



TRANSFORMING WASTEWATER TO RESOURCES

# Fiscal Year 2020/2021 Budget

*This page intentionally left blank.*



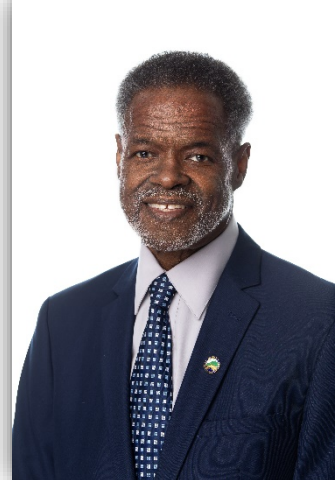
***Acknowledgements***  
**Board of Directors**



Sean Wright  
Director  
City of Antioch Mayor



Juan Antonio Banales  
Chair  
City of Pittsburg  
Councilmember



Federal Glover  
Director  
Contra Costa County Board  
of Supervisors

***District Executive Management***

Vincent P. De Lange .....General Manager  
Carol Margetich .....Business Services Director  
Brian Thomas .....Engineering Services Director/District Engineer  
Dean Eckerson ..... Resource Recovery Services Director  
Cecelia Nichols-Fritzler .....Office Manager/Secretary to the Board



*This page intentionally left blank.*



**DELTA DIABLO BUDGET**  
**JULY 1, 2020 – JUNE 30, 2021**

**Table of Contents**  
(sections and subsections are hyperlinked)

Acknowledgements..... 3

District Executive Management ..... 3

Message from the General Manager ..... 7

Annual Budget Resolution ..... 13

**SECTION 1: INTRODUCTION AND OVERVIEW ..... 15**

Budget Comparison Summary ..... 16

District Overview ..... 17

Strategic Planning Goals and Objectives ..... 22

Budget Overview ..... 24

**SECTION 2. FINANCIAL STRUCTURE, POLICIES, AND PROCESSES..... 29**

Organization ..... 29

Fund Descriptions and Fund Structure..... 34

Basis of Accounting and Budgeting ..... 35

Budget Process ..... 35

FY20/21 Budget Development Calendar..... 36

Budgetary Levels of Control ..... 36

Financial Planning Policies ..... 38

**SECTION 3. FINANCIAL SUMMARIES ..... 41**

Consolidated Financial Schedule ..... 41

Fund Equity..... 43

**SECTION 4. CAPITAL AND DEBT ..... 45**

Capital..... 45

Project Descriptions ..... 51

Projects in Focus ..... 54

Debt ..... 64

Current Debt Obligations ..... 64

Current Year Debt Transactions and Balances ..... 66

Outstanding Debt by Type ..... 66

Debt Service Coverage Ratio ..... 68

SECTION 5. DEPARTMENT INFORMATION..... 69  
Administration Department ..... 69  
Business Services Department..... 71  
Engineering Services Department..... 73  
Resource Recovery Services Department ..... 75  
APPENDIX A - FINANCIAL POLICIES ..... 77

**List of Figures** (not hyperlinked)

Figure 1 Map of Delta Diablo Service Area ..... 18  
Figure 2 FY18/19 – FY20/21 Sources of Funds/Revenues..... 24  
Figure 3 Delta Diablo Organization Chart..... 31  
Figure 4 Delta Diablo Funds ..... 34  
Figure 5 Historical Fiscal Year Debt Service Summary by Loan..... 67

**List of Tables** (not hyperlinked)

Table 1 Budget Comparison Summary ..... 16  
Table 2 Budgeted Positions as of July 1 ..... 32  
Table 3 FY20/21 Consolidated Financial Schedule ..... 41  
Table 4 Fund Equity Summary ..... 43  
Table 5 CIP Totals by District Fund..... 47  
Table 6 FY20/21 – FY24/25 CIP Summary ..... 49  
Table 7 Long-Term Obligation Changes and Balances as of June 30, 2020 ..... 66  
Table 8 Outstanding Debt by Type..... 66  
Table 9 All Principal, Interest, and Annual Debt Service..... 67  
Table 10 Net Revenue and Debt Service Coverage Ratio..... 68  
Table 11 Administration Department Budget ..... 70  
Table 12 Business Services Department Budget..... 72  
Table 13 Engineering Services Department Budget ..... 74  
Table 14 Resource Recovery Services Department Budget..... 76

## Message from the General Manager



# DELTA DIABLO FISCAL YEAR 2020/2021 BUDGET Message from the General Manager

### Dear Honorable Members of the Board of Directors:

It is my pleasure to present the Delta Diablo (District) Fiscal Year 2020/2021 (FY20/21) Budget, which reflects planned operating and capital expenditures necessary for the District to continue meeting its core mission of protecting public health and the environment in the year ahead. Under the Board’s progressive leadership, the District continues to drive organizational excellence by ensuring a strategic approach to addressing near- and long-term challenges and embracing innovative approaches. This approach is critical to navigating competing resource needs and delivering our essential services to the local communities we serve in an effective, reliable, and financially sustainable manner.

Delta Diablo Board of Directors



Sean Wright Secretary (Antioch Mayor)	Federal Glover Vice Chair (County Supervisor)	Juan Banales Chair (Pittsburg Councilmember)
---	---	--

### The Year Ahead: Navigating COVID-19 Impacts

Throughout the COVID-19 pandemic, the District’s highly-skilled and dedicated staff have continued providing “essential services” in a professional and adaptable manner. The economic impacts of COVID-19 on our customers are significant and may not be fully understood for months or even years into the future. In FY20/21, the District will continue to monitor specific impacts on residential, commercial, and industrial customers to better understand associated effects on future District revenues and inform financial decisions. After carefully considering the challenges associated with increasing rates during the current COVID-19 pandemic, the District implemented its lowest Sewer Service Charge (SSC) increase in 14 years for FY20/21 to reduce impacts to customers while meeting aging infrastructure needs, addressing increased operating costs, and preventing the need for more significant SSC increases in subsequent years. Because the District collects its SSC revenue via the Contra Costa County (County) property tax roll, qualifying customers who have been directly impacted by COVID-19 economically may be able to defer SSC payments to the County in FY20/21, under specified conditions, until May 2021.

### Reinforcing Sustained Organizational Excellence

The District continues to be recognized as a “Utility of the Future” by the National Association of Clean Water Agencies, the Water Environment Federation, the Water Research Foundation, and the WaterReuse Association for its outstanding industry leadership and progressive commitment to innovation, resource recovery, and “cutting-edge” practices. This prestigious award, which was presented to only 42 other agencies across the country in FY19/20, highlights our broad regulatory compliance, water recycling, energy management, biosolids reuse, household hazardous waste collection, community engagement, and industry leadership achievements.



Key organizational highlights in FY19/20 include:

- **Regulatory Compliance:** No violations of the National Pollution Discharge Elimination System (NPDES) permit occurred at the District’s Wastewater Treatment Plant (WWTP). We continue to build on our exemplary regulatory compliance record, which includes only one NPDES permit violation in the last 16 years.
- **Infrastructure Investment:** The District implemented critical investments in infrastructure rehabilitation and renewal projects at its WWTP and Recycled Water Facility (RWF), while continuing to treat an average flow of 13 million gallons per day (MGD) and 6 MGD, respectively. We initiated development of a formalized Asset Management Program (AMP)



to guide and prioritize both day-to-day maintenance activities and long-term capital investment decisions. Staff continued to actively identify new capital improvement program (CIP) projects to address emerging needs, while implementing enhancements to the CIP development and prioritization process.

- **Resource Recovery:** We continue to transform our WWTP into a “water resource recovery facility” by: 1) producing 6 million gallons of recycled water per day; 2) generating on-site renewable energy to meet over 55 percent of WWTP power needs; 3) beneficially reusing 100 percent of biosolids produced as fertilizer through land application at farm sites; and 4) collecting and recycling household hazardous waste.
- **Long-term Strategic Planning:** The District made significant progress in ensuring a strategic approach to addressing both near- and long-term challenges and integrating a complex planning environment with competing drivers, considerations, and resource needs. The Resource Recovery Facility Master Plan (RRFMP) was initiated to address a suite of strategic issues (e.g., nutrients, biosolids, water recycling), while providing guidance on infrastructure investment and supporting enhanced regulatory compliance capabilities through vulnerability assessments. In addition, the District developed an approach to guiding investment in information technology (e.g., computerized maintenance management system, Enterprise Resource Planning, Data Information Management System, e-Records Management), which will continue in FY20/21.
- **Nutrient Management:** Our agency has benefited from regional collaboration with peer agencies, regulators, and the scientific community, via the Bay Area Clean Water Agencies. In advocating to maintain a focus on understanding potential water quality impacts associated with nutrient loading in San Francisco Bay, the District is reducing the potential that costly nutrient removal requirements are imposed on Bay Area wastewater agencies without demonstrated environmental benefits.

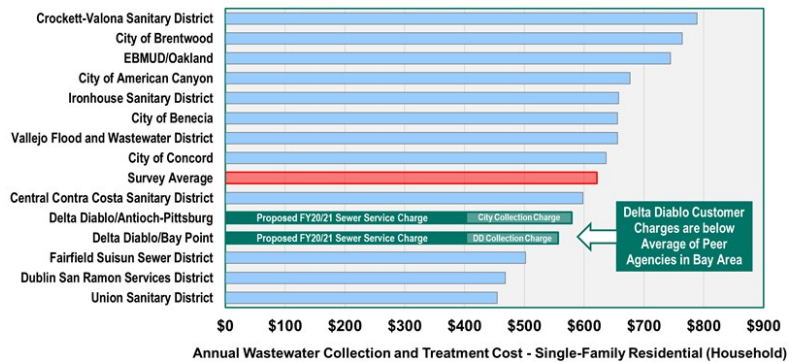




This sound science-based approach resulted in increased research investment under the regional Nutrient Watershed Permit, which was issued in June 2019, and likely deferred nutrient limits for 10 years or more. In addition, preliminary work under the RRFMP indicates that the original capital cost estimate (>\$150 million) for removing nutrients at the District's WWTP may be reduced significantly. These changes allowed the District to eliminate the SSC component for the Advanced Treatment Reserve Fund in FY20/21, increase the SSC component for the Wastewater Capital Asset Replacement Fund, and increase planned cash funding of the District's 5-year CIP (versus issuing debt).

- **Long-term Financial Sustainability:** The District reduced its FY19/20 operating budget by \$1.4 million relative to the prior year's projection, which supported a significant reduction in projected annual SSC

increases over the next five years. The projected 5-year range of annual SSC increases has been progressively reduced from 6.2%-6.4% (June 2018) and 4.1-4.5% (June 2019) to the current projection of 3.5-4.0% for Antioch/Pittsburg customers.



The District continued to excel in financial reporting and transparency, highlighted by receipt of the Certificate of Achievement in Financial Reporting Award and the Certificate of Excellence in Financial Reporting Award from the Government Finance Officers Association. In addition, the District continued to maintain strong financial reserves and formalized its Debt Management Policy in November 2019.

- **Safety/Business Continuity:** The District continued to build on its strong safety record by learning from minor safety incidents and providing targeted, interactive training to employees. Following extensive engagement across multiple workgroups, the District completed development of a Business Continuity Plan to guide response and recovery activities following an emergency event. In addition, a cross-functional team was formed to identify and implement measures to enhance site security.

- **Public Communications:** The District made excellent progress in its public outreach and education materials this past year. This included development of a Strategic Communications Plan in October 2019 to identify key focus areas, stakeholders, and messaging points, while providing the goals and strategies for the District's strategic communications framework. In addition, we developed targeted fact sheets and a "Frequently Asked Questions" document to augment public communications in support of the proposed SSC increase for FY20/21.

**Ensuring Long-term Financial Sustainability Proposed Sewer Service Charge Increases**

**Delta Diablo** May 2020

In developing its budget each year, Delta Diablo (District) carefully considers operational and capital investment needs to maintain effective and reliable wastewater collection (Bay Point only), conveyance, and treatment services for its 215,000 customers in Antioch, Pittsburg, and Bay Point. The District's primary revenue source comes from Sewer Service Charges (SSCs) charged for residential, commercial, and industrial customers on the first of each year. The District continues to experience progressive increases in annual operating costs over time due to escalators in labor, chemical, energy, materials, supplies, equipment, hauling, and services costs, as well as increasingly more stringent regulatory requirements. To ensure sustained capital investment is necessary to maintain the integrity of aging wastewater system infrastructure. The District critically reviews required SSC increases each year to ensure sufficient revenue collection, while working to minimize economic impacts to its customers. For Fiscal Year 2020/21 (effective July 1, 2020), the District has notified customers of the Proposed 210 Notice\*\* related to property owners on or before May 1, 2020) of its need to increase SSCs by 3.5% for Antioch/Pittsburg customers (+\$18.83/year for single-family residential (SFR)) and 3.0% for Bay Point customers (+\$16.21/year for SFR).

Annual Revenue Increase Drivers: The proposed SSC increase would generate an additional \$1.4 million in revenue in FY20/21, which is required to offset increased operating labor and wastewater treatment benefits management costs, as well as capital investment needs with a focus cash lending versus debt financing infrastructure projects.

COVID-19 Impacts: The District understands the current COVID-19 pandemic and associated shelter-in-place orders will likely have sustained economic impacts on customers in its service area and has worked hard to reduce impacts associated with SSC increases. The proposed SSC increase is the lowest annual SSC increase (by percent) in the last 14 years (since 2006). The District is monitoring COVID-19-related financial impacts on its operations.

Long-term Financial Planning: The District conducts a 5-year SSC analysis to identify future SSC increases required to maintain sustained fiscal integrity. In recent years, the projected range of annual SSC increases has been reduced from 6.2-6.4% (June 2018) and 4.1-4.5% (June 2019), to the current projection of 3.5-4.0% for the next five years. Without this year's increase, annual SSC increases of 5.0-6.0% for Antioch/Pittsburg customers would be required over the next five years (compared to 4% each year). The District continues to maintain its rates well below the average of its Bay Area peer agencies.

As a nationally-recognized industry leader, the District values strong community engagement, serving as responsible stewards of the public's resources and trust, transparent, innovative approaches, and sustainable solutions in achieving its core mission.

\*\* SSCs will remain applicable only to single-family residences, unless the District notifies. \*\*\* Property of Delta Diablo Infrastructure Fund (IDIF) is available on website for more information. \*\*\*\* Delivered Proposed SSC Increase for FY20/21 is subject to possible rate adjustments. Data collected by the National Association of Clean Water Agencies indicates that the average annual rate increase for wastewater agencies is approximately 3.5%.

**Our Mission:** To provide clean water and the environment in our communities by providing wastewater services of exceptional quality and value.

**Key Metrics:**

- 2019 Revenue: \$21.8M
- 2020 Revenue: \$23.2M
- 2021 Revenue: \$24.6M
- 2022 Revenue: \$26.0M
- 2023 Revenue: \$27.4M
- 2024 Revenue: \$28.8M
- 2025 Revenue: \$30.2M

**Proposed FY20/21 Budget:**

- Operating: \$18.5M
- Capital: \$16.2M
- Reserve: \$2.8M
- Proposed SSC Increase: \$18.83M
- Proposed FY20/21 Revenue: \$37.38M

Visit [www.deltadiablo.org](http://www.deltadiablo.org) or call (925) 756-1900 for more information.

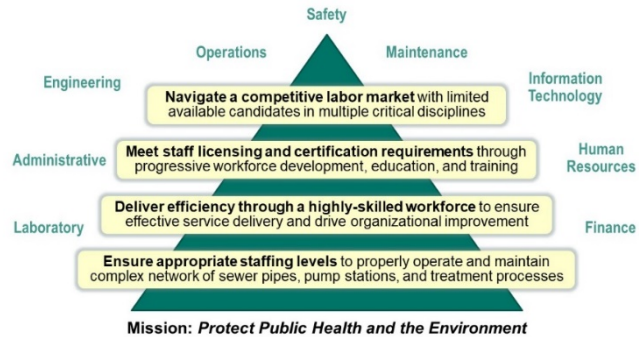
### The Road Ahead: FY20/21 Priority Organizational Focus Areas

The FY20/21 Budget will help the District build on its achievements in FY19/20 by continuing to effectively support our core mission of protecting public health and the environment, while supporting organizational improvement by embracing new ways of delivering the District's essential services. To date, the District's resilient staff has risen to the challenge COVID-19 presents in the workplace and remains well positioned to continue providing effective and reliable services in the year ahead. Consistent with the mission, vision, and values in the District's current Strategic Business Plan, priority organizational focus areas for FY20/21 include:



1. **Safely navigate COVID-19 impacts in the workplace** through use of social distancing, cloth face covers, and enhanced cleaning procedures. Because ensuring the health and safety of employees and members of the public is the District's highest priority, the FY20/21 Budget includes funding for necessary materials, supplies, and services, as well as a "GM Contingency" of \$500,000.
2. **Meet or exceed all NPDES permit requirements** for the District's WWTP.
3. **Address prioritized, near-term aging infrastructure needs** through effective implementation of engineering planning, design, and construction activities.
4. **Complete long-term, strategic planning work** through the RRFMP for key focus areas, including nutrient removal, biosolids management, energy production and conservation, recycled water, and enhanced regulatory compliance capabilities.
5. **Complete a facility condition assessment** at the District's WWTP as part of the RRFMP to guide, prioritize, and integrate capital investment needs for the next ten years.
6. **Advance development of the District's Asset Management Program** by building on the foundation established in FY19/20.
7. **Develop and implement a prioritized plan to expand use of information technology applications and tools** to drive organizational effectiveness and efficiency following completion of the IT Assessment in FY19/20.
8. **Develop an updated Strategic Business Plan** and associated initiatives to continue driving long-term, sustained organizational excellence.
9. **Develop and implement a two-year Budget and SSC process** for FY21/22 and FY22/23, including integration of updated cost-of-service study changes, master planning recommendations, and strategic organizational improvement initiatives.

10. **Ensure organizational focus on hiring and retaining highly-skilled, dedicated staff** to continue supporting the District’s mission, including assessing opportunities to align resources to meet needs when positions become vacant.



**FY20/21 Budget Highlights**

In support of enhancing presentation of the District’s FY20/21 Budget by providing meaningful and understandable context for our customers and other interested parties, key budget highlights are provided below.

- The FY20/21 Budget totals \$47.1 million, which includes operating and capital (including debt service) budgets of \$29.3 million and \$17.8 million, respectively.
- The operating budget (\$29.3 million) is approximately \$600,000 (2.0%) higher than the FY19/20 operating budget (\$28.7 million), due primarily to increases in salaries (2.0% cost-of-living adjustment in July 2020), medical benefits, biosolids management (new contract effective in FY20/21), and the “GM Contingency” (increased from \$460,000 to \$500,000 this year due to potential COVID-19 financial impacts). The District was able to negotiate no-cost, one-year extensions for its chemical supply contracts.
- Approximately 84% of the FY20/21 CIP budget is allocated to rehabilitation and/or replacement of existing critical wastewater infrastructure, including the Headworks Improvements, Electrical Switchgear Replacement, and Pump Station Facilities Repair.
- An increase in SSCs of 3.5% and 3.0% is included for Antioch/Pittsburg and Bay Point customers, respectively, which is expected to provide an additional \$1.1 million in revenue.
- A total revenue of \$43.5 million is anticipated in FY20/21, which includes \$32.7 million in SSCs, \$3.8 million in Recycled Water Service Charges, \$2.0 million in ad valorem property taxes, \$1.8 million in Capital Facilities Capacity Charges, and \$3.2 million in other revenue.
- Debt service payments of \$1.2 million are included, which supports \$23.7 million in existing debt and \$16.5 million in pending debt (94% of debt is low-interest Clean Water State Revolving Fund or California Energy Commission loans).
- The District eliminated the SSC component for the Advanced Treatment Reserve Fund due to favorable changes in the implementation timeline and associated cost estimate for upgrading the WWTP to meet nutrient removal requirements. This change has allowed the District to increase cash funding assumptions for infrastructure renewal in the 5-year CIP.
- The FY20/21 Budget includes planned expenditures to continue driving organizational excellence by developing an Asset Management Program, expanding use of IT applications, and completing numerous business and financial services studies.

**Navigating Future Uncertainty while Meeting the District’s Mission**

Against a backdrop of significant concern and uncertainty regarding COVID-19 and potential economic impacts in the near and long term, the FY20/21 Budget is important to solidifying the District’s continued commitment to rising to meet these challenges. It is critical to our local community during this time that we provide effective and reliable wastewater conveyance and treatment services, while ensuring that we are continuing to serve as responsible stewards of public resources and trust. I would like to acknowledge the Board’s strong leadership and guidance under this challenging environment, as well as each of our dedicated employees for continuing to support the District’s core mission of protecting public health and the environment.

Sincerely,



Vincent P. De Lange  
General Manager





**Annual Budget Resolution**

**BEFORE THE BOARD OF DIRECTORS OF  
DELTA DIABLO**

**Re: Approving Fiscal Year 2020/2021 )  
Budget Appropriations )**

**RESOLUTION NO. 15/2020**

THE BOARD OF DIRECTORS OF DELTA DIABLO HAS DETERMINED THAT:

WHEREAS, it is necessary to adopt a District Budget for the Fiscal Year beginning July 1, 2020; and;

WHEREAS, the adoption of the Fiscal Year 2020/2021 (FY20/21) Budget Appropriations reflects the agency goals and programs; and

WHEREAS, the Budget as presented in the attached FY20/21 Proposed Budget Summary exhibit includes expenditures for: Operation and Maintenance of Sub-Regional Plant Facilities; Recycled Water Program; Household Hazardous Waste Program; Street Sweeping; Bay Point Collection Program; acquisition and construction of Capital Assets, including required reserves; and payment of annual debt service obligations; and

WHEREAS, the funding sources proposed for FY20/21, as described in the attached FY20/21 Proposed Budget Summary include: Collection of User Charges and Capital Facilities Capacity Charges under District Code; FY20/21 Property Tax allocation funds; Interest; Other Miscellaneous Revenues; and carryover, if any, of prior fiscal year funds.

NOW, THEREFORE, THE BOARD OF DIRECTORS OF DELTA DIABLO RESOLVES THAT:

The FY20/21 Budget Appropriations are hereby adopted, as presented in the Budget Summary exhibit attached hereto and by reference made a part hereof.

PASSED AND ADOPTED ON July 16, 2020 by the following vote:

AYES: Banales, Glover, Wright  
NOES:

ABSENT:  
ABSTAIN:

I HEREBY CERTIFY that the foregoing is a true and correct copy of a Resolution adopted by the Board of Directors of Delta Diablo on July 16, 2020.

ATTEST: Sean Wright  
Board Secretary

By:  \_\_\_\_\_

Exhibit: Delta Diablo FY20/21 Proposed Budget Summary

**Exhibit – Delta Diablo FY20/21 Proposed Budget Summary**

Line No.	CATEGORY	WASTEWATER FUND					OTHER FUNDS					All Funds Total	
		OPERATIONS & MAINTENANCE	CAPITAL ASSET	ADVANCED TREATMENT	CAPITAL ASSET REPLACEMENT	WASTEWATER EXPANSION	RECYCLED WATER	HOUSEHOLD HAZARDOUS WASTE	STREET SWEEPING	BAY POINT			
	<b>SOURCE OF FUNDS/REVENUES:</b>												
1	Capital Facilities Capacity Charges					\$ 1,840,000							\$ 1,842,464
2	Service Charges												
3	Sewer Service	\$ 22,386,263	\$ 327,237	\$ -	\$ 8,835,391					\$ 1,174,780			32,723,671
6	Street Sweeping										\$ 649,115		649,115
7	Household Hazardous Waste											\$ 494,087	494,087
8	Property Taxes				2,000,000								2,000,000
9	Utility Rebates (from Calpine)	200,000											200,000
10	Interest Income	205,559		193,228	24,859	26,529				11,095			593,356
11	Discharge Permits & Fees	250,000											250,000
13	Overhead (from Capital Projects)	700,000											700,000
14	Miscellaneous	200,000											200,000
15	Recycled Water Service Charges						3,802,371						3,802,371
16	<b>TOTAL REVENUES</b>	<b>\$ 23,941,822</b>	<b>\$ 360,575</b>	<b>\$ 193,228</b>	<b>\$ 10,860,250</b>	<b>\$ 1,866,529</b>	<b>\$ 3,850,941</b>	<b>\$ 496,840</b>	<b>\$ 660,210</b>	<b>\$ 1,224,668</b>	<b>\$ 43,455,064</b>		<b>\$ 43,455,064</b>
	<b>OTHER FINANCING SOURCES</b>												
17	Loan and/or Other Financing Sources				3,500,000								3,500,000
18	Transfers In/(Out)	(365,540)				(500,000)							0
19	Interfund Loan		500,000	0	0								0
20													
21	<b>TOTAL OTHER FINANCING SOURCES</b>	<b>\$ (365,540)</b>	<b>\$ 500,000</b>	<b>\$ -</b>	<b>\$ 3,500,000</b>	<b>\$ (500,000)</b>	<b>\$ -</b>	<b>\$ 365,540</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,500,000</b>
22	<b>TOTAL SOURCE OF FUNDS/REVENUES</b>	<b>\$ 23,576,282</b>	<b>\$ 860,575</b>	<b>\$ 193,228</b>	<b>\$ 14,360,250</b>	<b>\$ 1,366,529</b>	<b>\$ 3,850,941</b>	<b>\$ 862,380</b>	<b>\$ 660,210</b>	<b>\$ 1,224,668</b>	<b>\$ 46,955,064</b>		<b>\$ 46,955,064</b>
	<b>USE OF FUNDS/EXPENDITURES:</b>												
23	<b>OPERATING</b>												
24	Salaries and Wages	\$ 9,161,542											10,183,026
25	Benefits	6,140,437											6,875,550
26	Chemicals	1,118,500											1,725,750
27	Office and Operating Expense	2,818,753											3,265,410
28	Outside Services	3,017,562											4,389,806
29	Program Costs (Overhead)	1,385,775											400,000
30	Utilities	440,000											1,946,139
31	Contingency Allowance												500,000
32													
33													
34	<b>TOTAL OPERATING EXPENDITURES</b>	<b>\$ 24,082,569</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,865,505</b>	<b>\$ 837,562</b>	<b>\$ 810,025</b>	<b>\$ 690,000</b>	<b>\$ 810,025</b>	<b>\$ 29,285,681</b>		<b>\$ 29,285,681</b>
	<b>CAPITAL IMPROVEMENT PROJECTS</b>												
35	Debt Service		143,142		763,253	15,102							1,190,769
36	Capital Projects		900,000		13,915,000	990,000							16,650,000
37													
38	<b>TOTAL CAPITAL EXPENDITURES</b>	<b>\$ -</b>	<b>\$ 1,043,142</b>	<b>\$ -</b>	<b>\$ 14,678,253</b>	<b>\$ 1,277,660</b>	<b>\$ 1,005,102</b>	<b>\$ 25,000</b>	<b>\$ -</b>	<b>\$ 961,612</b>	<b>\$ 17,840,769</b>		<b>\$ 17,840,769</b>
39	<b>TOTAL USE OF FUNDS/EXPENDITURES</b>	<b>\$ 24,082,569</b>	<b>\$ 1,043,142</b>	<b>\$ -</b>	<b>\$ 14,678,253</b>	<b>\$ 127,660</b>	<b>\$ 3,870,607</b>	<b>\$ 862,562</b>	<b>\$ 690,000</b>	<b>\$ 1,771,637</b>	<b>\$ 47,126,450</b>		<b>\$ 47,126,450</b>
40													
41	<b>CONTRIBUTION/(USE) of RESERVES</b>	<b>\$ (506,287)</b>	<b>\$ (182,567)</b>	<b>\$ 193,228</b>	<b>\$ (318,003)</b>	<b>\$ 1,238,868</b>	<b>\$ (19,666)</b>	<b>\$ (202)</b>	<b>\$ (29,790)</b>	<b>\$ (546,969)</b>	<b>\$ (171,386)</b>		<b>\$ (171,386)</b>
42	<i>Estimated Beginning Fund Equity</i>	\$ 20,208,531	\$ 2,923,033	\$ 19,275,024	\$ 571,703	\$ 2,149,050	\$ 4,266,665	\$ 207,011	\$ 1,124,396	\$ 3,762,110	\$ 54,487,523		\$ 54,487,523
43	<b>Estimated Ending Fund Equity*</b>	<b>\$ 19,702,244</b>	<b>\$ 2,740,466</b>	<b>\$ 19,468,252</b>	<b>\$ 253,700</b>	<b>\$ 3,387,918</b>	<b>\$ 4,246,999</b>	<b>\$ 206,809</b>	<b>\$ 1,094,606</b>	<b>\$ 3,215,141</b>	<b>\$ 54,316,138</b>		<b>\$ 54,316,138</b>

\* Does not include depreciation or amortization expense.

