

CITY OF SANTA ROSA
BOARD OF PUBLIC UTILITIES

TO: CHAIR AND BOARD MEMBERS
FROM: NICK HARVEY, DEPUTY DIRECTOR - ADMINISTRATION
SANTA ROSA WATER
SUBJECT: FY 2025/26 REGIONAL REUSE SYSTEM OPERATING AND
MAINTENANCE, CAPITAL IMPROVEMENT, AND DEBT
SERVICE BUDGET AND ALLOCATION OF COSTS –
RECOMMENDATION TO CITY COUNCIL

AGENDA ACTION: RESOLUTION

RECOMMENDATION

It is recommended by the Board of Public Utilities Budget Review Subcommittee, the Subregional Technical Advisory Committee (SubTAC), and Santa Rosa Water that the Board of Public Utilities, by resolution, recommend that the City Council approve the 2025/26 Regional System Operations and Maintenance, Capital Improvement and Debt Service Budgets and resulting cost allocations.

EXECUTIVE SUMMARY

The Regional Water Reuse System, managed by the City of Santa Rosa (City) pursuant to the Subregional Agreement (Agreement), is a 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 Agreement requires the City to prepare a Preliminary Budget and cost allocations for the Regional Water Reuse System and notify the User Agencies of these costs annually by May 1st. The Agreement further requires that the proposed budget and cost allocation be reviewed by the Subregional Technical Advisory Committee (SubTAC), 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 \$53,419,287. The Regional cash-funded Capital Improvement Program (CIP) is \$12,000,000, and the Regional debt service due is \$18,299,256.

City Council will be asked to approve the preliminary budget at their meeting on April 15, 2025 for the purpose of notifying the User Agencies by May 1, and will subsequently review the proposed Regional budget, along with the citywide budget, at a study

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session on May 6th & 7th, 2025, and consider approval at a public hearing on June 17, 2025.

BACKGROUND

The Operations and Maintenance (O&M) budget and the Capital Improvement Program (CIP) budget were reviewed by the BPU Budget Review Subcommittee in March 2025, and by the BPU in Study Session on April 3, 2025. If the BPU recommends these budget requests to the City Council, Council will review the expenditure request in Study Sessions on May 6th and 7th, 2025 and would approve the final budget after a public hearing in June.

Each year, the Laguna Treatment Plant (LTP) 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, and 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 LTP. 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.

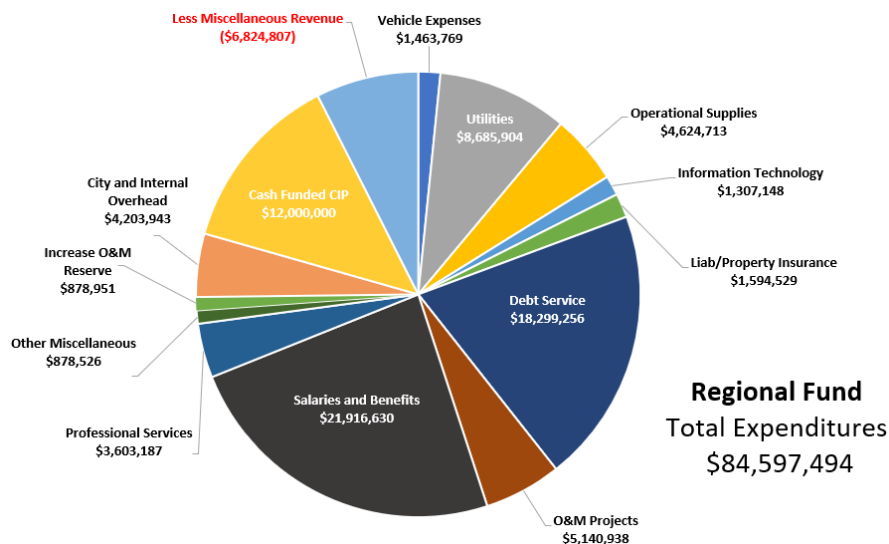
PRIOR BOARD OF PUBLIC UTILITIES REVIEW

Each year the Board of Public Utilities reviews the Regional Operations and Maintenance, Capital Improvement Program, and Debt Service proposed budgets prior to making a recommendation to the City Council.

