

Budget Subcommittee

Board of Public Utilities

February 27, 2019



Santa Rosa Water | Our Future in Every Drop



Our mission:

Protecting public health
by sustaining water
resources, infrastructure
and the environment



Overview

- Budgeting Process, Rates and Funding
- Staff Assumptions
- Preliminary O&M
- CIP Funding
- Subregional Contributions
- Budget Schedule



Two Year Cycle

- Every two years, staff develops a two year budget
 - 2019/20 1st year of a two year cycle
- The Board recommends and Council adopts only the current year
- Pre-approved Rate Plan
 - In 2015 a 5-year rate plan was approved by City Council
 - Estimated increases of approximately 3% or less annually



5 Year Rate Schedule

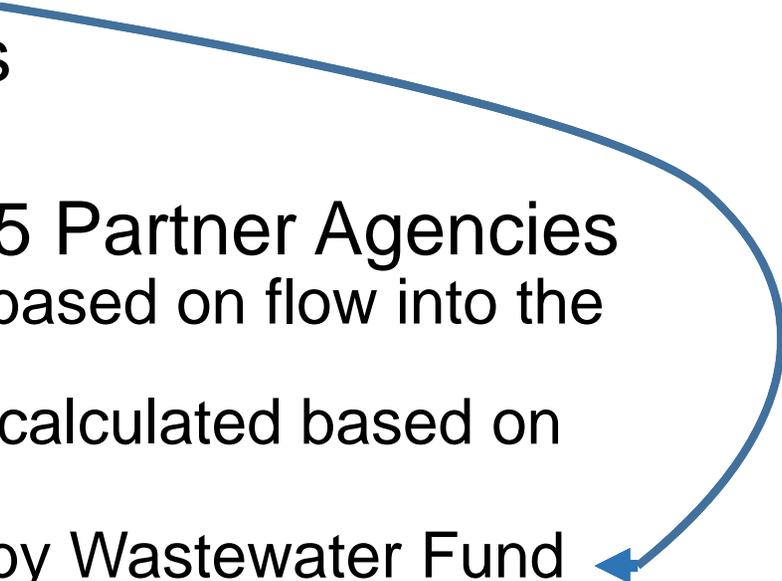
| | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2020/21 |
|--------------------|------------------|---------|---------|---------|---------|
| Water Usage | 0% | 0% | 0% | 0% | 0% |
| Water Fixed | 5% | 5% | 5% | 5% | 5% |
| Sewer Usage | 3% 2% | 3% | 3% | 2.5% | 2.5% |
| Sewer Fixed | 3% | 3% | 3% | 2.5% | 2.5% |

*SCWA Pass Through only applied to water usage charges
Sewer increases lowered to 2% in 2015/16 from planned 3%*



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Funding

- Water Enterprise
 - Funded by Fees and Rates
 - Wastewater Enterprise
 - Funded by Fees and Rates
 - Subregional Enterprise
 - Funded by Contributions - 5 Partner Agencies
 - Operating costs distributed based on flow into the Plant
 - Debt Service payments are calculated based on Subregional Agreement
 - Santa Rosa's share is paid by Wastewater Fund
- 

