



FY22/23 Proposed Sewer Service Charge (SSC) Increases

Board of Directors Meeting
June 22, 2022



FY22/23 SSCs and Budget Development Schedule Overview



Board Meeting

March 30, 2022

- Board received a report regarding major factors impacting the development of the new 5-year CIP

April 20, 2022

- Board reviews proposed SSC adjustments, considers setting public hearing and approving distribution of Prop. 218 notices

May 11, 2022

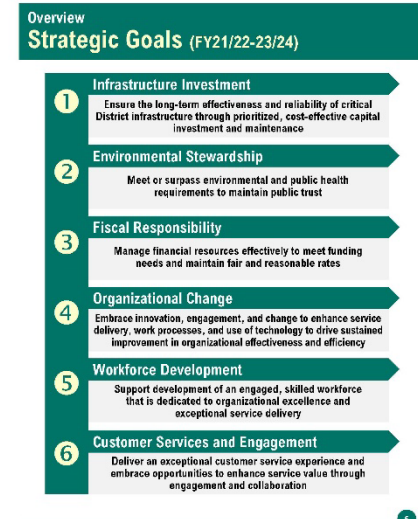
- Board reviews key operating budget assumptions, draft 5-year CIP (FY22/23-FY26/27)

June 22, 2022

- CIP Public Hearing, Board considers CIP approval
- **SSC Public Hearing, Board considers SSC approval and authorizing collection on tax roll**
- Board considers approval of FY22/23 Budget appropriations

Overview

- SSC increases are required to continue meeting core mission of protecting public health and the environment
- Support **Infrastructure Investment** and **Fiscal Responsibility** goals in District's **Strategic Plan** (dated August 2021)
 - Ensure prioritized capital investment in **critical wastewater infrastructure** to address regulatory compliance vulnerabilities
 - Fund **progressive increases in operating costs** over time
 - **Maximize cash funding** to ensure lowest overall cost to customers and utilize **grants and low-interest loans** where applicable
 - Conduct long-term financial planning to **minimize potential for sharp rate increases** due to unanticipated funding needs
 - Prepare **master plans** for infrastructure focus areas to improve operating effectiveness and efficiency



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 FY22/23 <u>Wastewater</u> Operating Budget = \$28.4M (6.4% increase [\$1.7M] from FY21/22) Note: Total operating budget = \$31.7M (8% increase from FY21/22)
<p>Ensure effective prioritization of a CIP that addresses critical infrastructure needs</p>	<ul style="list-style-type: none"> ✓ Effectively prioritized capital projects <ul style="list-style-type: none"> – Proposed 5-year CIP = \$135.9M (+\$8.9M)
<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"> ✓ Proposing 5-year CIP with 78% 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	✓ 520 ERUs (FY21/22 YTD) have been added into SSC calculation due to development in the service area (~ \$225k 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	✓

FY22/23 SSC 5-year Analysis

Key Assumptions



Operating Budget

- FY22/23 = **\$28.4M** for SSCs (\$31.7M total) as baseline w/annual escalation (3.7%) in subsequent years

