



OPERATING BUDGET AND CAPITAL FUND SUMMARY

FISCAL YEAR 2016/17



National Association of Clean Water
Agencies Platinum Peak Performance
Award 12

2016 East Bay Economic Development
Alliance East Bay Innovation Award
Catalyst

2015 California Association of Public
Information Officials Award of Merit
for Community Engagement/Special
Events

September 2016

TRANSFORMING WASTEWATER TO RESOURCES

FISCAL YEAR 2016/17 BUDGET SUMMARY

APPROPRIATIONS

Appropriations for the Fiscal Year 2016/2017 (FY17) budget were approved by the Board of Directors on July 13, 2016. It is the second year of a three-year budget approved by the Board July 8, 2015. This budget was developed using a detailed, “zero based” line item review and analysis by each organizational Division. It also takes into account the resources required to support the FY17 Business Plan Initiatives outlined in the next section. As shown on the Program Budget Summary, which is the last page of this document, the budget presents a projection of revenues by funding source, operating expenses, debt service costs, and capital expenditures planned for FY17. Capital project cost estimates are based on the Capital Improvement Program (CIP) adopted by the Board on May 11, 2016. Total revenues budgeted for FY17 are \$39.3 million. These revenues coupled with low-interest loan proceeds of \$11.6 million and projected use of reserves will fund \$57.6 million in expenditures. These expenditures are composed of a total operating budget of \$27.2 million, capital project costs of \$25.8 million, and \$4.6 million in debt service obligations. Labor costs represent \$15.6 million of operating expense, or about 57% of the total operating budget, while outside services are about \$5.7 million, or 20.1% of the operating budget. Treatment chemical and utilities total \$3.5 million, or 12.9% of the operating budget. During FY13, the District’s Board of Directors approved early

pay-off of a high-interest bearing obligation with the California Public Employees Retirement System (CalPERS) from existing reserves. This resulted in a reduction in the salaries and benefits from original budget estimates of over \$850 thousand for FY17. Similar savings will be realized over the next several fiscal years. This budget also provides for the full annual required contribution (ARC) for other post-employment benefits (OPEB), with District employees funding about 20% through salary deductions. These funds are placed in a qualified trust account with Public Agency Retirement Services, resulting in substantially higher investment earnings potential to keep District contributions as low as possible over time.

The District strives to keep its overall costs as low as possible while meeting or exceeding regulatory standards and focusing on its responsibility of environmental stewardship. Rates for services remain below the average in the region while the District has been recognized for excellence and leadership at the local, state, and national levels.

PROGRAM AREAS

The District provides services in five program areas: Wastewater, Recycled Water, Household Hazardous Waste, Street Sweeping,

and Bay Point Collections. In addition, the District operates a grease receiving facility to keep fats, oils and grease (FOG) out of the wastewater collection and conveyance systems, which increases reliability and reduces maintenance costs. The FOG is harvested for energy which is used by the District in lieu of commercial natural gas, and the FOG haulers pay fees to off-load the FOG.



WASTEWATER PROGRAM

The largest program is Wastewater, which provides for the conveyance, treatment, and disposal of wastewater in the service area. This program totals \$49.5 million, or 86% of the total expenditures budget. Of this, \$22.3 million is operating budget and \$26.9 million is for capital projects, including debt service of \$4.7 million for previously completed projects. About 58% of the Wastewater capital budget is for projects to replace and/or rehabilitate and augment infrastructure that has reached its useful life. This is essential to keeping the wastewater system in good working order, to provide the level of service consistent with customer needs, and to protect the environment. The primary source of funds for the Wastewater Program is provided through Sewer Service Charge rates. However, projects to serve growth in the Wastewater Expansion Fund are paid for by

FISCAL YEAR 2016/17 BUDGET SUMMARY

growth through Capital Facilities Capacity Charges, or connection fees. A separate designated reserve fund was established by the Board of Directors in FY12 to begin setting aside funds for a future advanced treatment project to meet anticipated changes in regulatory requirements. Approximately \$3.7 million will be set aside in this fund during FY17, and approximately \$2.2 million is anticipated to be spent on property needed for the future project, resulting in a total fund balance of over \$9.6 million by fiscal year end. Setting aside funds in advance for this major project reduces long-term rate impacts for District customers by nearly 40%.



RECYCLED WATER PROGRAM

The second largest program is Recycled Water, which provides “drought proof” high quality water to two power plants, city parks, school sites, and two golf courses in the service area. This program is fully funded by recycled water users. Rates for recycled water are significantly lower than what the power plants and cities would pay for potable treated water or non-potable raw water. A connection fee study was completed in January 2013, so that new, non-

municipal Recycled Water customers pay for capacity that they will be using in the system and reimbursing the cities for costs they incurred to implement their respective recycled water distribution systems. Due to the ongoing drought in California, a residential recycled water pilot program was initiated in FY15, with fill stations installed at the District’s treatment plant site, and this program is continuing in FY17. This allows District trained and certified residents to haul up to 300 gallons per visit for irrigation purposes at their homes.

