including duplex accounts) and dedicated irrigation accounts (with defined water budgets) have relatively predictable and homogeneous water usage patterns, and tier rates that appropriately reflect costs for each level of usage can satisfy not only cost-of-service and proportionality requirements, but also source of water supply and cost recovery for water conservation mandates.

This Study proposes to eliminate the special rate category for single family accounts with no outdoor water needs. Going forward, those accounts will pay the same tiered rates as other single-family accounts.

Table 9: FY 2025/26 Water Usage Rate Calculations

			Single Family and Duplex			Multi-Family, Comm., Industrial, & Institions	Dedicated Irrigation		
			Tier 1 [2]	Tier 2	Total	Total	Tier 1 [3]	Tier 2	Total
1	Water Usage (TGAL) [1]		1,886,000	1,075,200	2,961,200	1,813,200	478,000	90,700	568,700
			63.7%	36.3%		100%	84.1%	15.9%	
	Water Supply (AF)	$/AF							
2	Sonoma Water	$1,440	5,043	3,300	8,343	5,109	1,324	278	1,602
3	Groundwater	$229	688		688	421	132		132
4	Recycled Water	$357	57		57	35	11		11
5	Total Supply		5,788	3,300	9,088	5,565	1,467	278	1,745
	Water Supply (%)								
6	Sonoma Water		87.1%	100%	91.8%	91.8%	90.3%	100%	91.8%
7	Groundwater		11.9%		7.6%	7.6%	9.0%		7.6%
8	Recycled Water		1.0%		0.6%	0.6%	0.7%		0.6%
9	Total Supply		100%	100%	100%	100%	100%	100%	100%
	Water Usage Rates ($/TGAL)								
10	Gen'l. w/o Supply/Conserv.		$3.35	$3.35	$3.35	$3.35	$3.35	$3.35	$3.35
11	Sonoma Water		$3.85	$4.42	$4.06	$4.06	$3.99	$4.41	$4.06
12	Groundwater & Rec. Wtr.		$0.09		$0.06	$0.06	$0.07		$0.06
13	Water Conservation			$0.74	$0.27	$0.27		$1.68	$0.27
14	**Total Cost per TGAL [4]**		**$7.29**	**$8.51**	**$7.74**	**$7.73**	**$7.41**	**$9.44**	**$7.73**

Notes:

[1] Total water sales as distributed across the customer classes based on water sales during FY 2023/24. One acre foot (AF) is equal to 325,851 gallons.

[2] The first tier allocation for single family and duplex accounts is equal to the Sewer Cap.

[3] The first tier allocation for irrigation accounts is equal to 125 percent of the individual water budget.

2.2.6 Proposed Water Rate Schedule

Table 10 summarizes the proposed water rate schedule for water rates to be effective in July 1, 2025. The proposed water rates reflect a proportionate distribution of costs to all customers and customer classes and reflect the cost of providing service. The service charges, uniform water rate and 2-tier water rate structures reflect a reasonable allocation of costs on a proportionate basis to each water user, as required by Section 6(b)(3) of Article XIIID of the California Constitution, as well as the overall limit that rates not exceed the cost of service required by Section 6(b)(1).

The five-year schedule of proposed water rates is presented in Schedule W-2. Upon adoption of the rates (following the Public Hearing and determination that there is not a majority protest), the initial rate increase will be effective 30 days after approved by the City Council, as early as July 1, 2025.

Table 10: Proposed Water Rate Schedule for FY 2025/26 (effective July 1, 2025)

Water Usage Rates ($/TGAL)		
Single Family Residential & Duplex		
Tier 1	Use up to Sewer Cap [1]	$7.29
Tier 2	Above Sewer Cap	$8.51
Multi-Family, Commercial, Industrial, and Institutional		
	All Water Use	$7.74
Irrigation (potable water) [2]		
Tier 1	Up to 125% of Water Budget	$7.41
Tier 2	Over 125% of Water Budget	$9.44
Irrigation (recycled water) [2]		
Tier 1	Use up to 125% of water budget	$7.04
Tier 2	Over 125% of water budget	$9.44
Monthly Service Charges (Potable)		
	5/8" & 3/4" meters	$15.61
	1" meter	$36.30
	1 1/2" meter	$70.77
	2" meter	$112.14
	3" meter	$208.67
	4" meter	$346.57
	6" meter	$691.32
Monthly Service Charges (Recycled Water)		
	5/8" & 3/4" meters	$14.05
	1" meter	$32.67
	1 1/2" meter	$63.69
	2" meter	$100.93
	3" meter	$187.80
	4" meter	$311.91
	6" meter	$622.19

Notes:

[1] The Sewer Cap is calculated for each customer based on the average billing period water use during November through March.

[2] The landscape water budget varies for each customer each billing period and is determined using the site's square footage for the types of plants and the evapotranspiration rate for the billing period.

2.2.7 Proposed Wholesale Water Pass-Through Policy

Over the past 20 years, changes to Sonoma Water rates have ranged from as high as 27.95 percent to as low as 1.5 percent. In the past two years, both Sonoma Water rate increases have been around 10 to 11 percent. Since these costs are not noticed to Sonoma Water's retailers until months before being implemented, it is difficult for this financial plan to accurately forecast the future cost increases in wholesale water over a 5 to 10-year period. This Study could "prepare for the worst" in order to avoid a revenue shortfall and adopt rates that assume that Sonoma Water rate increases will continue to be in the range of 11 to 12 percent or higher, however, if the wholesale water rates do not actually increase by that amount, Santa Rosa Water would find itself in a position of having adopted water rates that may, depending on financial conditions, overcharge its customers. While it could be argued that all cost projections carry such risks, wholesale water is different for three important reasons: (1) it is the water utility's largest purchasing expense, (2) the increase in costs is systematically volatile, and (3) California state law (Government Code Section 53756) offers a remedy to retail utilities in such situations by specifically allowing them to "pass-through" increases to the cost of wholesale water to its customers. Wholesale rates like the type imposed by Sonoma Water are not subject to Proposition 218. A Pass-Through policy is a mechanism for automatically adjusting water rates to account for the effects changes in wholesale water supply costs. The provision can be adopted for a five-year period (Government Code section 53755).

The Pass-Through policy would only affect a portion of usage rates since Sonoma Water costs only affect a portion of usage rates. Given the slight differences in the costs that make up each usage rate (see Table 9), the formula for the pass-through adjustment is unique for each of the seven usage rates (the seven rates being Tier 1 & Tier 2 for residential, potable irrigation and recycled water irrigation; and the uniform rate for commercial). The pass-through formula is shown in *Equation 1*.

Equation 1 – Pass-Through Formula For Usage Rates

$$Rate_N = (Rate_e \times (1+SRRI) \times (1-PTP)) + (Rate_e \times (1+SWRI) \times PTP)$$

whereby,

$Rate_N$ = *New usage rate (for fiscal year X)*

$Rate_e$ = *Existing usage rate (for fiscal year X– 1)*

SRRI = Santa Rosa adopted rate increase for fiscal year X (percentage)

SWRI = Sonoma Water rate increase for fiscal year X (percentage)

PTP = Pass-Through percentage for each specific usage rate

PTPs are percentages that are unique to each usage rate, based on the proportion of costs in each usage rate that is attributable to Sonoma Water costs (see Table 9).

These percentages are as follows:

Residential Tier 1 PTP:	52.8 percent
Residential Tier 2 PTP:	51.9 percent
Commercial Rate PTP:	52.5 percent
Portable Irrigation Tier 1 PTP:	53.8 percent
Potable Irrigation Tier 2 PTP:	46.7 percent
RW Irrigation Tier 1 PTP:	53.8 percent
RW Irrigation Tier 2 PTP:	46.7 percent

Equation 2 shows an example calculation for a *hypothetical* 10 percent increase in Sonoma Water rates for FY2026/27 (during which Santa Rosa Water adopted a 7 percent rate increase).

Equation 2 – Example Calculation of Pass-Through For Residential Tier 1

$$Rate_N = (\$7.29 \times (1+7.0\%) \times (1-52.8\%)) + (\$7.29 \times (1+10.0\%) \times 52.8\%)$$

$$Rate_N = (\$7.29 \times 1.07 \times 47.2\%) + (\$7.29 \times 1.10 \times 52.8\%)$$

$$Rate_N = (\$7.800 \times 45.3\%) + (\$8.019 \times 54.7\%)$$

$$Rate_N = \$3.682 + \$4.234$$

$$Rate_N = \$7.92$$

The pass-through calculation does not apply to the FY2025/26 rates because Sonoma Water rates were projected based on forecasts provided by Sonoma Water[8]. This study relied on Sonoma Water's forecasted rate change for FY2025/26 rather than using the pass-through mechanism for actual adopted rates because assumed values for the test year (FY2025/26) were necessary in order to complete the cost-of-service analysis.

Sonoma Water adopts its new rates the April prior to each fiscal year (which starts on July 1). Starting with the rates for FY2026/27, once Sonoma Water has adopted its new rates, Santa Rosa will calculate the appropriate pass-through and notify customers of the new rates at least 30 days before the change in the rates. As an exception, the pass-through that is calculated for FY2026/27 will also take into account the actual Sonoma Water rate change for FY 2025/26, in order to account for any deviation from the assumed 11.7 percent rate increase that was assumed by this study.

2.2.8 Private Fire Line Protection Fee

Santa Rosa Water charges a fee for accounts that have fire protection systems that supplement the public fire protection system with features such as fire sprinkler

[8] *FY2024-2025 Proposed Budget and Rates presentation*

systems, private fire hydrants or any other system that relies on the public water system for supply with the designed purpose of fire protection and suppression. While this Study does not include an update to the Private Fire Line Protection Fee (which is not subject to Proposition 218), it is recommended that Santa Rosa Water update the fees on an annual basis based on published inflation indices (such as the consumer price index).

Section 3. 5 12#5 2#0 0 2# 123 " 7

The following subsections include the Wastewater Utility's financial plan, cost of service, rate design and proposed 5-year rate schedule. As previously mentioned, the following information is somewhat redundant with Section 2. The following is meant to stand alone to avoid the need to cross-reference.

3.1 WASTEWATER FINANCIAL PLAN

Santa Rosa's Wastewater Utility is a self-supporting independent enterprise of the City. That is, the Wastewater Utility is expected to generate the revenues (through user charges, demand fees, and other revenues) to cover the ongoing costs of operations, maintenance, administration, regulatory compliance, debt service, capital improvements and maintenance of prudent financial reserves.

This section presents the Wastewater Utility's ten-year financial plan, including a description of the source data, assumptions and Santa Rosa Water's financial policies. Santa Rosa Water provided historical and budgeted financial information, including historical and budgeted operating costs and outstanding debt service obligations. Santa Rosa Water staff also assisted in providing other assumptions and policies, such as reserve targets and escalation rates for operating costs.

The Regional System and Local Wastewater are treated as separate financial enterprises. Since the Regional System is treated as a wholesale wastewater treatment service to the City of Santa Rosa (and the other Member Agencies), there are no Regional System rates per se that are charged to wastewater customers. Rather, the City's share of Regional System service costs is treated simply as part of Local Wastewater's annual costs. As such, this report will describe separate financial plans for each system, with the Regional System costs ultimately informing a significant part of the costs to the Local Wastewater financial plan.

3.1.1 Local Wastewater Fund & Reserve Structure

The basic structure of the Local Wastewater Fund was depicted previously in Figure 1 (see Section 1.3). A more detailed understanding of the fund structure and reserves is helpful in understanding the financial plan and the mechanics of the annual cash flows. The Local Wastewater Fund is comprised of the following elements and reserves:

- *Operating Fund* – The Operating Fund is the primary fund within the Wastewater Utility. Most of the wastewater system's revenues, including user rate revenues, flow into the Operating Fund and all operating and maintenance costs, including debt service payments, are paid out of this fund.
- *Operating Reserves* – Within the Operating Fund is an Operating Reserve. Under Santa Rosa Water's current reserve policy (Council Resolution 28785), the Local Wastewater Fund maintains an Operating Reserve equal to 15 percent of annual operating and maintenance costs, excluding debt service costs. The purpose of the Operating Reserve is to provide sufficient funds for working capital and to manage cash flow, as well as to provide funds for unanticipated expenditures or revenue shortfalls and for minor emergencies. As of June 30, 2023, the Local Wastewater Fund had an operating reserve of $1,846,000. The estimated operating reserve balance on June 30, 2022 was $1,785,000.
- *Undesignated Fund Balance* – The balance in the Operating Fund in excess of the target amounts for the Operating Reserve and the Catastrophic Reserve is shown in the financial plan as Undesignated Fund Balance. After all other obligations are met this available balance can be used to offset rate increases. This surplus provides important flexibility in managing the financial needs of the utility. The Local Wastewater Fund Undesignated Fund Balance was about $13.7 million as of June 30, 2023.
- *Capital Project Appropriations* – Each year Santa Rosa Water appropriates funds for specific capital improvement projects. When appropriations are made funds are set aside to cover project costs. For the Local Wastewater Fund, this cash sits in Fund 1626 until capital project expenditures are incurred and bills are paid. As

of June 30, 2023, the Wastewater Utility had about $50.1 million appropriated for capital projects.

