

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 2026-27  
REGIONAL WATER REUSE SYSTEM OPERATING AND  
MAINTENANCE, CAPITAL IMPROVEMENT, AND DEBT  
SERVICE BUDGET AND ALLOCATION OF COSTS

AGENDA ACTION: RESOLUTION

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RECOMMENDATION

Santa Rosa Water, the Board of Public Utilities, and the Subregional Technical Advisory Committee recommend that the Council, by resolution, approve the preliminary Fiscal Year 2026-27 Regional Water Reuse System Operating and Maintenance, Capital Improvement and Debt Service Budget and allocation of costs for the purposes of notifying the Regional Water Reuse User Agencies of their allocation of such costs by May 1, 2026. This item has no impact on current fiscal year budget.

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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 2026-27 Operations and Maintenance (O&M) Fund budget request is \$54,614,543, the Regional cash-funded Capital Improvement Program (CIP) request is \$13,000,000, and the Regional debt service due is \$18,306,469.

GOAL

This item relates to Council Goal #1 - Achieve and Maintain Budgeting Excellence and Fiscal Stability by ensuring that the Laguna Treatment Plant (LTP) has the resources

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necessary to maintain service levels and allocate costs to each partner agency in compliance with the requirements of California Proposition 218.

BACKGROUND/PRIOR COUNCIL REVIEW

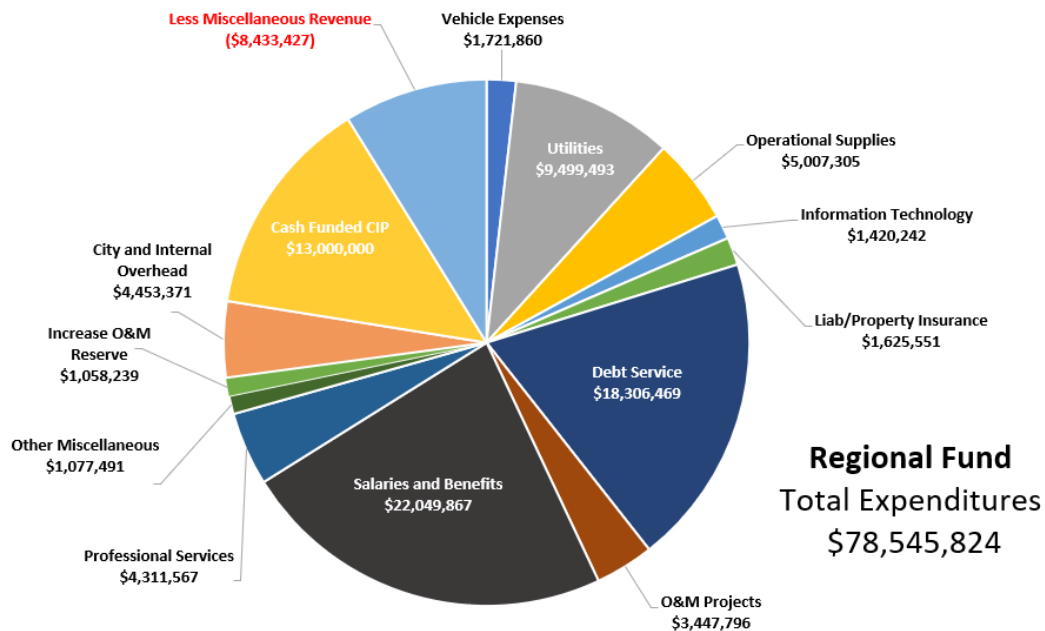
Each year, LTP recycles approximately seven billion gallons of treated wastewater from homes, businesses and industries located within the Santa Rosa Regional System, serving the cities of Santa Rosa, Rohnert Park, Sebastopol, Cotati, and the Sonoma County South Park Sanitation District.

Operating costs are allocated to each of the User Agencies based on each User Agency’s share of annual flows into 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.

Each year the Council considers the preliminary Regional budget for the purpose of notifying the User Agencies by May 1, 2026.

