

# Water and Wastewater Rate Study

## Santa Rosa Water – Study Session

January 7, 2025



# Agenda

- 1) Project Objectives and General Rate Setting
- 2) Water Financial Plan
- 3) Water Rate Recommendations
- 4) Wastewater Financial Plan
- 5) Wastewater Recommendations
- 6) Capital Delivery
- 7) Value of Water Campaign
- 8) New Optional Prop 218 Procedures
- 9) Next Steps

# Project Objectives and General Rate Setting

# Rate Setting Objectives

- ❖ Legal compliance
- ❖ Financial sufficiency and sustainability
- ❖ Minimize rate increases
- ❖ Public understanding
- ❖ Affordability

# Legal Requirements for Setting Water Rates In California

Proposition 218 (Article XIID, Section 6 of California Constitution)

- Revenues shall not exceed funds required to provide service; nor used for another purpose
- Amount shall not exceed the proportional cost of the service attributable to the parcel
- Service must be actually used or immediately available
- Approval process includes 45-day notice, public hearing, and written majority protest. Does not require a voting process (unlike taxes).

# Rate Study Overview

## Revenue Requirements

Compare the revenues of the water, wastewater, and regional utilities to their expenses in multi-year **financial plans** to determine the overall level of annual rate adjustments

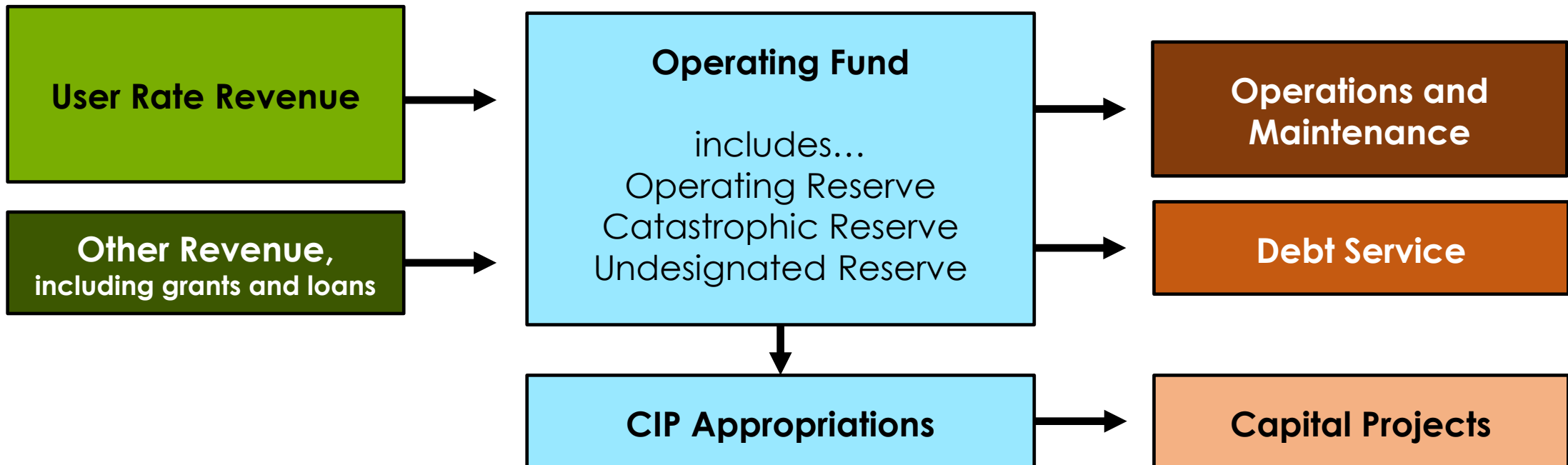
## Cost-of-Service

Proportionately allocate revenue requirements between the various customer classes based on service and demand requirements

## Rate Design

Design water and wastewater rates to recover the revenue requirement from each customer class and meet other rate setting objectives

# Fund/Reserve Structure and Cash Flows



# Project Highlights

1. Capital appropriation goals have been set based on recommendations from most recent Infrastructure Report Card
2. Water and wastewater cost of service analyses (COSA) have been updated (with no changes to basic rate structure)  
*... except for minor change to eliminate special classification for residential accounts with no outdoor water usage*
3. Recommend re-instating the automatic pass-through of Sonoma Water rate changes



# Water Utility

# Primary Model Inputs

- ✓ Fund and reserve balances as of June 30, 2023
- ✓ FY 2024/25 budgeted revenues and expenses
- ✓ Existing debt service schedules
  - Plus estimates for FY2025/26 Regional bond issue
- ✓ FY 2023/24 utility billing data

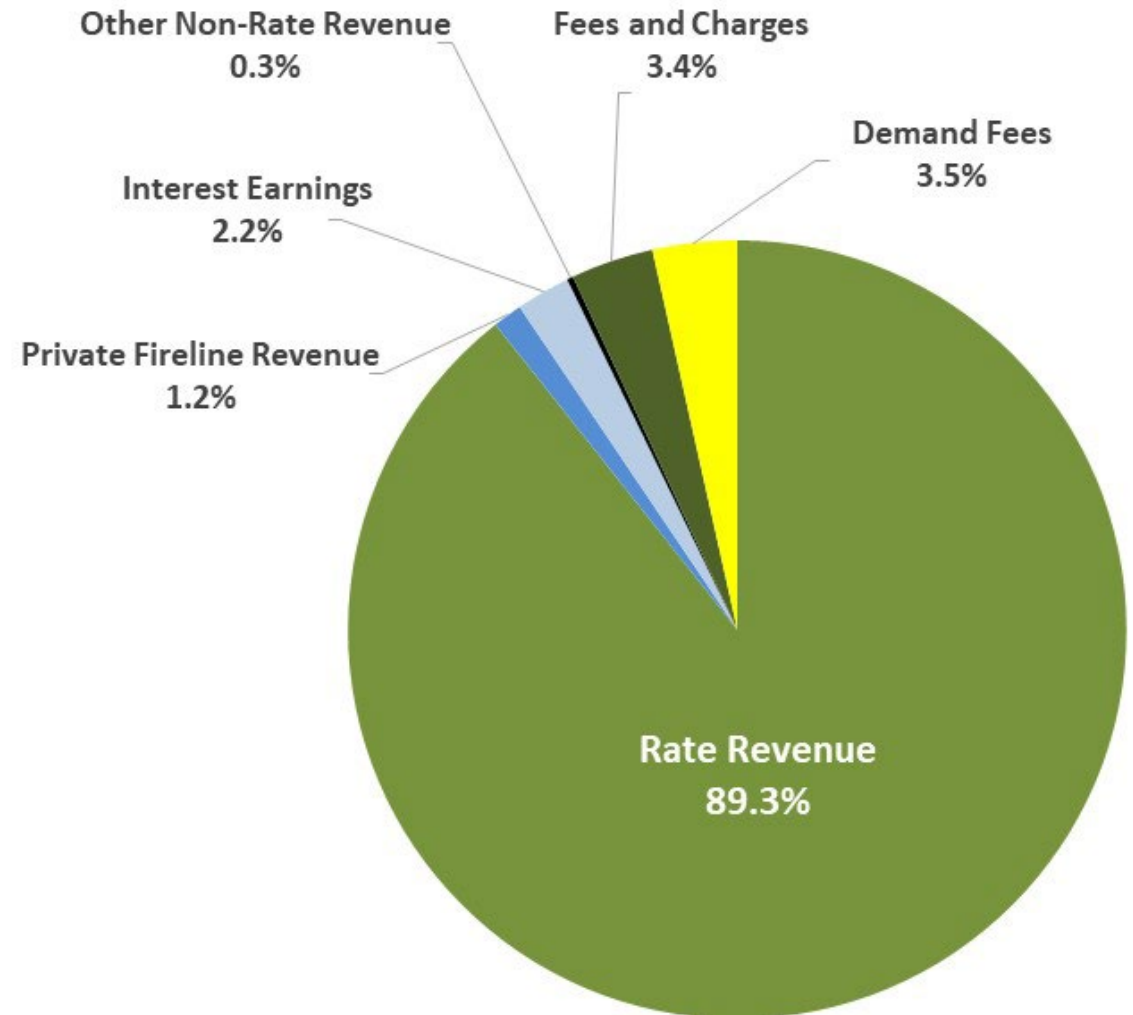
# Primary Model Assumptions

- ✓ Annual inflation factors:
  - Salary costs at 9%, 4% and then 3.5% thereafter
  - Benefit costs at 3.6%, 1.6% and then 2% thereafter
  - Utilities & chemicals at 4.5% per year
  - General and construction at 3.0% per year
  - Sonoma Water inflation not predicted (see pass-through)
  
- ✓ Interest earnings on reserve balances at 1.0% per year
- ✓ Growth at 1.1% per year
- ✓ Stable water demand

# Water Revenue

## FY2024/25 Budget

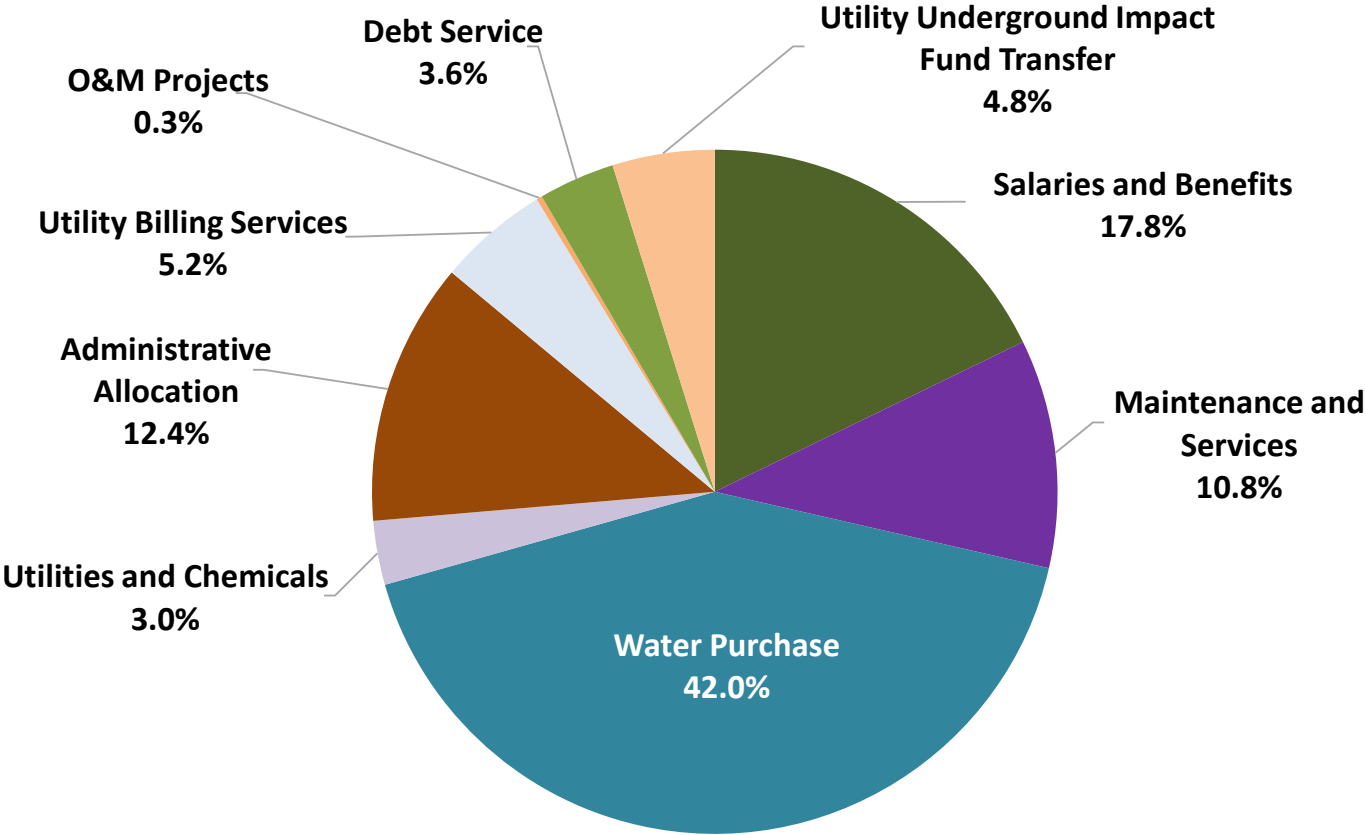
Rate Revenue	\$50,985,000
<b>Non-Rate Revenue</b>	
Private Fireline Revenue	\$700,000
Interest Earnings	\$1,284,000
Other Non-Rate Revenue	\$151,000
Fees and Charges	\$1,957,000
Demand Fees	\$2,000,000
<b>Total:</b>	<b>\$57,077,000</b>



# Water Operating and Debt Expenses

FY2024/25 Budget

Salaries and Benefits	\$8,226,000
Maintenance and Services	\$4,996,000
Water Purchase	\$19,439,000
Utilities and Chemicals	\$1,400,000
Administrative Allocation	\$5,751,000
Utility Billing Services	\$2,419,000
O&M Projects	\$125,000
Debt Service	\$1,666,000
Utility Underground Impact Fund Transfer	\$2,229,000
<b>Total Budget:</b>	<b>\$46,251,000*</b>



\* Does not include capital spending

# Water Reserve Targets

Strong financial practices/policies are in the interest of rate payers by protecting Santa Rosa Water against unforeseen circumstances and contributing towards a strong credit rating.