- *Rate Stabilization Reserves* – The Local Wastewater Fund holds a Stabilization Reserve to enhance the utility's bond ratings by adding a stable source of liquidity to a fund with outstanding debt. Debt rate stabilization reserve levels are determined as part of the utility's long-term financing plan. As of June 30, 2023, the wastewater utility had $1.0 million in the Rate Stabilization Reserve. This is maintained due to the significant outstanding long-term debt of the Regional System and the Local Wastewater Fund's share of the debt obligations.
- *Local Wastewater Catastrophic Reserves* – Catastrophic reserves are intended to help protect the Wastewater Utility from financial risk associated with major disruptive events such as earthquakes, fires, floods, pandemics, or other catastrophic events. These reserves are intended to be available in the event of either a reduction in revenues or an increase in costs. Since 2016 the Local Wastewater Fund has held $6.8 million in the catastrophic reserve as per City policy (Council Resolution 28785). The GHD 2020 report recommended that the Local Wastewater Fund catastrophic reserve be increased to $21.5 million (an increase of $14.7 million). The Local Wastewater Fund's undesignated fund balance (see above) is sufficient to fund the most of the increase to the recommended reserve target.

3.1.2 Regional Fund & Reserve Structure

The structure of the Regional Fund is very similar to the structure of the Water Utility Fund and the Local Wastewater Fund (as depicted previously in Figure 1 in Section 1.3), with the important distinction that the Regional System doesn't collect rate revenue from customers, rather each Member Agency is charged for its proportionate share of operating and maintenance costs, capital program expenditures, and debt service obligations, in accordance with the Subregional Agreement. Because the Regional System operates under the terms of the Subregional Agreement details of this operation

and the allocation of costs to regional partners are not detailed in the water and wastewater rate study, or this report.

The Regional Fund is comprised of the following elements and reserves:

- *Operating Fund* – The Operating Fund is the primary fund within the Regional System. Most of the Regional System's revenues, including revenue from Member Agency charges, flow into the Operating Fund and all operating and maintenance costs, including debt service payments, are paid out of this fund.
- *Operating Reserves* – Under Santa Rosa Water's current reserve policy, the Regional Fund maintains an Operating Reserve equal to 15 percent of annual operating and maintenance costs, excluding debt service costs. The purpose of the Operating Reserve is to provide sufficient funds for working capital and to manage cash flow, as well as to provide funds for unanticipated expenditures or revenue shortfalls and for minor emergencies. As of June 30, 2023, the Regional Fund had an operating reserve of about $6.1 million. The estimated operating reserve balance on June 30, 2022 was about $5.4 million.
- *Regional Catastrophic Reserves* – Catastrophic reserves are intended to help protect the Regional System from financial risk associated with major disruptive events such as earthquakes, fires, pandemics, or other catastrophic events. These reserves are intended to be available in the event of either a reduction in revenues or an increase in costs. Since 2016 the Regional Fund has held $1.7 million in the catastrophic reserve as per City policy (Council Resolution 28785). The GHD 2020 report proposed a catastrophic reserve target of $3.3 million for the Regional System (an increase of $1.6 million). This increase to the recommended reserve target can be funded with existing surplus reserves. The establishment of a new Regional System Catastrophic Reserve target, as well as its funding, will need to be vetted through discussions with Santa Rosa Water staff, Member Agencies, the BPU and the City Council.
- *Geysers Catastrophic Reserves* – Since 2016 the Regional System has held $1.25 million in the Geysers catastrophic reserve.
- *Capital Project Appropriations* – Each year Santa Rosa Water appropriates funds for specific capital improvement projects. When appropriations are made funds

are set aside to cover project costs. For the Regional System, this cash sits in Fund 1639 until capital project expenditures are incurred and bills are paid. As of June 30, 2023, the Regional System had about $18.8 million appropriated for capital projects.

- *Regional* System *Reserve for Appropriations* – Similar to the Capital Project Appropriations, the Regional System maintains a reserve for earmarked operations and maintenance (O&M) projects. The cash sits in Fund 1631 until the O&M project expenditures are incurred and bills are paid. As of June 30, 2023, this reserve had about $15.4 million appropriated for O&M projects.
- *Reserve for Bond Guarantee* – The Regional Fund holds a bond guarantee reserve as part of its bond covenants for outstanding debt. Most recently this reserve stood at about $7.2 million.
- *Regional* System *User Agency Reserve* – The Regional Fund maintains a "User Agency Reserve" which is designed to be approximately 20 percent of Regional's annual debt service payments.
- *Reserve for Regional* System *Refunds* – The Regional Fund maintains a "reserve for refunds" comprised of turnback (unspent budget) and recalculation of O&M distribution based on the actual flows for the budgeted fiscal year. The balance stood at $2.6 million on June 30, 2023.

3.1.3 Wastewater Rate Revenue

Rate revenue is the revenue generated from customers for wastewater service. Santa Rosa Water collects rate revenue from wastewater customers based on a fixed "Service Charge" for each connection and a wastewater Usage Rate applied to estimates of wastewater flow generated by each customer. Customers receive a monthly bill. The Wastewater Utility financial plan starts with FY 2024/25 budgeted rate revenues. Estimated future indoor sewer flows and rate revenues reflect the small amount of customer growth (see Section 1.8.3) as well as the annual rate revenue adjustments proposed by this Study. Budgeted and projected rate revenues (including proposed rate adjustments) are listed in **Schedule WW-1** (cash flow proforma).

As previously explained, the rate revenue goes directly to the Local Wastewater Fund, while the Regional System is funded through contributions from Member Agencies (including from Santa Rosa's Local Wastewater system).

3.1.4 Wastewater Non-Rate Revenues

In addition to rate revenue, both the Local Wastewater Fund and Regional Fund receives additional "non-rate revenue" from sources such as miscellaneous service fees/charges, penalties, leases, Demand Fees[9] and interest revenue on investments. In addition to the above, the Regional Fund also derives additional revenues from recycled water sales, payments from the Town of Windsor for use of the Geysers Pipeline and for accepting various types of high strength waste trucked into the wastewater treatment plant from surrounding areas.

Projections of all non-rate revenues were based on FY2024/25 budgeted revenues with the exception of interest income which was calculated annually based upon projected fund balances and assumed interest rate of 1.0 percent, which is consistent with Santa Rosa Water's historical interest earnings relative to its total reserve levels.

Budgeted Local Wastewater rate and non-rate revenues are depicted in Figure 6 below and listed in more detail in **Schedule WW-1**. The Regional System non-rate revenues are listed in detail in **Schedule WW-2**.

[9] Santa Rosa Water's "Demand Fees" are known as "Capacity Charges" per Government Code Section 66013.

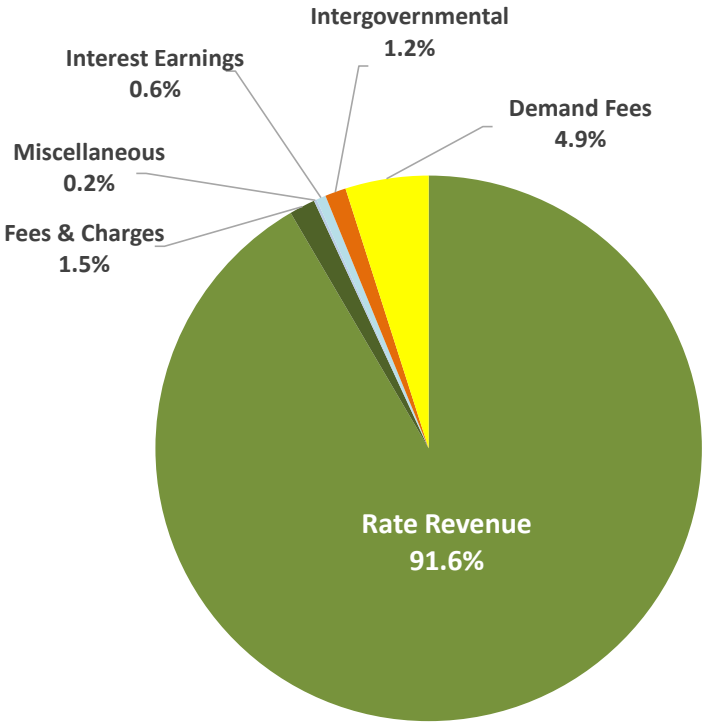


Figure 6: Budgeted Wastewater Utility Revenue Categories (FY 2024/25)

3.1.5 Wastewater Operating and Debt Expenses

The financial plan models are based on current operating and maintenance costs as reflected in the FY2024/25 operating budget with future estimates influenced by growth assumptions (see Section 1.8.3) and cost escalation (see Section 1.8.2), with the exceptions listed below.

- *Existing Debt Obligations* – Existing long-term debt repayment obligations are summarized in Schedule WW-1 for Local Wastewater (see Row 25) and the City's share of Regional System debt (see Row 26). Local Wastewater is responsible for the repayment on two outstanding bonds (2008 Revenue Bond and 2002B New Money 2016) as well as the City of Santa Rosa's responsibility of Regional System debt. In FY2025/26, Local Wastewater's annual direct debt service will be about $4.9 million and will remain at that level until FY2029/30 when it will drop to approximately $3.6 million per year. After FY2032/33 all of Local Wastewater

existing debt obligations will be paid off. Local Wastewater's share of Regional debt in FY2025/26 will be approximately $14.8 million and will remain between $10.6 million and $15.7 million through FY2034/35 due in part to the relatively recent issuance of the $70 million 2020A Bond.

- *New Long-Term Debt* – While this financial plan does not include any new debt for Local Wastewater, it is assumed that Regional will issue a new $35 million bond in FY2025/26 on behalf of the Member Agencies. This financial plan assumes an interest rate of 5.5 percent and a repayment period of 30 years.
- *"Turnback" Rate* – Historically, Santa Rosa Water under-spends the operating budget by as much as 10 percent. Because the financial plan and rate calculations are based on budget figures, it is necessary to include an adjustment to forecasted operating costs in order to avoid calculating excessive rates. In recent years staff have adjusted budgeting practices to reflect actual needs more closely. As was done with the 2021 Rate Study, this financial plan reduces the annual operating budget by 5 percent (as seen in Row 22 of Schedule WW-1).

Major budgeted Local Wastewater expense categories for FY 2024/25 are depicted in **Figure 7**. Budgeted and projected operating and maintenance costs as well as debt service expenses for the Local Wastewater Fund are listed in detail in **Schedule WW-1**.

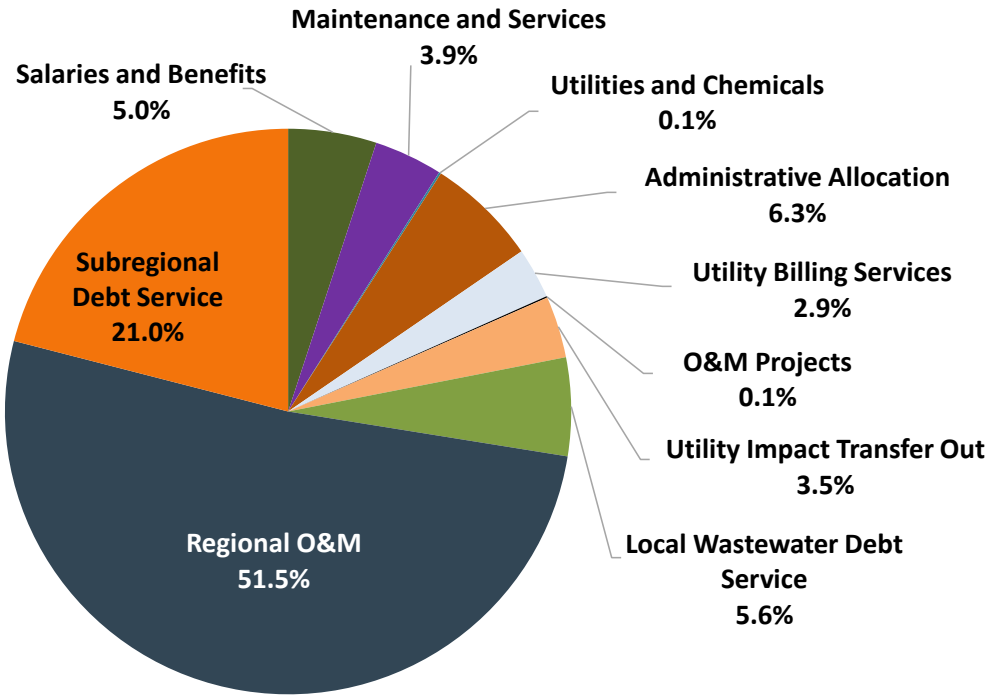


Figure 7: Local Wastewater Operating and Debt Expense Categories (FY 2024/25)

Capital spending is addressed separately in Section 3.1.6.

Major budgeted Regional System expense categories for FY 2024/25 are depicted in Figure 8. As the owner/operator and primary user of the Regional System, about 72.1 percent of Regional System operation, maintenance, and capital program costs are allocated to the City's wastewater utility, as well as about 67.7 percent of Regional System debt service costs. These allocated costs are included in the costs and the financial plan for the wastewater utility. Budgeted and projected operating and maintenance costs as well as debt service expenses for the Regional System are listed in detail in **Schedule WW-2**.