ANALYSIS

The Preliminary Regional Water Reuse O&M Fund budget request is \$54,614,543, the Regional cash-funded CIP request is \$13,000,000, and the Regional debt service due is \$18,306,469. The budget breakdown is as follows:



In general, the major cost drivers include:

- Cash funded CIP is \$13,000,000 – Increasing \$1 million per year per agreement by the User Agencies.

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- Salaries and Benefits up 4% - Citywide salary increases. Includes 4% salary increases effective July 1, 2026 per the currently adopted MOUs with labor unions.
- Electricity up 9.4% - PG&E rates are expected to increase in 2026/27. Furthermore, operational issues have limited the use of the Combined Heat and Power (CHP) engines, which offset electricity consumption when operational. We are also expecting higher energy consumption as the current Ultra Violet (UV) disinfection system is requiring higher UV dosing to maintain disinfection capacity as well as testing on the new UV system which will be driving energy consumption as well.
- O&M project budget requests are down 33% over the current year. Projects have significant carryover budget, limiting the need to request funding for next year.

O&M expenditures are offset by expected revenues of \$8,433,427 for various services and agreements that generate revenues for the Regional fund. Projected revenues show an increase of 23.6% over current year revenues, driven by high interest earnings and strong ongoing demand for our trucked waste program.

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 2024/25 flows (shown in million gallons):

Actual Annual Flows	2024/25	
	2024/25	Percentage
Santa Rosa	5,637.34	73.76%
Rohnert Park	1,344.60	17.59%
Sebastopol	180.66	2.36%
Cotati	240.83	3.15%
SPCSD	238.95	3.13%
	7,642.38	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%

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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 2026-27 projected allocations to each User Agency are as follows:

	<b>Total 2025/26</b>	<b>2026/27 Budgeted O&amp;M</b>	<b>2026/27 CIP Contribution</b>	<b>2026/27 Debt Service</b>	<b>Total 2026/27</b>	<b>Difference</b>	<b>%</b>
Santa Rosa	\$57,312,896	\$34,845,730	\$9,198,800	\$13,960,703	\$58,005,233	\$692,337	1.21%
Rohnert Park	\$13,682,453	\$8,311,290	\$2,561,000	\$2,842,949	\$13,715,239	\$32,786	0.24%
Sebastopol	\$1,953,889	\$1,116,702	\$423,800	\$446,654	\$1,987,156	\$33,267	1.70%
Cotati	\$2,559,277	\$1,488,627	\$383,500	\$661,711	\$2,533,838	(\$25,439)	-0.99%
SPCSD	\$2,264,173	\$1,477,006	\$432,900	\$394,452	\$2,304,358	\$40,185	1.77%
	<b>\$77,772,688</b>	<b>\$47,239,355</b>	<b>\$13,000,000</b>	<b>\$18,306,469</b>	<b>\$78,545,824</b>	<b>\$773,136</b>	<b>0.99%</b>

FISCAL IMPACT

Santa Rosa Water’s share of the Regional Water Reuse allocated costs are built into the Wastewater Financial Plan and the adopted 5% increase for wastewater. There are no additional implications to the proposed 2026-27 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 Waste Water enterprise and the Regional partner agencies.

ENVIRONMENTAL IMPACT

Pursuant to CEQA Guidelines Section 15378, the recommended 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. The action consists solely of the approval of a preliminary budget and allocation of costs for the Regional Water Reuse System and does not authorize any construction or physical modification to the environment. In the alternative, the recommended 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 recommended action may have a significant effect on the environment.

BOARD/COMMISSION/COMMITTEE REVIEW AND RECOMMENDATIONS

On March 18, 2026, the Board of Public Utilities Budget Subcommittee reviewed and recommended approval of the proposed Fiscal Year 2026-27 Regional Water Reuse System budget and allocation of costs.

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On April 2, 2026, the proposed Fiscal Year 2026-27 Regional Water Reuse System budget and allocation of costs was reviewed and recommended for approval by the SubTAC.

On April 2, 2026, the Board of Public Utilities reviewed and recommended, by resolution, that the City Council approve the Preliminary Fiscal Year 2026-27 Regional Water Reuse System budget and allocation of costs.

NOTIFICATION

Not applicable.

ATTACHMENTS

- Resolution

PRESENTER(S)

Nick Harvey, Deputy Director – Administration, Santa Rosa Water