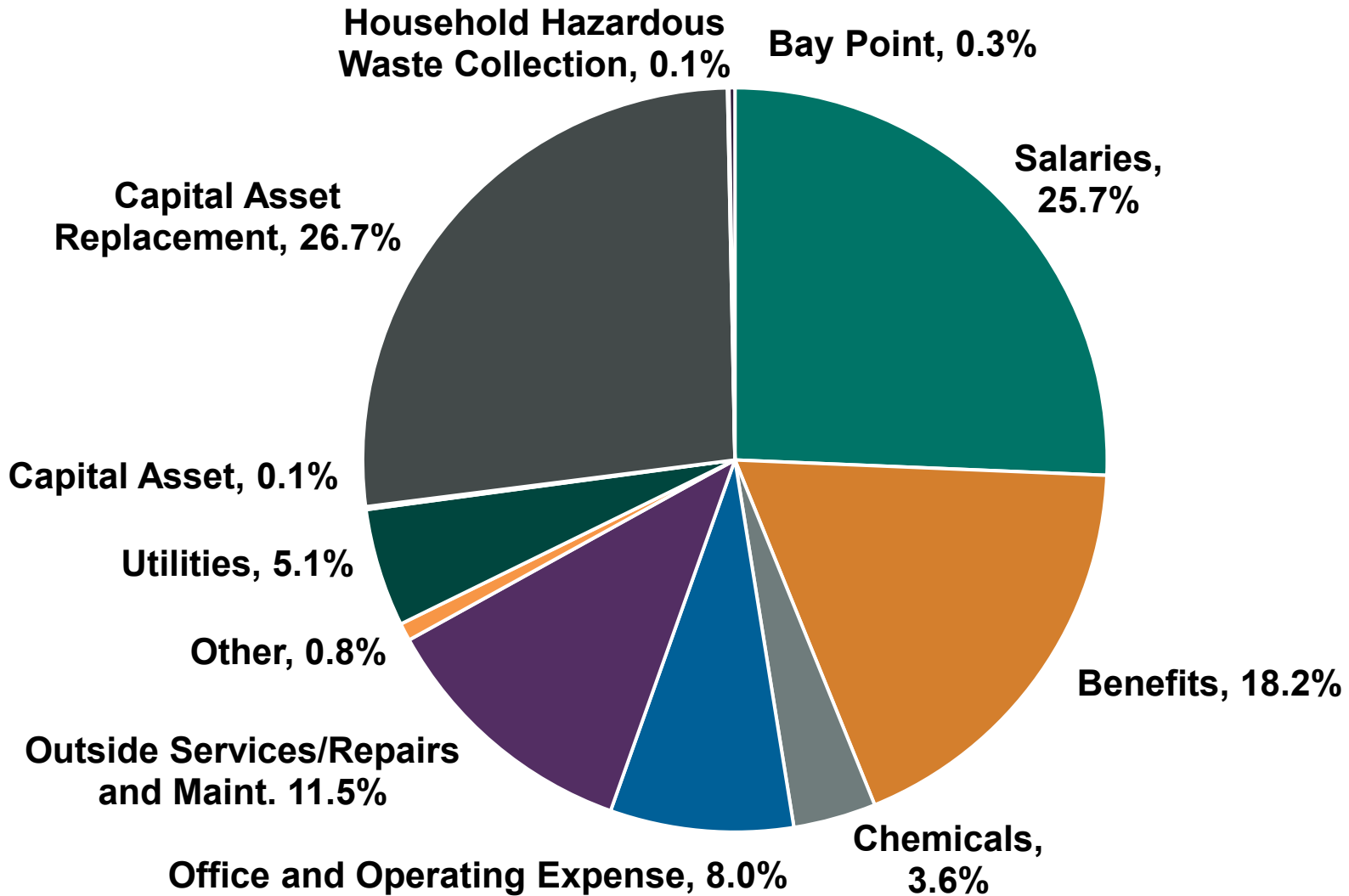
5-year CIP

- 5-year CIP = **\$117M** for SSCs (\$135.9M total), submitted for Board approval today
- **\$60M** for Secondary Process Improvements
 - \$46.8M (SSCs), \$9.6M (WW Expansion), \$3.6M (AT Fund)
- **\$18.5M** for Antioch Conveyance System and PS Improvements,
- **\$18M** for electrical, digester gas handling, and cogeneration improvements
- 78% cash funded (74% for FY21/22 5-year CIP)

