

CITY OF SANTA ROSA
CITY COUNCIL

TO: MAYOR AND CITY COUNCIL
FROM: JENNIFER BURKE, WATER DIRECTOR
KIMBERLY ZUNINO, DEPUTY DIRECTOR ADMINISTRATION
SANTA ROSA WATER
SUBJECT: SONOMA COUNTY WATER AGENCY 2023/24 WATER
TRANSMISSION BUDGET AND RATE INCREASE

AGENDA ACTION: MOTION

RECOMMENDATION

It is recommended by the Board of Public Utilities and Santa Rosa Water that the Council, by motion, consider Sonoma Water's proposed 2023/24 Water Transmission Budget and rate increase and provide direction to its Water Advisory Committee representative for the April 3, 2023 Water Advisory Committee vote on the proposed 2023/24 Water Transmission Budget and rate increase.

EXECUTIVE SUMMARY

The City of Santa Rosa (City) purchases approximately 95% of its potable water supply from Sonoma Water, the region's water wholesaler. Sonoma Water is proposing to raise the wholesale rate for water by 10.56% from \$1,061.04 to \$1,173.09 per acre foot. There is a Water Advisory Committee (WAC) to the Sonoma Water Board of Directors, which includes elected officials from each of the eight prime contractors that purchase water from Sonoma Water. There is a Technical Advisory Committee (TAC), consisting of technical staff from each of the eight prime water contractors, which advises the WAC. On March 6, 2023 the TAC voted to recommend approval of Sonoma Water's proposed 2023/24 water transmission budget and rate increase, with Santa Rosa's TAC representative voting against approval.

The Board of Public Utilities (Board) reviewed Sonoma Water's proposed 2023/24 water transmission budget and rate increase on March 16, 2023 and made a recommendation to City Council. The City Council may advise its WAC representative prior to the April 3, 2023 WAC vote on Sonoma Water's proposed 2023/24 water transmission budget and rate increase. Ultimately, the Sonoma Water Board of Directors retains final authority to approve the proposed budget and rate increase.

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BACKGROUND

The WAC is comprised of an elected official (and an alternate) from each of the eight prime contractors that purchase water from Sonoma Water, plus a non-voting representative from Marin Water. The WAC is an advisory committee to the Sonoma Water Board of Directors. The City's WAC Representative is Mayor Natalie Rogers.

The TAC consists of technical staff from each of the eight prime water 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. Each year, the TAC forms its budget subcommittee to conduct an in-depth review and analysis of Sonoma Water's proposed water transmission system budget and rates.

Sonoma Water staff presented the proposed 2023/24 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. Ultimately, the TAC budget subcommittee did not recommend approval of the proposed 2023/24 Water Transmission System budget and rate increase to the TAC. On March 6, 2023 the TAC voted to recommend approval of Sonoma Water's proposed 2023/24 water transmission budget and rate increase, with Santa Rosa's TAC representative voting against approval.

PRIOR CITY COUNCIL REVIEW

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

ANALYSIS

Prior to this proposed budget and rate increase, Sonoma Water had projected 4-6% annual rate increases based on their long-term financial model. Sonoma Water proposes to increase rates for wholesale water on the Santa Rosa Aqueduct by 10.56% from \$1,061.04 to \$1173.09 per acre foot. Significant factors driving the 2023/24 Sonoma Water water transmission system budget and rate increase are as follows:

1. Pursuant to the Restructured Agreement, estimated water deliveries for 2023/24 are 41,847 acre feet – this number is the lower of the previous 12 months or the average of the past three years of water deliveries.
2. Sonoma Water's revenue is 100% volumetric and therefore the decreased deliveries due to the drought results in 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 water system projects. Over several years, capital and maintenance projects have

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been deferred to reduce the rate to contractors. Sonoma Water is preparing to implement many of the deferred projects.

4. The Santa Rosa Aqueduct Capital Charge, which is classified as a discretionary charge was reduced last year from \$20.00 to \$11.00 an acre foot and will remain flat this year to decrease the rate increase for Santa Rosa Water. This funding is set to accumulate funding for capital projects specific to the Santa Rosa Aqueduct. Santa Rosa and Windsor pay into the Santa Rosa Aqueduct Capital Charge.

The WAC is scheduled to vote on whether or not to recommend Sonoma Water's proposed 2023/24 water transmission budget and rate increase for approval to the Sonoma Water Board of Directors on April 3, 2023. The Sonoma Water Board of Director's is scheduled to consider the proposed 2023/24 water transmission budget and rate increase at its Board meeting on April 18, 2023.

FISCAL IMPACT

The proposed wholesale water rate increase is \$112.05 per acre foot or 10.56%. Santa Rosa's estimated water use for next year is 15,200 acre feet, a 5% increase from last year due to drought restrictions being lifted, and would result in a total charge of \$17.8m. This is an increase of \$2.5m from FY2022/23 budget of \$15.3m.

Santa Rosa Water's current rate structure was developed to cover a 6% rate increase from Sonoma Water. The increased cost will be covered by retail water usage and fixed charges to Santa Rosa Water customers as well as application of undesignated fund balances. The additional expenditure will come from reserves.

ENVIRONMENTAL IMPACT

This action is exempt from the California Environmental Quality Act (CEQA) because it is not a project which has a potential for resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment, pursuant to CEQA Guideline section 15378.

BOARD/COMMISSION/COMMITTEE REVIEW AND RECOMMENDATIONS

On March 6, 2023, the TAC voted to recommend approval of Sonoma Water's proposed FY2023/24 water transmission system budget and rate increase to the Water Advisory Committee.

The Board of Public Utilities reviewed Sonoma Water's proposed FY2023/24 water transmission system budget and rate increase on March 16, 2023 and made a recommendation to City Council.

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NOTIFICATION

Not Applicable.

ATTACHMENTS

- Attachment 1 – Sonoma County Water Agency Water Transmission FY 2023/24 Draft Budget and Rates

PRESENTER

Nick Harvey, Budget and Financial Analysis Manager, nharvey@srcity.org