

CITY OF SANTA ROSA
CITY COUNCIL

TO: MAYOR AND CITY COUNCIL
FROM: LINDA REED, ACTING DIRECTOR
SANTA ROSA WATER
SUBJECT: APPROVAL OF THE PRELIMINARY 2016/17 SUBREGIONAL
SYSTEM OPERATING AND MAINTENANCE, CAPITAL
IMPROVEMENT AND DEBT SERVICE BUDGET AND
ALLOCATION OF COSTS

AGENDA ACTION: RESOLUTION

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 2016/17 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.

EXECUTIVE SUMMARY

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, 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 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 1st 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.

The Subregional O&M Fund budget request is up \$1,227,451, or 4%, the Subregional cash-funded capital improvement program continues to increase at \$1 million per year,

as per agreement of the User Agencies, making this year's budget request \$3.2 million, and the Subregional debt service is seeing a one-time reduction of approximately \$4.5 million in 2016/17. Overall, all User Agency required contributions will reduce for the 2016/17 budget year. The User Agencies may agree to make a one-time contribution to Capital Projects to maintain a consistent annual allocation.

BACKGROUND

The Laguna Wastewater Treatment Plant receives wastewater from homes, businesses and industry located within the Santa Rosa Subregional Water Reuse System, which serves the cities of Santa Rosa, Rohnert Park, Sebastopol and Cotati. Underground pipes bring wastewater to the treatment plant where water goes through three stages of treatment prior to disinfection, storage, and reclamation.

Since its inception in 1968, the facility has increased its volume of treated recycled water from 2 million gallons a day (mgd) to 21.34 mgd.

The Subregional 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 monthly to review the operations of the system.

Operating and capital 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.

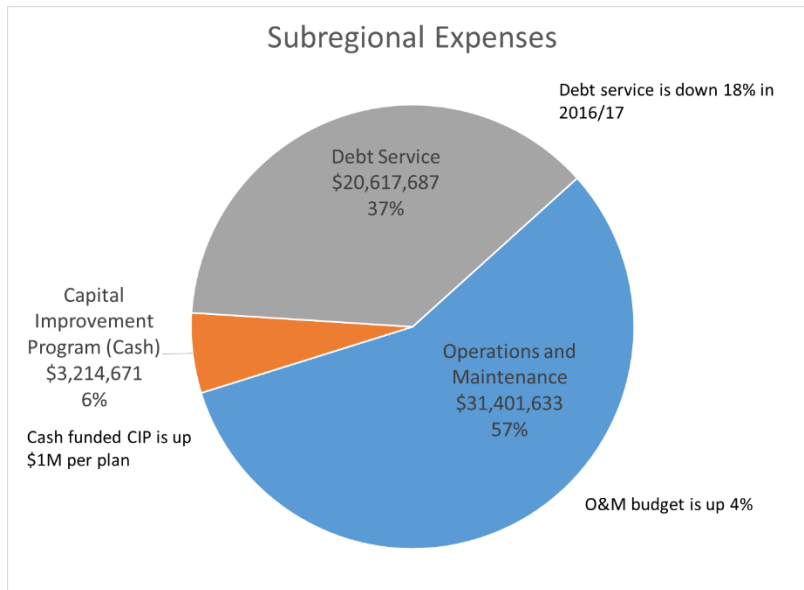
PRIOR CITY COUNCIL REVIEW

Each year the City Council reviews the Preliminary Subregional 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 Subregional O&M Fund budget request is up \$1,227,451, or 4%. The Subregional cash-funded capital improvement program continues to increase at \$1 million per year, as per agreement of the User Agencies, making this year's capital budget request \$3.2 million, and the Subregional debt service is seeing a one-time reduction of approximately \$5 million in 2016/17. The budget breakdown is as below:



Specific expenditure increases are in the following areas;

1. Operating Projects are increasing by 21%, with \$150,000 of the \$470,511 increase being fully cost offset. The remaining project increases are due to both hard project costs – facility upgrades and increasing replacement needs of aging processes, and soft project costs – funding for the Salt and Nutrient Management Plan and air quality compliance permitting and monitoring. These costs are necessary to appropriately run the plant and maintain compliance with permit requirements.
2. Two new positions are requested – reinstatement of an Environmental Compliance Officer and a Subregional Operations Engineer;
 - a. The former Environmental Compliance Officer position was eliminated several years ago during budget cutbacks. The associated workload was then reassigned and divided among the managers in the Environmental Services division. Reassigned work included managing the Laguna Treatment Plant's National Pollutant Discharge Elimination System wastewater permit compliance reporting, Title V air quality permit monitoring and reporting, hazardous waste compliance tracking and reporting, CUPA coordination with the Fire Department, and implementation of the industrial storm water permit. Dividing the workload has impacted the other duties these managers perform. Although some of the reassignments will remain, it has been determined that sufficient workload exists to reinstate the position, especially with increased air quality permitting concerns associated the LTP's existing and future power generation operations. Additional professional level oversight and technical expertise is needed to support and maintain the Department's

compliance with federal, state and local environmental regulations. The costs for this position will be substantially offset by reduced reliance on consultants.