## Current policies :

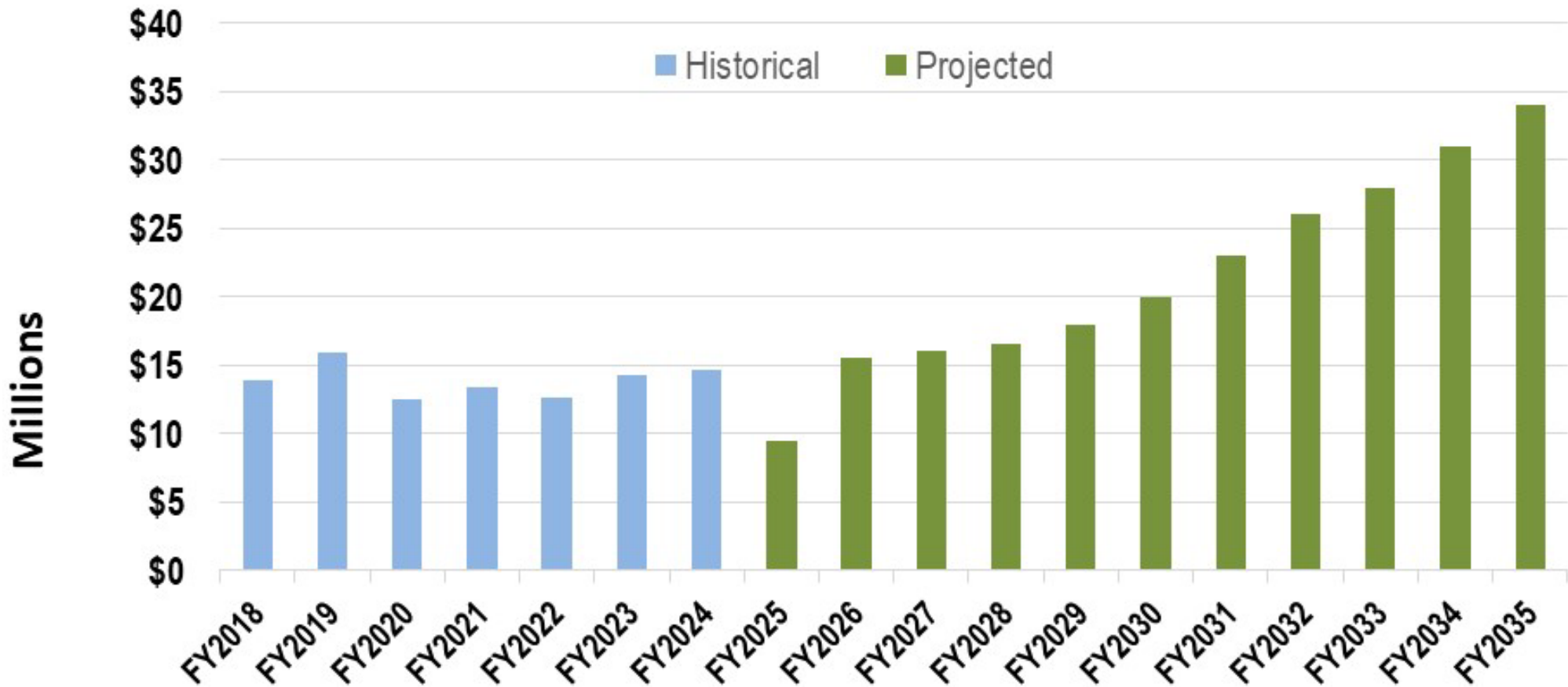
Operating Reserve: For changes in operating costs or disruption in revenue. Target = 15% O&M costs (current target approximately: \$6 million)

Catastrophic Reserve: Ensures timely response to natural disasters and/or other emergencies. Current Level = \$5.75 million Recommended Target = \$17.5 million

**Current Total Target = \$23.5 million**

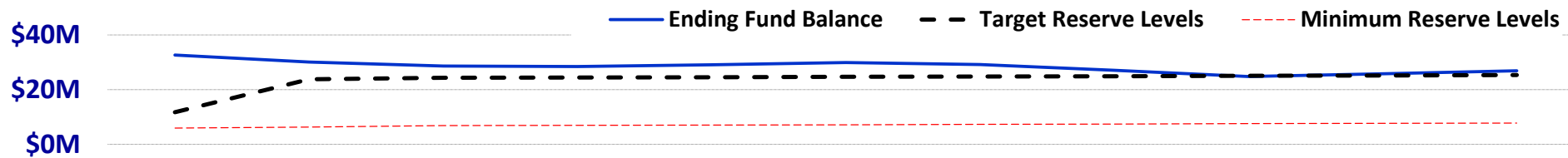
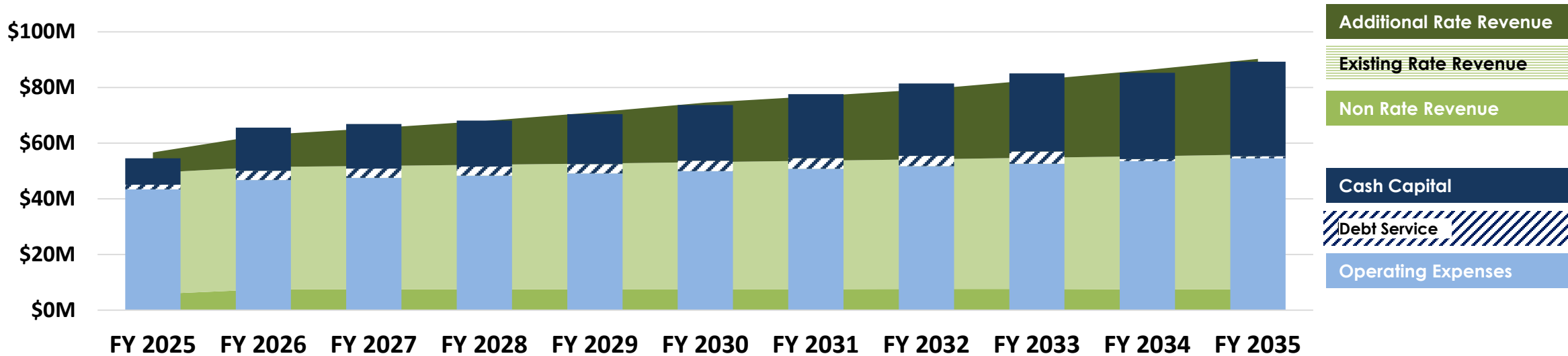
# Water Capital Appropriations

Goal: Increase annual capital appropriations\* from current levels (average \$13.8 million per year) to \$34 million per year by FY2034/35.



\* Commensurate increases to capital spending will be required

# Water Financial Forecast & Proposed Rate Revenue Increases



	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034	FY 2035
<b>Water Rate Revenue Increases:</b>		6.0%	6.0%	6.0%	7.0%	7.0%	4.0%	4.0%	4.0%	4.0%	4.0%
<b>Debt Coverage Ratio:</b>	7.95	4.86	5.35	5.91	6.62	6.56	6.87	7.40	6.82	46.76	50.85
<b>Capital Appropriations:</b>	\$9.5M	\$15.5M	\$16.0M	\$16.5M	\$18.0M	\$20.0M	\$23.0M	\$26.0M	\$28.0M	\$31.0M	\$34.0M

\* Debt Coverage Ratio measures whether the Santa Rosa Water can afford its debt obligations. Minimum levels are 1.2 and target levels are 1.5.



