



A CALIFORNIA SPECIAL DISTRICT

Board of Directors Finance Committee Meeting

4:30 PM, Wednesday, October 30, 2024

Plant Operations Center Conference Room
2500 Pittsburg-Antioch Highway, Antioch, CA 94509

Presentations will be made available at www.deltadiablo.org/board-meetings approximately one hour prior to the start of the Finance Committee meeting. A copy of the presentations will also be available for inspection at the meeting and at the District Administration Building, which is located at 2500 Pittsburg-Antioch Highway, Antioch, California. Disclosable public records related to an open session item on a regular meeting agenda and distributed by the District to a majority of the Board of Directors less than 72 hours prior to that meeting will be made available for public inspection on the District website at www.deltadiablo.org and at the District Administration Building during normal business hours.

The District will provide reasonable accommodations for individuals with disabilities who plan to participate in Board (or committee) meetings by contacting the Secretary to the Board at least 24 hours prior to the scheduled meeting at (925) 756-1927.

AGENDA

- A. PUBLIC COMMENTS**
- B. REVIEW PROPOSED ADJUSTMENTS TO CAPITAL FACILITIES CAPACITY CHARGES (Nitish Sharma)**
- C. ADJOURNMENT**



MEMORANDUM

DATE: October 30, 2024

TO: Juan Banales, Chair, Finance Committee

THROUGH: Vince De Lange, General Manager

FROM: Nitish Sharma, Business Services Director

SUBJECT: REVIEW PROPOSED ADJUSTMENTS TO CAPITAL FACILITIES CAPACITY CHARGES

Recommendations

1. Review and comment on proposed adjustments to Capital Facilities Capacity Charge (CFCC) and planned outreach to stakeholders.
2. Recommend submitting the proposed CFCC adjustments and a request to set a public hearing for approval of CFCC adjustments for 4:30 pm on December 11, 2024, for consideration at the November 6, 2024 Board Meeting.

Background Information

Staff has developed updates to the District's CFCCs to ensure fair, equitable, and cost-of-service based revenue allocation to appropriate customers, while complying with regulatory and legal requirements for collection of capacity charges. Key background information regarding the District's CFCCs includes the following:

- Current CFCCs: Per Board Ordinance No. 87 (July 2006), the District currently assesses the following CFCCs in its service area: 1) Bay Point (Zone 1): \$3,940/equivalent residential unit (ERU), 2) Pittsburg (Zone 2): \$4,358/ERU and 3) Antioch (Zone 3): \$5,033/ERU.
- Annual CFCC Revenue Assumption: The approved FY24/25 Budget includes an assumption of \$1.9 million in CFCC revenue. The District incorporates CFCC revenue and growth in its service area into financial planning activities on an annual basis.
- Service Area Growth Trend: Over the past five years, average annual growth in the District's service area is equal to 745 ERUs, which includes a significant outlier (1,406 ERUs) in 2021.
- Existing CFCC Revenue: The District places CFCC revenue in its Wastewater Expansion Fund, which has a balance of \$15.7 million (as of June 30, 2024), to pay a portion of existing debt service and the cost of new facilities required to serve growth.
- 5-Year CIP – CFCC Funding Allocation: The approved 5-year Capital Improvement Program totals \$187.1 million, which includes \$17.0 million in CFCC-funded capital improvements.

Staff presented a CFCC development overview and associated key assumptions to the Finance Committee on September 30, 2024, and the Board of Directors on October 9, 2024.

Analysis

In November 2022, the District completed the Resource Recovery Facility Master Plan, which included future flow and loading projections for the District's Wastewater Treatment Plant (WWTP), an

assessment of available WWTP capacity and capital expansion needs, and recommended capital improvements to address WWTP capacity needs with preliminary cost estimates. The District is currently completing design of the \$110 million Secondary Process Improvements Phase 1 Project, which will address WWTP capacity needs. Based on this foundational information, staff procured a consultant to develop an updated CFCC Study and proposed CFCCs for consideration by the Board. The District is conducting a comprehensive analysis to establish the relationship between CFCCs and the nature of the use of the District's facilities burdened by the development project. The CFCC Study establishes charges that accurately reflect the costs associated with providing the necessary infrastructure and services to support growth while promoting fairness and equity among users.

Staff utilized a "hybrid method" in developing updated CFCCs to combine costs associated with the "buy-in method," in which new development shares in capital costs previously incurred but discounted to factor in the age of existing infrastructure, and the "incremental method," in which new development pays for projected capital costs to be incurred in the future to provide capacity for new development. Key assumptions for each CFCC component are highlighted below.

