



Wastewater
Treatment



TRANSFORMING
WASTEWATER
TO RESOURCES



Recycled
Water



Energy
Production



Biosolids
Reuse

FY24/25 Proposed Sewer Service Charge (SSC) Increases

Finance Committee Meeting
March 27, 2024

FY24/25 SSC, CIP, and Budget Development Schedule Overview



March 2024	<ul style="list-style-type: none">• 3/13 Major Factors Impacting 5-Year CIP Development and Financial Assumptions• 3/27 Fin Comm: Review Proposed FY24/25 SSCs/Prop. 218 Notice ←
April 2024	<ul style="list-style-type: none">• 4/10 Review Proposed FY24/25 SSCs, Set Public Hearing, Approve Prop. 218 Notice• 4/23 Fin Comm: Review Draft 5-year CIP, FY24/25 Operating Budget Assumptions
May 2024	<ul style="list-style-type: none">• 5/8 Review Draft 5-year CIP, Set Public Hearing Review FY24/25 Operating Budget Assumptions
June 2024	<ul style="list-style-type: none">• 6/12 Conduct 5-year CIP Public Hearing, Consider Approval Conduct FY24/25 SSC Public Hearing, Consider Approval, Authorize Collection Consider FY24/25 Budget Approval

Overview

Sewer Service Charge Drivers

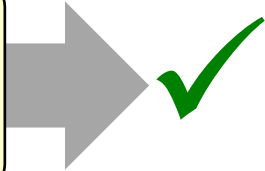


- Significant regulatory mandate for **nutrient removal** in near-term capital planning horizon with **moderate SSC impacts**
 - District has **increased cash reserves** in recent years to support cash funding several major capital improvement projects
 - However, staff has **increased debt issuance assumptions** and identified need to **build near-term debt service payment capacity**
- Focus on **addressing aging infrastructure** in wastewater conveyance and treatment systems
 - Increase in cost estimates for several large-scale capital projects due to limited contractor availability, inflation, supply chain limitations
- Staff continues to identify opportunities to **reduce operating budget** despite **inflationary pressure**—delivering lower than projected costs for FY24/25

Financial Sustainability Guiding Principles

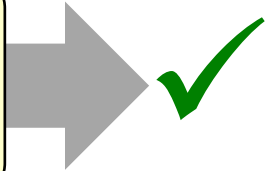
Critically review operating budget to identify budget adjustment needs and opportunities

- Preliminary FY24/25 Wastewater Operating Budget = **\$30.6M**, which represents a \$0.4M decrease (-1.3%) from projected FY24/25 budget last year (+7.4% increase from FY23/24)



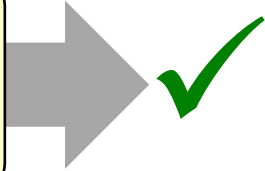
Ensure **effective CIP prioritization** that addresses **critical infrastructure needs**

- Significant increase in proposed 5-year CIP (\$186.7M) relative to current CIP (\$139.1M)
- **Reprioritized \$10-15M to Years 6-10**



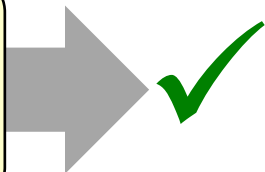
Utilize 5-year rate model to identify costs and SSC revenue needs **without sharp rate increases**

- Incorporated **debt financing** to minimize SSC increases, while meeting financial needs
- Effective CIP prioritization, operating cost control



Maximize cash funding of CIP (vs. debt) to ensure lowest overall costs for District customers

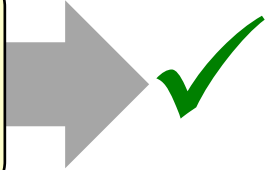
- Proposing 5-year CIP with **71% cash funding** (51% for \$110M Secondary Process Improvements)
- Seek low borrowing costs for debt issuance through **WIFIA program** (favorable loan terms)



Financial Sustainability Guiding Principles (cont'd)