## **Section 1: Introduction and Overview**

Delta Diablo's (District's) Fiscal Year 2020/2021 (FY20/21) Budget assists the District in communicating its planned use of resources to elected officials, District employees, and the public. This section provides the reader with an overview of the essential components included in this budget document, which includes five major sections: 1) Introduction and Overview; 2) Financial Structure, Policies, and Processes; 3) Financial Summaries; 4) Capital and Debt; and 5) Department Information. A summary of the District's financial policies is included in Appendix A.

### **Introduction and Overview**

The Introduction and Overview begins with an overview of District services, funds, local economic conditions, and strategic planning considerations. This section concludes with a Budget Overview that includes more detailed information regarding the District's Sources of Funds and Uses of Funds.

### **Financial Structure, Policies, and Processes**

This section is designed to provide the reader with an overview of the District's Organization, Organizational Chart, Budgeted Positions as of July 1 (on a full-time equivalent basis), and Fund Descriptions and Structure. It also showcases the District's financial bases and policies along with its budget process, calendar, and levels of budgetary control. Here the reader may find some more detailed information regarding financial and budgetary guidelines.

### **Financial Summaries**

The Financial Summaries section introduces the Consolidated Financial Schedule and the Fund Equity Summary. In the Consolidated Financial Schedule section, the reader may review the various inflows of revenue (Source of Funds/Revenues) and outflows of expenses (Use of Funds/Expenditures) for the prior year budget, the prior year actual, the current year budget, the current year proposed, and the proposed FY20/21 Budget along with a variance between the current year budget and the proposed FY20/21 Budget. The Fund Equity Summary is organized by fund and exhibits the beginning and ending fund equity, sources of funds/revenues, and use of funds/expenditures.

### **Capital and Debt**

This two-part section starts with a program overview of the District's FY20/21 – Fiscal Year 2024/2025 (FY24/25) Capital Improvement Program (CIP). Next, the consolidated 5-year CIP Summary is provided with planned expenditures over the next five years, followed by a comprehensive project description listing, by fund, for each project with an appropriation in FY20/21. Finally, pertinent information for each major capital project is presented under the Projects in Focus section. The second half of this section presents information regarding outstanding debt obligations, outstanding debt balances by type, debt service requirements, and debt service coverage ratio by fiscal year.

### **Department Information**

This section provides more detailed information regarding departmental functions and responsibilities throughout the fiscal year. In this section the roles and responsibilities of each division within the District's departments are described, along with a three-year budget breakdown of operating and maintenance expenses by department.

## Budget Comparison Summary

The FY20/21 Budget includes total revenue of \$43.5 million, which includes \$32.7 million in Sewer Service Charges (SSCs), \$3.8 million in Recycled Water Service Charges, \$2.0 million in ad valorem property taxes, \$1.8 million in Capital Facilities Capacity Charges (CFCCs), and \$3.2 million in other revenue. Budgeted expenditures total \$47.1 million, which includes operating and capital (including debt service) budgets of \$29.3 million and \$17.8 million, respectively. A budget comparison summary is presented in Table 1 and provides an overview of significant budgetary items, trends, and variances.

**Table 1 – Budget Comparison Summary**

Category	Budget FY19/20	Proposed FY20/21	% Variance
<b>Sources of Funds/Revenues</b>			
Service Charges	\$30,592,143	\$32,723,671	7%
Capacity Charges	1,842,464	1,842,464	0%
Street Sweeping	639,008	649,115	2%
Household Hazardous Waste	481,409	494,087	3%
Recycled Water	3,569,848	3,802,371	7%
Property Taxes	2,000,000	2,000,000	0%
Utility Rebate	200,000	200,000	0%
Interest Income	650,389	593,355	-9%
Discharge Permits & Fees	250,000	250,000	0%
Overhead (From Capital Projects)	700,000	700,000	0%
Miscellaneous	200,000	200,000	0%
Other Finance Sources		-	
<b>Subtotal Sources of Funds/Revenues</b>	<b>41,125,261</b>	<b>43,455,064</b>	6%
Loans	12,024,480	3,500,000	-71%
<b>Total Source of Funds/Revenues</b>	<b>53,149,741</b>	<b>46,955,064</b>	-12%
<b>Use of Funds/Expenditures</b>			
Salaries & Wages	10,247,665	10,183,026	-1%
Employee Benefits	6,690,797	6,875,550	3%
Chemicals	1,864,900	1,725,750	-7%
Office and Operating Expense	3,007,499	3,265,410	9%
Outside Services	4,042,433	4,389,806	9%
Program Costs (Overhead)	455,705	400,000	-12%
Utilities	1,887,770	1,946,139	3%
Contingency Allowance	460,000	500,000	9%
<b>Operating before Debt and Capital</b>	<b>28,656,769</b>	<b>29,285,681</b>	2%
Debt Service	2,044,548	1,190,769	-42%
<b>Operating before Capital</b>	<b>30,701,317</b>	<b>30,476,450</b>	-1%
Capital Improvements	20,845,433	16,650,000	-20%
<b>Total Use of Funds/Expenditures</b>	<b>51,546,750</b>	<b>47,126,450</b>	-9%
<b>CONTRIBUTION/(USE) of RESERVES</b>	<b>\$1,602,991</b>	<b>\$-171,386</b>	-111%



**Significant Sources of Funds % Difference (variance):**

**The SSC variance** of 7% is primarily due to an increase in SSCs of 3.5% and 3.0% for Antioch/Pittsburg and Bay Point customers, respectively which is expected to provide an additional \$1.1 million in revenue. An additional \$1.0 million is estimated to be realized from additional revenue associated with increased equivalent residential units (ERUs) over time.

**The Recycled Water variance** of 7% is primarily due to an anticipated 2% rate increase and adjustments to water consumption estimates.

**The Interest Income variance** of -9% is due to decreased estimates of interest rates (1%) for FY20/21.

**Significant Use of Funds % Difference (variance):**

**The Chemicals variance** of -7% is primarily due to the District securing a one-year contract extensions at no additional cost and more efficient chemical dosing at the Recycled Water Facility (RWF).

**The Office and Operating Expense variance** of 9% is mainly due to increased permitting fees and biosolids management (new contract in FY20/21).

**The Outside Services variance** of 9% includes additional costs for professional services, the largest item in the Outside Services category, budgeted in the amount of \$1.2 million which represents a 33% increase over last year or a \$0.29 million increase. The change is representative of planned organizational improvement initiatives, including Munis Enterprise Resource Planning (ERP) enhancements, as well as cost-of-service (SSCs, Recycled Water Service Charges, CFCCs), fee schedule, and total compensation studies planned for FY20/21.

**The Program Costs (Overhead) variance** of -12% is due to a change in the anticipated work completed for Recycled Water.

**The Contingency Allowance variance** of 9% includes anticipated economic impacts for 2019 Novel Coronavirus (COVID-19) contingencies and workplace safety.

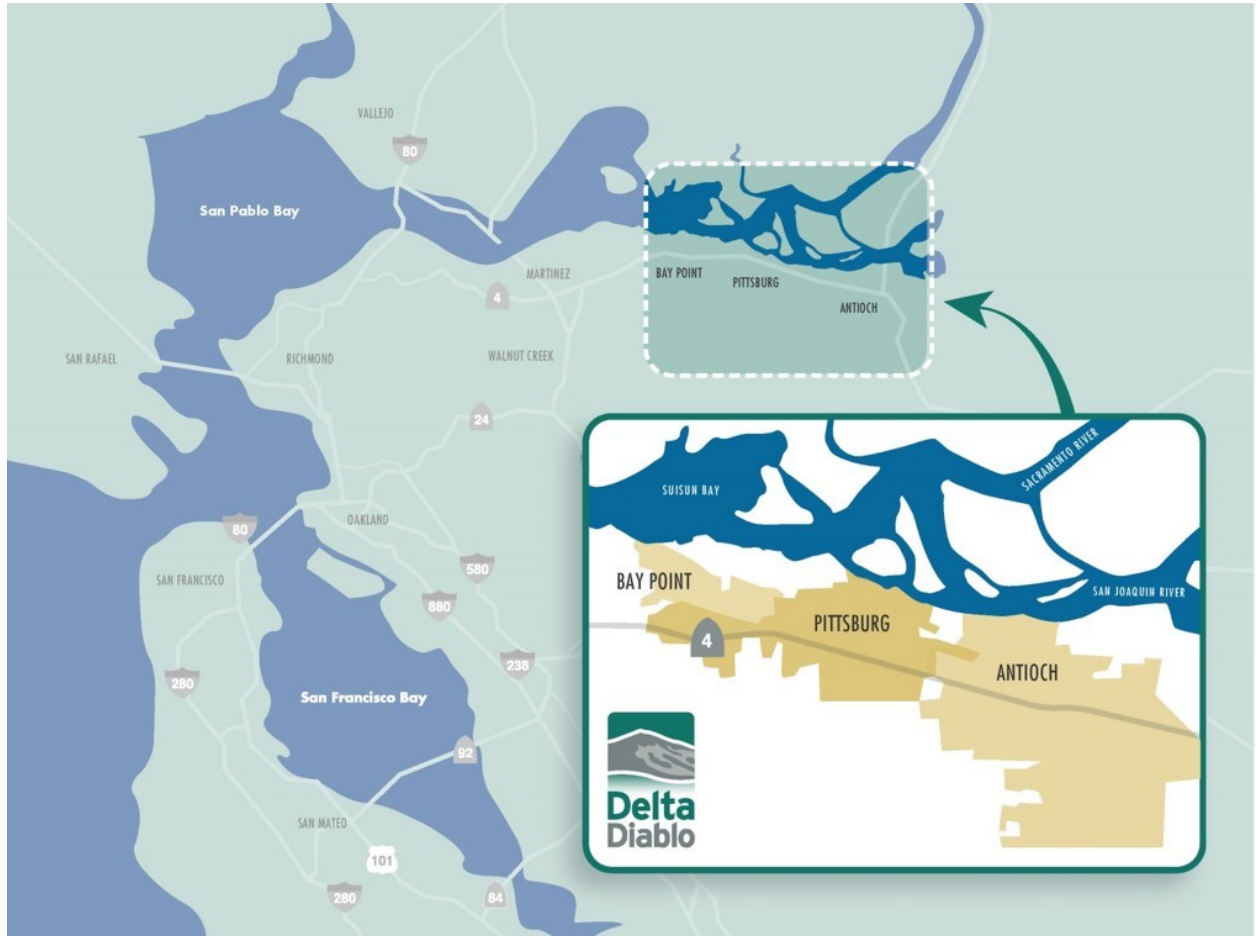
**The Debt Service variance** of -42% is largely due to adjustments made to anticipated Fiscal Year 2019/2020 (FY19/20) Capital Asset Replacement (CAR) Debt Service based on more current information.

***District Overview***

The District is a special district in the state of California that was originally formed in 1955 as Contra Costa County Sanitation District No. 7-A, pursuant to California Health and Safety Code Section 4700 for the purpose of operating, maintaining, and constructing wastewater collection and treatment facilities in the unincorporated West Pittsburg (now called Bay Point) area. In the early 1970s, the California State Water Resources Control Board (SWRCB) adopted a policy of encouraging public wastewater agencies to consolidate on a sub-regional basis. In 1976, the cities of Pittsburg and Antioch were annexed to the District.

A new sub-regional conveyance system and treatment facility was recommended and subsequently constructed in the current location between the two cities. In 1989, the District's name was changed to Delta Diablo Sanitation District after years of being referred to as such by the public. In 2014, the District's name was changed to Delta Diablo to reflect the general industry shift to viewing Wastewater Treatment Plants (WWTPs) as water resource recovery facilities via renewable energy production, water recycling, and biosolids reuse.

The District provides services to nearly 214,000 residential, commercial, and industrial customers in Bay Point, Pittsburg, and Antioch, which comprises a service area of approximately 54 square miles. The District's service area is divided into three zones: Zone 1 – Bay Point, Zone 2 – Pittsburg, and Zone 3 – Antioch as shown in Figure 1.



**Figure 1 - Map of Delta Diablo Service Area**

The District is governed by a three-member Board of Directors (Board) with one member appointed to represent each zone, including a designated councilmember from the City of Pittsburg, the Mayor of the City of Antioch (or designee), and the Contra Costa County Board of Supervisors member representing the unincorporated Bay Point community. The Board establishes overall policies to guide District operations, which are then implemented under the direction of the General Manager, to provide reliable, high-quality wastewater conveyance and treatment services at rates that are below average when compared to other agencies in the San Francisco Bay Area (Bay Area).

Board meetings are open to the public and held the second Wednesday of each month. In addition, committee meetings, workshop sessions, special meetings, and public hearings are occasionally scheduled and noticed.

The District has continually pursued an array of solutions to provide high-quality and environmentally-sound resource recovery services to its service area to protect public health, the Delta, and San Francisco Bay, now and into the future. As a result, five core resource recovery and services programs have been developed: Wastewater, Recycled Water, Household Hazardous Waste, Street Sweeping, and Bay Point Collections. Additional resource recovery services include pollution prevention, energy recovery, and beneficial use of biosolids.

***Wastewater Program:*** The Wastewater Program's primary purpose is to protect public health and the environment by conveying and effectively treating wastewater. Operating 24 hours a day, 365 days a year, the District's WWTP is permitted by the San Francisco Bay Regional Water Quality Control Board (Regional Board) as a secondary wastewater treatment facility with a permitted average dry weather flow capacity of 19.5 million gallons per day (MGD).

***Recycled Water Program:*** Since 2000, the District has been operating an industrial RWF. Generating an average of 6 MGD, the RWF is rated for 12.8 MGD and utilizes a state-of-the-art computerized Supervisory Control and Data Acquisition (SCADA) system. Recycled water is distributed for use as cooling water at two power plants, as well as landscape irrigation at several parks, Caltrans rights-of-way, city offices, and a golf course in Antioch. The use of high-quality recycled water for industrial and landscape irrigation applications provides an alternative source of water that not only is more cost efficient than potable water and promotes water conservation, but is also an environmentally sound approach to reducing potable water use and discharge of treated wastewater to the Delta.

***Household Hazardous Waste Program:*** In partnership with multiple local governmental entities, the District has operated a regional HHW Program since 1996. The core of the program is operation of the Delta Household Hazardous Waste Collection Facility (DHHWCF), which was constructed in 2003 adjacent to the District's WWTP. The purpose of the HHW Program is to prevent hazardous pollutants from reaching waterways, landfills, and the wastewater system in support of the District's Pollution Prevention Program and compliance with state and federal regulatory requirements. Use of the District's DHHWCF is free of charge for residents and small businesses in East Contra Costa County, and accepts HHWs, such as medications, used oil and filters, anti-freeze, paints and stains, batteries, fluorescent and high intensity lamps, cosmetics, pesticides, pool chemicals and household cleaners, cooking oils and grease, and electronic waste.

***Street Sweeping Program:*** Street sweeping is another pollution prevention service offered by the District. One of the best ways to prevent pollutants from entering local waterways is to remove them from streets before wind and rain carries them into storm drains, which flow directly to Delta

receiving waters. Regular street sweeping provides an aesthetic benefit to local neighborhoods, attracts businesses to downtown areas, and supports regional compliance with state and federal regulations related to Clean Water Act implementation.

**Bay Point Collection Program:** In 1984, the District assumed responsibility from Contra Costa County for the West Pittsburg (Bay Point) collection system. Services provided for this system consists of cleaning, inspection, and maintaining 43 miles of sanitary sewer mains for collection and delivery of untreated wastewater to the WWTP through the District's conveyance system. The cities of Antioch and Pittsburg maintain their own collection systems.

### **Local Economy**

The District provides wastewater conveyance and treatment services in its service area via 38,300, 24,700, and 7,500 connections in Antioch, Pittsburg, and Bay Point, respectively. These communities are located in the Delta region where the Sacramento and San Joaquin Rivers meet at the eastern edge of the greater Bay Area. Housing is affordable relative to the otherwise expensive Bay Area, and there is still significant undeveloped land in the area available for future development. The Bay Area Rapid Transit (BART) Pittsburg-Antioch line and Highway 4 run through the area, connecting commuters in the three communities to jobs in other parts of the Bay Area.

Because the area functions in part as "bedroom communities" to the Bay Area's financial, high-tech, and service industries, housing-related development, construction, and service-related businesses dominate the local economy. In general, the local economy is consistent with the Bay Area economy. During the first half of FY19/20, the local economy within the District's service area experienced solid economic growth with no indication of an economic slowdown in the short term. The unemployment rate within the region was 3.0% in February 2020, slightly lower than the last couple of years<sup>1</sup>, and lower than the state average unemployment rate for February 2020 of 3.9%.<sup>2</sup>

However, in March 2020, customers in the District's service area were ordered to shelter in place and the economic activity slowed significantly. COVID-19 was declared a global pandemic and local county health orders shut down businesses that were not considered essential. This public health crisis has had significant economic effects.

During the COVID-19 pandemic, many people have lost their jobs and the unemployment rate soared to 15.5% in April 2020 in California.<sup>2</sup> The region also saw a sharp increase in the unemployment rate (14.2%) for the same period.<sup>1</sup>

After several weeks of the economic shutdown, the Contra Costa County Health Order restrictions have started to be relaxed and businesses are starting to reopen, but many have suffered serious financial loss.

There are many unknown factors and uncertainties regarding the financial impacts associated with the COVID-19 pandemic. Growth and development activities will be closely monitored and could have an impact on the District, both in the receipt of CFCCs as well as the growth and collection of SSCs. In addition, the District will be closely monitoring the impacts to non-residential water use and the associated impact to SSC revenue.



Median household income in Bay Point, Pittsburg, and Antioch were \$55,856, \$70,770, and \$71,422, respectively, compared with the Contra Costa County median household income of \$93,712 in 2018<sup>3</sup>. Populations in Pittsburg and Antioch has grown from 63,264 and 102,372 in 2010 to 74,321 and 112,520 in 2020, respectively<sup>4</sup>. This information was not separately available for Bay Point as it is an unincorporated area. Median housing prices were \$411,000 in the Bay Point, \$439,000 in Pittsburg, and \$454,000 in Antioch, as reported by Zillow for March 2020<sup>5</sup>.

<sup>1</sup> US Bureau of Labor Statistics - [www.bls.gov/regions/west/ca\\_oakland\\_md.htm](http://www.bls.gov/regions/west/ca_oakland_md.htm)

<sup>2</sup> US Bureau of Labor Statistics - [www.bls.gov/regions/west/california.htm](http://www.bls.gov/regions/west/california.htm)

<sup>3</sup> United States Census Bureau - [www.census.gov/quickfacts/fact/table/US/PST045219](http://www.census.gov/quickfacts/fact/table/US/PST045219)

<sup>4</sup> California Department of Finance - [www.dof.ca.gov/Forecasting/Demographics/Estimates/e-1/](http://www.dof.ca.gov/Forecasting/Demographics/Estimates/e-1/)

<sup>5</sup> Zillow - [www.zillow.com/home-values](http://www.zillow.com/home-values)

## ***Strategic Planning Goals and Objectives***

The District's current Mission and Vision Statements were adopted by the Board in October 2012. In September 2013, following an organization assessment, the Board adopted the Strategic Business Plan (SBP) to highlight the organization's mission, vision, and values, while identifying key strategic goal areas to meet long-term needs and drive organizational improvement. The SBP includes the District's Mission and Vision Statements, Core Values, Strategic Goals, and Strategic Focus Areas. Initiatives to achieve the District's Strategic Goals are reviewed and prioritized annually and those recommended to be implemented in the current fiscal year are presented to the Board.

## **Mission, Vision & Core Values**

### **Mission**

Protect public health and the environment in our community by providing wastewater resource recovery services of exceptional quality and value.

### **Vision**

Delta Diablo will be a national leader in wastewater resource recovery.

### **Core Values**

Delta Diablo is committed to:

#### **Integrity**

- Maintain the highest ethical standards with our customers, partners, and each other
- Honor our commitments
- Treat others fairly and consistently

#### **Teamwork**

- Collaborate to achieve a common vision
- Communicate in an open and timely manner
- Celebrate our successes and achievements

#### **Trust**

- Inspire confidence through our words and actions
- Promote a positive work environment through honest, transparent, and respectful interactions
- Encourage and embrace diverse points of view

## **Goals**

### **Financial Sustainability**

- Serve our customers at the lowest practical long-term cost by operating efficiently and planning effectively
- Identify and pursue opportunities to add beneficial services and expand our customer base
- Maintain prudent reserves and a high bond rating
- Plan for the preservation, replacement, and expansion of District assets

### **Leadership**

- Lead and promote local, regional, and national collaboration to advance wastewater resource recovery
- Develop future leaders
- Nurture a productive and motivated workforce

### **Operational Excellence**

- Produce high-quality products and provide services that meet or exceed regulatory requirements, industry standards, and customer expectations
- Provide exceptional customer service
- Optimize business and operational practices

### **Workplace Innovation**

- Foster a culture of innovation to improve the environment, benefit our customers, and/or advance the industry
- Conserve resources and minimize waste
- Maximize economic resource recovery (energy, water, nutrients, and byproducts)

### **Stakeholder Engagement**

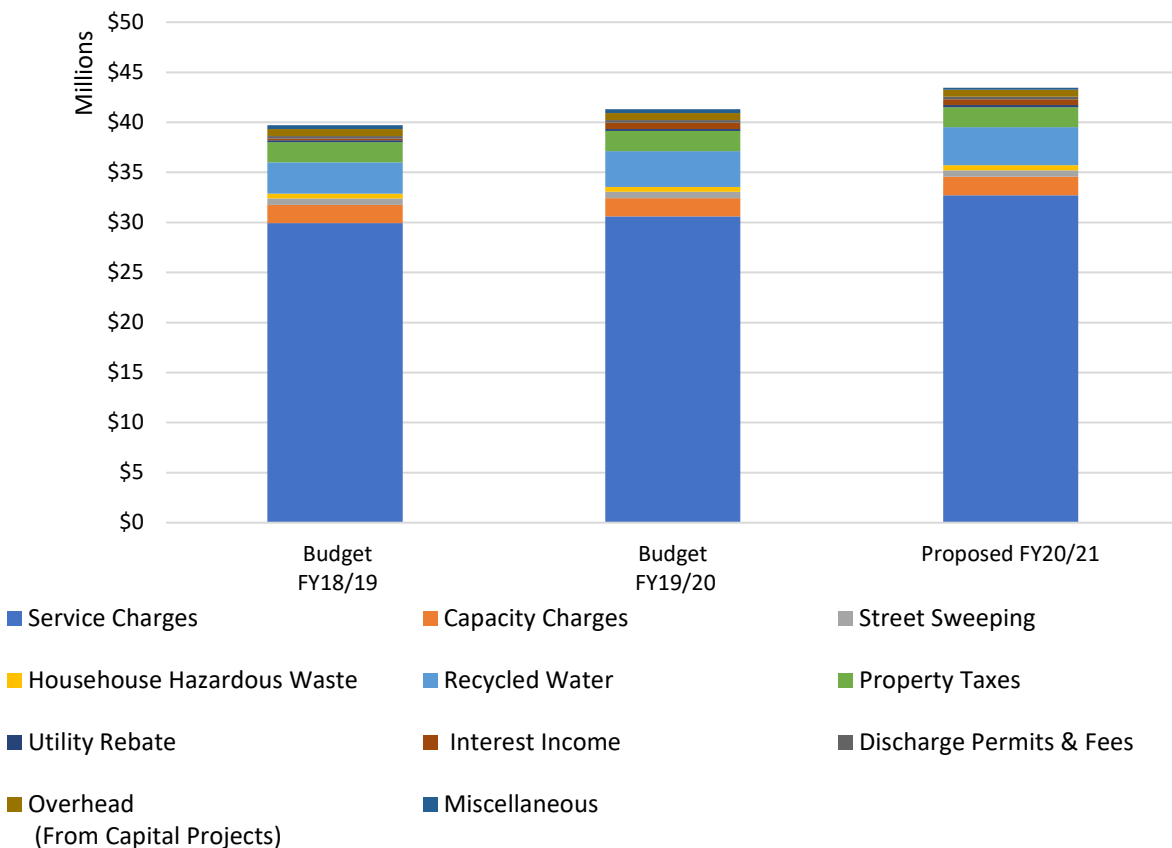
- Build and sustain effective, positive relationships within our community
- Advocate for regulatory and legislative action consistent with the District's interests
- Partner with local government and the business community to support and enhance economic vibrancy in the region
- Educate our community about our operations and service and promote environment stewardship

## Budget Overview

### Budget Assumptions

A budget is an estimate of revenues and expenditures for a set period. Estimates used for budgeting purposes involve a set of assumptions. It is important that the reader of this budget understand the assumptions used in preparing the revenue and expenditure estimates contained herein. Listed below are the primary assumptions used in the creation of this budget.

