



FY2021/2022 Proposed Sewer Service Charge Adjustments

Board of Directors Meeting
June 9, 2021



FY21/22 SSCs Development Schedule Overview



Board Meeting

March 25, 2021



April 14, 2021



May 12, 2021



June 9, 2021

- Board reviewed financial impacts of new \$60M Secondary Process Improvements Project on 5-year SSC increase projection
- Board reviewed proposed SSC adjustments, set public hearing, and approved distribution of Prop. 218 notices
- Board reviewed draft 5-year CIP and key operating budget assumptions
- CIP Public Hearing, Board CIP approval
- **SSC Public Hearing, Board considers SSC approval and authorizing collection on tax roll**, Board considers approval of FY21/22 Budget appropriations

COVID-19, Local Impacts, and SSC Adjustments



- Economic impacts on customers in service area will continue to be monitored into the future
- District has continued to provide effective and reliable “**essential services**” throughout the COVID-19 pandemic
- SSC adjustments are required to continue meeting core mission of protecting public health and the environment:
 - Ensure proactive, prioritized capital investment in **critical wastewater infrastructure** to address regulatory compliance vulnerabilities
 - Fund **progressive increases in operating costs** over time
 - Incorporate updated “**cost-of-service**” adjustments between and within customer classes (i.e., residential, non-residential)
 - Support the District’s **Financial Sustainability** guiding principles

Financial Sustainability Guiding Principles



Guiding Principles	Key Actions
<p>Critically review operating budget each year to identify budget adjustment needs and opportunities</p>	<ul style="list-style-type: none"> ✓ Proposed FY21/22 <u>Wastewater</u> Operating Budget = \$26.7M (1.0% increase from FY20/21); Note: total operating budget = \$29.3M (no increase from FY20/21)
<p>Ensure effective prioritization of a CIP that addresses critical infrastructure needs</p>	<ul style="list-style-type: none"> ✓ Incorporated critical new \$60.0M project, \$10.0M from master plan condition assessment findings ✓ Effectively prioritized and deferred projects <ul style="list-style-type: none"> – Current 5-year CIP = \$81.3M – Proposed 5-year CIP = \$67M + \$60M = \$127M; deferred \$10M (Years 1-3) for seven projects
<p>Utilize a 5-year rate model to identify SSC revenue needed to meet cost projections without sharp rate increases</p>	<ul style="list-style-type: none"> ✓ Incorporated debt financing to minimize SSC increases, while meeting financial needs ✓ Effective CIP prioritization, operating cost control
<p>Maximize cash funding of CIP (vs. debt financing) to ensure lowest overall costs for District customers</p>	<ul style="list-style-type: none"> ✓ Despite significant challenges, 5-year CIP includes 74% cash funding (50% for \$60M Secondary Process Improvements) ✓ Seek low borrowing costs for debt issuance

Financial Sustainability Guiding Principles (cont'd)



Guiding Principles	Key Actions
Meet District policy to maintain minimum reserve balance of 40% of annual budgeted operating expenses in WW O&M Fund	✓ Minimum WW O&M Fund balance is maintained throughout 5-year financial planning period
Factor growth into SSC calculation each year to ensure equitable cost allocation across customers	✓ 1,099 ERUs (as of April 2021) have been added into SSC calculation due to development in the service area (~ \$450k in additional annual SSC revenue)
Reserve debt management capacity for long-term secondary capacity expansion and nutrient management treatment plant upgrades	✓ SSCs are designed to ensure sufficient revenue is generated to meet current and planned debt obligations
Maintain SSCs below average relative to peer agencies	✓
Comply with legal requirements for revenue collection	✓

FY21/22 SSC 5-year Analysis

Key Assumptions



Operating Budget

- FY21/22 = **\$26.7M** for SSCs (\$29.3M total) as baseline w/escalation in subsequent years

