

CITY OF SANTA ROSA  
BOARD OF PUBLIC UTILITIES

TO: CHAIR AND BOARD MEMBERS  
FROM: NICK HARVEY, DEPUTY DIRECTOR OF ADMINISTRATION,  
SANTA ROSA WATER  
SUBJECT: RECOMMENDATION TO CITY COUNCIL AUTHORIZING AN  
ADDITIONAL \$7,592,708.81 IN REGIONAL WASTEWATER  
ENTERPRISE TRANSFER APPROPRIATIONS

AGENDA ACTION: MOTION

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RECOMMENDATION

It is recommended by Santa Rosa Water and the Finance Department that the Board of Public Utilities, by motion, recommend that City Council approve an increase in transfer appropriations in the amount of \$7,592,708.81 from the Regional Wastewater Enterprise Fund 1631 to the 2020 Wastewater Revenue Bond Construction Fund 1633, facilitating the replacement of Local Wastewater Enterprise funding currently supporting the expenditure budget for the Laguna Treatment Plant Disinfection Improvements Project.

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EXECUTIVE SUMMARY

The proposed motion would formally recommend that City Council authorize transfer ledger appropriations in the amount of \$7,592,708.81 for the Regional Enterprise for use on the UV Disinfection System Replacement project. This is necessary to replace the \$10 million in Local Sewer Enterprise appropriations that were authorized by City Council via Resolution No: RES-2022-080, ensuring that the project is fully funded by the Regional Wastewater Enterprise and avoiding the need to execute an interfund loan from the Local Wastewater Enterprise.

BACKGROUND

In 2012, the Division of Drinking Water (DDW) re-evaluated and subsequently de-rated the existing ultraviolet (UV) disinfection system capacity, resulting in deficiency under certain wet weather flow and low UV transmittance conditions. Additionally, the existing UV system was commissioned in 1998 and is at the end of its useful life. Through various analyses, Santa Rosa Water determined that replacing the existing UV system with a new UV system was the most feasible approach to address the capacity and reliability deficiencies.

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At project inception, it was estimated that putting a new UV system in place would cost approximately \$70 million. In 2020, Santa Rosa Water, in collaboration with our Regional Partner Agencies, the Board of Public Utilities and its subcommittees, outside consultants, the Finance Department and the Santa Rosa City Council, issued the 2020 series wastewater revenue bonds at a principal amount of \$70 million, intending for the bond issuance to cover the entirety of the estimated project costs. In 2022, the Laguna Treatment Plant Disinfection Improvements project (UV Replacement Project) was awarded by the Board of Public Utilities.

PRIOR BOARD OF PUBLIC UTILITIES REVIEW

Annually, the Board of Public Utilities (Board) reviews and recommends our proposed Capital Improvement Program (CIP) project expenditure appropriations prior to City Council review and authorization.

On October 15, 2020, the Board reviewed all aspects of the issuance of the 2020 Wastewater Revenue Bonds and recommended the authorization thereof to City Council.

From 2016 – 2022, the Board reviewed all contracts related to the Laguna Treatment Plant Disinfection Improvements CIP project and authorized the execution thereof.

ANALYSIS

The bond issuance occurred at the height of the global COVID 19 pandemic. During this time period, significant financial market pressures were realized including accelerated inflation, constraints on resource availability and supply chain disruption. These factors materialized in historical cost increases for services and supplies, utilities, chemicals and purchase prices for equipment.

By the time the design for the UV Replacement Project was complete and the other contractual components of the project were put out to bid, the \$70 million in revenue bonds were insufficient to cover the total project costs. To fully fund the UV Replacement Project, \$10 million in expenditure appropriations for the project, provided by reserves in the Local Wastewater Operations fund 1621, was authorized by City Council via resolution RES-2022-080, executed on April 26, 2022.

Santa Rosa Water requested that the \$10 million in transfer budget from the Local Wastewater Enterprise be the last funding actually spent on the project, allowing time for staff to determine a strategy to replace that funding with Regional appropriations. Santa Rosa Water staff analyzed the most recent Regional Wastewater Enterprise Refund Reserve and determined that funding is currently available to replace \$7,592,708.81 in Local Wastewater transfer appropriations to fill the funding shortfall for the UV Replacement Project. This will ensure the project is fully funded through

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completion while avoiding the need to execute any fund-to-fund loans from the Local Wastewater Enterprise to the Regional Wastewater Enterprise.

Governmental accounting regulations and California Proposition 218 dictate that any funds loaned from one enterprise to another must constitute a loan to be paid back with interest. Furthermore, the Finance Department recommends eliminating or minimizing the usage of funds in this matter due to the added administrative and bookkeeping burdens required of such arrangements. Replacing this funding as requested allows completion of the UV Replacement Project, avoids putting an additional debt service burden on the Regional Enterprise and its partner agencies, and avoids the cost of interest on the funds.

The Regional Wastewater Enterprise is in a healthy reserve position, possessing over \$16.2 million in available reserves as of June 30, 2025. Santa Rosa Water staff discussed the possibility of utilizing some of that reserve balance to replace the Local Wastewater Enterprise funding at the February 5, 2026 Subregional Technical Advisory Committee (SubTAC) meeting, and the SubTAC was supportive of the proposal.

If approved, the allocation of these funds would also allow for the return of \$7,592,708.81 back to undesignated fund balance in the Local Wastewater Operating fund 1621.

#### FISCAL IMPACT

Approval of this item would first result in the reduction of \$7,592,708.81 in Local Wastewater Enterprise transfer appropriations, returning them to fund balance in the Local Wastewater operating fund 1621. This item would also result in the increase of Regional Wastewater Enterprise transfer appropriations to replace those removed, necessitating the consumption of some of the Regional Refund Reserve. There is sufficient refund reserve balance in the Regional Operations fund to absorb this.

#### 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 the potential to result 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), as it can be seen with certainty that there is no possibility that the activity may have a significant effect on the environment.

#### BOARD/COMMISSION/COMMITTEE REVIEW AND RECOMMENDATIONS

On February 5, 2026, this item was discussed with SubTAC. SubTAC representatives

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expressed support for the proposal.

NOTIFICATION

Not applicable.

ATTACHMENTS

- Attachment 1 – History of the Regional Enterprise Refund Reserve
- Attachment 2 – City Council Resolution RES-2022-080

PRESENTER

Nick Harvey, Deputy Director – Administration, Santa Rosa Water