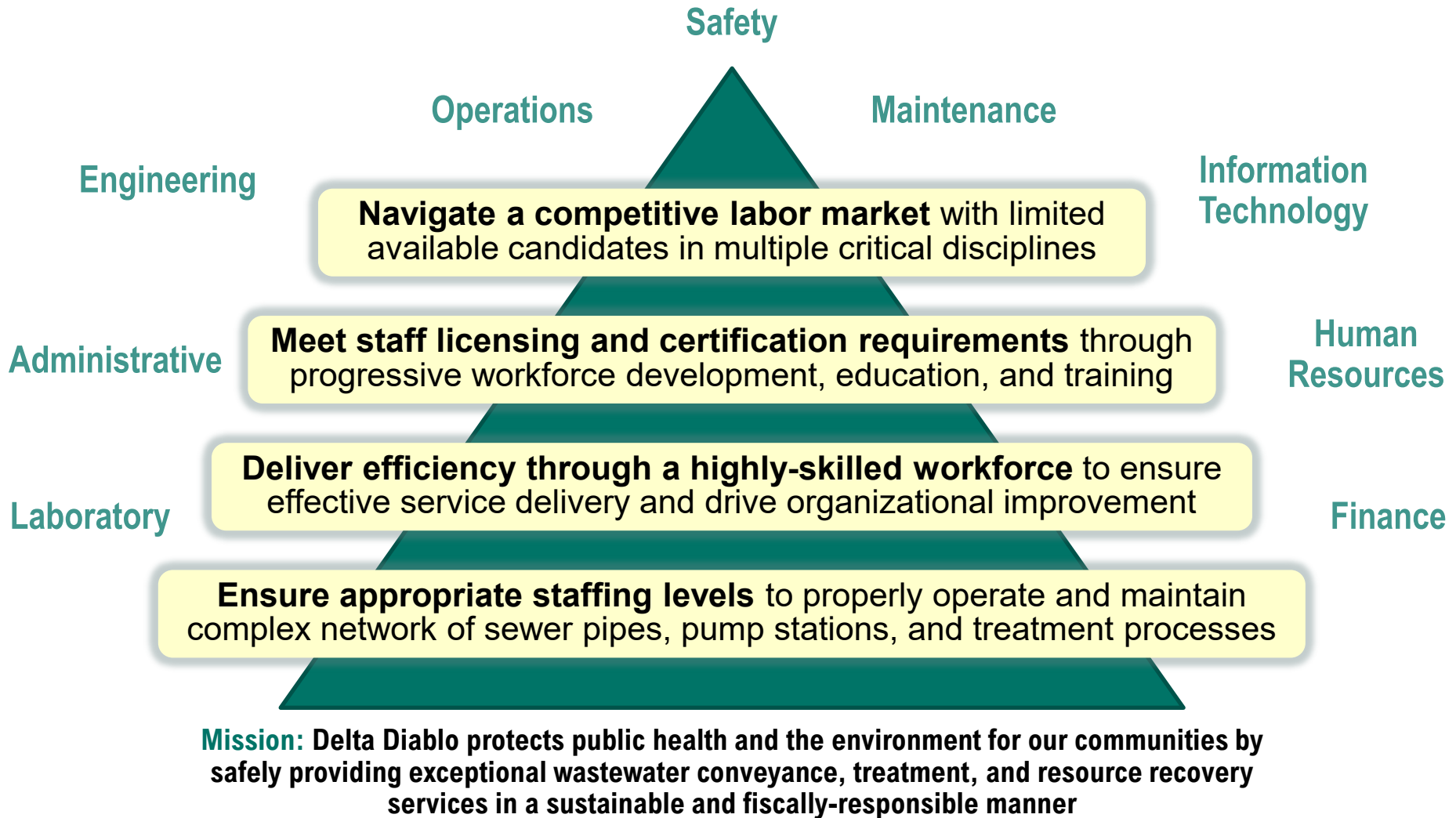
Debt

- Existing debt = \$30.1M, pending debt = \$17.7M (IFC, Jan 2022)
 - Low-interest SRF and Municipal Finance Corporation loans (~1%-4.9%) total = \$47.8M
- Planned issuance of **new debt** (\$30M) in Year 3 (FY24/25)