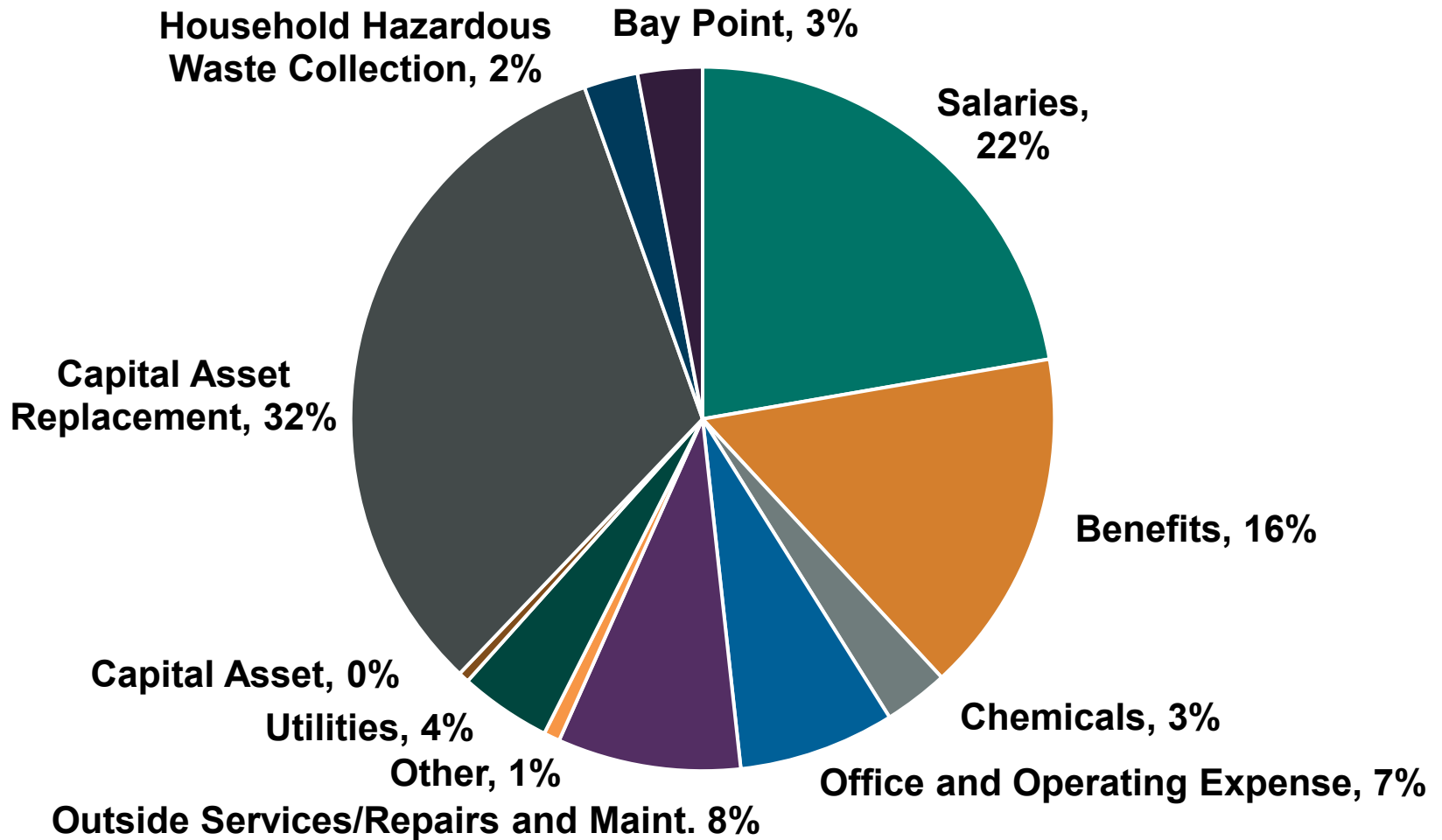
5-year CIP

- 5-year CIP = \$127M, submitted for Board approval today
- Major project drivers presented in Nov 2020 – Mar 2021
- \$60M for new Secondary Process Improvements
 - \$46.8M (SSCs), \$9.6M (WW Expansion), \$3.6M (AT Fund)
- \$10M for prioritized new projects from condition assessment work
- 74% cash funded (92% for FY20/21 5-year CIP)