# Water Cost Allocation Principles

## ❖ Customer costs

- ✓ Assigned to each customer on an equal basis

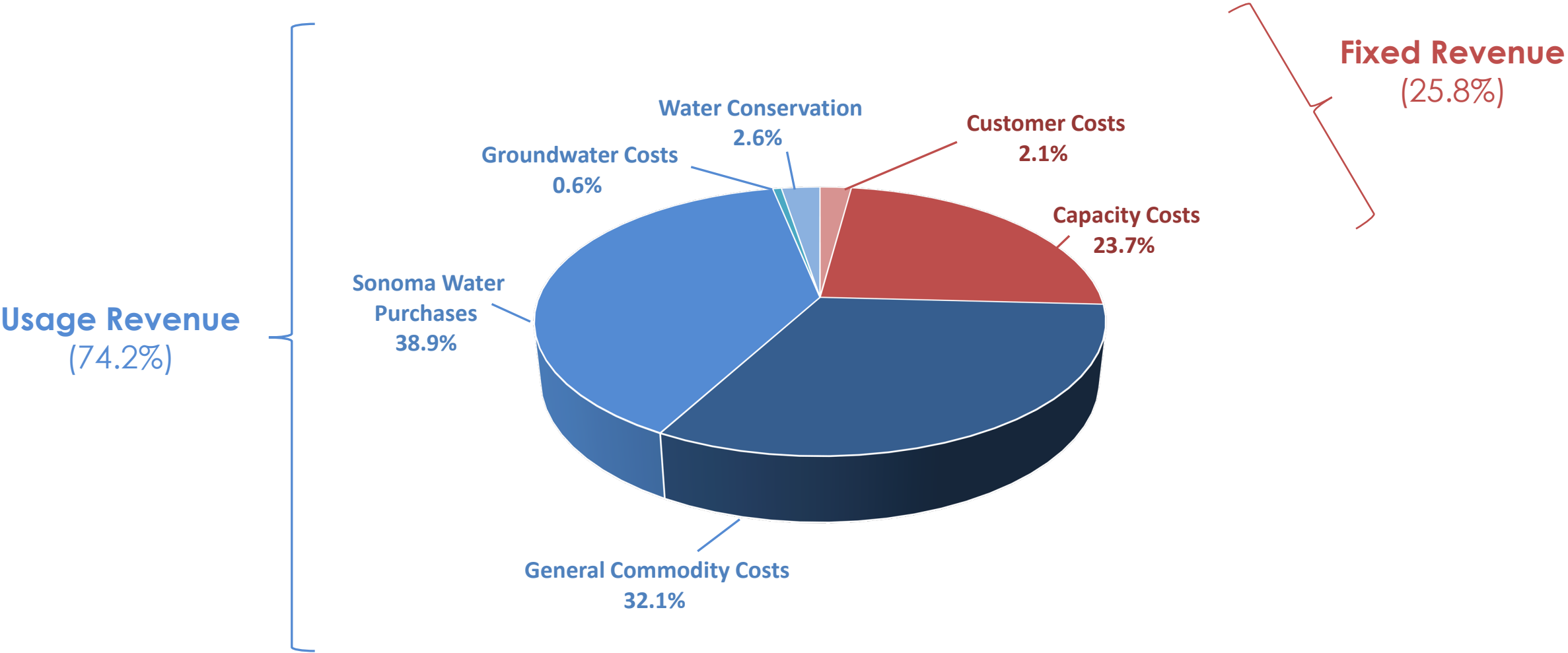
## ❖ Capacity costs

- ✓ Assigned to each customer based on meter size

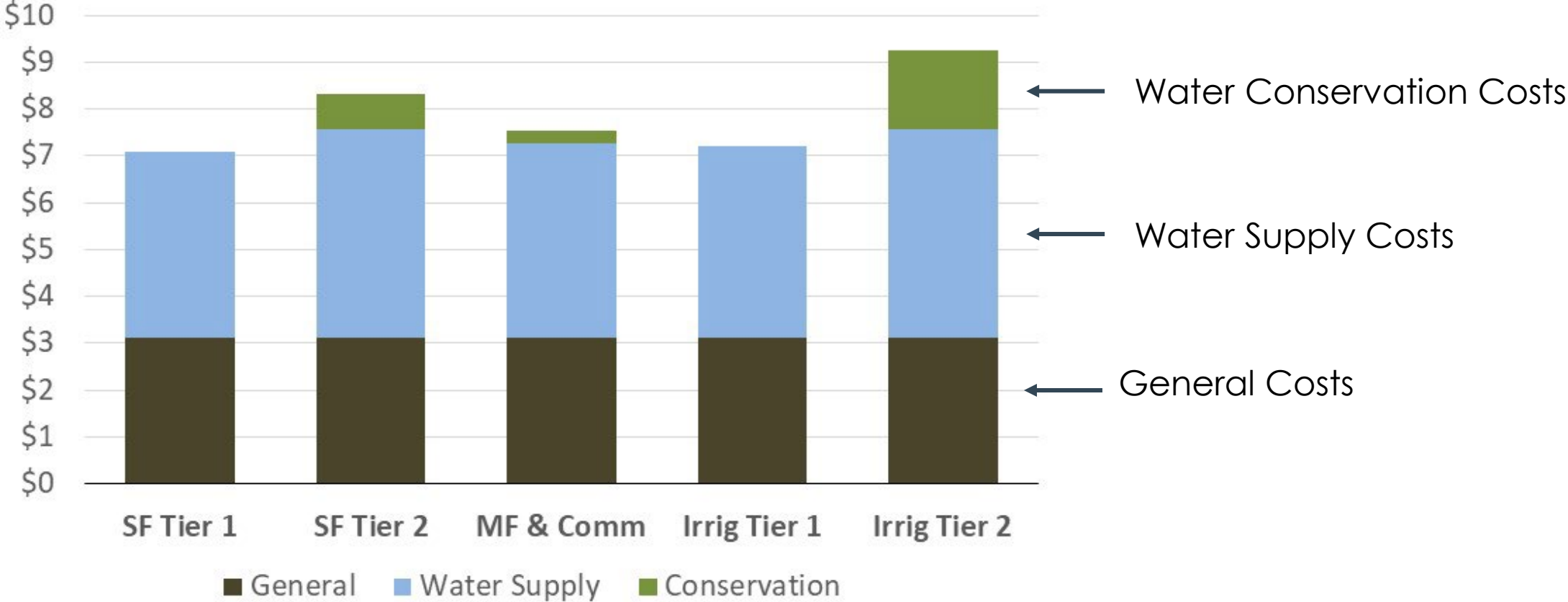
## ❖ Commodity costs

- ✓ Assigned to each customer based on usage
  - Tiered water usage rates based on differential water supply and water conservation costs

# Water Fixed vs Variable Revenue



# Water Usage Rate Calculations



# Recommended FY 2025/26 Water Rate Schedule

		<u>Current</u>	<u>July 2025</u>	<u>Change</u>	
				\$	%
<b>Water Usage Rates (\$/TGAL)</b>					
Single Family Residential & Duplex					
Tier 1	Use up to Sewer Cap <sup>1</sup>	\$6.61	\$7.21	\$0.60	9.1%
Tier 2	Above Sewer Cap	\$7.49	\$8.43	\$0.94	12.6%
Multi-Family, Commercial, Industrial, and Institutional					
	All water use	\$6.98	\$7.66	\$0.68	9.7%
Irrigation (potable water) <sup>2</sup>					
Tier 1	Use up to 125% of water budget	\$6.72	\$7.33	\$0.61	9.1%
Tier 2	Over 125% of water budget	\$8.32	\$9.36	\$1.04	12.5%
Irrigation (recycled water) <sup>2</sup>					
Tier 1	Use up to 125% of water budget	\$6.38	\$6.96	\$0.58	9.1%
Tier 2	Over 125% of water budget	\$8.32	\$9.36	\$1.04	12.5%
<b>Monthly Service Charges (Potable Water)</b>					
	5/8" & 3/4" meters	\$15.55	\$15.38	(\$0.17)	-1.1%
	1" meter	\$34.90	\$35.78	\$0.88	2.5%
	1 1/2" meter	\$67.15	\$69.78	\$2.63	3.9%
	2" meter	\$105.87	\$110.58	\$4.71	4.4%
	3" meter	\$196.18	\$205.78	\$9.60	4.9%
	4" meter	\$325.22	\$341.78	\$16.56	5.1%
	6" meter	\$647.80	\$681.78	\$33.98	5.2%
<b>Monthly Service Charges (Recycled Water)</b>					
	5/8" & 3/4" meters	\$13.99	\$13.84	(\$0.15)	-1.1%
	1" meter	\$31.41	\$32.20	\$0.79	2.5%
	1 1/2" meter	\$60.43	\$62.80	\$2.37	3.9%
	2" meter	\$95.28	\$99.52	\$4.24	4.5%
	3" meter	\$176.57	\$185.20	\$8.63	4.9%
	4" meter	\$292.70	\$307.60	\$14.90	5.1%
	6" meter	\$583.02	\$613.60	\$30.58	5.2%

**Notes:**

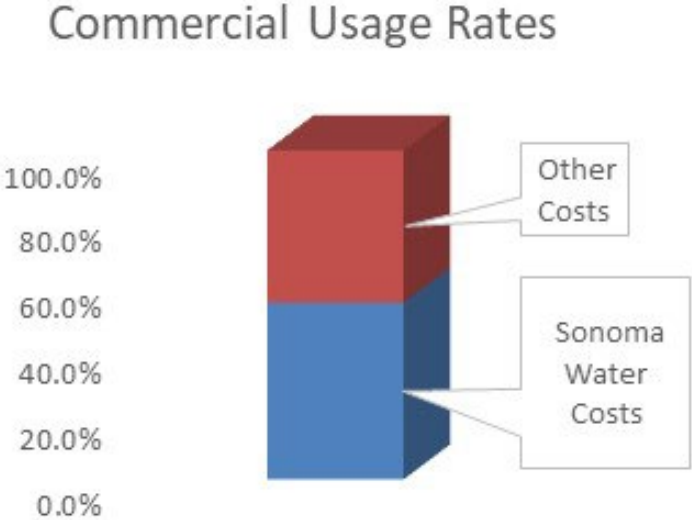
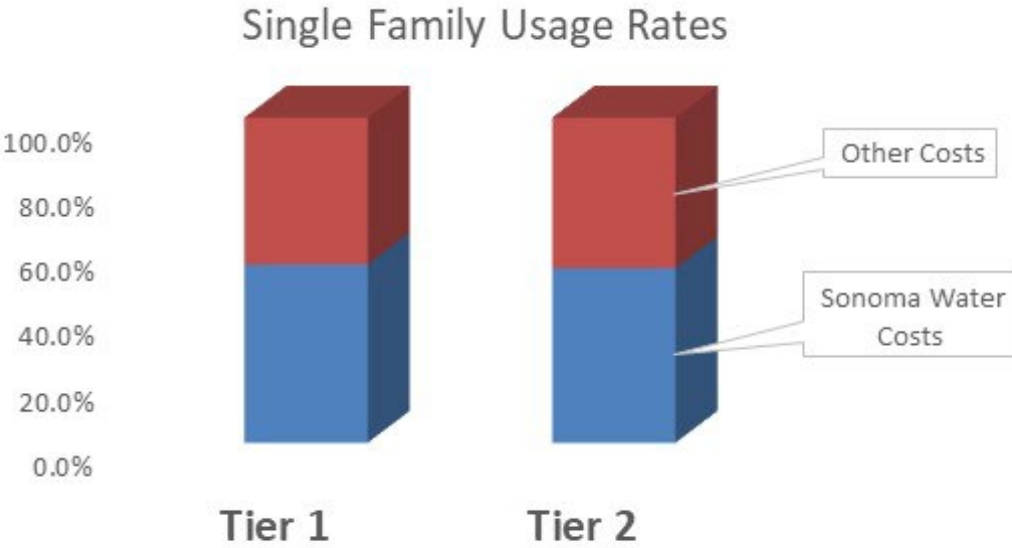
<sup>1</sup> The Sewer Cap is calculated for each customer based on the average billing period water use during November through March.

<sup>2</sup> 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.

\* This schedule no longer includes special rate for single family or duplex accounts with no outdoor usage

# Proposed SCWA Pass-Through Provision

- All Usage Rates increase based on the proposed schedule...
- ... however, a portion of the Usage Rates will be adjusted based on actual changes in wholesale water costs
- Adjustments occur each July, following Sonoma Water rate action (with 30-day notice provided to customers)



# Example Calculation of SCWA Pass-Through Provision

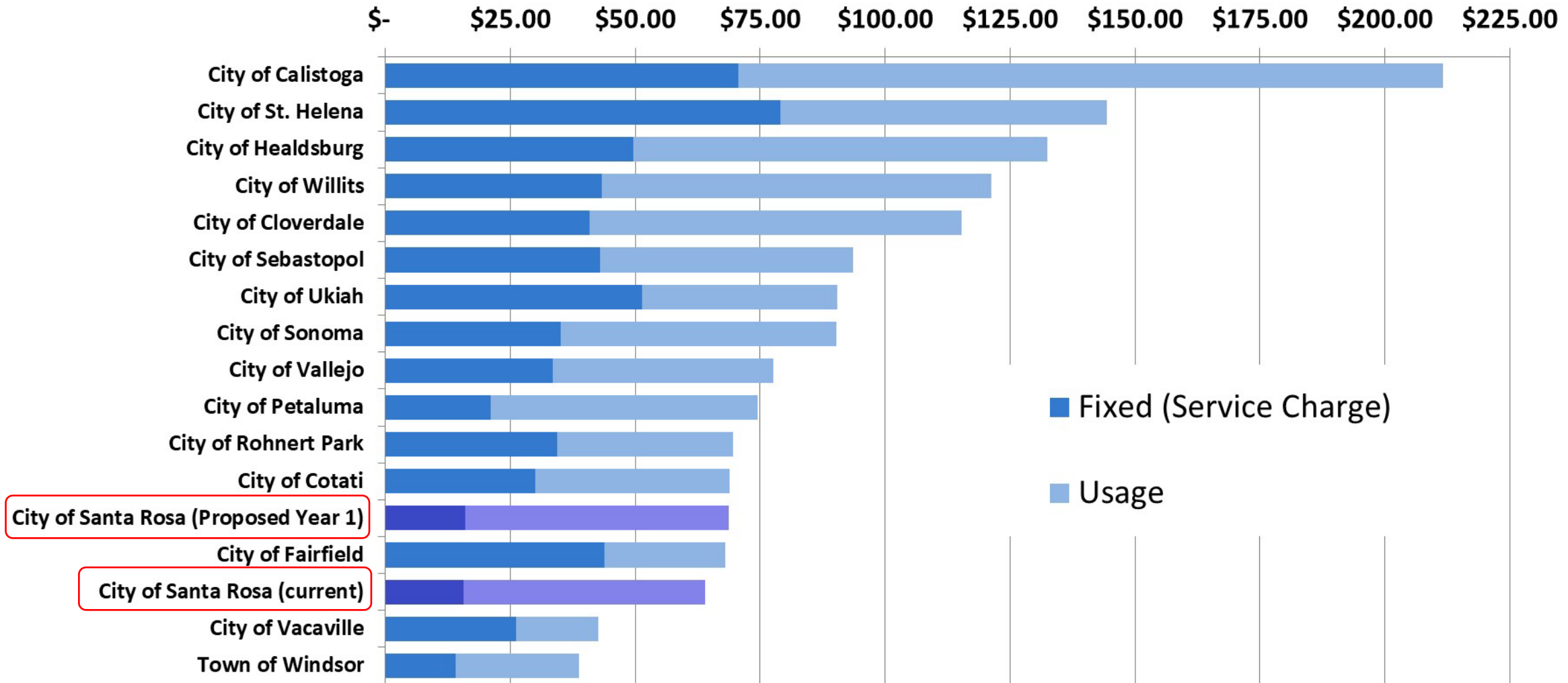
<b>Santa Rosa Water Rate Increase</b> Proposed 2027 Change: <b>6.00%</b>				<b>SCWA Santa Rosa Aqueduct Rate Change <sup>1</sup></b> Example Change: <b>10.0%</b>			
	<b>Current Rates</b>	<b>Current Santa Rosa Costs</b>	<b>Current SCWA Costs</b>	<b>Santa Rosa Rate Adjustment</b>	<b>SCWA Adjustment</b>	<b>Final Usage Rates</b>	<b>Change</b>
<b>Water Usage Rates (\$/TGAL)</b>							
<u>Single Family</u>							
Tier 1	\$7.21	\$3.36	\$3.85	\$0.20	\$0.39	<b>\$7.80</b>	8.2%
Tier 2	\$8.43	\$4.01	\$4.42	\$0.24	\$0.44	<b>\$9.11</b>	8.1%
<u>Commercial/Industrial/Multifamily</u>							
All Water Use	\$7.66	\$3.60	\$4.06	\$0.22	\$0.41	<b>\$8.28</b>	8.1%
<u>Irrigation (potable)</u>							
Tier 1	\$7.33	\$3.34	\$3.99	\$0.20	\$0.40	<b>\$7.93</b>	8.2%
Tier 2	\$9.36	\$4.95	\$4.41	\$0.30	\$0.44	<b>\$10.10</b>	7.9%
<u>Irrigation (recycled)</u>							
Tier 1	\$6.96	\$3.17	\$3.79	\$0.19	\$0.38	<b>\$7.53</b>	8.2%
Tier 2	\$9.36	\$4.95	\$4.41	\$0.30	\$0.44	<b>\$10.10</b>	7.9%
(No change to service charges due to changes in SCWA costs)							

**Notes:**

<sup>1</sup> Rates charged by SCWA for water from the Santa Rosa Aqueduct. Rates for the upcoming fiscal year are typically adopted in April of each year.