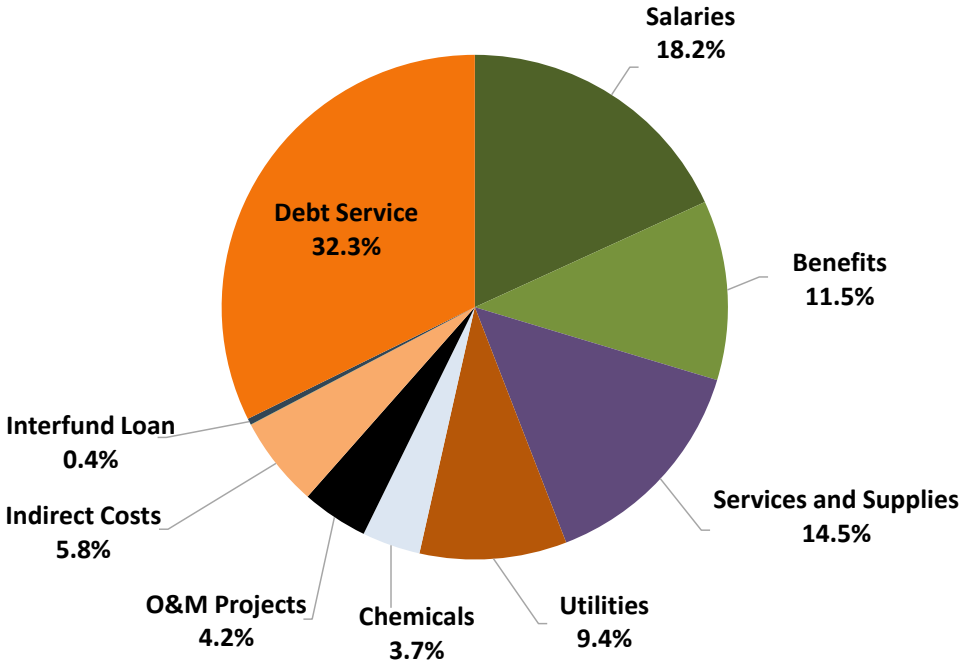


Figure 8: Regional System Operating and Debt Expense Categories (FY 2024/25)

3.1.6 Wastewater Capital Appropriations

Santa Rosa Water appropriates funds for capital improvement projects within each of the utilities each year. Estimated annual CIP appropriations, as developed by staff for the next ten years, are included in the financial plan.

3.1.6.1 LOCAL WASTEWATER CAPITAL SPENDING

Santa Rosa Water appropriates funds for capital improvement projects within each of the utilities each year. Estimated annual CIP appropriations, as developed by staff for the next ten years, are included in the financial plan. The proposed level of capital appropriations is designed to meet the annual capital spending targets as described by the *2022 Santa Rosa Water Infrastructure Report Card*, as interpreted by City staff.

The Local Wastewater capital appropriation budget in FY2023/24 was $13.2 million and in FY2024/25 it is $3.3 million. The *2022 Santa Rosa Water* Infrastructure Report Card establishes the goal of annual appropriations of $42 million. As such, this financial plan assumes a steady increase of annual appropriations at a rate that will achieve this target by FY2034/35. Figure 9 and Schedule WW-1 (see Row 27) summarize the annual capital program appropriations included in the financial plan model.

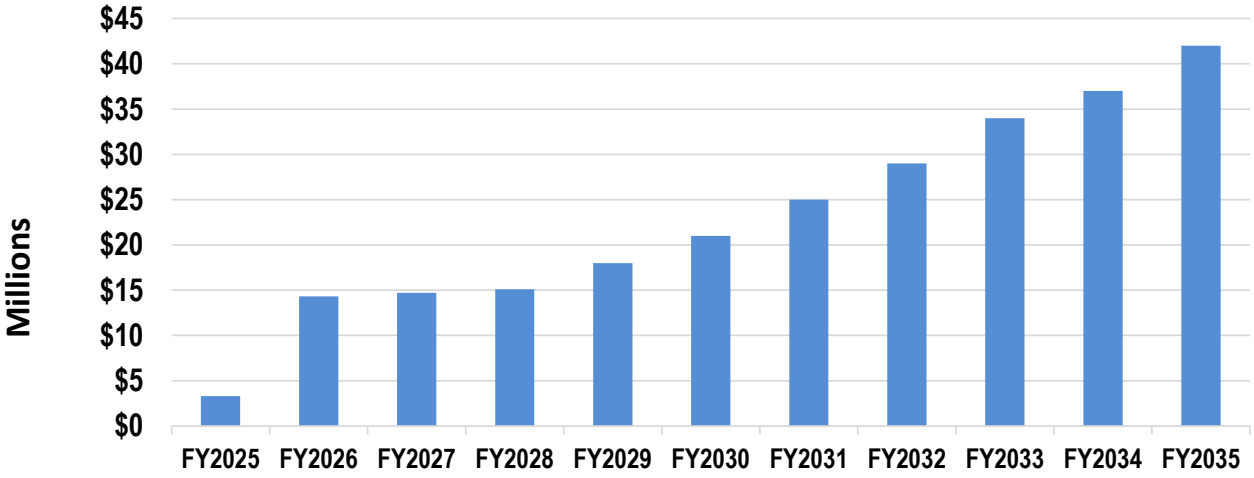


Figure 9: Current and Projected Local Wastewater Capital Appropriations

The Wastewater Utility financial plan assumes that Demand Fee reserves and revenues can be used to contribute towards paying for capital projects. This is appropriate given the "buy-in" methodology that was used to calculate the current Demand Fees (see *2021 Water and Wastewater Demand Fee Study*, The Reed Group, Inc. May 10, 2021).

3.1.6.2 REGIONAL SYSTEM CAPITAL SPENDING

Similar to the Local Wastewater system, the proposed level of capital expenditures for the Regional System is designed to meet the target level of capital spending as described by the *2022 Santa Rosa Water Infrastructure Report Card*. The Regional System capital appropriation budget in FY2024/25 is $11.0 million. Going forward, the Regional capital appropriation budget is forecasted to increase by $1 million per year through the

planning period (FY 2034/35). Figure 10 and Schedule WW-2 summarize the Regional System annual capital program appropriations included in the financial plan model.

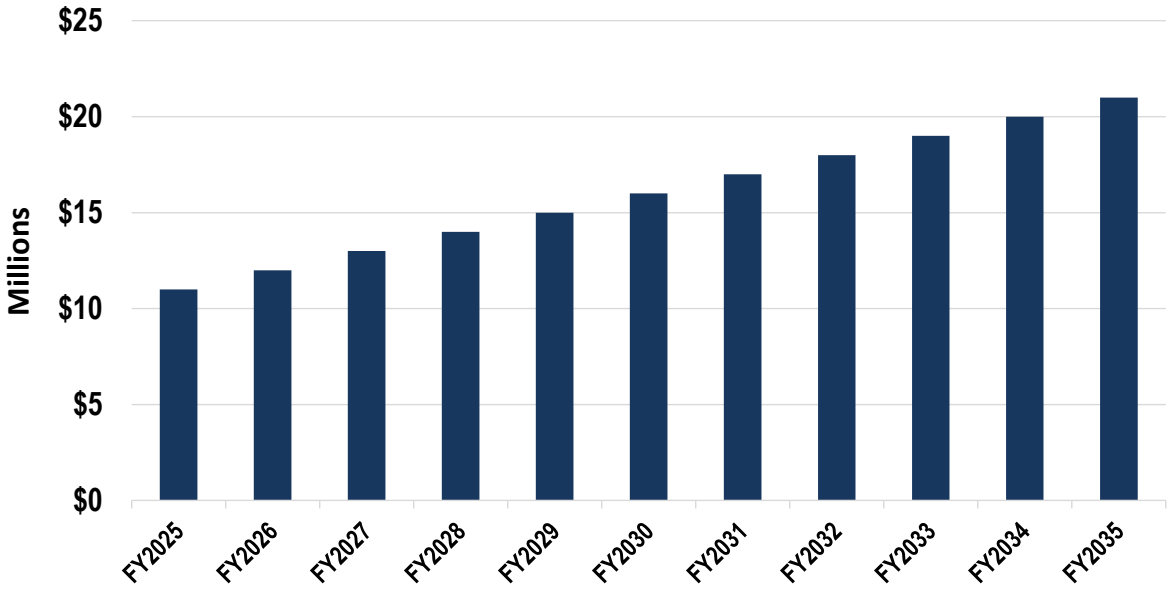


Figure 10: Projected Regional System capital appropriations

3.1.7 Proposed Wastewater Rate Revenue Increases

All of the above information was entered into a financial planning model to produce a ten-year projection of the sufficiency of current rate revenues to meet projected financial requirements and determine the level of rate revenue increases necessary in each year of the projection period. Specific findings and recommendations pertaining to the Local Wastewater Fund's financial plan are presented below, beginning with a description of the current situation.

- Regional System O&M for treatment and disposal are the majority of the wastewater utility operating costs and are about twice the Local Wastewater system's operating costs.
- Wastewater's combined annual debt service obligation (Local Wastewater debt and the City's share of Regional System existing and proposed debt) will increase

until it peaks in FY2028/29 at $21.7 million. By FY2033/34 it will drop to $17.4 million.

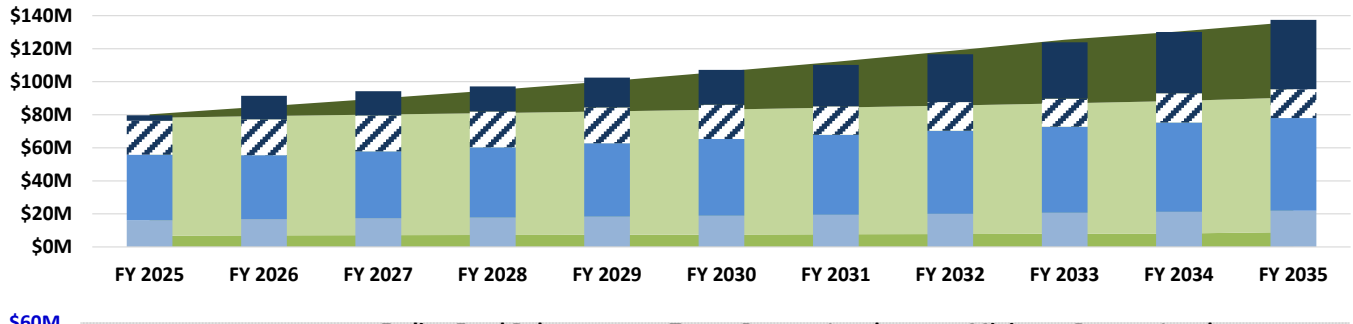
- Debt covenants require Santa Rosa Water to establish rates and charges sufficient to make debt service payments and meet debt service coverage obligations. The wastewater utility is able to meet debt repayment and debt service coverage obligations with current rates and revenues. Proposed wastewater rate increases will enable the wastewater utility to continue to meet these obligations through the planning period, even with the additional proposed Regional System debt issue.
- The proposed annual rate increases are primarily driven by the increase in annual capital appropriations.
- Many conditions can and will change over the ten-year planning period, and it would be imprudent to adopt a schedule of wastewater rate adjustments for the entire ten-year period. However, a five-year rate plan could be adopted with reasonable confidence. Adopting a multi-year rate plan would enable the Wastewater Utility to reduce costs associated with rate development and approval processes. It would also help ensure the financial stability of the utility and rate confidence for customers. Nevertheless, it is recommended that Santa Rosa Water staff review its financial condition and recommend annual rate adjustments as part of the annual budget process.

Based upon the previously discussed financial data, assumptions, policies, and debt strategy, this Study proposes a five-year schedule of annual rate adjustments as detailed in Table 11.

Table 11: Recommended Wastewater Rate Revenue Increase

Rate Adjustment Date	Proposed Rate Revenue
July 1, 2025	5.0%
July 1, 2026	5.0%
July 1, 2027	5.0%
July 1, 2028	5.0%
July 1, 2028	5.0%

The numbers provided in Schedule WW-1 (cash flow proforma) are summarized graphically in Figure 11, which shows that both the target reserves and DCR are maintained over the course of the planning period.



	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032	FY2033	FY2034	FY2035
		Recommended					Projected				
Wastewater Rate Increases:		5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	3.0%	3.0%
Combined Debt Coverage Ratio:	5.19	5.26	5.50	5.75	6.02	6.42	8.24	4.58	5.03	4.44	4.65
Local WW CIP:	$3.3M	$14.3M	$14.7M	$15.1M	$18.0M	$21.0M	$25.0M	$29.0M	$34.0M	$37.0M	$42.0M
Regional Cash CIP:	$7.8M	$8.5M	$9.2M	$9.9M	$10.6M	$11.3M	$12.0M	$12.7M	$13.4M	$14.2M	$14.9M
Debt Proceeds:		$35.0M									

Figure 11: Wastewater Utility Financial Projection with Recommended Rate Increases

Proposed rate structure changes and rate schedules for the next five years are presented in Section 3.2 of this report.

3.2 WASTEWATER COST OF SERVICE & RATE STRUCTURE

This section of the report provides the COSA and design of wastewater rates intended to meet the Wastewater Utility's service and financial obligations for FY 2025/26 and beyond. Proposed wastewater rates are intended to meet the utility's financial needs, satisfy legal requirements, and achieve other rate-setting objectives. The wastewater rate analyses and related recommendations address each of the following:

- Identification of wastewater rate-setting objectives
- Evaluation of customer account and wastewater production data
- A COSA used to allocate costs to each customer and customer class in proportion with service demands
- Design of a wastewater rate structure to meet revenue needs, satisfy legal requirements, and achieve rate-setting objectives in a fair and reasonable manner

The wastewater utility ten-year financial plan was used to identify the wastewater rate revenue required to meet financial obligations for each fiscal year of the planning period. Once the annual wastewater rate revenue requirement is determined, the next step in the rate-setting process is to evaluate the cost of providing service. COSA is the process of allocating the costs of providing wastewater service to customers in proportion to the extent to which each customer contributes to the utility's incursion of costs. The COSA evaluates the cost of providing wastewater and allocates those costs to rate structure components to ensure the proposed rates are proportionate with the costs to provide service.

