

CITY OF SANTA ROSA
CITY COUNCIL

TO: MAYOR AND CITY COUNCIL
FROM: NICK HARVEY, ACTING DEPUTY DIRECTOR,
ADMINISTRATION
SANTA ROSA WATER
SUBJECT: APPROVAL OF THE PRELIMINARY FISCAL YEAR 2024/25
REGIONAL WATER REUSE SYSTEM OPERATING AND
MAINTENANCE, CAPITAL IMPROVEMENT, AND DEBT
SERVICE BUDGET AND ALLOCATION OF COSTS

AGENDA ACTION: RESOLUTION

RECOMMENDATION

It is recommended by Santa Rosa Water, the Subregional Technical Advisory Committee, and the Board of Public Utilities that the Council, by resolution, approve the Preliminary Fiscal Year 2024/25 Regional Water Reuse System Operating and Maintenance, Capital Improvement, and Debt Service Budget and Allocation of Costs for the purpose of notifying the Regional Water Reuse User Agencies of their allocation of such costs by May 1, 2024.

EXECUTIVE SUMMARY

The Regional Water Reuse System, managed by Santa Rosa Water (SRW) per Agreement, is a state-of-the-art wastewater treatment facility serving five member agencies, the cities of Santa Rosa, Rohnert Park, Sebastopol, and Cotati, and the Sonoma County South Park Sanitation District, each hereinafter referred to as "User Agency" or collectively as "User Agencies." The Operating Agreement (Agreement) requires that SRW annually prepare a Preliminary Budget and Allocation of Costs for the Regional Water Reuse System and notify the User Agencies of these costs by May each year. The Agreement further requires that the proposed budget and allocation of costs be reviewed by the Subregional Technical Advisory Committee (SubTAC), the Board of Public Utilities (BPU) and the Council of the City of Santa Rosa prior to noticing the User Agencies of operating and debt service costs due.

The Regional Fiscal Year 2024/25 Operations and Maintenance (O&M) Fund budget request is \$47,769,055 the Regional cash-funded Capital Improvement Program (CIP) request is \$11,000,000, and the Regional debt service due is \$21,673,172.

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This fiscal year our Regional Reuse Enterprise is requesting two new positions. The first new position, Recycled Water Supervisor, would replace an existing Skilled Maintenance Worker. The second new position, Trucked Waste Coordinator, would replace an existing Department Application Specialist. We are also moving the Water Reuse Engineer, previously budgeted in our Asset Management division. That position now works exclusively for, and reports to the Deputy Director of Water Reuse. If approved by City Council, these changes add approximately \$476,000 to the annual O&M request. For clarity, these changes have already been approved by the City Manager and Human Resources, and the changes have already been incorporated into our budget request.

BACKGROUND

Each year, the Laguna Treatment Plant (Plant) recycles approximately six billion gallons of treated wastewater from homes, businesses and industries located within the Santa Rosa Regional System, serving the cities of Santa Rosa, Rohnert Park, Sebastopol, Cotati, and the Sonoma County South Park Sanitation District.

Operating costs are allocated to each of the User Agencies based on each User Agency's share of annual flows into the Plant. The cash funding for CIP, per the Agreement, distributes the allocation based on defined capacities for each User Agency. Debt service costs are allocated according to the time the debt was issued and the repayment schedule.

PRIOR CITY COUNCIL REVIEW

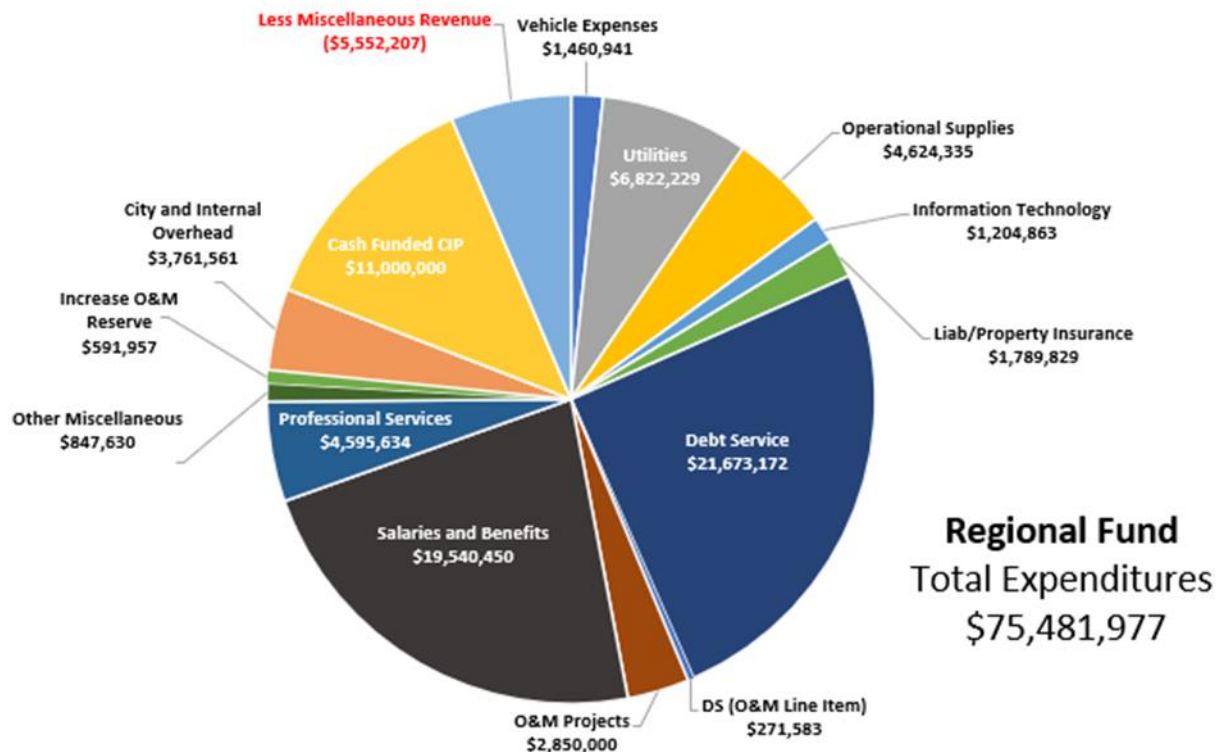
Each year the City Council reviews the Preliminary Regional Water Reuse O&M, CIP, and Debt Service proposed budgets and allocation of costs prior to notifying the User Agencies of the allocations.