**Sources of Funds/Revenue:** The District generates funding from multiple sources, including service charges, capacity charges, ad valorem property taxes, and miscellaneous other sources. Sources of funds are presented in Figure 2 and are discussed in further detail below.



**Figure 2 – FY18/19 – FY20/21 Sources of Funds/Revenues**

The District has a stable revenue foundation, with 70% of the District’s FY20/21 total sources of funds/revenues coming from SSCs. SSC revenue as a percentage of total revenue excluding debt is approximately 76%. Other significant revenue sources include CFCCs, recycled water sales, and ad valorem taxes. The proposed FY20/21 Budget includes revenue totaling \$43.5 million, excluding other financing sources. This represents an increase of 6% relative to FY19/20.

**SSCs** are charges collected from residential and non-residential customers for sewer use. Annual SSC revenues are collected by the Contra Costa County Tax Assessor’s Office (on the property tax roll) and are remitted to the District in December, April, and June. Some non-residential



customers are charged monthly or quarterly, rather than annually, based on either water usage or actual sewer flows. SSCs are a highly distributed revenue source for the District with the top ten wastewater service customers representing approximately 15.2% of annual billing in Fiscal Year 2019/2020 (FY19/20). This lack of concentration equates to a more stable revenue stream and is less susceptible to fluctuations in the economy or local business climate.

SSCs are subject to California's Proposition 218, which requires that SSC increases be noticed to all property owners, with the opportunity to protest the increase via written protests. If there is a majority of the property owners in protest of the SSC increase, the proposed SSC increase cannot be implemented.

On June 25, 2020, following a Proposition 218 notice process, the Board approved FY20/21 SSC increases of 3.5% for customers in Antioch and Pittsburg (from \$389.47 to \$403.10 annually [+\$13.63/year increase] for single-family residential) and 3.0% for customers in Bay Point (from \$540.26 to \$556.47 annually [+\$16.21/year increase] for single-family residential).

**CFCCs** are fees paid by developers to pay for expanded capacity in the sewer collection and treatment systems to convey and treat wastewater. They are also paid by commercial or industrial customers who expand the use of sewer services at their facilities.

CFCC revenue is forecasted for the next year based on the cost per ERU and an assumed growth rate of 481 ERUs being developed during the fiscal year. In FY20/21, staff plans to conduct a CFCC cost-of-service study to ensure costs are in alignment with capital plans.

**Recycled Water Service Charges** are collected from customers who purchase recycled water from the District. Most recycled water is used by Calpine for cooling its gas-fired plants. Other customers use recycled water for landscape irrigation.

Recycled water usage for FY20/21 is forecasted to be about 6,917 acre-feet (2,254 million gallons). Recycled water revenue is projected to increase by \$71,676 or 2% compared to FY19/20.

**Ad Valorem Property Taxes** are collected on property tax bills and represent 1% of the assessed value of property. The ad valorem property tax paid for a particular parcel is allocated to several agencies for a variety of purposes. As a special district, the District is allocated a portion of these taxes.

**Other Financing Sources** – Other financing sources are primarily debt in the form of low interest-loans from the state of California. Clean Water State Revolving Fund (SRF) loans and other loan proceeds are used in combination with existing funds and reserves for capital improvements to implement the District's CIP.

**Use of Funds/Expenditures:** The District continues to experience increases in annual operating costs over time due to escalations in labor, chemical, energy, materials, supplies, equipment, hauling, and outside services costs, as well as increasingly more stringent regulatory requirements. The FY20/21 Budget is \$47.1 million with the operating budget totaling \$29.3 million and capital (including debt service) totaling \$17.8 million. The operating budget represents a \$0.6 million increase (2.0%) relative to FY19/20 (\$28.7 million) and the capital budget (including debt service) represents a \$5.0 million decrease (-22.1%) relative to FY19/20 (\$22.9 million). Major operating cost categories include salaries and benefits, chemicals, utilities, office and operating, and outside services.

**Salaries and Benefits:** This category represents approximately 36% of the District's FY20/21 Budget. The District regularly evaluates organizational structure and needs, and strives to align staffing with the changing operating needs and regulatory requirements. The current staffing plan facilitates how the District responds to those needs. Staffing will continue to be a priority as the District has experienced and will potentially continue to experience a high number of staff retirements in the near term with approximately 47% of staff approaching retirement eligibility within the next three years.

- Cost-of-Living Adjustment (COLA). An annual COLA is specified in the memoranda of understanding (MOUs) for each of the District's three bargaining units. The MOUs specify that the District will adjust salaries for the first full pay period after July 1 each year, from a minimum of 2% up to 5% based on the April to April change in the Consumer Price Index (CPI) for San Francisco/Bay Area Wage Earners. The percentage information was available in May and COLAs of 2.0% are included in the FY20/21 Salaries and Benefits budget.
- Unfunded Positions and Salary Savings: A total of 78.0 full-time equivalent (FTE) positions will be budgeted in FY20/21. Based on an assessment of resource needs, staff estimates that three positions will remain unfilled and unfunded in FY20/21, which results in an annual savings of \$0.7 million. In addition, the budget includes salary savings of \$300,000 for funded positions that will not be filled for the entire year.
- Position Changes: No new positions are recommended, but two vacant positions will be flexibly staffed in FY20/21 following the retirement of two incumbents in the Engineering Services Department—an Engineering Technician and an Associate Engineer. The District intends to fill these positions at the Junior and/or Assistant Engineer level in FY20/21. In addition, a Maintenance Intern position is included in the budget, which adds 0.5 FTEs to the FY20/21 budget at an annual cost of \$50,000.
- Medical Insurance: Annual medical insurance premium costs have increased by 7.25%, while most other health benefits (e.g., vision, Employee Assistance Program, and life insurance) are not expected to increase.
- California Public Employees' Retirement System (CalPERS) Funding: In November 2011, the Board adopted CalPERS Tier 2 (2.0% at age 55), which applies to employees hired between July 1, 2012 and December 31, 2012, or hired on or after January 1, 2013, as a member of a qualified public pension plan (e.g., CalPERS, Contra Costa County Employee Retirement Plan, etc.). Prior to July 1, 2012, 100% of all employees were enrolled in CalPERS Tier 1 (2.7% at age 55). Furthermore, the Public Employees' Pension Reform Act of 2013 (PEPRA), effective January 1, 2013, established Tier 3 (2.0% at age 62), which applied to employees hired on or after January 1, 2013, who are not members of a qualified public pension plan. As of FY19/20, 49% of all employees are in either Tier 2 or Tier 3 and since new hires are no longer eligible to become members of Tier 1, there are ongoing savings as employees leave the District and vacant positions are filled at Tiers 2 and 3. The District assumes that new journey level, professional, and management hires will be Tier 2, because it is likely that they would have been a member in CalPERS or a reciprocal plan. The District assumes that new entry level hires will be Tier 3, because it is unlikely that these hires would have been members in CalPERS or a reciprocal plan. In addition to the lower employer-paid contributions into CalPERS, all new hires pay their full employee

contributions into CalPERS, as well as contributions into the Other Post-employment Benefits (OPEB) trust, which is at 3% of base salary.

- CalPERS Pension Unfunded Liability Contribution: This cost is budgeted at \$1.1 million, which is an increase of approximately \$0.1 million from FY19/20.
- Succession Planning: There was no change from FY19/20 in the \$0.1 million budget for overlap of new hires and incumbents in critical positions.
- Contra Costa County Retirees' Association (CCCERA) Funding: In July 2014, the Board established Contributed Benefit Savings (CBS) funding levels of 3.75% of salaries to maintain the integrity of the CCCERA plan for District retirees and employees who remained in the CCCERA system after the District transitioned from the CCCERA pension plan to CalPERS in July 2014.
- OPEB Trust Fund Annual Funding: The Board's adopted OPEB Funding Policy states the intent to fully fund the District's Actuarially Determined Contribution (ADC), which the Board has done each year since the trust fund was established in February 2010. District employees pay 3% of base salaries into the trust and the District budgets the required 3% match, as well as actual retiree medical costs which are deposited into the OPEB trust fund. The FY20/21 operating budget includes an ADC of \$0.9 million. The funded status of the District's total OPEB liability was 73.7% on 6/30/18 using the market value of assets on 6/30/18 and 78.3% on 6/30/19 with the liability projected one year from 6/30/18 to 6/30/19 and using the market value of assets on 6/30/19. Potential impacts from COVID-19 are as follows:
  - Public Employees' Medical & Hospital Care Act (PEMHCA) premiums - CalPERS issued preliminary 2021 premiums in June and will issue final 2021 premiums in July. This will impact the next June 30, 2020 actuarial valuation. Going forward, healthcare insurers will need to look at many impacts, including the cost of COVID-19 care, the possibility of future waves, the amount of testing, the development of treatments and vaccines, the delay of other healthcare, and the impact of social distancing on the level of other healthcare claims.
  - Asset Values on June 30, 2020 - The equity market has recovered from its low back in March 2020. However, if there is any difference from the long-term annual return rate assumption of 6.25%, it will be phased in over five years for funding and reflected immediately for accounting.
  - Mortality assumptions - The Society of Actuaries is monitoring how mortality improvement assumptions will be impacted.
  - Demographics - Depends on the extent the virus has impacted District employees.
- Public Agency Retirement Services (PARS) Funding: The FY20/21 operating budget includes a one-time payment of \$0.1 million to PARS. The PARS trust account was established to pre-fund both CalPERS pension obligations and/or OPEB obligations. The additional funds in PARS will provide funding to mitigate future rate revenue required for projected sharp increases in pension or OPEB costs due to decreases in discount rates, an accelerated amortization schedule, and/or investment losses.

*Chemicals:* This cost is approximately 4% of the FY20/21 Budget. The District normally participates in the Bay Area Chemical Consortium (BACC), which administers an annual bidding process for water and wastewater treatment chemicals, to leverage purchasing power among the members and receive cost-effective bids. As external factors (e.g., tariffs) cause chemical prices to rise, this approach allows the District to benefit from the most competitive market prices. However, because BACC eliminated the bidding process this year due to the COVID-19 pandemic, the District secured one-year contract extensions at no additional cost. Staff has conducted a comprehensive review of chemical unit costs, estimated quantities, and associated contingencies. The FY20/21 chemical budget totals \$1.7 million, including \$1.1 million for wastewater and \$0.6 million for recycled water, which represents a \$0.2 million annual decrease due to more efficient chemical dosing at the RWF.

*Utilities:* This category represents approximately 4% of the FY20/21 Budget. Staff continues to identify opportunities to reduce on-site energy demand. Staff has identified and implemented changes to operating strategies based on variable energy cost schedules to reduce energy costs.

*Office and Operating:* This category represents approximately 7% of the FY20/21 Budget. Permit and regulatory fees are expected to increase by 8% in FY20/21 for a total budget of \$0.3 million. As presented to the Board on March 11, 2020, the District expects a significant increase in annual biosolids management costs following receipt of bids in early May 2020 and expiration of the current long-term biosolids management services agreement with an outside contractor.

*Outside Services:* This category represents approximately 9% of the FY20/21 Budget and includes items such as temporary, legal, and professional services. Professional services is the largest item in the Outside Services category and is budgeted in the amount of \$1.2 million. This represents a 33% increase over last year or a \$0.29 million increase and is representative of planned organizational improvement initiatives, including Munis ERP enhancements, as well as cost-of-service (SSCs, Recycled Water Service Charges, CFCCs), fee schedule, and total compensation studies planned for FY20/21.

**Capital Expenses** of \$16.7 million include expenses to build or acquire new capital assets, replace existing assets, or rehabilitate existing assets to extend the useful life. Details of these expenses can be found in the 5-Year CIP, later in this budget document.

**Debt Service** includes the principal and interest payments for the District's outstanding loans. Debt service is approximately \$1.2 million, which is similar to last year. However, debt service is anticipated to increase in Fiscal Year 2021/2022 (FY21/22) when the Bay Point Rehabilitation Phase 4 Project concludes and again in Fiscal Year 2022/2023 (FY22/23) when debt service for the Pump Station Facilities Repair ends. A detailed breakdown of debt related activities can be found in section 4.

## Section 2. Financial Structure, Policies, and Processes

### *Organization*

The District is governed by a three-member Board with one member appointed to represent each zone, including a designated councilmember from the City of Pittsburg, the Mayor of the City of Antioch (or designee), and the Contra Costa County Board of Supervisors member representing the unincorporated Bay Point community. The District is managed by a General Manager.

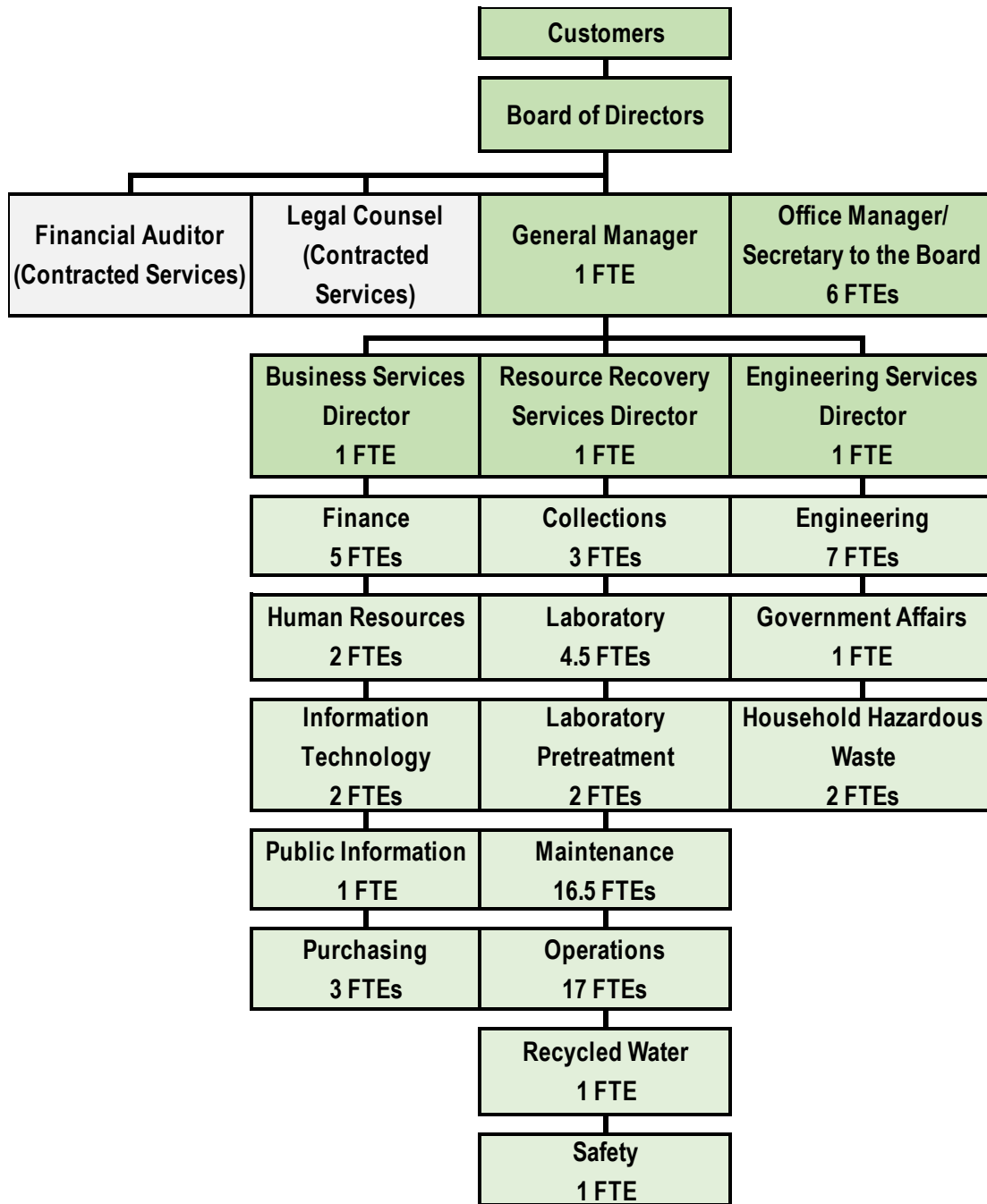
The Financial Auditor and Legal Counsel for the District are contracted services. These functions report directly to the Board. All other functions report directly to the General Manager. The District is organized into four departments, Resource Recovery Services, Engineering Services, Business Services, and Administration. The first three are headed by a Director. The fourth department includes the General Manager's Office, the Board, and Administration. Under each Director, there are several divisions as described below.

- **Resource Recovery Services** includes those divisions associated with operations and maintenance, safety, and overseeing regulatory compliance. They include the following functions:
  - **Collections** includes preventive and corrective maintenance of the Bay Point Collection System.
  - **Laboratory/Laboratory Pretreatment** includes all regulatory compliance and reporting functions, including the laboratory, pretreatment, and regulatory reporting. Ensures the District's permitted businesses and industrial customers comply with all applicable pretreatment and requirements. Ensures WWTP effluent meets all water quality standards and evaluates treatment plant operations to ensure compliance with all air pollution control standards. Develops and implements new programs as mandated by legislation and/or policy monitors.
  - **Maintenance** includes the preventive and corrective maintenance of all mechanical, electrical, and instrumentation equipment. Maintains the WWTP, wastewater collection and conveyance systems (including pumping stations), RWF and recycled water distribution system, and the buildings and grounds at the District's facility in Antioch.
  - **Operations** includes operation of the wastewater pumping stations, WWTP, and RWF.
  - **Recycled Water** includes coordination and oversight of RWF and distribution systems.
  - **Safety** includes primary objective to reduce injuries, accidents, and environmental impact. This division oversees and administers the District's comprehensive occupational health and safety program; manages the emergency preparedness and response programs; and ensures compliance with federal, state, and local safety requirements and regulations. It also monitors and maintains compliance with industry standards, oversees training, workplace evaluation, incident response and hazardous materials management, and manages regulatory information.

- **Engineering Services** includes those divisions associated with planning and implementing capital projects and asset management, construction inspection and overseeing government affairs and HHW. They include the following functions:
  - **Engineering** includes development review, capital project management, project design/engineering, and inspection.
  - **Government Affairs** includes the funding for and administration of agreements for capital programs and external activities. Also includes the administration of District coalition efforts.
  - **Household Hazardous Waste**, in support of state regulations and the District's Pollution Prevention program, includes the operation of the DHHWCF and regional program in partnership with the cities of Antioch, Brentwood, Oakley and Pittsburg, and Contra Costa County.
- **Business Services** includes finance and accounting services, human resources and risk management, information technology (IT), and public information.
  - **Finance** includes District financial management functions of the general ledger, budgeting, accounts payable, accounts receivable, fiscal reporting, and payroll.
  - **Human Resources/Risk Management** includes the management of all programs and services related to personnel, employee/labor relations, training, claims, insurance, and employee benefits. In addition, Human Resources manages risks to protect the District from loss or damage to its personnel and assets.
  - **IT** includes operating and maintaining hardware, software, communications, and cloud services, as well as protecting the District from cybersecurity threats.
  - **Public Information** includes media relations, ratepayer communications, stakeholder engagement, community outreach, and student educational programming.
  - **Purchasing** includes procurement management and warehouse and inventory management.
- **Administration** includes support functions for Board meetings and the administrative support for the District.

The Delta Diablo Organization Chart is presented in Figure 3 and includes a graphical representation of the District's fund structure. This figure is followed by a summary of Budgeted Positions as of July 1, 2020 in Table 2. This table shows a three-year comparison of budget positions for the prior year, the current year, and the new budget year.





**Figure 3 – Delta Diablo Organization Chart**

**Table 2 – Budgeted Positions as of July 1**

Department/Division/Position (excluding Board Members)	FY18/19	FY19/20	FY20/21
<b>Administration</b>			
General Manager	1	1	1
Deputy General Manager	1	0	0
Office Manager/Secretary to the Board	1	1	1
Senior Administrative Assistant	1	1	1
Administrative Assistant II/III	5	5	4
<b>Administration</b>	<b>9</b>	<b>8</b>	<b>7</b>
<b>Business Services Department</b>			
Business Services Director	1	1	1
<b>Finance</b>			
Finance Manager	1	1	1
Senior Accountant	1	1	1
Accounting Technician	3	3	3
<b>Human Resources</b>			
Human Resource Manager and Risk Manager	1	1	1
Human Resource Analyst II	1	1	1
<b>Information Technology</b>			
Information Technology Manager	1	1	1
Computer Analyst	1	1	1
<b>Public Information</b>			
Public Information Manager	1	1	1
<b>Purchasing</b>			
Purchasing Manager	0	1	1
Buyer	1	0	0
Warehouse Technician I/II <sup>3</sup>	0	0	2
<b>Business Services Department</b>	<b>12</b>	<b>12</b>	<b>14</b>
<b>Engineering Services Department</b>			
Engineering Services Director/District Engineer	1	1	1
<b>Engineering</b>			
Senior Engineer	1	1	1
Associate Engineer <sup>2,5</sup>	3	3	3
Junior Engineer, Assistant Engineer <sup>2,5</sup>	1	1	2
Engineering Technician I <sup>2</sup>	1	1	0
Construction Inspector	1	1	1
<b>Government Affairs</b>			
Government Affairs Manager	1	1	1
<b>Household Hazardous Waste</b>			
Environmental Programs Manager	1	1	1
Household Hazardous Waste Technician III	1	1	1
<b>Engineering Services Department</b>	<b>11</b>	<b>11</b>	<b>11</b>

Department/Division/Position (excluding Board Members)	FY18/19	FY19/20	FY20/21
<b>Resource Recovery Services Department</b>			
Resource Recovery Services Director	1	1	1
<b>Collections</b>			
Collection Systems Worker I/II	2	2	2
Collection Systems Worker III	1	1	1
<b>Laboratory</b>			
Laboratory Manager	1	1	1
Chemist I/II	2	2	2
Chemist III	1	1	1
Intern (Co-op Student)	0.5	0.5	0.5
<b>Laboratory Pretreatment</b>			
Environmental Compliance Specialist II	2	2	2
<b>Maintenance</b>			
Maintenance Manager	1	1	1
Maintenance Supervisor	1	1	1
Control Systems Specialist	1	1	1
Electrical/Instrumentation Technician I/II	2	2	2
Electrical/Instrumentation Technician III	1	1	1
Maintenance Mechanic I/II	7	7	7
Maintenance Mechanic I/II	1	0	0
Maintenance Mechanic III	2	1	1
Planner/Scheduler	0	1	1
Maintenance Worker	1	1	1
Warehouse Technician I/II <sup>3</sup>	2	2	0
Intern (Co-op Student) <sup>4</sup>	0	0	0.5
<b>Operations</b>			
Operations Manager	1	1	1
Operations Supervisor	1	1	1
Wastewater Treatment Plant Operator I/II	8	8	8
Wastewater Treatment Plant Operator III	3	3	3
Senior Wastewater Treatment Plant Operator IV/V	4	4	4
Flex Staffing Succession Planning <sup>1</sup>	0	0	0
<b>Recycled Water</b>			
Recycled Water Program Coordinator	1	1	1
<b>Safety</b>			
Safety Manager	1	1	1
<b>Resource Recovery Services Department</b>	<b>48.5</b>	<b>47.5</b>	<b>46.0</b>
<b>Total Budgeted Positions</b>	<b>80.5</b>	<b>78.5</b>	<b>78.0</b>

<sup>1</sup> Flex staffing does not add position; provides funding for succession planning purposes

<sup>2</sup> Associate Engineer and Engineering Technician I retirements in FY19/20. Filling behind with Junior and/or Assistant Engineer levels

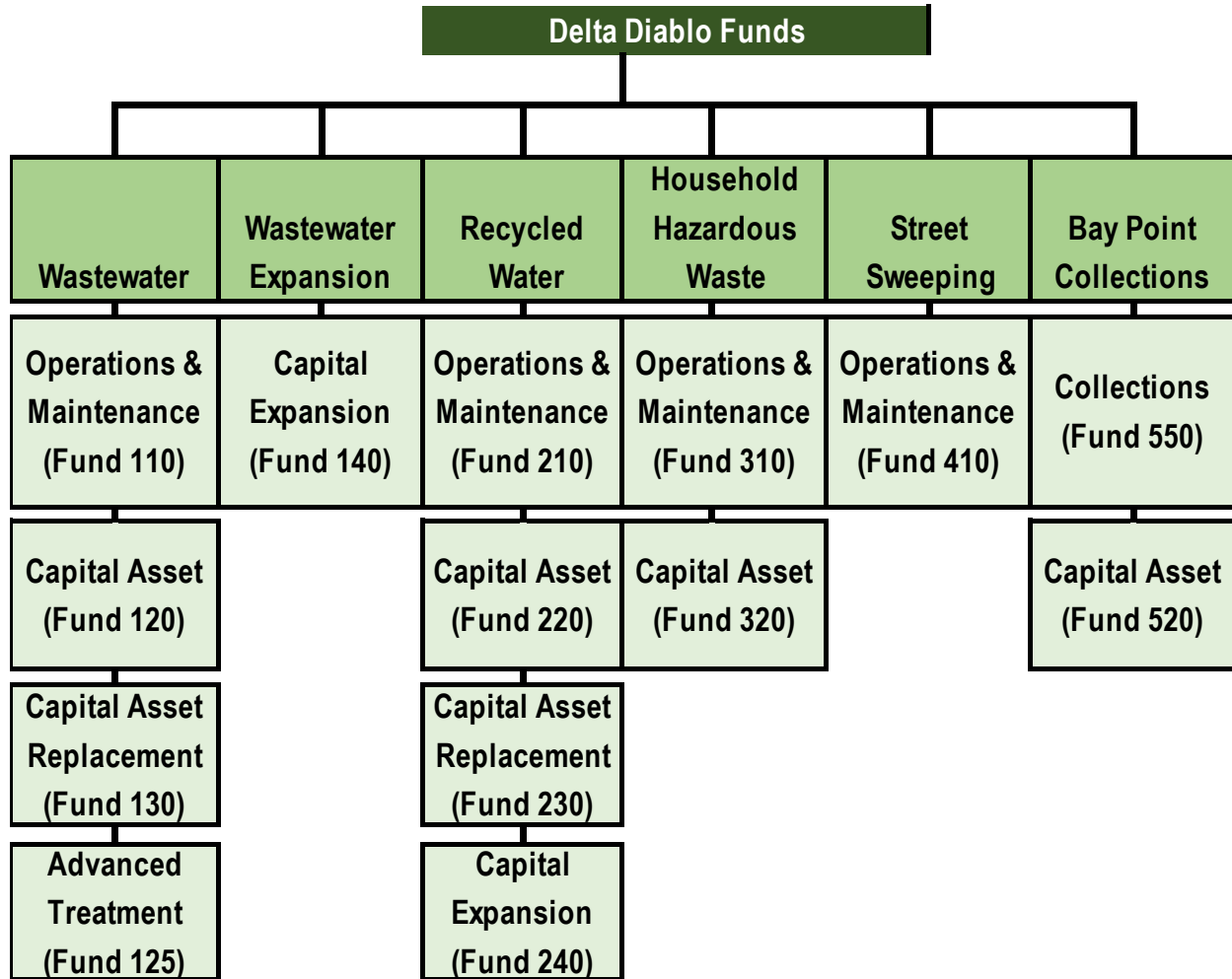
<sup>3</sup> Positions transferred from Resource Recovery to Business Services

<sup>4</sup> Maintenance Intern (LMC PTEC/ETEC Program - 20 hours per week)

<sup>5</sup> Assistant Engineer promoted to Associate Engineer in FY19/20

### **Fund Descriptions and Fund Structure**

The District uses six enterprise funds to account for separate business-type activities. The funds are segregated with the intent that resources in the fund are used exclusively for the purpose for which they were collected including payment of debt service and capital needs. Figure 4 below shows the separate funds for Wastewater, Wastewater expansion, Recycled Water, Household Hazardous Waste, Street Sweeping and Bay Point Collections. The District breaks these funds out further into sub-funds for accounting and budgeting purposes (as shown in figure 4). When comparing the budget to financial statements these sub-funds are rolled back together for reporting. Functions of sub-funds are described following figure 4.