3.2.1 Rate Setting Objectives

This study remains consistent with the rate-setting objectives that were established in 2015 (and again in 2021) by Santa Rosa Water staff and the BPU Budget Subcommittee. There are two rate-setting objectives that are primary and fundamental to guiding the rate-setting process. They include (1) wastewater rates must generate sufficient revenue to meet the utility's service and financial obligations, and (2) wastewater rates

must be calculated consistent with the requirements of the California Constitution, Article XIIID (Proposition 218) and relevant case law. Other rate-setting objectives are secondary and can be addressed so long as the primary objectives are first achieved. Beyond the primary objectives, other rate-setting objectives identified to help guide the rate design process included the following:

- Wastewater rates should be viewed as fair and equitable by the public
- Wastewater rates should be simple, understandable and easy to administer
- Wastewater rates should strike an appropriate balance between fixed and usage-based charges, with consideration of:
  - Revenue stability
  - Affordability for basic usage
  - Impacts of rate structure changes on customer bills

3.2.2 Current Wastewater Rates

Santa Rosa Water's wastewater rates were last increased in July 2024 by 2.0 percent. The current wastewater rates are presented in Table 12. Current wastewater rates include a fixed monthly service charge. Fixed service charges for multi-family, commercial, industrial, and institutional accounts have been adjusted across the range of water meter sizes to reflect the capacity relationship across meter sizes. This equitably assigns service charge costs to each customer in relation to the potential demand they place on the wastewater system. Single-family customers continue to pay a single service charge, regardless of meter size (larger meters are generally required for irrigation demands or fire flow considerations, rather than water use related to wastewater generation).

For residential customers wastewater flow is estimated with the sewer cap. The sewer cap is calculated annually for each residential account as the average water use for complete billing cycles that fall within the period from November through March. The wastewater usage charge is based on the lesser of the sewer cap or actual water use during the billing period. In general, non-residential accounts are billed for wastewater

service based on actual billing period water usage. In general, for non-residential accounts, irrigation is separately metered and is not included in wastewater billing.

Table 12: Current Wastewater Rate Schedule

Wastewater Usage Rates ($/TGAL) [1]	
Single Family and Multi-Family [2]	$16.04
Commercial, Industrial, and Institutional	
Low Strength	$13.18
Standard Strength	$16.04
Medium Strength	$17.88
High Strength	$22.30
Monthly Service Charges	
Single Family	$27.65
Multi-Family, Commercial, Industrial, Institutional	
5/8" & 3/4" meters	$27.65
1" meter	$63.83
1 1/2" meter	$124.12
2" meter	$196.47
3" meter	$365.28
4" meter	$606.46
6" meter	$1,209.38

Notes:

[1] Wastewater usage charge applies to the estimated wastewater generated. For single-family residential accounts and multi-family accounts that don't have a separate irrigation meter for landscaping the esimated wastewater is based on the lower of current water use or the Sewer Cap. The Sewer Cap is calculated for these residential accounts based on the average water use from complete billing periods within the months of November through March. For all accounts with separate irrigation meters (whether multifamily or non-residential) the wastewater generated is based on actual water usage during the billing period.

[2] Multifamily accounts include duplex, and triplex accounts.

3.2.3 Customer Account Data and Wastewater Flow and Loading Estimates

Wastewater rate calculations are based on several factors related to Santa Rosa Water's wastewater service customers. Factors include the number of customers, customer classes, water usage, wastewater flows and strength characteristics of wastewater as determined by biochemical oxygen demand (BOD), total suspended solids (TSS), and nitrogen as measured by total Kjeldahl nitrogen (TKN). Table 13 summarizes customer

account and water usage data obtained from the utility billing system for FY2023/24, as well as estimates of resulting wastewater flow and loading characteristics.

Residential wastewater flows are estimated based on winter water usage and the sewer cap, as previously described. Non-residential wastewater flows are based on actual billing period water usage as irrigation is generally separately metered, and it is reasonable to assume that non-irrigation water demand ends up as wastewater.

Wastewater strength is grouped into four categories: low strength, standard strength, medium strength and high strength. With the exception of a small number of special high strength industries and businesses, all non-residential customer accounts have been assigned into one of these four categories. About 87 percent of the non-residential accounts are classified into the standard strength category.

Wastewater rate analyses consider the strength (loading) characteristics of wastewater entering treatment facilities. Strength factors for BOD, TSS, and TKN are considered, as these factors play a role in the treatment operations. Santa Rosa Water staff previously provided strength data from a primarily residential portion of the collection system and that information was used to establish residential strength factors. It was also used to define the standard non-residential strength category. Residential, as well as low, standard, medium and high-strength non-residential wastewater usage rates were calculated with the strength factors below:

• Residential strength	270 mg/l for BOD	225 mg/l for TSS	55 mg/l for TKN
• Low strength	20 mg/l for BOD	20 mg/l for TSS	10 mg/l for TKN
• Standard strength	270 mg/l for BOD	225 mg/l for TSS	55 mg/l for TKN
• Medium strength	400 mg/l for BOD	400 mg/l for TSS	75 mg/l for TKN
• High strength	800 mg/l for BOD	800 mg/l for TSS	100 mg/l for TKN

There are also a number of customers that are subject to site-specific high-strength surcharges due to their unique or heavy loading characteristics and/or high flow volumes. These surcharge accounts are rolled together in the rate model for continuity

purposes. The calculation of high strength surcharges[10] and customer-specific rate calculations are addressed later in this section.

Loading characteristics for each general strength category and the assignment of different business types to each category are generally based on guidelines published by the California State Water Resources Control Board (SWRCB), historical regional sampling records for business sectors and other sources of information. The strength factors used were adjusted to better match estimated aggregate wastewater flow and strength data with actual treatment plant inflow and loading characteristics. This results in a better match to estimated loading into the wastewater treatment plant with actual sampling done of wastewater influent, and thereby improves the cost-of-service analysis.

[10] To avoid confusion between the current high strength surcharges and the proposed high strength wastewater customer category, it is recommended that the high strength surcharges be referred to as additional surcharges. This change in terminology is used in this report.

Table 13: Wastewater Customer Account Data and Estimated Wastewater Flows and Loadings

Customer Class	No. of Accounts [1]	No. of ESFDs [2]	Estimated Annual Wastewater Flow [1, 3]	Estimated Annual Wastewater Flow	BOD Strength [4]	Annual BOD Loading	TSS Strength [4]	Annual TSS Loading	TKN Strength [4]	Annual TKN Loading
			TGAL	MG	mg/l	lbs	mg/l	lbs	mg/l	lbs
Residential										
Single Family	43,876	43,876	1,593,700	1,594	270	3,778,872	225	3,149,060	55	769,770
Multi-Family [5]	3,363	11,916	851,700	852	270	1,876,957	225	1,564,131	55	382,343
Non-Residential										
Low Strength	38	251	55,300	55	20	7,250	20	7,250	10	3,625
Standard Strength	2,354	9,347	491,300	491	270	1,204,394	225	1,003,661	55	245,339
Medium Strength	66	446	44,100	44	400	167,776	400	167,776	75	31,458
High Strength	241	1,189	115,900	116	800	826,161	800	826,161	100	103,270
Totals	**49,938**	**67,025**	**3,152,000**	**3,264**	**289**	**7,861,409**	**247**	**6,718,038**	**56**	**1,535,806**

Notes:

[1] From utility billing system for FY 2023/24, and other utility billing data.

[2] The number of equivalent single family dwellings (ESFDs) for multi-family and non-residential accounts are based on meter size using the meter equivalency schedule.

[3] Wastewater flow for residential customers is determined as the lower of actual water use or the sewer cap. The sewer cap is calculated each year as the average water use for complete billing periods from November through March. Wastewater flow for non-residential customers with dedicated irrigation meters is based on water usage, as irrigation is generally separately metered.

[4] Based on previous wastewater rate analyses, SWRCB guidelines, and adjustments to better match with actual treatment plant flows and loadings.

[5] Includes duplex accounts

3.2.4 Wastewater Cost-of-Service Analysis and Rate Design

There are three steps to determining wastewater rates. These are:

- Determine annual wastewater rate revenue requirements
- Analyze the cost of providing service and proportionately allocate costs to each customer class and customer
- Design wastewater rates to recover costs from each customer class and customer

The wastewater utility ten-year financial plan (see Section 3.1) was used to identify the wastewater rate revenue required to meet financial obligations for each fiscal year of the planning period. As presented in Section 3.1.7 of this report, a wastewater rate revenue increase of 5 percent is proposed for the next fiscal year. The cost-of-service analysis and rate structure updates that are proposed by this study are based on the revenue requirements of the test year (FY2025/26).

Once the annual wastewater rate revenue requirement has been determined, the next step in the rate-setting process is to evaluate the cost of providing service. The COSA allocates the costs of providing wastewater service to customers in proportion to the extent to which each customer contributes to the utility's incursion of costs. The COSA evaluates the cost of providing wastewater and allocates those costs to rate structure components to ensure the proposed rates are aligned with the costs to provide service.

To develop equitable wastewater rates, the revenue requirement is allocated to various customer classifications according to the services provided and the demands placed on the wastewater system. Santa Rosa Water allocates a majority of wastewater costs based on water usage (wastewater flows) and sewage strength. Collection system costs are allocated entirely based on flow, whereas treatment costs are allocated on the basis of flow, BOD, TSS and TKN. Wastewater rates also include fixed service charges as part of the rate calculation.

Santa Rosa Water's financial accounting structure allows for a clear segregation of costs between O&M, debt service and capital project costs, as well as between collection

system and treatment/disposal costs. However, the financial accounting structure does not lend itself to a simple segregation of costs into specific treatment components. As a result, this study has "functionalized" all of the wastewater utility's costs as best as possible using professional judgment and standard industry practices.

Table 14 summarizes how the FY2025/26 revenue requirement (totaling $77.1 million) has been functionalized. The revenue requirements include various functional categories of operating and maintenance costs, debt service obligations, and capital costs, offsetting non-rate revenues and the use of available reserves. Each of these costs (and offsetting revenues) has been assigned to one or more of the following functions:

- Customer costs, such as meter reading and billing, are fixed costs that tend to vary as a function of the number of customers being served. Customer costs are allocated to customers based on the number of accounts. In other words, every customer account (regardless of size) pays an equal share of customer-related costs.
- Capacity costs are also fixed costs; however, these vary in relation to the size of the wastewater system. Customers that place greater or lesser burdens on the capacity of the wastewater system should bear greater or lesser shares of these costs. Capacity costs are allocated to wastewater customers based on the hydraulic capacity of the water meter. The hydraulic capacity of the customer's water meter reflects the potential demand that a customer could place on the wastewater system at any given time and is a general indicator of each customer's capacity requirement. Capacity costs include contributions to the capital program, debt service, maintenance and certain fixed operating costs.
- Collection costs include costs associated with operating and maintaining the collection system. Collection costs are allocated based on wastewater flow.
- Treatment costs are those costs that are charged by the Regional System for operating the WWTF. Treatment costs are further allocated between flow, BOD, TSS and TKN.

Table 14: Functionalization of Costs

	Total Budget	Customer Costs	Capacity Costs	Collection Costs	Treatment Costs
Salaries and Benefits	$4,154,000		$2,077,000	$2,077,000	
Maintenance and Services	$3,104,000			$3,104,000	
Utilities and Chemicals	$95,000			$95,000	
Administrative Allocation	$5,036,000		$5,036,000		
Utility Billing Services	$2,300,000	$2,300,000			
O&M Projects	$67,000			$67,000	
Utility Impact Transfer	$2,797,000		$2,797,000		
Local Capital	$14,300,000		$7,150,000	$7,150,000	
Local Debt Service	$4,926,000		$4,926,000		
SubReg O&M and Capital	$38,702,000		$5,189,000		$33,513,000
SubReg Debt Service	$16,768,000				$16,768,000
Turnback @ 5%	-$738,000	-$46,000	-$441,000	-$251,000	
Non-Rate Revenues	-$3,950,000	-$247,000	-$2,362,000	-$1,342,000	
Demand Fees	-$3,920,000		-$988,500	-$988,500	-$1,943,000
Contribution/(Use) of Reserves	-$6,508,000	-$162,000	-$1,917,000	-$881,000	-$3,548,000
Total:	**$77,133,000**	**$1,845,000**	**$21,466,500**	**$9,030,500**	**$44,790,000**
Percent of Total:		2.4%	27.8%	11.7%	58.1%

The allocations result in 2.4 percent of costs assigned to the customer component, 27.7 percent to the capacity component, 11.6 percent to the Collection function and 58.3 percent to the treatment function. The customer costs and capacity costs (30.2 percent combined) are recovered through fixed charges while the collection and treatment costs (69.8 percent combined, after rounding) are recovered through variable charges. Currently about 28.2 percent of rate revenue is collected through fixed charges. Therefore, this COSA update represents a slight shift in the balance between fixed and variable revenue. The impact of how this affects various types of customers is illustrated in Section 4.

