

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 2019/20 SUBREGIONAL
SYSTEM OPERATING AND MAINTENANCE, CAPITAL
IMPROVEMENT AND DEBT SERVICE BUDGET AND
ALLOCATION OF COSTS

AGENDA ACTION: RESOLUTION

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 2019/20 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 1, 2019.

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 of each year. Each year, Santa Rosa Water staff present the proposed budget and allocation of costs to 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.

The Subregional Operations and Maintenance (O&M) Fund budget request is \$31,354,411 the Subregional cash-funded Capital Improvement Program (CIP) request is \$6,000,000 and the Subregional debt service due is \$22,966,151.

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BACKGROUND

Each year, the 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 TAC comprised of staff from each User Agency meets on a regular basis to review the operations of the system.

Operating costs are allocated to the User Agencies based on annual flow into the plant. This year the TAC voted to use a 5-year flow average for the cash-funded CIP allocation. This avoids larger variations in allocated costs and is consistent with the CIP plan which is also a 5-year plan. The Board of Public Utilities also recommended approval of this methodology for allocating costs, which will be in place for one year to allow the User Agencies to determine if it is a better alternative to an allocation based on a single year of flow. The change in allocations based on average flow is not substantial. 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 Operations and Maintenance, Capital Improvement Program, and Debt Service proposed budgets and allocation of costs prior to notifying the User Agencies of the allocations.

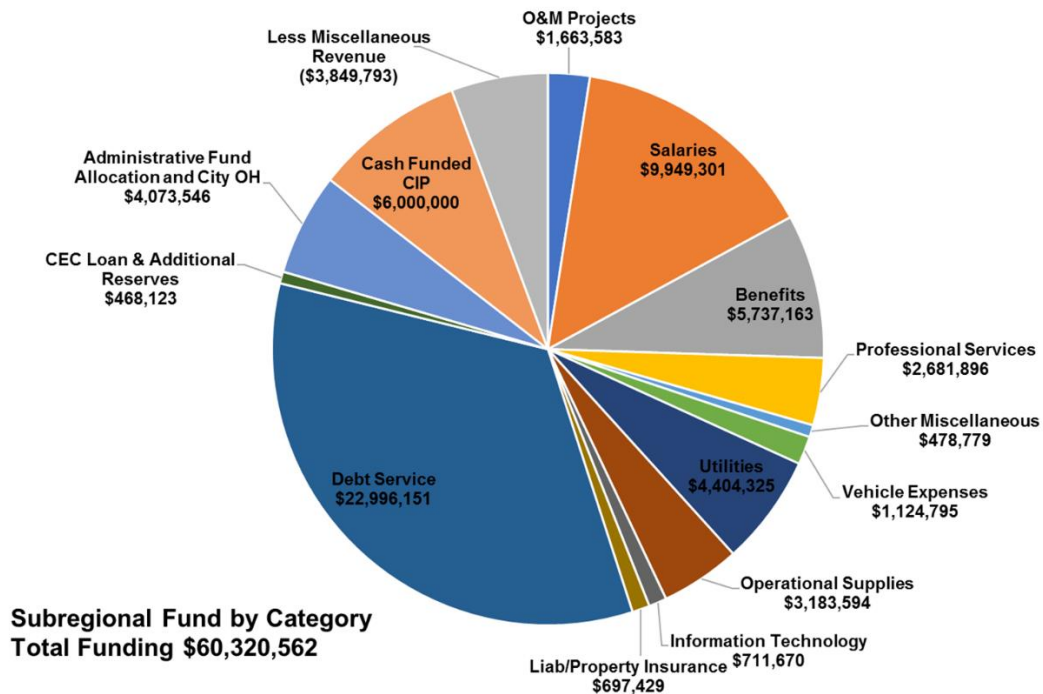
Additionally, each year the City Council reviews the Subregional Operations and Maintenance, Capital Improvement Program, and Debt Service proposed budgets as part of the City-wide budget process in May and June.

ANALYSIS

The Preliminary Subregional Operations and Maintenance (O&M) Fund budget request is \$31,354,411, the Subregional cash-funded Capital Improvement Program (CIP) request is \$6,000,000 and the Subregional debt service due is \$22,966,151.

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The budget breakdown is as below:



In general, the major cost drivers include:

- Cash funded CIP \$6,000,000
- Electricity rates up 10%
- O&M budget up 0.7%

Expenditures are offset by earned revenues of \$3,849,793 for various services and agreements. Projected revenues are up from 2018/19 due to a significant increase in fees collected for the High Strength Tipping 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 is based on 2017/18 flows:

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Actual Flows per Annual Memo	2017/18	2017/18 %
Santa Rosa	4,512.33	72.73%
Rohnert Park	1,173.63	18.92%
Sebastopol	169.85	2.74%
Cotati	147.77	2.38%
SPCSD	200.61	3.23%
	6204.19	

This year, the cash-funded CIP costs are allocated based on a 5-year average flow into the plant. The total due from each User Agency for CIP is based on the following 5-year average flows:

5 Year Average Flows	5 Year Average	5 Year Average Percentage
Santa Rosa	4,750.49	73.44%
Rohnert Park	1,177.06	18.20%
Sebastopol	180.56	2.79%
Cotati	149.86	2.32%
SPCSD	210.18	3.25%
	6,468.14	

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.

This year projected allocations are as follows:

1 Year O&M - 5 Year CIP Flow Basis	2018/19 Total Contribution	2019/20 Budgeted O&M	2019/20 CIP Contribution	2019/20 Debt Service	Total 2019/20	\$ Difference	% Difference No Refund Applied
Santa Rosa	\$47,233,449	\$22,804,063	\$4,406,400	\$17,556,802	\$44,767,265	-\$2,466,184	-5.2%
Rohnert Park	\$10,092,077	\$5,932,255	\$1,092,000	\$3,483,401	\$10,507,656	\$415,579	4.1%
Sebastopol	\$1,674,414	\$859,111	\$167,400	\$594,470	\$1,620,981	-\$53,433	-3.2%
Cotati	\$1,765,731	\$746,235	\$139,200	\$857,099	\$1,742,534	-\$23,197	-1.3%
SPCSD	\$1,680,112	\$1,012,747	\$195,000	\$474,379	\$1,682,126	\$2,014	0.1%
	\$62,445,783	\$31,354,411	\$6,000,000	\$22,966,151	\$60,320,562	-\$2,125,221	-3.4%

** Rohnert Park may apply retained refund but have not indicated the amount. There is no impact to the total allocation just source of funds, i.e. retained contributions by RP or monthly payment.

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FISCAL IMPACT

Santa Rosa's share of Subregional allocated costs are built into the Wastewater Financial Plan. There is no immediate rate implication to the authorized rate plan from the Fiscal Year 2019/20 proposed budget due to allocation offsets saved from previous 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 budget recommendation was reviewed and recommended by motion by the TAC on April 4, 2019 and was also reviewed and recommended by resolution to Council by the BPU on April 18, 2019. The City Council will have an opportunity to further review this budget request at the planned City-wide budget study session May 22, 2019. Any changes will be incorporated into the final 2019/20 budget.

NOTIFICATION

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

ATTACHMENTS

Resolution

CONTACT

Roberta Atha, Administrative Analyst
(707) 543-4266
ratha@srcity.org