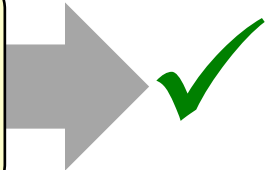
Reserve **debt capacity** for nutrient management, large-scale wastewater treatment plant upgrades

- Generating sufficient SSC revenue to meet current/planned debt obligations, coverage ratios
- Utilizing portion of debt capacity for Secondary Process Improvements Phase 1 (\$53.9M)



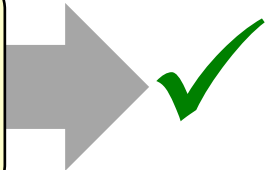
Maintain **minimum reserve balance** in WW O&M Fund (40% of annual budgeted operating expenses)

- Minimum WW O&M Fund balance is maintained throughout 5-year financial planning period



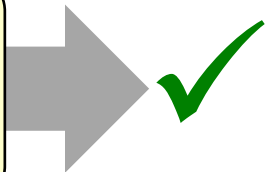
Factor growth into SSCs each year to ensure equitable cost allocation across customers

- **1,738 ERUs** (since FY21/22 to date) added
- **400 ERUs** added for FY24/25 = **~\$189k in additional annual SSC revenue**



Ensure SSCs reflect **cost of providing services** to different customer classes

- Prepared 2024 Cost-of-Service Study to update current total customers by class and WWTP influent flow



FY24/25 SSC 5-year Analysis

Key Assumptions



WW Operating Budget

- Preliminary FY24/25 = **\$30.6M** for SSCs as baseline w/annual projected escalation of **5.8%** in FY25/26, **4.0%** thereafter
- Utilizing **~\$3.9M in WW O&M Fund Equity** to allow increased allocation of SSC revenue to meet capital investment needs

CIP Funding Sources

- Draft 5-year CIP = **\$160.8M** for SSCs (\$186.7M total)
- **\$110M** for Secondary Process Improvements Phase 1
 - \$75.3M (WW CAR with WIFIA load proceeds of \$53.9M), \$14.0M (WW Expansion), \$20.7M (Advanced Treatment Fund)
- **Assume \$6.5M in federal Inflation Reduction Act (IRA) Tax Credits** for \$20M Cogeneration System Improvements
- 71% cash funded/29% debt (WIFIA loan) financed

Nutrient Management

- Incorporating **foundational improvements** (\$20.7M, funded by AT Fund) in Secondary Process Improvements **Phase 1**
- Need to **build near-term debt service capacity** for Secondary Process Improvements **Phase 2** (+\$49M in debt) in Years 6-10

Proposed FY24/25 SSC Increases Residential Customers



- Proposed increase in FY24/25 SSC revenue = **\$2.5M** (+6.7% from anticipated FY23/24 SSC revenue) to meet capital and operating financial needs
 - \$1.8M from residential, \$0.7M from non-residential

Residential (Single Family) Customers

Community/Category	Annual Increase	Current SSC	Proposed SSC	Monthly Increase
Antioch/Pittsburg	+\$24.80 (+5.5%)	\$448.75	\$473.55	\$2.07
Bay Point*	+\$33.16 (+5.4%)	\$615.77	\$648.93	\$2.76

Note: Bay Point SSC includes wastewater collection services; cities provide these services directly to Antioch/Pittsburg customers

- No increase in Street Sweeping Service Charges for residential or non-residential customers

Proposed FY24/25 SSC Increases Non-Residential Customers



- Average SSC increase (4.3%) for all non-residential customer categories

Non-Residential Customers

(values in \$ per hundred cubic feet [HCF] of potable water use)

