

CITY OF SANTA ROSA  
CITY COUNCIL

TO: MAYOR AND CITY COUNCIL  
SUBJECT: APPROVAL OF THE PRELIMINARY 2015/16  
SUBREGIONAL SYSTEM OPERATING AND  
MAINTENANCE, CAPITAL IMPROVEMENT AND DEBT  
SERVICE BUDGET AND ALLOCATION OF COSTS  
STAFF PRESENTER: LINDA REED, DEPUTY DIRECTOR - ADMINISTRATION  
SANTA ROSA WATER  
AGENDA ACTION: RESOLUTION

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ISSUE(S)

Shall the Council of the City of Santa Rosa approve the Preliminary 2015/16 Subregional System Operating and Maintenance, Capital Improvement and Debt Service Budget and Allocation of Costs for the purpose of notifying the participating Subregional user agencies of their allocation of such costs for 2015/16?



COUNCIL GOALS/STRATEGIES

Goal 1 “Create a Strong Sustainable Economic Base”. The Subregional System utilizes regional partnerships to leverage the City’s investment in wastewater treatment.

Goal 3 “Provide Leadership in Environmental Initiatives”. The Subregional System includes a state of the art wastewater treatment facility recognized worldwide for its innovative use of recycled water. The facility beneficially reuses 95 – 100% of the water and solids that are processed annually.

BACKGROUND

1. The Subregional System, managed by the City of Santa Rosa per the Subregional 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). The Laguna Treatment Plant (LTP) is a tertiary-level treatment facility permitted for 21.34 million gallons per day (MGD) average dry weather flow.
2. The Subregional Agreement requires that the City annually prepare a Preliminary Budget and Allocation of Costs for the Subregional Wastewater System and notify the user agencies of these costs by May 1<sup>st</sup> of each year. The

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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 partners of operating and debt service costs due. Each partner pays operating costs based on the prior year's flow into the plant and pays debt service costs based on their capacity as allocated in the Subregional Agreement as amended at the time the debt service was issued.

3. The proposed Subregional budget recommendation was reviewed and recommended by motion by the Subregional TAC at a special meeting on April 2<sup>nd</sup> and was reviewed and recommended by resolution to Council by the BPU at their regular meeting on April 2<sup>nd</sup>.
4. The City Council will have an opportunity to further review this budget request at the planned City-wide budget study session May 14<sup>th</sup>. Any changes will be incorporated into the final 2015/16 budget.

ANALYSIS

1. The Subregional Operating and Maintenance budget request is \$30,151,755, up \$1,654,177 or 5.8% from 2014/15.
2. Operating Project increases of note include:
  - New Project
    - To allow direct tracking of Air Quality Compliance, \$90,000
  - Existing Projects
    - Compost Turner Rebuilding, \$150,000
    - Electrical System Upgrades, \$150,000 (moved from CIP)
    - Laboratory Equipment Upgrades, \$76,054
    - All other 'Equipment Upgrades', \$107,500
3. Annual Operations and Maintenance expense changes of note include:
  - Salaries – Up 8.4% or \$175,137
    - Two new positions
      - Wastewater Treatment Shift Supervisor – Treatment
        - Reinstating eliminated classification for succession planning purposes
      - Utility Technician – Mechanical Services
        - Increased use of Asset Management tools; more efficient duty assignment
  - Operational Supplies – Up 12.7% or \$224,940

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- Digester Gas Conditioning Media, \$60,000
  - Consumable media replacement required to condition digester gas prior to use in the Combined Heat & Power engines
- New Charge – Green Waste (Compost), \$85,000
  - Green waste is an integral part of the compost process, no longer available for free
- Chemicals - Nutrient Removal, \$77,000
  - Additional chemical treatment to enhance nutrient removal as part of the treatment process to reduce nutrient levels in plant effluent and reduce potential need for nutrient offset credits
- Capital Items – New \$102,000
  - Two 6” portable pump replacements
    - Replacement is necessary to comply with enhanced air quality requirements

4. Operating Expenditures ensure:

- Wastewater treatment operations, recycled water distribution, and biosolids disposal
- LTP NPDES permit compliance activities including monitoring and reporting
- Mandated air quality permitting, monitoring, and reporting activities
- Hazardous materials and waste disposal permitting, monitoring, and reporting activities

5. The Subregional cash-funded Capital Improvement Program (CIP) is \$2,124,174, which reflects the planned gradual increase in cash funding for the Subregional CIP. The request is up \$609,174 or 29% from 2014/15. This is part of a planned annual increase in the cash funding at the Subregional System that will continue at \$1,000,000 per year over the next 8 – 10 years to establish a cash funded capital program that will cover the routine capital needs of the aging treatment plant and appurtenances. Bond funding will be restricted to larger projects that will provide benefit over many years.