# Comparison to Other Local Agencies – Water Charges

for single family homes with 3/4" meter and 7,000 gallons of water usage



# Wastewater Utility



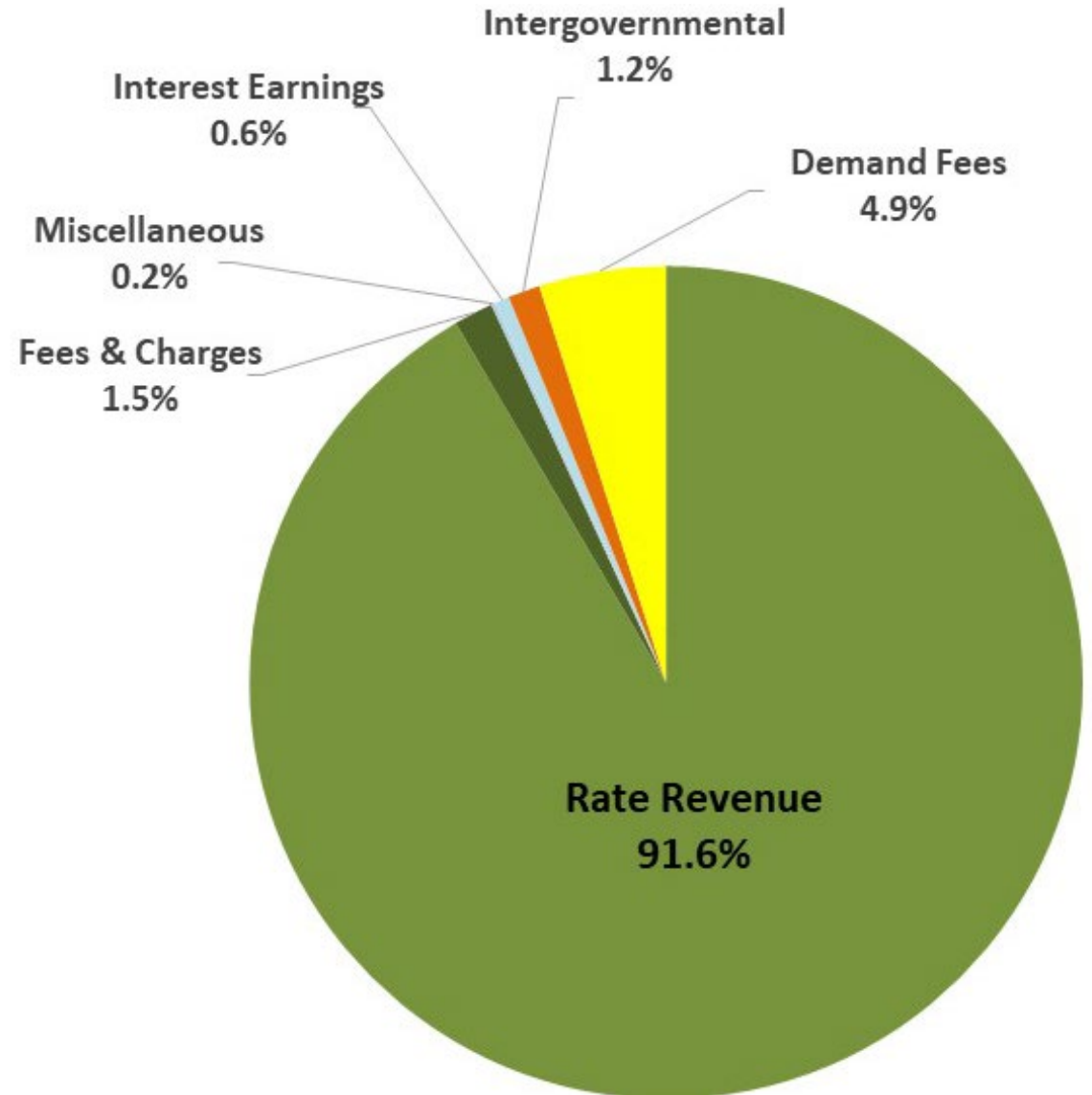
# Local Wastewater Revenue

FY2024/25 Budget

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Rate Revenue	\$73,460,000
<b>Non-Rate Revenue</b>	
Fees & Charges	\$1,229,000
Miscellaneous	\$135,000
Interest Earnings	\$450,000
Intergovernmental	\$995,583
Demand Fees	\$3,950,000
<b>Total:</b>	<b>\$80,219,583</b>

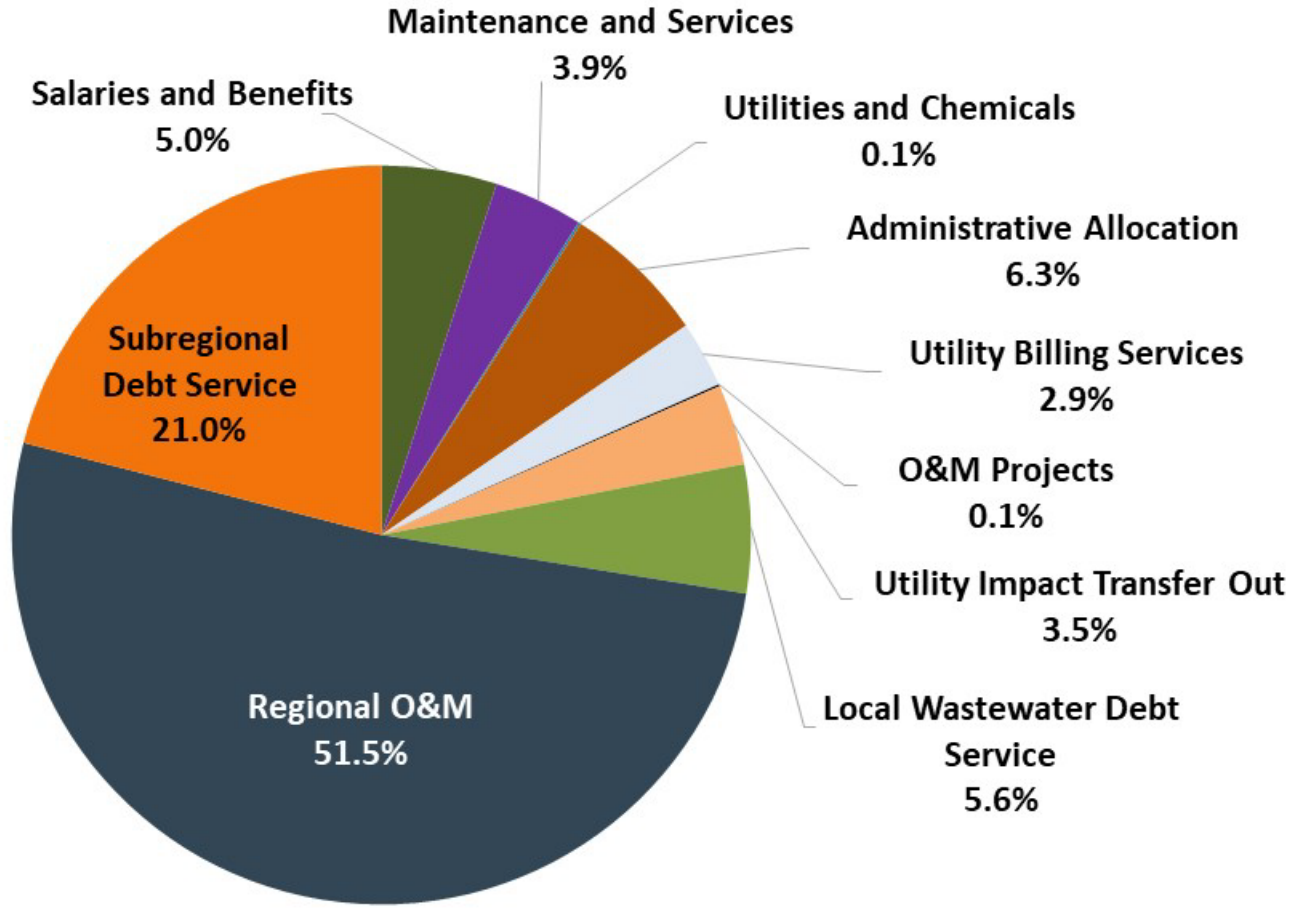
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# Local Wastewater Operating and Debt Expenses

FY2024/25 Budget

Salaries and Benefits	\$3,888,000
Maintenance and Services	\$3,014,000
Utilities and Chemicals	\$91,000
Administrative Allocation	\$4,890,000
Utility Billing Services	\$2,233,000
O&M Projects	\$65,000
Utility Impact Transfer Out	\$2,715,000
Local Wastewater Debt Service	\$4,330,000
Regional O&M	\$39,670,000
Subregional Debt Service	\$16,174,000
<b>Total Budget:</b>	<b>\$77,070,000*</b>



\* Does not include capital spending

# Local Wastewater Reserve Targets

Strong financial practices/policies are in the interest of rate payers by protecting the Santa Rosa Water against unforeseen circumstances and contributing towards a strong credit rating.

## Current Local WW Policies :

Operating Reserve: For changes in operating costs or disruption in revenue. Target = 15% O&M costs (current target approximately \$2.1 million)

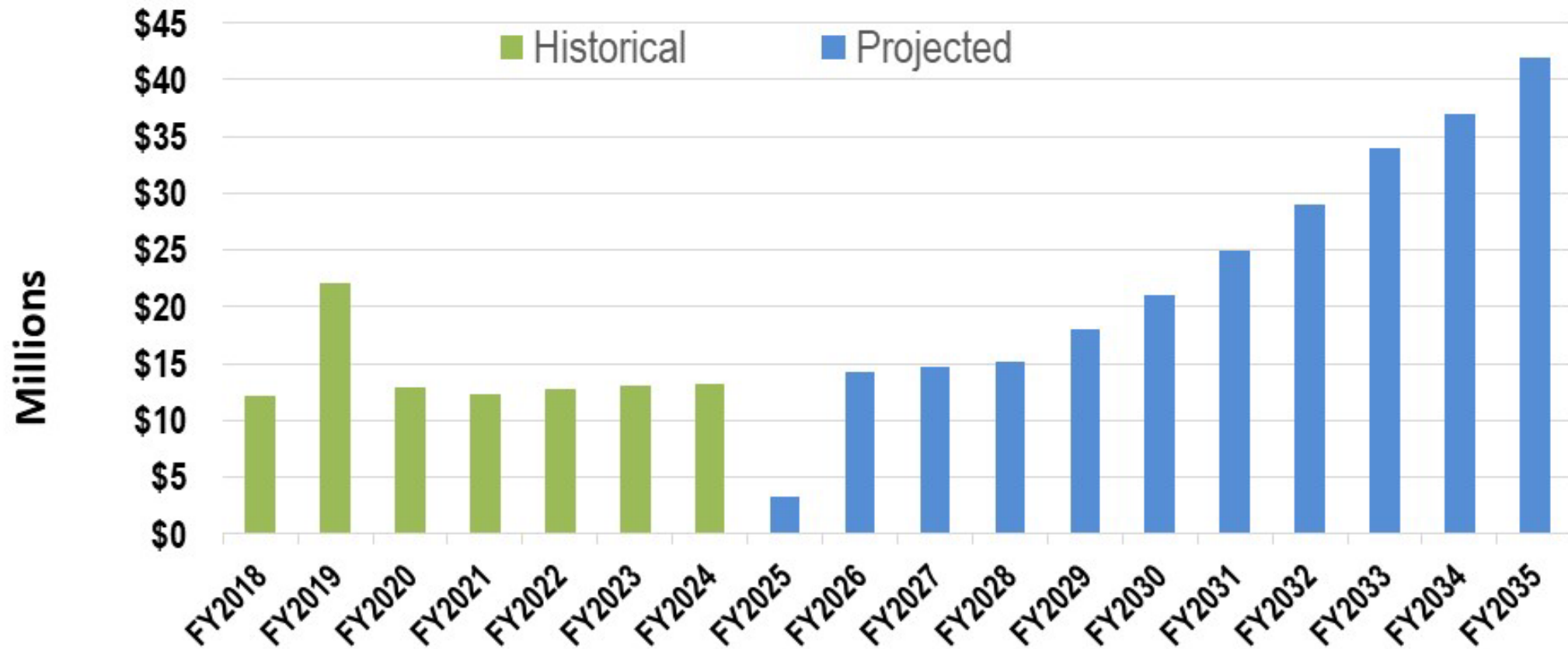
Catastrophic Reserve: Ensures timely response to natural disasters and/or other emergencies. Target = \$6.8 million Recommended Target = \$21.5 million