Table 15 summarizes the allocation of annual wastewater rate revenue requirements to the functions shown in Table 14. This table shows that treatment costs are further broken down into the variable components of flow, BOD, TSS and TKN. Allocations to these various treatment parameters are consistent with cost structures, prior rate studies and rate setting practices. Once total costs are allocated, unit costs were

determined by dividing the total cost for each component by the number of units identified in Table 13. These units include the number of customer accounts, number of equivalent single-family dwellings (ESFDs) (see Footnote 2 in Table 13), millions of gallons of wastewater flow volume, and pounds of BOD, TSS and TKN in the wastewater influent.

Unit costs are applied to the annual wastewater flows, as well as BOD, TSS and TKN loadings associated with each customer class to arrive at the allocation of total costs to each customer class. Table 16 presents the allocation of costs to each user class.

Fixed Service Charges

Table 17 presents the wastewater service charges and usage rates for each customer class. Proposed wastewater rates include a fixed service charge and a usage charge each billing period. Single-family homes will each pay a fixed service charge of $29.77 in FY2025/26. This service charge is the same for all single-family homes regardless of meter size since larger meters for single-family homes are generally required for irrigation demands or Fire Code requirements and not wastewater requirements. Multi-family (including duplex) and non-residential accounts pay a fixed service charge based on the size of the water meter. The meter size reflects the potential load each customer can place on the system, similar to water rates. There may be limited instances where the size of multi-family or non-residential water meters are size based on water demand or Fire Code requirements, and not related to needed capacity in the wastewater system. In such cases the Director of Santa Rosa Water should be authorized to determine the most appropriate manner of billing customers for utility services.

Wastewater Usage Charges

The proposed wastewater usage charge for residential customers in FY 2025/26 is $16.86 per TGAL of wastewater. Residential wastewater usage is determined based on the lesser of the sewer cap or actual water usage during the billing period. The sewer cap is calculated annually for each customer and is the average of water use from each complete billing period within the period November through March.

Table 15: Determination of Unit Costs

Cost Category	Component Allocation Percentages [1]	Parameter Allocation Percentages [2]	Annual Cost Allocated to Each Parameter	Quantities for Each Parameter [3]	Unit Cost for Each Parameter	
Fixed Charge Component	30.2%					
Customer Accounts		7.9%	$1,845,000	49,938	**$36.946**	$/Acct
Equivalent Single Family Dwellings (ESFDs)		92.1%	$21,466,500	67,025	**$320.276**	$/ESFD
Variable Collection Component	11.7%					
Flow (TGAL)		100%	$9,030,500	3,152,000	**$2.865**	$/TGAL
Variable Treatment Component	58.1%					
Flow (TGAL)		75%	$33,592,500	3,152,000	**$10.658**	$/TGAL
BOD (lbs)		10%	$4,479,000	7,542,488	**$0.594**	$/lb
TSS (lbs)		10%	$4,479,000	6,440,344	**$0.695**	$/lb
TKN (lbs)		5%	$2,239,500	1,475,921	**$1.517**	$/lb
Total Wastewater Revenue Requirement			**$77,133,000**			

Notes:

[1] From Table 14. The Fixed Charge Component is the sum of the Customer function and the Capacity function.

[2] Allocation between Customer and ESFDs based on relative percentages from Table 15. Allocation to various treatment parameters are consistent with cost structures, prior rate studies, and rate setting practices.

[3] From Table 14

Table 16: Wastewater Allocation of Annual Costs to Users

			Service Charge Costs [1]		Usage Component Costs [2]					
			Collection and Treatment		Collection	Treatment				
No. of Accounts	**No. of ESFDs**	**Customer Class**	**Customer Unit Cost = $36.95** /account	**Capacity Unit Cost = $320.28** /ESFD	**Flow Unit Cost = $2.865** /TGAL	**Flow Unit Cost = $10.658** /TGAL	**BOD Unit Cost = $0.594** /lb BOD	**TSS Unit Cost = $0.695** /lb TSS	**TKN Unit Cost = $1.517** /lb TKN	**Allocation of Total Costs**
		Residential								
43,876	43,876	Single Family	$1,621,000	$14,052,400	$4,566,000	$16,986,000	$2,132,000	$2,078,000	$1,109,000	$42,544,400
3,363	11,916	Multi-Family	$124,200	$3,816,400	$2,440,000	$9,077,000	$1,139,000	$1,111,000	$593,000	$18,300,600
		Non-Residential								
38	251	Low Strength	$1,400	$80,400	$158,000	$589,000	$5,000	$6,000	$7,000	$846,800
2,354	9,347	Standard Strength	$87,000	$2,993,600	$1,408,000	$5,236,000	$657,000	$641,000	$342,000	$11,364,600
66	446	Medium Strength	$2,400	$142,800	$126,000	$470,000	$87,000	$102,000	$42,000	$972,200
241	1,189	High Strength	$8,900	$380,800	$332,000	$1,235,000	$459,000	$537,000	$147,000	$3,099,700
49,938	**67,025**	**Totals**	**$1,844,900**	**$21,466,400**	**$9,030,000**	**$33,593,000**	**$4,479,000**	**$4,475,000**	**$2,240,000**	**$77,128,300**

Notes:
[1] Unit costs at the top of each column are multiplied by the customer account and ESFD data for each customer classification.
[2] Unit costs at the top of each column are multiplied by the wastewater flow, BOD loading, TSS loading, or TKN loading for each customer class from Table 13

Table 17: Wastewater Rate Determination

No. of Accounts	Customer Class	Estimated Annual Wastewater Flow	Strength			Fixed Service Charges	Usage Rates [1]	Total Service Charge Revenue	Total Usage Charge Revenue	Total Annual Wastewater Rate Revenue
			BOD	TSS	TKN					
		TGAL	mg/l	mg/l	mg/l	$/mo.	$/TGAL			
	Residential									
43,876	Single Family	1,593,700	270	225	55	**$29.768**	**$16.863**	$15,673,000	$26,875,000	$42,548,000
3,363	Multi-Family	851,700	270	225	55		**$16.861**	$3,941,000	$14,361,000	$18,302,000
	Non-Residential					Varies				
38	Low Strength	55,300	20	20	10	By Meter	**$13.865**	$82,000	$767,000	$849,000
2,354	Standard Strength	491,300	270	225	55	Size	**$16.861**	$3,081,000	$8,284,000	$11,365,000
66	Medium Strength	44,100	400	400	75	(see below)	**$18.772**	$145,000	$828,000	$973,000
241	High Strength	115,900	800	800	100		**$23.388**	$390,000	$2,711,000	$3,101,000
49,938	**Totals**	**3,152,000**						**$23,312,000**	**$53,826,000**	**$77,138,000**

Notes:

[1] For residential customers, the usage rate applies to the lesser of the sewer cap or actual water use. For non-residential customers with dedicated irrigation meters, the usage rate applies to actual water usage in each billing period.

Multifamily and Non-Residential Monthly Service Charge

Meter Size	Amount
5/8" & 3/4"	**$29.77**
1"	**$69.80**
1 1/2"	**$136.53**
2"	**$216.60**
3"	**$403.42**
4"	**$670.32**
6"	**$1,337.56**

As described previously, the non-residential customers are grouped into four categories: low, standard, medium and high strength. About 87 percent of the non-residential customer accounts are classified as standard strength, 9 percent are high strength, and the remainder are either low or medium strength. Wastewater usage rates for non-residential customers apply to the most recent actual water usage.

3.2.5 Proposed Wastewater Rate Schedule

Table 18 summarizes the proposed wastewater rate schedule for wastewater rates, which will be effective 30 days after approved by the City Council, as early as July 1, 2025. The proposed wastewater rate revenue in FY2025/26 is designed to increase rate revenue by 5 percent, as recommended in Section 3.1.7. The proposed wastewater rates reflect the cost of providing wastewater service to customers. In particular, the proposed wastewater rates reflect a proportionate distribution of costs to all customers and customer classes, and better reflect the cost of providing service.

It is recommended that the wastewater rates be adjusted annually by the percentages described in Section 3.1.7, to continue to meet service and financial obligations. A complete schedule of proposed wastewater rates for the five-year schedule is provided as Schedule WW-3.

Table 18: Proposed Wastewater Rates for FY 2025/26 (effective July 1, 2025)

Wastewater Usage Rates ($/TGAL) [1]	
Single Family and Multi-Family [2]	$16.86
Commercial, Industrial, and Institutional	
Low Strength	$13.87
Standard Strength	$16.86
Medium Strength	$18.77
High Strength	$23.39
Monthly Service Charges	
Single Family	$29.77
Multi-Family, Commercial, Industrial, Institutional	
5/8" & 3/4" meters	$29.77
1" meter	$69.80
1 1/2" meter	$136.53
2" meter	$216.60
3" meter	$403.42
4" meter	$670.32
6" meter	$1,337.56

Notes:

[1] Wastewater usage charge applies to the estimated wastewater generated. For single-family residential accounts and multi-family accounts that don't have a separate irrigation meter for landscaping the esimated wastewater is based on the lower of current water use or the Sewer Cap. The Sewer Cap is calculated for these residential accounts based on the average water use from complete billing periods within the months of November through March. For all accounts with separate irrigation meters (whether multifamily or non-residential) the wastewater generated is based on actual water usage during the billing period.

[2] Multifamily accounts include duplex, and triplex accounts.

3.2.6 Additional Surcharges for Extraordinary Loads and Other Special Situations

Santa Rosa Water imposes additional strength surcharges on certain commercial and industrial customers that generate high wastewater volumes, place high pollutant loads on the treatment system and/or place widely varying loads on the treatment system. Examples of users subject to additional surcharges may include, but are not limited to, food processors, industrial laundries, wineries and breweries. The additional surcharges are intended to reflect the additional cost of treating wastewater above the typical or standard strength.

The volumetric unit costs presented in Table 15 (last column) for the cost of collection and treatment are building blocks for the wastewater usage rates. The unit costs determined are also used for high strength surcharges. The sample additional surcharge calculations presented herein are applicable to customers of Santa Rosa Water's wastewater utility.

The measure of sewage strength for the customers with extraordinary loads is based on laboratory analysis, as conducted by Santa Rosa Water from time to time. Monthly surcharges are developed based on the flow from the premises, the laboratory analysis and the applicable unit costs. Each customer with extraordinary loads is responsible for paying a service charge based on meter size and both the standard strength wastewater usage rate as well as the additional surcharge rate. Through the general rates they pay the general costs of service for standard strength waste. The surcharges reflect the additional costs associated with treating extraordinary (above standard) loads associated with wastewater from these monitored users.

The calculation of an additional surcharge, using the calculated unit treatment costs, is illustrated below. The surcharge is calculated for wastewater strength that exceeds the concentrations used to calculate the ***standard*** wastewater usage rate, which are 270 mg/l for BOD_{Std}, 225 mg/l for TSS_{Std}, and 55 mg/l for TKN_{Std}. The factor from converting mg/l to lbs/MG is 8.34.

Sample Additional Strength Surcharge Calculation

Measured monthly flow =	100,000 gallons =	0.100 MG
Measured BOD =	BOD_M =	1200 mg/l
Measured TSS =	TSS_M =	800 mg/l
Measured TKN =	TKN_M =	50 mg/l

Sample Calculation of Additional Strength Surcharge =

= [(BOD_M - BOD_{Std}) x $0.59 + ($TSS_M$ - TSS_{Std}) x $0.70 + ($TKN_M$ - TKN_{Std}) x $1.52] x 8.34 x Flow

= [(1,200 – 270) x $0.59 + (800 – 225) x $0.70 + (0)[1] x $1.52] x 8.34 x 0.100 MG

= $457.62 + $335.69 + $0.00

= **$793.30**

[1] In this example, the measured TKN of 50 mg/l is below the standard threshold of 55 mg/l, so the surcharge does not include additional costs related to this constituent.

It is recommended that the volumetric unit rates in Table 15 for special situations are updated every year along with the general percent rate increases as presented in Table 11. The complete schedule of unit rates over the next five years has been provided at the bottom of Schedule WW-3.

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The proposed water and wastewater rates for July 2025 will include both a general increase to rate revenue and modest updates to the rate structures (as detailed in Section 2.2.5 and Section 3.2.4). The changes to the structure mean that some bills will increase by more than the general rate revenue increase while others will increase by less. For most customers, any deviation from the general rate change will be relatively small. Table 19 presents a comparison of water and wastewater utility bills, for a variety of different customers, under both current and proposed water and wastewater rates for the rates effective July 1, 2025.

