

CITY OF SANTA ROSA  
BOARD OF PUBLIC UTILITIES

TO: BOARD OF PUBLIC UTILITIES  
FROM: LINDA REED, DEPUTY DIRECTOR – ADMINISTRATION  
SANTA ROSA WATER  
SUBJECT: FY 2017/18 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 2017/18 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 appropriation.

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 2.2% (for a combined water rate increase of approximately 2.7% for most customers), combined with the use of current fund balances are considered sufficient to fund the prudent operation of the water system in fiscal year 2017/18. The authorized 3% wastewater rate increase combined with the use of current fund balances 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 fiscal year 2017/18.

## 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 Board recommends these budget requests to the City Council, Council will review the expenditure request in Study Session on May 16, 2017, and would approve the final budget after a public hearing in mid-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 \$806,201, or 11.4%, for the fiscal year 2017/18 budget request. Most the increase is attributed to salary and benefit increases including system generated base salary increases and three new positions.

The three new positions are;

- Associate Right-of-Way Agent (\$103,934, or \$31,180 after anticipated charge outs)
- Community Outreach Specialist (\$88,066)
- Senior Administrative Assistant - Water & Engineering Services (\$72,654)

### SANTA ROSA WATER – WATER FUND

The Water O&M Fund is up \$1,512,902, or 4.7% including the purchase of wholesale water, or \$1,401,602, or 8.8% excluding the purchase of wholesale water. This budget includes Water's share of Utility Billing, Internal Administration (including Asset Management and Water Use Efficiency), and City Overhead.

Major changes include increases in Electricity (up \$159,800 or 21%), City Overhead (up \$133,635 or 14.2%), Utility Billing (up \$89,390 or 4.3%) and Information Technology Overhead (up \$88,782 or 18.4%).

With recommended changes based on a classification study, Salaries and Benefits are up \$800,488, with \$416,304 attributable to the classification study.

The Water capital improvement project budget remains at the baseline funding of \$13 million annually.

#### SANTA ROSA WATER – WASTEWATER FUND

The Wastewater O&M Fund budget request is up \$927,637 or 8.2%.

Major changes include increases in Utility Billing (up \$89,930 or 4.3%), City Overhead (up \$71,804 or 11.7%) and Information Technology Overhead (up \$72,195 or 21.1%).

With recommended changes based on a classification study, Salaries and Benefits are up \$407,881, with \$311,153 attributable to the classification study.

The Wastewater capital improvement budget remains at the baseline funding of \$12 million annually

Staff assumes water use will be flat in fiscal year 2017/18 and that wastewater billings will be up 2% in fiscal year 2017/18 compared to 2016/17 per this year's winter water usage. Staff assumes that water and wastewater use will be flat in future years for Financial Plan assumptions.

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. In 2016, staff recommended and Council approved a reduction in the preapproved wastewater increase to 2%. Staff recommends that rate increases proceed as adopted in July 2017.

#### FISCAL IMPACT

These revenues and expenditures are built into Santa Rosa Water's long term Financial Plans. There is no immediate rate implication to the authorized rate plan from the Fiscal Year 2017/18 proposed budget due to the use of available fund balances.

#### 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

- Resolutions

## CONTACT

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