What Do Utility Rates Pay For? Proposed FY22/23 Expenses



Critical Importance of Staff in Achieving the District's Mission



FY22/23 SSC 5-year Analysis

Key Assumptions (cont'd)



WW O&M Fund Equity

- Use of existing WW O&M Fund Equity (~**\$3.5M**) to allow increased allocation of SSC revenue to meet capital investment needs—still meets reserve balance requirements

Ad Valorem Taxes

- Continue annual revenue assumption of **\$3.0M** following elimination of CFCC reductions (March 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

- Incorporated 2021 Cost-of-Service Study, which included **rebalancing cost allocation** between non-residential and residential customers to reflect District's cost of service

Proposed FY22/23 SSC Adjustments



- Proposed increase in FY22/23 revenue = **\$1.2 million** to meet capital and operating financial needs
 - +4.5% from projected FY22/23 revenue without SSC increase

Residential (Single Family) Customers

Community/Category	SSC Increase	Current SSC	Proposed SSC	Annual Increase
Antioch/Pittsburg	+4.5%	\$429.42	\$448.75	\$19.33
Bay Point*	+4.5%	\$589.25	\$615.77	\$26.52

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 FY22/23 SSC Adjustments (cont'd)



- Uniform SSC increase (4.5%) 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 21/22	FY 22/23	Annual Increase	FY 21/22	FY 22/23	Annual Increase	FY 21/22	FY 22/23	Annual Increase
Bakeries/Restaurants	\$9.02	\$9.43	\$0.41	\$7.33	\$7.66	\$0.33	\$7.33	\$7.66	\$0.33
Hotels/Motels	\$4.57	\$4.78*	\$0.21	\$4.57	\$4.78	\$0.21	\$4.57	\$4.78	\$0.21
Institutional	\$5.91	\$6.18	\$0.27	\$4.22	\$4.41	\$0.19	\$4.22	\$4.41	\$0.19
Light Industry	\$5.71	\$5.97	\$0.26	\$4.02	\$4.21	\$0.19	\$4.02	\$4.21	\$0.19
Marinas	\$6.03	\$6.31*	\$0.28	\$6.03	\$6.31	\$0.28	\$6.03	\$6.31	\$0.28
Misc. Commercial	\$5.91	\$6.18	\$0.27	\$4.22	\$4.41	\$0.19	\$4.22	\$4.41	\$0.19
Mortuaries	\$5.83	\$6.10*	\$0.27	\$5.83	\$6.10	\$0.27	\$5.83	\$6.10	\$0.27

Note: *SSC per HCF/y for FY22/23 provided, although no businesses in these classes are known in Bay Point.

