Proposed FY23/24-FY27/28 Capital Improvement Program

Finance Committee Meeting

April 26, 2023

Delta Diablo

TRANSFORMING WASTEWATER TO RESOURCES

Overview
CIP Development Process

Financial Sustainability Guiding Principles

- Critically review operating budget each year to identify budget adjustment needs and opportunities
- **Ensure effective prioritization** of a capital improvement program (CIP) that addresses critical infrastructure needs
- Utilize a 5-year rate model to identify SSC revenue needed to meet cost projections without sharp rate increases
- **Maximize cash funding** of CIP (vs. debt financing) to ensure lowest overall costs for District customers
- Meet District policy to maintain minimum reserve balance
- Factor growth into SSC calculation each year to ensure equitable cost allocation across customers
- **Reserve future debt capacity** for long-term nutrient management treatment plant upgrades
- Maintain SSCs below average relative to peer agencies

Overview
Proposed 5-year CIP

- **Proposed 5-year CIP (FY23/24-FY27/28) = $139.1M**
  - Supporting Strategic Plan implementation
  - **Investing in existing wastewater infrastructure renewal**
  - **Addressing new infrastructure needs**
  - Adapting to shifting project priorities and changes
  - Integrating key asset management principles
  - Driving organizational improvement
  - **Planning for the future**
- **Current 5-year CIP (FY22/23-FY26/27) = $135.9M**
  - Proposed 5-year CIP = +$3.2M increase
- **FY23/24 CIP Budget Request**
  - **Required FY23/24 CIP budget appropriation = $11.8M**
  - Estimated FY23/24 carryover expenditures **= $4.6M**
    - Note: Estimated carryover budget for FY23/24 = $6.3M
  - **Estimated FY23/24 CIP expenditures = $16.4M**

Major Drivers Impacting Proposed 5-yr CIP Development (Mar 2023 Update)

Secondary Process Improvements

- Project schedule has been delayed by approximately two years (completing master planning work)
- Original Project scope (**$60M**) did not include nutrient removal (renew infrastructure, address service area growth)
- Algal bloom in SF Bay in summer 2022 may accelerate implementation of nutrient removal requirements

APS and Conveyance System Improvements

- Project schedule has been delayed by approximately two years (significant planning/predesign efforts to determine best project approach)
- Significant cost increase (**$18.5M**, +$9.5M increase)

Cogeneration System Improvements

- Project schedule has been delayed by approximate one year (provided opportunity to access federal funding)
- Board awarded consultant contract in February 2023 for design services with an accelerated schedule to meet IRA requirement (construction by December 31, 2024)
- **$10M** construction cost w/assumed $3M tax credit

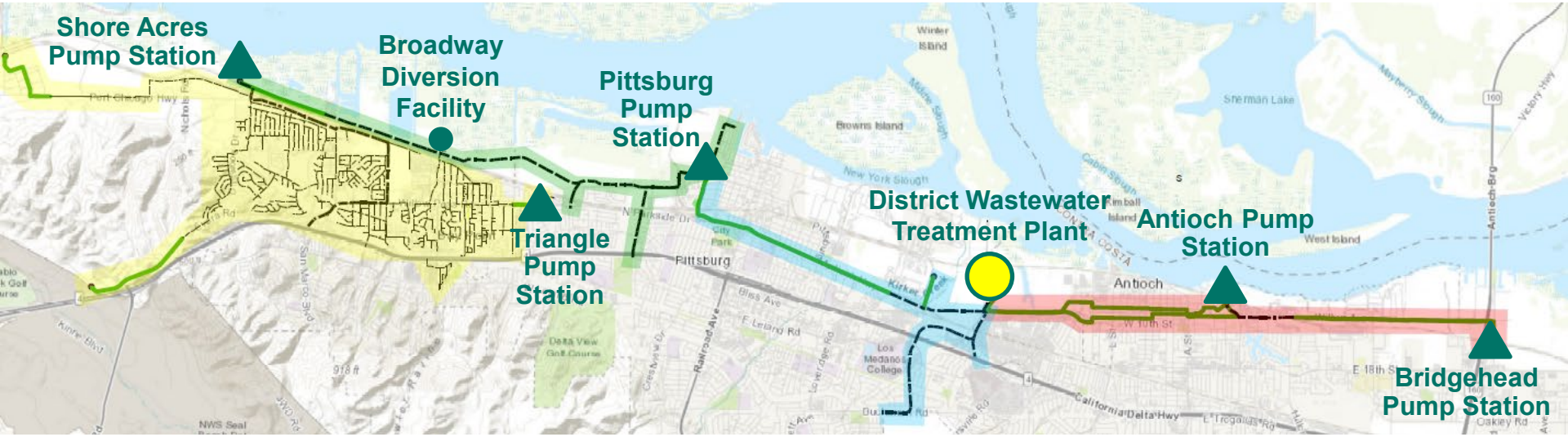
Secondary Process Improvements
Potential Expanded Scope/Cost