**Figure 4 – Delta Diablo Funds**

**Operations and Maintenance (O&M) Funds:** The respective Wastewater (regional wastewater conveyance and treatment), HHW, Recycled Water, and Bay Point Collections Funds provide for operations and maintenance costs. Primary funding is from applicable service charges. Bay Point ratepayers, however, are charged an additional component in the SSC revenues to provide for the added service to maintain their collection system. The Street Sweeping (SS) Operations & Maintenance Fund provides for street sweeping services throughout the District’s 54 square mile service area. A flat service fee per customer is charged based on the frequency of sweeping service provided in their area. Primary funding is from applicable service charges.

**Capital Asset (CA) Funds:** These Wastewater, Recycled Water, and HHW Funds ensure that adequate resources are available to fund new capital projects (not related to growth) and to provide debt service for debt which the Board has allocated to these funds. Expenses are non-linear. Reserves in these funds grow in anticipation of large future expenditures and will be depleted as projects are completed. Primary funding is from applicable service charges and may include other funding sources such as grants and loans.

**Capital Asset Replacement (CAR) Funds:** The respective Wastewater, Recycled Water, and Bay Point Collections Funds ensure that adequate resources are available to fund replacements, improvements and major refurbishments to existing capital assets and to provide debt service for debt which the Board has allocated to this fund. Reserves will grow in anticipation of large future expenditures and will be depleted as projects are completed. Primary funding is from applicable service charges and may be include other funding sources such as grants and loans.

**Advanced Treatment (AT) Fund:** This fund is designed to minimize significant future rate increases by providing dedicated funding to meet a future, more stringent regulatory requirement for advanced wastewater treatment. Primary funding is from SSCs and may be include other funding sources such as grants and loans. The SSC rate component has been suspended for FY20/21 based on a revised implementation schedule and capital cost estimate.

**Expansion (WW Exp) Funds:** The respective Wastewater and Recycled Water Funds provide for wastewater treatment capacity for new development. The funding is provided through CFCCs collected when new or expanded development occurs. Pursuant to California Government Code §66013 (c), the District maintains this separate capital facilities fund for the charges in a manner to avoid any commingling with other monies of the District. For Recycled Water, revenues collected are remitted to Calpine pursuant to District Ordinance 103.

### ***Basis of Accounting and Budgeting***

The District's basis of accounting for budgetary purposes generally conforms with the generally accepted accounting principles (GAAP). Financial statements are presented as an enterprise fund. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs of providing services to the general public on a continuing basis be financed or recovered primarily through user charges.

As the District's financials are accounted for as an enterprise fund, the budget is prepared generally based on the full accrual basis of accounting. Revenues are recognized when earned and costs are recognized when a liability is incurred. Exceptions are as follows: Depreciation and amortization are handled differently in financial reporting and budgetary reporting. In financial reporting, depreciation and amortization are included, and the repayment of the principal on debt is not reported as expenses. In budgetary reporting, depreciation and amortization are excluded, and the repayments of the principal on debt as expenditures are included.

### ***Budget Process***

The annual budget process begins each year with a review of expenditures to determine how well the budget plan is working. Unanticipated expenses are identified, and revenue and expenditure patterns are analyzed. With this information, the operational budget directions are provided to staff and line item proposals are developed. For the capital budget, the Senior Engineer works with

department managers to update the 5-Year CIP. Operational budget line item proposals are reviewed by each respective department's Director and the Business Services Director prior to submittal to the General Manager for final review. Changes are made as appropriate throughout the review process.

The key assumptions for the proposed operating budget and the proposed CIP are provided to the Finance Committee, a subcommittee of the Board, who reviews, comments, and makes recommendations to the full Board.

Key budget assumptions and the CIP are presented to the Board for consideration. A CIP Public Hearing is held to seek input from interested stakeholders and the general public. The Board can direct staff to make changes to the key budget assumptions. All changes are then compiled and presented to the Board for final adoption of the budget.

### ***FY20/21 Budget Development Calendar***

- January 2020** Budget kickoff meeting with District management is held and budget directions provided to staff.
- Jan – March** Staff develops proposed Operating Budget and 5-Year CIP.
- April 29, 2020** Finance Committee reviews key assumptions for proposed FY20/21 Operating Budget and draft 5-Year CIP.
- May 13, 2020** Board receives report on key assumptions for proposed FY20/21 Operating Budget. Board receives presentation on draft 5-Year CIP. Board sets Public Hearing for June 25, 2020 to consider approval of 5-Year CIP.
- June 10, 2020** Board receives report on overview of FY20/21 Budget.
- June 25, 2020** Board adopts a resolution approving 5-Year CIP after Public Hearing.
- July 16, 2020** Board considers FY20/21 Budget.

### ***Budgetary Levels of Control***

Board Resolution 6/2001, Establishing Operating Authorities and Modifying Procedures Related to District Fund Accounting, directs that formal budget integration be employed as a management control device throughout the year and outlines the Board and General Manager's authority to implement and amend the budget as follows:

1. The General Manager shall each year prior to June 30, submit to the Board a proposed budget balancing revenues and expenditures for each of the District's program funds.
2. The Board shall consider and adopt no later than the first meeting of July the budget for that fiscal year.
3. Formal budget integration shall be employed as a management control device throughout the year.
4. The Board shall retain the authority for the following:
  - a) Approval of program transactions and transfers not specifically included below.
  - b) Write-off of uncollectible receivables and unusable inventory.
  - c) Final approval of carry forward items into the new fiscal year from a previous year.
  - d) Establishment, combination or elimination of program funds in the District accounting system.



- e) Non-recurring transfers made in compliance with special statues or ordinances which do not qualify as revenues or expenditures to the receiving or disbursing funds.
  - f) Approval of the District budget and any revisions thereto during the fiscal year.
  - g) Approval of the District audit.
  - h) Execute agreements for budgeted services and supplies exceeding \$100,000 annually to operate and maintain the District's Wastewater Treatment facilities, Recycled Water facilities and Household Hazardous Waste facilities.
  - i) Transfer of cash or assets between operating funds, projects or budgets.
  - j) Disposal of fixed assets.
  - k) Approval of monthly financial and investment reports.
  - l) Approval of increases in expenditures for department budgets in the general fund and for project budgets in other funds.
  - m) Annual review and approval of a District investment policy.
  - n) Authorization of long-term obligations on behalf of the District from one or more programs or funds of the District.
5. The General Manager shall have the following authorities, to the extent permitted by law:
- a) Prepare and implement the budget after Board adoption.
  - b) Reallocate funds between line items in individual department budgets and projects that do not result in an increase in the approved budget.
  - c) Approve contracts, agreements and expenditures up to \$35,000 for items previously approved by the Board in the budget or the Capital Improvement Program.
  - d) Execute agreements for budgeted services and supplies agreements and purchase orders under \$100,000 annually to operate and maintain the District's Wastewater Treatment facilities, Recycled Water facilities and Household Hazardous Waste facilities.
  - e) Approve Progress Payments on all Board approved contracts and obligations.
  - f) Carry forward funds into new fiscal year from the previous year for budgeted, committed and/or planned expenses.
  - g) Transfer funds for investment purposes between funds and investment institutions based upon Board investment policy.
  - h) Distribute interest from investment to the funds based upon appropriate Board policy.
  - i) Implement policies and procedures adopted by the Board of Directors.
  - j) Settle General Liability and Workers' Compensation claims less than \$35,000.
  - k) Establish accounts and methods to properly account and manage District funds in accordance with established District policies and procedures and/or standard government accounting practice.

- l) Except in the event of calamities as prescribed by Public Contracts Code § 20783, sign unbudgeted agreements/contracts on behalf of the District up to \$35,000 consistent with Board philosophy and direction and subject to a monthly report to the Board of all agreements/contracts signed during the previous month.
- m) In accordance with Resolution 3/96, approve Change Orders to construction contracts.
- n) Manage long-term debt obligations based upon the approved contracts and obligations by the Board.
- o) Execute and/or accept easements, offers of dedication and right-of-way documents and/or drawings for the District.
- p) Negotiate and execute contractual agreements regarding recycled water matters and issues which have been previously presented to the Board and for which they have issued general direction after confirmation from the Recycling Ad Hoc Committee prior to finalization.
- q) Issue requests for qualifications, proposals, construction bids for contracts or construction projects included in the budget or Capital Improvement Program.
- r) Prepare and circulate Initial Studies, Notices of Intent and set hearing dates as required under CEQA.
- s) Circulate Capital Improvement Program (CIP) to planning agencies for review and findings on consistency between District CIP and agency's General or Specific plans.

### ***Financial Planning Policies***

The District has financial policies that set forth guidelines to maintain accountability and control over operating revenue and expenses, ensure proper appropriation of reserves and restricted funds, and proactively address the rising costs of pension and other post-employment benefits.

***Investments:*** Annually, the Board adopts an Investment Policy pursuant to California Government Code, Sections 53600 et seq. The investment of idle funds is delegated by the Board to the General Manager, who assumes full responsibility for investment program transactions. Investment Policy objectives include safety, liquidity, yield, and diversity. The District's investments comply with the adopted Investment Policy.

### ***Reserves***

- Economic Reserves: Maintaining sufficient economic reserves is an essential part of the District's ability to ensure reliable and cost-effective services now and in the future. The District has established a policy to maintain a minimum reserve balance of 40 percent of annual budgeted operating expenditures in the Regional Treatment and Conveyance (Wastewater O&M) Fund. In addition, all fund balances are considered in the longer 5-year financial plan. A number of these funds are designated to support multiple District services (beyond wastewater operations) and are constrained as to their use, applicability, and consideration as "available cash." Maintaining economic reserves supports the District's efforts to meet unanticipated operating costs, continue services during unforeseen economic events and emergencies, and address other urgent and/or unusual items. Future

capital planning and associated capital fund balances are a cost of current service, because current service does not just include providing wastewater conveyance and treatment service today, but also ensuring ongoing, reliable service into the future.

- **AT Reserves:** The District continues to modify its original approach to collecting revenues for the AT Fund, which was proactively established in 2011 to avoid sharp rate increases to customers due to implementation of nutrient removal upgrades at the District's WWTP. In recent years, the District has successfully collaborated with regulators, the scientific community, and other Bay Area Clean Water Agencies members to focus on nutrient impact analyses and water quality modeling in San Francisco Bay rather than the future imposition of regional nutrient removal permit limits. The key outcome of this collaborative effort has been an approximate 10-year extension in the originally-anticipated implementation timeline. In response to the implementation timeline extension, the Board has taken actions to reduce and eliminate planned AT Fund SSC component increases in June 2018 and June 2019, respectively. As presented at the Board Meeting on March 11, 2020, in addition to the timeline extension, staff has estimated that the initial capital cost for nutrient management is lower than originally anticipated and will most likely be combined with a secondary treatment capacity plant expansion. Based on this new information and the anticipated timeline for using these funds, staff has suspended the SSC component in FY20/21. Suspension of the AT Fund SSC component has allowed staff to increase revenue to the CAR Fund, which has eliminated approximately \$20 million in assumed debt financing from last year's 5-year SSC analysis.

**OPEB Trust Funding:** Following acceptance of each fiscal year's audited financial statements for the District, the Board makes a determination as to how much of that year's remaining Actuarially Determined Contribution (ADC) (formerly Annual Required Contributions or ARC) will be funded by the District and deposited into the OPEB trust fund from all or part of the following sources in the hierarchical order listed below: 1) unanticipated revenue streams, 2) wastewater service charge revenues exceeding planned levels for the prior fiscal year, 3) unused wastewater operating contingency funds from the prior fiscal year, 4) wastewater operating budget savings from the prior fiscal year, 5) ad valorem tax revenues, and 6) wastewater general fund.

**Pension Benefits Trust Funding:** The District's intent is to set aside additional funds in a separate, qualified trust fund that may be directed to CalPERS and/or CCCERA in the future. Annual budgeted amounts are contributed following budget adoption. Upon fully funding the OPEB Trust Fund, those funding sources previously discussed shall be redirected to pension benefit trust funding, provided the OPEB trust funds remains fully funded.

A complete set of the District's Financial Policies are included in Appendix A.

*This page intentionally left blank.*



## Section 3. Financial Summaries

### Consolidated Financial Schedule

The District's Consolidated Financial Schedule is presented in Table 3. It includes major funding sources/revenues and the use of funds/expenditures, as well as other financing sources and uses, to provide an overview of the total resources budgeted by the District for the Budget FY18/19, Actual FY18/19, Budget FY19/20, Proposed FY19/20, and Proposed FY20/21. The % Difference from FY20/21 to FY19/20 is shown for comparison.

**Table 3 – FY20/21 Consolidated Financial Schedule**

Funding Sources/Use of Funds						
Category	Budget FY18/19	Actual FY18/19	Budget FY19/20	Proposed FY19/20	Proposed FY20/21	% Difference FY21 to FY20 Budget
<b>Sources of Funds/Revenues</b>						
Service Charges	\$29,924,504	\$31,474,669	\$30,592,143	\$33,070,593	\$32,723,671	7%
Capacity Charges	1,842,464	2,636,962	1,842,464	1,632,920	1,842,464	0%
Street Sweeping	618,408	649,115	639,008	650,623	649,115	2%
Household Hazardous Waste	477,204	497,828	481,409	520,436	494,087	3%
Recycled Water	3,156,081	3,360,654	3,569,848	3,542,173	3,802,371	7%
Property Taxes	2,000,000	2,977,580	2,000,000	2,229,899	2,000,000	0%
Utility Rebate	200,000	-	200,000	244,300	200,000	0%
Interest Income	153,272.00	1,606,118.00	650,389.00	1,501,080.67	593,355	-9%
Discharge Permits & Fees	250,000	144,000	250,000	216,219	250,000	0%
Overhead (From Capital Projects)	700,000	215,136	700,000	1,081,593	700,000	0%
Miscellaneous	200,000	465,796	200,000	492,875	200,000	0%
Other Finance Sources		858,683			-	
<b>Subtotal Sources of Funds/Revenues</b>	<b>39,521,933</b>	<b>44,886,541</b>	<b>41,125,261</b>	<b>45,182,712</b>	<b>43,455,064</b>	<b>6%</b>
Loans	9,600,000	2,324,520	12,024,480	13,535,795	3,500,000	-71%
<b>Total Source of Funds/Revenues</b>	<b>49,121,933</b>	<b>47,211,061</b>	<b>53,149,741</b>	<b>58,718,507</b>	<b>46,955,064</b>	<b>-12%</b>
<b>Use of Funds/Expenditures</b>						
Salaries & Wages	10,918,606	9,672,750	10,247,665	9,512,478	10,183,026	-1%
Employee Benefits	6,555,185	6,812,349	6,690,797	6,359,840	6,875,550	3%
Chemicals	1,877,340	1,405,512	1,864,900	1,576,000	1,725,750	-7%
Office and Operating Expense	2,499,352	2,607,498	3,007,499	2,410,032	3,265,410	9%
Outside Services	4,736,176	3,436,154	4,042,433	3,443,252	4,389,806	9%
Program Costs (Overhead)	440,538	474,596	455,705	335,000	400,000	-12%
Utilities	1,965,449	1,799,371	1,887,770	1,852,068	1,946,139	3%
Contingency Allowance	262,000	-	460,000	60,000	500,000	9%
<b>Operating before Debt and Capital</b>	<b>29,254,646</b>	<b>26,208,230</b>	<b>28,656,769</b>	<b>25,548,670</b>	<b>29,285,681</b>	<b>2%</b>
Debt Service	1,417,921	1,206,330	2,044,548	1,187,440	1,190,769	-42%
<b>Operating before Capital</b>	<b>30,672,567</b>	<b>27,414,560</b>	<b>30,701,317</b>	<b>26,736,110</b>	<b>30,476,450</b>	<b>-1%</b>
Capital Improvements	21,885,000	9,383,726	20,845,433	18,967,213	16,650,000	-20%
<b>Total Use of Funds/Expenditures</b>	<b>52,557,567</b>	<b>36,798,287</b>	<b>51,546,750</b>	<b>45,703,323</b>	<b>47,126,450</b>	<b>-9%</b>
<b>CONTRIBUTION/(USE) of RESERVES</b>	<b>\$-3,435,634</b>	<b>\$10,412,774</b>	<b>\$1,602,991</b>	<b>\$13,015,183</b>	<b>\$-171,386</b>	<b>-111%</b>

*This page intentionally left blank.*





## Fund Equity

The District's Fund Equity is presented in Table 4 and includes the proposed FY20/21 Budget for all major funds, by major category.

**Table 4 – Fund Equity Summary**

CATEGORY	OPERATIONS & MAINTENANCE	CAPITAL ASSET	ADVANCED TREATMENT	CAPITAL ASSET REPLACEMENT	WASTEWATER EXPANSION	RECYCLED WATER	HOUSEHOLD HAZARDOUS WASTE	STREET SWEEPING	BAY POINT	All Funds Total
<b>SOURCE OF FUNDS/REVENUES</b>										
Capital Facilities Capacity Charges						\$2,464				\$1,842,464
Sewer Service Charges	\$22,386,263	\$327,237		\$8,835,391	\$1,840,000				\$1,174,780	32,723,671
Street Sweeping Charges								\$649,115		649,115
Household Hazardous Waste							\$494,087			494,087
Property Taxes				2,000,000						2,000,000
Utility Rebates (from Calpine)	200,000									200,000
Interest Income	205,559	33,338	\$193,228	24,859	26,529	46,106	2,753	11,095	49,888	593,356
Discharge Permits & Fees	250,000									250,000
Overhead (from Capital Projects)	700,000									700,000
Miscellaneous	200,000									200,000
Recycled Water Charges						3,802,371				3,802,371
<b>TOTAL REVENUES</b>	<b>23,941,822</b>	<b>360,575</b>	<b>193,228</b>	<b>10,860,250</b>	<b>1,866,529</b>	<b>3,850,941</b>	<b>496,840</b>	<b>660,210</b>	<b>1,224,668</b>	<b>43,455,064</b>
<b>OTHER FINANCING SOURCES</b>										
Loans and/or Other Financing Sources				3,500,000						3,500,000
Transfers In/(Out)	-365,540						365,540			-
Interfund Loan		500,000			-500,000					-
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>-365,540</b>	<b>500,000</b>	<b>-</b>	<b>3,500,000</b>	<b>-500,000</b>	<b>-</b>	<b>365,540</b>	<b>-</b>	<b>-</b>	<b>3,500,000</b>
<b>TOTAL SOURCE OF FUNDS/REVENUES</b>	<b>23,576,282</b>	<b>860,575</b>	<b>193,228</b>	<b>14,360,250</b>	<b>1,366,529</b>	<b>3,850,941</b>	<b>862,380</b>	<b>660,210</b>	<b>1,224,668</b>	<b>46,955,064</b>
<b>USE OF FUNDS/EXPENDITURES</b>										
<b>OPERATING</b>										
Salaries and Wages	9,161,542					526,223	129,422		365,839	10,183,026
Benefits	6,140,437					339,524	108,353		287,236	6,875,550
Chemicals	1,118,500					607,250				1,725,750
Office and Operating Expense	2,818,753					383,908	49,299		13,450	3,265,410
Outside Services	3,017,562					89,100	549,644		43,500	4,389,806
Program Costs (Overhead)						350,000			50,000	400,000
Utilities	1,385,775					559,500	864			1,946,139
Contingency Allowance	440,000					10,000			50,000	500,000
<b>TOTAL OPERATING EXPENDITURES</b>	<b>24,082,569</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,865,505</b>	<b>837,582</b>	<b>690,000</b>	<b>810,025</b>	<b>29,285,681</b>
<b>CAPITAL IMPROVEMENT PROJECTS</b>										
Debt Service		143,142			127,660	15,102			141,612	1,190,769
Capital Projects		900,000				990,000	25,000		820,000	16,650,000
<b>TOTAL CAPITAL EXPENDITURES</b>	<b>-</b>	<b>1,043,142</b>	<b>-</b>	<b>-</b>	<b>127,660</b>	<b>1,005,102</b>	<b>25,000</b>	<b>-</b>	<b>961,612</b>	<b>17,840,769</b>
<b>TOTAL USE OF FUNDS/EXPENDITURES</b>	<b>24,082,569</b>	<b>1,043,142</b>	<b>-</b>	<b>14,678,253</b>	<b>127,660</b>	<b>3,870,607</b>	<b>862,582</b>	<b>690,000</b>	<b>1,771,637</b>	<b>47,126,450</b>
<b>CONTRIBUTION/(USE) of RESERVES</b>	<b>-506,287</b>	<b>-182,567</b>	<b>193,228</b>	<b>-318,003</b>	<b>1,238,868</b>	<b>-19,666</b>	<b>-202</b>	<b>-29,790</b>	<b>-546,969</b>	<b>-171,386</b>
<i>FY20/21 Estimated Beginning Fund Equity</i>	20,208,531	2,923,033	19,275,024	571,703	2,149,050	4,266,665	207,011	1,124,396	3,762,110	54,487,523
<b>FY20/21 Estimated Ending Fund Equity</b>	<b>\$19,702,244</b>	<b>\$2,740,466</b>	<b>\$19,468,252</b>	<b>\$253,700</b>	<b>\$3,387,918</b>	<b>\$4,246,999</b>	<b>\$206,809</b>	<b>\$1,094,606</b>	<b>\$3,215,141</b>	<b>\$54,316,138</b>

*This page intentionally left blank.*



## **Section 4. Capital and Debt**

### ***Capital***

The FY20/21 – FY24/25 CIP provides the financial plan for use of various District financial resources for acquisition, planning, design, and construction of major capital improvements within the District's facilities for the Wastewater, Recycled Water, Bay Point Collections, and HHW programs. This section summarizes the financial plan for major capital projects required to meet District infrastructure investment needs. The CIP reflects long-range capital planning efforts by identifying specific projects, the timing of expenditures, and the estimated impact on future operating budgets.

### **Definition of Capital Expenditures**

Capital expenditures, or capital outlays, are cash outlays by the District that result in the acquisition or construction of a capital asset. A capital asset is any asset of significant value (over \$5,000) that has a useful life of over one year. Examples include land, buildings, machinery, vehicles, and equipment. All capital assets acquired or constructed are included in the CIP. Land is always considered a capital asset, regardless of value.

A capital project is usually considered a one-time expenditure that may or may not be funded over several years. The District adopts a 5-year CIP to identify funding needs for multiyear projects and inform future long-term financial plans and rate-setting processes. By presenting the CIP in this format, the Board provides staff with appropriations and an expectation of when projects are to be completed. It also provides staff with a planning tool to help procure resources necessary to meet the expectations of the public and the Board.