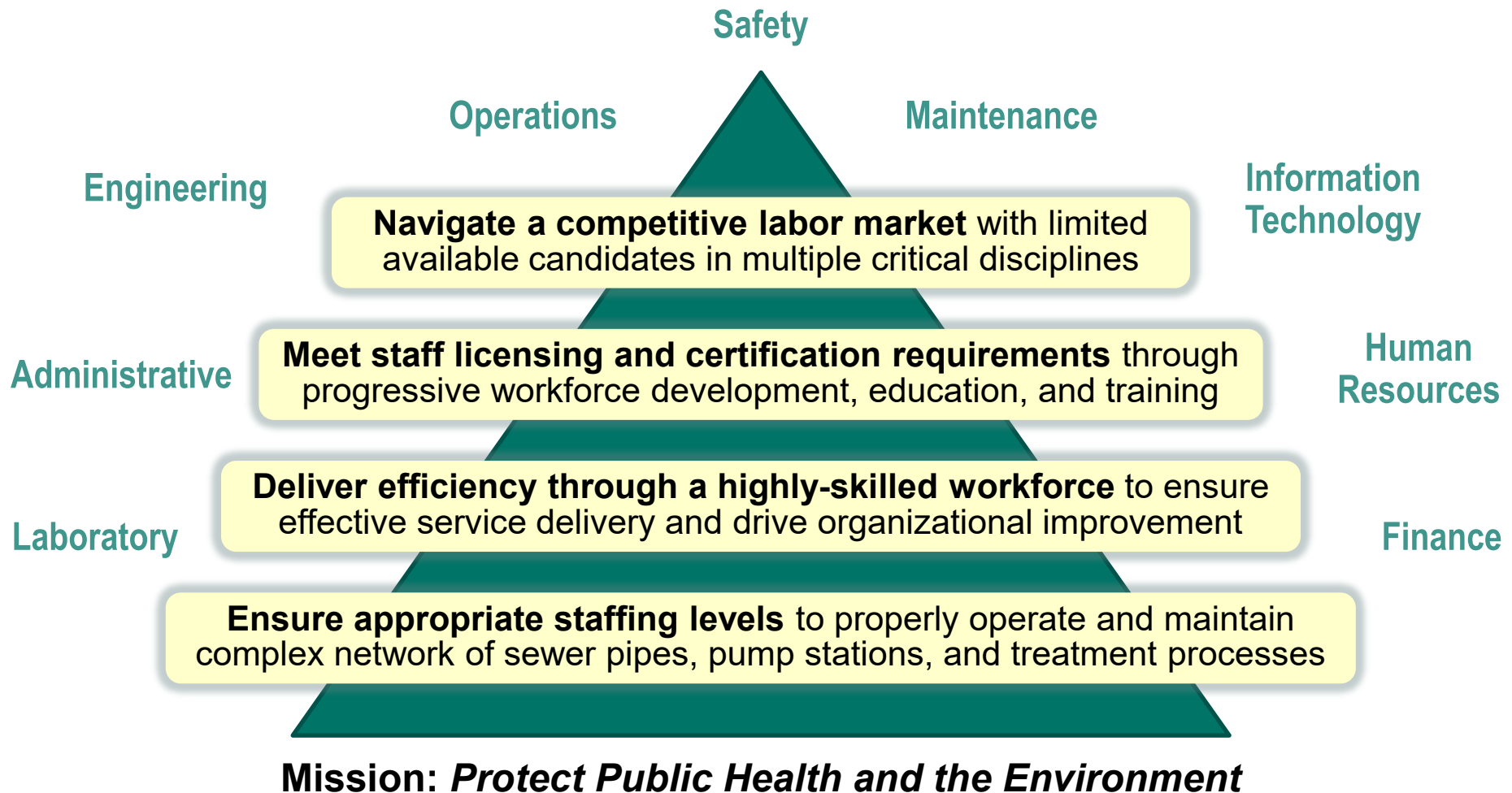
Debt

- Existing debt = \$22.5M, pending debt = \$17.7M (IFC, Jan 2021)
 - Low-interest SRF and Municipal Finance Corporation loans (~1.9%-4.9%) total = \$40.2M (96% low interest)
- Planned issuance of **new debt** (\$30M) in Year 3 (FY23/24)

What Do Utility Rates Pay For? Proposed FY21/22 Expenses



Critical Importance of Staff in Achieving the District's Mission



FY21/22 SSC 5-year Analysis

Key Assumptions (cont'd)



WW O&M Fund Equity

- Significant use of existing WW O&M Fund Equity (\$8.1M) to allow increased allocation of SSC revenue to meet capital investment needs – still meets reserve balance requirements

Ad Valorem Taxes

- Increased annual revenue assumption from \$2.0M to **\$3.0M** following elimination of CFCC reductions (Mar 2021 Board action)

Advanced Treatment Fund

- Continue **suspending SSC component** allocation to meet long-term nutrient removal regulatory requirements (**extended timeline** for implementation)

Cost-of- Service Study

- Implement key findings from 2021 Cost-of-Service Study, which includes **rebalancing cost allocation** between non-residential and residential customers

2021 Updated Cost-of-Service (CoS) Study Findings and Impacts to SSCs



- Update key factors (wastewater flow using potable water use and return factors, wastewater strength, parcels) influencing allocation of District costs to specific customer categories
- Key CoS Study Findings
 - Shifted approximately \$740k in annual revenue requirement from non-residential (commercial, industrial) to residential customers