- Project schedule has been delayed by approximately two years (completing master planning work)
  - Significant impacts to future SSC rate projections
- Original project scope ($60.0M) did not include nutrient removal (renew infrastructure, address service area growth)
- Algal blooms in SF Bay last summer may accelerate implementation of nutrient removal requirements
  - Full nutrient removal cost at District = $150-200M+ (not in CIP)
  - Regional Water Board is considering "early actions" by POTWs
- Staff is now considering inclusion of a partial nutrient removal approach, if cost effective

Antioch PS and Conveyance System Improvements

Schedule Delay/Increased Cost

- Project schedule has been delayed by approximately two years (significant planning/predesign efforts to determine best project approach)
  - Significant impacts to future SSC rate projections
- Project cost was increased from $9.0M to $18.5M in current 5-year CIP

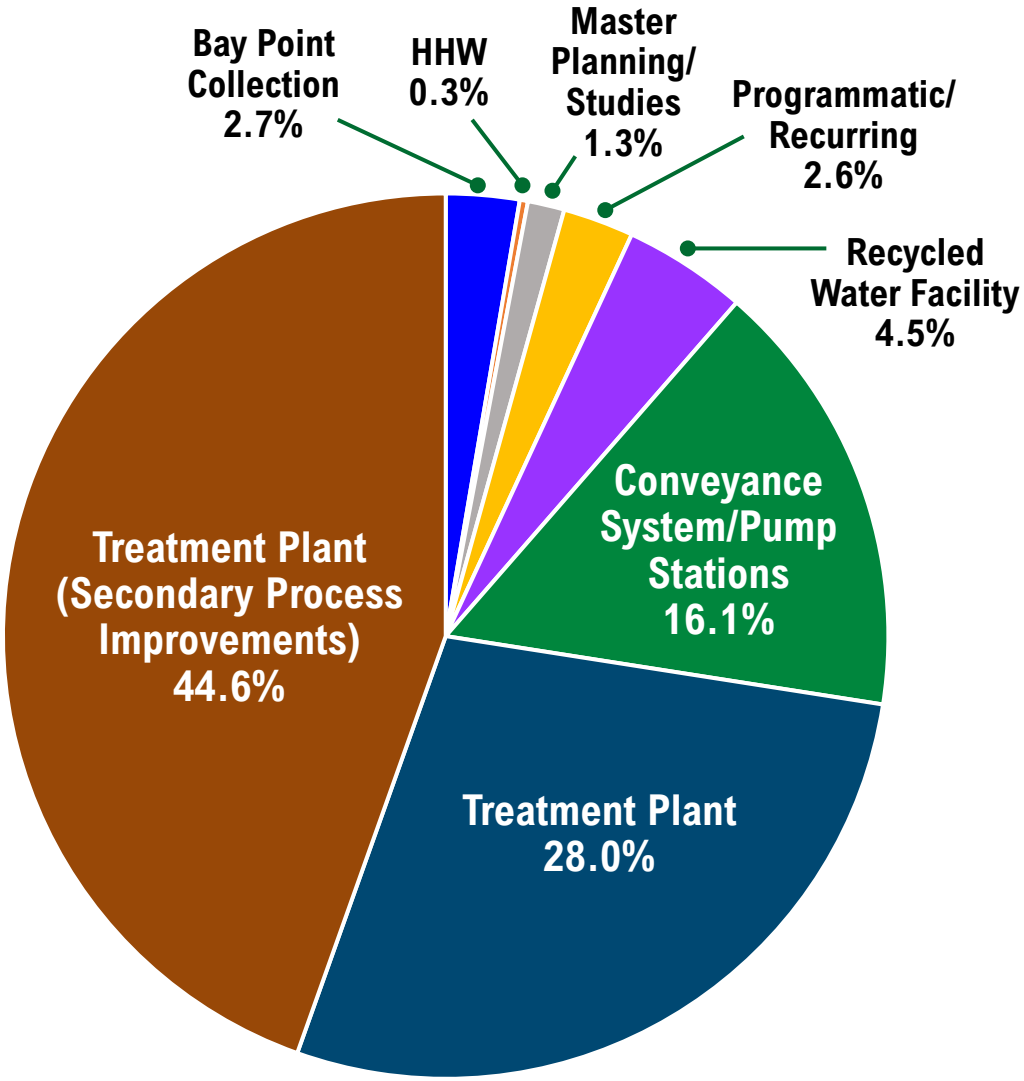


Cogeneration System Improvements Project
Schedule Delay/Increased Cost

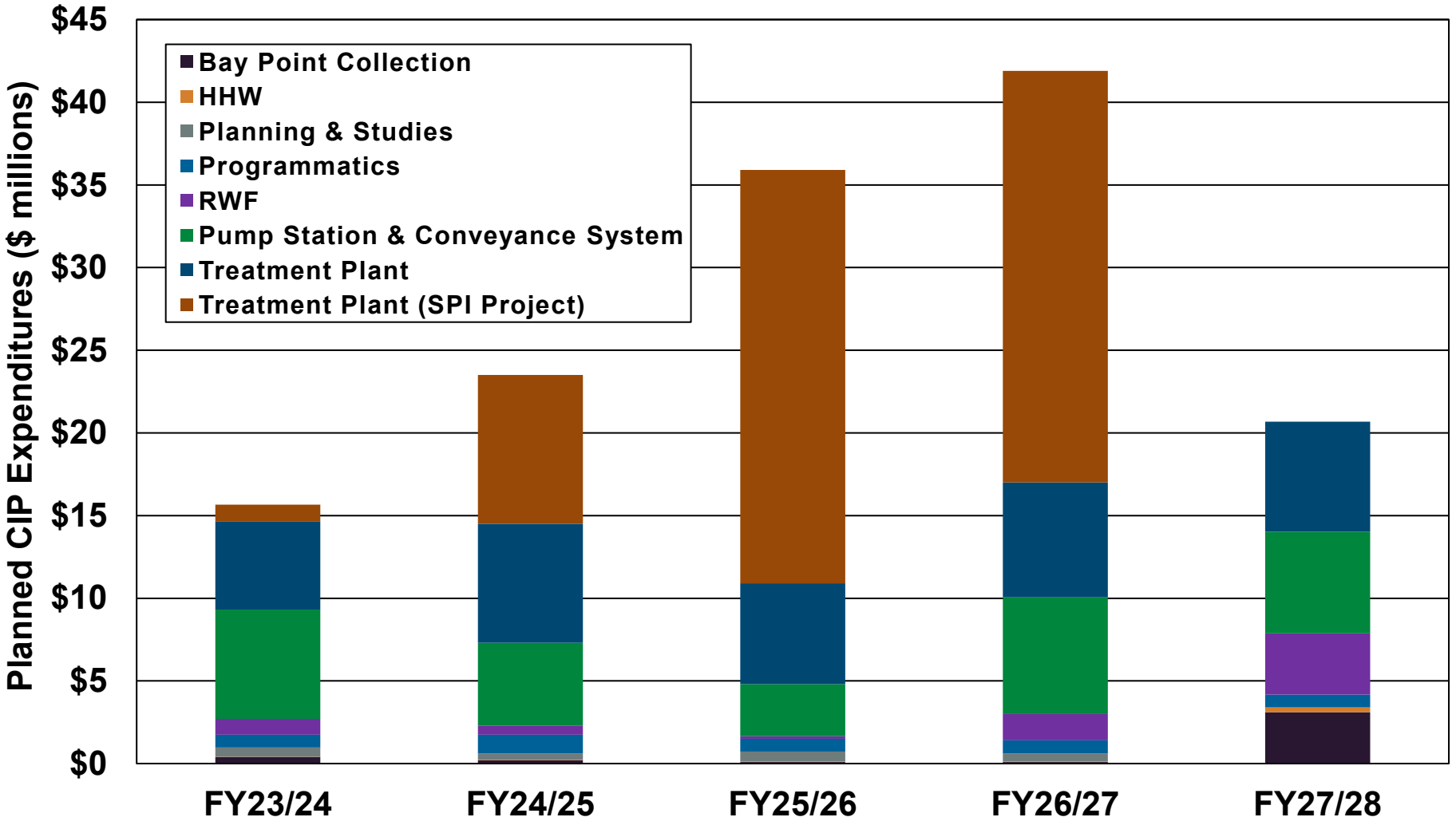
- Project schedule has been delayed by approximately one year—provided opportunity to access federal funding
  - District recently (Feb 2023) awarded project design contract and is pursuing federal tax credits (30-50% of capital cost) under Inflation Reduction Act (requires in construction by Dec 2024)
- Current 5-year CIP includes $5.0M cost estimate
  - Staff will include $7.0M cost in new CIP ($10.0M construction cost with assumed $3.0M federal tax credit)
- District is also considering expanded biogas production and utilization, which will increase nutrient loading and need to be addressed via Secondary Process Improvements Project

