



Wastewater
Treatment



TRANSFORMING
WASTEWATER
TO RESOURCES



Recycled
Water



Energy
Production



Biosolids
Reuse

Update on Major Factors Impacting SSC Financial Assumptions

Board of Directors Meeting
April 9, 2025

Overview

Key Changes Impacting Prior SSC Projections



- March 12, 2025 Board Meeting: Staff presented Sewer Service Charge (SSC) projections for various Capital Improvement Program (CIP) debt versus cash funding ratios using preliminary 10-year financial model
- Key Changes
 - Staff has completed detailed updates to key assumptions and inputs for 10-year financial model
 - Utilized more accurate beginning capital and operating fund balances
 - Reduced prior FY25/26 Operating Budget assumption
 - Added updated new sewer connections (i.e., increased ERUs)
 - Refined debt financing assumptions and timing for CIP projects
 - Expanded prior assumption on use of Advanced Treatment Fund
 - Updated proposed 5-year CIP from \$232.2M to \$238.1M (+\$5.9M)

5-Year CIP Development Overview

Major Cost Impact Drivers



Description	Current CIP = \$187.1M	Prelim. CIP = \$238.1M (+\$51M)	Key Drivers
Secondary Process Improvements (Phase 1)	\$104M	\$135.8M (+\$31.8M)	<ul style="list-style-type: none"> Total cost increase (\$110M to \$140.5M) due to design progress; supports regulatory mandate
Secondary Process Improvements (Phase 2)	\$0M	\$4.5M (+\$4.5M)	<ul style="list-style-type: none"> Total cost increase (\$100M to \$121M) due to design progress; meets regulatory mandate
Shore Acres Forcemain Repair	\$0M	\$9.5M (+\$9.5M)	<ul style="list-style-type: none"> Design and construction for permanent repair of Shore Acres Forcemain failure in Dec 2024
Cogeneration System Improvements	\$11.7M	\$17.3M (+\$5.6M)	<ul style="list-style-type: none"> Total cost increase (\$13.5M to \$20M); potential loss of federal IRA tax credits (\$6.5M)
Antioch Pump Station and Conveyance System Improvements	\$22.0M	\$24.0M (+\$2.0M)	<ul style="list-style-type: none"> Escalated construction cost estimate based on updated completion schedule (FY29/30)
Manhole, Gravity Interceptor, and Easement Road Improvements Phase 2	\$11.0M	\$14.0M (+3.0M)	<ul style="list-style-type: none"> Escalated construction cost estimate based on updated completion schedule (FY28/29)