6. CIP expenditures include;

- Natural Gas Engine Conversion \$900,000
- On-Site Diversion System \$100,000
- Laboratory Information Management System (LIMS) \$200,000
- Paving Rehabilitation \$150,000
- Water Efficient Landscaping \$50,000
- Geysers Operations SCADA Upgrade \$100,000
- Studies and Regulatory Compliance \$250,000

7. In addition to the operating and capital improvement expense requests, there are requests for fund transfers for debt service not included in the annual debt

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service billing and for increasing the operating reserve to maintain it at 15% of budgeted expenditures as stipulated in the reserves policy.

8. Costs are partially offset by \$2,595,832 in revenues received by the Subregional System. The remainder of the required revenue is billed to the user agencies.
9. Because operating costs are allocated based on prior year flow into the plant, the actual impact to each agency can vary slightly year to year as flows fluctuate. The total due from each agency for operations and cash funded CIP costs for 2015/16 will be:

Santa Rosa	73.90%
Rohnert Park	17.71%
Sebastopol	2.86%
Cotati	2.21%
SPCSD	<u>3.33%</u>
	100.00%

10. The year over year changes for each user agencies' operations costs are:

Entity	Operations		
	2014/15	2015/16	
	\$20,309,53	<b>\$22,246,00</b>	
Santa Rosa	0	<b>5</b>	<b>9.5%</b>
Rohnert Park	\$5,231,984	<b>\$5,330,756</b>	<b>1.9%</b>
			<b>10.3</b>
Sebastopol	\$779,479	<b>\$860,013</b>	<b>%</b>
			<b>12.0</b>
Cotati	\$592,996	<b>\$664,090</b>	<b>%</b>
SPCSD	\$920,954	<b>\$1,002,374</b>	<b>8.8%</b>
	\$27,834,94	<b>\$30,103,23</b>	
	3	<b>8</b>	<b>8.1%</b>

11. Debt service is owed by the Subregional 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 partner based on the Subregional Agreement in place at the time the debt was issued. The year over year changes for each user agencies' debt service payments are:

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Entity	Debt Service		
	2014/15	2015/16	
Santa Rosa	\$19,147,392	<b>\$19,203,711</b>	<b>0.3%</b>
Rohnert Park	\$3,866,065	<b>\$3,823,056</b>	<b>-1.1%</b>
Sebastopol	\$712,370	<b>\$658,730</b>	<b>-7.5%</b>
Cotati	\$932,270	<b>\$937,481</b>	<b>0.6%</b>
SPCSD	\$531,060	<b>\$521,548</b>	<b>-1.8%</b>
	\$25,189,156	<b>\$25,144,526</b>	<b>-0.2%</b>

12. The total allocation to each agency will be:

	Total	\$ Change from 2014/15	% Change from 2014/15	% from each Agency - total
<b>Santa Rosa</b>	<b>41,449,716</b>	1,992,795	5.05%	<b>75%</b>
<b>Rohnert Park</b>	<b>9,153,812</b>	55,763	0.61%	<b>17%</b>
<b>Sebastopol</b>	<b>1,518,743</b>	26,895	1.80%	<b>3%</b>
<b>Cotati</b>	<b>1,601,571</b>	76,305	5.00%	<b>3%</b>
<b>SPCSD</b>	<b>1,523,922</b>	38,378	2.58%	<b>3%</b>
	<b>55,247,764</b>	2,190,136	4.13%	<b>100%</b>

RECOMMENDATION

It is recommended by Santa Rosa Water staff, the Subregional Technical Advisory Committee and the Board of Public Utilities that Council, by resolution, approve the Preliminary 2015/16 Subregional System Operating and Maintenance, Capital Improvement, and Debt Service Budget and Allocation of Costs for the purpose of notifying the participating Subregional user agencies of their allocation of such costs for 2015/16.

Author: Linda Reed

Attachments:

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Attachment 1 – Board of Public Utilities Resolution No. 1084