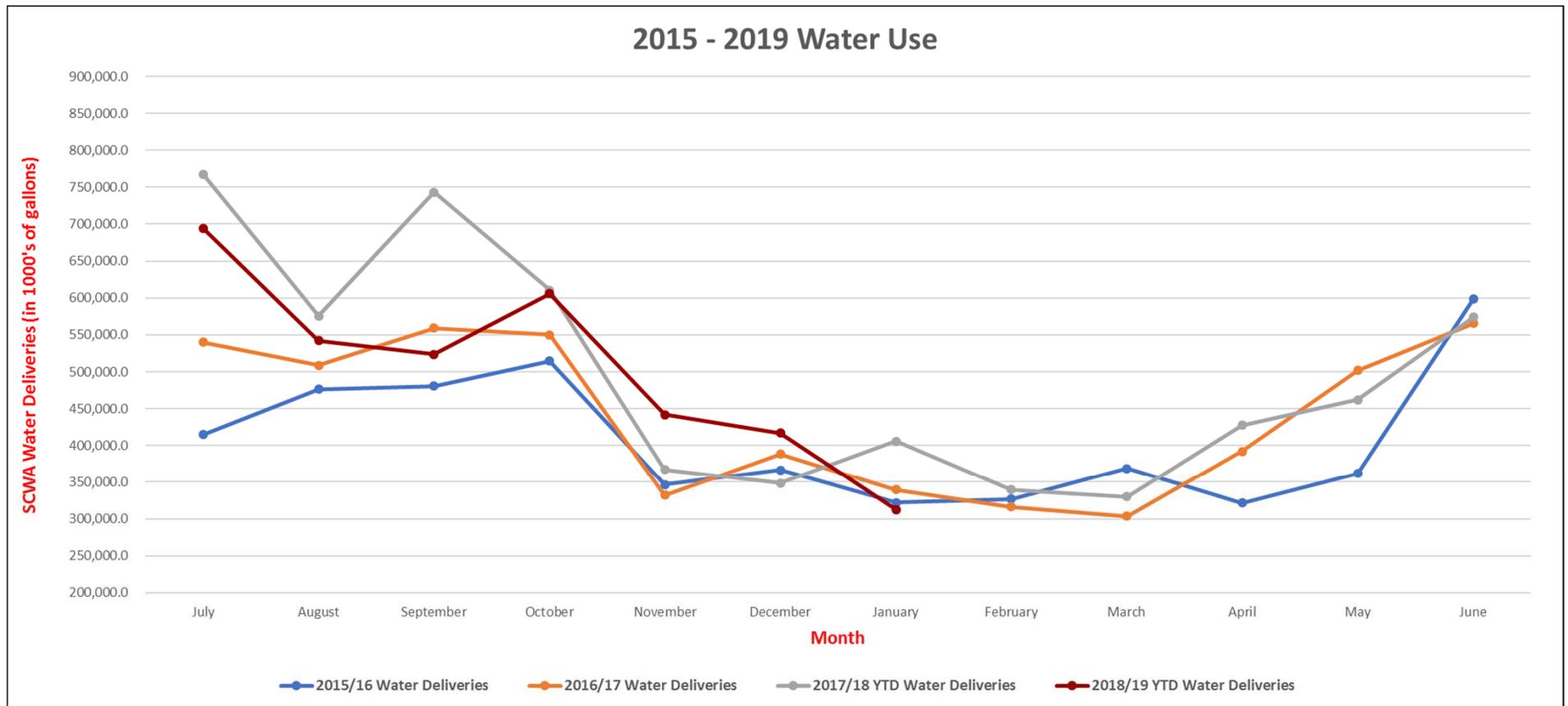
Staff Assumption

Water Usage

- Water use will be flat as compared to 2018/19 projection
 - Use trending monthly above and below
 - Increasing revenue by pass through only



Water Use



Staff Assumption

Wastewater Usage

- Wastewater use will remain flat in 2019/20
- Increasing revenue by 2.5% preplanned rate increase

Other Revenues

- Water and Wastewater
 - Demand Fees – Projecting small decrease
 - Charges for Service
 - Miscellaneous Fees to be adjusted this year
 - Interest Earnings
 - Current Earnings about 1%
- Subregional
 - Misc Revenues up 32% (high strength waste)
 - Agency Allocations – Make up balance of income



Budget Highlights

- Overall O&M department up 2%
- Continue FEMA recovery process
- Completing long range planning



Preliminary 2019/20 Operations & Maintenance Budget



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Purchase of Water

- Volume of water budgeting flat
- Sonoma Water - 4.6% increase in wholesale rate
 - Results in a 2% pass through usage charge increase



Water O&M

Wastewater O&M

- Water Overall up 1.5%
 - Base Salaries down **\$398k** & Benefits down **\$242k**
 - Water Billing up \$157k
- Wastewater Overall up 2.8%
 - Base Salaries up \$475k and Benefits up \$292k
 - Water Billing up \$144k
- Electricity up 10%
- City Overhead down estimated **1.8%**
- IT allocation down **5%**