### **Program Description**

The FY20/21 - FY24/25 CIP guides planning, design, construction, and financing of prioritized capital projects in the District's wastewater conveyance, collection, and treatment systems and recycled water system. These critical projects are necessary to ensure the continued effective and reliable operation of existing infrastructure, address future service needs, and meet current and future regulatory requirements. The 5-year CIP is updated annually to reflect current priorities, address new project needs, and adjust estimated project costs and implementation schedules. In addition, this process assists in identifying long-term financial and resource needs and budget appropriations required to support project implementation at the start of each fiscal year. The 5-year CIP was considered in developing both the SSCs for FY20/21 and the 5-year SSC forecast.

Supporting documentation used during CIP development includes city collection system master plans and detailed master plans prepared by the District for its wastewater treatment, recycled water, and conveyance system facilities. The District completed a Conveyance System Master Plan update in April 2010 and a Recycled Water Master Plan in August 2013, and is currently preparing a Resource Recovery Facility Master Plan (RRFMP) that will supersede the District's 2011 Treatment Plant Master Plan. District staff coordinated with planning agencies in the District's service area (i.e., the cities of Antioch and Pittsburg, and Contra Costa County) to ensure that recommended projects in the CIP are consistent with the respective agency's applicable specific and general plans.

The FY20/21 - FY24/25 CIP includes a total of approximately \$81.3 million in prioritized capital improvements that address significant changes to existing projects, as well as addition of new priorities. Key CIP highlights include the following:

- **Addressing New Infrastructure Needs:** Based on new capital investment priorities, 14 new projects were added to the CIP with an estimated total project cost of \$20.3 million. This includes \$8.3 million for the Antioch Pump Station and Conveyance System Improvements Project, which was developed in response to the failure of Antioch Force Main 102 (AFM 102) and the associated sanitary sewer overflow on December 3, 2019.
- **Investing in Existing Wastewater Infrastructure Renewal:** Approximately 70% of the CIP total is allocated to support rehabilitation and/or replacement of existing critical wastewater infrastructure, including Antioch Pump Station and Conveyance System Improvements (\$8.3 million), Headworks Improvements (\$8.0 million), Cogeneration System Improvements (\$5.0 million), Electrical Switchgear Replacement (\$3.8 million), and Pump Station Facility Repair (\$3.5 million).
- **Adapting to Shifting Project Priorities and Changes**
  - East County Bioenergy Project (ECBP): The District is no longer pursuing implementation of this project, which included a total cash flow in the current CIP of \$28.3 million, most of which was neutral relative to SSC impacts as project costs were to be paid through project revenues. However, the 5-Year CIP includes \$6.5 million in projects to address ECBP-related infrastructure investment needs that were placed on hold pending integration with ECBP.
  - Nutrient Management: The implementation timeline and initial capital cost estimate for nutrient removal have been extended and reduced, respectively, while preliminary master planning findings indicate that continued major capital investment in the existing tower trickling filters does not support flexibility for future nutrient removal. In addition, secondary capacity upgrades are anticipated to be integrated with future nutrient removal plant upgrades.
- **Driving Organizational Improvement**
  - Asset Management Program (AMP): In FY19/20, the District completed significant efforts to build the foundation of a formalized AMP with a plan to continue program development over the next few years. The 5-Year CIP includes \$1.7 million to support continued development of an AMP to support effective, efficient, and prioritized management of critical District infrastructure assets through implementation of enhanced business practices, data metrics, and engagement throughout the organization.
  - IT: In FY19/20, staff initiated an IT Assessment to identify prioritized business needs and implementation plans to enhance business processes and use of IT to support organizational effectiveness and efficiency. The 5-Year CIP includes \$0.75 million in continued IT investment in support of this initiative.
- **Planning for the Future:** The 5-Year CIP identifies funding for multiple master planning efforts, including the ongoing RRFMP (\$1.0 million), Electrical System Master Plan (\$0.4 million in FY22/23), Supervisory Control and Data Acquisition Master Plan (\$0.5 million in FY22/23), Biosolids Management Master Plan (\$0.4 million in FY23/24), and Recycled Water Master Plan Update (\$0.3 million in FY23/24).

## **FY20/21 – FY24/25 CIP Budget Documents**

A description of key documents providing more detailed information regarding the 5-year CIP is provided below. Capital projects in these documents are generally organized by District fund (refer to Section 2 for detailed descriptions of each District fund).

- **CIP Program Summary:** The schedule summarizes the available budget from prior appropriations, the anticipated budget for each fiscal year, the 5-year total budget, and the budget distribution among District funds for each capital project in the 5-Year CIP. As shown in Table 5, most of the capital expenditures are focused on rehabilitation and replacement of existing assets in both FY20/21 (83.6%) and the 5-Year CIP. Key asset renewal and replacement projects in FY20/21 include the Headworks Improvements (\$5.0M), Pump Station Facilities Repair (\$3.5M), and Resource Recovery Facilities Master Plan (\$1.0M). The Headworks Improvements and Pump Station Facilities Repair projects are actively in construction and the Resource Recovery Facilities Master Plan is on schedule for completion in FY20/21.

**Table 5 – CIP Totals by District Fund**

Fund	FY20/21 Project (\$M)	% of FY20/21 Total	5-Year CIP Total (\$M)	% of 5-Year CIP Total
Wastewater				
Capital Asset	\$0.90	5.4%	\$4.4	5.4%
Capital Asset Replacement	13.91	83.6	55.2	67.9
Expansion	0.00	0.0	4.0	4.9
Advanced Treatment	0.00	0.0	6.5	8.0
Recycled Water				
Capital Asset	0.05	0.3	1.8	2.2
Capital Asset Replacement	0.94	5.6	4.7	5.7
Expansion	0.00	0.0	0.1	0.2
Bay Point Collection	0.82	4.9	4.2	5.2
Household Hazardous Waste	0.03	0.2	0.4	0.5
<b>Total</b>	<b>\$16.65</b>	<b>100%</b>	<b>\$81.3M</b>	<b>100%</b>

- **FY20/21 CIP Project Descriptions:** This document summarizes the project scope, identifies the FY20/21 project budget and the total 5-year budget, and serves as a consolidated reference for active capital projects.
- **Detailed Project Descriptions:** Each significant capital project has a dedicated planning level document that describes its scope, schedule, budget, risk assessment, funding type and source(s), inter-relationship to other capital projects, and other information to adequately justify the project need and timing.

*This page intentionally left blank.*







**Table 6 – FY20/21 – FY24/25 CIP Summary (cont'd)**

Project Name	Project No.	Priority	Lead Dept.*	Approved Budget FY19/20	Estimated FY19/20 Year-End Budget	Anticipated Budgets					Fund Distribution								Anticipated Budget By Fund																	
						FY20/21	FY21/22	FY22/23	FY23/24	FY24/25	5-Year Total	WW CA	WW CAR	WW Exp	AT	RW CA	RW CAR	RW Exp	BP Coll.	HHW	WW CA	WW CAR	WW Exp	AT	RW CA	RW CAR	RW Exp	BP Coll.	HHW							
<b>Wastewater Expansion (Fund 140)</b>																																				
Bridgehead Phase IV Expansion - Force Main Completion	10178	3	ES						\$700,000	\$3,300,000	\$4,000,000			100%														\$4,000,000								
<b>Wastewater Expansion Fund Total</b>									\$700,000	\$3,300,000	\$4,000,000																\$4,000,000									
<b>Advanced Treatment (Fund 125)</b>																																				
Nutrient Technology Research and Innovation	17123	1	ES		\$57,000				\$250,000	\$250,000	\$500,000			100%													\$500,000									
Secondary Treatment Upgrades with Nutrient Management	TBA	1	ES						\$2,000,000	\$4,000,000	\$6,000,000		50%		50%												\$3,000,000	\$3,000,000								
<b>Advanced Treatment Fund Total</b>					\$57,000				\$2,250,000	\$4,250,000	\$6,500,000																\$3,000,000	\$500,000	\$3,000,000							
<b>Recycled Water Capital Asset (Fund 220)</b>																																				
RWF IPS, Process Line Modification, and Blowdown	TBA	3	ES					\$250,000	\$850,000		\$1,100,000					100%											\$1,100,000									
Recycled Water Master Plan Update	TBA	3	ES						\$300,000		\$300,000			50%	50%												\$150,000	\$150,000								
Small Recycled Water Facility Capital Asset Project	19103	3	ES	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$250,000					100%											\$250,000									
Treatment Plant Flow Equalization Improvements - Emergency Storage Basin	TBA	3	ES						\$125,000		\$125,000					100%											\$125,000									
<b>Recycled Water Capital Asset Fund Total</b>					\$50,000	\$50,000	\$50,000	\$50,000	\$300,000	\$1,325,000	\$50,000	\$1,775,000															\$150,000	\$1,625,000								
<b>Recycled Water Capital Asset Replacement (Fund 230)</b>																																				
DEC and CCT Vavles Replacement	TBA	1	ES					\$225,000	\$375,000		\$600,000					100%											\$600,000									
DEC Storage Tank Rehabilitation	TBA	2	ES						\$250,000	\$750,000	\$1,000,000					100%											\$1,000,000									
Sand Filter and Filter Cover Improvements	TBA	2	RRS	\$75,000				\$500,000	\$582,000		\$1,082,000					100%											\$1,082,000									
Recycled Water Distribution System Improvements	19114	3	ES						\$500,000		\$500,000					100%											\$500,000									
Unanticipated Recycled Water Infrastructure Repairs	19114	3	ES	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$500,000					100%											\$500,000									
Sand Filter Intermittent Backwash System	TBA		RRS			\$750,000					\$750,000					100%											\$750,000									
DEC Tank Isolation Valves Replacement	TBA		RRS				\$100,000				\$100,000					100%											\$100,000									
Sand Filter Air Compressor Replacement	TBA		RRS			\$90,000					\$90,000					100%											\$90,000									
RWF Clarifier Liner Rehabilitation	TBA		RRS					\$50,000			\$50,000					100%											\$50,000									
<b>Recycled Water Capital Asset Replacement Fund Total</b>					\$175,000	\$100,000	\$940,000	\$200,000	\$875,000	\$1,807,000	\$850,000	\$4,672,000															\$4,672,000									
<b>Recycled Water Expansion (Fund 240)</b>																																				
Recycled Water Distribution System Expansion	18110	3	ES							\$150,000	\$150,000					100%											\$150,000									
<b>Recycled Water Expansion Fund Total</b>										\$150,000	\$150,000																\$150,000									
<b>Bay Point Collection (Fund 520)</b>																																				
Bay Point Overlay Manhole Adjustments	TBA	1	ES	\$250,000	\$250,000											100%																				
Bay Point Rehabilitation Phase 4	18119	1	ES	\$4,051,527												100%																				
Facility Condition Assessment	18121	1	ES	\$682,952									35%			65%																				
River Watch Settlement Compliance	TBA	1	ES	\$670,000	\$670,000	\$720,000					\$720,000					100%											\$720,000									
Unanticipated Bay Point Repairs	TBA	1	ES	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$500,000					100%											\$500,000									
Bay Point Sewer Repairs - Phase 5	18119	1	ES							\$3,000,000	\$3,000,000					100%											\$3,000,000									
<b>Bay Point Collection Fund Total</b>					\$5,754,479	\$1,020,000	\$820,000	\$100,000	\$100,000	\$100,000	\$3,100,000	\$4,220,000															\$4,220,000									
<b>Household Hazardous Waste (Fund 310)</b>																																				
Household Hazardous Waste Improvements	18105	3	ES	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$300,000	\$25,000	\$400,000					100%											\$400,000									
<b>Household Hazardous Waste Fund Total</b>					\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$300,000	\$25,000	\$400,000																\$400,000								
<b>Total</b>					\$20,845,433	\$17,973,246	\$16,650,000	\$15,468,145	\$15,730,000	\$15,452,000	\$18,018,865	\$81,319,010																\$3,525,000	\$56,801,696	\$4,500,000	\$3,250,000	\$2,475,000	\$4,747,315	\$200,000	\$5,320,000	\$500,000

\* AS = Administrative Services, BS = Business Services, ES = Engineering Services, GM = General Manager, RRS = Resource Recovery Services

**DELTA DIABLO  
Fiscal Year 2020/2021  
Capital Improvement Program**

***Project Descriptions***

**WASTEWATER CAPITAL ASSET (FUND 120)**

**Asset Management Program** Project Total: \$2,000,000 FY20/21: \$700,000

The project includes planning, assessment, procurement, and implementation of a new Computerized Maintenance Management System (CMMS) for the District, along with development of Asset Management (AM) business process standards.

**Conveyance and Treatment System Reliability Improvements** Project Total: \$50,000 FY20/21: \$50,000

This project allowance is for the design and implementation of small, unplanned work to increase the reliability of the District's pumping and conveyance system.

**Energy and Water Efficiency Improvements** Project Total: \$50,000 FY20/21: \$50,000

This project allowance is for the implementation of various energy and water efficiency measures that will lead to long-term energy and water savings.

**Small District Capital Asset Project** Project Total: \$100,000 FY20/21: \$100,000

This project allowance is for the implementation of unplanned conveyance system and treatment plant improvements which are identified during the fiscal year.

**WASTEWATER CAPITAL ASSET REPLACEMENT (FUND 130)**

**Aboveground Fuel Storage Tank Rehabilitation** Project Total: \$300,000 FY20/21: \$200,000

This project will repair and/or replace the remote site fuel storage tanks to current standards and fuel storage volumes needs to ensure at least 48 hours of run time.

**Bridgehead Pump Station Sewage Diversion Pump Rebuilds** Project Total: \$60,000 FY20/21: \$60,000

This project will rebuild three submersible pumps at the Bridgehead Pump Station.

**Headworks Improvements** Project Total: \$12,000,000 FY20/21: \$5,000,000

This project includes design and construction to rehabilitate the Headworks structure and replace major equipment to provide effective and efficient screening and grit removal.

**IT Equipment Replacement** Project Total: \$325,000 FY20/21: \$325,000

This project allows for the repair/replacement/improvement of IT equipment that is not functioning properly or is scheduled for replacement. This fiscal year also includes the scheduled replacement of servers, storage, and network gear.

**Lab Equipment Replacement** Project Total: \$250,000 FY20/21: \$50,000

This project will allow for the repair/replacement/improvement of lab equipment that is not functioning properly or is scheduled for replacement.

**Site Security Improvements** Project Total: \$1,000,000 FY20/21: \$400,000

This project includes design and construction of security improvements at the treatment plant and remote pump station sites.

**Manhole, Gravity Interceptor, & Easement Road Improvements** Project Total: \$3,000,000 FY20/21: \$600,000

This project consists of planning, design, and construction of approximately 50 identified manholes and four access roads.

**Pump Station Facilities Repair** Project Total: \$14,000,000 FY20/21: \$3,500,000

This project comprises of comprehensive repair and replacement work that includes replacing isolation gates, electrical conduits, and ductwork; rehabilitating ventilation systems; protective coating of structures and flood mitigation improvements at the Antioch Pump Station (17128), Bridgehead Pump Station (17129), Broadway Pump Station (17130), Pittsburg Pump Station (17131), and Shore Acres Pump Station (17132).

**Fiscal Year 2020/2021  
Capital Improvement Program  
Project Descriptions (cont'd)**

**WASTEWATER CAPITAL ASSET REPLACEMENT (FUND 130) (cont'd)**

**Pump Station Grinder Replacements** Project Total: \$100,000 FY20/21: \$100,000

This project is for the replacement of three grinders at the remote pump station sites on an annual basis.

**Resource Recovery Facility Master Plan** Project Total: \$1,600,000 FY20/21: \$1,000,000

The RRFMP will provide an integrated, strategic planning focused guidance document with in depth analysis of key focus areas – asset condition, nutrient management, biosolids, recycled water, biogas management, process control and vulnerabilities, and flows and load – to guide near-term and long-term infrastructure investment decisions.

**Treatment Plant Electrical Switchgear Replacement** Project Total: \$7,000,000 FY20/21: \$750,000

This project will replace the existing switchgear to ensure continuous, reliable power and treatment operations. The switchgear is nearing the end of its useful life and is a critical component of the treatment plant electrical power feed system.

**Unanticipated WW Treatment & Conveyance System Repairs** Project Total: \$200,000 FY20/21: \$200,000

This project allowance is for the design and implementation of unplanned repair/replacement/improvement of treatment plant and conveyance assets that have an unexpected failure during the fiscal year.

**Emergency Retention Basin Pump Rebuilds** Project Total: \$80,000 FY20/21: \$80,000

This project is to remove, inspect, and rebuild the pumps, including their oiling systems, to extend their useful life.

**Pittsburg Force Main 2401 Dresser Coupler Removal** Project Total: \$250,000 FY20/21: \$250,000

This project will remove and replace the dresser coupler from Pittsburg Force Main 2401 (PFM 2401) to improve the reliability of the pipeline.

**Vehicle Replacements** Project Total: \$400,000 FY20/21: \$400,000

This project will allow for the replacement of five District vehicles including Vehicles 40, 47, 56, 57, and 65.

**Remote Sites Connectivity Improvements** Project Total: \$300,000 FY20/21: \$300,000

This project includes upgrading the data network infrastructure via a third-party provider to support video and other access control measures at the remote pump station sites.

**Digester No. 1 Cleaning & Repair** Project Total: \$400,000 FY20/21: \$200,000

This project consists of removing debris to correct any deficiencies, evaluating the interior condition of the structure and piping, and performing the necessary corrective work.

**Digester Gas Handling & Compressor Replacement** Project Total: \$700,000 FY20/21: \$100,000

This project will upgrade the existing digester gas handling system and replaced the associated gas compressors.

**Primary Service Water Filter Replacement** Project Total: \$100,000 FY20/21: \$100,000

This project will replace the existing water filters in the primary clarifier distribution area.

**Antioch Pump Station and Conveyance System Improvements** Project Total: \$10,000,000 FY20/21: \$300,000

This multi-year, multiphase project will assess the Antioch Conveyance System, which consists of two 24-inch diameter force mains – Antioch Force Main 101 (AFM 101) and AFM 102. The initial phase will identify portions of the force mains that need to be repaired immediately to ensure near-term operational reliability. The future phases will include conducting design activities related to the Antioch conveyance system, including the Antioch and Bridgehead pump stations, to develop a major project to address deficiencies in these systems to ensure long-term operational reliability.

**Fiscal Year 2020/2021  
Capital Improvement Program  
Project Descriptions (cont'd)**

**RECYCLED WATER CAPITAL ASSET (FUND 220)**

**Small Recycled Water Facility Capital Asset Project**                      **Project Total: \$50,000**                      **FY20/21: \$50,000**  
This project allowance is for the implementation of unplanned improvements of the recycled water system which are identified during the fiscal year.

**RECYCLED WATER CAPITAL ASSET REPLACEMENT (FUND 230)**

**Sand Filter Intermittent Backwash System**                      **Project Total: \$750,000**                      **FY20/21: \$750,000**  
This project will replace the existing air lift module, which are facing obsolescence, add isolation valves, and control system for the backwash function of the filters.

**Sand Filter Air Compressor Replacement**                      **Project Total: \$90,000**                      **FY20/21: \$90,000**  
This project will replace the two existing rotary air compressors and air dryer which are critical to the operation of the continuous backwash sand filters at the RWF.

**Unanticipated Recycled Water Infrastructure Repairs**                      **Project Total: \$100,000**                      **FY20/21: \$100,000**  
This project allows for the repair and/or replacement of major equipment that has failed prematurely during the fiscal year.

**BAY POINT COLLECTION (FUND 520)**

**River Watch Settlement Compliance**                      **Project Total: \$1,320,000**                      **FY20/21: \$720,000**  
This project will involve planning, Closed Circuit Television (CCTV) inspection, evaluation and scoring of gravity lines, and mapping of the findings to comply with the 2013 River Watch Settlement Agreement.

**Unanticipated Bay Point Repairs**                      **Project Total: \$100,000**                      **FY20/21: \$100,000**  
This project allowance is for small, high-priority collection system renewal/replacement improvements that cannot be deferred until the next rehabilitation project.

**HOUSEHOLD HAZARDOUS WASTE (FUND 310)**

**Household Hazardous Waste Improvements**                      **Project Total: \$25,000**                      **FY20/21: \$25,000**  
This project allowance is for minor projects or equipment repair/replacement at the HHW Facility.

**DELTA DIABLO  
CAPITAL IMPROVEMENT PROGRAM  
FISCAL YEAR 2020/2021 – FISCAL YEAR 2024/2025  
CAPITAL PROJECT**

***Projects in Focus***

**Project Name:** Antioch Pump Station and Conveyance System Improvements  
**Project Number:** 20121 **Priority:** High  
**Funding Type:** WW Capital Asset Replacement **Lead Department:** ES\*

**Description/Justification:**

This multi-year, multiphase project will assess the Antioch Conveyance System, which consists of two 24-inch diameter force mains – AFM 101 and AFM102. The initial phase will identify portions of the force mains that need to be repaired immediately to ensure near-term operational reliability. The future phases will include conducting design activities related to the Antioch conveyance system, including the Antioch and Bridgehead pump stations, to develop a major project to address deficiencies in these systems to ensure long-term operational reliability.

**Risk Assessment:**

AFM 101 and AFM 102 have experienced multiple failures due to severe corrosion from corrosive gases over the past 10 years, with the most recent failure occurring on AFM 102 in December 2019. There are operational issues at the Antioch Pump Station that also affect the force main operational conditions.

**Inter-relationship to Other Capital Project(s):**

The ongoing Pump Station Facilities Repair Project will improve site conditions and renovate some equipment at the Antioch and Bridgehead pump stations.

**Project Budget:**

Carryover Budget to FY19/20	
Approved FY19/20 Budget	\$1,000,000
FY20/21 Budget	\$300,000
Future Fiscal Year(s) Budget	\$8,000,000
<b>Estimated Total Project Cost</b>	<b>\$9,300,000</b>

**Anticipated Project Budget Schedule:**

	FY20/21	FY21/22	FY22/23	FY23/24	FY24/25	5-Year Total
Budget	\$300,000	\$3,000,000	\$5,000,000			\$8,300,000

**Funding Source:**

	FY20/21	FY21/22	FY22/23	FY23/24	FY24/25	5-Year Total
Reserves						
- CAR	\$300,000	\$3,000,000	\$5,000,000			\$8,300,000
Debt Proceeds						
Other						

\*Note: ES=Engineering Services























## ***Debt***

The District typically secures long-term debt financing for construction of significant capital assets. Debt service is the annual or semi-annual payments. The District's Debt Management and Continuing Disclosure Policy is included in Appendix A.

Outstanding debt issued was used to fund improvements, replacements, and expansion of the WWTP and RWF facilities, conveyance and distribution systems, and wastewater collection systems. The primary funding source for repayment of debt issued for expansion purposes are CFCCs.

The District received a reaffirmation of its "AA" credit rating from Standard & Poor's in November 2015, which represents the District's strong capacity to meet its financial commitments. The primary reason for the reaffirmation was the Board's willingness to continue to adjust rates incrementally, and the very prudent approach to collect and set aside funds for acquisition or construction of new capital assets and maintenance, rehabilitation, and replacement of existing capital assets. Additionally, the District's strong financial performance, debt service coverage, and strong liquidity built on competitive rates; manageable capital plan with expansion costs historically financed from capacity fees; and, a stable and diverse customer base largely collected through the County's Teeter Plan supported the AA credit rating.

## ***Current Debt Obligations***

### **2010 Recycled Water SRF Loan**

The District entered into a loan contract with the SWRCB on July 8, 2009, for the purpose of financing the Antioch/Delta Diablo Sanitation District Recycled Water Project. The loan amount totaled \$6,325,503 with a stated interest rate of 0.077% per year over a 20-year term. The City of Antioch owed the District \$6.1 million of this amount as part of its cost share for the Antioch Recycled Water Project. As of June 30, 2020, the amount owed to the SWRCB by the District and from the City of Antioch to the District is \$3.5million. Principal payments are due annually beginning on December 31, 2011 through Fiscal Year 2030/2031 (FY30/31) and are paid from revenue received from the City of Antioch.

### **2011 Installment Sale Agreement**

On June 9, 2011, the District entered into an installment sale agreement with Municipal Finance Corporation, which was subsequently assigned to City National Bank on June 22, 2011, for the purpose of financing a solar energy project. The agreement amount totaled \$2,344,210 with a stated interest of 4.9% per year and is payable from District revenues. Principal and interest payments are due semi-annually on December 24 and June 24, commencing December 24, 2011 and maturing on June 24, 2031. The outstanding loan, from a direct borrowing, contains a provision that, in an event of default, all principal components of the unpaid installment payments, together with all accrued and unpaid interest components, are immediately due.

### **2011 Wastewater State Revolving Fund Loan**

The District entered into a loan contract with SWRCB on March 25, 2011, for the purpose of financing the Aeration System Improvement Project. The loan amount totaled \$5,041,873 with a stated interest rate of 2.60% per year. Principal payments are due annually beginning on April 3, 2014 through the Fiscal Year 2032/2033 (FY32/33).

**2015 California Energy Commission Loan**

The District entered into a loan agreement with the California Energy Resources Conservation Development Commission on October 10, 2013, for the purpose of financing the Energy Savings Project. The project consists of energy savings projects at the WWTP. The loan amount totaled \$700,000 at 1.00% interest per year on the unpaid principal. Principal and interest payments are due semi-annually beginning on December 22, 2015 through Fiscal Year 2028/2029 (FY28/29).

**2015 Bay Point SRF Loan**

On October 8, 2014, the District entered into a loan agreement with SWRCB for the purpose of financing the Bay Point Wastewater Infrastructure Repair and Rehabilitation Project (Phase 1). The loan principal totaled \$1,188,820 with a 30-year term and stated interest of 1.9% per year. Principal and interest payments are due semi-annually, on November 1 and May 1, commencing on November 1, 2015 and maturing on November 1, 2044.

**2016 Pittsburg SRF Loan**

On October 24, 2014, the District entered into a loan agreement with SWRCB for the purpose of financing the Pittsburg Force Main Improvement Project. The loan principal totaled \$12,000,000 with a 30-year term and stated interest rate of 1.9% per year. Principal and interest payments are due semi-annually, on November 1 and May 1, commencing November 1, 2017 and maturing on November 1, 2046, from the Wastewater Capital Asset Replacement Fund (75%) and Wastewater Expansion Fund (25%).

