

CITY OF SANTA ROSA
CITY COUNCIL

TO: MAYOR AND CITY COUNCIL
FROM: JENNIFER BURKE, DIRECTOR, SANTA ROSA WATER
SUBJECT: APPROPRIATION OF \$7,592,708.81 IN REGIONAL ENTERPRISE FUNDS TO REPLACE LOCAL WASTEWATER ENTERPRISE FUNDS CURRENTLY SUPPORTING THE LAGUNA TREATMENT PLANT DISINFECTION IMPROVEMENTS PROJECT

AGENDA ACTION: RESOLUTION

RECOMMENDATION

Santa Rosa Water and the Finance Department recommend that the Council, by resolution, authorize the appropriation of \$7,592,708.81 from the Regional Wastewater Enterprise Fund to the 2020 Wastewater Revenue Bond Construction Fund to replace Local Wastewater Enterprise funding to facilitate the completion of the Laguna Treatment Plant Disinfection Improvements Project. This item is requesting appropriations for one-time funding.

EXECUTIVE SUMMARY

This resolution would replace existing appropriations from the Local Wastewater Enterprise Fund with available fund balance identified in the Regional Wastewater Fund that is the operating fund the project benefits. The appropriations from Local Wastewater Fund were created to address gap funding needed due to inflationary pressure on the project. This resolution would authorize transfer ledger appropriations in the amount of \$7,592,708.81 for the Regional Enterprise for use on the Laguna Treatment Plant Disinfection Improvements Project (UV Replacement Project). This is necessary to replace the \$10 million in Local Wastewater Enterprise appropriations that were authorized by City Council via Resolution No: RES-2022-080 to ensure that the UV Replacement Project is fully funded by the Regional Wastewater Enterprise and avoiding the need to execute an interfund loan from the Local Wastewater Enterprise.

GOAL

This item relates to Council goals 1 and 2, achieve and maintain fiscal sustainability and budgeting excellence and invest in the development and maintenance of the City's infrastructure, respectively.

RESOLUTION – APPROPRIATION OF \$7,592,405.31 IN REGIONAL ENTERPRISE FUNDS TO REPLACE LOCAL WASTEWATER ENTERPRISE FUNDS CURRENTLY SUPPORTING THE LAGUNA TREATMENT PLANT DISINFECTION IMPROVEMENTS PROJECT
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BACKGROUND/PRIOR COUNCIL REVIEW

In 2012, the Division of Drinking Water (DDW) re-evaluated and subsequently de-rated the existing ultraviolet (UV) disinfection system capacity, resulting in deficiency under certain wet weather flow and low UV transmittance conditions. Additionally, the existing UV system was commissioned in 1998 and is at the end of its useful life. Through various analyses, Santa Rosa Water determined that replacing the existing UV system with a new UV system was the most feasible approach to address the capacity and reliability deficiencies.

At project inception, it was estimated that putting a new UV system in place would cost approximately \$70 million. In 2020, based on the recommendation from Santa Rosa Water, the SubRegional Partner Agencies, the Board of Public Utilities and its subcommittees, outside consultants, and the Finance Department, the City Council issued the 2020 series wastewater revenue bonds at a principal amount of \$70 million, intending for the bond issuance to cover the entirety of the estimated project costs. In 2022, the UV Replacement Project was awarded by the Board of Public Utilities.

The bond issuance occurred at the height of the global COVID 19 pandemic. During this time period, significant financial market pressures were realized including accelerated inflation, constraints on resource availability and supply chain disruption. These factors materialized in historical cost increases for services and supplies, utilities, chemicals and purchase prices for equipment.

By the time the design for the UV Replacement Project was complete and the other contractual components of the project were put out to bid, the \$70 million in revenue bonds were insufficient to cover the total project costs. To fully fund the UV Replacement Project, on April 26, 2022, Council authorized the appropriation of \$10 million in Local Wastewater Enterprise funding to fill the funding shortfall for the project via Resolution RES-2022-080.

ANALYSIS

When the design for the UV Replacement Project was complete and the other contractual components of the project were put out to bid, the \$70 million in revenue bonds were insufficient to cover the total project costs. To fully fund the UV Replacement Project, staff requested, and the City Council via resolution RES-2022-080 authorized \$10 million in expenditure appropriations for the project provided by reserves in the Local Wastewater Operations fund 1621.

Santa Rosa Water requested that the \$10 million in transfer budget from the Local Wastewater Enterprise be the last funding spent on the project, allowing time for staff to determine a strategy to replace that funding with Regional appropriations.

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Santa Rosa Water and Finance Department staff analyzed the most recent Regional Wastewater Enterprise Refund Reserve and determined that funding is currently available to replace \$7,592,708.81 in Local Wastewater transfer appropriations to fill the funding shortfall for the UV Replacement Project. This will ensure the project is fully funded through completion while avoiding the need to execute any fund-to-fund loans from the Local Wastewater Enterprise to the Regional Wastewater Enterprise.

Governmental accounting regulations and California Proposition 218 dictate that any funds loaned from one enterprise to another must constitute a loan to be paid back with interest. Furthermore, the Finance Department recommends eliminating or minimizing the usage of funds in this regard due to the added administrative and bookkeeping burdens required of such arrangements. Replacing this funding as requested allows completion of the UV Replacement Project, avoids putting an additional debt service burden on the Regional Enterprise and its partner agencies, and avoids the cost of interest on the funds.

The Regional Wastewater Enterprise is in a healthy reserve position, possessing over \$16.2 million in available reserves as of June 30, 2025. Santa Rosa Water staff discussed the possibility of utilizing some of that reserve balance to replace the Local Wastewater Enterprise funding at the February 5, 2026 SubRegional Technical Advisory Committee (SubTAC) meeting, and the SubTAC was supportive of the proposal.

If approved, the allocation of these funds would also allow for the return of \$7,592,708.81 to undesignated fund balance in the Local Wastewater Operating fund 1621.

FISCAL IMPACT

Approval of this item would first result in the reduction of \$7,592,708.81 in Local Wastewater Enterprise transfer appropriations, returning them to fund balance in the Local Wastewater operating fund 1621. This item would also result in the increase of Regional Wastewater Enterprise transfer appropriations to replace those removed, necessitating the consumption of some of the Regional Refund Reserve. There is sufficient refund reserve balance in the Regional Operations fund to absorb this.

ENVIRONMENTAL IMPACT

The proposed action has been reviewed in compliance with the California Environmental Quality Act (CEQA). Pursuant to CEQA Guidelines Section 15378, the recommended action is not a “project” subject to CEQA because it involves a fiscal appropriation and fund transfer that will not result in either a direct or reasonably foreseeable indirect physical change in the environment.

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In the alternative, the recommended action is exempt from CEQA pursuant to CEQA Guidelines Section 15061(b)(3) (Common Sense Exemption), as it can be seen with certainty that there is no possibility that the action may have a significant effect on the environment. Accordingly, no further environmental review is required.

BOARD/COMMISSION/COMMITTEE REVIEW AND RECOMMENDATIONS

On February 5, 2026, this item was discussed with SubTAC. SubTAC representatives expressed support for the proposal.

On March 5, 2026, the Board of Public Utilities (BPU), by motion, recommended that City Council authorize the appropriation of these funds.

NOTIFICATION

Not Applicable.

ATTACHMENTS

- Attachment 1 – History of the Regional Enterprise Refund Reserve
- Attachment 2 – City Council Resolution RES-2022-080
- Resolution

PRESENTER(S)

Nick Harvey, Deputy Director – Administration, Santa Rosa Water