



Wastewater  
Treatment



TRANSFORMING  
WASTEWATER  
TO RESOURCES



Recycled  
Water



Energy  
Production



Biosolids  
Reuse

# Proposed FY24/25-FY28/29 Capital Improvement Program

Board of Directors Meeting  
May 8, 2024

# Overview

## CIP Development Process



### Financial Sustainability Guiding Principles

- Critically review operating budget to identify budget adjustment needs and opportunities
- **Ensure effective capital improvement program (CIP) prioritization** that addresses critical infrastructure needs
- Utilize a 5-year rate model to identify costs and SSC revenue needed without sharp rate increases
- **Maximize cash funding** of CIP (vs. debt) to ensure lowest overall costs for District customers
- Maintain minimum reserve balance in Wastewater O&M Fund (40% of annual budgeted operating expenses)
- Factor growth into SSCs each year to ensure equitable cost allocation across customers
- **Reserve future debt capacity** for nutrient management, large-scale wastewater treatment plant upgrades
- Maintain SSCs below average relative to peer agencies

# Overview

## Proposed 5-year CIP



- **Current 5-year CIP (FY23/24-FY27/28) = \$139.1M**
- **Proposed 5-year CIP (FY24/25-FY28/29) = \$187.0M**
  - +\$47.9M increase
- **FY24/25 CIP Budget Request**
  - **Required FY24/25 CIP budget appropriation = \$19.4M**
  - **Estimated FY24/25 carryover expenditures = \$3.7M**
    - Note: Estimated carryover budget for FY24/25 = \$5.0M
  - **Estimated FY24/25 CIP expenditures = \$23.1M**

# Major Factors Impacting Proposed 5-year CIP Development



Description	Current CIP = \$139.1M	Prop. CIP = \$187.0M (+\$47.9M)	Key Drivers
Secondary Process Improvements ( <b>Phase 1</b> )	\$60M	<b>\$110M</b> (+\$50M)	<ul style="list-style-type: none"> <li>Developed “Phase 1” with revised scope and cost to <b>support future nutrient removal</b></li> </ul>
Cogeneration System Improvements	\$7M	<b>\$13.5M</b> (+\$6.5M)	<ul style="list-style-type: none"> <li><b>Updated cost</b> based on detailed design activities, assumes <b>IRA tax credits</b> (\$6.5M)</li> </ul>
Antioch Pump Station and Conveyance System Improvements	\$18.5M	<b>\$22.0M</b> (+\$3.5M)	<ul style="list-style-type: none"> <li>Incorporating “alternative project delivery” (e.g., progressive design build); corridor study needed; <b>updated cost</b></li> </ul>
Debt Financing Assumption	\$30M	<b>\$53.9M</b> (+\$23.9M)	<ul style="list-style-type: none"> <li>Mitigate rate impacts via <b>WIFIA loan</b> (favorable terms), potential bond issuance</li> </ul>

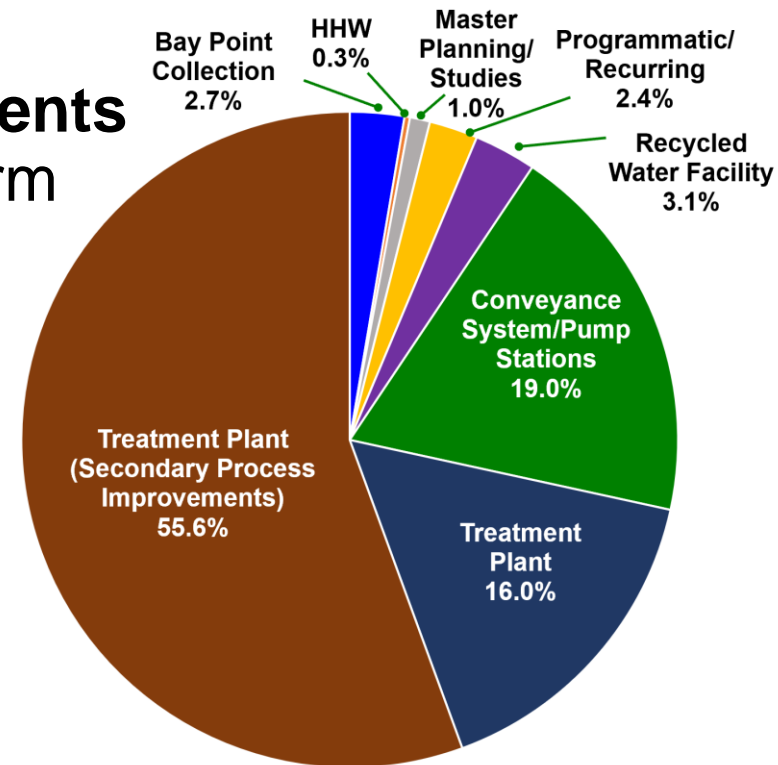
Staff has incorporated significant capital (+\$100M) into long-term term financial planning assumptions (Years 6-10) for **Secondary Process Improvements Phase 2** to meet **nutrient removal regulations**