**2016 Wastewater SRF Loan**

On August 8, 2014, the District entered into a loan agreement with SWRCB for the purpose of financing the Bay Point Wastewater Infrastructure Repair and Rehabilitation Project (Phase 3). The loan principal totaled \$2,054,000 with a 30-year term and stated interest of 1.9% per year. Principal and interest payments are due semi-annually, on November 1 and May 1, commencing on November 1, 2016 and maturing on November 1, 2045.

**2017 Recycled Water SRF Loan**

On September 23, 2016, the District entered into a loan agreement with SWRCB for the purpose of financing the Recycled Water System Storage Tank Project. The loan principal totaled \$6,000,000 with a 30-year term and stated interest of 1% per year. Principal and interest payments were due semi-annually, on November 1 and May 1, commencing on December 1, 2018 and maturing on December 1, 2048. This loan was fully repaid and retired in March 2018 due to the cancellation of the associated project.

**2020 Wastewater SRF Loan**

On October 24, 2014, the District entered into a loan agreement with SWRCB for the purpose of financing the Pump Station Facilities Repair Project. The loan principal totaled \$13,500,000 with a 30-year term and stated interest of 1.9% per year. Principal and interest payments are due semi-annually, on July 31 and January 31, commencing on July 31, 2020 and maturing on July 31, 2051. As of June 30, 2020, the District has received \$1.2 million in loan proceeds.

## Current Year Debt Transactions and Balances

The Long-Term Obligation Balances as of June 30, 2020 is presented in Table 7 and includes changes (additions and retirements) to long-term obligations during the year and balances as of June 30, 2020.

**Table 7 – Long-Term Obligation Changes and Balances as of June 30, 2020**

Direct Borrowings:	Original Issue Amount	Balance June 30,2019	Additions	Retirements	Balance June 30,2020
2010 RW SRF Loan	\$6,325,503	\$3,806,905		\$-315,901	\$3,491,004
2011 WW Installment Note Payable	2,344,210	1,419,331		-71,057	1,348,274
2011 WW SRF Loan	5,041,873	3,789,125		-227,840	3,561,285
2015 WW CEC Loan	700,000	511,834		-48,906	462,928
2015 Bay Point SRF Loan	1,188,820	1,052,464		-31,676	1,020,788
2016 WW CAR/WW Exp SRF Loan	12,000,000	11,072,449		-303,198	10,769,251
2016 WW SRF Loan	2,054,000	1,903,454		-54,608	1,848,846
2020 WW SRF Loan	\$13,500,000		\$1,206,169		1,206,169
<b>Total</b>	<b>\$43,555,562</b>	<b>\$23,555,562</b>	<b>\$1,206,169</b>	<b>\$-1,053,186</b>	<b>\$23,708,545</b>

## Outstanding Debt by Type

Outstanding Debt by Type for the past ten years is presented in Table 8 along with the population estimates and debt per capita for each year.

**Table 8 – Outstanding Debt by Type**

Fiscal Year	Wastewater COPs <sup>(1)</sup>	SRF Loans	Installment Note	CEC Loan	Total	Population Estimates <sup>(2)</sup>	Debt Per Cap <sup>(3)</sup>
10/11	\$16,517,749	\$7,580,161	\$2,344,210		\$26,442,120	189,700	139
11/12	14,193,806	10,754,568	2,212,746		27,161,120	192,707	141
12/13	11,714,312	11,568,040	2,072,577		25,354,929	195,392	130
13/14	9,067,882	10,854,596	1,923,203		21,845,681	198,473	110
14/15	6,237,347	10,134,156	1,764,088	\$630,000	18,765,591	200,942	93
15/16	\$3,310,000	11,570,850	1,594,676	655,696	17,131,222	203,759	84
16/17		19,464,968	1,542,156	608,219	21,615,343	204,971	105
17/18		20,258,304	1,483,830	560,267	22,302,401	207,057	108
18/19		21,624,398	1,419,331	511,833	23,555,562	214,327	110
19/20		\$21,897,344	\$1,348,274	\$462,927	\$23,708,545	214,862	110

Source: Delta Diablo Audited Financial Statements

Notes:

- 1) Certificates of Participation (COPs) Debt amounts exclude premiums, discounts, or other amortization amounts.
- 2) Includes accrued interest. Matured in 2016.
- 3) Debt per Capita = Total Debt/Population Estimate.



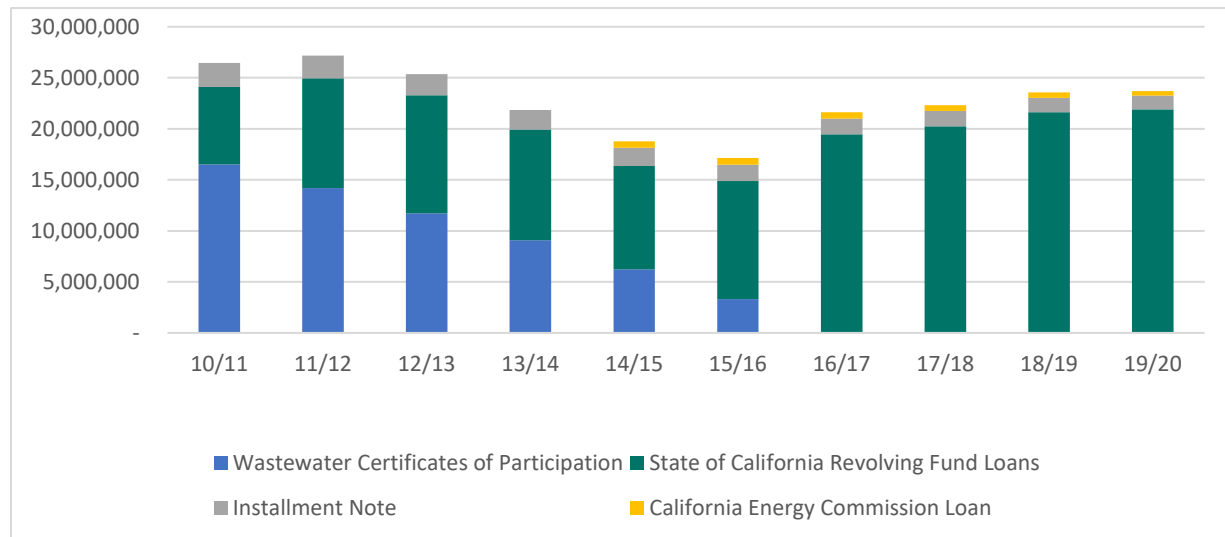
### Debt Service Requirements

All principal, interest, and annual debt service requirements are presented in Table 9 for all long-term debt as of June 30, 2020. Beyond FY24/25, amounts are shown in five-year increments.

**Table 9 – All Principal, Interest, and Annual Debt Service**

Fiscal Year	Principal	Interest	Total
20/21	\$1,074,221	\$420,278	\$1,494,499
21/22	1,095,973	401,936	1,497,909
22/23	1,149,311	405,690	1,555,001
23/24	1,173,192	385,388	1,558,580
24/25	1,197,923	364,322	1,562,245
25/26-29/30	6,338,138	1,477,385	7,815,523
30/31-34/35	4,098,864	905,538	5,004,402
35/36-39/40	2,938,445	583,701	3,522,146
40/41-44/45	3,228,509	291,065	3,519,574
45/46-49/50	1,335,074	40,514	1,375,588
50/51-51/52	78,895	1,504	80,399
<b>Total Payments Due</b>	<b>\$23,708,545</b>	<b>\$5,277,321</b>	<b>\$28,985,866</b>

The Historical Fiscal Year Debt Service Summary by Loan is presented in Figure 5. This figure shows the total amount of debt service from each over the past ten years.



**Figure 5 – Historical Fiscal Year Debt Service Summary by Loan**

## Debt Service Coverage Ratio

The District's historical Net Revenue and Debt Service Coverage Ratio is presented in Table 10 and includes both the Net Revenue Available for Debt Service and the Debt Service Coverage. Existing District loan agreements include a required debt service coverage ratios of approximately 1.25. However, in order to ensure the highest credit ratings possible, the District's Debt Management and Continuing Disclosure Policy 3075 targets a more conservative ratio of at least 1.75 for financial planning and rate-setting purposes. This ratio also limits the amount of debt the District can participate in.

As can be seen in Table 10, the debt service coverage ratio was significantly lower before Fiscal Year 2017/2018 (FY17/18). This is due to the fact that the Delta Diablo Integrated Finance Corporation (IFC) 1991 Certificates of Participation expired in Fiscal Year 2016/2017 (FY16/17) which caused a reduction in the District's annual debt service. Since then, the District's debt service coverage ratio has substantially increased and exceeds the minimum requirement of 1.75.

**Table 10 - Net Revenue and Debt Service Coverage Ratio**

Fiscal Year	Gross Revenue <sup>(1)</sup>	Operating Expenses <sup>(2)</sup>	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
10/11	\$30,970,144	\$21,804,409	\$9,165,735	\$3,506,189	\$25,475	\$3,531,664	2.60
11/12	30,011,686	23,217,399	6,794,287	3,951,703	140,199	4,091,902	1.66
12/13	33,132,257	26,900,926	6,231,331	3,635,223	700,029	4,335,252	1.44
13/14	34,899,113	23,290,357	11,608,756	4,172,818	248,160	4,420,978	2.63
14/15	35,286,790	21,959,461	13,327,329	4,194,555	233,724	4,428,279	3.01
15/16	37,518,348	23,704,164	13,814,184	4,253,312	226,260	4,479,572	3.08
16/17	38,922,690	26,392,906	12,529,784	4,178,887	221,286	4,400,173	2.85
17/18	38,307,711	29,154,382	9,153,329	1,000,849	381,817	1,382,666	6.62
18/19	44,886,542	29,119,248	15,767,294	973,476	412,175	1,385,651	11.38
19/20	\$45,182,712	\$25,548,670	\$19,643,042	\$1,053,187	\$437,985	\$1,491,172	13.17

<sup>(1)</sup> All revenues including capacity charges and other capital contributions.

<sup>(2)</sup> Does not include depreciation and amortization.

## Section 5. Department Information

### *Administration Department*



The Administration Department consists of the Board, the General Manager's Office, the Office Manager/Secretary to the Board, and administrative staff. In addition to the three Department Directors, the Office Manager/Secretary to the Board reports directly to the General Manager and oversees administrative staff who provide and administrative support for the District. The Administration Department Budget is presented in Table 11.

#### **Board of Directors**

The Board represents customers in the service area in guiding and directing District activities at a policy level. Key responsibilities for the Board include:

- Establishing District policies to guide regulatory, financial, and operational activities
- Guiding prioritized organizational strategic focus areas through the SBP and associated initiatives
- Reviewing and approving appropriate rates, CIPs, and associated budgets
- Providing support to the General Manager's implementation of key duties and responsibilities
- Conducting performance reviews for the General Manager and establishing associated compensation levels

**General Manager’s Office and Administration**

Key responsibilities for the General Manager include:

- Overseeing all aspects of District operations to ensure the District meets its core mission of protecting public health and the environment
- Fostering a culture of organizational excellence and sustained improvement
- Implementing a strategic, effective, and efficient approach to providing a high level of service to the District’s customers
- Working under the guidance and direction provided by the Board, in accordance with established District policies and procedures and the SBP
- Ensuring high-quality Board communications to support effective decision making and organizational excellence
- Providing day-to-day guidance and direction to direct reports

**Office Manager/Secretary to the Board**

Key responsibilities for the Office Manager/Secretary to the Board include:

- Managing the Board and Committee meeting processes
- Preparing and distributing the agendas and minutes
- Publicizing the of notices of public hearings
- Coordinating compliance with Fair Political Practices Commission and the Brown Act
- Receiving of legal claims against the District
- Coordinating elections with the County Elections Office
- Arranging ethics training and Brown Act training for the Board and staff
- Managing the District’s Records Management Program
- Responding to Public Records Act requests

**Table 11 – Administration Department Budget**

<b>Administration Department</b>					
Operating Budget Category	Budget FY18/19	Actual FY18/19	Budget FY19/20	Proposed FY19/20	Proposed FY20/21
Salaries & Wages	\$1,322,956	\$934,622	\$1,008,469	\$993,198	\$1,018,264
Employee Benefits	744,759	838,888	620,557	660,937	696,668
Office & Operating	200,260	154,427	196,500	181,400	205,250
Outside Services	190,000	206,516	215,500	154,000	219,000
Chemicals	-	-	-	-	-
Utilities	-	-	-	-	-
Contingency Allowance	212,000	-	400,000	60,000	440,000
Program Costs (Overhead)	-	-	-	-	-
<b>Total Operating Expense</b>	<b>\$2,669,975</b>	<b>\$2,134,453</b>	<b>\$2,441,026</b>	<b>\$2,049,535</b>	<b>\$2,579,182</b>

## ***Business Services Department***



The Business Services Department consists of five divisions, including Finance, Human Resources and Risk Management, IT, Purchasing, and Public Information that report to the Business Service Director. The Business Services Department Budget is presented in Table 12. Key focus areas incorporate a range of finance and administrative priorities including:

- Developing rate-setting models and financial analyses for 5-year financial planning activities
- Developing and administering the operating budget and annual budget appropriations, including securing Board approval
- Completing the annual financial audit and Comprehensive Annual Financial Report
- Overseeing debt issuance and financial tracking
- Developing the CIP funding plan
- Managing OPEB and pension liabilities and related trust funds
- Ensuring Governmental Accounting Standards Board (GASB) updates are implemented
- Administrative focus areas include:
  - Overseeing labor relations including contract negotiations.
  - Overseeing regular upgrades of the District's ERP system.
- Managing the District's human resources, IT, procurement, and public information functions.

**Table 12 – Business Services Department Budget**

<b>Business Services Department</b>					
<b>Operating Budget Category</b>	<b>Budget FY18/19</b>	<b>Actual FY18/19</b>	<b>Budget FY19/20</b>	<b>Proposed FY19/20</b>	<b>Proposed FY20/21</b>
Salaries & Wages	\$1,680,755	\$1,492,230	\$1,730,550	\$1,441,318	\$1,927,150
Employee Benefits	1,150,542	997,880	1,026,875	908,055	1,199,750
Office & Operating	688,047	569,299	673,307	363,532	759,740
Outside Services	757,280	707,532	1,259,184	976,821	1,551,671
Chemicals	-	-	-	-	-
Utilities	100,199	95,447	105,770	111,000	163,775
Contingency Allowance	-	-	-	-	-
Program Costs (Overhead)	-	-	-	-	-
<b>Total Operating Expense</b>	<b>\$4,376,823</b>	<b>\$3,862,388</b>	<b>\$4,795,686</b>	<b>\$3,800,726</b>	<b>\$5,602,086</b>



## *Engineering Services Department*



The Engineering Services Department consists of three divisions, including Environmental Programs, Government Affairs, and Engineering Services that report to the Engineering Services Director/District Engineer. The Engineering Services Department Budget is presented in Table 13.

Key focus areas for the Engineering Services Department include:

- CIP Development and Implementation: Ensuring development of a targeted, prioritized CIP and guiding effective execution of complex projects during the planning, design, and construction phases.
- Infrastructure Inspection and Condition Assessment: Developing and managing an asset management-based program to ensure timely and robust inspection of wastewater collection and treatment system infrastructure elements.
- Master Planning: Overseeing preparation of planning documents to guide major decision making in the near term, while positioning the District to cost effectively address regulatory compliance issues and infrastructure upgrade considerations in the long term.
- Nutrient Management: Maintaining strong engagement in regional efforts to assess the need for future nutrient removal requirements, while leading assessments of innovative technologies that may support future, cost-effective plant upgrades to meet this need.
- Managing the HHW Program.
- Organizational Improvement: Identifying opportunities to improve workflow and department-wide capital project delivery, use of technology, internal and external communications, contractor oversight, and team-based approaches to project implementation.

- Regional program and legislative activities.
- Updating and enforcing compliance with District Standards: Reviewing development plans for conformance with District standards and inspection of newly constructed facilities.
- Technical assistance to the operational departments in support of various District initiatives.

**Table 13 – Engineering Services Department Budget**

<b>Engineering Services Department</b>					
<b>Operating Budget Category</b>	<b>Budget FY18/19</b>	<b>Actual FY18/19</b>	<b>Budget FY19/20</b>	<b>Proposed FY19/20</b>	<b>Proposed FY20/21</b>
Salaries & Wages	\$1,728,284	\$1,370,516	\$1,272,770	\$1,341,183	\$1,219,142
Employee Benefits	1,015,240	1,010,146	838,057	877,045	781,269
Office & Operating	395,550	353,882	380,390	364,015	418,229
Outside Services	1,086,220	819,841	724,899	692,796	734,086
Chemicals	-	-	-	-	-
Utilities	750	1,003	800	1,068	864
Contingency Allowance	-	-	-	-	-
Program Costs (Overhead)	5,000	4,326	5,000	5,000	-
<b>Total Operating Expense</b>	<b>\$4,231,044</b>	<b>\$3,559,714</b>	<b>\$3,221,916</b>	<b>\$3,281,107</b>	<b>\$3,153,590</b>

## *Resource Recovery Services Department*



The Resource Recovery Services Department consists of four divisions, including Operations; Maintenance; Laboratory, and Safety that report to the Resource Recovery Services Director. The primary function of this department is to safely collect, treat, and dispose of wastewater in compliance with regulatory requirements, and to treat a portion of the treated wastewater for distribution and reuse as Title 22 recycled water.

Significant activities include operations and maintenance of pipelines, pumping stations, treatment facilities and power generation systems; fleet maintenance; and management of computerized process monitoring and control equipment. The Laboratory Division provides sample collection and analysis, interpretation of testing results, and preparation and submittal of laboratory data to regulatory agencies, ensuring the wastewater effluent and recycled water meets all applicable discharge requirements and water quality standards.

Key focus areas for the Resource Recovery Services Department include:

- **Wastewater Treatment:** Enhance the process monitoring and control system capabilities to ensure continued compliance with more stringent regulatory permit requirements.
- **Master Planning:** Directly engage in the Resource Recovery Master Plan development to support prioritization and implementation of capital asset investment and optimization of operations and maintenance activities.
- **Laboratory Testing Data:** Integrate process monitoring and laboratory testing data for tracking via “dashboard”.

- Energy Efficiency: Support development of a formalized Energy Management Plan to identify and implement energy conservation and efficiency measures.
- Asset Management: Participate in the development of a comprehensive AMP to optimize repair, rehabilitation, and replacement of capital assets

**Table 14 – Resource Recovery Services Department Budget**

<b>Resource Recovery Services Department</b>					
<b>All O&amp;M</b>	<b>Budget FY18/19</b>	<b>Actual FY18/19</b>	<b>Budget FY19/20</b>	<b>Proposed FY19/20</b>	<b>Proposed FY20/21</b>
Salaries & Wages	\$6,186,611	\$5,875,381	\$6,235,876	\$5,736,779	\$6,018,470
Employee Benefits	3,644,644	3,965,436	4,205,308	3,913,803	4,197,863
Office & Operating	1,215,495	1,529,891	1,757,302	1,501,085	1,882,191
Outside Services	2,702,676	1,702,265	1,842,850	1,619,636	1,885,049
Chemicals	1,877,340	1,405,512	1,864,900	1,576,000	1,725,750
Utilities	1,864,500	1,702,921	1,781,200	1,740,000	1,781,500
Contingency Allowance	50,000	-	60,000	-	60,000
Program Costs (Overhead)	435,538	470,270	450,705	330,000	400,000
<b>Total Operating Expense</b>	<b>\$17,976,804</b>	<b>\$16,651,676</b>	<b>\$18,198,141</b>	<b>\$16,417,303</b>	<b>\$17,950,823</b>

## Appendix A - Financial Policies

### **Table of Contents**

(sections and subsections are not hyperlinked)

Fixed Asset Policy 202.....	79
Investment of District Funds Policy 3020.....	81
Other Post-Employment Benefits Trust Funding Policy 3025.....	92
Pension Benefits Trust Funding Policy 3030 .....	93
Sewer Service Charge Refund/Adjustments Policy 3035.....	94
Purchasing Policy 3050.....	95
Environmentally Preferable Purchasing Policy 3065 .....	99
Surplus Policy 3070 .....	101
Debt Management and Continuing Disclosure Policy 3075 .....	102

*This page intentionally left blank.*



# Delta Diablo

## ADMINISTRATIVE POLICY HANDBOOK

**POLICY TITLE:** Fixed Asset Policy  
**POLICY NUMBER:** 202  
**PROCEDURE:** N/A  
**DATE ADOPTED:** October 8, 2003  
**DATE SUPERSEDED:** April 11, 2001 (Reso. No. 8/2001)

**PURPOSE:** To establish District Policy for financial reporting of capital assets, and to provide for the assignment of responsibilities to identify the need for effective control procedures over District fixed assets.

### POLICY

#### **A. General Policy / Responsibility**

It is the policy of Delta Diablo Sanitation District that fixed assets be properly accounted for and secured. It is the responsibility of the Finance Department to ensure fixed assets will be tagged and inventoried on a regular basis, and, as appropriate, accounted for by fund and asset category. It is the responsibility of District Division and Department Heads to ensure proper budgeting and purchasing guidelines are followed, and that fixed assets are adequately controlled and used for appropriate District purposes and to secure such fixed assets. The General Manager shall ensure administrative procedures are in place to implement this policy.

#### **B. Capitalization Threshold**

For financial reporting purposes, the District shall establish a capitalization threshold of \$5,000 for all items with an expected life of greater than one year.

#### **C. Fixed Assets**

In general, all fixed assets, including furniture & fixtures, buildings, machinery, and equipment, with an original cost equal to or greater than the capitalization threshold, will be subject to accounting and reporting (capitalization). All costs associated with purchase or construction should be considered, including ancillary costs such as: taxes, freight and transportation charges, site preparation expenditures, installation charges, professional fees, and legal costs directly attributable to asset acquisition.

#### **D. Capital Assets / Infrastructure Projects**

Assets constructed by the District shall be capitalized if the project is in the nature of a significant addition; or major betterment, improvement, or replacement that significantly prolongs the capital asset's life or expands its usefulness beyond three years. The basis of valuation for capital assets constructed by District personnel should be the costs of



material, direct labor and overhead costs that are identifiable to the project. Projects constructed under contract for the District shall also include the contract cost.

A capital asset is real or personal property that has a cost equal to or greater than the capitalization threshold and has an estimated useful life extending beyond three years. Capital assets should be reported at their original historical cost/purchase price (including capitalized interest costs, if applicable) plus ancillary charges necessary to place the asset into its intended use. Ancillary charges include costs directly attributable to asset acquisition, such as transportation, installation, and site preparation costs. Capital assets donated to the District must be capitalized at their estimated fair value (plus any ancillary costs) at the date of receipt.

If the project represents a routine, recurring expenditure, or ordinary repair that maintains the existing condition of the asset or restores it to normal operating efficiency, the project should not be capitalized, regardless of the amount of the project, but should be expensed as repairs and maintenance in the year incurred.

#### **E. Inventory Control**

The General Manager shall ensure procedures are implemented to inventory and track the fixed assets. In general, the inventory control is applied to movable fixed assets and not capital assets. Where appropriate, this will include inventory which do not meet the capitalization threshold and are not depreciated.

**ADMINISTRATIVE POLICY HANDBOOK**

**POLICY TITLE:** Investment of District Funds  
**POLICY NUMBER:** 3020  
**PROCEDURE:** N/A  
**DATE ADOPTED:** February 12, 2020 (*Supersedes 2/13/19*)  
**DATE SUPERSEDED:** February 13, 2019

**3020.1** Introduction

The purpose of this policy is to identify various policies and procedures that enhance opportunities for a prudent and systematic investment policy and organize and formalize investment-related activities.

The investment policies and practices of Delta Diablo (District) are based on state law and prudent money management. All funds governed by this policy will be invested in accordance with this policy and Article 2 of Chapter 4 of the California Government Code Sections 53600 through 53659, the authority governing investments for the District.

**3020.2** Scope

This policy applies to all financial assets of the District under its direct control and authority and accounted for in the annual Basic Financial Statements, unless explicitly excluded. Excluded funds may have different criteria or legal bases related to allowed investments.

Proceeds of debt issuances are governed by provisions of their specific bond indentures or resolutions. If the bond documents are silent as to the permitted investments, bond proceeds shall be invested in accordance with investment objectives of this policy. The identification of alternatives by the Board of Directors shall follow the Objectives of this policy.

This policy does not cover funds held by retirement systems, the Deferred Compensation program, or the Other Post-Employment Benefits (OPEB) Trust.

**3020.3** Objectives

The primary objectives, in priority order, of the District's investment activities shall be:

- 3020.3.1** Safety. Safety of principal is the foremost objective of the investment program. District's investments shall be undertaken in a manner that seeks to ensure preservation of capital in the portfolio.
- 3020.3.2** Liquidity. The District's investment portfolio will remain sufficiently liquid to enable the District to meet its cash flow requirements.
- 3020.3.3** Return on Investment. The District's investment portfolio shall be designed with the objective of attaining a rate-of-return on its investments that exceeds

the Local Agency Investment Fund (LAIF) and is comparable to the six-month Treasury index consistent with the constraints imposed by the prevailing economic conditions and by its safety objective and cash flow considerations.

In a diversified portfolio, it must be recognized that occasional measured losses are inevitable and must be considered within the context of the overall portfolio's investment return, provided diversification has been implemented.

- 3020.3.4** Benchmark for Investment. The performance of the portfolio will be measured against a benchmark with similar characteristics to the District's portfolio. This benchmark will be used to provide a comparison of risk and return in evaluating the District's investment strategy over time.
- 3020.3.5** Diversification. The investment portfolio will be diversified to avoid incurring unreasonable and avoidable risks regarding specific security types or individual financial institutions. This shall also conform with applicable sections of the Government Code.
- 3020.3.6** Prudence. All persons authorized to make investment decisions on behalf of the District are trustees and therefore fiduciaries subject to the "prudent investor" standard. When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence and diligence under circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the District that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the District.