Water and Wastewater Operations and Maintenance

- Water increasing 1.5%
- Wastewater increasing 2.8%

| Expenditure Object | 2018-19 Current Budget | 2019-20 Total Request | Change | % |
|--|------------------------|-----------------------|------------------|------------|
| 1611 - Water Utility Operations | | | | |
| 0000 Total Uncategorized | \$187,810 | \$154,381 | (\$33,429) | -17.8 |
| 5100 Total Salaries | \$3,816,195 | \$3,418,089 | (\$398,106) | -10.4 |
| 5200 Total Benefits | \$2,463,036 | \$2,220,638 | (\$242,398) | -9.8 |
| 5320 Total Professional Services | \$320,030 | \$349,362 | \$29,332 | 9.2 |
| 5360 Total Other Miscellaneous | \$443,513 | \$301,501 | (\$142,012) | -32.0 |
| 5330 Total Vehicle Expenses | \$1,008,621 | \$1,153,693 | \$145,072 | 14.4 |
| 5325 Total Utility Billing Svcs | \$2,359,857 | \$2,516,938 | \$157,081 | 6.7 |
| 5331 Total Utilities | \$962,980 | \$1,064,375 | \$101,395 | 10.5 |
| 5332 Total Purchase Water | \$14,101,315 | \$14,728,616 | \$627,301 | 4.4 |
| 5340 Total Operational Supplies | \$1,137,431 | \$1,144,222 | \$6,791 | 0.6 |
| 5349 Total Information Technology | \$692,274 | \$648,575 | (\$43,699) | -6.3 |
| 5351 Total Liab/Property Insurance | \$131,233 | \$107,339 | (\$23,894) | -18.2 |
| 5400 Total Indirect Costs | \$4,479,473 | \$4,632,501 | \$153,028 | 3.4 |
| 5500 Total Capital Outlay | \$0 | \$147,000 | \$147,000 | 100.0 |
| Fund Total: 1611 - Water Utility Operations | \$32,103,768 | \$32,587,230 | \$483,462 | 1.5 |
| 1621 - Local Wastewater Utility Fund | | | | |
| 0000 Total Uncategorized | \$676,826 | \$107,833 | (\$568,993) | -84.1 |
| 5100 Total Salaries | \$2,173,008 | \$2,648,289 | \$475,281 | 21.9 |
| 5200 Total Benefits | \$1,369,024 | \$1,661,212 | \$292,188 | 21.3 |
| 5320 Total Professional Services | \$224,000 | \$229,173 | \$5,173 | 2.3 |
| 5360 Total Other Miscellaneous | \$536,500 | \$179,900 | (\$356,600) | -66.5 |
| 5330 Total Vehicle Expenses | \$930,780 | \$978,479 | \$47,699 | 5.1 |
| 5325 Total Utility Billing Svcs | \$2,178,329 | \$2,323,327 | \$144,998 | 6.7 |
| 5331 Total Utilities | \$79,700 | \$85,650 | \$5,950 | 7.5 |
| 5340 Total Operational Supplies | \$342,100 | \$336,600 | (\$5,500) | -1.6 |
| 5349 Total Information Technology | \$502,241 | \$474,081 | (\$28,160) | -5.6 |
| 5351 Total Liab/Property Insurance | \$76,929 | \$58,024 | (\$18,905) | -24.6 |
| 5400 Total Indirect Costs | \$3,409,263 | \$3,761,504 | \$352,241 | 10.3 |
| 5500 Total Capital Outlay | \$0 | \$0 | \$0 | 0.0 |
| Fund Total: 1621 - Local Wastewater Utility | \$12,498,700 | \$12,844,072 | 345,372 | 2.8 |

Subregional O&M

- Overall up 0.8%
- Salaries down **\$189k** benefits up \$54k
- Electricity up 10%



