



Wastewater  
Treatment



TRANSFORMING  
WASTEWATER  
TO RESOURCES



# FY24/25 Proposed Sewer Service Charge (SSC) Increases

Board of Directors Meeting  
June 12, 2024



Recycled  
Water



Energy  
Production



Biosolids  
Reuse

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



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

# Overview

## Sewer Service Charge Drivers

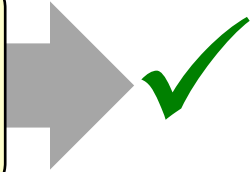


- Significant regulatory mandate for **nutrient removal** in near-term capital planning horizon with **moderate SSC impacts**
  - District has **increased cash reserves** in recent years to support cash funding several major capital improvement projects
  - However, staff has **increased debt issuance assumptions** and identified need to **build near-term debt service payment capacity**
- Focus on **addressing aging infrastructure** in wastewater conveyance and treatment systems
  - Increase in cost estimates for several large-scale capital projects due to limited contractor availability, inflation, supply chain limitations
- Staff continues to identify opportunities to **reduce operating budget** despite **inflationary pressure**—delivering lower than projected costs for FY24/25

# Financial Sustainability Guiding Principles

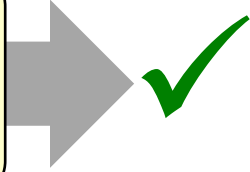
**Critically review operating budget** to identify budget adjustment needs and opportunities

- Preliminary FY24/25 Wastewater Operating Budget = **\$30.6M** (+\$7.4% from FY23/24 [\$28.5M])
  - Last year, projected FY24/25 WW Operating Budget = \$31.0M (+8.7% increase from FY23/24)



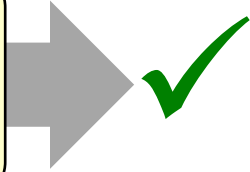
Ensure **effective CIP prioritization** that addresses **critical infrastructure needs**

- Significant increase in proposed 5-year CIP (\$187.1M) relative to current CIP (\$139.1M)
- **Reprioritized \$10-15M to Years 6-10**



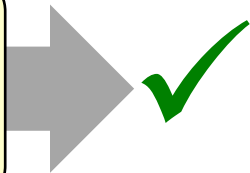
Utilize 5-year rate model to identify costs and SSC revenue needs **without sharp rate increases**

- Incorporated **debt financing** to minimize SSC increases, while meeting financial needs
- Effective CIP prioritization, operating cost control



**Maximize cash funding** of CIP (vs. debt) to ensure lowest overall costs for District customers

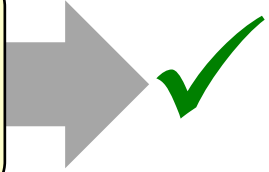
- Proposing 5-year CIP with **71% cash funding** (51% for \$110M Secondary Process Improvements)
- Seek low borrowing costs for debt issuance through **WIFIA program** (favorable loan terms)



# Financial Sustainability Guiding Principles (cont'd)

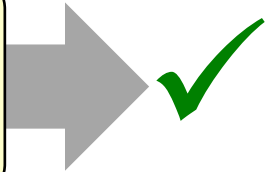
Reserve **debt capacity** for nutrient management, large-scale wastewater treatment plant upgrades

- Generating sufficient SSC revenue to meet current/planned debt obligations, coverage ratios
- Utilizing portion of debt capacity for Secondary Process Improvements Phase 1 (\$53.9M)



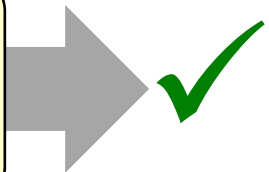
Maintain **minimum reserve balance** in WW O&M Fund (40% of annual budgeted operating expenses)

- Minimum WW O&M Fund balance is maintained throughout 5-year financial planning period



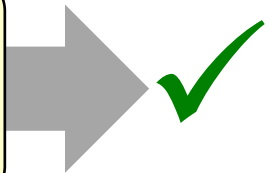
**Factor growth into SSCs** each year to ensure equitable cost allocation across customers

- **1,738 ERUs** (since FY21/22 to date) added
- **400 ERUs** added for FY24/25 = **~\$189k in additional annual SSC revenue**



Ensure SSCs reflect **cost of providing services** to different customer classes

- Prepared 2024 Cost-of-Service Study to update current total customers by class and WWTP influent flow





# FY24/25 SSC 5-year Analysis

## Key Assumptions



### WW Operating Budget

- Preliminary FY24/25 = **\$30.6M** for SSCs as baseline w/annual projected escalation of **4.2%** in FY25/26, **4.0%** thereafter
- Utilizing **WW O&M Fund Equity** to allow increased allocation of SSC revenue to meet capital investment needs

