

CITY OF SANTA ROSA
CITY COUNCIL

TO: MAYOR AND CITY COUNCIL
FROM: JENNIFER BURKE, DIRECTOR, SANTA ROSA WATER
SUBJECT: APPROVAL OF THE PRELIMINARY FISCAL YEAR 2025/26
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 the Board of Public Utilities, the Subregional Technical Advisory Committee, and Santa Rosa Water that the Council, by resolution, approve the Preliminary Fiscal Year 2025/26 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, 2025.

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 \$53,419,287, the Regional cash-funded Capital Improvement Program (CIP) request is \$12,000,000, and the Regional debt service due is \$18,299,256.

BACKGROUND

Each year, the Laguna Treatment Plant (LTP) recycles approximately seven billion gallons of treated wastewater from homes, businesses and industries located within the

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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 LTP. 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.

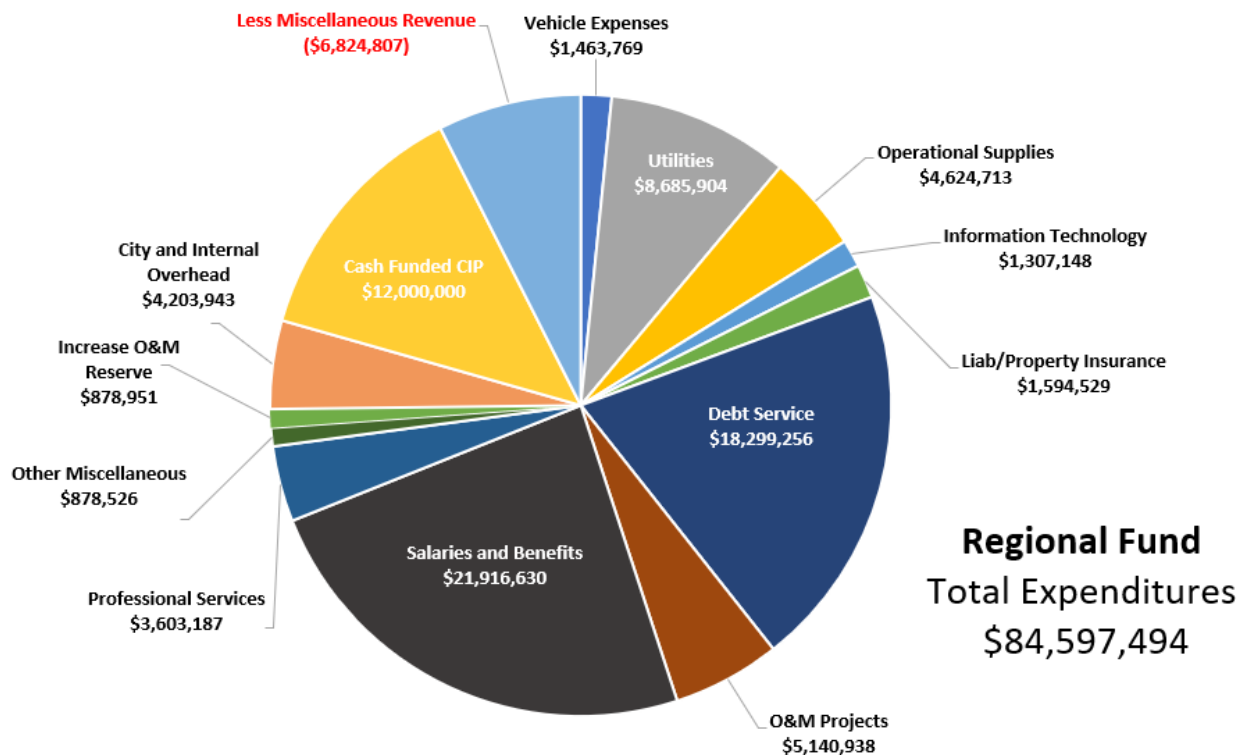
PRIOR CITY COUNCIL REVIEW

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 \$53,419,287, the Regional cash-funded CIP request is \$12,000,000, and the Regional debt service due is \$18,299,256. The budget breakdown is as follows:



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In general, the major cost drivers include:

- Cash funded CIP is \$12,000,000 – Increasing \$1 million per year per agreement by the User Agencies.
- Salaries and Benefits up 9% - Citywide salary increases. Includes consideration for 4% salary increases effective July 1, 2025, per the currently adopted Memorandums of Understanding (MOUs) with labor unions as well as 5% for equity increases for the up-to 5% equity adjustments the City will make to applicable job classifications based upon the ongoing classification and compensation study.
- Potential re-classifications and potential additional positions.
- Electricity up 27% - PG&E rates are expected to increase up to 6% in 2025/26. Furthermore, this line item appears to be under-budgeted in the current fiscal year. As such this line item also includes consideration for the increased quantity of electricity being consumed at LTP.
- Operations and Maintenance project budgets up 91%. The Regional system relies on O&M project budgets to cover the costs of maintenance and consumable supplies at LTP. Project budgets for next year include funds for the replacement and calibration of electrical tools, the purchase of lime for use in biosolid land application, and costs for setting up facilities in preparation of the new ultra violet (UV) disinfection system once that capital project is complete and operational.

O&M expenditures are offset by expected revenues of \$6,824,807 for various services and agreements that generate revenues for the Regional fund. Projected revenues are up \$3.3 million from the current fiscal year driven by our trucked waste program, a contractual escalation in revenues from the Town of Windsor, as well as expected growth in interest revenues generated by cash reserves in the fund.

Operating costs are allocated based on metered flow into LTP. 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 2023/24 flows (shown in million gallons):

Actual Annual Flows	2023/24	
	2023/24	Percentage
Santa Rosa	5,320.77	73.45%
Rohnert Park	1,293.34	17.85%
Sebastopol	170.24	2.35%
Cotati	235.60	3.25%
SPCSD	224.28	3.10%
	7,244.23	100.00%

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

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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 2025/26 projected allocations to each User Agency are as follows:

	Total 2024/25	2025/26 Budgeted O&M	2025/26 CIP Contribution	2025/26 Debt Service	Total 2025/26	Difference	%
Santa Rosa	\$55,843,336	\$34,868,469	\$8,491,200	\$13,953,227	\$57,312,896	\$1,469,560	2.63%
Rohnert Park	\$13,402,773	\$8,475,613	\$2,364,000	\$2,842,840	\$13,682,453	\$279,680	2.09%
Sebastopol	\$2,133,549	\$1,115,630	\$391,200	\$447,059	\$1,953,889	(\$179,660)	-8.42%
Cotati	\$2,526,356	\$1,543,952	\$354,000	\$661,325	\$2,559,277	\$32,921	1.30%
SPCSD	\$2,170,922	\$1,469,768	\$399,600	\$394,805	\$2,264,173	\$93,251	4.30%
	\$76,076,936	\$47,473,431	\$12,000,000	\$18,299,256	\$77,772,687	\$1,695,751	2.23%

FISCAL IMPACT

Santa Rosa Water's share of the Regional Water Reuse allocated costs are built into the Wastewater Financial Plan and the proposed 5% increase for wastewater. There are no additional implications to the proposed 2025/26 Regional budget due to modest increases proposed, and the reserve balances held in the Regional operations fund on behalf of Santa Rosa Water's Local WW enterprise and the User Agencies.

ENVIRONMENTAL IMPACT

Pursuant to CEQA Guidelines Section 15378, the proposed action is not a "project" subject to the California Environmental Quality Act (CEQA) because it does not have a potential for resulting in either a direct physical change in the environment or a reasonably foreseeable indirect physical change in the environment. In the alternative, the proposed action is exempt from CEQA pursuant to CEQA Guidelines Section 15061(b)(3) because it can be seen with certainty that there is no possibility that the project may have a significant effect on the environment.

BOARD/COMMISSION/COMMITTEE REVIEW AND RECOMMENDATIONS

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On March 26, 2025, the Board of Public Utilities Budget Subcommittee reviewed and recommended approval of the proposed Fiscal Year 2025/26 Regional Water Reuse System budget and allocation of costs.

On April 3, 2025, the proposed Fiscal Year 2025/26 Regional Water Reuse System budget and allocation of costs was reviewed and recommended for approval by the SubTAC.

On April 3, 2025, the Board of Public Utilities reviewed and recommended, by resolution, that the City Council approve the Preliminary Fiscal Year 2025/26 Regional Water Reuse System budget and allocation of costs.

NOTIFICATION

Not Applicable.

ATTACHMENTS

- Resolution

PRESENTER

Nick Harvey, Deputy Director – Water Administration