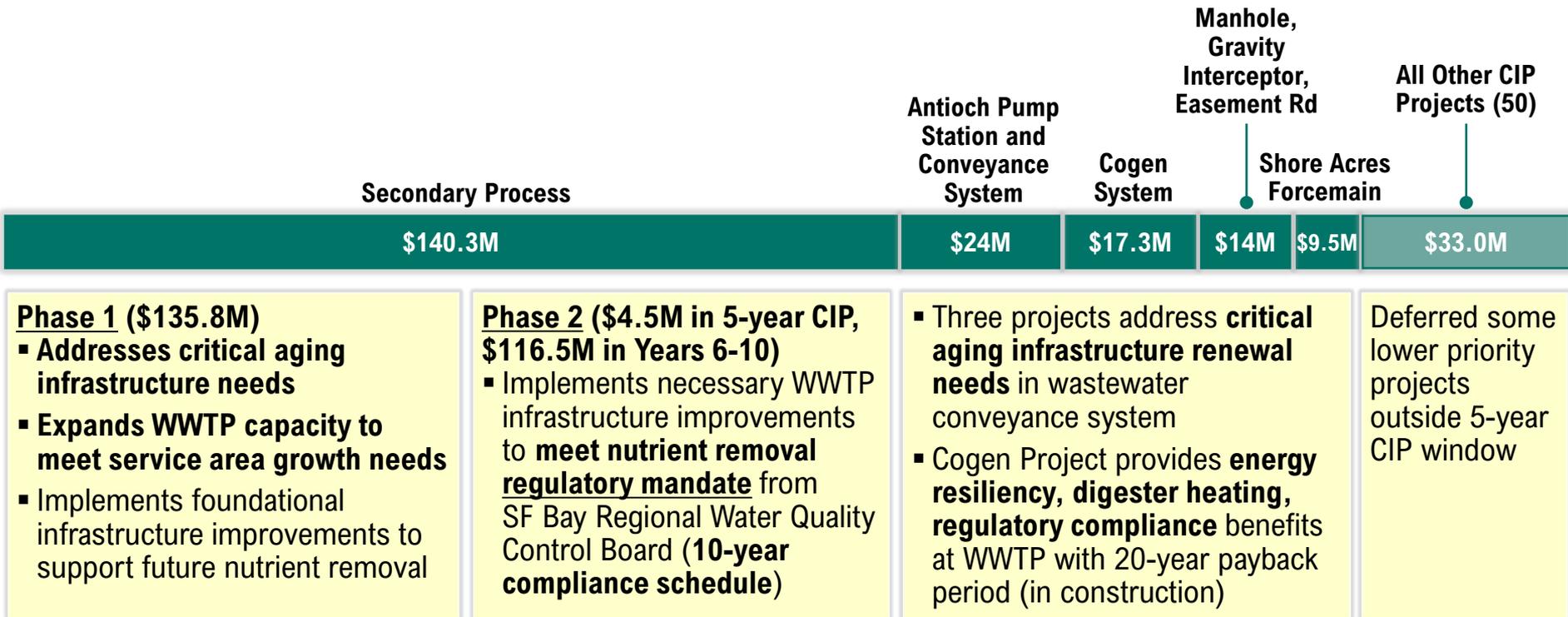
These six critical, high-priority projects comprise 86.1% (\$205.1M of \$238.1M) of the prelim. 5-year CIP

