

CITY OF SANTA ROSA
BOARD OF PUBLIC UTILITIES

TO: BOARD OF PUBLIC UTILITIES
FROM: KIMBERLY ZUNINO, DEPUTY DIRECTOR – ADMINISTRATION
SANTA ROSA WATER
SUBJECT: RECOMMENDATION FOR CITY COUNCIL APPROVAL OF THE
PRELIMINARY 2018/19 SUBREGIONAL 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 Staff and the Technical Advisory Committee (TAC) that the Board of Public Utilities, by resolution, recommend that the City Council approve the 2018/19 Subregional System Operating and Maintenance, Capital Improvement, and Debt Service Budget and Allocation of Costs.

EXECUTIVE SUMMARY

The Subregional System, managed by the City of Santa Rosa per the Agreement, is a state-of-the-art wastewater treatment facility serving five member agencies (Santa Rosa, Rohnert Park, Sebastopol, Cotati, and the Sonoma County South Park Sanitation District, each hereinafter referred to as “User Agency” or collectively as “User Agencies”). The Laguna Treatment Plant is a tertiary-level treatment facility permitted for 21.34 million gallons per day (MGD) average dry weather flow.

The Subregional Operations and Maintenance (O&M) Fund budget request is \$35,161,214, the Regional Subregional cash-funded Capital Improvement Program (CIP) is \$11,739,000 and the Subregional debt service due is \$22,319,235.

The operating Agreement requires that the City annually prepare a Preliminary Budget and Allocation of Costs for the Subregional System and notify the User Agencies of these costs by May 1st of each year. The Agreement further requires that the proposed budget and allocation of costs be reviewed by the Subregional Technical Advisory Committee (TAC), the Board of Public Utilities (BPU) and the Council of the City of Santa Rosa prior to noticing the partners of operating and debt service costs due. The Council will be asked to approve the preliminary budget for the purpose of notifying the

User Agencies on May 2, 2018, and will again review the proposed budget with the city-wide budget study session on May 16, 2018.

BACKGROUND

Each year, the Treatment Plant recycles billions of gallons of treated wastewater from homes, businesses and industries located within the Santa Rosa Subregional System, which serves the cities of Santa Rosa, Rohnert Park, Sebastopol, Cotati and the Sonoma County South Park Sanitation District.

The operating Agreement between the User Agencies has been modified five times, most recently in 2008. A Subregional Technical Advisory Committee comprised of staff from each User Agency meets on a regular basis to review the operations of the system.

Operating and cash-funding capital improvement costs are allocated to the User Agencies based on annual flow into the plant. Debt service costs are allocated according to the Subregional Agreement in place at the time the debt was issued.

PRIOR CITY COUNCIL REVIEW

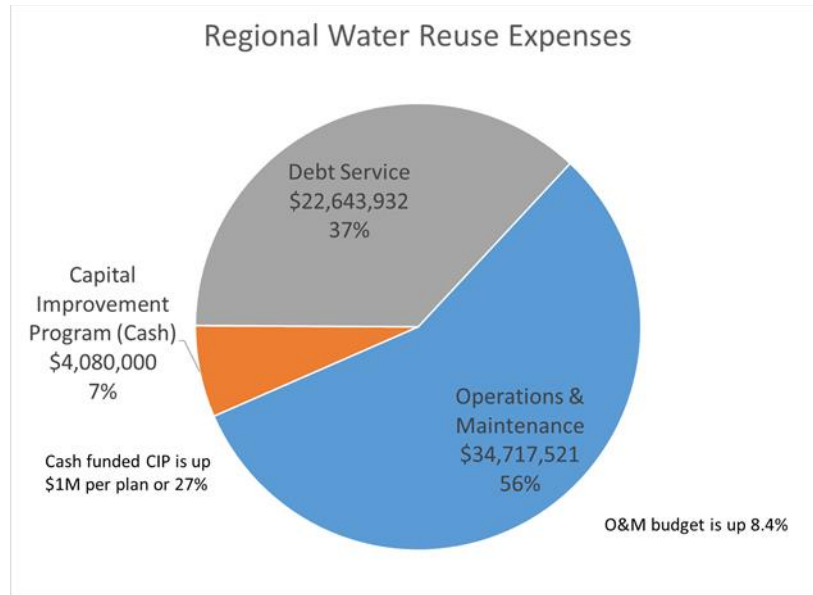
Each year the City Council reviews the Preliminary Subregional Operations and Maintenance, Capital Improvement Program, and Debt Service proposed budgets and allocation of costs prior to notifying the User Agencies of the allocations.

Additionally, each year the City Council reviews the Subregional Operations and Maintenance, Capital Improvement Program, and Debt Service proposed budgets as part of the City-wide budget process in May and June.

ANALYSIS

The Subregional Operations and Maintenance (O&M) Fund budget request is \$35,161,214, the Subregional cash-funded Capital Improvement Program (CIP) is \$11,739,000 and the Subregional debt service due is \$22,319,235.

The budget breakdown is as below:



In general, the major cost drivers include:

- An increased cash funded CIP
 - Previously planned \$5,080,000, increased to \$11,739,000
 - Diversion Phase of UV Project to be cash funded 2018/19
- Electricity rates up 10%
- O&M budget up 0.4%

Expenditures are offset by earned revenues of \$2,915,784 for various services and agreements. Projected revenues are down from 2017/18 due to completion of PG&E rebate program. The remainder of the required revenue is billed to the User Agencies.

Operating costs are allocated based on prior year flow into the plant, so the actual impact to each User Agency can vary slightly year to year as flows fluctuate. The total due from each User Agency for operations and cash funded CIP is based on 2017 flows:

Actual Flows per Annual Memo	Million Gallons	
	2016/17	2016/17 %
Santa Rosa	5,741.70	74.57%
Rohnert Park	1,337.22	17.36%
Sebastopol	211.09	2.74%
Cotati	168.51	2.19%
SPCSD	242.01	3.14%
	7,700.53	

Debt service is owed by the Subregional 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 Subregional Agreement in place at the time the debt was issued.

Typically, the User Agencies receive a refund of allocations collected but not spent in the previous year that can be used to offset future costs.

2018/19 allocations have been calculated based on applying excess collections to smooth the 2018/19 and projected allocations as follows, retained funds for future use are also shown:

	2017/18 Total with Refund Applied	Total 2018/19	Applied Refund 2018/19	Total with Applied 2018/19 Refund	% Difference Refund Applied	Retained Reserves Remainder
Santa Rosa	\$43,748,895	\$50,033,449	\$2,800,000	\$47,233,449	8.0%	\$497,872
Rohnert Park	\$9,611,502	\$11,086,887	\$994,810	\$10,092,077	5.0%	\$458,331
Sebastopol	\$1,594,680	\$1,814,236	\$139,822	\$1,674,414	5.0%	\$237,783
Cotati	\$1,681,649	\$1,797,876	\$32,145	\$1,765,731	5.0%	\$160,914
SPCSD	\$1,600,107	\$1,859,994	\$179,882	\$1,680,112	5.0%	\$193,583
	\$58,236,833	\$66,592,442	\$4,146,658	\$62,445,784		\$1,548,484

FISCAL IMPACT

Santa Rosa's share of Subregional allocated costs are built into the Wastewater Financial Plan. There is no immediate rate implication to the authorized rate plan from the Fiscal Year 2018/19 proposed budget due to allocation offsets saved from previous years and 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

The proposed Subregional budget recommendation was reviewed and recommended by motion by the Subregional TAC at a meeting on April 12, 2018.

ATTACHMENTS

- Resolution

CONTACT

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