Category	Zone 1 - Bay Point			Zone 2 - Pittsburg			Zone 3 - Antioch		
	FY 23/24	FY 24/25	Increase	FY 23/24	FY 24/25	Increase	FY 23/24	FY 24/25	Increase
Bakeries/Restaurants	\$9.43	\$9.67	\$0.24	\$7.66	\$7.82	\$0.16	\$7.66	\$7.82	\$0.16
Hotels/Motels	\$4.78*	\$4.97*	\$0.19	\$4.78	\$4.97	\$0.19	\$4.78	\$4.97	\$0.19
Institutional	\$6.18	\$6.47	\$0.29	\$4.41	\$4.61	\$0.20	\$4.41	\$4.61	\$0.20
Light Industry	\$5.97	\$6.26	\$0.29	\$4.21	\$4.42	\$0.21	\$4.21	\$4.42	\$0.21
Marinas	\$6.31*	\$6.73*	\$0.42	\$6.31	\$6.73	\$0.42	\$6.31	\$6.73	\$0.42
Misc. Commercial	\$6.18	\$6.56	\$0.38	\$4.41	\$4.67	\$0.26	\$4.41	\$4.67	\$0.26
Mortuaries	\$6.10*	\$6.26*	\$0.16	\$6.10	\$6.26	\$0.16	\$6.10	\$6.26	\$0.16

Note: *SSC per HCF/y for FY24/25 provided, although no businesses in these classes are known in Bay Point.

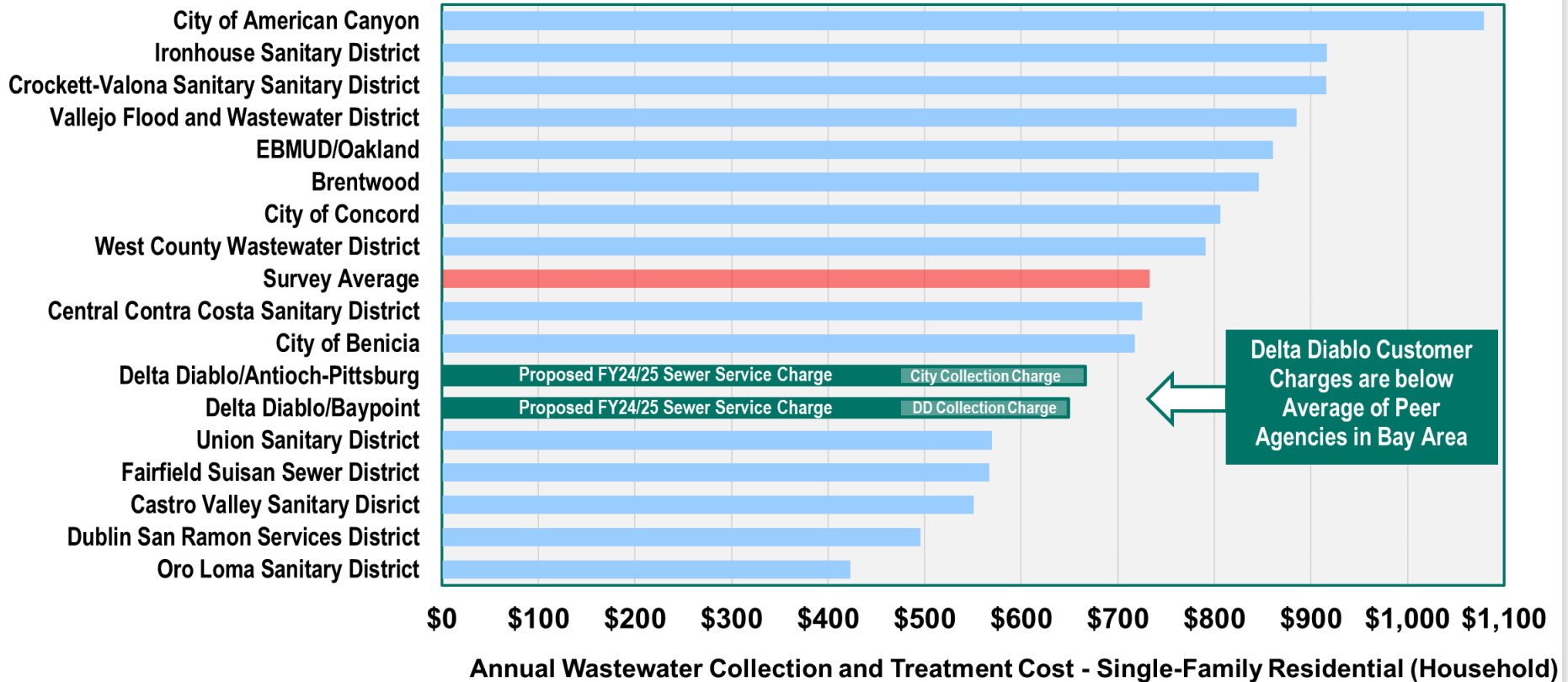
Annual Single-Family Residential FY24/25 SS Breakdown