HOUSEHOLD HAZARDOUS WASTE

Since 1996, the District has collected household hazardous waste (HHW) from the East Contra Costa County region to provide an outlet for the safe and proper disposal of hazardous substances and pollutants. In 2006, the Program was broadened to include disposal of electronic waste, and in 2009, the HHW facility was expanded to provide capacity for certain materials, such as paint, to be reused versus disposal. Services are provided to residents and businesses within the District’s service area and the service areas of other partner agencies in the region. Services for residential customers are provided at no cost, and businesses pay a nominal fee.

STREET SWEEPING PROGRAM

The District provides street sweeping services on a contract basis with the City of Pittsburg

and through an independent contractor for the City of Antioch and unincorporated community of Bay Point. Street sweeping minimizes pollutants in the streets that might otherwise reach sanitary or storm water sewers and harm the waterways of the San Francisco Bay. Street sweeping charges are included on the tax roll for most District customers and billed individually to large industrial and commercial users.

BAY POINT PROGRAM

The Bay Point Program includes the operation, maintenance, and ongoing system rehabilitation of the wastewater collection system in the community of Bay Point. The collection system is a network of piping that directs wastewater to the larger conveyance system connected to the District’s wastewater treatment facilities. Collection systems for the cities of Antioch and Pittsburg are owned and operated by the cities, which charge separate rates for providing that service. Due to the age of the collection system, substantial rehabilitation work began during FY15 and will continue throughout the next several fiscal years. Construction of the rehabilitation projects will be funded primarily through very low interest rate Clean Water Act State Revolving Fund (SRF) Loans. The current interest rate for SRF loans for non-recycled water projects is 1.9%. Based on the advocacy led by Delta Diablo and supported by other agencies, there is currently a special SRF program for recycled water projects at 1% interest rates.

FISCAL YEAR 2016/17 BUSINESS PLAN INITIATIVES

FINANCIAL SUSTAINABILITY

- Secure funding to implement biosolids to energy projects by pursuing applicable grant, loan, or venture capital funding opportunities - General Manager
- Complete major Munis Financial Software Program update - Business Services

LEADERSHIP

- Develop a Succession Planning Strategy and Plan - General Manager
- Submit application for the California Water Environment Association (CWEA) Plant of the Year Award - Resource Recovery Services

OPERATIONAL EXCELLENCE

- Complete development of a comprehensive Business Continuity Plan as part of the update of the Comprehensive Emergency Management Plan - Resource Recovery Services
- Complete an Asset Management Plan/Gap Analysis - Engineering Services
- Develop and implement an Operations & Maintenance (O&M) Plan to address pump station reliability - Resource Recovery Services
- Develop a Preventive Maintenance Program for the Recycled Water Facility and distribution system - Resource Recovery Services

- Improve recycled water system mapping using Geographic Information Systems (GIS) - Engineering Services
- Refresh safety program to include more hands-on and interactive elements - Resource Recovery Services
- Update network infrastructure for the Recycled Water Facility (RWF) and secondary plant buildings - Business Services
- Implement electronic records scanning project - Administrative Services
- Develop a project to update the District's telephone system - Business Services
- Implement MUNIS "dashboard" and develop plan and schedule for implementing employee self-service modules - Business Services
- Deploy a web-based interface of the District's GIS - Engineering Services
- Improve wastewater conveyance system mapping using GIS - Engineering Services

WORKPLACE INNOVATION

- Establish Superior Energy Performance goals and obtain ISO 50001 certification - Engineering Services
- Complete alternatives analysis, environmental review, and permitting for the East County Bioenergy Project - Engineering Services

- Pursue technologies that improve effluent and/or recycled water quality by piloting the CANDO and Anammox/Zeolite processes to remove ammonia - Engineering Services

STAKEHOLDER ENGAGEMENT

- Increase legislative support for new grant funding legislation through building grassroots support and securing Democratic and Republican bill sponsors/champions - General Manager
- Create customer outreach strategy with themes on flushable wipes and pharmaceutical disposal - General Manager



