

# FY 2021/2022 Water Transmission Budget

## Overview

The proposed budget for FY 2021/2022 is based on accomplishing a focused set of goals centered on Sonoma Water's Water Supply Strategy Action Plan, including the required elements of the Biological Opinion, continued implementation of hazard mitigation and reliability projects, and maintenance of facilities. Whenever possible, alternative sources of revenue such as federal and state grants, existing fund balances, and bond financing will be used to finance capital projects. Per agreement with the Water Advisory Committee, a discretionary aqueduct capital charge is included in the budget to build fund balance for future capital projects and avert rate spikes in subsequent years. This budget allows Sonoma Water to meet the operations, maintenance, capital, and regulatory demands of the system, maintains fund balances within policy for prudent reserve, and provides rate increases in line with the Long Range Financial Plan target of 4 to 6 percent.

## Deliveries

For purposes of establishing the budget and rates for the next fiscal year, the Restructured Agreement requires that the quantity of water delivered from the aqueducts of the Water Transmission System be the amount of water delivered during the 12 months preceding establishment of rates, or the average annual amount of water delivered during the preceding 36 months, whichever is less. The 12 month actual deliveries through December 2020 were 47,748 acre-feet. The 3 year annual average was 46,095 acre-feet. Accordingly, per the Restructured Agreement, the budget and rates are based on 46,095 acre-feet in deliveries. Budgeted and actual deliveries have averaged 43,500 acre-feet over the past five years. While deliveries in FY 2020/2021 remain above budget, possible retail water contractor mandatory conservation could result in deliveries as low as 40,000 to 42,000. Sonoma Water's FY 2021-2022 budget takes into account a possible drop in deliveries due to drought.

## Rates

The resulting rates for 46,095 acre-feet are shown below:

Charge / Aqueduct	Santa Rosa	Petaluma	Sonoma
Deliveries (Acre-Feet)	46,095		
O&M	\$685.92	\$685.92	\$685.92
Water Management Planning	\$0.00	\$0.00	\$0.00
Watershed Planning & Restoration	\$132.66	\$132.66	\$132.66
Recycled Water and Local Supply	\$0.93	\$0.93	\$0.93
Water Conservation	\$44.44	\$44.44	\$44.44
<b>Total O&amp;M</b>	<b>\$863.95</b>	<b>\$863.95</b>	<b>\$863.95</b>
Storage & Common Bond/Loan Charges	\$116.51	\$116.51	\$116.51
Sonoma Aqueduct Bond/Loan Charge			\$126.72
<b>Prime Contractors</b>	<b>\$980.46</b>	<b>\$980.46</b>	<b>\$1,107.18</b>
<b><u>Discretionary Charges</u></b>			
Capital Charges - to build fund balance for future projects	\$20.00	\$20.00	\$38.00
<b>Total Prime Contractors</b>	<b>\$1,000.46</b>	<b>\$1,000.46</b>	<b>\$1,145.18</b>
Total Overall Increase:	3.47%	3.47%	3.43%

## Water Transmission System Fund

### ▪ Revenues

Total revenue of the Water Transmission System Operations and Maintenance Fund is budgeted to increase by 8.5 percent or \$3,721,000 to \$47,469,000. This total revenue is comprised of numerous revenue categories, the biggest of which is water sales. Other revenue sources are grants, power sales, meter service installation charges, revenue bond proceeds, and interest on cash balances.

Sonoma Water staff proposes to use revenues from water sales of \$47.3 million, \$1 million in power sales, meter service charges, water contractor contributions for Sonoma Water support of their water use efficiency programs, and interest and investment income; \$620,000 in bond revenue (in excess of the prudent reserve), \$668,000 in grant funds, and \$6.5 million in use of fund balance.

### ▪ Expenses

Expenses for operations and maintenance, capital improvement projects, and sub-funds are as follows:

	FY 2020 21	FY 2021 22	
	Budget (in Millions)	Budget (in Millions)	Change (in Millions)
Operations and Maintenance	\$29.81	\$30.54	\$0.74
Capital Projects	\$12.60	\$9.67	(\$2.92)
Biological Opinion Compliance, Water Supply Planning, Water Conservation	\$11.89	\$11.05	(\$0.84)
Debt Service	\$4.88	\$4.85	(\$0.03)
Totals	\$59.18	\$56.11	(\$3.05)
Grants, Use of Fund Balance, and Bond Proceeds	\$16.28	\$8.68	(\$7.60)

Sonoma Water recognizes the profound impact of the COVID-19 pandemic to many residents, businesses, and our retail water contractors throughout our county and beyond. In response to the far reaching financial hardships, Sonoma Water made a conscious effort to keep rate increases at a minimum while we will continue to keep public safety and system reliability our top priorities. Mitigation measures included using fund balance, bond proceeds, and grants to the maximum extent possible, deferring noncritical construction projects where feasible, and realizing cost savings of \$1.3 million. Using these proactive mitigation measures, Sonoma Water has successfully contained costs and optimized the use of other sources of revenue to develop a budget that is reasonable, responsible, and fair, and that softens the rate impact to the 600,000 customers Sonoma Water serves.

