

CITY OF SANTA ROSA
BOARD OF PUBLIC UTILITIES

TO: BOARD OF PUBLIC UTILITIES
FROM: KIMBERLY ZUNINO, DEPUTY DIRECTOR – ADMINISTRATION
SANTA ROSA WATER
SUBJECT: FY 2020/21 WATER AND LOCAL WASTEWATER FUNDS
OPERATION, MAINTENANCE AND CAPITAL EXPENDITURE
REQUESTS

AGENDA ACTION: NO ACTION

RECOMMENDATION

A request for recommendation to the City Council will be brought to the Board of Public Utilities on May 7, 2020.

EXECUTIVE SUMMARY

Santa Rosa Water manages the City of Santa Rosa's water and wastewater enterprise funds under the general policy authority and direction of the Board of Public Utilities (BPU) per the City Charter. The BPU annually recommends a proposed fiscal year water and wastewater budget to the City Council to be included in the annual City budget adoption.

The water and wastewater funds are primarily financed by Santa Rosa ratepayer user fees and charges. Water rates approved by the Santa Rosa City Council, which includes a fixed charge increase of 5% and a wholesale water usage rate pass-through increase of approximately 2.3% (for a combined water rate increase of approximately 2.9% or \$1.62 monthly for a typical customer) is considered sufficient to fund the prudent operation of the water system in 2020/21. The authorized 2.5% wastewater usage and 2.5% fixed rate increases (for a combined increase of \$2.24 monthly for a typical customer) are considered sufficient to fund the prudent operation of the wastewater system and Santa Rosa's share of the Regional system and maintain appropriate debt service ratios through 2020/21.

BACKGROUND

The Operations and Maintenance (O&M) budget and the Capital Improvement Program (CIP) were reviewed by the BPU Budget Subcommittee. If the Board recommends these budget requests to the City Council, Council will review the expenditure request in

Study Session, currently scheduled for May 19, 2020 and would approve the final budget after a public hearing in June.

PRIOR BOARD OF PUBLIC UTILITIES REVIEW

Each year the City Council reviews the Water and Wastewater Operations and Maintenance, and Capital Improvement Program, proposed revenue and expenditures as part of the City-wide budget process in May and June.

ANALYSIS

The water and wastewater funds support City-wide shared costs, Santa Rosa Water's allocation of the City's Information Technology Internal Service Fund, and Departmental shared costs.

Santa Rosa Water (SRW) internal overhead is accounted for in the 'Administration' fund (Administration, Water Use Efficiency, Asset Management, and Safety and Training) and then spread to the Water, Wastewater, Regional Water Reuse, and Storm Water Funds based on various factors.

Overall, the Utilities Administration Fund is up \$65,573 or 0.7%, for the 2020/21 budget request.

There are no major changes to this fund, and it remains relatively flat for this coming fiscal year.

SANTA ROSA WATER – WATER FUND

The Water O&M Fund is down 0.9% including the purchase of wholesale water. This budget includes Water's share of Utility Billing, Internal Administration (including Asset Management and Water Use Efficiency), and City Overhead.

There are no major changes to this fund, and it remains relatively flat for this coming fiscal year.

The Water capital improvement project budget baseline funding of \$13.4 million will be appropriated to various Water projects.

SANTA ROSA WATER – WASTEWATER FUND

The Wastewater O&M Fund budget request is flat. There are no major changes for this coming fiscal year.

The Wastewater capital improvement budget is proposed to receive the baseline funding of \$12.34 million for various wastewater projects.

ASSUMPTIONS

Staff assumes water use will be flat compared to 2019/20 and that wastewater billings will be flat compared to 2019/20 sewer use. Staff assumes demand fees will increase slightly because demand fee projections were reduced last year due to properties in the rebuild process having paid demand fees when structures were originally built and are not required to pay additional demand fees when rebuilding. However, there is new development happening that should create a modest increase over 2019/20.

In December, 2015, the City Council approved five years of Water rate increases including a 5% increase to the water fixed charge and a continuation of the pass-through of the Sonoma County Water Agencies increase in the wholesale price of water and a 3% increase in wastewater fixed and usage charges in 2016, 2017, and 2018 and a 2.5% increase in wastewater fixed and usage charges in 2019 and 2020. Staff recommends the proposed rate increases remain as approved for the 2020/21 Fiscal Year.

Due to the COVID19 pandemic and the resulting shelter in place orders, staff will also be analyzing water use, billing and delinquency rates to determine the impacts of the shelter in place orders as well as monitoring any additional expenditures as a result of increased labor and /or purchase of supplies. Any reductions in revenue will be covered by fund balance and staff will provide regular updates to the Board on the status of losses and reductions in any fund balances.

Staff will also be closely following any Federal or State legislation that could provide relief to the rate payers as well as reviewing possible changes to the H2O program to determine how SR Water may be able to provide assistance to those financially affected by the pandemic.

FISCAL IMPACT

These revenues and expenditures are built into Santa Rosa Water's current long-term Financial Plans. There is no immediate rate implication to the authorized rate plan from the Fiscal Year 2020/21 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 Guideline section 15378.

BOARD/COMMISSION/COMMITTEE REVIEW AND RECOMMENDATIONS

Not applicable

ATTACHMENTS

- Attachment 1 - FY 2020-21 Proposed Water, Wastewater and Regional CIP Funding Plan

CONTACT

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