

CITY OF SANTA ROSA
BOARD OF PUBLIC UTILITIES

TO: BOARD OF PUBLIC UTILITIES
FROM: KIMBERLY ZUNINO, DEPUTY DIRECTOR –ADMINISTRATION
SANTA ROSA WATER
SUBJECT: FY 2022/23 REGIONAL WATER REUSE SYSTEM OPERATIONS
AND MAINTENANCE, CAPITAL IMPROVEMENT, AND DEBT
SERVICE BUDGET AND ALLOCATION OF COSTS –
RECOMMENDATION TO CITY COUNCIL

AGENDA ACTION: RESOLUTION

RECOMMENDATION

It is recommended by Santa Rosa Water, the Subregional Wastewater Technical Advisory Committee and the Budget Review Subcommittee that the Board of Public Utilities, by resolution, recommend that the City Council approve the Preliminary FY 2022/23 Regional Water Reuse System Operations and Maintenance, Capital Improvement, and Debt Service Budgets and Allocation of Costs for the purpose of notifying the Regional Water Reuse User Agencies of their allocation of such costs by May 2022.

EXECUTIVE SUMMARY

The Regional Water Reuse System, managed by the Santa Rosa Water (SRW) per Agreement, is a state-of-the-art wastewater treatment facility serving five member agencies (Santa Rosa, Rohnert Park, Sebastopol, Cotati, and the Sonoma County South Park Sanitation District, each hereinafter referred to as “User Agency” or collectively as “User Agencies”). The operating Agreement requires that the City prepare a Preliminary Budget and cost allocations for the Regional Water Reuse System and notify the User Agencies of these costs annually by May. The Agreement further requires that the proposed budget and cost allocation be reviewed by the Regional Technical Advisory Committee (TAC), the Board of Public Utilities (BPU) and the Santa Rosa City Council prior to noticing the User Agencies of their cost allocations.

The Regional Operations and Maintenance (O&M) Fund budget request is \$40,417,094, Regional cash-funded Capital Improvement Program (CIP) is \$9,000,000, and the Regional debt service due is \$24,592,802.

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This fiscal year cycle SRW is requesting an additional Supervising Lab Analyst to address new State regulatory requirements for environmental labs. If approved by City Council this increase, estimated at \$160,000, will be added to the O&M request and allocated to the User Agencies based on the allocation methodology defined in the Subregional Agreement.

The Council will be asked to approve the preliminary budget on April 26, 2022 for the purpose of notifying the User Agencies by May and will review the proposed budget with the city-wide budget study session on May 10th & 11th, 2022.

BACKGROUND

Each year, the Laguna Treatment Plant recycles billions of gallons of treated wastewater from homes, businesses and industries located within the Santa Rosa Regional System, serving the cities of Santa Rosa, Rohnert Park, Sebastopol, Cotati and the Sonoma County South Park Sanitation District.

Operating costs are allocated to each of the User Agencies based on each agency's share of annual flows into the plant. The cash funding for CIP, per the agreement, distributes the allocation based on defined capacities for each partner. Debt service costs are allocated according to the time the debt was issued and the repayment schedule.