Critical, High Priority 5-Year CIP Projects Drive Revenue Needs

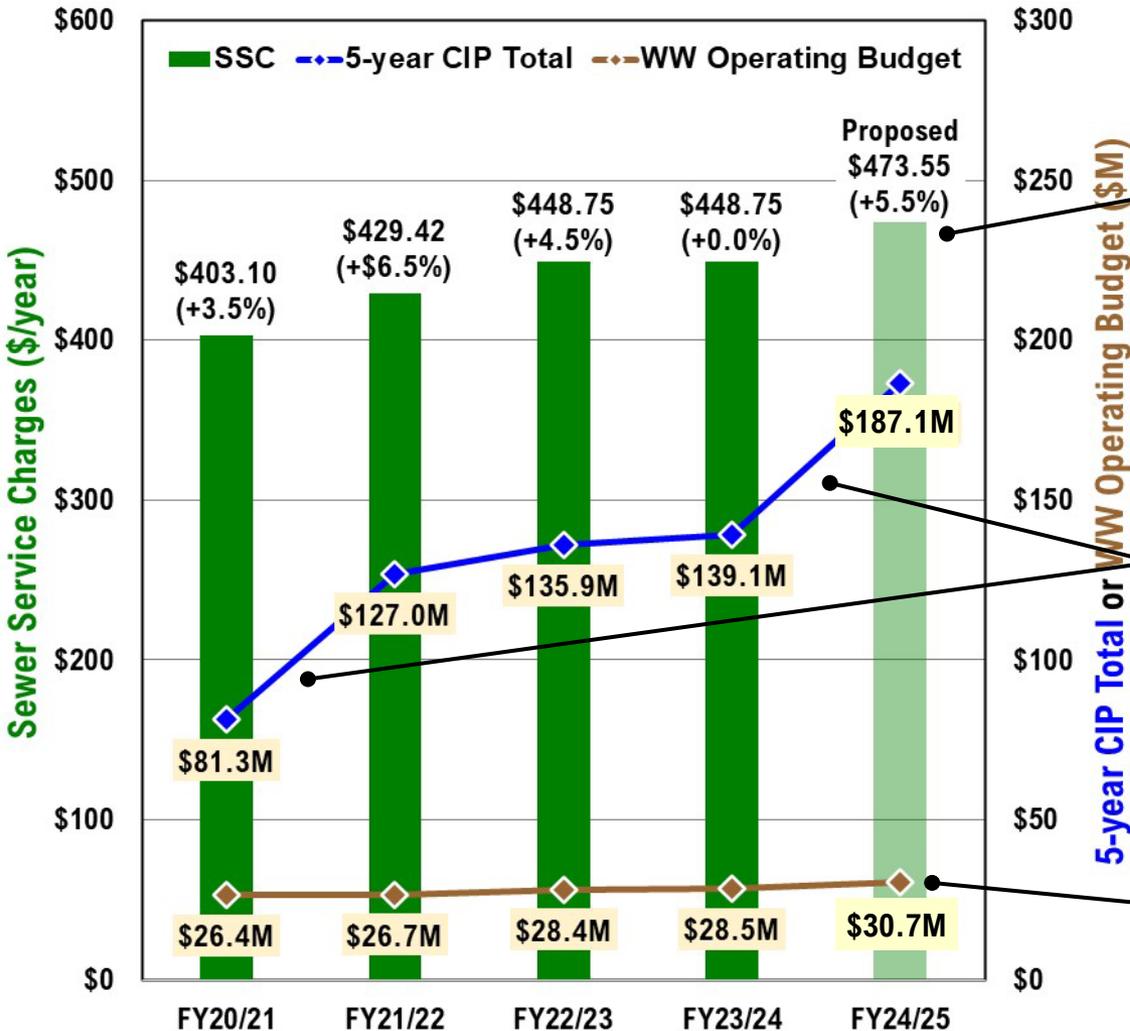


Critical, high-priority projects comprise 86.1% (\$205.1M of \$238.1M) of the preliminary 5-year CIP

- Four projects are in design, one is in construction



Historical Trends for WW Operating Budget, SSCs, CIP (from June 2024)



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

Key Financial Planning Strategies



- **Maximize cash funding** to ensure lowest cost of capital for customers, **maintain sufficient reserves** for unplanned needs
- Cash fund majority of CIP projects, except for significant debt funding of Secondary Process Improvements Project
 - **Align long-term debt funding approach** with extended completion timeline (10-12 years) to **meet regulatory mandate**
 - **Stagger debt issuances** to align with major construction phases
- Shift debt funding source from WIFIA to public bond offering
 - Bond issuance is expected to offer 0.5-1.0% lower borrowing rate
 - Monitor **potential loss of tax-exempt status** for municipal bonds
- Develop **multi-year Proposition 218 Notice** to support anticipated public bond offering

Key Financial Planning Strategies (cont'd)



- Ensure appropriate CIP project cost allocation to Wastewater Expansion Fund (funded by **growth-related CFCCs**)
 - District updated CFCCs in FY24/25 and expects to recommend CFCC adjustments in FY25/26 based on increased costs for projects that directly support growth in service area
- Develop updated Street Sweeping Service Charge in FY25/26 to address **increased labor costs** due to prevailing wages, expanded scope of services
- Continue advocating for increased federal and state grants and low-interest loans—unlikely based on current conditions
- Developed multiple **preliminary SSC projections** at **various cash vs. debt CIP funding ratios** for consideration
 - Includes estimated **percentage of available debt capacity consumed**

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- Key Changes
 - Staff has completed detailed updates to key assumptions and inputs for 10-year financial model
 - Utilized more accurate beginning capital and operating fund balances
 - Reduced prior FY25/26 Operating Budget assumption
 - Added updated new sewer connections (i.e., increased ERUs)
 - Increased maximization of cash funding for CIP projects
 - Expanded prior assumption on use of Advanced Treatment Fund
 - Updated proposed 5-year CIP from \$232.2M to \$238.1M (+\$5.9M)
 - **Staff is recommending issuance of a Proposition 218 Notice that sets maximum SSCs by fiscal year for the next five years**