- SSS revenue allocation closely matches the capital versus operating cost split (64%/36%) included in projected FY24/25 Budget from last year

SSC Component	Antioch/Pittsburg		Bay Point	
	Current FY23/24	Proposed FY24/25	Current FY23/24	Proposed FY24/25
Wastewater O&M	\$263.66	\$287.44	\$263.66	\$287.44
Capital Improvements	\$185.09	\$186.11	\$185.09	\$190.60
Bay Point Collections (BP only)	N/A	N/A	\$167.02	\$170.89
Total SSC per Equivalent Residential Unit	\$448.75	\$473.55	\$615.77	\$648.93
Estimated Monthly Charge	\$37.40	\$39.46	\$51.31	\$54.08

FY24/25 Rate Comparison



5-Year SSC Increase Projection



Current SSC Increase Projection (Recommended)

	FY24/25	FY25/26	FY26/27	FY27/28	FY28/29
Antioch and Pittsburg Customers					
SSC Increase	5.5%	5.5%	3.5%	3.5%	3.5%
Bay Point Customers					
SSC Increase	5.4%	5.5%	3.5%	3.5%	3.5%

Supports near-term debt capacity, rating

Increases adaptability to unanticipated conditions, costs

Meets costs of providing services

Alternative SSC Increase Projection

	FY24/25	FY25/26	FY26/27	FY27/28	FY28/29
Antioch and Pittsburg Customers					
SSC Increase	4.5%	4.5%	4.5%	4.5%	4.5%
Bay Point Customers					
SSC Increase	4.4%	4.5%	4.5%	4.5%	4.5%

Draft Prop. 218 Notice (cont'd)



Notice of Proposed Sewer Service Charge Rate Increases for Fiscal Year 2024/25

Proposition 218 Notification to Property Owners of Public Hearing

NOTICE IS HEREBY GIVEN that the Delta Diablo Board of Directors will hold a public hearing on **Wednesday, June 12, 2024, at 5:30 p.m., in the Board Room at 2500 Pittsburg-Antioch Highway, Antioch, California**, to consider adoption of proposed rate increases for wastewater utility services. A summary of the proposed rates and associated financial needs and information, and instructions for protesting the rate increases (if desired) are provided below. In addition, related fact sheets and a "Frequently Asked Questions" document are available on the District's website at www.deltadiablo.org.

WHAT IS DELTA DIABLO?

Delta Diablo ("District") provides wastewater conveyance and treatment services for over 72,617 customer accounts (residential and non-residential), representing over 218,000 residents in the cities of Antioch and Pittsburg, and the unincorporated community of Bay Point. As part of our core mission to protect public health and the environment, the District treats 14.2 million gallons of wastewater each day with a focus on exemplary regulatory compliance, innovative and sustainable approaches, and sound stewardship of the public's resources and trust.

The District has transformed its Wastewater Treatment Plant (WWTP) into a "resource recovery facility" by producing approximately 7.7 million gallons per day of recycled water, generating onsite renewable energy to meet over 50 percent of WWTP power needs, reusing residual biosolids as fertilizer via land application, providing household hazardous waste (HHW) collection services, and further protecting the Delta by providing street sweeping services to remove pollutants that would otherwise enter local stormwater systems.

PROPOSED FISCAL YEAR 2024/2025 SEWER SERVICE CHARGES

The District collects Sewer Service Charges (SSCs) from its customers each year as the primary revenue source needed to fund capital infrastructure investments, labor, energy, chemicals, regulatory compliance obligations, plant maintenance, and Delta HHW Collection Facility operations. For Fiscal Year 2024/25 (FY24/25) (July 1, 2024 – June 30, 2025), the District is proposing SSC increases of approximately +\$24.80 per year (+5.5%) for residential customers in Antioch and Pittsburg, and approximately +\$33.16 per year (+5.4%) for residential customers in Bay Point. The District continues to maintain its rates below the average of peer agencies in the San Francisco Bay Area region.