Rate Stabilization Reserve: Ensures ability to meet debt obligations. Target = \$1.0 million

**Current Total Local Target = \$24.6 million**

# Local Wastewater Capital Appropriations

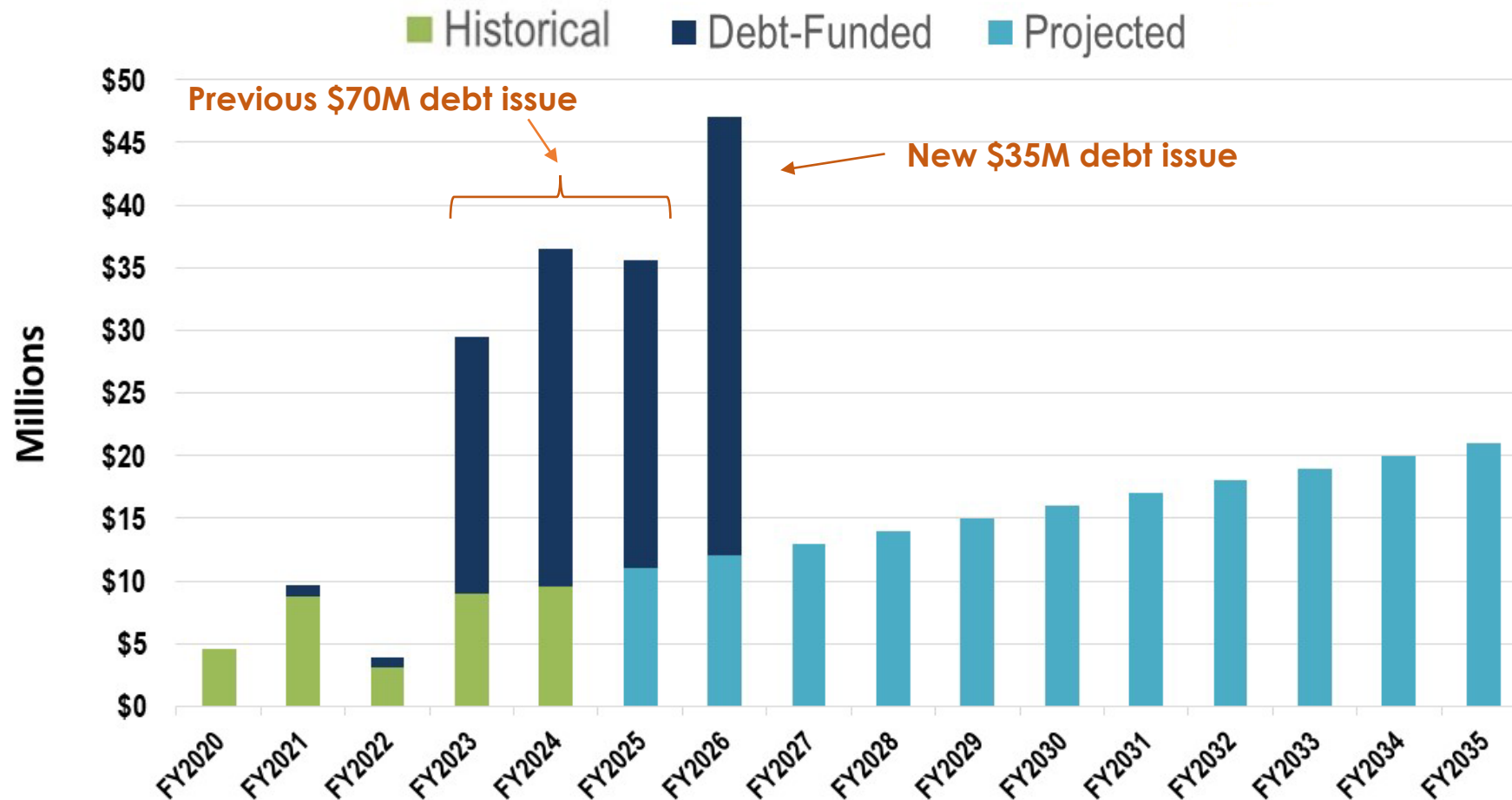
**Goal:** Increase annual capital appropriations\* from current levels (average \$14.2 million per year) to \$42 million per year by 2034/35.



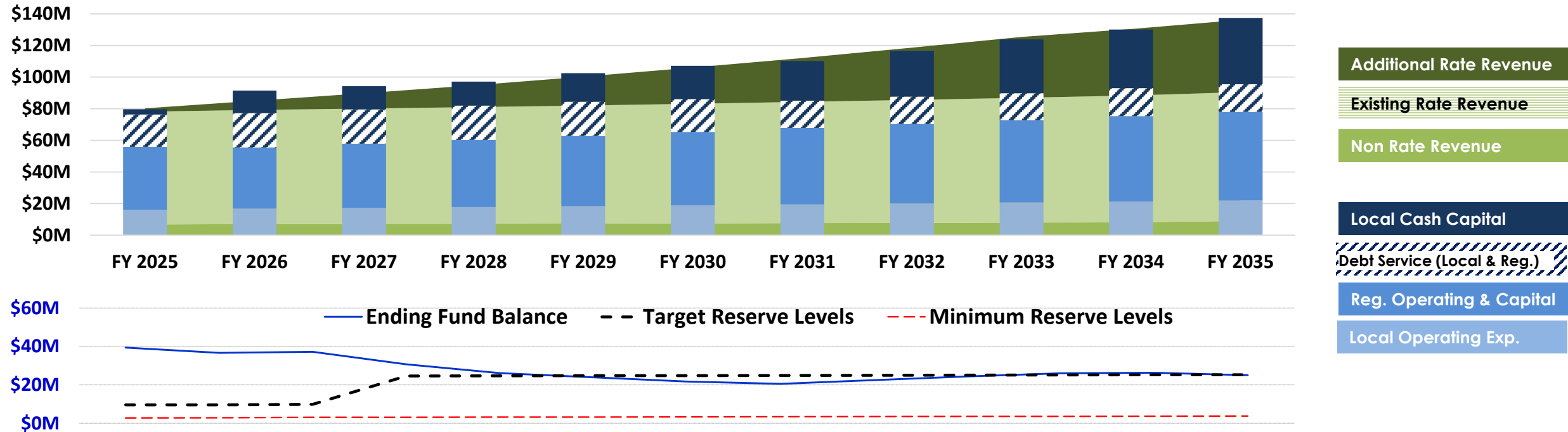
\* Commensurate increases to capital spending will be required

# Regional Capital Appropriations

**Goal:** Increase annual cash-funding by \$1 million per year from current levels (about \$11 million per year) to \$21 million per year by FY2034/35.



# Local Wastewater Financial Forecast & Proposed Rate Revenue Increases



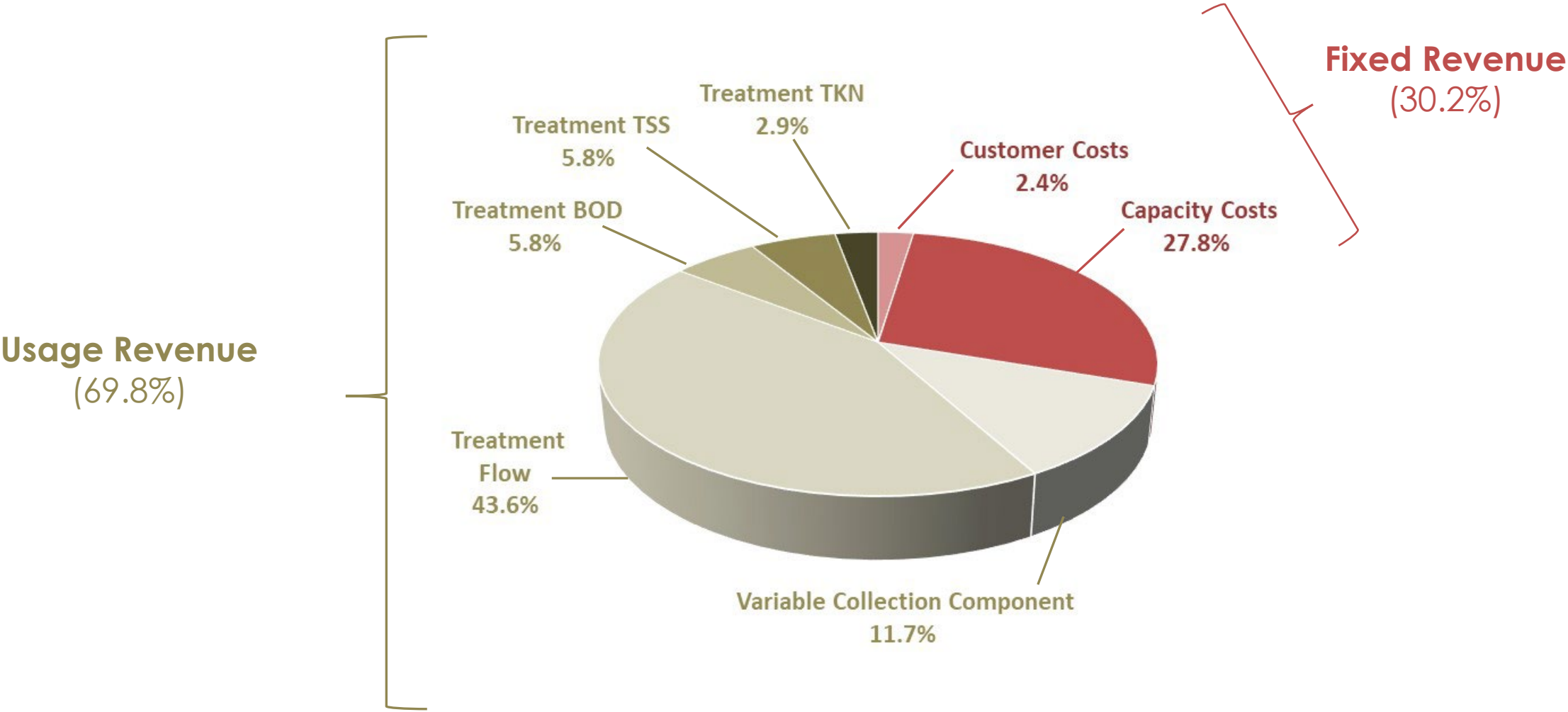
	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034	FY 2035
		<u>Recommended</u>					<u>Projected</u>				
<b>Wastewater Rate Increases:</b>		5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	3.0%	3.0%
<b>Combined Debt Coverage Ratio:</b>	5.19	5.26	5.50	5.75	6.02	6.42	8.24	4.58	5.03	4.44	4.65
<b>Local WW CIP:</b>	\$3.3M	\$14.3M	\$14.7M	\$15.1M	\$18.0M	\$21.0M	\$25.0M	\$29.0M	\$34.0M	\$37.0M	\$42.0M
<b>Regional Cash CIP:</b>	\$7.8M	\$8.5M	\$9.2M	\$9.9M	\$10.6M	\$11.3M	\$12.0M	\$12.7M	\$13.4M	\$14.2M	\$14.9M
<b>Debt Proceeds:</b>		\$35.0M									

\* Debt Coverage Ratio measures whether Santa Rosa Water can afford its debt obligations. Minimum levels are 1.2 and target levels are 1.5.

