

CITY OF SANTA ROSA  
BOARD OF PUBLIC UTILITIES

TO: BOARD OF PUBLIC UTILITIES  
FROM: KIMBERLY ZUNINO, DEPUTY DIRECTOR – ADMINISTRATION  
SANTA ROSA WATER  
SUBJECT: FY 2019/20 WATER AND LOCAL WASTEWATER FUNDS  
OPERATION, MAINTENANCE AND CAPITAL EXPENDITURE  
REQUESTS – RECOMMENDATION TO CITY COUNCIL

AGENDA ACTION: RESOLUTION

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RECOMMENDATION

It is recommended by Santa Rosa Water staff that the Board of Public Utilities, by resolution, recommend that the City Council approve the Fiscal Year 2019/20 Water Fund and Local Wastewater Fund operation, maintenance and capital expenditure appropriation requests.

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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, including a fixed charge increase of 5% and a wholesale water rate pass-through increase of approximately 1.9% (for a combined water rate increase of approximately 2.6% for most customers), combined with the use of current fund balances are considered sufficient to fund the prudent operation of the water system in 2019/20. The authorized 2.5% wastewater fixed and usage rate increases are considered sufficient to fund the prudent operation of the wastewater system and Santa Rosa's share of the Subregional system and maintain appropriate debt service ratios through 2019/20.

BACKGROUND

The Operations and Maintenance (O&M) budget and the Capital Improvement Program (CIP) were reviewed by the BPU Budget Subcommittee and by the full BPU in Study Session. If the BPU recommends these budget requests to the City Council, Council

will review the expenditure request in Study Session on May 22, 2019 and would approve the final budget after a public hearing in June.

### PRIOR CITY COUNCIL 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 – ADMINISTRATION FUND

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 \$928,714 or 10.5%, for the 2019/20 budget request. The majority of the increase is attributed to moving 9 support staff positions to the Administrative Fund for the purposes of distributing support service as needed throughout the three funds.

#### SANTA ROSA WATER – WATER FUND

The Water O&M Fund is up 4.3% including the purchase of wholesale water. This budget includes Water's share of Utility Billing, Internal Administration, and City Overhead.

Major changes include the approved Sonoma County Water Agency wholesale rate increase, increases to vehicle replacement and maintenance costs and administratively moving 6 Utility Systems Operators from the Wastewater Fund. This was an administrative only move for budget, staff is charged correctly through the payroll system to the appropriate fund but several vacant positions that were unfilled last year remained in the Wastewater Fund in the budget system.

The Water capital improvement budget is proposed to receive the baseline funding of \$13 million.

#### SANTA ROSA WATER – WASTEWATER FUND

The Wastewater O&M Fund budget request is down 2.2%.

Major changes include increases to vehicle repair and maintenance costs. However, the fund is still decreasing based on the administrative move of the Utility Systems Operators referenced above.

The Wastewater capital improvement budget is proposed to receive the baseline funding of \$12 million.

## **ASSUMPTIONS**

Staff assumes water use will be flat compared to 2018/19 and that wastewater billings will be flat in 2019/20 compared to 2018/19 sewer use. Staff assumes demand fees will decrease because rebuilding properties do not pay demand fees.

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 2019/20 Fiscal Year.

## **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 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**

Not applicable

## **ATTACHMENTS**

- Resolution

## **CONTACT**

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