### CIP Funding Sources

- Draft 5-year CIP = **\$160.8M** for SSCs (\$187.1M total)
- **\$110M** for Secondary Process Improvements Phase 1
  - \$75.3M (WW CAR with WIFIA loan proceeds of \$53.9M), \$14.0M (WW Expansion), \$20.7M (Advanced Treatment Fund)
- **Assume \$6.5M in federal Inflation Reduction Act (IRA) Tax Credits** for \$20M Cogeneration System Improvements
- 71% cash funded/29% debt (WIFIA loan) financed

### Nutrient Management

- Incorporating **foundational improvements** (\$20.7M, funded by AT Fund) in Secondary Process Improvements **Phase 1**
- Need to **build near-term debt service capacity** for Secondary Process Improvements **Phase 2** (+\$49M in debt) in Years 6-10

# Proposed FY24/25 SSC Increases Residential Customers



- Proposed increase in FY24/25 SSC revenue = **\$2.5M** (+6.7% from anticipated FY23/24 SSC revenue) to meet capital and operating financial needs
  - \$1.8M from residential, \$0.7M from non-residential

## Residential (Single Family) Customers

Community/Category	Annual Increase	Current SSC	Proposed SSC	Monthly Increase
Antioch/Pittsburg	+\$24.80 (+5.5%)	\$448.75	\$473.55	\$2.07
Bay Point*	+\$33.16 (+5.4%)	\$615.77	\$648.93	\$2.76

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

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

# Proposed FY24/25 SSC Increases Non-Residential Customers



- Average SSC increase (4.3%) for all non-residential customer categories

## 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 23/24	FY 24/25	Increase	FY 23/24	FY 24/25	Increase	FY 23/24	FY 24/25	Increase
Bakeries/Restaurants	\$9.43	\$9.67	<b>\$0.24</b>	\$7.66	\$7.82	<b>\$0.16</b>	\$7.66	\$7.82	<b>\$0.16</b>
Hotels/Motels	\$4.78*	\$4.97*	<b>\$0.19</b>	\$4.78	\$4.97	<b>\$0.19</b>	\$4.78	\$4.97	<b>\$0.19</b>
Institutional	\$6.18	\$6.47	<b>\$0.29</b>	\$4.41	\$4.61	<b>\$0.20</b>	\$4.41	\$4.61	<b>\$0.20</b>
Light Industry	\$5.97	\$6.26	<b>\$0.29</b>	\$4.21	\$4.42	<b>\$0.21</b>	\$4.21	\$4.42	<b>\$0.21</b>
Marinas	\$6.31*	\$6.73*	<b>\$0.42</b>	\$6.31	\$6.73	<b>\$0.42</b>	\$6.31	\$6.73	<b>\$0.42</b>
Misc. Commercial	\$6.18	\$6.56	<b>\$0.38</b>	\$4.41	\$4.67	<b>\$0.26</b>	\$4.41	\$4.67	<b>\$0.26</b>
Mortuaries	\$6.10*	\$6.26*	<b>\$0.16</b>	\$6.10	\$6.26	<b>\$0.16</b>	\$6.10	\$6.26	<b>\$0.16</b>

Note: \*SSC per HCF/y for FY24/25 provided, although no businesses in these classes are known in Bay Point.



