

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 2018/19 SUBREGIONAL  
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 the Water Department, the Subregional Technical Advisory Committee and the Board of Public Utilities that the Council, by resolution, approve the Preliminary 2018/19 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 on May 2<sup>nd</sup>.

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EXECUTIVE SUMMARY

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

APPROVAL OF THE PRELIMINARY 2018/19 SUBREGIONAL SYSTEM OPERATING AND MAINTENANCE, CAPITAL IMPROVEMENT AND DEBT SERVICE BUDGET AND ALLOCATION OF COSTS  
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The Subregional System Operations and Maintenance (O&M) Fund budget request is \$35,161,214, the Subregional System cash-funded Capital Improvement Program (CIP) is \$11,739,000 and the Subregional System debt service due is \$22,319,235.

BACKGROUND

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

The operating Agreement between the User Agencies has been modified five times, most recently in 2008. A Subregional Technical Advisory Committee comprised of staff from each User Agency meets on a regular basis to review the operations of the system.

Operating and cash-funding capital improvement costs are allocated to the User Agencies based on annual flow into the plant. Debt service costs are allocated according to the Subregional Agreement in place at the time the debt was issued.

PRIOR CITY COUNCIL REVIEW

Each year the City Council reviews the Preliminary Subregional System 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 Subregional System Operations and Maintenance, Capital Improvement Program, and Debt Service proposed budgets as part of the City-wide budget process in May and June.

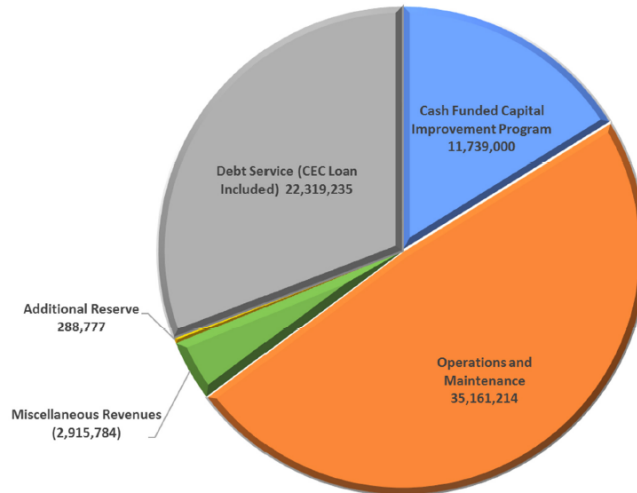
ANALYSIS

The Preliminary Subregional System Operations and Maintenance (O&M) Fund budget request is \$35,161,214, the Subregional System cash-funded Capital Improvement Program (CIP) is \$11,739,000 and the Subregional System debt service due is \$22,319,235.

The budget breakdown is as below:

## Subregional Budget Expenditures

REVISED 4/30/2018



The Subregional System budget will be reviewed by the City Council along with other City budgets during the study sessions on May 15<sup>th</sup> and 16<sup>th</sup>. In general, the major cost drivers include:

- An increased cash-funded CIP
  - Previously planned \$5,080,000, increased to \$11,739,000
  - Diversion Phase of UV Project to be cash funded 2018/19
- Electricity rates up 10%
- O&M budget up 0.4%

Expenditures are offset by earned revenues of \$2,915,784 for various services and agreements. Projected revenues are down from 2017/18 due to completion of a PG&E rebate program. The remainder of the required revenue is billed to the User Agencies.

Operating costs are allocated based on prior year flow into the plant, so the actual impact to each User Agency can vary slightly year to year as flows fluctuate. The total due from each User Agency for operations and cash funded CIP is based on 2017 flows:

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Actual Flows per Annual Memo	Million Gallons	
	2016/17	2016/17 %
Santa Rosa	5,741.70	74.57%
Rohnert Park	1,337.22	17.36%
Sebastopol	211.09	2.74%
Cotati	168.51	2.19%
SPCSD	242.01	3.14%
	7,700.53	

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 User Agency based on the Subregional Agreement in place at the time the debt was issued.

Typically, the User Agencies receive a refund of allocations collected but not spent in the previous year that can be used to offset future costs.

2018/19 allocations have been calculated based on applying excess collections to smooth the 2018/19 and projected allocations as follows. Retained funds for future use are also shown:

	2017/18 Total with Refund Applied	Total 2018/19	Applied Refund 2018/19	Total with Applied 2018/19 Refund	% Difference Refund Applied	Retained Reserves Remainder
Santa Rosa	\$43,748,895	\$50,033,449	\$2,800,000	\$47,233,449	8.0%	\$497,872
Rohnert Park	\$9,611,502	\$11,086,887	\$994,810	\$10,092,077	5.0%	\$458,331
Sebastopol	\$1,594,680	\$1,814,236	\$139,822	\$1,674,414	5.0%	\$237,783
Cotati	\$1,681,649	\$1,797,876	\$32,145	\$1,765,731	5.0%	\$160,914
SPCSD	\$1,600,107	\$1,859,994	\$179,882	\$1,680,112	5.0%	\$193,583
	\$58,236,833	\$66,592,442	\$4,146,658	\$62,445,784		\$1,548,484

FISCAL IMPACT

Santa Rosa's share of Subregional System allocated costs are built into the Wastewater Financial Plan. There is no immediate rate implication to the authorized rate plan from the Fiscal Year 2018/19 proposed budget due to allocation offsets saved from previous

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years and fund balances.

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 Guideline section 15378.

BOARD/COMMISSION/COMMITTEE REVIEW AND RECOMMENDATIONS

The proposed Subregional System budget recommendation was reviewed and recommended by motion by the Subregional TAC on April 12, 2018, and was also reviewed and recommended by resolution to Council by the BPU on April 19, 2018. The City Council will have an opportunity to further review this budget request at the planned City-wide budget study session May 16, 2018. Any changes will be incorporated into the final 2018/19 budget.

NOTIFICATION

The Subregional System User Agencies will be notified by the Finance Department of their monthly obligation.

ATTACHMENTS

- Attachment 1 - Resolution of the Board of Public Utilities Recommending that the Santa Rosa City Council Approve the Preliminary FY 2018/19 Subregional System Operating, Capital and Debt Service Budget and the Proposed Operations and Debt Service Allocation of Costs

CONTACT

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