Category	Change in FY21/22 Revenue Need (CoS Only)	Equivalent Aggregate FY21/22 SSC Adjustment (CoS Only)*
Single-Family Residential	+\$740k	+1.7%
Non-residential	-\$740k	-15.8%

* Note: Based only on CoS-based reallocation of revenue needs between customer classes; does not include additional revenue to meet updated financial needs

- Adjusted annual minimum charge to 80 HCF (previously 90 HCF)
- Eliminated service area SSC differences for non-residential business types
- District has legal requirements to implement SSC adjustments based on cost-of-service findings

Proposed FY21/22 SSC Adjustments



- Proposed increase in FY21/22 revenue = **\$1.6 million** to meet capital and operating financial needs
 - +4.8% from anticipated FY21/22 revenue without an SSC increase
- Implementation of Cost-of-Service findings yields different SSC adjustments for residential and non-residential

Residential (Single Family) Customers

Community/Category	SSC Increase	Current SSC	Proposed SSC	Annual Increase
Antioch/Pittsburg	+6.5%	\$403.10	\$429.42	\$26.32
Bay Point*	+5.9%	\$556.47	\$589.25	\$32.78

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

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

Proposed FY21/22 SSC Adjustments (cont'd)



- SSC revenue increase (4.8%) + CoS findings
 - Overall SSC adjustment for non-residential customers = **-11%** with \$550k shift in revenue need to residential
 - (CoS Only = -15.8%, shift approximately \$740k)

Non-Residential Customers

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

Category	Zone 1 - Bay Point			Zone 2 - Pittsburg			Zone 3 - Antioch		
	FY 20/21	FY 21/22	% Change	FY 20/21	FY 21/22	% Change	FY 20/21	FY 21/22	% Change
Bakeries/Restaurants	\$9.47	\$9.02	-4.8%	\$8.01	\$7.33	-8.5%	\$7.94	\$7.33	-7.7%
Hotels/Motels	-	\$4.57	N/A	\$4.27	\$4.57	7.0%	\$4.64	\$4.57	-1.5%
Institutional	\$6.52	\$5.91	-9.4%	\$4.89	\$4.22	-13.7%	\$4.85	\$4.22	-13.0%
Light Industry	\$6.52	\$5.71	-12.4%	\$4.89	\$4.02	-17.8%	\$4.85	\$4.02	-17.1%
Marinas	-	\$6.03	N/A	\$6.30	\$6.03	-4.3%	\$6.34	\$6.03	-4.9%
Misc. Commercial	\$6.52	\$5.91	-9.4%	\$4.89	\$4.22	-13.7%	\$4.79	\$4.22	-11.9%
Mortuaries	-	\$5.83	N/A	\$5.53	\$5.83	5.4%	\$5.55	\$5.83	5.0%