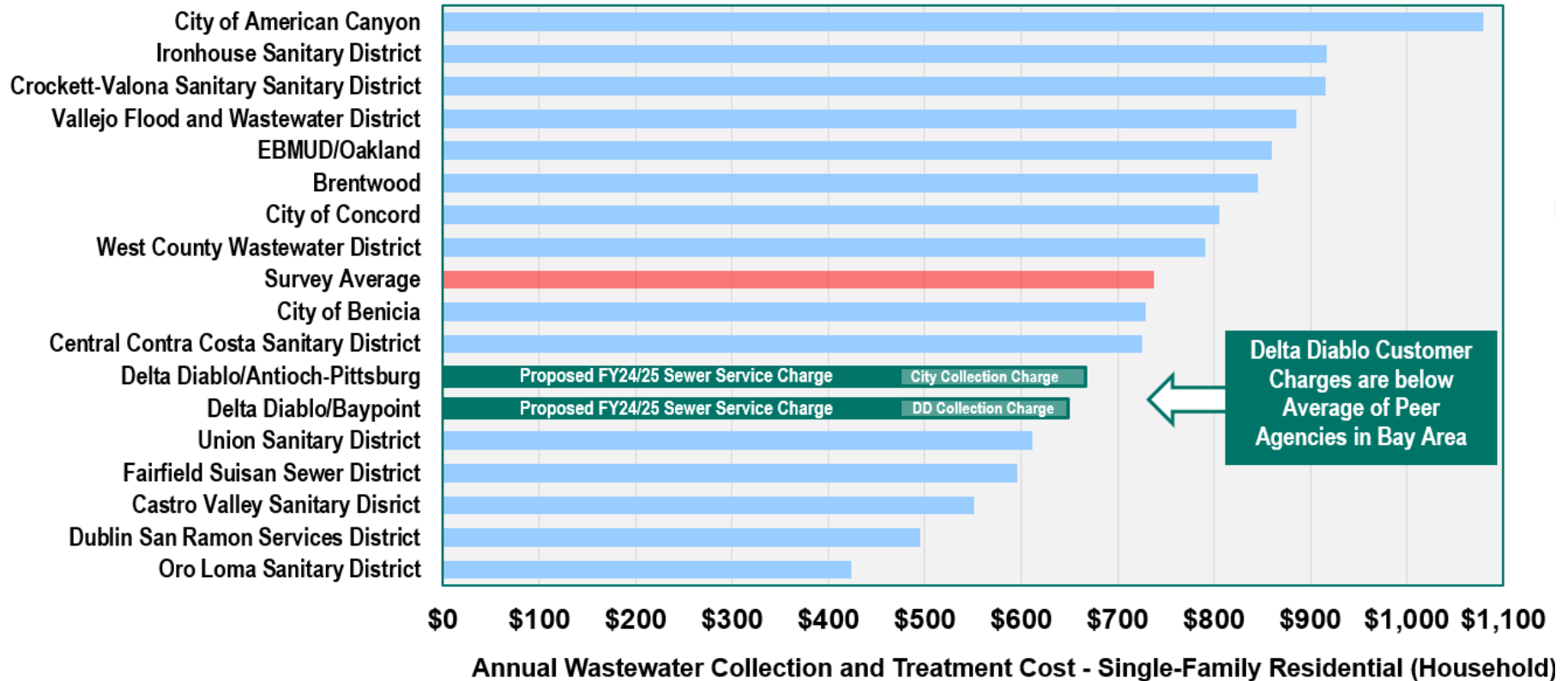
# Annual Single-Family Residential FY24/25 SSC Breakdown



- SSS revenue allocation closely matches the operating versus capital cost split (64%/36%) included in projected FY24/25 Budget from last year

SSC Component	Antioch/Pittsburg		Bay Point	
	Current FY23/24	Proposed FY24/25	Current FY23/24	Proposed FY24/25
Wastewater O&M	\$263.66	\$287.44	\$263.66	\$287.44
Capital Improvements	\$185.09	\$186.11	\$185.09	\$190.60
Bay Point Collections (BP only)	N/A	N/A	\$167.02	\$170.89
<b>Total SSC per Equivalent Residential Unit</b>	\$448.75	\$473.55	\$615.77	\$648.93
<b>Estimated Monthly Charge</b>	\$37.40	\$39.46	\$51.31	\$54.08

# FY24/25 Rate Comparison



# 5-Year SSC Increase Projection



## Current SSC Increase Projection (Recommended)

	FY24/25	FY25/26	FY26/27	FY27/28	FY28/29
<b>Antioch and Pittsburg Customers</b>					
<b>SSC Increase</b>	<b>5.5%</b>	5.5%	3.5%	3.5%	3.5%
<b>Bay Point Customers</b>					
<b>SSC Increase</b>	<b>5.4%</b>	5.5%	3.5%	3.5%	3.5%

