

CITY OF SANTA ROSA
CITY COUNCIL

TO: MAYOR AND CITY COUNCIL
FROM: KIMBERLY ZUNINO, DEPUTY DIRECTOR - ADMINISTRATION,
SANTA ROSA WATER
SUBJECT: APPROVAL OF THE PRELIMINARY FY 2022/23 REGIONAL
WATER REUSE SYSTEM OPERATING AND MAINTENANCE,
CAPITAL IMPROVEMENT AND DEBT SERVICE BUDGET AND
ALLOCATION OF COSTS

AGENDA ACTION: RESOLUTION

RECOMMENDATION

It is recommended by Santa Rosa Water, the Subregional Technical Advisory Committee and the Board of Public Utilities that the Council, by resolution, approve the Preliminary 2022/23 Regional Water Reuse System Operating and Maintenance, Capital Improvement, and Debt Service Budget 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 Santa Rosa Water (SRW) per Agreement, is a state-of-the-art wastewater treatment facility serving five member agencies (Cities of Santa Rosa, Rohnert Park, Sebastopol, and Cotati, and the Sonoma County South Park Sanitation District, each hereinafter referred to as "User Agency" or collectively as "User Agencies"). The Operating Agreement (Agreement) requires that SRW annually prepare a Preliminary Budget and Allocation of Costs for the Regional Water Reuse System and notify the User Agencies of these costs by May each year. The Agreement further requires that the proposed budget and allocation of costs be reviewed by the Subregional Technical Advisory Committee (TAC), the Board of Public Utilities (BPU) and the Council of the City of Santa Rosa prior to noticing the User Agencies of operating and debt service costs due.

The Regional Operations and Maintenance (O&M) Fund budget request is \$40,417,094, the 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 Council as part of the City's FY 2022/23 budget, 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 Agreement.

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, which serves 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 User 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 User Agency. Debt service costs are allocated according to the time the debt was issued and the repayment schedule.

PRIOR CITY COUNCIL REVIEW

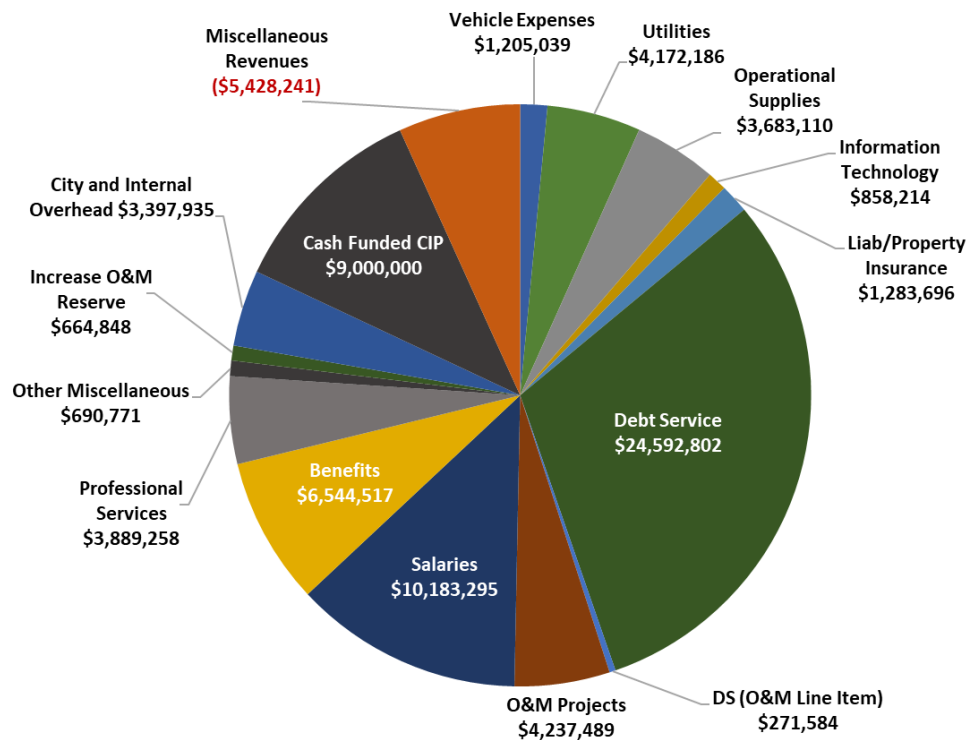
Each year the City Council reviews the Preliminary Regional Water Reuse Operations and Maintenance, Capital Improvement Program, and Debt Service proposed budgets and allocation of costs prior to notifying the User Agencies of the allocations.

Additionally, each year the City Council reviews the Regional Water Reuse Operations and Maintenance, Capital Improvement Program, and Debt Service proposed budgets as part of the City-wide budget process in May and June.

ANALYSIS

The Preliminary Regional Water Reuse O&M Fund budget request is \$40,417,094, the cash-funded 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 by \$1 million per agreement with User Agencies
- Salaries and Benefits – Up 9% - Total of 5.5% increase due to COLAs and \$500 per 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 revenue is billed to the User Agencies.

Operating costs are allocated based on metered flow into the Plant, so 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:

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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 for 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

The City Council will have an opportunity to further review this budget at the planned City-wide budget study session May 10th and 11th, 2022. Any changes will be incorporated into the final FY 2022/23 budget which will be considered by the City Council on June 21, 2022.

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 from the Wastewater Fund will be used to cover additional costs for SRW. The current undesignated fund balance is sufficient to cover the increases. There are no customer rate implications from the Fiscal Year 2022/23 proposed budget.

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 Guidelines Section 15378.

BOARD/COMMISSION/COMMITTEE REVIEW AND RECOMMENDATIONS

The proposed Regional Water Reuse budget recommendation was reviewed and recommended for approval by the TAC on April 7, 2022.

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

On April 21, 2022, the Board of Public Utilities reviewed and recommended, by resolution, that the City Council approve the Preliminary FY2022/23 Regional budget.

NOTIFICATION

The Regional Water Reuse User Agencies will be notified by the Finance Department of their monthly obligation.

ATTACHMENTS

None.

CONTACT

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