

CITY OF SANTA ROSA  
CITY COUNCIL

TO: MAYOR AND CITY COUNCIL  
FROM: JENNIFER BURKE, DIRECTOR - SANTA ROSA WATER  
SUBJECT: SONOMA COUNTY WATER AGENCY PROPOSED FISCAL  
YEAR 2025/26 WATER TRANSMISSION BUDGET AND RATE  
INCREASE

AGENDA ACTION: MOTION

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RECOMMENDATION

It is recommended by the Board of Public Utilities and Santa Rosa Water that the Council, by motion, consider Sonoma Water's proposed Fiscal Year 2025/26 Water Transmission Budget and proposed rate increase and provide direction to its Water Advisory Committee (WAC) representative for the April 7, 2025, WAC vote on Sonoma Water's proposed 2025/26 Water Transmission System Budget and rate increase.

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EXECUTIVE SUMMARY

The City of Santa Rosa (City) purchases approximately 93% of its potable water supply from Sonoma Water, the region's water wholesaler. Sonoma Water's proposed Fiscal Year (FY) 2025/26 Water Transmission System budget includes an 8.68% increase in the wholesale rate of water, from \$1,289.02 to \$1,400.86 per acre foot. On March 6, 2025, the Board of Public Utilities reviewed Sonoma Water's proposed FY 2025/26 budget and rate increase and made a recommendation to City Council to provide direction to its Water Advisory Committee (WAC) representative on a vote on Sonoma Water's proposed FY 2025/26 Water Transmission System budget and rate increase. The WAC is an advisory board to Sonoma Water. The WAC is scheduled to vote on Sonoma Water's proposed FY 2025/26 Water Transmission System budget and rate increase at the April 7, 2025, WAC Meeting. Ultimately the Sonoma Water Board of Directors will have final authority to approve Sonoma Water's proposed FY 2025/26 Water Transmission System budget and rate increase.

BACKGROUND

The WAC is comprised of an elected official (and an alternate) from the eight prime contractors that purchase water from Sonoma Water, plus an ex-officio, non-voting, elected official from Marin Water. The WAC is an advisory committee to Sonoma

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Water's Board of Directors. The City's WAC Representative is Council Member Natalie Rogers.

The Technical Advisory Committee (TAC) to the WAC consists of staff from each of the eight prime contractors that purchase water from Sonoma Water, plus a non-voting representative from Marin Water. The City's TAC representative is the Santa Rosa Water Director. The TAC provides technical analysis and recommendations to the WAC.

### PRIOR CITY COUNCIL REVIEW

Each year the City Council reviews Sonoma Water's proposed budget and rate increase and makes a recommendation to the WAC representative.

### ANALYSIS

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

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

1. Per the Restructured Agreement, estimated water deliveries for FY 2025/26 are 42,407-acre feet – the lower of the previous 12 months or the average of the past three years of actual deliveries. The Restructured Agreement requires estimated water deliveries be the lower of the previous 12 months of water deliveries or the average of the past three years of actual deliveries, unless the WAC approves an alternative estimate.
2. Sonoma Water's revenue is 100% volumetric and therefore the decreased estimated water deliveries requires an increase in the cost per acre foot to maintain sufficient revenues to cover operations.
3. The majority of the increase is due to the need to complete deferred maintenance projects in the system. Over several years capital and maintenance projects have been deferred to reduce the rate to contractors. Sonoma Water is planning to implement many of the delayed projects.
4. The Santa Rosa Aqueduct Capital Charge, which is classified as a discretionary charge, will remain flat this year at \$11.00 an acre foot. This funding is set to

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accumulate funding for capital projects specific to the Santa Rosa Aqueduct.  
Santa Rosa and Windsor pay into the Santa Rosa Aqueduct Capital Charge.

FISCAL IMPACT

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

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

This item has no General Fund impact.

ENVIRONMENTAL IMPACT

Pursuant to CEQA Guidelines Section 15378, the proposed action is not a "project" subject to the California Environmental Quality Act (CEQA) because it does not have a potential for resulting in either a direct physical change in the environment or a reasonably foreseeable indirect physical change in the environment. In the alternative, the proposed action is exempt from CEQA pursuant to CEQA Guidelines Section 15061(b)(3) because it can be seen with certainty that there is no possibility that the project may have a significant effect on the environment.

BOARD/COMMISSION/COMMITTEE REVIEW AND RECOMMENDATIONS

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

The Board of Public Utilities reviewed Sonoma Water's proposed FY 2025/26 Water Transmission System budget and rate increase at the Board of Public Utilities meeting on March 6, 2025 and made a recommendation to City Council.

NOTIFICATION

Not applicable.

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ATTACHMENTS

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

PRESENTER

Nick Harvey, Deputy Director, Water Administration