Authorized individuals acting in accordance with this Policy and written procedures and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion. "Timely" reporting means notification of the General Manager and the Board within five business days of any determination that a deviation exists or has occurred.

#### **3020.4** Delegation of Authority

Management responsibility for the investment program is hereby delegated to the General Manager. This delegation is a factor that may be reviewed as part of the annual presentation of an investment policy to the Board of Directors. The General Manager may delegate to appropriately experienced subordinate staff, the responsibility for all transactions undertaken in conformance with this policy. The General Manager shall assure the establishment of a system of controls to regulate the activities of subordinate officials and their procedures.

District staff shall follow the policy and established procedures and such other written instructions as are provided.

The Finance Committee will periodically review the implementation of the District's investment program to determine whether it is consistent with the investment policy as approved by the Board. The Committee shall review annually and as otherwise needed to determine general strategies and monitor results.

**3020.5. Ethics and Conflict of Interest**

Officers and employees involved in the investment process shall refrain from personal business activities that could conflict with proper execution of the investment program, or which could impair their ability to make impartial decisions. Officers and employees involved in the investment process shall abide by the District's Conflict of Interest Code, California Government Code Section 1090 et seq. and the California Political Reform Act (California Government Code Section 81000 et seq.) as it exists now or may be modified by the State Legislature in the future.

**3020.6 Internal Controls**

The General Manager shall assure the development and implementation of such administrative procedures and internal controls which are considered prudent, given the size of the organization and the complexity of investments. The internal controls will be reviewed with the independent auditor. The controls shall be designed to prevent employee error, misrepresentations by third parties, or imprudent actions by employees or officers of the District.

**3020.7 Qualified Financial Institutions and Broker/Dealers**

The District shall transact investment business only with banks, savings and loans, and registered securities dealers. All broker/dealers should be dealers regularly reporting to the Federal Reserve Bank and shall maintain an office in the State of California. The District will solicit multiple bids and offers on investment transactions from the District's approved broker/dealers. If an investment adviser is used, they may use their own list of approved broker/dealers and financial institutions for investment purposes. All financial institutions and broker/dealers who desire to become bidders for investment transactions must provide the District with the following:

- Audited financial statements
- Three local government references, preferably California special districts
- Proof of National Association of Securities Dealers' certification
- Proof of California registration
- Certification of having read and agreeing to abide by the District Investment Policy

A periodic review of the financial condition and registrations of approved financial institutions and broker/dealers shall be conducted, including recertification of having read and agreeing to abide by the District's investment policy.

### **3020.8** Investments

California Government Code Section 53601 governs the investments permitted for purchase by the District. Within the investments permitted by Code, the District seeks to further restrict eligible investment to the investments listed under Authorized Instruments below.

Percentage limitations, where indicated, apply at the time of purchase. Rating requirements where indicated, apply at the time of purchase. In the event a security held by the District is subject to a rating change that brings it below the minimum specified rating requirement, the Business Services Director shall notify the General Manager and the Board of the change. The course of action to be followed will then be decided on a case-by-case basis, considering such factors as the reason for the rate drop, prognosis for recovery or further rate drops, and the market price of the security.

#### Authorized Instruments

- 3020.8.1** U.S. Treasuries. Government obligations for which the full faith and credit of the United States are pledged for the payment of principal and interest.
- 3020.8.2** Federal Agency securities. Federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises.
- 3020.8.3** State of California or any local agency within the State. Obligations of the State of California or any local agency within the state, including bonds payable solely out of revenues from a revenue-producing property owned, controlled or operated by the state or any local agency or by a department, board, agency or authority of the state or any local agency; provided that the obligations are rated in one of the two highest categories by one or more nationally-recognized statistical rating organization (NRSRO).
- 3020.8.4** Bankers' Acceptances. Bankers' acceptances issued by domestic or foreign banks, which are eligible for purchase by the Federal Reserve System. Purchases of bankers' acceptances may not exceed 180 days maturity. Eligible banker's acceptances are restricted to issuing financial institutions with short-term paper rated in the highest category by one or more NRSROs. Investments in banker's acceptances are further limited to 40 percent of the District's investment portfolio with no more than 30 percent invested in the bankers' acceptances of any one commercial bank.

**3020.8.5** Commercial Paper. Commercial paper rated in the highest category by one or more NRSROs. The entity that issues the commercial paper shall meet all of the following conditions in either paragraph (1) or paragraph (2):

**3020.8.5.1** The entity meets the following criteria: (A) Is organized and operating in the United States as a general corporation, (B) Has total assets in excess of five hundred million dollars (\$500,000,000), and (C) Has debt other than commercial paper, if any, that is rated in a rating category of “A” or its equivalent or higher by a NRSRO.

**3020.8.5.2** The entity meets the following criteria: (A) Is organized within the United States as a special purpose corporation, trust, or limited liability company, (B) Has program wide credit enhancements including, but not limited to, over collateralization, letters of credit, or surety bond, and (C) Has commercial paper that is rated A-1” and/or “P-1” or its equivalent or higher by a NRSRO.

Purchases of eligible commercial paper may not exceed 270 days maturity nor represent more than 10 percent of the outstanding paper of an issuing corporation. Investments in commercial paper are limited to a maximum of 25 percent of the District’s investment portfolio.

**3020.8.6** U.S. Corporate Debt. Medium-term corporate notes issued by corporations organized and operating within the United States or by depository institutions licensed by the U.S. or any state and operating within the U.S. Medium-term corporate notes shall be rated in a rating category “A” or its equivalent or better by an NRSRO.

Purchase of medium-term corporate notes may not exceed 30 percent of the District’s investment portfolio.

**3020.8.7** Negotiable Certificates of Deposit. As authorized in Government Code Section 53601(i), no more than 30 percent of the District’s investment portfolio may be invested in negotiable certificates of deposit issued by a nationally or state-chartered bank, a state or federal savings association, a state or federal credit union, or by a state-licensed branch of a foreign bank. The District may not invest in certificates of deposit issued by a state or federal credit union if any member of the District Board, General Manager, or any other employee with investment decision-making authority also serves on the Board of directors, or any committee appointed by the Board of directors, or the credit committee or the supervisory committee of the state or federal credit union issuing the certificate of deposit.

Purchase of negotiable certificates of deposit may not exceed 30 percent of the District's investment portfolio and are limited to a maximum maturity of five years.

- 3020.8.8** Supranationals. The District may invest in United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank, with a maximum remaining maturity of five years or less, and eligible for purchase and sale within the United States. Investments under this subdivision shall be rated in a rating category of "AA" or its equivalent or better by an NRSRO.

Purchases of supranationals shall not exceed 30 percent of the agency's monies that may be invested pursuant to this section.

- 3020.8.9** State of California's Local Agency Investment Fund (LAIF). The District may invest in LAIF. Investment in each LAIF account may not exceed the current approved maximum deposit allowed by LAIF.

- 3020.8.10** Local Government Investment Pools (LGIP). Upon approval of the Board of Directors by adoption of a Resolution the District may participate in other public agency investment pools, which serve to invest public agency funds in conformance with applicable California law and are rated "AAA" by one or more NRSROs. Participation in such a pool shall be consistent with the objectives stated as part of this policy.

- 3020.8.11** Shares of beneficial interest issued by a joint powers authority (JPA). Organized pursuant to Section 6509.7 that invests in the securities and obligations authorized by subdivisions (a) to (q) of California Government Code Section 53601, inclusive. Each share shall represent an equal proportional interest in the underlying pool of securities owned by the JPA. To be eligible under this section, the JPA issuing the shares shall have retained an investment adviser that meets all of the following criteria:

- 3020.8.11.1** The entity meets the following criteria: (A) The adviser is registered or exempt from registration with the Securities and Exchange Commission. (B) The adviser has not less than five years of experience investing in the securities and obligations authorized in subdivisions (a) to (q) of California Government Code 53601, inclusive. (C) The adviser has assets under management in excess of five hundred million dollars (\$500,000,000).

- 3020.8.12** Insured savings account or money market account. All savings account or money market accounts must be collateralized in accordance with California Government Code Section 53561. The District, at its discretion, may waive



the collateralization requirements for any portion of the deposit that is covered by federal insurance.

**3020.8.13 Money Market Mutual Funds.** Shares of beneficial interest issued by diversified management companies that are money market funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940 (15 U.S.C. §. 80a-1, et seq.)

The District may invest in shares of beneficial interest issued by company shall have met either of the following criteria: (1) Attained the highest ranking or the highest letter and numerical rating provided by not less than two NRSROs. (2) Retained an investment adviser registered or exempt from registration with the securities and exchange commission with not less than five years' experience managing money market mutual funds with assets under management in excess of five hundred million dollars (\$500,000,000).

The purchase price of shares of beneficial interest purchased pursuant to this subdivision shall not include any commission that the companies may charge. Investments in Money Market Mutual Funds are further limited to 15 percent of surplus funds.

**3020.8.14 Mortgage-backed and Asset-backed Securities:** Mortgage pass-through securities; collateralized mortgage obligations; mortgage-backed or other pay-through bonds; equipment lease-backed certificates; consumer receivable pass-through certificates; or consumer receivable-backed bonds rated "AA" or its equivalent or better by an NRSRO and with a remaining maturity of five years or less. The combined base value of this instrument is not to exceed 20 percent of the agency's surplus monies.

### **3020.9 Maximum Maturity**

Selection of investment maturities in conformance with the Government Code restrictions shall be based on a review of cash flow forecasts. Maturities will be scheduled to permit the District to meet all projected obligations.

Unless otherwise specified in this section, no investment shall be made in any security, other than a security underlying a repurchase, reverse repurchase, or investment agreement as authorized by this section that at the time of the investment has a term remaining to maturity in excess of five years.

### **3020.10.Sales Prior to Maturity**

Securities shall not be purchased directly by Staff for the specific purpose of trading. However, sales prior to maturity are permitted under the following circumstances: (1) to meet an unanticipated disbursement; or (2) earn a higher overall rate of return by selling a security and reinvesting the proceeds. Certain investment opportunities may involve the

recognition of value losses. Book value trading losses are permitted. Any trading loss greater than 1 percent of principal value of any investment holding requires the following: (1) explanation of source of loss, (2) rationale for transactions resulting in recognition of loss, and (3) estimation of time necessary to recoup the loss.

### **3020.11 Reporting Requirements**

Quarterly, District staff shall present the Board with a report which conforms with the requirements of Government Code Section 53646(b). The quarterly report also shall (i) state compliance of the portfolio to the statement of investment policy, or manner in which the portfolio is not in compliance, (ii) include a description of any of the District funds, investments, or programs that are under the management of contracted parties, including lending programs, and (iii) include a statement denoting the ability of the District to meet its expenditure requirements for the next six months, or provide an explanation as to why sufficient money shall, or may not, be available. The quarterly report shall be submitted by the second regularly scheduled meeting of the Board of Directors following the end of the quarter.

### **3020.12 Safekeeping and Custody**

All securities purchased by or on behalf of the agency, whether negotiable, bearer, registered, or non-registered, shall be delivered, either by book entry or physical delivery, to the District's third-party custodian, and held in the District's name. The third-party custodian shall be independent from the company or firm which sold the security and from its investment adviser if it chooses one.

The only exceptions to the foregoing are LAIF, LGIPs, Certificates of Deposit, and money market funds since the purchased securities are not deliverable. In all cases, purchased securities shall be held in the District's name.

### **3020.13 Investment Policy Review**

Annually, District staff may present the Board with a statement of investment policy, which the Board must consider at a public meeting. Any changes to the policy shall also be considered by the Board at a public meeting.

### **3020.14 Glossary**

**AGENCIES:** Federal agency securities and/or Government-sponsored enterprises.

**ASKED:** The price at which securities are offered.

**BANKERS' ACCEPTANCE (BA):** A draft or bill or exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill, as well as the issuer.

**BENCHMARK:** A comparative base for measuring the performance or risk tolerance of the investment portfolio. A benchmark should represent a close correlation to the level of risk and the average duration of the portfolio's investments.

**BID:** The price offered by a buyer of securities. (When you are selling securities, you ask for a bid.) See Offer.

**BROKER:** A broker brings buyers and sellers together for a commission.

**CAMP (the California Asset Management Program):** A California Joint Powers Authority (CAJPA) established in 1989 to provide California public agencies, together with any bond trustee acting on behalf of such public agency, assistance with the investment of and accounting for bond proceeds and surplus funds. For bond proceeds, the objective of CAMP is to invest and account of such proceeds in compliance with arbitrage management and rebate requirements of the Internal Revenue Service. The program includes the California Asset Management Trust, a California common law trust organized in 1989. The Trust currently offers a professionally managed money market investment portfolio, the Cash Reserve Portfolio, to provide public agencies with a convenient method of pooling funds for temporary investment pending their expenditure. The Trust also provides recordkeeping, custodial and arbitrage rebate calculation services for bond proceeds. As part of the program, public agencies may also establish individual, professionally managed investment accounts.

The pool seeks to attain as high a level of current income as is consistent with the preservation of principal. The Pool purchases only investments of the type in which public agencies are permitted by statute to invest surplus funds and proceeds of their own bonds.

**CERTIFICATE OF DEPOSIT (CD):** A time deposit with a specific maturity evidenced by a Certificate. Large-denomination CD's are typically negotiable.

**COLLATERAL:** Securities, evidence of deposit or other property, which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

**COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR):** The official annual report of the (entity). It includes five combined statements for each individual fund and account group prepared in conformity with GAAP. It also includes supporting schedules necessary to demonstrate compliance with finance-related legal and contractual provisions, extensive introductory material, and a detailed Statistical Section.

**DEALER:** A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for his own account.

**DIVERSIFICATION:** Dividing investment funds among a variety of securities offering independent returns.

**FEDERAL CREDIT AGENCIES:** Agencies of the Federal government set up to supply credit to various classes of institutions and individuals, e.g., S&L's, small business firms, students, farmers, farm cooperatives, and exporters.

**FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC):** A federal agency that insures bank deposits, currently up to \$250,000 per entity.

**FEDERAL RESERVE SYSTEM:** The central bank of the United States created by Congress and consisting of a seven-member Board of Governors in Washington, D.C., 12 regional banks and about 5,700 commercial banks that are members of the system.

**JOINT POWERS AUTHORITY POOLS:** JPA Pools are local government investment pools comprised of at least two entities and accredited by the CAJPA. Each share shall represent an equal proportional interest in the underlying pool of securities owned by the JPA. To be eligible, the JPA issuing the shares shall have retained an investment adviser that meets all of the following criteria: (1) the adviser is registered or exempt from registration with the Securities and Exchange Commission, (2) the adviser has not less than five years of experience investing in the securities and obligations in Section 53601, subdivisions (a) to (n), and (3) the adviser has assets under management in excess of five hundred million dollars (\$500,000,000).

**LIQUIDITY:** A liquid asset is one that can be converted easily and rapidly into cash without a substantial loss of value. In the money market, a security is said to be liquid if the spread between bid and asked prices is narrow and reasonable size can be done at those quotes.

**LOCAL GOVERNMENT INVESTMENT POOL (LGIP):** The aggregate of all funds from political subdivisions that are placed in the custody of the State Treasurer for investment and reinvestment.

**MARKET VALUE:** The price at which a security is trading and could presumably be purchased or sold.

**MATURITY:** The date upon which the principal or stated value of an investment becomes due and payable.

**MONEY MARKET:** The market in which short-term debt instruments (bills, commercial paper, bankers' acceptances, etc.) are issued and traded.

**OFFER:** The price asked by a seller of securities. (When you are buying securities, you ask for an offer.) See Asked and Bid.

**PORTFOLIO:** Collection of securities held by an investor.

**PRUDENT PERSON RULE:** An investment standard. In some states the law requires that a fiduciary, such as a trustee, may invest money only in a list of securities selected by the custody state—the so-called legal list. In other states the trustee may invest in a security if it

is one which would be bought by a prudent person of discretion and intelligence who is seeking a reasonable income and preservation of capital.

**RATE OF RETURN:** The yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity on a bond the current income return.

**REPURCHASE AGREEMENT (REPO):** A holder of securities sells these securities to an investor with an agreement to repurchase them at a fixed price on a fixed date. The security “buyer” in effect lends the “seller” money for the period of the agreement, and the terms of the agreement are structured to compensate him for this.

**REVERSE REPURCHASE AGREEMENT (REVERSE REPO):** A reverse-repurchase agreement (reverse repo) involves an investor borrowing cash from a financial institution in exchange for securities. The investor agrees to repurchase the securities at a specified date for the same cash value plus an agreed upon interest rate. Although the transaction is similar to a repo, the purpose of entering into a reverse repo is quite different. While a repo is a straightforward investment of public funds, the reverse repo is a borrowing.

**SAFEKEEPING:** A service to customers rendered by banks for a fee whereby securities and valuables of all types and descriptions are held in the bank’s vaults for protection.

**SECURITIES & EXCHANGE COMMISSION:** Agency created by Congress to protect investors in securities transactions by administering securities legislation.

**TREASURY BILLS:** A non-interest-bearing discount security issued by the U.S. Treasury to finance the national debt. Most bills are issued to mature in three months, six months, or one year.

**TREASURY BONDS:** Long-term coupon-bearing U.S. Treasury securities issued as direct obligations of the U.S. Government and having initial maturities of more than 10 years.

**TREASURY NOTES:** Medium-term coupon-bearing U.S. Treasury securities issued as direct obligations of the U.S. Government and having initial maturities from two to 10 years.

**YIELD:** The rate of annual income return on an investment, expressed as a percentage. (a) INCOME YIELD is obtained by dividing the current dollar income by the current market price for the security. (b) NET YIELD or YIELD TO MATURITY is the current income yield minus any premium above par or plus any discount from par in purchase price, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond.

**ADMINISTRATIVE POLICY HANDBOOK**

**POLICY TITLE:** Other Post-Employment Benefits Trust Funding  
**POLICY NUMBER:** 3025  
**PROCEDURE:** N/A  
**DATE ADOPTED:** February 10, 2010

**3025.1 Purpose:** It is the intent of the District to fund its Other Post Employment Benefit (OPEB) Trust Fund within 30 years with minimal impacts on District rate payers. Such funding will be based on the actuarially calculated OPEB liability, which shall be updated at least bi-annually.

**3025.2 Budgeted Retiree Medical Premiums:** Following the adoption of each fiscal year's operating budget, District staff shall transfer all funds budgeted for retiree medical premiums to be paid that year to the District's OPEB Trust Fund.

**3025.3 Annual Additional Funding:** Following the acceptance of each fiscal year's audited financial statements for the District, the Board will make a determination as to how much of that year's remaining annual required contribution (ARC) will be funded by the District and deposited to the OPEB trust fund from all or part of the following sources in the order listed below:

1. Unanticipated revenue streams (either one-time or ongoing)
2. Sewer Service Charge revenues exceeding planned levels for the prior fiscal year
3. Unused wastewater operating contingency funds from the prior fiscal year
4. Wastewater operating budget savings from the prior fiscal year
5. Ad valorem tax revenues
6. The wastewater general fund

This approach gives the Board the discretion to make OPEB funding decisions annually, taking into account then current economic conditions and other factors.

**3025.4 Employee Contributions to the OPEB Trust:** Any future provision for employee's funding part of the OPEB obligation would be established through an amendment to each bargaining unit's Memorandum of Understanding, and would require that all bargaining units participate under the same terms and conditions.

**ADMINISTRATIVE POLICY HANDBOOK**

**POLICY TITLE:** Pension Benefits Trust Funding  
**POLICY NUMBER:** 3030  
**PROCEDURE:** N/A  
**DATE ADOPTED:** July 13, 2016

**3030.1 Purpose:** It is the intent of the District to make its full actuarially determined contributions into the California Public Employees' Retirement System (CalPERS) and Contra Costa County Employees' Retirement Association (CCCERA) pension trust funds. In addition, the District desires to set aside additional funds in a separate qualified trust fund, the Public Agencies Post-Employment Benefits Trust (PAPEBT) with the Public Agency Retirement Services (PARS), which may in the future be directed into either the CalPERS and/or CCCERA pension trust funds.

**3030.2 Existing and Budgeted Contributed Benefit Savings Funds:** Upon establishment of the District's PAPEBT, all funds then residing in the District's Contributed Benefit Savings reserve shall be transferred to the PAPEBT, along with any additional funds set-aside for that purpose prior to adoption of the next fiscal year's operating budget. Following the adoption of each fiscal year's operating budget, District staff shall transfer all funds budgeted for Contributed Benefit Savings set-aside that year into the District's PAPEBT. This provides the greatest potential for enhanced returns on investment for such funds.

**3030.3 Future Additional Funding:** Once the District's Other Post-Employment Benefits (OPEB) Trust Fund is fully funded pursuant to the Board's approved Administrative Policy No. 3025 – *Other Post-Employment Benefits Trust Funding*, additional funding, primarily unanticipated revenue streams (either one-time or ongoing), as described in Section 3025.3 of that policy shall be redirected to the PAPEBT as long as the OPEB Trust Fund remains fully funded.

**3030.4 Investment of Funds:** Funds invested with PARS shall be placed in the Balanced HighMark Active Plus portfolio.



**ADMINISTRATIVE POLICY HANDBOOK**

**POLICY TITLE:** Sewer Service Charge Refund/Adjustments  
**POLICY NUMBER:** 3035  
**PROCEDURE:** N/A  
**DATE ADOPTED:** November 4, 2009

**PURPOSE:** To establish standard policy and for the issuance of refunds for previously levied sewer service charges for the annual sewer operations and maintenance charges. Typically, sewer service charges are calculated annually and the majority of the charges are collected by the Contra Costa County Tax Collector as part of the annual property tax bill.

**3035.1 General Policy/Responsibility**

It is the policy of Delta Diablo Sanitation District that all refunds shall be issued in accordance with this policy. The General Manager has the authority to issue and shall ensure that administrative procedures are in place to implement this policy.

**3035.2 Claim Submittal**

A written claim for refund must be filed at the District Offices at 2500 Pittsburg-Antioch Highway, Antioch, California, 94509. In order to be considered, the claim must be in writing and be dated and signed by the claimant. The claim shall identify the property for which the refund is requested and explain what the billing discrepancy is. In order to be considered for a refund, the claimant must have been the property owner and paid the sewer service charges for the period in question. Finance Staff shall investigate all claims received to determine their validity. All information submitted by the customer shall be considered.

In the event that the District Staff discovers billing errors before a claim is filed, the District may work directly with the property owner to initiate a refund based on proper documentation and without requiring the filing of a written claim.

**3035.3 Statute of Limitations for Refunds and/or Billing Adjustments**

All claims for refunds and/or adjustments to billed sewer service charges shall only be considered if the claim for an adjustment is filed within four years of the date the billing was issued.

**3035.4 Form of Refund**

In the event that an adjustment is warranted, and payment of the disputed bill has been verified, and with approval by the General Manager or his designee, District Staff may issue a payment directly to the property owner in accordance with this policy. In the event that an adjustment is warranted, and the disputed bill has not been paid, a corrected billing shall be issued. Interest shall not be paid on any amount refunded or credited as the result of an adjustment of charges.

**ADMINISTRATIVE POLICY HANDBOOK**

**POLICY TITLE: Purchasing Policy**

**POLICY NUMBER: 3050**

**PROCEDURE: N/A**

**DATE ADOPTED: June 11, 2008**

**3050.1 Purpose.** The purpose of this chapter is to set forth policy for the purchase of supplies, material, equipment and services and to clearly define the authority of the purchasing function. This chapter shall not apply to public works projects.

**3050.2 Definitions.**

“Professional services” means the services rendered by persons who are members of a recognized profession or who possess a special skill. Such services are generally acquired to obtain information, advice, training or direct assistance. “Professional services” includes any type of professional service that may be lawfully rendered but does not include work performed under a contract for a public works project.

“Public works project” means the erection, construction, improvement, or alteration, excluding repair and maintenance, of (1) public buildings and other works; (2) streams, bays, waterfronts, embankments or other work for protection against overflow; (3) streets and related improvements, including lighting and signaling systems; (4) sewer and water systems; (5) parks, playgrounds, recreational and scenic areas.

“Responsible bidder” means a person or entity that has the capability in all respects to perform fully the contract requirements.

“Responsive bidder” means a person or entity who has submitted a bid which conforms in all material respects to the invitations for bids or requests for proposals.

“Services” means any and all work performed and any and all services rendered by independent contractors, with or without the furnishing of material, excluding 1) professional services and 2) work performed under contracts for public works projects.

“Supplies,” “materials,” and “equipment” mean any and all articles or things which shall be furnished to or used by any department of the District, including those items purchased by the District and furnished to contractors for use in public works projects.

**3050.3 Establishment of centralized purchasing.** In order to 1) implement efficient procedures for the purchase of supplies, material, equipment and services at the lowest possible cost, with appropriate fitness for purpose and quality needed, 2) exercise positive financial control over purchases, and 3) clearly define authority for the purchasing function, a centralized purchasing system is established.

**3050.4 Purchasing organization.** There is created a centralized purchasing organization in which is vested authority to 1) purchase supplies, material, equipment and services, 2) create and maintain policies for the management of inventory, and 3) perform duties as assigned by ordinance or regulation.

**3050.5 Exemptions from centralized purchasing.** The Purchasing Manager may authorize, in writing, any department to purchase or contract for specified supplies, material, equipment and services, independently of the Purchasing Department, but shall require that such purchases or contracts be made in conformity with the policies established by this chapter and administrative procedures as approved by the General Manager. The Purchasing Manager may also rescind such authorization with written notice to the department concerned.

**3050.6 Award authority.**

**3050.6.1** If the amount of any purchase or contract for operation and maintenance of the District's facilities exceeds \$100,000, the purchase or contract shall be awarded by the Board of Directors. If the amount of any purchase or contract for operation and maintenance of the District's facilities is less than \$100,000 and is included in the Board authorized annual budget, the purchase or contract shall be awarded by the General Manager or designee.

**3050.6.2** Except as specifically provided in this chapter or by ordinance or resolution now or in the future, the District is not bound by any contract unless the same shall be in writing and signed by the General Manager, after Board approval, or by such other officer of the District as authorized by ordinance, resolution, or action of the Board.