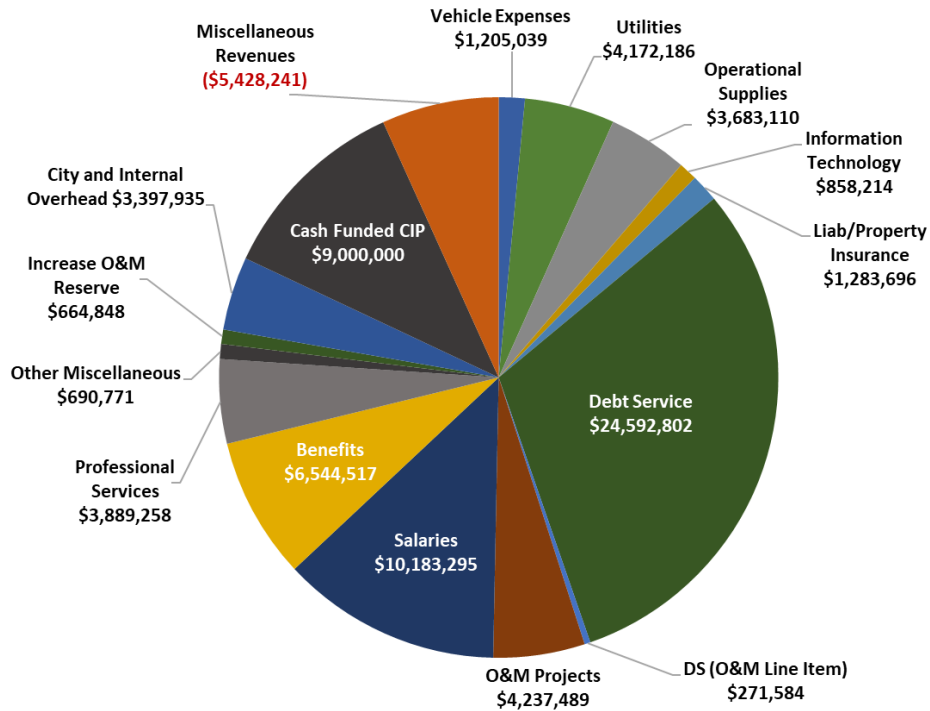
PRIOR BOARD OF PUBLIC UTILITIES REVIEW

Each year the Board of Public Utilities reviews the Water and Wastewater Operations and Maintenance, and Capital Improvement Program, proposed revenue and expenditures prior to making a recommendation to the City Council

ANALYSIS

The Preliminary Regional Water Reuse Operations and Maintenance (O&M) Fund budget request is \$40,417,094, the cash-funded Capital Improvement Program (CIP) is \$9,000,000 and the debt service due is \$24,592,802. The budget breakdown is as below:

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In general, the major cost drivers include:

- Cash funded CIP \$9,000,000 – Increasing \$1 million per agreement with User Agencies
- Salaries and Benefits – Up 9% - Total of 5.5% increase due to COLAs and \$500 per full time employee (FTE) wellness benefit
- O&M projects – up 43.7% - Increasing budget to adhere to regulatory requirements and maintenance to avoid additional emergency projects at the plant
- O&M costs (not including O&M projects) budget up 9.5% - Increase in uncontrollable costs such as IT, fleet services and citywide overhead allocations

Operations and maintenance expenditures are offset by expected revenues of \$5,428,241 for various services and agreements that generate revenues for the subregional fund. Projected revenues are up 31.8% from 2021/22 driven by strong expected growth in high strength waste tipping fee revenues. The remainder of the required budget request is billed to the User Agencies.

Operating costs are allocated based on metered flow into the plant, the actual impact to each User Agency can vary slightly year to year as flows fluctuate. The total due this fiscal year from each User Agency for operations is based on 2020/21 flows (shown in million gallons):

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Actual Annual Flows	2020/21	2020/21 Percentage
Santa Rosa	3,867.02	72.04%
Rohnert Park	1,006.29	18.75%
Sebastopol	151.42	2.82%
Cotati	177.04	3.30%
SPCSD	166.31	3.10%
	5,368.08	

Cash funded CIP costs are allocated based on each User Agency's capacity as defined in the Agreement:

CIP Per Agreement	
Santa Rosa	70.76%
Rohnert Park	19.70%
Sebastopol	3.26%
Cotati	2.95%
SPCSD	3.33%

Debt service is owed by the Regional Water Reuse system for a variety of bonds and state loans that have financed facility and process improvements over the years. Debt service payments are allocated to each User Agency based on the time the debt was issued and the corresponding debt repayment schedule.

Fiscal Year 2022/23 projected allocations to each User Agency are as follows:

	Total 2021/22	2022/23 Budgeted O&M	2022/23 CIP Contribution	2022/23 Debt Service	Total 2022/23	Difference
Santa Rosa	\$47,406,487	\$25,848,933	\$6,368,400	\$18,488,988	\$50,706,321	\$3,299,834
Rohnert Park	\$11,365,826	\$6,595,935	\$1,773,000	\$3,923,369	\$12,292,304	\$926,478
Sebastopol	\$1,747,669	\$891,343	\$293,400	\$719,116	\$1,903,859	\$156,190
Cotati	\$2,215,506	\$1,212,226	\$265,500	\$888,408	\$2,366,134	\$150,628
SPCSD	\$1,811,594	\$1,105,265	\$299,700	\$572,921	\$1,977,886	\$166,291
	\$64,547,081	\$35,653,701	\$9,000,000	\$24,592,802	\$69,246,503	\$4,699,422

FISCAL IMPACT

Santa Rosa Water's share of Regional Water Reuse allocated costs are built into the Wastewater Financial Plan and the proposed 2% increase for wastewater. Due to the additional expenditures this year undesignated fund balance will be used to cover additional costs. The current undesignated fund balance is sufficient to cover the

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increases. There are no rate implications from the Fiscal Year 2022/23 proposed budget.

ENVIRONMENTAL IMPACT

This action is exempt from the provisions of California Environmental Quality Act (CEQA) under CEQA Guidelines Section 15378 in that there is no possibility that the implementation of this action may have significant effects on the environment, and that no further environmental review is required.

BOARD/COMMISSION/COMMITTEE REVIEW AND RECOMMENDATIONS

On March 15, 2022, the Board of Public Utilities Budget Subcommittee reviewed and recommended the Regional Budget for approval.

The proposed Regional budget was reviewed and recommended for approval by the Subregional TAC at their meeting on April 7, 2022.

ATTACHMENTS

- Resolution

CONTACT

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