Annual Single-Family Residential FY22/23 SSC Breakdown

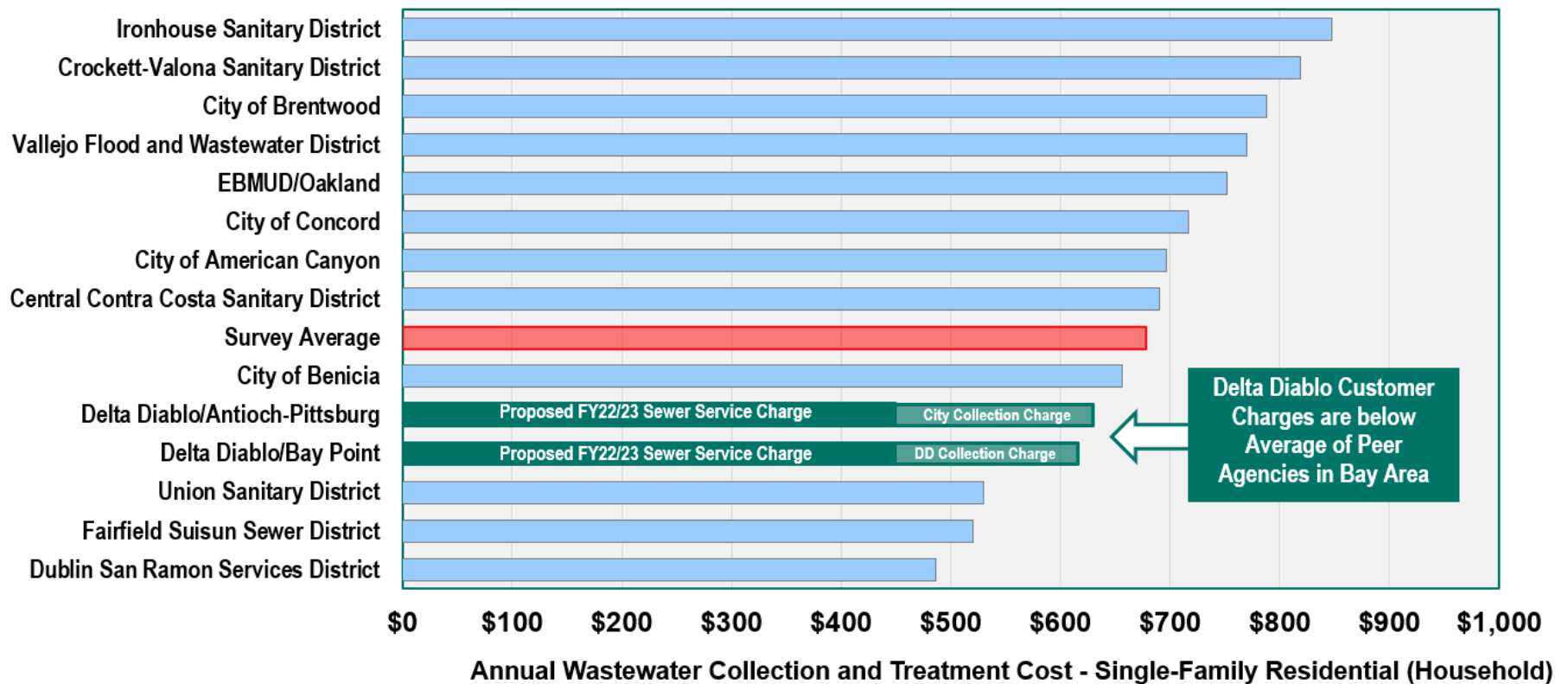


- In FY21/22, significant SSC revenue was allocated to capital funds to support infrastructure needs
- In FY22/23, SSC allocation returns to recent historical revenue split (i.e., 57% O&M, 43% capital)

SSC Component	Antioch/Pittsburg		Bay Point	
	Current FY21/22	Proposed FY22/23	Current FY21/22	Proposed FY22/23
Wastewater O&M	\$184.67	\$263.66	\$184.67	\$263.66
Capital Improvements	\$244.75	\$185.09	\$244.75	\$185.09
Bay Point Collections (BP only)	N/A	N/A	\$159.83	\$167.02
Total SSC per Equivalent Residential Unit	\$429.42	\$448.75	\$589.25	\$615.77
Estimated Monthly Charge	\$35.79	\$37.40	\$49.10	\$51.31

FY22/23 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

	FY22/23	FY23/24	FY24/25	FY25/26	FY26/27
Antioch and Pittsburg Customers					
SSC Increase	4.5%	4.5%	2.5%	2.0%	2.0%
Bay Point Customers					
SSC Increase	4.5%	4.5%	2.5%	2.0%	2.0%

Previous SSC Increase Projection (June 2021)

	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%

Prop. 218 Notice/Written Protests

- Referenced procedural conditions if COVID-19 restrictions 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 29, 2022 (met minimum requirement of 45 days prior to public hearing)
- 9 written protests received at time of Board packet mailing (Tuesday, June 21, 2022)
 - Secretary to the Board to provide updated total after close of Public Hearing
 - 27,815 written protests are required for the Board to determine that a majority protest exists

Recommendations

- Conduct public hearing on FY22/23 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 be effective in FY22/23
- Adopt resolution approving Written Report and collection of SSCs on the County Property Tax Roll