Operations and Maintenance: Increase attributable to an increase in maintenance projects to build system resiliency (cathodic protection, pump and valve replacements, chlorine and pH improvement projects), studies (Regional Water Supply Resiliency, Watershed and Riverbank Filtration Water Quality

Studies and fire related water quality studies), emergency response planning and training, and pay go capital projects in Common Facilities.

Capital Projects: Capital expenditures were decreased due to the financial impact of COVID on our retail water contractors and the community at large. Sonoma Water deferred capital projects such as storage buildings, and reduced expected capital expenditures for the SCADA upgrade project. Construction will occur in FY 2021/2022 for several high priority hazard mitigation projects, preliminary designs for additional priority hazard mitigation projects, and construction of the Mirabel Dam Bladder Replacement, and the Warm Springs Dam Hydroturbine Retrofit Project.

Biological Opinion Compliance: Costs are decreasing due to completion of the design for Dry Creek Habitat Enhancement Phase 4, budgeting for right-of-way expenditures in FY 2020/2021, and progress on the design of Phases 5, and 6. However, the budget includes Sonoma Water's 35% cost share with the U.S. Army Corps of Engineers for construction of Phase 4 in FY 2021/2022.

Debt Service: Decrease in debt service is a nominal amount and is due to the structure of the 2012, 2105, and 2019 revenue bonds which results in minor adjustments to principal and interest each year.

Grants, Use of Fund Balance, and Bond Proceeds: Over the past five years, water contractors have benefitted from more than \$17 million in awarded grant funds that are used to offset expenses. The majority of funds have been for hazard mitigation and water supply reliability projects. Two FEMA grant funded projects (Russian River and Mark West Creek Crossing Hazard Mitigation Projects) had construction costs budgeted in prior years but will be constructed in FY 2021/2022. Construction costs for these two projects are not reflected in the table above. The majority of the use of fund balance will be expended in the Common Facilities Capital Fund where construction costs budgeted in prior years have accumulated due to FEMA's environmental review delays.

## Capital Projects

Please refer to the next page for a table of FY 2021/2022 proposed capital projects and project status.

**Water Transmission Budget  
Capital Projects Summary**

**FY 2021/22**

Project	Category	Amount	Status
Santa Rosa Creek Crossing	Santa Rosa AQ	800,000	FY20-21: 60% design; award FY21-22
Ely BPS Flood Control & Electrical Upgrade	Petaluma AQ	202,411	FY20-21: 60% design; award FY21-22
SBS Electrical Upgrade and Pumping Reliability	Sonoma AQ	25,000	Under construction; construction management FY21-22
Sonoma AQ Crossing of Spring Creek & Bennett Valley Fault Crossing	Sonoma AQ	25,000	Preliminary design
LHMP-Bennet Valley Fault Crossing (Oakmont Pipeline)	Storage	25,000	Preliminary design
Mirabel Dam Bladder Replacement	Common	255,250	Awarded FY20-21; inspection costs FY21-22
Mirabel RR Crossing Fiber Optic Cable Relocation	Common	370,000	Part of Russian River Crossing Project
Mirabel Storage Shed	Common	-	Delaying
MW Creek Crossing	Common	3,660,000	FY20-21: 90% design; award FY21-22
RDS Pump and Motor Control Center Replacement	Common	183,784	Costs to advance design
RR Crossing	Common	709,290	Awarded FY20-21; construction management FY21-22
Warm Springs Dam Hydroturbine Retrofit	Common	2,497,265	Award July 2021
Wohler Bridge Fiber Optic Cable	Common	150,000	Public Works Project expected to occur this summer
Wohler Plant Access Rd. Retaining Wall	Common	21,100	FY20-21: 60% design; award FY21-22
SCADA Upgrade	Common	750,000	Complete by 12/31/21

TOTAL 9,674,100

Santa Rosa AQ	800,000
Petaluma AQ	202,411
Sonoma AQ	50,000
Storage	25,000
Common	8,596,689
	<u>9,674,100</u>