5-Year Maximum SSC Increase Prop. 218 Notice

Key Considerations



- Directly supports upcoming **public bond offering** to fund CIP by providing **increased revenue collection certainty**
- Set **maximum SSC increase** for each fiscal year—District could implement lower SSCs each year
- Provides District with **increased flexibility** to ensure stable SSC increases over five-year period
- Staff would seek **Board approval for SSC increases each fiscal year** during 5-year period to place SSCs on tax roll
- District can **issue a new Prop. 218 Notice** in future years if **significant changes occur** to current financial assumptions
- Vast majority of peer agencies issue 5-year Prop. 218 notices

Updated SSC Projections for Various CIP Funding Approaches



CIP Funding Scenario	CIP Debt Funding (\$M)	CIP Cash Funding (\$M)	Debt Capacity Used (%)	FY 25/26	FY 26/27	FY 27/28	FY 28/29	FY 29/30	Additional 5-year SSC Revenue
29% Debt/71% Cash (Jun 2024)*	53.9*	133.2*	49%	5.5%	3.5%	3.5%	3.5%	6.5%	\$27.3M (Base)
0% Debt/100% Cash	\$0.0	\$238.1	0	20.0%	20.0%	20.0%	0.0%	0.0%	+\$111.5M
15% Debt/85% Cash	\$35.0	\$203.1	30%	11.5%	11.5%	11.5%	11.5%	11.5%	+\$79.5M
23% Debt/77% Cash	\$55.0	\$183.1	47%	9.0%	9.0%	9.0%	9.0%	9.0%	+\$60.1M
29% Debt/71% Cash	\$70.0	\$168.1	60%	8.5%	8.5%	8.5%	8.5%	8.5%	+\$56.4M
34% Debt/66% Cash	\$80.4	\$157.7	69%	7.5%	7.5%	7.5%	7.5%	7.5%	+\$49.0M
38% Debt/62% Cash	\$90.0	\$148.1	78%	6.8%	6.8%	6.8%	6.8%	6.8%	+\$43.7M
49% Debt/51% Cash (Max Debt)	\$116.0	\$122.1	100%	6.5%	6.5%	6.8%	6.8%	6.8%	+\$42.8M

* Does not include significant increase in 5-Year CIP (\$187.1M to \$238.1M)

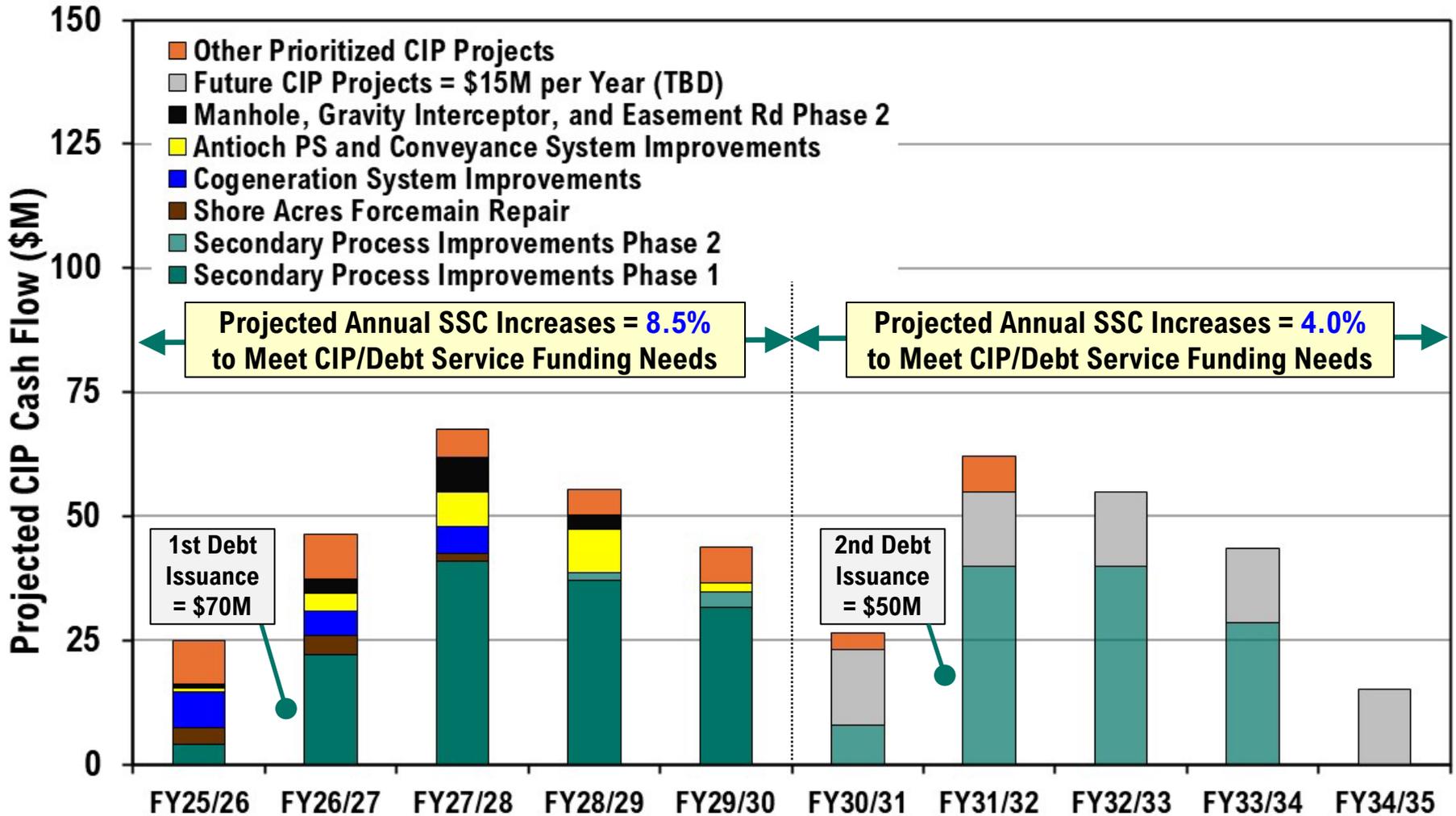
Estimated Annual SSC Increase by Fiscal Year for Residential Customers (Pittsburg/Antioch)