Because the District's costs in the categories referenced above will increase in the next fiscal year, SSC increases are required to recover the District's costs, maintain effective and reliable wastewater conveyance and treatment services, meet future regulatory requirements, and ensure financial integrity and long-term sustainability. In addition, the proposed FY24/25 SSCs incorporate FY24/25 Cost-of-Service Study findings, which updated growth in the service area and the corresponding additional wastewater flow to the District's WWTP. SSCs for non-residential customers (i.e., commercial, industrial) were adjusted accordingly for FY24/25 based on customer class. Most District customers are billed on a fiscal-year basis and pay SSCs via annual property tax bills. Property tax bills also include a street sweeping service charge (no increase from FY23/24) that varies by community based on service frequency.

Residential Customers: The impact of the proposed SSC increase on the annual property tax bill for a single-family residential customer is shown in **Table 1**. The total annual charge for residential properties with multiple units (e.g., duplex, fourplex, apartment complex, etc.) can be calculated by multiplying the applicable per unit SSC charge in **Table 1** by the total number of units.

Table 1 – Example Annual Residential SSC on Property Tax Bills for FY24/25

Residential Service Customers	Proposed SSC Increase	Current FY23/24	Proposed FY24/25	Annual Change
Antioch/Pittsburg	+5.5%	\$448.75	\$473.55	+\$24.80
Bay Point**	+4.5%	\$615.77	\$648.93	+\$33.16

Notes: * Percentage increases are approximate.

** Delta Diablo provides wastewater collection services for Bay Point customers only (i.e., higher SSC), while the respective cities provide these services for Antioch and Pittsburg customers.

Non-residential Customers: The District is proposing SSCs increases for commercial and industrial customers based on annual potable water consumption data (i.e., the SSC rates are per one hundred cubic feet per year [HCF/y] of potable water consumption) by business class and community, as presented in **Table 2**. If annual water consumption is less than 80 HCF/y, a minimum annual charge of 80 HCF/y multiplied by the applicable rate for each business class will be applied.

Table 2 – Non-residential Proposed User Charges: SSC (\$) per Hundred Cubic Feet per Year

Business Class (Commercial/Industrial)	Bay Point (Zone 1)		Pittsburg (Zone 2)		Antioch (Zone 3)	
	Current FY23/24	Proposed FY24/25	Current FY23/24	Proposed FY24/25	Current FY23/24	Proposed FY24/25
Bakeries/Restaurants	\$9.43	\$9.67	\$7.66	\$7.82	\$7.66	\$7.82
Hotels/Motels	\$4.78*	\$4.97*	\$4.78	\$4.97	\$4.78	\$4.97
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Mortuaries	\$6.10*	\$6.26*	\$6.10	\$6.26	\$6.10	\$6.26
Annual Minimum	varies**	varies**	varies**	varies**	varies**	varies**

Notes: * SSC per HCF/y for FY23/24 provided, although no businesses in these classes are known in Bay Point.

** Annual minimum charge is calculated by multiplying 80 HCF/y by the applicable SSC per HCF/y.

WHAT DO SEWER SERVICE CHARGES FUND?

The SSC increases are necessary to generate \$2.5 million in increased revenue to meet capital and operating costs associated with providing wastewater services. The District utilizes SSC revenue to:

- **Meet the District's core mission of protecting public health and the environment.** Achieving this mission requires sufficient capital investment and staffing levels to properly operate and maintain the District's complex network of sewer pipes, pump stations, and treatment processes.
- **Address aging infrastructure through prioritized capital investment.** The District continues to strategically rehabilitate and replace essential elements of the wastewater collection, conveyance, and treatment systems to maintain effective and reliable services.
- **Implement capital upgrades necessary to meet nutrient removal requirements.** The District anticipates a costly region-wide regulatory mandate to remove nutrients (e.g., ammonia) from wastewater prior to discharge to receiving waters in response to recent algal blooms in San Francisco Bay.