# 5-Year CIP Highlights

## Planned Expenditures by Major Area

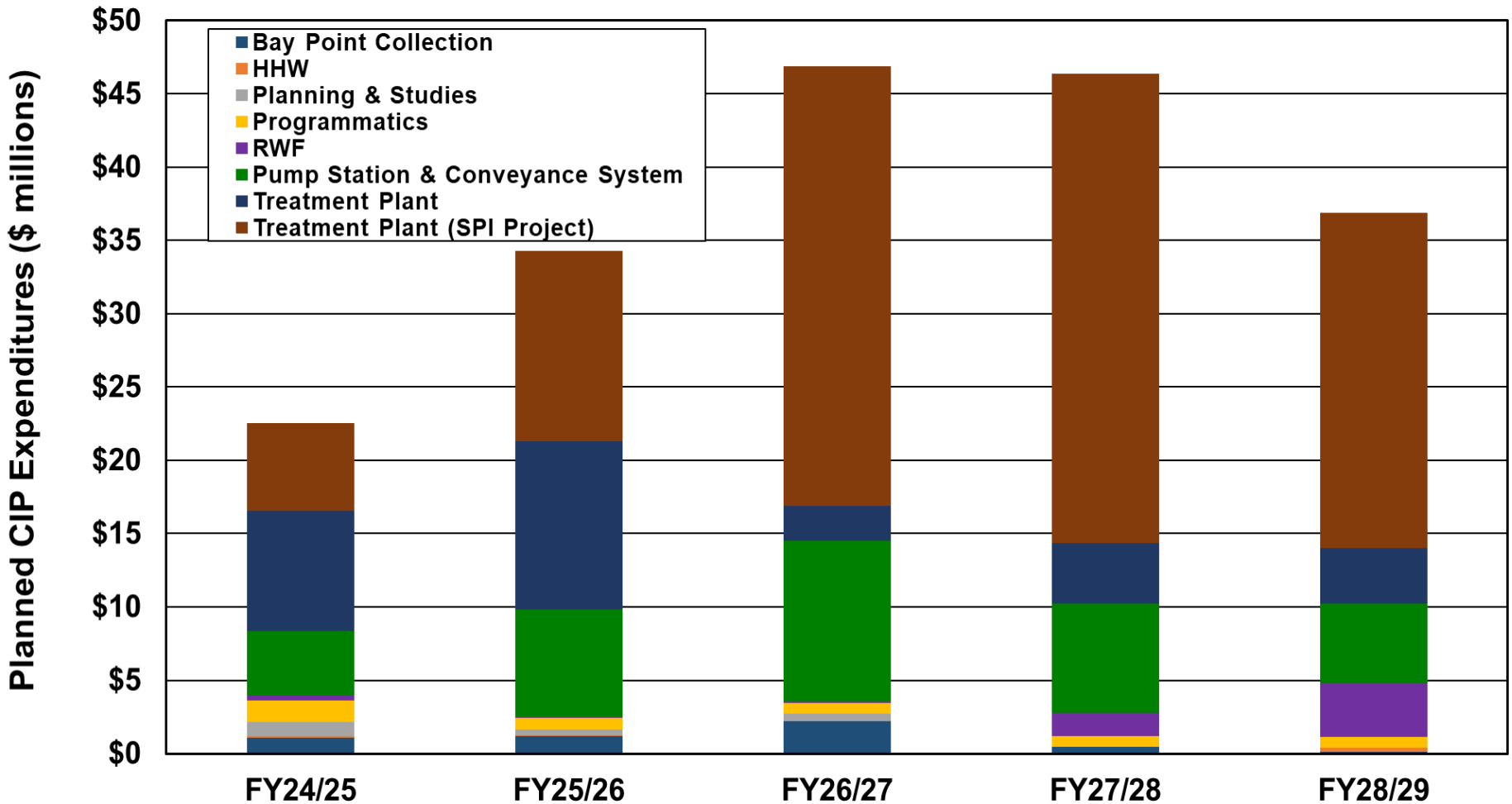


- Majority of CIP addresses **critical aging infrastructure needs** at WWTP (>72%) and conveyance system (19%)
- Progressing toward meeting new **regulatory requirements for nutrients** via \$20.7M in foundational, near-term investments (Secondary Process Improvements Phase 1)
- Added **six new projects** (\$6.7M)
- Continuing prioritized investment in **Bay Point collections** (\$5.0M)
- Planning for the future via five **master planning** efforts (\$1.9M)



# Proposed 5-year CIP Overview

## Planned Expenditures by Fiscal Year



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



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



# Recommended Board Actions

- Receive and provide comments on proposed FY24/25-FY28/29 CIP
- Set Public Hearing for June 12, 2024, at 5:30 pm to consider approval of final FY24/25-FY27/29 CIP