**3050.6.3** No purchase by any person other than the above shall be binding upon the District or constitute a lawful charge against any District funds.

**3050.6.4** Modifications to contracts or purchase orders which represent no change in the scope or character of material or services provided in the original contract or purchase order may be approved by the General Manager or designee if the dollar value of the modification is within their award authority.

**3050.7 Competitive procurement process.**

**3050.7.1** All purchases of and contracts for supplies, material, equipment and services, shall be based, wherever possible, on a competitive procurement process, as described in this chapter.

**3050.7.2** It shall be the responsibility of the Purchasing Manager to evaluate each purchase and to initiate the appropriate method of purchase which will be most cost effective for the District.

**3050.7.3** Emergency purchases and contracts for supplies, material, equipment or services may be made without using a competitive procurement process when the purchase or contract for the item or items is immediately necessary for the continued operation of a department or for the preservation of life and property, or when such purchase is required for the health, safety, and welfare of the people or for the protection of property, provided that there is a present, immediate, and existing emergency. Determination and declaration that such an emergency exists shall be made at the same level of authority as set forth in Section 3050.6 of this chapter.

**3050.7.4** If limitations on the source of supply, necessary restrictions in specifications, necessary standardization, quality considerations, or other valid reasons for waiving a competitive procurement process appear, then purchases may be made without recourse to the competitive procurement process provisions of this chapter. Approval of waiver of a competitive procurement process shall be given by the General Manager or his designee.

**3050.8 Standard purchase procedure.**

All purchases for goods and services shall be made in accordance with the standard purchase procedures unless the General Manager or designee determines it is in the best interest of the District to use the formal purchase procedure. Award shall be made to the lowest responsive and responsible bidder through request for quotations, or to the offeror whose proposal is determined to be the most advantageous to the District through request for proposals following procedures promulgated by the Purchasing Manager and approved by the General Manager.

**3050.9 Formal purchase procedure.** Formal purchase procedures are competitive sealed bidding or competitive sealed proposals as provided for in purchasing procedures promulgated by the Purchasing Manager and approved by the General Manager.

**3050.10 Cooperative purchasing programs.** Where advantageous to the District and to the extent consistent with state law, purchases of supplies, material, equipment or services made under a cooperative purchasing program, utilizing purchasing agreements maintained by the state, county, or other public agencies are exempt from the requirements of this chapter. To the extent possible, cooperative purchases joined will be competitively awarded, and documentation as to the advantage of the cooperative purchase will be retained.

**3050.11 Professional services.** Contracts for professional services may be negotiated by the District based on the vendor's demonstrated competence and professional qualifications for the service required. Whenever possible, quotes should be obtained from at least three sources using the request for quote or the request for proposal process. Vendor selection, without obtaining three quotes, shall require justification to the Purchasing Manager, except in the case of contracts for specialized legal services.

**3050.12 Authority to resolve protested solicitations and awards.**

**3050.12.1 Right to Protest.** Any person or entity that submits a quote, proposal or bid for a contract or purchase order and who objects to the award of that contract or purchase order may protest to the Purchasing Manager within ten (10) business days of the award announcement.

**3050.12.2 Authority to Resolve Protests.** The Purchasing Manager shall have authority, prior to award, to settle and resolve a protest.

**3050.12.3 Decision Process.** If the protest is not resolved by mutual agreement, the Purchasing Manager shall issue a decision in writing, stating the decision and facts supporting the decision and informing the protestant of its right to appeal the decision first to the General Manager or designee, and if resolution is not reached, then to the Board of Directors in accordance with Administrative Handbook Policy No. 1030, *Public Complaints*, which provides that such an appeal must be filed within ten (10) business days of receiving the General Manager or designee's decision. A copy of the decision shall be mailed or otherwise furnished to the protesting bidder. Unless a timely appeal is filed, the Purchasing Manager's decision shall be final.

**ADMINISTRATIVE POLICY HANDBOOK**

**POLICY TITLE:** Environmentally Preferable Purchasing  
**POLICY NUMBER:** 3065  
**PROCEDURE:** N/A  
**DATE ADOPTED:** May 10, 2006

**Purpose.** The Delta Diablo Sanitation District (District) intends to serve as a model for environmental leadership by conserving resources such as water, raw materials, and energy. By incorporating environmental considerations into purchasing procedures, the District can reduce its burden on the environment while remaining fiscally responsible. Environmental factors that should be considered include, but are not limited to, toxicity, energy use, greenhouse gas impacts, disposal options, recycled content, and waste reduction.

**Definition.** Environmentally preferable means products or services that have a lesser or reduced effect on human health and the environment when compared with competing products or services that serve the same purpose.

**Policy.** The District's Environmentally Preferable Purchasing (EPP) Policy is based on the following guiding principles:

Environmental Excellence: The District shall consistently meet or exceed all regulatory standards and comply with environmental legislation.

Environmental Responsibility: The District shall contribute to long term preservation and enhancement of the environment.

Environmental Progress: The District shall continuously improve its environmental performance.

**Goal.** It is the goal of the District to move its operations toward environmental sustainability by minimizing waste and maximizing efficiency. The District's Purchasing Manager and/or his/her designee will:

Ensure that contracting procedures do not discriminate against reusable, recycled, or environmentally preferable products without justification

Evaluate environmentally preferable products to determine the extent to which they may be used by the District and its contractors

Review and revise contracting procedures to maximize the specification of designated environmentally preferable products where practicable

Facilitate data collection on purchases of designated environmentally preferable products by the agencies and its contractors

**Objectives.** The Delta Diablo Sanitation District Environmentally Preferable Purchasing Policy has the following objectives:

Ensure to the extent practicable, all printing and copy paper products shall consist of a minimum of 30% post-consumer recycled fiber.

Ensure that all contractors shall submit requested documents to the District on recycled paper. This shall include, but not be limited to, drafts, reports, bids, and training materials.

The District shall engage in the practice of two-sided copies for all memos and mailings.

All business cards, letterhead stationary, envelopes, business forms and documents shall be printed on recycled paper. If sufficient documentation and certification is available, reasonable efforts shall be undertaken to specifically indicate the percentage of recycled post-consumer content.

Any RFPs or bids for services request by the District will include a statement that the District prefers working with businesses that adhere to our environmental principles.

All departments shall ensure that they and their contractors/consultants use double sided copying.

Purchased or leased equipment, including photocopiers, computers, printers, lighting systems, HVAC, kitchen appliances, and energy management systems must meet US Environmental Protection Agency (EPA) or Department of Energy (DOE) energy efficiency standards. Where applicable, the energy efficiency function shall remain enabled on all energy efficient equipment.

**Reporting.** District staff shall prepare and deliver to the Board periodic reports on the progress of efforts related to the EPP Policy.

**Performance, Price, and Availability.** Nothing contained in this policy shall be construed as requiring a department or contractor to procure products that do not perform adequately for their intended use, exclude adequate competition, or are not available at a reasonable price in a reasonable period of time.

**Fiscal Impact.** It is currently estimated that the cost to implement this policy will be minimal and primarily include staff time to meet the goals and objectives the policy. Cost savings may be realized in the waste minimization and energy efficiency objectives of the policy.



**ADMINISTRATIVE POLICY HANDBOOK**

**POLICY TITLE:** Surplus  
**POLICY NUMBER:** 3070  
**PROCEDURE:** 2000-3  
**DATE ADOPTED:** January 14, 2009

**3070.1** The purpose of this policy is to provide an auditable process for the disposal of surplus District personal property.

**3070.2** The General Manager, or his/her designee, is authorized to approve property items deemed unsuitable or unnecessary for District purposes as surplus. Such assets shall be disposed of in a manner which is in the best interest of the District, pursuant to procedures approved by the General Manager. The goal is to maximize surplus revenues net of staff time and other processing costs while disposing of surplus items in a manner that meets all statutes and regulations and reflects a high level of environmental stewardship.

**3070.3** An annual report will be provided to the Board of Directors listing all assets that were surpluses during the prior fiscal year, the method of disposal and the amount received (if any) for each item.

**ADMINISTRATIVE POLICY HANDBOOK**

**POLICY TITLE: DEBT MANAGEMENT AND CONTINUING DISCLOSURE**  
**POLICY NUMBER: 3075**  
**PROCEDURE: N/A**  
**DATE APPROVED: November 13, 2019**

**3075.1 Purposes and General Provisions.** The Government Finance Officers Association (GFOA) recommends that state and local governments adopt comprehensive written debt management policies as a best management practice to improve the quality of decisions, articulate policy goals, provide guidelines for the structure of debt issuance, and demonstrate a commitment to long-term capital financial planning. Additionally, Government Code Section 8855(i) requires public agency issuers of debt to adopt comprehensive written debt management policies. This Debt Management and Continuing Disclosure Policy (Debt Policy) is intended to comply with Government Code Section 8855(i). The purpose of this Debt Policy is to organize and formalize debt issuance and management related policies and procedures for Delta Diablo. This Debt Policy governs all debt issuances by the District and by the Delta Diablo Integrated Financing Corporation. Except where any provision of this Debt Policy refers separately to the IFC, each use of the term “District” in this Debt Policy means the District and the IFC.

State and federal laws and regulations govern the District’s activities under this Debt Policy. In its implementation of this Debt Policy, the District must comply with all applicable state and federal laws and regulations, including but not limited to laws and regulations limiting the types of debt the District may issue and how that debt may be issued, and any applicable appropriations limits and debt limits. Those state and federal laws and regulations may limit the application of this Debt Policy. If any provision of this Debt Policy conflicts with any state or federal law or regulation, either (a) if feasible, the conflicting provision of this Debt Policy shall be modified to be compliant with the applicable conflicting state or federal law or regulation, or (b) if the conflicting provision of this Debt Policy cannot be so modified, it shall not be implemented by District staff.

**3075.2 Objectives.** The primary objectives of the District’s debt and financing related activities are the following:

- 3075.2.1** Maintain cost-effective access to public and private capital markets through prudent fiscal management policies and practices;
- 3075.2.2** Specify parameters related to the prudent use of debt in the context of the District’s rates and financial planning;
- 3075.2.3** Ensure debt proceeds are expenditures for permissible uses as defined in this policy, and in accordance with bond covenants and other applicable requirements;
- 3075.2.4** Minimize debt service commitments through effective planning and cash management;

- 3075.2.5** Ensure the District is compliant with all applicable federal and state securities laws;
- 3075.2.6** Protect the District's creditworthiness and achieve the highest practical credit ratings; and,
- 3075.2.7** Maintain the District's sound financial position.

**3075.3 Scope and Delegation of Authority.** This Debt Policy will govern the issuance and management of all debt issued by the District, including the selection and management of related financial and advisory services and products, and the investment of bond proceeds, all in accordance with state and federal laws and regulations.

The District's Board of Directors retains authority to modify, repeal, or replace this Debt Policy. Responsibility for implementation of the Debt Policy, and day-to-day responsibility for structuring, implementing, and managing the District's debt and finance program, will reside with the General Manager or his/her designee. The General Manager may develop procedures consistent with this Debt Policy to direct the implementation of this Debt Policy by District staff. The Board's adoption of the District's Annual Budget and Capital Improvement Program (CIP), or review of the financial plan, does not constitute authorization for debt issuance for any capital projects. This Debt Policy requires that the Board of Directors specifically authorize each debt financing in accordance with all applicable state and federal laws and regulations.

The Board of Directors recognizes that changes in the public and private capital markets, District programs, and other unforeseen circumstances may, from time to time, produce situations that are not covered by the Debt Policy and will require modifications or exceptions to achieve policy goals. In these cases, the Board of Directors may consider modifying this Debt Policy to provide District staff with flexibility to respond to changed circumstances, while ensuring this policy remains compliant with state and federal laws and regulations.

#### **3075.4 Roles and Responsibilities**

- 3075.4.1** General Manager or his/her designee – Provides oversight of debt program and prepares recommendations on debt to the Board of Directors.
- 3075.4.2** Executive Director of the IFC – Provides oversight of debt program and prepares recommendations on debt to the Board of Directors.
- 3075.4.3** Business Services Director – Has primary responsibility for implementing the General Manager's direction on debt issuance recommendations, financing transaction execution, oversight of bond proceeds expenditures, and ongoing debt management.
- 3075.4.4** Board of Directors – Sets debt policy and authorizes individual transactions.

**3075.5 Ethics and Conflicts of Interest.** Members of the Board of Directors and District staff members who have roles and responsibilities under this Policy: (a) will not engage in any personal business activities that could conflict with proper and lawful execution of securing capital financing, (b) will comply with the District's Conflict of Interest Code, as may be updated from time to time; and (c) will comply with all other applicable state and federal conflict of interest laws and regulations.

**3075.6 Integration with Other Financial Policies and Documents.** The District is committed to long-term capital and financial planning, maintaining appropriate reserve levels, and employing prudent practices in governance, management, and budget administration. Policies related to these topics are adopted separately but affect this Debt Policy. If debt service is a component of proposed new or increased fees or charges (e.g., Sewer Service Charges), at the time the Board of Directors is asked to approve those new or increased fees or charges, the Board of Directors will be presented with financial information in support of the proposed fees or charges, including but not limited to the District budget, any relevant provisions of the CIP, and the terms of any debt service repaid by the fees or charges.

**3075.7 Standards for Use of Debt Financing.** In financial planning, the District will evaluate the use of various alternatives including, but not limited to, current year funding of capital projects through rates, various forms of debt financing, use of reserves, and inter-fund loans and transfers. The District will utilize the most advantageous financing alternative and balance the goals of long-term cost minimization, risk exposure, and compliance with generally accepted rate-setting principles. The District's debt management program will consider debt issuance where public policy, equity (including intergenerational equity), generally-accepted rate-setting principles, economic efficiency, and compliance with long-term financial planning parameters that favor financing over cash funding.

**3075.7.1 Use and Timing of Debt.** The District will integrate its debt issuances with the goals of its CIP by timing the issuance of debt to ensure that projects are planned when needed in furtherance of the District's public purposes (as articulated in, inter alia, the District's mission, vision, and goals) and are consistent with the District's budget, any applicable debt or appropriations limits, and other financial information the General Manager or Business Services Director deems relevant. When the Board of Directors is asked to approve new or increased fees or charges (e.g., Sewer Service Charges), the Board of Directors will be provided all legally-required financial information in support of the new or increased fees or charges, and additional financial information the General Manager or Business Services Director deems relevant.

**3075.7.1.1** All capital projects in the CIP are eligible to use debt financing, so long as the minimum revenues are generated as described in Section 3075.7.1.

Debt financing will be used to finance eligible capital projects, including the acquisition, construction, or rehabilitation of capital facilities, when funding requirements cannot be met with current

revenues, cash reserves or interfund loans and/or transfers or the use of such funds would be contrary to rate-setting principles. The proceeds derived from long-term borrowing will not be considered appropriate for any recurring purpose such as current operating and maintenance expenditures.

With respect to debt repayment and amortization, the debt repayment period will be structured so that the weighted average maturity of the debt does not exceed 100% of the expected average useful life of the project being financed.

**3075.7.2 Credit Quality.** All District debt management activities for new debt issuances will be conducted in a manner conducive to receiving the highest credit ratings possible consistent with the District's debt management objectives and legal terms and covenants of outstanding debt obligations. As debt service coverage is a key ratings consideration, the District shall target a debt service coverage ratio of at least 1.75 for financial planning and rate-setting purposes.

**3075.7.3 Ongoing Debt Administration and Internal Controls.** The District will maintain all debt-related records according to the District's Retention Policy or debt financing documents, whichever retention timeline is longer. The District will maintain internal controls to ensure compliance with the Debt Policy (including use of bond proceeds for purposes specified in the applicable Bond Official Statements and in compliance with this debt policy), all debt covenants, and any applicable requirements of federal and state law, including but not limited to the following: initial bond disclosure, continuing disclosure, tax-exemption, post-issuance compliance, investment of bond proceeds (including, for example, any continuing disclosure obligations under Securities and Exchange Commission (SEC) Rule 15c2-12, and tax covenants, and related federal tax compliance requirements such as arbitrage restrictions and rebate requirements), and annual transparency reporting to California Debt and Investment Advisory Commission.

**3075.7.4 Rebate Policy and System.** The District will develop a system of reporting interest earnings that relates to and complies with Internal Revenue Code requirements relating to rebate, yield limits, and arbitrage. The District will accurately account for all interest earnings in debt-related funds to ensure that the District is compliant with all debt covenants and with state and federal laws. The District will invest funds in accordance with the investment parameters set forth in each respective bond indenture, and as permitted by the District's Investment of District Funds (Policy No. 3020).

**3075.8 Financing Criteria.** When staff intends to recommend that the District incur indebtedness, or when requested by the Board of Directors, the General Manager will provide a report to the Board that, among other things:

**3075.8.1** Describes the intended use of the financing proceeds (i.e., funding for new projects or to refund existing bonds);

**3075.8.2** Recommends a specific debt type to include duration, type, interest rate characteristics, call features, credit enhancement, or financial derivatives to be used in the transaction;

**3075.8.3** Presents the impact of the bonds on the District's forecasted rates based on the anticipated maturity schedule; and,

**3075.8.4** For refunding transactions, includes a comprehensive report on the debt to be redeemed, the replacement debt, and the anticipated benefits of the transaction shall be provided.

**3075.9 Terms and Conditions of Debt.** The Board of Directors will approve all terms and conditions relating to the issuance of debt, and will approve the control, management, and investment all debt proceeds. The proposed debt terms, coupon structure, debt service structure, redemption features, any use of capitalized interest, and lien structure must be approved by the Board of Directors.

**3075.10 Types of Debt.** Subject to the approval of the Board of Directors in accordance with applicable state and federal laws and regulations, the following types of debt are allowable under this Debt Policy:

- State Revolving Fund loans
- California Infrastructure and Economic Development Bank loans
- Revenue bonds
- Lease revenue bonds and certificates of participation
- Commercial paper
- General obligation bonds
- Land-secured financings, such as special tax revenue bonds issued under the Mello-Roos Community Facilities Act of 1982, as amended, and limited obligation bonds issued under applicable assessment statutes
- Refunding Obligations
- Bond or grant anticipation notes
- Tax and revenue anticipation notes
- Federal loans
- Lines of credit

**3075.11 Derivatives.** The District will not use municipal derivative products in connection with its borrowing needs.

**3075.12 Credit Enhancements.** The District may consider the use of credit enhancement on a case-by-case basis, evaluating the economic benefit versus cost for each case. Only when a clearly demonstrable savings or other measurable advantages can be shown will the Board of Directors consider authorizing the enhancement.

**3075.13 Refunding Outstanding Debt.** Refundings are important debt management strategies for the District. Refundings are commonly used to lower future debt service costs but can also be used to change existing legal terms/covenants or restructure debt service. The District will periodically evaluate outstanding bond issues for refunding opportunities and will bring to the attention of the Board those opportunities that are in the District's interest. Reports to the Board on potential refunding shall describe

anticipated savings and the structure of refunding and refunded debt, and any refunding transaction executed will be followed with a report on actual savings. Unless necessary or beneficial to do so, the District's refundings will not extend the final maturity of the debt being refunded.

There are two types of refundings: current refundings and advance refundings. These two refunding types differ by the timing in which they occur.

*Current Refunding.* A current refunding is one in which the refinancing is closed within 90 days of the date on which the refunded debt is redeemed. In most circumstances, the District's Board of Directors will set minimum Present Value (PV) Savings threshold of 3% of refunded par for a current refunding.

*Advance Refunding.* An advance refunding is one in which the refinancing is closed more than 90 days prior to the date on which the refunded debt is redeemed. In most circumstances, the District's Board of Directors will set a minimum PV Savings threshold of 5% of refunded par for an advanced refunding. Lower savings thresholds for both current and advance refundings may be justified in certain circumstances. In those situations, the Business Services Director, in consultation with the District's financial advisor, will recommend an appropriate action by the Board of Directors.

**3075.14 Methods of Issuance.** District bonds may be sold by way of a competitive sale, negotiated sale, or private placement. A recommendation regarding the proposed use method will be prepared by the Business Services Director and General Manager, or his/her designee, and provided to the Board of Directors at the time the Board of Directors is asked to consider approval a proposed bond issuance.

The District will consider the following factors when determining the appropriate method of sale:

**3075.14.1 Competitive Sale.** In a competitive sale, the District's bonds will be awarded to the bidder providing the lowest true interest cost as long as the bid adheres to the requirements set forth in the official notice of sale. Conditions under which a competitive sale would be preferred are as follows:

- Bond prices are stable and/or demand is strong
- Market timing and interest rate sensitivity are not critical to the pricing
- There are no complex explanations required during marketing regarding the District's projects, media coverage, political structure, political support, funding, or credit quality
- The bond type and structure are conventional
- Manageable transaction size
- The bonds carry strong credit ratings
- Issuer is well known to investors

**3075.14.2 Negotiated Sale.** The District recognizes that some securities are best sold through negotiation under the following conditions:

- Bond prices are volatile
- Demand is weak or supply of competing bonds is high
- Market timing is important, such as for refundings



- The bonds will carry lower credit ratings or are not rated
- Issuer is not well known to investors
- The bond type and/or structural features are unusual, such as for a forward delivery bond sale, issuance of variable rate bonds, or where there is the use of derivative products
- Bond insurance is not available
- Early structuring and market participation by underwriters are desired
- The par amount for the transaction is significantly larger than normal
- Demand for the bonds by retail investors is expected to be high

**3075.14.3 Private Placement.** If authorized by law, the District may elect to privately place its debt under certain conditions. Such placement will only be considered where a cost savings can be achieved by the District relative to other methods of debt issuance, or to enable the financing to be completed within a shorter timeframe. Private placements will include not only direct placements with investors or lenders, but also state and federal loan programs.

### **3075.15 Market Relationships**

**3075.15.1 Rating Agencies and Investors.** The General Manager and Business Services Director will be responsible for maintaining the District's relationships with rating agencies, which will typically include two or more of the nationally-recognized statistical rating agencies.

**3075.15.2 Board Communication.** The General Manager will make available to the Board any ratings report or other relevant feedback provided from rating agencies and/or investors regarding the District's financial strengths and weaknesses and recommendations for addressing any weaknesses.

**3075.15.3 Continuing Disclosure.** The District will remain in compliance with SEC Rule 15c2-12, which addresses continuing disclosure obligations. The District will also comply with state reporting requirements as specified in Senate Bill (SB) 1029, which requires initial and ongoing debt reporting requirements for California public agencies.

**3075.15.4 Rebate Reporting.** The use and investment of bond proceeds shall be monitored to ensure compliance with arbitrage restrictions.

**3075.15.5 Other Jurisdictions.** From time to time, the District may issue bonds to fund projects that provide a benefit to other public entities that the District serves. The District will conduct such analyses as deemed necessary to assure adequate cost recovery for such funding and mitigate risks to the District (including consideration of the use of limited bonding capacity).

### **3075.16 Consultants**

**3075.16.1 Selection of Financing Team Members.** The Business Services Director will make recommendations for all financing team members, and the Board of Directors providing final approval. Financing team members may include a financial advisor, bond counsel, disclosure counsel (which may be the

same firm as bond counsel), and underwriter. In the event of a competitive bond sale, the District's debt will be offered to the underwriter providing the most cost-advantageous proposal to the District, as determined by the Board of Directors.

**3075.16.2 Financial Advisor.** The District may utilize a financial advisor to assist in its debt issuance and debt administration processes as is deemed prudent and necessary by the Board of Directors and in compliance with applicable Municipal Securities Rulemaking Board (MSRB) regulations. The District's financial advisor should be independent and not provide underwriting services to ensure they are free of real or perceived conflicts of interest.

**3075.16.3 Bond Counsel.** District debt will include a written opinion by legal bond counsel affirming that the District is authorized to issue the proposed debt, and that the District has met all constitutional and statutory requirements necessary for issuance and a determination of the proposed debt's federal income tax status. The approving opinion and other documents relating to the issuance of debt will be prepared by bond counsel with extensive experience in public finance and tax issues. Bond counsel will be retained by the Board of Directors.

**3075.16.4 Disclosure Counsel.** The District may utilize a separate law firm to serve as disclosure counsel whenever the Board of Directors deems necessary. If cost effective, the Board of Directors may retain the same firm to serve both as bond counsel and as disclosure counsel.

**3075.16.5 Underwriter.** The District's Board of Directors will have the right to select a senior manager for a proposed negotiated sale, as well as co-managers and selling group members, as appropriate.

**3075.16.6 Conflict of Interest Disclosure by Financing Team Members.** All financing team members will be required to provide full and complete disclosures relative to agreements with other financing team members and outside parties. The extent of each disclosure may vary depending on the nature of the transaction. However, in general terms, no agreements will be permitted that could compromise the firm's ability to provide independent advice that is solely in the District's interests (to the extent the firm's role involves a duty to do so) or which could reasonably be perceived as a conflict of interest.

### **3075.17 Initial and Continuing Disclosure Compliance**

#### **3075.17.1 Disclosure Coordinator and Overall Requirements for Initial and Continuing Disclosure**

The Business Services Director or his/her designee will be the disclosure coordinator of the District (Disclosure Coordinator). The Disclosure Coordinator will perform the following functions:

- 3075.17.1.1** Ensure that any Official Statement meets appropriate standards and is approved by the Board of Directors, as required.

**3075.17.1.2** Ensure that initial and continuing disclosure obligations undertaken by the District related to each debt issuance are met, including State of California requirements, and MSRB requirements that the District commits to undertake in the Continuing Disclosure Certificate or Agreement over the life of the bonds to investors.

**3075.17.1.2.1** Initial Disclosure requirements include preparation of the Bond Official statement and reports on the issuance to the California Debt and Investment Advisory Commission (CDIAC).

**3075.17.1.2.2** Ongoing disclosure requirements include annual reports with the MSRB Electronic Municipal Market Access (EMMA) system and the CDIAC.

**3075.18 Exceptions.** In the event there are any deviations or exceptions from the Debt Policy when a certain bond issue is structured, those exceptions will be discussed in the staff report at the time that the bond proposal is presented to the Board of Directors for its consideration.

**3075.19 Policy Review.** Any proposed changes to this Debt Policy must be approved by the Board of Directors.