FISCAL YEAR 2017/18 OPERATING PROJECTS AND NEW PROGRAMS



Project/Program	Fund	Dept/Div	FY15/16	FY16/17	FY17/18	3-Yr. Total
Wastewater Painting and Coating Projects ¹	WW	Engineering	\$ 0	\$ 890,000	\$ 485,000	\$ 1,375,000
Wastewater New Painting and Coating Program	WW	Maintenance	\$ 500,000	\$ 200,000	\$ 200,000	\$ 900,000
Co-generation Engine Top-End Overhaul Projects	WW	Maintenance	\$ 150,000	\$ -	\$ 150,000	\$ 300,000
Recycled Water - New Painting and Coating Program	RW	Maintenance	\$ 50,000	\$ 51,500	\$ 53,045	\$ 154,545
Recycled Water Pump Overhauls ²	RW	Maintenance	\$ 18,000	\$ 33,000	\$ 18,000	\$ 69,000
Bay Point - New Root Control Program	BP	Maintenance	\$ 50,000	\$ 50,000	\$ 50,000	\$ 150,000
Total Operating Projects & New Programs			\$ 768,000	\$ 1,224,500	\$ 956,045	\$ 2,948,545

¹ FY17 - Tower Trickling Filters; FY17 - Treatment Plant; FY18 - Plant Operations Center

² FY16 - 1 LMEC Pump, 2 DEC Pumps & 3 Sand Pumps; FY17 - 1 LMEC Pump and 2 DEC Pumps; FY18 - 1 LMEC Pump

FISCAL YEAR 2016/17 PROGRAM BUDGET SUMMARY

	OPERATIONS & MAINTENANCE FUND	EXPANSION FUND	CAPITAL ASSET FUND	ADVANCED TREATMENT FUND	CAPITAL ASSET REPLACEMENT FUND	RECYCLED WATER PROGRAM	HOUSEHOLD HAZARDOUS WASTE PROGRAM	STREET SWEEPING PROGRAM	BAY POINT PROGRAM	TOTAL ALL PROGRAMS
REVENUE										
Capital Facilities Capacity Charges		1,840,000								1,840,000
Service Charges										0
Sewer Service	19,278,000		1,403,000	3,546,798	1,872,000					26,099,798
Collection Charge									697,373	697,373
Surcharge									335,800	335,800
Street Sweeping								610,193		610,193
Redevelopment										0
Property Taxes					1,976,000					1,976,000
Utility Rebates (Received from Calpine)	266,000									266,000
Interest Income	210,000	1,000	6,000	164,537	92,000	41,550	2,600	12,000	25,500	555,187
Discharge Permits & Fees	173,000									173,000
Work For Others	115,000									115,000
Overhead (from Capital Projects)	400,000									400,000
Miscellaneous	398,000				85,000					483,000
Reimbursements	478,600		181,880			675,000	489,956			1,825,436
Recycled Water Charges						3,890,568				3,890,568
TOTAL REVENUES	21,318,600	1,841,000	1,590,880	3,711,335	4,025,000	4,607,118	492,556	622,193	1,058,673	39,267,355
Long-Term Debt Proceeds - SRF		2,600,000	500,000		8,430,800	325,000				11,855,800
Program	(273,098)						273,098			0
Service		761,000				(761,000)				0
Interfund Transfers (Loans)		886,000			(886,000)					0
Appropriated from Reserves	1,245,815	38,661	1,290,344		3,945,174	1,700,137		20,497		8,240,628
TOTAL FUNDS AVAILABLE	22,291,317	6,126,661	3,381,224	3,711,335	15,514,974	5,871,255	765,654	642,690	1,058,673	59,363,783
EXPENDITURES										
Salaries and Benefits	14,192,645					697,685	172,830	23,950	521,856	15,608,966
Chemicals	991,060					734,600				1,725,660
Office and Operating Expense	1,456,058					36,700	26,780	10,000	39,651	1,569,189
Outside Services & Repairs/Maintenance	4,145,754					314,056	533,540	608,740	84,797	5,686,887
Program Costs (Overhead)						450,634			43,561	494,195
Utilities	1,299,800					515,580	1,030			1,816,410
Contingency Allowance	206,000					10,000			40,000	256,000
Debt Service		3,526,661	130,024		604,174	307,000			88,951	4,656,810
Project Expense		2,600,000	3,251,200	2,176,200	14,910,800	2,805,000	25,000		50,000	25,818,200
TOTAL EXPENDITURES	22,291,317	6,126,661	3,381,224	2,176,200	15,514,974	5,871,255	759,180	642,690	868,816	57,632,317
CONTRIBUTION to RESERVES	0	0	0	1,535,135	0	0	6,474	0	189,857	1,731,466
Estimated Beginning Cash Fund Balance	14,187,786	99,977	3,436,631	8,100,661	6,100,698	4,024,000	167,064	1,200,000	2,499,000	39,815,817
Estimated Ending Fund Balance	12,941,971	61,316	2,146,287	9,635,796	2,155,524	2,323,863	173,538	1,179,503	2,688,857	33,306,655