# Wastewater Cost Allocation Principles

- ❖ Customer costs
  - ✓ Assigned to each customer on an equal basis
- ❖ Capacity costs
  - ✓ Assigned to each customer based on meter size
- ❖ Wastewater treatment costs
  - ✓ Assigned to sewer usage rates based on flow and strength

# Wastewater Fixed vs Variable Revenue





# Recommended FY 2025/26 Wastewater Rate Schedule

	<u>Current</u>	<u>July 2025</u>	<u>Change</u>	
<b><i>Wastewater Usage Rates (\$/TGAL) <sup>1</sup></i></b>			<b>\$</b>	<b>%</b>
Single Family and Multi-Family <sup>2</sup>	\$16.04	\$16.86	\$0.82	5.1%
Commercial, Industrial, and Institutional				
Low Strength	\$13.18	\$13.87	\$0.69	5.2%
Standard Strength	\$16.04	\$16.86	\$0.82	5.1%
Medium Strength	\$17.88	\$18.77	\$0.89	5.0%
High Strength	\$22.30	\$23.39	\$1.09	4.9%
<b><i>Monthly Service Charges</i></b>				
Single Family	\$27.65	\$29.77	\$2.12	7.7%
Multi-Family, Commercial, Industrial, Institutional				
5/8" & 3/4" meters	\$27.65	\$29.77	\$2.12	7.7%
1" meter	\$63.83	\$69.80	\$5.97	9.4%
1 1/2" meter	\$124.12	\$136.53	\$12.41	10.0%
2" meter	\$196.47	\$216.60	\$20.13	10.2%
3" meter	\$365.28	\$403.42	\$38.14	10.4%
4" meter	\$606.46	\$670.32	\$63.86	10.5%
6" meter	\$1,209.38	\$1,337.56	\$128.18	10.6%

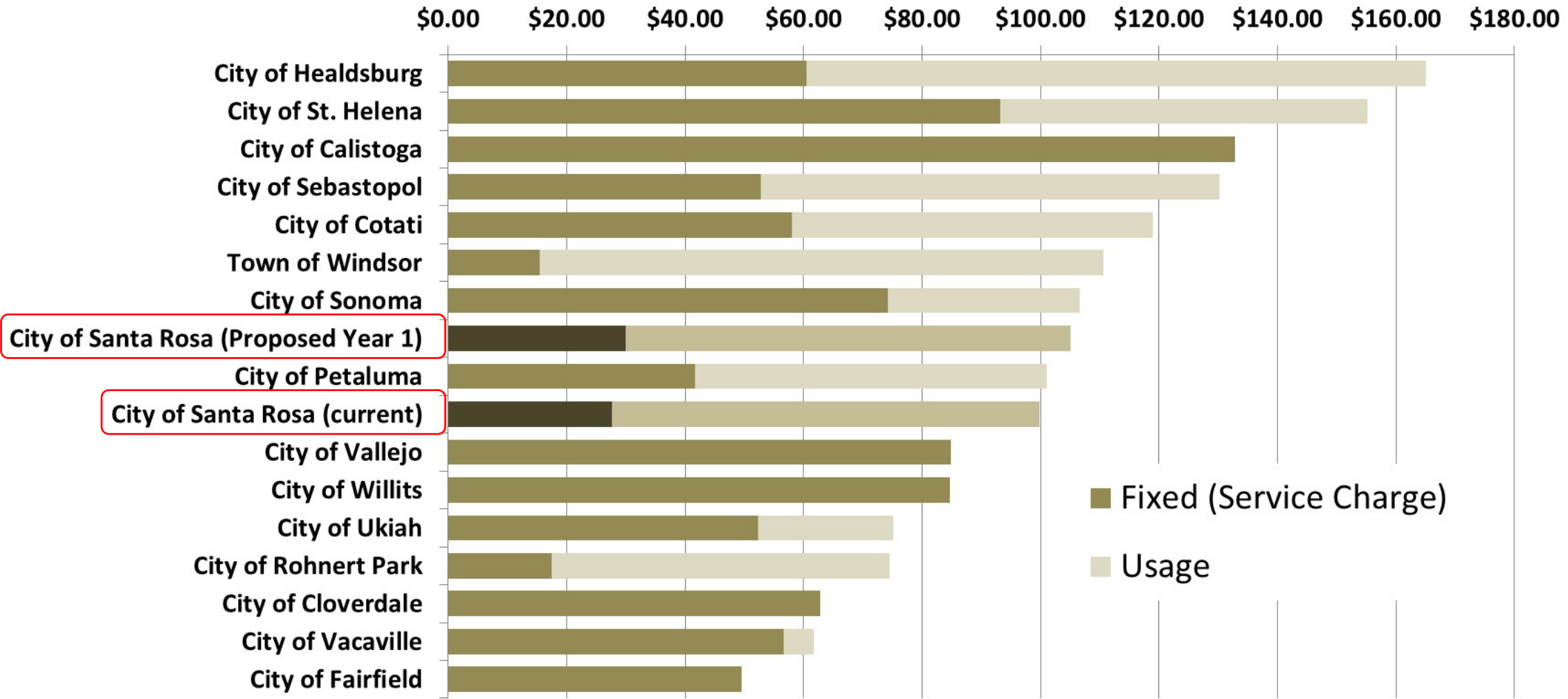
**Notes:**

<sup>1</sup> 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 estimated 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.

<sup>2</sup> Multifamily accounts include duplex, and triplex accounts.

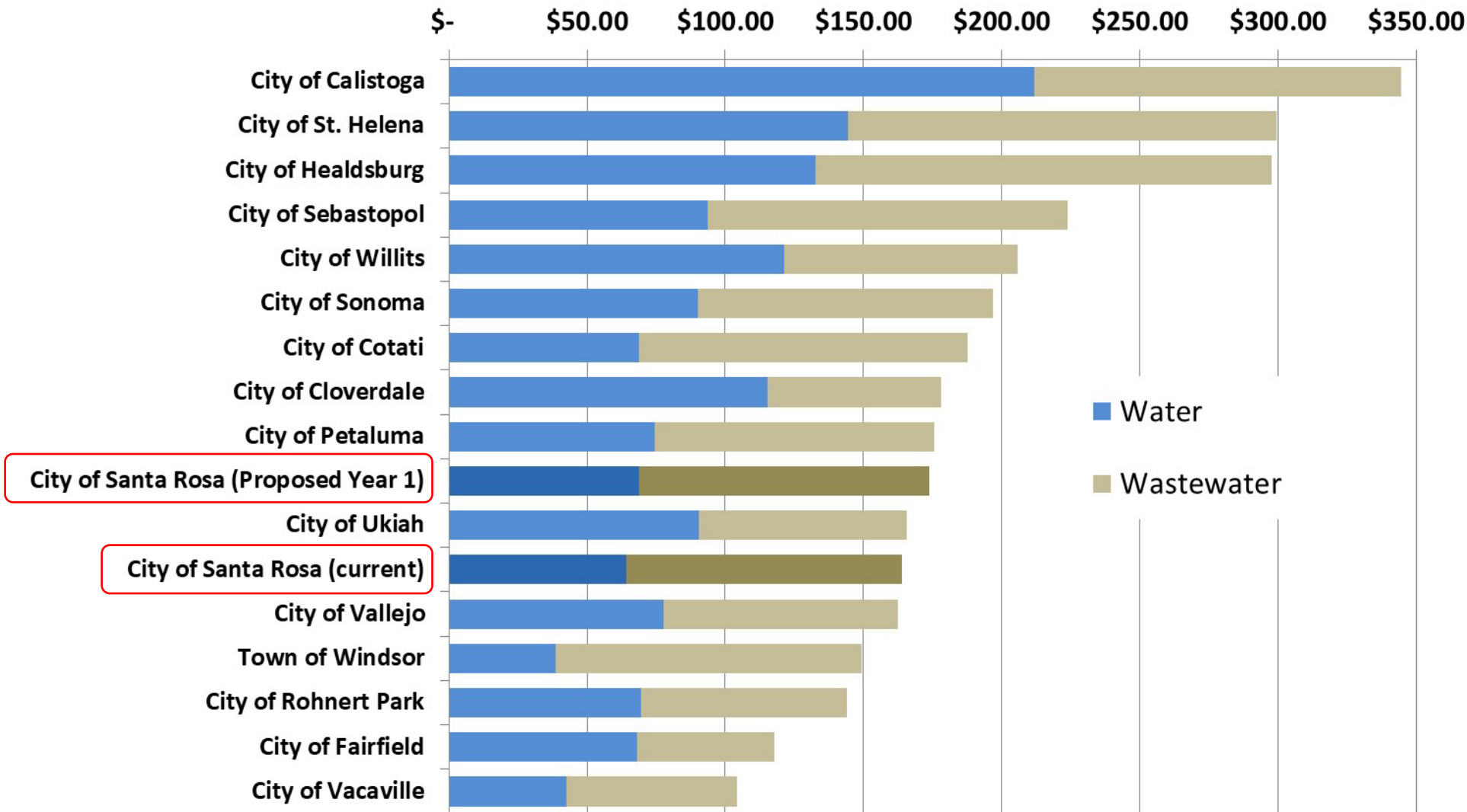
# Comparison to Other Local Agencies – Sewer Charges

for single family homes with 4,500 gallons of winter water usage



# Comparison to Other Local Agencies – Combined

for single family homes with 3/4" meter, 7,000 gallons of water usage and 4,500 gallons of winter water usage



# FY 2025/26 Bill Impact Analysis

	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	<b>\$133.80</b>	\$44.22	\$97.21	<b>\$141.43</b>	<b>\$7.63</b>	<b>5.7%</b>
Median Water Use	5/8"	7	4.5	\$64.02	\$99.83	<b>\$163.85</b>	\$68.90	\$105.64	<b>\$174.54</b>	<b>\$10.69</b>	<b>6.5%</b>
High Water Use	5/8"	12	6	\$100.15	\$123.89	<b>\$224.04</b>	\$109.22	\$130.93	<b>\$240.15</b>	<b>\$16.11</b>	<b>7.2%</b>
Very High Water Use	5/8"	20	7	\$159.19	\$139.93	<b>\$299.12</b>	\$175.44	\$147.79	<b>\$323.23</b>	<b>\$24.11</b>	<b>8.1%</b>
Duplex	5/8"	8	6	\$70.19	\$123.89	<b>\$194.08</b>	\$75.50	\$130.93	<b>\$206.43</b>	<b>\$12.35</b>	<b>6.4%</b>
Small Apartment (4 DUs)	1"	15	12	\$139.60	\$256.31	<b>\$395.91</b>	\$150.68	\$272.12	<b>\$422.80</b>	<b>\$26.89</b>	<b>6.8%</b>
Large Apartment (24 DUs)	2"	80	80	\$664.27	\$1,479.67	<b>\$2,143.94</b>	\$723.38	\$1,565.40	<b>\$2,288.78</b>	<b>\$144.84</b>	<b>6.8%</b>
Very Lrg. Apart. (100 DUs)	4"	320	320	\$2,558.82	\$5,739.26	<b>\$8,298.08</b>	\$2,792.98	\$6,065.52	<b>\$8,858.50</b>	<b>\$560.42</b>	<b>6.8%</b>
Small Retail	5/8"	6	6	\$57.43	\$106.73	<b>\$164.16</b>	\$61.34	\$112.99	<b>\$174.33</b>	<b>\$10.17</b>	<b>6.2%</b>
Large Retail	2"	80	80	\$664.27	\$1,250.87	<b>\$1,915.14</b>	\$723.38	\$1,326.20	<b>\$2,049.58</b>	<b>\$134.44</b>	<b>7.0%</b>
Office Building	1 1/2"	40	40	\$346.35	\$651.32	<b>\$997.67</b>	\$376.18	\$691.33	<b>\$1,067.51</b>	<b>\$69.84</b>	<b>7.0%</b>
Car Wash	2"	60	60	\$524.67	\$987.27	<b>\$1,511.94</b>	\$570.18	\$1,048.80	<b>\$1,618.98</b>	<b>\$107.04</b>	<b>7.1%</b>
Mixed Comm. w/ Food	1"	35	35	\$279.20	\$844.33	<b>\$1,123.53</b>	\$303.88	\$888.45	<b>\$1,192.33</b>	<b>\$68.80</b>	<b>6.1%</b>
Hotel w/ Restaurant	3"	200	200	\$1,592.18	\$4,825.28	<b>\$6,417.46</b>	\$1,737.78	\$5,081.42	<b>\$6,819.20</b>	<b>\$401.74</b>	<b>6.3%</b>
Restaurant	1 1/2"	50	50	\$416.15	\$1,239.12	<b>\$1,655.27</b>	\$452.78	\$1,306.03	<b>\$1,758.81</b>	<b>\$103.54</b>	<b>6.3%</b>
Supermarket	2"	160	160	\$1,222.67	\$3,057.27	<b>\$4,279.94</b>	\$1,336.18	\$3,219.80	<b>\$4,555.98</b>	<b>\$276.04</b>	<b>6.4%</b>
Mortuary	1"	20	20	\$174.50	\$509.83	<b>\$684.33</b>	\$188.98	\$537.60	<b>\$726.58</b>	<b>\$42.25</b>	<b>6.2%</b>
Small Winery	1"	10	10	\$104.70	\$286.83	<b>\$391.53</b>	\$112.38	\$303.70	<b>\$416.08</b>	<b>\$24.55</b>	<b>6.3%</b>
Sm. Irrig. (Wtr Budg.=18 tg)	1"	20		\$172.50	(na)	<b>\$172.50</b>	\$186.44	(na)	<b>\$186.44</b>	<b>\$13.94</b>	<b>8.1%</b>
Lrg. Irrig. (Wtr. Budg.=250 tg)	4"	300		\$2,421.22	(na)	<b>\$2,421.22</b>	\$2,540.78	(na)	<b>\$2,540.78</b>	<b>\$119.56</b>	<b>4.9%</b>

# Summary of Recommended Water/Wastewater Rate Adjustments

	<b>Baseline Water Rate Adjustments <sup>2</sup></b>	<b>Wastewater Rates Adjustment</b>	<b>Change in a Typical Single Family Utility Bill <sup>3</sup></b>
July 2025 <sup>1</sup>	<b>6.0%</b>	<b>5.0%</b>	6.5%
July 2026	<b>6.0%</b>	<b>5.0%</b>	5.4%
July 2027	<b>6.0%</b>	<b>5.0%</b>	5.4%
July 2028	<b>7.0%</b>	<b>5.0%</b>	5.8%
July 2029	<b>7.0%</b>	<b>5.0%</b>	5.8%

<sup>1</sup> While the overall rate revenue adjustment for FY 2025/26 are reflected in the table above, actual changes to individual customers' utility bills may vary in FY 2025/26 due to adjustments to the rate structure.