Proposed 5-year CIP Overview

Planned Expenditures by Major Area



Proposed 5-year CIP Overview
Planned Expenditures by Fiscal Year



CIP Highlights

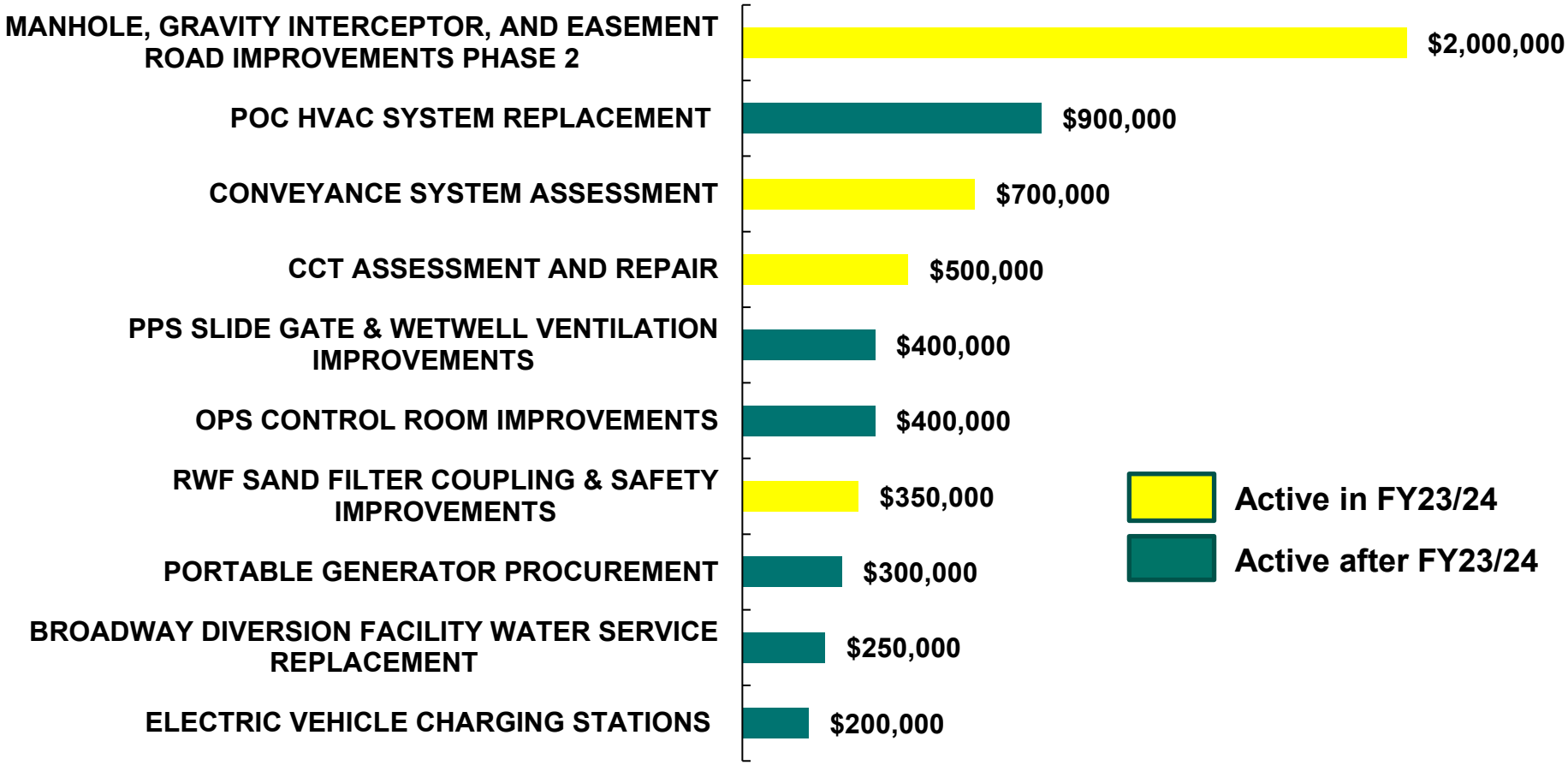
Investing in Existing WW Infrastructure Renewal

~78% of the CIP total is allocated to support rehabilitation and/or replacement of existing critical wastewater infrastructure (WW Capital Asset Replacement Fund)

Project	5-Year CIP Cost ($M)	FY23/24 Budget ($M)
Secondary Process Improvements	60.0	0.6
Antioch Pump Station and Conveyance System Improvements	17.6	0.3
Cogeneration System Improvements	7.0	1.5
Manhole, Gravity Interceptor, and Easement Road Improvements, Phase1	4.5	3.0
Willow Pass Interceptor Repair	3.0	0.3

CIP Highlights
Addressing New Infrastructure Needs

- Identified ten new projects within the 5-year CIP = $6.0M



CIP Highlights
Ensuring Integrity of BP Collection System

- District owns/operates 43 miles of gravity sewers
- Bay Point Collection System Point Repairs
  - $0.3M included in FY23/24 to repair and rehabilitate at risk sewer main segments in Bay Point Collection System
- Bay Point Sewer Repairs Phase 5 Project
  - $3.0M included in FY27/28 to support inspection, repair, and rehabilitation of prioritized segments for ongoing compliance with 2013 River Watch Settlement Agreement
- Unanticipated Bay Point Repairs and Manhole Adjustments Project
  - $0.5M included for unanticipated failure(s) in collection system

CIP Highlights
Planning for the Future

- Five master planning efforts are included in proposed CIP to identify near- and long-term strategies, needs, and priorities

Description	Cost ($M)	Schedule
Recycled Water Master Plan Update	0.3	FY23/24
Biosolids Management Master Plan	0.4	FY24/25
Arc Flash Study	0.3	FY25/26
Electrical System Master Plan	0.3	FY25/26
Supervisory Control and Data Acquisition (SCADA) Master Plan	0.5	FY26/27

Next Steps

- Receive comments on proposed 5-year CIP
- Consider recommending presentation for Board Meeting on May 10, 2023