Table 19: Sample of Monthly Bill Impact for Water and Wastewater Customers

	Meter Size	Water Use (TGAL)	WW Use (TGAL)	Bills With Current Water/WW Rates			Bills With Proposed Water/WW Rates			Change in Total Bill	
				Water	Wastewater	Total	Water	Wastewater	Total	$	%
Single Family Residential											
Low Water Use	5/8"	4	4	$41.99	$91.81	**$133.80**	$44.77	$97.21	**$141.98**	**$8.18**	**6.1%**
Median Water Use	5/8"	7	4.5	$64.02	$99.83	**$163.85**	$69.69	$105.64	**$175.33**	**$11.48**	**7.0%**
High Water Use	5/8"	12	6	$100.15	$123.89	**$224.04**	$110.41	$130.93	**$241.34**	**$17.30**	**7.7%**
Very High Water Use	5/8"	20	7	$159.19	$139.93	**$299.12**	$177.27	$147.79	**$325.06**	**$25.94**	**8.7%**
Duplex	5/8"	8	6	$70.19	$123.89	**$194.08**	$76.37	$130.93	**$207.30**	**$13.22**	**6.8%**
Small Apartment (4 DUs)	1"	15	12	$139.60	$256.31	**$395.91**	$152.40	$272.12	**$424.52**	**$28.61**	**7.2%**
Large Apartment (24 DUs)	2"	80	80	$664.27	$1,479.67	**$2,143.94**	$731.34	$1,565.40	**$2,296.74**	**$152.80**	**7.1%**
Very Lrg. Apart. (100 DUs)	4"	320	320	$2,558.82	$5,739.26	**$8,298.08**	$2,823.37	$6,065.52	**$8,888.89**	**$590.81**	**7.1%**
Small Retail	5/8"	6	6	$57.43	$106.73	**$164.16**	$62.05	$112.99	**$175.04**	**$10.88**	**6.6%**
Large Retail	2"	80	80	$664.27	$1,250.87	**$1,915.14**	$731.34	$1,326.20	**$2,057.54**	**$142.40**	**7.4%**
Office Building	1 1/2"	40	40	$346.35	$651.32	**$997.67**	$380.37	$691.33	**$1,071.70**	**$74.03**	**7.4%**
Car Wash	2"	60	60	$524.67	$987.27	**$1,511.94**	$576.54	$1,048.80	**$1,625.34**	**$113.40**	**7.5%**
Mixed Comm. w/ Food	1"	35	35	$279.20	$844.33	**$1,123.53**	$307.20	$888.45	**$1,195.65**	**$72.12**	**6.4%**
Hotel w/ Restaurant	3"	200	200	$1,592.18	$4,825.28	**$6,417.46**	$1,756.67	$5,081.42	**$6,838.09**	**$420.63**	**6.6%**
Restaurant	1 1/2"	50	50	$416.15	$1,239.12	**$1,655.27**	$457.77	$1,306.03	**$1,763.80**	**$108.53**	**6.6%**
Supermarket	2"	160	160	$1,222.67	$3,057.27	**$4,279.94**	$1,350.54	$3,219.80	**$4,570.34**	**$290.40**	**6.8%**
Mortuary	1"	20	20	$174.50	$509.83	**$684.33**	$191.10	$537.60	**$728.70**	**$44.37**	**6.5%**
Small Winery	1"	10	10	$104.70	$286.83	**$391.53**	$113.70	$303.70	**$417.40**	**$25.87**	**6.6%**
Sm. Irrig. (Wtr Budg.=18 tg)	1"	20		$172.50	(na)	**$172.50**	$188.56	(na)	**$188.56**	**$16.06**	**9.3%**
Lrg. Irrig. (Wtr. Budg.=250 tg)	4"	300		$2,421.22	(na)	**$2,421.22**	$2,569.57	(na)	**$2,569.57**	**$148.35**	**6.1%**

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This 2024 Comprehensive Water and Wastewater Rate Study report proposes updated utility rates for Santa Rosa Water. The report recommends modest annual increases in water and wastewater rates over the next five years, as well as minimal updates to the existing rate structures. The rate increases are driven primarily by general cost inflation including the escalating costs of wholesale water purchases. Santa Rosa Water is also planning for future increases in capital spending to proactively repair and replace critical and aging infrastructure to ensure that Santa Rosa Water can continue to provide safe and reliable utility services.

This Study used methodologies that are aligned with all applicable law and are also consistent with industry standard practices for rate setting. The proposed water and wastewater rates will need to be adopted in accordance with Proposition 218, which requires a detailed notice describing the proposed charges to be mailed to each affected property owner or customer at least 45 days prior to conducting a public hearing to consider any written protests and in the absence of a majority protest adopt the rates.

List of Referenced Documents/Publications

- *American Water Works Association, (2017), M1 Manual, Principles of Water Rates, Fees, and Charges, 7th edition*
- *GHD, (2020),* 2020 Catastrophic Reserve Calculation Update Letter Report
- *Hildebrand Consulting, (2024), Santa Rosa Water Financial Plan Model 2024 (MS Excel©)*
- *Hildebrand Consulting, (2024), Santa Rosa Wastewater Financial Plan Model 2024 (MS Excel©)*
- *Santa Rosa Water, (2008), The Agreement for Use of Santa Rosa Subregional Sewerage System as amended November 15, 2008*
- *Santa Rosa Water, (2022), 2022 Santa Rosa Water Infrastructure Report Card*
- *Santa Rosa Water, (2024), 23_24 RateStudy2024Data_ALLv3 (billing data)*
- *Santa Rosa Water, (2024), 23_24 RateStudy2024_LoopedMeters_v3 (billing data)*
- *Santa Rosa Water, (2024), ONESolution – GL and JL Budget to Actual - Export 7.30.24*
- *Santa Rosa Water, (2024), ONESolution – Revenue Export 7.30.24*
- *Santa Rosa Water, (2024), Debt projections FY25-FY35 FINAL FOR MODEL*
- *Santa Rosa Water, (2021), Catastrophic Reserve and FY2021/22 Budget Update presentation, dated February 11, 2021*
- *Sonoma Water, (2023), FY 2024-2025 Proposed Budget and Rates Water Transmission System (presentation)*
- *The Reed Group, Inc., (2015) Water and Wastewater Rate Study*
- *The Reed Group, Inc., (2021) 2021 Water and Wastewater Rate Study Report*
- *The Reed Group Inc., (2021), 2021 Water and Wastewater Demand Fee study*

SCHEDULES

Schedule W-1: Water Utility Cash Flow Pro Forma
Schedule W-2: 5-Year Schedule of Proposed Water Rates

Schedule WW-1: Local Wastewater Fund Cash Flow Pro Forma
Schedule WW-2: Regional Fund Cash Flow Pro Forma
Schedule WW-3: 5-Year Schedule of Proposed Wastewater Rates

Schedule W-1: Water Utility Cash Flow Proforma

		Budget FY2025	Forecast FY2026	Forecast FY2027	Forecast FY2028	Forecast FY2029	Forecast FY2030	Forecast FY2031	Forecast FY2032	Forecast FY2033	Forecast FY2034	Forecast FY2035
1	**Rate Revenue Adjustments**		**8.00%**	**7.00%**	**7.00%**	**7.00%**	**7.00%**	**4.00%**	**4.00%**	**4.00%**	**4.00%**	**4.00%**
	Revenue											
2	**Commodity Revenue**	$37,303,750	$17,899,000	$19,528,000	$21,110,000	$22,820,000	$24,668,000	$26,666,000	$28,026,000	$29,455,000	$30,957,000	$32,536,000
3	Pass-Through Rate Revenue		$21,678,000	$21,678,000	$21,678,000	$21,678,000	$21,678,000	$21,678,000	$21,678,000	$21,678,000	$21,678,000	$21,678,000
4	Change due to growth & use		$197,000	$215,000	$232,000	$251,000	$271,000	$293,000	$308,000	$324,000	$341,000	$358,000
5	Increase due to rate adjustments		$1,432,000	$1,367,000	$1,478,000	$1,597,000	$1,727,000	$1,067,000	$1,121,000	$1,178,000	$1,238,000	$1,301,000
6	**Fixed Charge Revenue**	$13,681,000	$13,681,000	$14,925,000	$16,134,000	$17,440,000	$18,853,000	$20,380,000	$21,419,000	$23,378,000	$25,515,000	$27,849,000
7	Change due to growth		$150,000	$164,000	$177,000	$192,000	$207,000	$224,000	$236,000	$257,000	$281,000	$306,000
8	Increase due to rate adjustments		$1,094,000	$1,045,000	$1,129,000	$1,221,000	$1,320,000	$815,000	$857,000	$935,000	$1,021,000	$1,114,000
	Miscellaneous Revenues											
9	Private Fireline Revenue	$700,000	$700,000	$700,000	$700,000	$700,000	$700,000	$700,000	$700,000	$700,000	$700,000	$700,000
10	Interest Earnings	$891,000	$912,000	$892,000	$888,000	$901,000	$924,000	$950,000	$961,000	$960,000	$958,000	$991,000
11	Other Non-Rate Revenue	$151,000	$151,000	$152,000	$152,000	$152,000	$153,000	$153,000	$153,000	$154,000	$31,000	$31,000
12	Fees and Charges	$1,957,000	$1,977,000	$1,996,000	$2,016,000	$2,036,000	$2,057,000	$2,077,000	$2,098,000	$2,119,000	$2,140,000	$2,162,000
13	Demand Fees	$2,000,000	$3,744,000	$3,744,000	$3,744,000	$3,744,000	$3,744,000	$3,744,000	$3,744,000	$3,744,000	$3,744,000	$3,744,000
14	**Total Revenue**	**$56,683,750**	**$63,615,000**	**$66,406,000**	**$69,438,000**	**$72,732,000**	**$76,302,000**	**$78,747,000**	**$81,301,000**	**$84,882,000**	**$88,604,000**	**$92,770,000**
	O&M Costs											
15	Salaries and Benefits	($8,226,000)	($8,784,000)	($9,052,000)	($9,315,000)	($9,587,000)	($9,867,000)	($10,155,000)	($10,453,000)	($10,760,000)	($11,076,000)	($11,403,000)
16	Maintenance and Services	($4,913,000)	($5,060,000)	($5,212,000)	($5,368,000)	($5,529,000)	($5,695,000)	($5,866,000)	($6,042,000)	($6,223,000)	($6,410,000)	($6,602,000)
17	Minor Capital	($83,000)	($85,000)	($88,000)	($91,000)	($93,000)	($96,000)	($99,000)	($102,000)	($105,000)	($108,000)	($112,000)
18	Water Purchase	($19,405,000)	($21,675,000)	($21,675,000)	($21,675,000)	($21,675,000)	($21,675,000)	($21,675,000)	($21,675,000)	($21,675,000)	($21,675,000)	($21,675,000)
19	Utilities and Chemicals	($1,400,000)	($1,463,000)	($1,529,000)	($1,598,000)	($1,670,000)	($1,745,000)	($1,823,000)	($1,905,000)	($1,991,000)	($2,081,000)	($2,174,000)
20	Administrative Allocation	($5,751,000)	($5,924,000)	($6,101,000)	($6,284,000)	($6,473,000)	($6,667,000)	($6,867,000)	($7,073,000)	($7,285,000)	($7,504,000)	($7,729,000)
21	Utility Billing Services	($2,419,000)	($2,491,000)	($2,566,000)	($2,643,000)	($2,722,000)	($2,804,000)	($2,888,000)	($2,975,000)	($3,064,000)	($3,156,000)	($3,251,000)
22	O&M Projects	($125,000)	($129,000)	($133,000)	($137,000)	($141,000)	($145,000)	($149,000)	($154,000)	($158,000)	($163,000)	($168,000)
23	Recycled Water Purchases	($34,000)	($34,000)	($34,000)	($34,000)	($34,000)	($34,000)	($34,000)	($34,000)	($34,000)	($34,000)	($34,000)
24	Turnback @ 5%	$1,148,000	$1,199,000	$1,236,000	$1,274,000	$1,312,000	$1,353,000	$1,394,000	$1,437,000	$1,481,000	$1,527,000	$1,574,000
25	***Total Operating Expenses***	**($41,208,000)**	**($44,446,000)**	**($45,154,000)**	**($45,871,000)**	**($46,612,000)**	**($47,375,000)**	**($48,162,000)**	**($48,976,000)**	**($49,814,000)**	**($50,680,000)**	**($51,574,000)**
	Capital Costs											
26	**Total Capital Appropriations**	**$9,469,000**	**$15,500,000**	**$16,000,000**	**$16,500,000**	**$18,000,000**	**$20,000,000**	**$23,000,000**	**$26,000,000**	**$28,000,000**	**$31,000,000**	**$34,000,000**
27	Existing Debt Service	($1,666,000)	($3,345,000)	($3,336,000)	($3,323,000)	($3,321,000)	($3,747,000)	($3,792,000)	($3,733,000)	($4,419,000)	($700,000)	($703,000)
28	Cash Funded Capital Projects	($9,469,000)	($15,500,000)	($16,000,000)	($16,500,000)	($18,000,000)	($20,000,000)	($23,000,000)	($26,000,000)	($28,000,000)	($31,000,000)	($34,000,000)
29	***Total Capital Expenses***	**($11,135,000)**	**($18,845,000)**	**($19,336,000)**	**($19,823,000)**	**($21,321,000)**	**($23,747,000)**	**($26,792,000)**	**($29,733,000)**	**($32,419,000)**	**($31,700,000)**	**($34,703,000)**
	Transfers											
30	Utility Undrgrnd. Impact Fund (Transfer Out)	($2,229,000)	($2,296,000)	($2,365,000)	($2,436,000)	($2,509,000)	($2,584,000)	($2,662,000)	($2,741,000)	($2,824,000)	($2,908,000)	($2,996,000)
31	**Total Revenue Requirement**	**($54,572,000)**	**($65,587,000)**	**($66,855,000)**	**($68,130,000)**	**($70,442,000)**	**($73,706,000)**	**($77,616,000)**	**($81,450,000)**	**($85,057,000)**	**($85,288,000)**	**($89,273,000)**
32	**Beginning Year Balance**	**$30,593,000**	**$32,704,750**	**$30,732,750**	**$30,283,750**	**$31,591,750**	**$33,881,750**	**$36,477,750**	**$37,608,750**	**$37,459,750**	**$37,284,750**	**$40,600,750**
33	**Surplus/(Shortfall)**	**$2,111,750**	**($1,972,000)**	**($449,000)**	**$1,308,000**	**$2,290,000**	**$2,596,000**	**$1,131,000**	**($149,000)**	**($175,000)**	**$3,316,000**	**$3,497,000**
34	**End of Year Balance**	**$32,704,750**	**$30,732,750**	**$30,283,750**	**$31,591,750**	**$33,881,750**	**$36,477,750**	**$37,608,750**	**$37,459,750**	**$37,284,750**	**$40,600,750**	**$44,097,750**
35	*Target Minimum Reserve Balance:*	$11,716,204	$23,853,453	$24,346,940	$24,458,513	$24,571,796	$24,688,670	$24,809,253	$24,933,665	$25,062,032	$25,194,486	$25,331,159
36	*Available Cash Above Target*	$20,988,546	$6,879,297	$5,936,810	$7,133,237	$9,309,954	$11,789,080	$12,799,497	$12,526,085	$12,222,718	$15,406,264	$18,766,591
	Debt Coverage Calculations											
37	**Debt Coverage Ratio (with Demand Fees)**	**7.95**	**5.04**	**5.66**	**6.36**	**7.11**	**7.03**	**7.36**	**7.92**	**7.30**	**50.02**	**54.34**