Subregional Operations and Maintenance

- Increasing 0.8%

| Expenditure Object | 2018-19 Current Budget | 2019-20 Total Request | Change | % |
|---|------------------------|-----------------------|------------------|------------|
| 1631 - Subregional Waste Operations | | | | |
| 0000 Total Uncategorized | \$2,276,803 | \$1,663,583 | (\$613,220) | -26.9 |
| 5100 Total Salaries | \$10,139,163 | \$9,949,301 | (\$189,862) | -1.9 |
| 5200 Total Benefits | \$5,682,776 | \$5,737,163 | \$54,387 | 1.0 |
| 5320 Total Professional Services | \$2,575,972 | \$2,681,896 | \$105,924 | 4.1 |
| 5360 Total Other Miscellaneous | \$526,798 | \$508,782 | (\$18,016) | -3.4 |
| 5330 Total Vehicle Expenses | \$975,851 | \$1,114,619 | \$138,768 | 14.2 |
| 5331 Total Utilities | \$4,472,650 | \$4,404,325 | (\$68,325) | -1.5 |
| 5332 Total Purchase Water | \$0 | \$0 | \$0 | 0.0 |
| 5340 Total Operational Supplies | \$2,918,234 | \$3,183,594 | \$265,360 | 9.1 |
| 5349 Total Information Technology | \$781,760 | \$711,670 | (\$70,090) | -9.0 |
| 5351 Total Liab/Property Insurance | \$652,457 | \$697,429 | \$44,972 | 6.9 |
| 5350 Total Debt Service | \$417,678 | \$417,678 | \$0 | 0.0 |
| 5400 Total Indirect Costs | \$3,456,241 | \$4,117,056 | \$660,815 | 19.1 |
| 5500 Total Capital Outlay | \$50,000 | \$25,000 | (\$25,000) | -50.0 |
| Fund Total: 1631 - Subregional Waste Ops | \$34,926,383 | \$35,212,096 | \$285,713 | 0.8 |



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Position Changes

- Reclassification
 - Currently Sustainability Technician
 - Proposed Sustainability Representative
- Deletions
 - Sustainability Technician
 - 2 – Utilities Systems Operators
 - Skilled Maintenance Worker
 - Environmental Compliance Inspector
- Moved administrative staff to Administrative Fund



Operations and Maintenance Discussions / Questions?



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CIP Funding

- Prioritizing projects
- Planned Funding
 - Water - \$13m
 - Wastewater - \$12m
 - Subregional - \$6m



CIP DISCUSSION / QUESTIONS?



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Subregional Contribution Allocations 2019/20



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Annual Flow into Plant

| Actual Flows per Annual Memo | 2013/14 | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2017/18 % |
|---|----------------|----------------|----------------|----------------|----------------|------------------|
| Santa Rosa | 4,564.50 | 4,405.81 | 4,528.13 | 5,741.70 | 4,512.33 | 72.73% |
| Rohnert Park | 1,093.78 | 1,119.63 | 1,161.02 | 1,337.22 | 1,173.63 | 18.92% |
| Sebastopol | 176.46 | 169.65 | 175.73 | 211.09 | 169.85 | 2.74% |
| Cotati | 136.26 | 150.46 | 146.30 | 168.51 | 147.77 | 2.38% |
| SPCSD | 205.67 | 198.76 | 203.84 | 242.01 | 200.61 | 3.23% |
| | 6,176.67 | 6,044.31 | 6,215.02 | 7,700.53 | 6204.19 | |



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Estimated Regional Miscellaneous Revenues

| | 2017/18 Actual | 2018/19 Budgeted | 2019/20 Projected |
|---|--------------------|---------------------|----------------------|
| Property Rentals | \$114,141 | \$90,000 | \$90,000 |
| Interest on Pooled Investments | \$490,282 | \$100,000 | \$100,000 |
| Compost Sales | \$110,973 | \$110,000 | \$110,000 |
| Sale of Water (recycled) - Retail | \$238,764 | \$250,000 | \$250,000 |
| Sale of Water (recycled) - Wholesale | \$15,165 | \$23,000 | \$23,000 |
| Laboratory Services | \$136,115 | \$85,000 | \$85,000 |
| Dumping Charges at Plants including High Strength Tipping | \$1,640,911 | \$900,000 | \$1,800,000 |
| Miscellaneous Fees and Charges | \$19,737 | \$7,500 | \$7,500 |
| Miscellaneous | \$112,906 | \$25,000 | \$25,000 |
| Calpine - per Agreement | \$300,336 | \$300,000 | \$300,000 |
| SCWA - Acceptance of Recycled Water | \$1,000 | \$0 | \$0 |
| Town of Windsor - per Geysers Agreement | \$569,153 | \$879,310 | \$913,793 |
| Town of Windsor - Environmental Compliance Contract | \$20,000 | \$20,000 | \$20,000 |
| Energy Rebates including PG&E SGIP Refund | \$210,000 | \$0 | Complete |
| Cost Reimbursement | \$6,421 | \$7,500 | \$7,500 |
| Dairy Waste Loan Payments | \$105,093 | \$118,474 | \$118,000 |
| | \$4,090,997 | \$2,915,784 | \$3,849,793 |



