

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 FISCAL YEAR 2021/22  
REGIONAL WATER REUSE SYSTEM OPERATING AND  
MAINTENANCE, CAPITAL IMPROVEMENT AND DEBT SERVICE  
BUDGET AND ALLOCATION OF COSTS

AGENDA ACTION: RESOLUTION

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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 FY 2021/22 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 on May 1, 2021.

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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 1<sup>st</sup> 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 \$35,984,777, Regional cash-funded Capital Improvement Program (CIP) is \$8,000,000, and the Regional debt service due is \$24,647,974.

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**BACKGROUND**

Each year, the Laguna Treatment Plant (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 the User Agencies based on annual flow 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 per the repayment schedule.

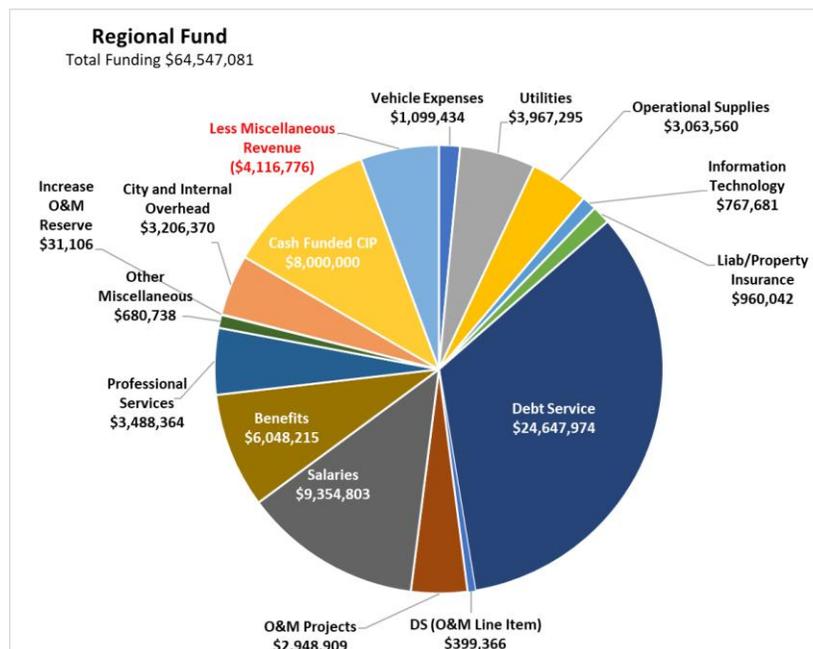
**PRIOR CITY COUNCIL REVIEW**

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 Operations and Maintenance (O&M) Fund budget request is \$35,984,777, the cash-funded Capital Improvement Program (CIP) is \$8,000,000 and the debt service due is \$24,647,974. The budget breakdown is as below:



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In general, the major cost drivers include:

- Cash funded CIP \$8,000,000 – Increasing by \$1 million per agreement with User Agencies
- Debt Service – Up 9% – New funding secured in December 2020 for Ultraviolet System Replacement
- O&M budget up 1.6%

Operations and maintenance expenditures are offset by earned revenues of \$4,116,776 for various services and agreements that directly apply revenue to the Regional fund. Projected revenues are stable from FY 2020/21. The remainder of the required revenue is collected from 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 FY 2019/20 flows:

<b>Actual Annual Flows</b>	<b>2019/20</b>	<b>2019/20 Percentage</b>
Santa Rosa	4,240.24	72.50%
Rohnert Park	1,083.91	18.50%
Sebastopol	147.05	2.50%
Cotati	196.87	3.40%
SPCSD	183.63	3.10%
	5,851.70	

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

<b>CIP Per Agreement</b>	<b>2021/22</b>
Santa Rosa	70.76%
Rohnert Park	19.70%
Sebastopol	3.26%
Cotati	2.95%
SPCSD	3.33%

APPROVAL OF THE PRELIMINARY FISCAL YEAR 2021/2022 REGIONAL WATER REUSE SYSTEM OPERATING AND MAINTENANCE, CAPITAL IMPROVEMENT AND DEBT SERVICE BUDGET AND ALLOCATION OF COSTS  
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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 2021/22 projected allocations to each User Agency are as follows:

	<b>Total 2020/21</b>	<b>2021/22 Budgeted O&amp;M</b>	<b>2021/22 CIP Contribution</b>	<b>2021/22 Debt Service</b>	<b>Total 2021/22</b>	<b>Difference</b>
Santa Rosa	\$44,721,273	\$23,126,853	\$5,660,800	\$18,618,834	\$47,406,487	\$2,685,213
Rohnert Park	\$10,507,069	\$5,901,335	\$1,576,000	\$3,888,491	\$11,365,826	\$858,757
Sebastopol	\$1,650,401	\$797,478	\$260,800	\$689,391	\$1,747,669	\$97,268
Cotati	\$2,005,950	\$1,084,570	\$236,000	\$894,936	\$2,215,506	\$209,555
SPCSD	\$1,705,115	\$988,872	\$266,400	\$556,322	\$1,811,594	\$106,480
	\$60,589,808	\$31,899,107	\$8,000,000	\$24,647,974	\$64,547,081	\$3,957,273

The City Council will have an opportunity to further review this budget at the planned City-wide budget study session May 11 and 12, 2021. Any changes will be incorporated into the final FY 2021/22 budget which will be considered by the City Council on June 22, 2021.

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. There are no immediate rate implications from the Fiscal Year 2021/22 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, and no further environmental review is necessary.

BOARD/COMMISSION/COMMITTEE REVIEW AND RECOMMENDATIONS

The proposed Regional Water Reuse budget recommendation was reviewed and recommended for approval by the TAC on April 1, 2021.

On March 22, 2021, the Board of Public Utilities Budget Subcommittee reviewed and recommended the Regional Budget for approval.

On April 15, 2021 the Board of Public Utilities reviewed and recommended, by resolution, that the City Council approve the Preliminary FY2021/22 Regional budget.

APPROVAL OF THE PRELIMINARY FISCAL YEAR 2021/2022 REGIONAL WATER  
REUSE SYSTEM OPERATING AND MAINTENANCE, CAPITAL IMPROVEMENT AND  
DEBT SERVICE BUDGET AND ALLOCATION OF COSTS  
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NOTIFICATION

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

ATTACHMENTS

- Attachment 1
- Resolution

CONTACT

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