<sup>2</sup> The final adjustment to Water rates will be dictated by the pass-through of Sonoma Water wholesale water costs.

<sup>3</sup> Typical single family bill includes a 5/8" water meter, 7,000 gallons of monthly water use, and 4,500 gallons of wastewater.

# Capital Project Delivery

# Previous 5 years of Water CIP Budget vs Expenditures

	5 Year Outlay (FY19-20 to FY23-24)			
	Water	Sewer	Regional	Total
Balance 6/30/19	\$37,500,000	\$53,900,000.00	\$21,300,000.00	\$112,700,000
Budget	\$67,900,000	\$63,500,000.00	\$35,100,000.00	\$166,500,000
Expenditures	\$(55,400,000)	\$(67,300,000.00)	\$(34,000,000.00)	\$(156,700,000)
Balance 6/30/24	\$50,000,000	\$50,100,000.00	\$22,400,000.00	\$122,500,000
Change	\$12,500,000	\$(3,800,000.00)	\$1,100,000.00	\$9,800,000

	Projected Balances without Delivery Capacity Changes		
	Water	Sewer	Regional
Balance 6/30/24	\$50,000,000	\$50,000,000	\$22,500,000
Budget (FY24-25 to FY34-35)	\$237,500,000	\$253,400,000	\$176,000,000
Expenditures at Current Rate	\$(121,000,000)	\$(148,500,000)	\$(77,000,000)
<b>Projected Balance 6/30/35</b>	<b>\$166,500,000</b>	<b>154,900,000</b>	<b>\$121,500,000</b>

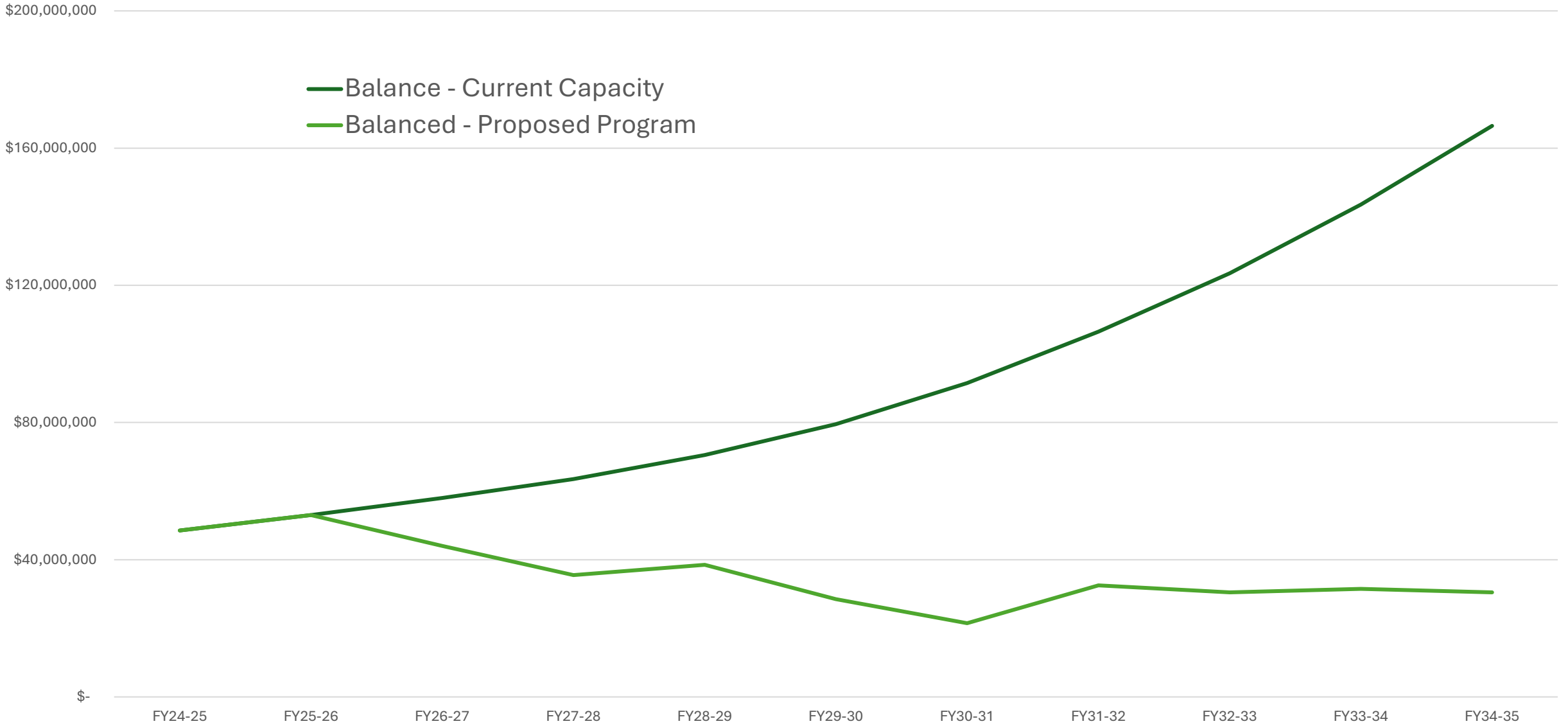
# Proposed Capital Delivery Program

- Utilize current Master Professional Services Agreements for Project Management
- Issue Project Management RFP → late FY24-25
- Issue Design Services RFP for package of projects → early FY25-26
- Deliver projects during FY26-27 and FY27-28
- Prepare next cycle during FY27-28 at increased scale
- Decreased backlog balance by \$20M despite 120% increase in investment
- Close ten-year outlook with a balance equivalent to one-year of spending



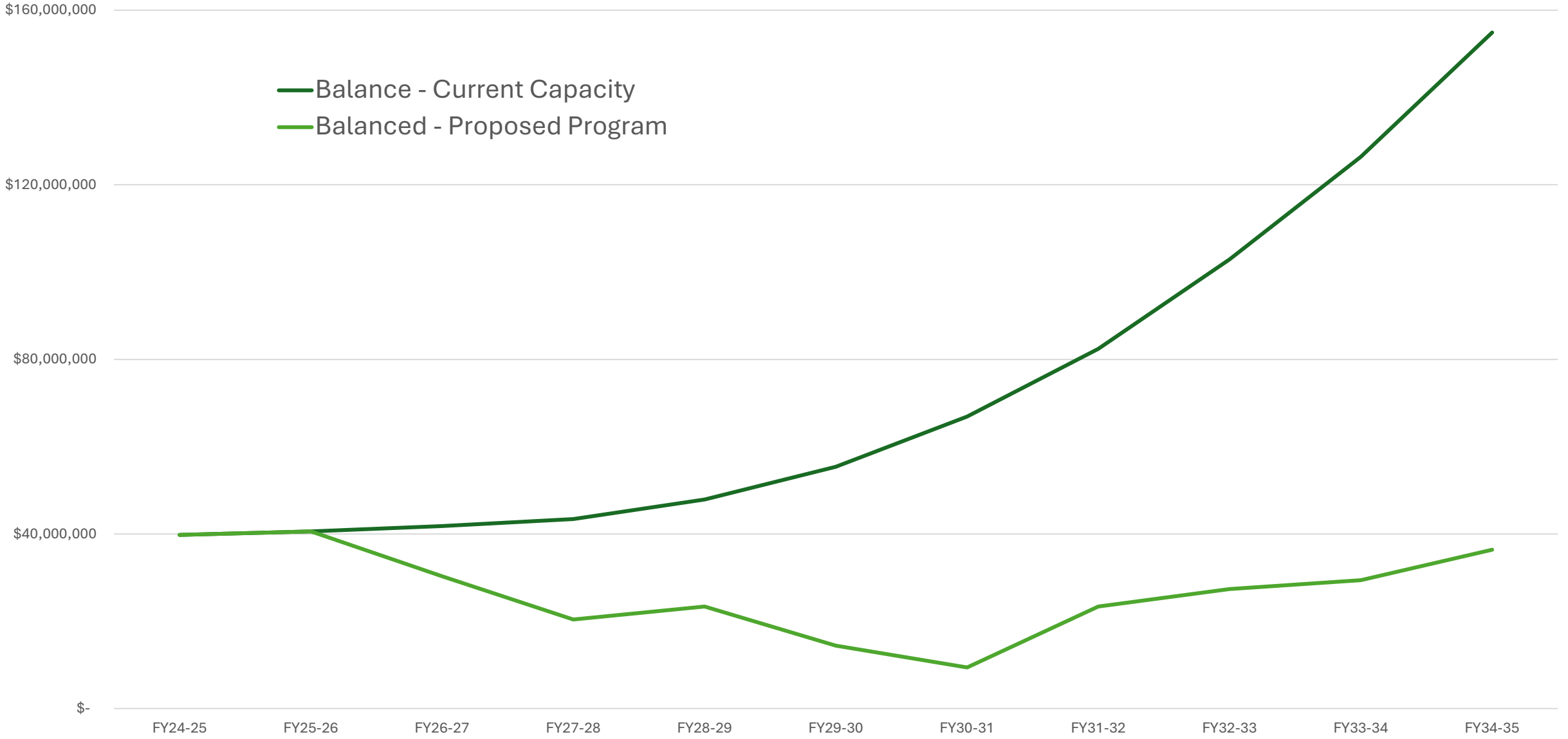
	Water			Water		
	Funds	Current Spending	Balance	Updated Spending	Balance	
6/30/2024	\$50,000,000					
FY24-25	\$9,500,000	\$(11,000,000)	\$48,500,000	\$(11,000,000)	\$48,500,000	
FY25-26	\$15,500,000	\$(11,000,000)	\$53,000,000	\$(11,000,000)	\$53,000,000	Cycle 1
FY26-27	\$16,000,000	\$(11,000,000)	\$58,000,000	\$(25,000,000)	\$44,000,000	
FY27-28	\$16,500,000	\$(11,000,000)	\$63,500,000	\$(25,000,000)	\$35,500,000	
FY28-29	\$18,000,000	\$(11,000,000)	\$70,500,000	\$(15,000,000)	\$38,500,000	Cycle 2
FY29-30	\$20,000,000	\$(11,000,000)	\$79,500,000	\$(30,000,000)	\$28,500,000	
FY30-31	\$23,000,000	\$(11,000,000)	\$91,500,000	\$(30,000,000)	\$21,500,000	
FY31-32	\$26,000,000	\$(11,000,000)	\$106,500,000	\$(15,000,000)	\$32,500,000	Cycle 3
FY32-33	\$28,000,000	\$(11,000,000)	\$123,500,000	\$(30,000,000)	\$30,500,000	
FY33-34	\$31,000,000	\$(11,000,000)	\$143,500,000	\$(30,000,000)	\$31,500,000	
FY34-35	\$34,000,000	\$(11,000,000)	\$166,500,000	\$(35,000,000)	\$30,500,000	
	\$237,500,000	\$(121,000,000)		\$(257,000,000)		