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| Fund Summary 2019/20 | | |
|---|--|-----------------------|
| | | 2019/20 Budget |
| Operating Expenditure Request | | \$35,212,096 |
| Transfers Out: | | |
| City Accounting Software - Fund 0316 | | |
| Water Capital Fund (software projects) | | |
| CEC Loan Debt Service Fund | | 51,563 |
| Subregional WW Capital (Cash funded CIP) | | 6,000,000 |
| Additional Operating Reserve needed | | 7,632 |
| Expenditures / Transfers Out / Change in Operating Reserve | | \$41,271,291 |
| | | |
| Subregional System Reserves for 2019/20 | | |
| Operating Reserves (15% of projected expenditures) | | \$5,281,814 |
| Geysers Reserves | | \$1,250,000 |
| Catastrophic Reserve | | \$1,700,000 |
| User Agency Reserve | | \$5,000,000 |
| | | \$13,231,814 |
| | | |
| | | |
| | | |
| Agency Contribution Calculation: | | |
| Expenditures / Transfers Out / Change in Operating Reserve | | \$41,271,291 |
| Less Revenue | | (\$3,849,793) |
| Agency Contribution | | \$37,421,498 |

Total Contributions

| | 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 | \$22,852,856 | \$4,363,800 | \$17,556,802 | \$44,773,458 | -\$2,459,991 | -5.2% |
| Rohnert Park | \$10,092,077 | \$5,944,947 | \$1,135,200 | \$3,483,401 | \$10,563,548 | \$471,471 | 4.7% |
| Sebastopol | \$1,674,414 | \$860,949 | \$164,400 | \$594,470 | \$1,619,819 | -\$54,595 | -3.3% |
| Cotati | \$1,765,731 | \$747,832 | \$142,800 | \$857,099 | \$1,747,731 | -\$18,000 | -1.0% |
| SPCSD | \$1,680,112 | \$1,014,914 | \$193,800 | \$474,379 | \$1,683,093 | \$2,981 | 0.2% |
| | \$62,445,783 | \$31,421,498 | \$6,000,000 | \$22,966,151 | \$60,387,649 | -\$2,058,134 | -3.3% |
| | | | \$37,421,498 | | \$60,387,649 | -\$2,058,134 | |

Miscellaneous Revenues removed from 2019/20 O&M

Retained Contributions

| | Retained June 30, 2018 | Applied to 2018/19 Contribution | Refund 2017/18 | Estimated Total |
|--------------|---------------------------|---------------------------------------|-------------------|--------------------|
| Santa Rosa | \$3,307,072 | \$2,800,000 | \$4,209,021 | \$4,716,093 |
| Rohnert Park | \$1,914,027 | \$994,810 | \$199,493 | \$1,118,710 |
| Sebastopol | \$354,946 | \$139,822 | \$90,918 | \$306,042 |
| Cotati | \$223,415 | \$32,145 | \$99,461 | \$290,731 |
| SPCSD | \$413,184 | \$179,882 | \$105,412 | \$338,714 |
| | \$6,212,644 | \$4,146,659 | \$4,704,305 | \$6,770,290 |

Budget Schedule

- **BPU** – March 7th
 - Sonoma Water Rate Increase
- **City Council** – March 26th
 - Sonoma Water Rate Increase
- **Subregional Partners** – March 14th & April 4th
 - Recommendation for approval to BPU
- **BPU** – April 4th
 - O&M, CIP and Subregional Study Session
- **BPU** – April 18th
 - Budget Recommendation to City Council
- **City Council** – April 23rd
 - Preliminary approval of Subregional Budget
- **City Council** – May 14th & 15th
 - Budget Study Sessions

DISCUSSION / QUESTIONS?



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CONNECT WITH US!

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