Buy-In Component (Existing Assets)

- Utilize "Replacement Cost Less Depreciation" approach (versus "Book Value" or "Market Value") to determine Existing System Value
- Existing System Value = \$161 million
- Capital Work-in-Progress = \$21 million
- Capital-Related Reserves = \$52 million
- Outstanding Debt (Principal) = \$27.9 million
- Interest Secured by CFCCs = \$0.44 million (net present value)

Incremental Component (Future Asset Needs)

Staff has identified two key capital improvement projects with significant CFCC-funding assumptions, because these projects address growth-related needs in the District's wastewater conveyance and treatment system:

- Secondary Process Improvements Phases 1 (\$110 million) and 2 (\$100 million): An estimated total CFCC revenue of \$32.6 million is required to fund project costs associated with providing wastewater treatment infrastructure to meet forecasted growth needs (estimated at 15.5% of total project cost).
- Antioch Pump Station and Conveyance System Improvements (\$22.0 million): An estimated total CFCC revenue of \$4.1 million is required to fund project costs associated with providing wastewater conveyance infrastructure to meet forecasted growth needs (estimated at 18% of total project cost).

CFCC Study Recommendations

The CFCC Study includes the following key recommendations:

1. Proposed CFCC Adjustments: Assess the same CFCC (\$4,888 per ERU) for Wastewater Treatment and Conveyance for all three District zones (Bay Point, Pittsburg, Antioch) with an additional CFCC component (\$586 per ERU) for Bay Point only for Wastewater Collection System costs (i.e., CFCCs in Bay Point will be higher due to District-owned collection system, Pittsburg/ Antioch own and maintain their respective systems; similar to District Sewer Service Charges, which include surcharge for Bay Point collection system). The proposed CFCC adjustments by zone are presented in **Table 1** below.

Table 1 – Proposed CFCCs by District Zone

District Zones	Current District CFCC (per ERU)	CFCC Component (per ERU)			Total Effective CFCC per ERU (District + City)	
		District Treatment & Conveyance (Proposed)	District Collection (Proposed)	City Collection (Current)	Current	Proposed
Bay Point (Zone 1)	\$3,940	\$4,888	\$586	N/A	\$3,940	\$5,474
Pittsburg (Zone 2)	\$4,358	\$4,888	N/A	\$2,956	\$7,314	\$7,844
Antioch (Zone 3)	\$5,033	\$4,888	N/A	\$2,671	\$7,704	\$7,559

2. Non-residential Customer ERU Calculation: No change to the current ERU calculation methodology is proposed for non-residential customers (i.e., commercial, industrial), which is determined based on development type and associated impact (e.g., wastewater strength, flow) on the District’s wastewater treatment, conveyance, and collection systems.
3. Accessory Dwelling Unit (ADU) CFCC Factors: Implement a proportionate fee structure for CFCC assessment for ADUs consistent with recent changes in regulatory and legal requirements, including a proposed CFCC factor of 0.54 ERU per 1,000 square feet (sf) for both standard ADUs and Junior ADUs (ranging from 150 sf to 500 sf) and no CFCC for the conversion of space within an existing structure of 150 sf or less. Proposed factors for various types of ADUs is included in **Table 2 (proposed revisions to District Code included in bold)**.

Table 2 – Proposed CFCC Factors for ADUs

Dwelling Type	CFCC Factor
Single Family Residential – Each Unit	1.00 ERU
Multiple Dwelling Structure – Each Unit	1.00 ERU
Multiple Dwelling Structure – Each Unit	1.00 ERU
Accessory Dwelling Unit and Junior Accessory Dwelling Units	0.54 ERU per 1,000 sf
Exception: Conversion of space within an existing structure, may include an expansion of not more than 150 sf to facilitate ingress and egress	0.00 ERU
Commercial Trailer (Mobile Home) Parks – Each Trailer Space	1.00 ERU
Lodging Facilities – Each Lodging Unit	0.65 ERU

4. Index-based Annual CFCC Adjustments: Index CFCCs to the Engineering News-Record Construction Cost Index (ENR-CCI) to provide for annual CFCC adjustments for each zone.

If recommended by the Finance Committee, staff will request the Board set a public hearing for 4:30 pm on December 11, 2024 at the November 6, 2024 Board Meeting. Following the public hearing, the Board would consider adopting an ordinance adjusting CFCCs. If the Board approves CFCC adjustments, the updated CFCCs would be implemented 60 days following adoption of the Ordinance.

Development Community Outreach

Staff will conduct outreach via in-person and virtual meetings to inform and solicit input from key stakeholders and interested parties regarding the proposed CFCC adjustments. A Notice of Public Hearing will be posted and published in the Contra Costa Times and on the District website. In addition, approximately 300 notices regarding the proposed CFCC adjustments will be distributed to developers, engineers, contractors, local chambers of commerce, and the Building Industry Association (BIA).

Financial Impact

Based on the proposed CFCC adjustments and growth assumptions, staff estimates additional CFCC revenue of approximately \$100,000 per year.