Schedule W-2: Five-Year Schedule of Proposed Water Rates

	Effective Date				
	July 1, 2025 [3]	July 1, 2026	July 1, 2027	July 1, 2028	July 1, 2029
Water Usage Rates ($/TGAL)					
Single Family Residential & Duplex					
Tier 1 Use up to Sewer Cap [1]	$7.29	To be determined, pending pass-through calculation [4]			
Tier 2 Above Sewer Cap	$8.51				
Multi-Family, Commercial, Industrial, and Institutional					
All Water Use	$7.74				
Irrigation (potable water) [2]					
Tier 1 Up to 125% of Water Budget	$7.41				
Tier 2 Over 125% of Water Budget	$9.44				
Irrigation (recycled water) [2]					
Tier 1 Use up to 125% of water budget	$7.04				
Tier 2 Over 125% of water budget	$9.44				
Monthly Service Charges (Potable)					
5/8" & 3/4" meters	$15.61	$16.08	$16.56	$17.06	$18.42
1" meter	$36.30	$37.39	$38.51	$39.67	$42.84
1 1/2" meter	$70.77	$72.89	$75.08	$77.33	$83.52
2" meter	$112.14	$115.50	$118.97	$122.54	$132.34
3" meter	$208.67	$214.93	$221.38	$228.02	$246.26
4" meter	$346.57	$356.97	$367.68	$378.71	$409.00
6" meter	$691.32	$712.06	$733.42	$755.42	$815.86
Monthly Service Charges (Recycled Water)					
5/8" & 3/4" meters	$14.05	$14.47	$14.90	$15.35	$16.58
1" meter	$32.67	$33.65	$34.66	$35.70	$38.56
1 1/2" meter	$63.69	$65.60	$67.57	$69.60	$75.17
2" meter	$100.93	$103.95	$107.07	$110.28	$119.11
3" meter	$187.80	$193.44	$199.24	$205.22	$221.63
4" meter	$311.91	$321.27	$330.91	$340.84	$368.10
6" meter	$622.19	$640.85	$660.08	$679.88	$734.27

Notes:

[1] The Sewer Cap is calculated for each customer based on the average billing period water use during November through March.

[2] The landscape water budget varies for each customer each billing period and is determined using the site's square footage for the types of plants and the evapotranspiration rate for the billing period.

[3] The first rate increase will be effective 30 days after approval by the City Council, as early as July 1, 2025.

[4] The usage rates for FY 2026/27 through FY 2029/30 are to be determined pending the outcome of the Pass-Through policy results.

Schedule WW-1: Local Wastewater Fund Cash Flow Proforma

		Budget FY2025	Forecast FY2026	Forecast FY2027	Forecast FY2028	Forecast FY2029	Forecast FY2030	Forecast FY2031	Forecast FY2032	Forecast FY2033	Forecast FY2034	Forecast FY2035
1	**Wastewater Rate Revenue Increase**		**5.00%**	**5.00%**	**5.00%**	**5.00%**	**5.00%**	**5.00%**	**5.00%**	**5.00%**	**3.00%**	**3.00%**
	Revenue											
2	**Usage Charge Revenue**	$52,760,000	$52,760,000	$55,978,000	$59,357,000	$62,941,000	$66,741,000	$70,770,000	$75,043,000	$79,573,000	$84,377,000	$87,783,000
3	Changes due to growth and use		$580,000	$580,000	$616,000	$653,000	$692,000	$734,000	$778,000	$825,000	$875,000	$928,000
4	Increase due to rate adjustments		$2,638,000	$2,799,000	$2,968,000	$3,147,000	$3,337,000	$3,539,000	$3,752,000	$3,979,000	$2,531,000	$2,633,000
5	**Service Charge Revenue**	$20,700,000	$20,700,000	$21,963,000	$23,289,000	$24,695,000	$26,186,000	$27,767,000	$29,443,000	$31,220,000	$33,105,000	$34,441,000
6	Changes due to growth		$228,000	$228,000	$242,000	$256,000	$272,000	$288,000	$305,000	$324,000	$343,000	$364,000
7	Increase due to rate adjustments		$1,035,000	$1,098,000	$1,164,000	$1,235,000	$1,309,000	$1,388,000	$1,472,000	$1,561,000	$993,000	$1,033,000
	Miscellaneous Revenues											
8	Fees & Charges	$1,229,000	$1,241,000	$1,253,000	$1,266,000	$1,278,000	$1,291,000	$1,304,000	$1,317,000	$1,330,000	$1,344,000	$1,357,000
9	Miscellaneous	$15,000	$15,000	$15,000	$15,000	$16,000	$16,000	$16,000	$16,000	$16,000	$16,000	$17,000
10	Interest Earnings	$450,000	$1,034,000	$969,000	$924,000	$901,000	$879,000	$868,000	$887,000	$906,000	$922,000	$1,588,000
11	Rental/Lease	$120,000	$121,000	$122,000	$124,000	$125,000	$126,000	$127,000	$129,000	$130,000	$131,000	$133,000
12	Intergovernmental	$724,000	$731,000	$739,000	$746,000	$754,000	$761,000	$769,000	$776,000	$784,000	$792,000	$800,000
13	Internal Loan Repayments	$271,583	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
14	Demand Fee Revenue	$3,950,000	$3,920,000	$4,037,000	$4,159,000	$4,283,000	$4,412,000	$4,544,000	$4,681,000	$4,821,000	$4,966,000	$5,115,000
15	**Total Revenue**	**$80,219,583**	**$85,003,000**	**$89,781,000**	**$94,870,000**	**$100,284,000**	**$106,022,000**	**$112,114,000**	**$118,599,000**	**$125,469,000**	**$130,395,000**	**$136,192,000**
	Local O&M Costs											
16	Salaries and Benefits	($3,888,000)	($4,154,000)	($4,281,000)	($4,406,000)	($4,535,000)	($4,668,000)	($4,805,000)	($4,946,000)	($5,092,000)	($5,242,000)	($5,397,000)
17	Maintenance and Services	($3,014,000)	($3,104,000)	($3,198,000)	($3,293,000)	($3,392,000)	($3,494,000)	($3,599,000)	($3,707,000)	($3,818,000)	($3,933,000)	($4,051,000)
18	Utilities and Chemicals	($91,000)	($95,000)	($99,000)	($104,000)	($109,000)	($113,000)	($119,000)	($124,000)	($129,000)	($135,000)	($141,000)
19	Administrative Allocation	($4,890,000)	($5,036,000)	($5,187,000)	($5,343,000)	($5,503,000)	($5,668,000)	($5,839,000)	($6,014,000)	($6,194,000)	($6,380,000)	($6,571,000)
20	Utility Billing Services	($2,233,000)	($2,300,000)	($2,369,000)	($2,440,000)	($2,513,000)	($2,588,000)	($2,666,000)	($2,746,000)	($2,828,000)	($2,913,000)	($3,001,000)
21	O&M Projects	($65,000)	($67,000)	($69,000)	($71,000)	($73,000)	($75,000)	($78,000)	($80,000)	($82,000)	($85,000)	($87,000)
22	Turnback @ 5%	$709,000	$738,000	$760,000	$783,000	$806,000	$830,000	$855,000	$881,000	$907,000	$934,000	$962,000
23	***Total Operating Expenses***	**($13,472,000)**	**($14,018,000)**	**($14,443,000)**	**($14,874,000)**	**($15,319,000)**	**($15,776,000)**	**($16,251,000)**	**($16,736,000)**	**($17,236,000)**	**($17,754,000)**	**($18,286,000)**
	Capital Costs & Debt Service											
24	**Total Capital Spending**	**($3,300,000)**	**($14,300,000)**	**($14,700,000)**	**($15,100,000)**	**($18,000,000)**	**($21,000,000)**	**($25,000,000)**	**($29,000,000)**	**($34,000,000)**	**($37,000,000)**	**($42,000,000)**
25	Existing Local Debt Service	($4,330,000)	($4,926,000)	($4,922,000)	($4,922,000)	($4,907,000)	($3,662,000)	($3,656,000)	($3,650,000)	($4,482,000)	$0	$0
26	Existing Regional Debt Service	($16,174,000)	($14,848,000)	($14,855,000)	($14,866,000)	($14,886,000)	($15,323,000)	($11,760,000)	($11,821,000)	($10,624,000)	($15,782,000)	($15,529,000)
27	Capital Appropriations (cash)	($3,300,000)	($14,300,000)	($14,700,000)	($15,100,000)	($18,000,000)	($21,000,000)	($25,000,000)	($29,000,000)	($34,000,000)	($37,000,000)	($42,000,000)
28	New SR Regional Debt Service	$0	($1,920,000)	($1,920,000)	($1,920,000)	($1,920,000)	($1,920,000)	($1,920,000)	($1,920,000)	($1,920,000)	($1,920,000)	($1,920,000)
29	***Total Capital Expenses***	**($23,804,000)**	**($35,994,000)**	**($36,397,000)**	**($36,808,000)**	**($39,713,000)**	**($41,905,000)**	**($42,336,000)**	**($46,391,000)**	**($51,026,000)**	**($54,702,000)**	**($59,449,000)**
	Transfers & Regional Costs											
30	Utility Impact Transfer Out	($2,715,000)	($2,797,000)	($2,881,000)	($2,967,000)	($3,056,000)	($3,148,000)	($3,242,000)	($3,339,000)	($3,440,000)	($3,543,000)	($3,649,000)
31	Regional O&M	($39,670,000)	($38,702,000)	($40,588,000)	($42,477,000)	($44,397,000)	($46,356,000)	($48,357,000)	($50,222,000)	($52,133,000)	($54,092,000)	($56,101,000)
32	**Total Revenue Requirement**	**($79,661,000)**	**($91,511,000)**	**($94,309,000)**	**($97,126,000)**	**($102,485,000)**	**($107,185,000)**	**($110,186,000)**	**($116,688,000)**	**($123,835,000)**	**($130,091,000)**	**($137,485,000)**
33	**Beginning Year Balance**	**$36,648,000**	**$37,207,000**	**$30,699,000**	**$26,171,000**	**$23,915,000**	**$21,714,000**	**$20,551,000**	**$22,479,000**	**$24,390,000**	**$26,024,000**	**$26,328,000**
34	**Surplus/(Shortfall)**	**$558,583**	**($6,508,000)**	**($4,528,000)**	**($2,256,000)**	**($2,201,000)**	**($1,163,000)**	**$1,928,000**	**$1,911,000**	**$1,634,000**	**$304,000**	**($1,293,000)**
35	**End of Year Balance**	**$37,206,583**	**$30,699,000**	**$26,171,000**	**$23,915,000**	**$21,714,000**	**$20,551,000**	**$22,479,000**	**$24,390,000**	**$26,024,000**	**$26,328,000**	**$25,035,000**
36	*Total Local WW Reserve Balance Target*	$9,902,064	$24,627,126	$24,713,418	$24,780,406	$24,848,533	$24,918,732	$24,991,069	$25,065,609	$25,142,421	$25,221,574	$25,303,142
37	*Available Cash Above Target*	$27,304,519	$6,071,874	$1,457,582	($865,406)	($3,134,533)	($4,367,732)	($2,512,069)	($675,609)	$881,579	$1,106,426	($268,142)
38	*Total Regional End of Year Balance*	$24,716,489	$25,214,017	$24,094,255	$27,587,255	$31,107,000	$31,108,000	$31,109,000	$31,109,000	$31,109,000	$31,110,000	$31,110,000
39	*Total Regional Reserve Balance Target*	$19,884,000	$19,943,000	$20,440,000	$21,241,000	$21,962,000	$23,902,000	$24,139,000	$24,380,000	$24,628,000	$24,885,000	$24,885,000
40	*Regional Available Cash Above Target*	$4,832,489	$5,271,017	$3,654,255	$6,346,255	$9,145,000	$7,206,000	$6,970,000	$6,729,000	$6,481,000	$6,225,000	$6,225,000
	Combined Debt Coverage Calculations											
41	**Debt Coverage Ratio (with Demand Fees)**	**5.19**	**5.26**	**5.50**	**5.75**	**6.02**	**6.42**	**8.24**	**4.58**	**5.03**	**4.44**	**4.65**