ANALYSIS

The proposed Regional Water Reuse Operations and Maintenance (O&M) Fund budget request is \$53,419,287, the Regional cash-funded Capital Improvement Program (CIP) is \$12,000,000, and the Regional debt service due is \$18,299,256. The budget breakdown is as shown below:

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In general, the major cost drivers include:

- Cash funded CIP \$12,000,000 – Increasing \$1 million per agreement with User Agencies.
- Salaries and Benefits up 9% - Citywide salary increases. Includes consideration for 4% salary increases effective July 1, 2025 per the currently adopted Memorandums of Understanding (MOUs) with labor unions as well as 5% for equity increases for the up-to 5% equity adjustments the City will make to applicable job classifications based upon the ongoing classification and compensation study.
- Potential re-classifications and potential additional positions
- Electricity up 27% - PG&E rates are expected to increase up to 6% in 2025/26. Furthermore, this line item appears to be under-budgeted in the current fiscal year. As such this line item also includes consideration for the increased quantity of electricity being consumed at LTP.
- Operations and Maintenance project budgets up 91%. The Regional system relies on O&M project budgets to cover the costs of maintenance and consumable supplies at LTP. Project budgets for next year include funds for the replacement and calibration of electrical tools, the purchase of lime for use in biosolid land application, and costs for setting up facilities in preparation of the new ultra violet (UV) disinfection system once that capital project is complete and operational.

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Operations and maintenance expenditures are offset by expected revenues of \$6,824,807 for various services and agreements that generate revenues for the Regional fund. Projected revenues are up \$3.3 million from the current fiscal year driven by our trucked waste program, a contractual escalation in revenues from the Town of Windsor, as well as expected growth in interest revenues generated by cash reserves in the fund.

The total due this fiscal year from each User Agency for operations is based on 2023/24 flows (shown in million gallons):

Actual Annual Flows	2023/24	
	2023/24	Percentage
Santa Rosa	5,320.77	73.45%
Rohnert Park	1,293.34	17.85%
Sebastopol	170.24	2.35%
Cotati	235.60	3.25%
SPCSD	224.28	3.10%
	7,244.23	100.00%

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.

Add information about the anticipated bond issuance and how it will be allocated to the User Agencies.

Fiscal Year 2025/26 projected allocations to each User Agency are as follows:

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	Total 2024/25	2025/26 Budgeted O&M	2025/26 CIP Contribution	2025/26 Debt Service	Total 2025/26
Santa Rosa	\$55,843,336	\$34,868,469	\$8,491,200	\$13,953,227	\$57,312,896
Rohnert Park	\$13,402,773	\$8,475,613	\$2,364,000	\$2,842,840	\$13,682,453
Sebastopol	\$2,133,549	\$1,115,630	\$391,200	\$447,059	\$1,953,889
Cotati	\$2,526,356	\$1,543,952	\$354,000	\$661,325	\$2,559,277
SPCSD	\$2,170,922	\$1,469,768	\$399,600	\$394,805	\$2,264,173
	\$76,076,936	\$47,473,431	\$12,000,000	\$18,299,256	\$77,772,687

FISCAL IMPACT

Santa Rosa Water's share of Regional Water Reuse allocated costs are built into the Wastewater Financial Plan and the proposed 5% rate increase for wastewater. There are no additional implications to the proposed 2025/26 Regional budget due to modest increases proposed, and the reserve balances held in the Regional operations fund on behalf of Santa Rosa Water's Local Wastewater enterprise and the User Agencies.

ENVIRONMENTAL IMPACT

Pursuant to CEQA Guidelines Section 15378, the proposed action is not a "project" subject to the California Environmental Quality Act (CEQA) because it does not have a potential for resulting in either a direct physical change in the environment or a reasonably foreseeable indirect physical change in the environment. In the alternative, the proposed action is exempt from CEQA pursuant to CEQA Guidelines Section 15061(b)(3) because it can be seen with certainty that there is no possibility that the project may have a significant effect on the environment.

BOARD/COMMISSION/COMMITTEE REVIEW AND RECOMMENDATIONS

On March 26, 2025, the BPU Budget Review Subcommittee reviewed and recommended the Regional budget for approval.

The proposed Regional budget was reviewed and recommended for adoption by the Subregional TAC on April 3, 2025.

NOTIFICATION

Not Applicable

ATTACHMENTS

Resolution

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PRESENTER

Nick Harvey, Deputy Director – Water Administration