- b. Engineering and project management duties within Subregional Operations are increasing and are currently being largely fulfilled by a combination of the Deputy Director of Subregional Operations, consultants, and, when available, staff in Transportation and Public Works' Capital Project Engineering (CPE) section. Consolidation of these duties into the proposed Subregional Operations Engineer will provide improved coordination of O&M and CIP projects, better implementation of time-sensitive projects, and effective pursuit of unique efforts such as alternative funding and the microgrid demonstration project. This position will work in conjunction with, and in addition to, existing Subregional CIP project delivery by CPE. This position will be substantially offset through CIP project budget reimbursements and secondarily through operational project budget reimbursements as needed. This position will ultimately eliminate the need for consultant based project management within the Subregional System.
3. Overtime salaries are budgeted 11% higher than 2015/16, but will be substantially offset by savings in the permanent salaries line item. Santa Rosa Water (SRW) is currently undergoing a reorganization in the Reclamation and Geysers section and has a number of vacant positions due to retirements that staff has been unable to fill until the reorganization study is complete. Existing staff are working overtime hours to cover these vacancies at this time, and this is expected to continue into 2016/17.
4. Biosolids costs are up as SRW pursues land opportunities in Southern Sonoma County for the purpose of land application of biosolids. Biosolids can be composted, applied to land, or, until 2020, disposed of in local landfills. SRW utilizes our current compost facility to its maximum capacity for production and storage. Land application opportunities in areas surrounding the treatment plant have become scarcer due to California Tiger Salamander protected sites and permitting requirements. We are currently negotiating with several property owners in the southern Sonoma County area to purchase or lease land for land application of biosolids. The increased costs, estimated at about \$162,000, will cover potential lease amounts, trucking costs, permit fees, and electricity on site.
5. The chemical line item in the treatment budget is up \$745,050, or 83%. This is required in order to establish an effective level of chemically enhanced treatment to support the City's no-net-loading requirement for phosphorous and to also reduce the nitrogen levels in our treated water.
6. SRW is budgeting for a 12" portable pump with a 5 mgd capacity. The pump is

estimated to cost \$145,000. This pump will be used to move large quantities of water between ponds and the treatment facility. For example, when a situation occurs and the plant produces off-spec water, the water may be stored and then returned to the treatment plant to be re-treated. This pump will make that process more efficient and reliable, particularly during emergencies.

7. The Subregional cash-funded capital improvement program continues to increase at \$1 million per year, per TAC agreement to mitigate bond-funding for normal maintenance and replacement projects making this year's budget request \$3.2 million.
8. Subregional debt service is seeing a one-time reduction of approximately \$4.5 million in 2016/17.
9. All costs are partially offset by the \$2,595,832 in revenues received by the Subregional System for various services and agreements. The remainder of the required revenue is billed to the User Agencies.
10. 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 costs for 2016/17 will be:

Actual Flows		
	2014/15	
Santa Rosa	4,405.81	73%
Rohnert Park	1,119.63	19%
Sebastopol	169.65	3%
Cotati	150.46	2%
SPCSD	198.76	3%
Total	6,044.31	

11. The year-over-year changes for each of the User Agencies' operations costs are:

		Operations	%	\$
Entity	2015/16	2016/17	change	change
Santa Rosa	\$22,246,005	\$23,413,670	5.2%	\$1,167,665
Rohnert Park	\$5,330,756	\$5,948,980	11.6%	\$618,224
Sebastopol	\$860,013	\$902,626	5.0%	\$42,613
Cotati	\$664,090	\$799,836	20.4%	\$135,746
SPCSD	\$1,002,374	\$1,056,811	5.4%	\$54,437
	\$30,103,238	\$32,121,923	6.7%	\$2,018,685

12. 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:

		Debt Service	%	\$
Entity	2015/16	2016/17	change	change
Santa Rosa	\$19,203,711	\$15,852,284	-17.5%	-\$3,351,428
Rohnert Park	\$3,823,056	\$3,059,423	-20.0%	-\$763,633
Sebastopol	\$658,730	\$512,678	-22.2%	-\$146,052
Cotati	\$937,481	\$770,549	-17.8%	-\$166,932
SPCSD	\$521,548	\$422,754	-18.9%	-\$98,794
	\$25,144,526	\$20,617,687	-18.0%	-\$4,526,840

13. The total proposed allocation to each User Agency will be:

2016/17									
	O&M Contribution		Debt Service		Total	\$ Change from 2014/15	% Change from 2014/15	% from each Agency - total	
Santa Rosa	\$23,413,670	72.89%	\$15,852,284	76.89%	39,265,954	-2,183,763	-5.27%	74%	
Rohnert Park	\$5,948,980	18.52%	\$3,059,423	14.84%	9,008,403	-145,409	-1.59%	17%	
Sebastopol	\$902,626	2.81%	\$512,678	2.49%	1,415,304	-103,439	-6.81%	3%	
Cotati	\$799,836	2.49%	\$770,549	3.74%	1,570,385	-31,186	-1.95%	3%	
SPCSD	\$1,056,811	3.29%	\$422,754	2.05%	1,479,565	-44,357	-2.91%	3%	
	\$32,121,923	100.00%	20,617,687	100.00%	52,739,610	-2,508,155	-4.54%	100%	

14. The User Agencies may decide to keep the annual contribution flat year over year and fund one-time capital projects with the proposed year over year savings.

FISCAL IMPACT

Santa Rosa's share of Subregional allocated costs are built into the Wastewater Financial Plan. There is no adverse rate implication to the authorized rate plan from this 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

The proposed Subregional budget recommendation was reviewed and recommended by motion by the Subregional TAC at a special meeting on April 7, 2016, and was reviewed and recommended by resolution to Council by the BPU at their regular meeting on April 7, 2016. The City Council will have an opportunity to further review this budget request at the planned City-wide budget study session May 17, 2016. Any changes will be incorporated into the final 2016/17 budget.

NOTIFICATION

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

ATTACHMENTS

None

CONTACT

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