Current FY24/25 Annual Residential SSC	SSC Increase by Fiscal Year					Annual Residential SSC by Fiscal Year				
	FY 25/26	FY 26/27	FY 27/28	FY 28/29	FY 29/30	FY 25/26	FY 26/27	FY 27/28	FY 28/29	FY 29/30
\$473.55	9.0%	9.0%	9.0%	9.0%	9.0%	\$516.17	\$562.62	\$613.26	\$668.45	\$728.62
\$473.55	8.5%	8.5%	8.5%	8.5%	8.5%	\$513.80 (+\$40.25)	\$557.47 (+\$43.67)	\$604.86 (+\$47.39)	\$656.27 (+\$51.41)	\$712.06 (+\$55.78)
\$473.55	7.5%	7.5%	7.5%	7.5%	7.5%	\$509.07	\$547.25	\$588.29	\$632.41	\$679.84

Recommended Scenario: Residential SSCs would increase annually by \$3.35 to \$4.65 per month

Long-term CIP/SSC Increase Projection (Years 6-10)



Upcoming Board Meetings SSC, CIP, and Budget Development



March 2025	<ul style="list-style-type: none">• 3/5 Fin Comm: Major Factors Impacting 5-Year CIP Development and SSC Financial Assumptions• 3/12 Review Major Factors Impacting 5-year CIP Development and SSC Financial Assumptions
April 2025	<ul style="list-style-type: none">• 4/9 Review Update to Major Factors Impacting SSC Financial Assumptions• 4/23 Review Proposed SSCs, Set Public Hearing, Approve Prop. 218 Notice
May 2025	<ul style="list-style-type: none">• 5/7 Fin Comm: Review Draft 5-Year CIP, FY25/26-26/27 Operating Budget Assumptions• 5/14 Review Draft 5-year CIP, Set Public Hearing Review FY25/26-26/27 Operating Budget Assumptions
June 2025	<ul style="list-style-type: none">• 6/26 Conduct 5-year CIP Public Hearing, Consider Approval Conduct SSC Public Hearing, Consider Approval, Authorize Collection Consider FY25/26-26/27 Budget Approval