Additionally, each year the City Council reviews the Regional Water Reuse O&M, CIP, and Debt Service proposed budgets as part of the City-wide budget process in May and June.

ANALYSIS

The Preliminary Regional Water Reuse O&M Fund budget request is \$47,559,615, the Regional cash-funded CIP request is \$11,000,000, and the Regional debt service due is \$21,673,172. The budget breakdown is as follows:

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In general, the major cost drivers include:

- Cash funded CIP is \$11,000,000 – Increasing \$1 million per year per agreement by the User Agencies.
- Salaries and Benefits up 7.3% - Increase due to 2.5% COLA assumption.
- Utilities are up 19.7% - PG&E rates are expected to continue increasing this year, continuing recent trends.
- Professional Services up 14.8% - We've increased outside services to account for the possibility that we may have to haul and dispose of a much larger quantity of our biosolids with Lystek due to uncertainty around land availability.

O&M expenditures are offset by expected revenues of \$5,522,207 for various services and agreements that generate revenues for the Regional fund. Projected revenues are up slightly from our Fiscal Year 2023/24 budget, mainly driven by strong growth in our trucked waste tipping fees.

Operating costs are allocated based on metered flow into the Plant. The actual impact to each User Agency can vary slightly year to year as flows fluctuate. The total due this fiscal year from each User Agency for operations is based on 2022/23 flows (shown in million gallons):

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Actual Annual Flows	2022/23	
	2022/23	Percentage
Santa Rosa	5,225.50	73.46%
Rohnert Park	1,263.07	17.76%
Sebastopol	180.68	2.54%
Cotati	233.60	3.28%
SPCSD	210.21	2.96%
	7,113.06	100.00%

Cash funded CIP costs are allocated based on each User Agency's capacity as defined in the Agreement:

CIP Per Agreement	
Santa Rosa	70.76%
Rohnert Park	19.70%
Sebastopol	3.26%
Cotati	2.95%
SPCSD	3.33%

Debt service is owed by the Regional Water Reuse 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 time the debt was issued and the corresponding debt repayment schedule.

Fiscal Year 2024/25 projected allocations to each User Agency are as follows:

	Total 2023/24	2024/25 Budgeted O&M	2024/25 CIP Contribution	2024/25 Debt Service	Total 2024/25	Difference	%
Santa Rosa	\$52,597,462	\$31,448,830	\$7,783,600	\$16,173,829	\$55,406,259	\$2,808,797	5.34%
Rohnert Park	\$12,941,228	\$7,601,583	\$2,167,000	\$3,528,543	\$13,297,126	\$355,898	2.75%
Sebastopol	\$2,152,842	\$1,087,393	\$358,600	\$672,443	\$2,118,436	(\$34,406)	-1.60%
Cotati	\$2,348,951	\$1,405,884	\$324,500	\$776,433	\$2,506,817	\$157,866	6.72%
SPCSD	\$2,066,403	\$1,265,115	\$366,300	\$521,924	\$2,153,339	\$86,936	4.21%
	\$72,106,886	\$42,808,805	\$11,000,000	\$21,673,172	\$75,481,977	\$3,375,091	4.68%

FISCAL IMPACT

Santa Rosa Water's share of the Regional Water Reuse allocated costs are built into the Wastewater Financial Plan and the adopted 2% increase for wastewater. We are proposing a balanced Wastewater budget, inclusive of Santa Rosa's contributions to the

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Regional Enterprise. While there are no immediate rate impacts to our customers, the planned cash Capital Improvement Program (CIP) appropriations for the Local Wastewater Enterprise are being significantly scaled back. This enables us to balance the 2024/25 budget without decreasing service levels for our ratepayers or having to make O&M cuts that would adversely affect our operations.

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

On March 19, 2024, the Board of Public Utilities Budget Subcommittee reviewed and recommended approval of the proposed Fiscal Year 2024/25 Regional Water Reuse System budget and allocation of costs.

On April 4, 2024, the proposed Fiscal Year 2024/25 Regional Water Reuse System budget and allocation of costs was reviewed and recommended for approval by the SubTAC.

On April 4, 2024, the Board of Public Utilities reviewed and recommended, by resolution, that the City Council approve the Preliminary Fiscal Year 2024/25 Regional Water Reuse System budget and allocation of costs.

NOTIFICATION

Not Applicable.

ATTACHMENTS

- Resolution

PRESENTER

Nick Harvey, Acting Deputy Director - Administration