SSC Increases

District Overview

Draft Prop. 218 Notice (cont'd)

- **Recover increases in operating costs.** As a regulated utility that requires specialized employees, materials, and services to meet its mission, the District continues to experience progressive increases in annual operating costs due to escalations in labor, chemical, energy, materials, supplies, hauling, services, and regulatory compliance costs.
- **Prevent the need for more significant SSC increases in the future.** In developing its 5-year financial plan each year, the District works hard to balance direct economic impacts to customers and the need for sufficient revenue to cover capital investment needs and operating costs. If SSC increases are not implemented this year, more significant rate increases may need to be proposed in subsequent years.
- **Focus on cash funding versus borrowing for capital improvements.** Increasing overall SSC revenue allows the District to continue cash funding a majority of necessary capital improvements in its wastewater conveyance and treatment systems.

Detailed information on operating and capital costs is available within the District's budget and CIP documents, which are on file at the District's offices.

PUBLIC HEARING AND PROTEST PROCEDURES

The Board of Directors will hold a public hearing on the proposed SSC increases on Wednesday, June 12, 2024, at 5:30 p.m., in the Board Room at 2500 Pittsburg-Antioch Highway, Antioch, California, 94509. After close of the public hearing and consideration of all public comments and written protests received, the Board of Directors will be asked to take action to implement the proposed SSC increases at this meeting.

Written protests may be sent to the District (attention of "Office Manager/Secretary to the Board", 2500 Pittsburg-Antioch Highway, Antioch, California, 94509) prior to the close of the public hearing and **must include your property address and the Assessor Parcel Number** found on your mailing label. At the close of the public hearing, the Secretary to the Board will announce the total number of protest responses, including any received by the close of the public hearing. If written protests are presented by a majority of the parcel owners in the District's service area, the District cannot implement the SSC increases.



Delta Diablo Wastewater Treatment Plant in Antioch, CA



Protest Procedure



2500 Pittsburg-Antioch Highway
Antioch, CA 94509

NOTICE OF PUBLIC HEARING
PROPOSED SEWER SERVICE CHARGE
RATE INCREASES

5:30 PM
WEDNESDAY, JUNE 12, 2024
2500 PITTSBURG-ANTIOCH HIGHWAY
ANTIOCH, CA 94509



Delta Diablo provides wastewater conveyance and treatment services to over 218,000 customers in Pittsburg, Antioch, and Bay Point

Delta Diablo protects public health and the environment for our communities by safely providing exceptional wastewater conveyance, treatment, and resource recovery services in a sustainable and fiscally-responsible manner

Environmental Stewardship

In treating 14.2 million gallons of wastewater each day, Delta Diablo has an exemplary regulatory compliance record in meeting federal, state, and local regulatory requirements and protecting the local Delta receiving waters.

Infrastructure Investment

Continued capital investment in the Wastewater Treatment Plant, 76 combined miles of sewer pipes and force mains, and five pump stations is critical to maintaining effective, reliable, and high-quality customer service.

Fiscal Responsibility

Delta Diablo is committed to maintaining responsible rates by prioritizing capital investments, managing budgets through operational efficiencies, and targeting available grant and low-interest loan programs.

For more information, visit www.deltadiablo.org or call (925) 756-1900.

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Recommendations

- Provide comments and/or questions on:
 - Proposed FY24/25 SSC increases
 - Residential: Antioch/Pittsburg = +\$24.80/year (~+\$2.07/month, +5.5%)
Bay Point = +\$33.16/year (~+\$2.76/month, +5.4%)
 - Non-residential: Varies by Customer Class, avg. +4.3%
 - Draft Prop. 218 Notice addressing proposed SSC increases and notifying property owners of public hearing on June 12, 2024
- Approve submitting proposed FY24/25 SSC increases, draft Prop. 218 Notice, and public hearing date for review at April 10, 2024 Board meeting