

CITY OF SANTA ROSA
BOARD OF PUBLIC UTILITIES

TO: BOARD OF PUBLIC UTILITIES
FROM: KIMBERLY ZUNINO, DEPUTY DIRECTOR –ADMINISTRATION
SANTA ROSA WATER
SUBJECT: APPROVAL OF THE PRELIMINARY FY 2019/20 SUBREGIONAL
SYSTEM OPERATING AND MAINTENANCE, CAPITAL
IMPOVEMENT, AND DEBT SERVICE BUDGET AND
ALLOCATION OF COSTS – RECOMMENDATION TO CITY
COUNCIL

AGENDA ACTION: RESOLUTION

RECOMMENDATION

It is recommended by Santa Rosa Water Staff and the Technical Advisory Committee (TAC) that the Board of Public Utilities, by resolution, recommend that the City Council approve the 2019/20 Subregional System Operating and Maintenance, Capital Improvement, and Debt Service Budget and Allocation of Costs.

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

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 1st of each year. City staff present the proposed budget and allocation of costs each year 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 Council will be asked to approve the preliminary budget for the purpose of notifying the

User Agencies on April 30, 2019 and will review the proposed budget with the city-wide budget study session on May 22, 2019.

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 Subregional 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 Subregional 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. This method of calculation for CIP allocation will be for 1 year to allow the User Agencies to review whether it is a better alternative to a single year. The change in allocations based on the 5-year average flow is not substantial and does not affect debt service costs, which are allocated according to the Subregional Agreement in place at the time the debt was issued.

PRIOR BOARD OF PUBLIC UTILITIES REVIEW

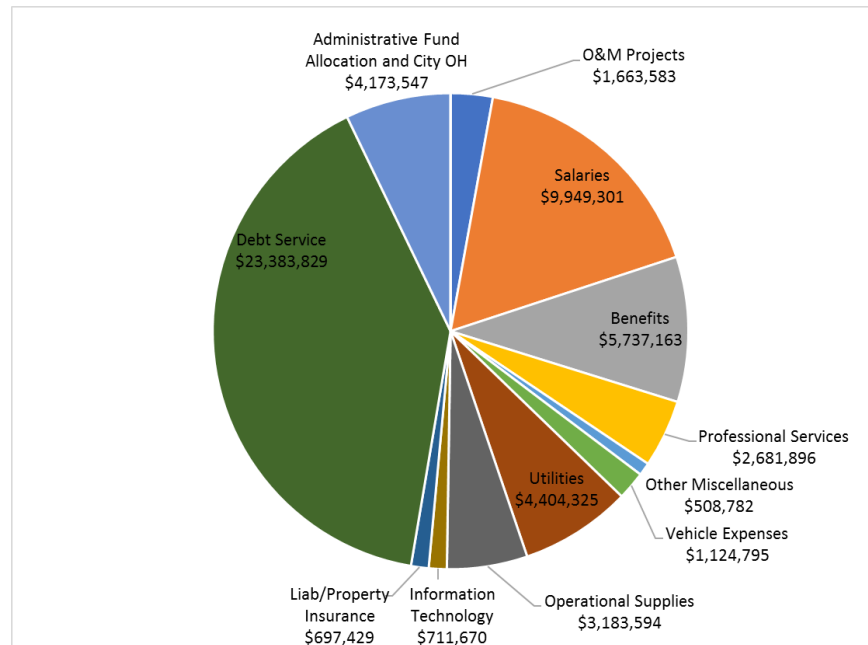
Each year the City Council reviews the Preliminary Subregional Operations and Maintenance, Capital Improvement Program, and Debt Service proposed budgets and allocation of costs prior to notifying the User Agencies of the allocations.

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

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:

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

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.

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 BPU Budget Subcommittee on March 28, 2019.

The proposed Subregional budget recommendation was reviewed and recommended by motion by the Subregional TAC at a meeting on April 4, 2019.

ATTACHMENTS

- Resolution

CONTACT

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