### Water Balance with Current Capacity vs. Proposed Consultant Program



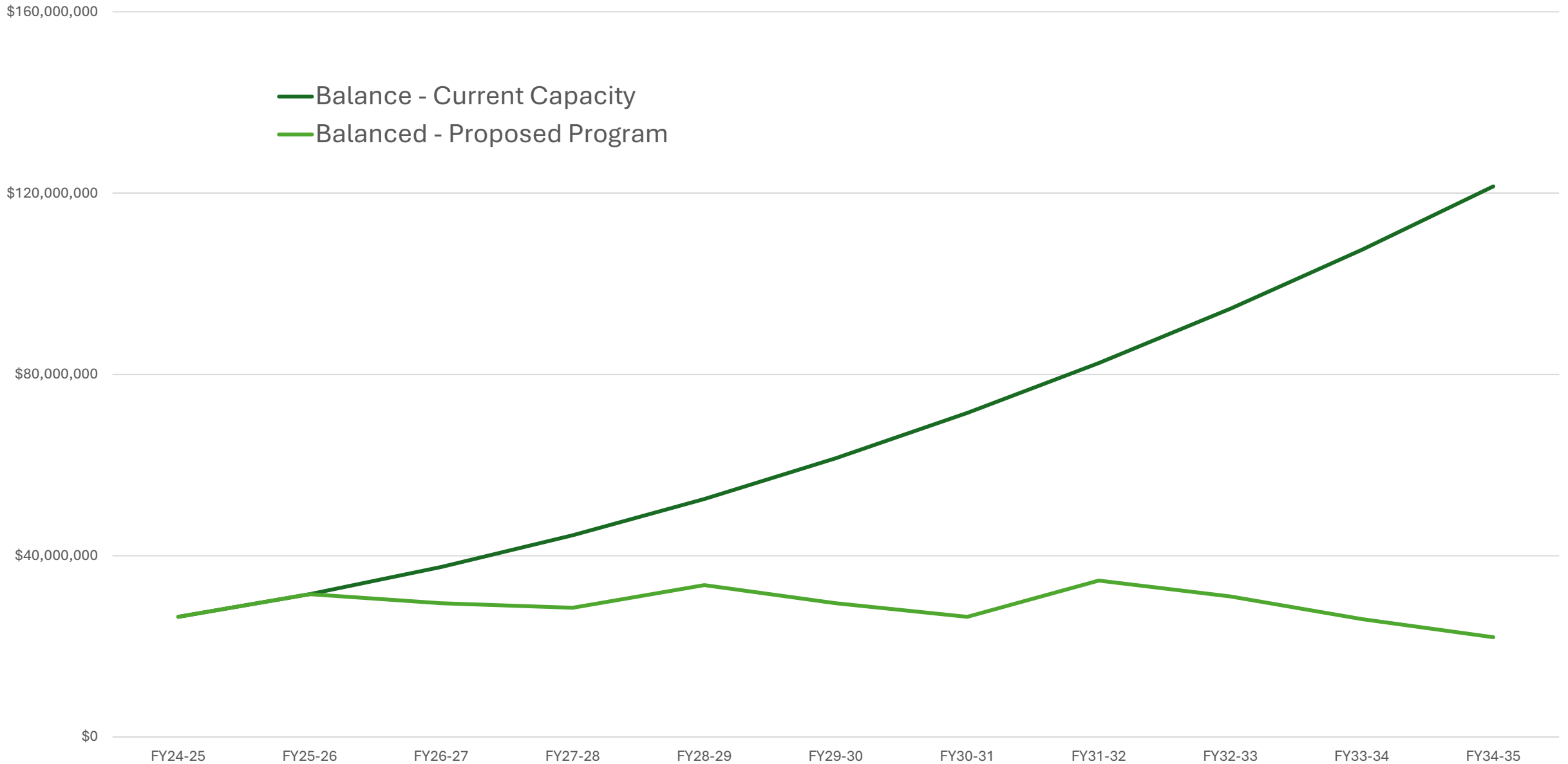
	Water			Water		
	Funds	Current Spending	Balance	Updated Spending	Balance	
6/30/2024	\$50,000,000					
FY24-25	\$3,300,000	\$(13,500,000)	\$ 39,800,000	\$(13,500,000)	\$39,800,000	
FY25-26	\$14,300,000	\$(13,500,000)	\$ 40,600,000	\$(13,500,000)	\$40,600,000	Cycle 1
FY26-27	\$14,700,000	\$(13,500,000)	\$ 41,800,000	\$(25,000,000)	\$30,300,000	
FY27-28	\$15,100,000	\$(13,500,000)	\$ 43,400,000	\$(25,000,000)	\$20,400,000	
FY28-29	\$18,000,000	\$(13,500,000)	\$ 47,900,000	\$(15,000,000)	\$23,400,000	Cycle 2
FY29-30	\$21,000,000	\$(13,500,000)	\$ 55,400,000	\$(30,000,000)	\$14,400,000	
FY30-31	\$25,000,000	\$(13,500,000)	\$ 66,900,000	\$(30,000,000)	\$9,400,000	
FY31-32	\$29,000,000	\$(13,500,000)	\$ 82,400,000	\$(15,000,000)	\$23,400,000	Cycle 3
FY32-33	\$34,000,000	\$(13,500,000)	\$102,900,000	\$(30,000,000)	\$27,400,000	
FY33-34	\$37,000,000	\$(13,500,000)	\$126,400,000	\$(35,000,000)	\$29,400,000	
FY34-35	\$42,000,000	\$(13,500,000)	\$154,900,000	\$(35,000,000)	\$36,400,000	
	\$253,400,000	\$(148,500,000)		\$(267,000,000)		

### Sewer Balance with Current Capacity vs. Proposed Consultant Program



	Regional			Regional		
	Funds	Current Spending	Balance	Updated Spending	Balance	
6/30/2024	\$22,500,000					
FY24-25	\$11,000,000	\$(7,000,000)	\$26,500,000	\$(7,000,000)	\$26,500,000	
FY25-26	\$12,000,000	\$(7,000,000)	\$31,500,000	\$(7,000,000)	\$31,500,000	Cycle 1
FY26-27	\$13,000,000	\$(7,000,000)	\$37,500,000	\$(15,000,000)	\$29,500,000	
FY27-28	\$14,000,000	\$(7,000,000)	\$44,500,000	\$(15,000,000)	\$28,500,000	
FY28-29	\$15,000,000	\$(7,000,000)	\$52,500,000	\$(10,000,000)	\$33,500,000	Cycle 2
FY29-30	\$16,000,000	\$(7,000,000)	\$61,500,000	\$(20,000,000)	\$29,500,000	
FY30-31	\$17,000,000	\$(7,000,000)	\$71,500,000	\$(20,000,000)	\$26,500,000	
FY31-32	\$18,000,000	\$(7,000,000)	\$82,500,000	\$(10,000,000)	\$34,500,000	Cycle 3
FY32-33	\$19,000,000	\$(7,000,000)	\$94,500,000	\$(22,500,000)	\$31,000,000	
FY33-34	\$20,000,000	\$(7,000,000)	\$107,500,000	\$(25,000,000)	\$26,000,000	
FY34-35	\$21,000,000	\$(7,000,000)	\$121,500,000	\$(25,000,000)	\$22,000,000	
	\$176,000,000	\$(77,000,000)		\$(176,500,000)		

## Regional Balance with Current Capacity vs. Proposed Consultant Program



# Grant Funding Received FY 2021-2024

Purpose	Amount	Source
Water/Sewer Facilities & Backup Generators	\$5,643,822	Hazard Mitigation Grant Funding (HMGP)
Water & Sewer Arrearage Funding	\$3,129,283	CA State Water Board (via ARPA)
Federal Fire Recovery	\$2,733,263	FEMA - Federal
State Fire Recovery	\$2,180,396	FEMA - CalOES
Low Income Ratepayer Assistance	\$236,059	CA - LIWHAP
Ultra High Efficiency Toilet Direct Install Program	\$1,500,000	CA DWR – 2022 CA Budget Earmark
WUE & Rainwater Harvesting Rebates	\$22,970	Local
<b>Total</b>	<b>\$15,445,793</b>	

# Grant Funding Applied For

Program	Amount	Status
HMGP Grant – LTP Flood Wall	\$14,200,000	Applied For – In process
CDBG – LTP Flood Wall	\$3,200,000	Awarded
Direct Install Toilet Program - USBR	\$813,966	Awarded
Cash for Grass - USBR	\$162,000	Applied For – In process
Seismic Upgrades LTP Headworks – HMGP	\$2,896,665	Applied For – In process
Llano Trunk Lining Project - WRDA	\$19,400,000	Authorized – Awaiting Appropriation
Various WUE Programs – CA DWR	\$326,974	Not Awarded
<b>Total</b>	<b>\$40,999,605</b>	



# Value of Water Campaign

# Value of Water Campaign

## Key Message:

- Investing Now to Secure Our Water Future

## Outreach Plan:

- Two phase multi-media campaign
  - May – Nov. 2024: Value of Water Service and the Need to Invest
  - Dec. – July 2025: Proposed Water Rates, Prop 218 Noticing, and Adopted Rate Schedule



# Value of Water Campaign

Using the power of digital advertising and partnerships to boost engagement.

- [srcity.org/ValueOfWater](http://srcity.org/ValueOfWater)
- City Connections eNewsletter
- QuenchCA Campaign

- Water Bill Messaging
- Digital, Print, and Radio
- Social Media

 [Facebook.com/SRWWater](https://www.facebook.com/SRWWater)

 [@SantaRosaWater](https://www.instagram.com/SantaRosaWater)



# Value of Water Campaign

Digital Campaign  
using Google Ads for  
Sept. 30 - Dec. 9

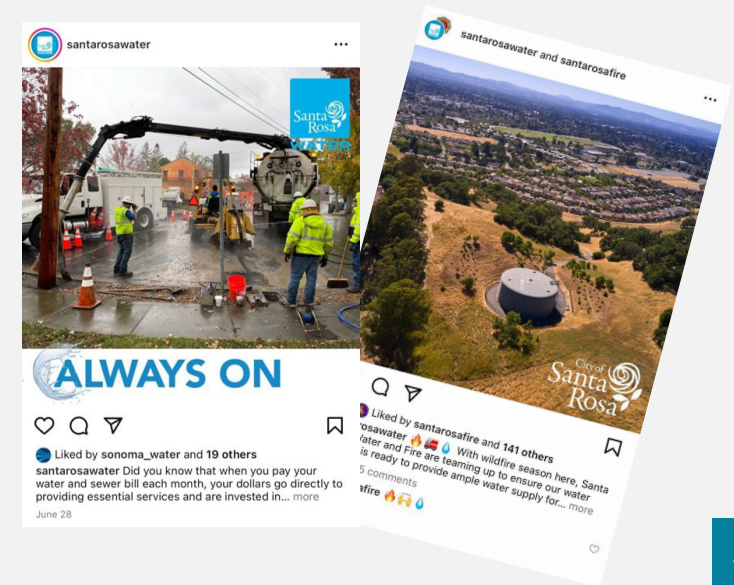
- 559K Impressions
- 11.3K Clicks to [srcity.org/ValueOfWater](http://srcity.org/ValueOfWater)



Social Media Campaign  
May – Dec. 2024



- 101K Impressions
- 3.27 K Engagement/Link Clicks



# New Optional Prop 218 Procedures

# Legal Requirements for Setting Water Rates In California

Proposition 218 (Article XIII D, Section 6 of California Constitution)

- Revenues shall not exceed funds required to provide service; nor used for another purpose
- Amount shall not exceed the proportional cost of the service attributable to the parcel
- Service must be actually used or immediately available
- Approval process includes 45-day notice, public hearing, and written majority protest. Does not require a voting process (unlike taxes).

# New Legislation provides value protection to Santa Rosa Water

- SB 323 (2022) - Establishes a 120-day statute of limitations for challenging adoption of water or sewer service charges
  - Language will be added to Prop 218 notice. If not included, challenges can be brought up to 3 years after adoption of water or sewer charges
- AB 2257 (2025) - Requires would-be challengers to “exhaust administrative remedies” prior to filing a lawsuit
  - (see next slide for more details)

# Exhaustion of Administrative Remedies

- AB 2257 allows local agencies to require would-be challengers to submit timely written objections *prior* to initiating litigation that challenges water or sewer rates.
- This is separate from the current Prop 218 protest procedure:
  - Protests – A written protest stating not supportive of proposed rates (not substantive)
  - Objections – A detailed written objection stating factual reasons why the proposed rates do not meet legal requirements (substantive)
- The Prop 218 notice will explain the “Objection” process, including due dates and submission requirements

## **Benefits of adopting the policy**

- Substantially reduces legal risk and costs for Santa Rosa Water

## **Concerns of adopting the policy**

- It may be difficult to effectively communicate the difference between a “protest” and an “objection”
- The process will add time between the issuance of Prop 218 notice and the Public Hearing (approx. 2-3 week depending on number of objections received)
- Reviewing the Objections may take additional staff and consultant resources



# Direction on Optional Prop 218 Procedures

- Recommend implementation of both optional procedures
  - Set 45 Day period for Objection Process – Objections due Feb 28<sup>th</sup>
  - Staff, rate consultant and legal counsel will review objections, make any needed corrections to rate study, and develop written responses
  - Council will consider and conclude objection process on April 1<sup>st</sup> as a separate item prior to rate adoption public hearing
  - Council will hold rate adoption Public Hearing on April 1<sup>st</sup> after completing objection process

# Rate Setting Tentative Schedule

- ❖ Presentation to BPU Budget Review Subcommittee – **November 6**
- ❖ Presentation to BPU in Study Session – **December 5**
- ❖ BPU rate recommendation consideration – **December 19**
- ❖ Presentation to City Council in Study Session – **January 7 (today)**
- ❖ Prop. 218 notifications mailing – **Postmarked by January 15, 2025**
- ❖ Public Hearing – **April 1, 2025**

**Questions?**