**Supports near-term debt capacity, rating**

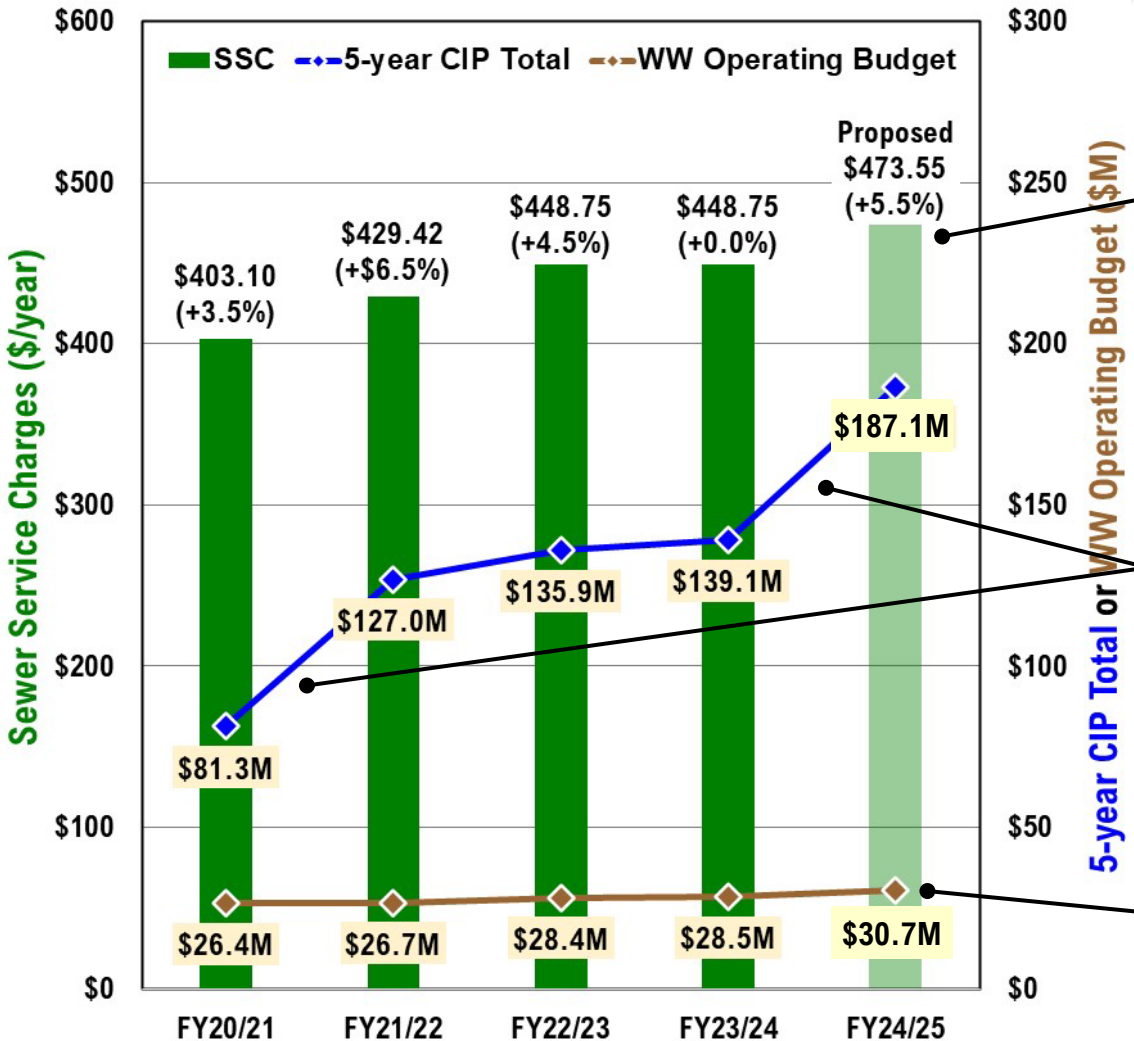
**Increases adaptability to unanticipated conditions, costs**

**Meets costs of providing services**

## Future Impact of No SSC Increase in FY24/25

	FY24/25	FY25/26	FY26/27	FY27/28	FY28/29
<b>Antioch and Pittsburg Customers</b>					
<b>SSC Increase</b>	<b>0.0%</b>	8.0%	8.0%	5.0%	5.0%
<b>Bay Point Customers</b>					
<b>SSC Increase</b>	<b>0.0%</b>	8.0%	8.0%	5.0%	5.0%

# Historical Trends for SSCs (Antioch/Pittsburg), 5-Year CIP, WW Operating Budget



**Effective SSC control with annualized average increase = 4.1% over last four years**

- No SSC increase in FY23/24 due to schedule delay for several major capital projects

**Significant growth in 5-year CIP to address aging infrastructure needs, nutrient removal requirements, and growth in service area**

- Added \$60M Secondary Process Improvements in FY21/22
- Revised scope and updated cost (\$110M) for Secondary Process Improvements Phase 1 Project in FY24/25
- Significant increase in CIP debt financing assumptions over time

**Effective operating budget control with annualized average increase = 3.8% over last four years despite inflationary pressure**

# Prop. 218 Notice/Written Protests

- 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 19, 2024 (met minimum requirement of 45 days prior to public hearing)
- Seven (7) written protests received at time of Board packet mailing (Friday, June 7, 2024)
  - Secretary to the Board to provide updated total after close of Public Hearing
  - 28,806 written protests are required for the Board to determine that a majority protest exists

# Recommendations

- Conduct a public hearing on FY24/25 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 Health and Safety Code Section 5473.2
- Adopt Ordinance establishing SSCs and Surcharges to be effective in FY24/25
- Adopt Resolution approving Written Report and collection of SSCs and Delinquent Charges on County Tax Roll