Annual Single-Family Residential FY21/22 SSC Breakdown

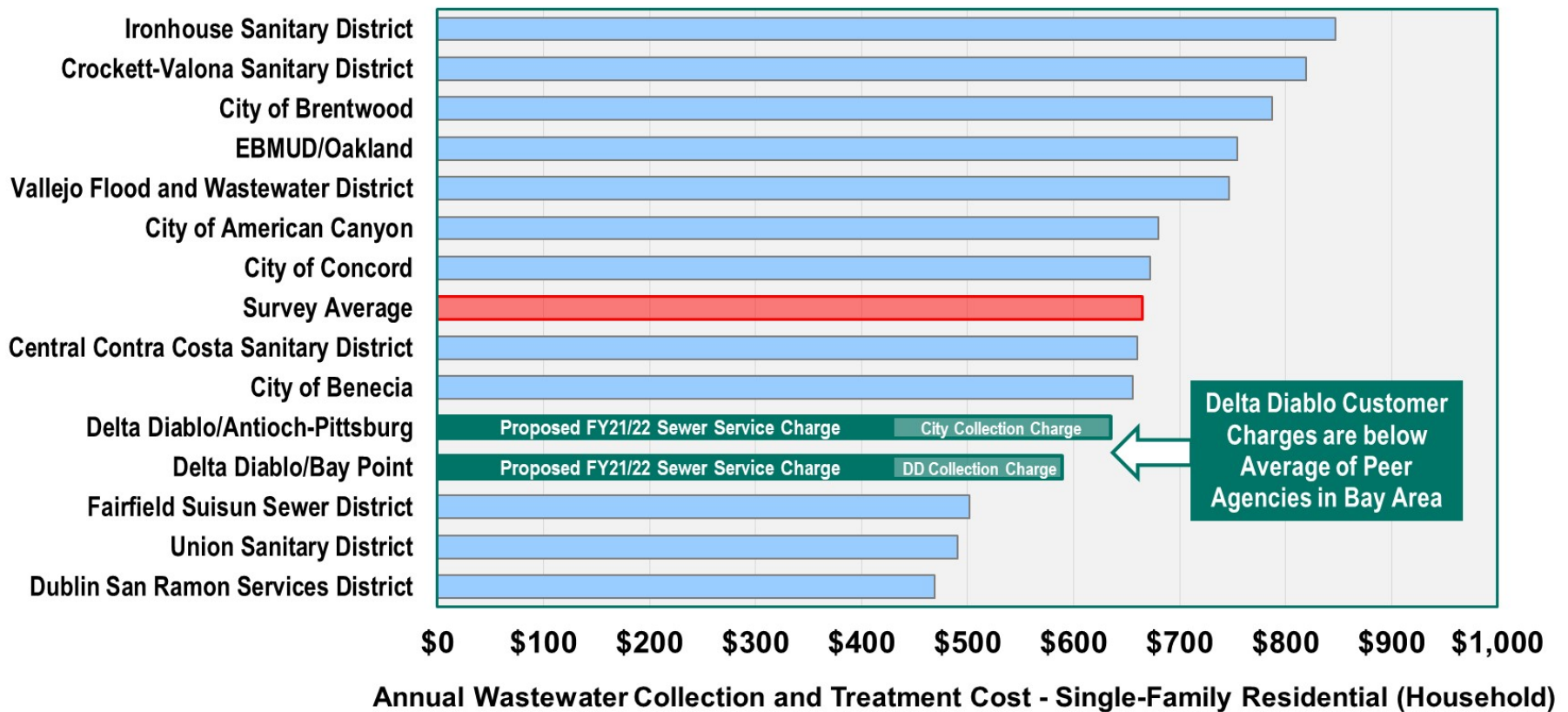


- Significant reduction in WW O&M Fund Equity planned for FY21/22 to support near-term capital investment in infrastructure needs

SSC Component	Antioch/Pittsburg		Bay Point	
	Current FY20/21	Proposed FY21/22	Current FY20/21	Proposed FY21/22
Wastewater O&M	\$286.03	\$184.67	\$286.03	\$184.67
Capital Improvements	\$117.07	\$244.75	\$117.07	\$244.75
Bay Point Collections (BP only)	N/A	N/A	\$153.37	\$159.83
Total SSC per Equivalent Residential Unit	\$403.10	\$429.42	\$556.47	\$589.25
Estimated Monthly Charge	\$33.59	\$35.79	\$46.37	\$49.10

FY21/22 Rate Comparison

- District SSCs are below average when compared to peer agencies in the Bay Area



5-Year SSC Increase Projection



Current SSC Increase Projection

	FY21/22	FY22/23	FY23/24	FY24/25	FY25/26
Antioch and Pittsburg Customers					
SSC Increase	6.5%	5.8%	5.8%	2.5%	2.0%
Bay Point Customers					
SSC Increase	5.9%	5.8%	5.8%	2.5%	2.0%

Previous SSC Increase Projection (June 2020)

	FY20/21	FY21/22	FY21/22	FY22/23	FY23/24
Antioch and Pittsburg Customers					
SSC Increase	3.5%	4.0%	4.0%	4.0%	4.0%
Bay Point Customers					
SSC Increase	3.0%	3.5%	3.5%	3.5%	3.5%

Prop. 218 Notice/Written Protests

- Referenced procedural conditions if COVID-19 Health Orders remain in effect at time of public hearing
- Provided background on District, proposed SSC increases for residential/non-residential, fund allocations
- Described procedure for protesting SSC increase
- Mailed to property owners by April 23, 2021 (met minimum requirement of 45 days prior to public hearing)
- 10 written protests received at time of Board packet mailing (Friday, June 4, 2021)
 - Secretary to the Board to provide updated total after close of Public Hearing
 - 27,568 written protests are required for the Board to determine that a majority protest exists

Recommendations

- Conduct public hearing on FY21/22 SSCs and Delinquency Charges and Collection System Charges and Surcharges
- Receive and consider any testimony and protests received
- Determine that no majority protest exists within the meaning of Article XIII.D. Section 6 of the California Constitution and Health and Safety Code Section 5473.2
- Adopt ordinance establishing SSCs and Surcharges to be effective in FY21/22
- Adopt resolution approving Written Report and directing collection of SSCs and delinquent charges on the County Tax Roll