Schedule WW-2: Regional Fund Cash Flow Proforma

		Budget FY2025	Forecast FY2026	Forecast FY2027	Forecast FY2028	Forecast FY2029	Forecast FY2030	Forecast FY2031	Forecast FY2032	Forecast FY2033	Forecast FY2034	Forecast FY2035
	Revenue											
	Charges to User Agencies for O&M and Capital Program											
1	Cotati	$1,750,000	$1,771,000	$1,856,000	$1,940,000	$2,027,000	$2,115,000	$2,205,000	$2,289,000	$2,375,000	$2,463,000	$2,554,000
2	Rohnert Park	$9,874,000	$10,073,000	$10,571,000	$11,069,000	$11,575,000	$12,092,000	$12,619,000	$13,111,000	$13,615,000	$14,132,000	$14,661,000
3	Santa Rosa	$39,670,000	$38,702,000	$40,588,000	$42,477,000	$44,397,000	$46,356,000	$48,357,000	$50,222,000	$52,133,000	$54,092,000	$56,101,000
4	Sebastapol	$1,461,000	$1,433,000	$1,506,000	$1,580,000	$1,654,000	$1,730,000	$1,807,000	$1,879,000	$1,954,000	$2,029,000	$2,107,000
5	SPCWD	$1,649,000	$1,691,000	$1,775,000	$1,859,000	$1,944,000	$2,031,000	$2,119,000	$2,202,000	$2,287,000	$2,374,000	$2,463,000
6	**Sub-Total**	**$54,404,000**	**$53,670,000**	**$56,296,000**	**$58,925,000**	**$61,597,000**	**$64,324,000**	**$67,107,000**	**$69,703,000**	**$72,364,000**	**$75,090,000**	**$77,886,000**
	Charges to User Agencies for Existing Debt											
7	Cotati	$776,000	$711,000	$711,000	$712,000	$712,000	$726,000	$557,000	$560,000	$502,000	$674,000	$647,000
8	Rohnert Park	$3,529,000	$2,966,000	$2,967,000	$2,967,000	$2,970,000	$3,134,000	$2,253,000	$2,252,000	$2,048,000	$4,137,000	$4,323,000
9	Santa Rosa	$16,174,000	$14,848,000	$14,855,000	$14,866,000	$14,886,000	$15,323,000	$11,760,000	$11,821,000	$10,624,000	$15,782,000	$15,529,000
10	Sebastopol	$672,000	$465,000	$465,000	$464,000	$464,000	$573,000	$338,000	$337,000	$308,000	$676,000	$715,000
11	South Park	$522,000	$404,000	$403,000	$403,000	$403,000	$494,000	$298,000	$297,000	$272,000	$679,000	$731,000
12	**Sub-Total**	**$21,673,000**	**$19,393,000**	**$19,400,000**	**$19,412,000**	**$19,435,000**	**$20,250,000**	**$15,206,000**	**$15,267,000**	**$13,754,000**	**$21,947,000**	**$21,946,000**
	Projected Additional Debt Service by Agency											
13	Cotati	$0	$65,000	$65,000	$65,000	$65,000	$65,000	$65,000	$65,000	$65,000	$65,000	$65,000
14	Rohnert Park	$0	$470,000	$470,000	$470,000	$470,000	$470,000	$470,000	$470,000	$470,000	$470,000	$470,000
15	Santa Rosa	$0	$1,920,000	$1,920,000	$1,920,000	$1,920,000	$1,920,000	$1,920,000	$1,920,000	$1,920,000	$1,920,000	$1,920,000
16	Sebastopol	$0	$78,000	$78,000	$78,000	$78,000	$78,000	$78,000	$78,000	$78,000	$78,000	$78,000
17	South Park	$0	$78,000	$78,000	$78,000	$78,000	$78,000	$78,000	$78,000	$78,000	$78,000	$78,000
18	**Sub-Total**	**$0**	**$2,611,000**	**$2,611,000**	**$2,611,000**	**$2,611,000**	**$2,611,000**	**$2,611,000**	**$2,611,000**	**$2,611,000**	**$2,611,000**	**$2,611,000**
	Total Revenue By Agency											
19	Cotati	$2,526,000	$2,547,000	$2,632,000	$2,717,000	$2,804,000	$2,906,000	$2,827,000	$2,914,000	$2,942,000	$3,202,000	$3,266,000
20	Rohnert Park	$13,403,000	$13,509,000	$14,008,000	$14,506,000	$15,015,000	$15,696,000	$15,342,000	$15,833,000	$16,133,000	$18,739,000	$19,454,000
21	Santa Rosa	$55,844,000	$55,470,000	$57,363,000	$59,263,000	$61,203,000	$63,599,000	$62,037,000	$63,963,000	$64,677,000	$71,794,000	$73,550,000
22	Sebastopol	$2,133,000	$1,976,000	$2,049,000	$2,122,000	$2,196,000	$2,381,000	$2,223,000	$2,294,000	$2,340,000	$2,783,000	$2,900,000
23	South Park	$2,171,000	$2,173,000	$2,256,000	$2,340,000	$2,425,000	$2,603,000	$2,495,000	$2,577,000	$2,637,000	$3,131,000	$3,272,000
24	**Sub-Total**	**$76,077,000**	**$75,675,000**	**$78,308,000**	**$80,948,000**	**$83,643,000**	**$87,185,000**	**$84,924,000**	**$87,581,000**	**$88,729,000**	**$99,649,000**	**$102,442,000**
	Other Revenue											
25	Charges for Service	$4,050,000	$4,050,000	$4,050,000	$4,050,000	$4,050,000	$4,050,000	$4,050,000	$4,050,000	$4,050,000	$4,050,000	$4,050,000
26	Interest Earnings	$285,000	$480,000	$424,000	$386,000	$358,000	$334,000	$311,000	$537,000	$763,000	$989,000	$1,215,000
27	Miscellaneous	$131,000	$132,000	$133,000	$134,000	$135,000	$136,000	$137,000	$138,000	$139,000	$140,000	$141,000
28	Geyser Revenue	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
31	Town of Windsor	$1,086,000	$1,097,000	$1,108,000	$1,119,000	$1,130,000	$1,141,000	$1,152,000	$1,164,000	$1,176,000	$1,188,000	$1,200,000
34	**Sub-Total**	**$5,552,000**	**$5,759,000**	**$5,715,000**	**$5,689,000**	**$5,673,000**	**$5,661,000**	**$5,650,000**	**$5,889,000**	**$6,128,000**	**$6,367,000**	**$6,606,000**
35	**Total Revenue**	**$81,629,000**	**$81,434,000**	**$84,023,000**	**$86,637,000**	**$89,316,000**	**$92,846,000**	**$90,574,000**	**$93,470,000**	**$94,857,000**	**$106,016,000**	**$109,048,000**
	Operating Expenses											
36	Salaries	($12,186,277)	($13,283,000)	($13,814,000)	($14,297,000)	($14,797,000)	($15,315,000)	($15,851,000)	($16,406,000)	($16,980,000)	($17,574,000)	($18,189,000)
37	Benefits	($7,723,523)	($8,002,000)	($8,130,000)	($8,293,000)	($8,459,000)	($8,628,000)	($8,801,000)	($8,977,000)	($9,157,000)	($9,340,000)	($9,527,000)
38	Services and Supplies	($9,700,940)	($9,991,968)	($10,292,000)	($10,601,000)	($10,919,000)	($11,247,000)	($11,584,000)	($11,932,000)	($12,290,000)	($12,659,000)	($13,039,000)
39	Utilities	($6,302,850)	($6,586,478)	($6,883,000)	($7,193,000)	($7,517,000)	($7,855,000)	($8,208,000)	($8,577,000)	($8,963,000)	($9,366,000)	($9,787,000)
40	Chemicals	($2,500,621)	($2,613,000)	($2,731,000)	($2,854,000)	($2,982,000)	($3,116,000)	($3,256,000)	($3,403,000)	($3,556,000)	($3,716,000)	($3,883,000)
41	O&M Projects	($2,850,000)	($2,936,000)	($3,024,000)	($3,115,000)	($3,208,000)	($3,304,000)	($3,403,000)	($3,505,000)	($3,610,000)	($3,718,000)	($3,830,000)
42	Indirect Costs	($3,886,617)	($4,003,000)	($4,123,000)	($4,247,000)	($4,374,000)	($4,505,000)	($4,640,000)	($4,779,000)	($4,922,000)	($5,070,000)	($5,222,000)
43	Capital Outlay	($14,000)	($14,000)	($14,000)	($14,000)	($14,000)	($14,000)	($14,000)	($14,000)	($14,000)	($14,000)	($14,000)
44	Interfund Loan	($271,583)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
	Capital Appropriations											
45	Total Capital Spending	($11,000,000)	($12,000,000)	($13,000,000)	($14,000,000)	($15,000,000)	($16,000,000)	($17,000,000)	($18,000,000)	($19,000,000)	($20,000,000)	($21,000,000)
46	CIP Transfer Out	($11,000,000)	($12,000,000)	($13,000,000)	($14,000,000)	($15,000,000)	($16,000,000)	($17,000,000)	($18,000,000)	($19,000,000)	($20,000,000)	($21,000,000)
47	Debt Financed CIP	($24,615,889)	($35,000,000)	$0	$0	$0	$0	$0	$0	$0	$0	$0
48	Debt Service Transfer Out	($21,673,000)	($19,393,000)	($19,400,000)	($19,412,000)	($19,435,000)	($20,250,000)	($15,206,000)	($15,267,000)	($13,754,000)	($21,947,000)	($21,946,000)
49	New Debt Service	$0	($2,611,000)	($2,611,000)	($2,611,000)	($2,611,000)	($2,611,000)	($2,611,000)	($2,611,000)	($2,611,000)	($2,611,000)	($2,611,000)
50	***Total Expenses***	**($78,109,411)**	**($81,433,446)**	**($84,022,000)**	**($86,637,000)**	**($89,316,000)**	**($92,845,000)**	**($90,574,000)**	**($93,471,000)**	**($94,857,000)**	**($106,015,000)**	**($109,048,000)**
51	**Beginning Year Balance**	**$27,587,000**	**$31,107,000**	**$31,108,000**	**$31,109,000**	**$31,109,000**	**$31,109,000**	**$31,110,000**	**$31,110,000**	**$31,109,000**	**$31,109,000**	**$31,110,000**
52	**Surplus/(Shortfall)**	**$3,520,000**	**$1,000**	**$1,000**	**$0**	**$0**	**$1,000**	**$0**	**($1,000)**	**$0**	**$1,000**	**$0**
53	**End of Year Remaining Balance**	**$31,107,000**	**$31,108,000**	**$31,109,000**	**$31,109,000**	**$31,109,000**	**$31,110,000**	**$31,110,000**	**$31,109,000**	**$31,109,000**	**$31,110,000**	**$31,110,000**
54	*Reserve Balance Target*	$21,962,000	$23,902,000	$24,139,000	$24,380,000	$24,628,000	$24,885,000	$25,151,000	$25,426,000	$25,711,000	$26,006,000	$26,311,000
55	*Available Cash Above Target*	$9,145,000	$7,206,000	$6,970,000	$6,729,000	$6,481,000	$6,225,000	$5,959,000	$5,683,000	$5,398,000	$5,104,000	$4,799,000

WW-3: Five-Year Schedule of Proposed Wastewater Rates

	Effective Date				
	July 1, 2025	**July 1, 2026**	**July 1, 2027**	**July 1, 2028**	**July 1, 2029**
Wastewater Usage Rates ($/TGAL) [1]					
Single Family and Multi-Family [2]	$16.86	$17.70	$18.59	$19.52	$20.50
Commercial, Industrial, and Institutional					
Low Strength	$13.87	$14.56	$15.29	$16.05	$16.85
Standard Strength	$16.86	$17.70	$18.59	$19.52	$20.50
Medium Strength	$18.77	$19.71	$20.70	$21.74	$22.83
High Strength	$23.39	$24.56	$25.79	$27.08	$28.43
Monthly Service Charges					
Single Family	$29.77	$31.26	$32.82	$34.46	$36.18
Multi-Family, Commercial, Industrial, Institutional					
5/8" & 3/4" meters	$29.77	$31.26	$32.82	$34.46	$36.18
1" meter	$69.80	$73.29	$76.95	$80.80	$84.84
1 1/2" meter	$136.53	$143.36	$150.53	$158.06	$165.96
2" meter	$216.60	$227.43	$238.80	$250.74	$263.28
3" meter	$403.42	$423.59	$444.77	$467.01	$490.36
4" meter	$670.32	$703.84	$739.03	$775.98	$814.78
6" meter	$1,337.56	$1,404.44	$1,474.66	$1,548.39	$1,625.81

Notes:

[1] Wastewater usage charge applies to the estimated wastewater generated. For single-family residential accounts and multi-family accounts that don't have a separate irrigation meter for landscaping the esimated wastewater is based on the lower of current water use or the Sewer Cap. The Sewer Cap is calculated for these residential accounts based on the average water use from complete billing periods within the months of November through March. For all accounts with separate irrigation meters (whether multifamily or non-residential) the wastewater generated is based on actual water usage during the billing period.

[2] Multifamily accounts include duplex, and triplex accounts.

Extraordinary Load Surcharges

	Volumetric Rate				
Metric	**July 1, 2025**	**July 1, 2026**	**July 1, 2027**	**July 1, 2028**	**July 1, 2029**
BOD ($/LB)	$0.59	$0.62	$0.65	$0.68	$0.71
TSS ($/LB)	$0.70	$0.74	$0.78	$0.82	$0.86
TKN ($/LB)	$1.52	$1.60	$1.68	$1.76	$1.85