

CONDUCT PUBLIC HEARING ON WRITTEN REPORT AND COLLECTION OF SEWER SERVICE AND DELINQUENCY CHARGES AND COLLECTION SYSTEM CHARGES AND SURCHARGES ON COUNTY TAX ROLL; CLOSE PUBLIC HEARING AND CONSIDER ANY OBJECTIONS OR PROTESTS; DETERMINE NO MAJORITY PROTESTS EXISTS; AND ADOPT RESOLUTION APPROVING FINAL WRITTEN REPORT AND DIRECTING COLLECTION OF CERTAIN SEWER SERVICE AND DELINQUENCY CHARGES ON COUNTY TAX ROLL

Recommendations

1. Conduct a public hearing on Written Report and collection of Fiscal Year 2023/24 (FY23/24) Sewer Service Charges (SSCs) and Delinquency Charges and Collection System Charges and Surcharges on Contra Costa County tax roll;
2. Close the public hearing, and consider any objections and protests received;
3. Determine that no majority protest exists within the meaning of Health and Safety Code Section 5473.2; and
4. Adopt a Resolution (refer to Attachment 1) approving final Written Report and directing collection of certain Sewer Service and Delinquency Charges on the County Tax Roll.

Background Information

Delta Diablo is a California special district that provides wastewater conveyance and treatment, recycled water production and distribution, renewable energy production, pollution prevention, street sweeping, and household hazardous waste (HHW) collection services to over 215,000 customers in Antioch, Pittsburg, and the unincorporated community of Bay Point. As a progressive “Utility of the Future,” the District embraces innovative approaches, sustainable solutions, and community engagement in achieving its core mission of protecting public health and the environment, while maintaining reasonable rates and serving as responsible stewards of the public’s resources and trust. For Bay Point, the District also provides wastewater collection services, and only Bay Point customers are charged for those additional services through a separate SSC component to recover wastewater collection system operating, maintenance, and rehabilitation costs (Bay Point Collections). SSC revenues are not used to pay for any capital costs related to growth, which is funded through the District’s Capital Facilities Capacity Charges (CFCCs). The District’s SSC revenue is allocated to several key funds to support ongoing operations, as well as capital investment in existing and future infrastructure, as described below.

1. Regional Treatment and Conveyance (Wastewater O&M): Funds facility operation and maintenance (O&M) costs associated with regional wastewater conveyance and treatment, as well as the District’s share of the Delta HHW facility expenses.
2. Capital Asset: Funds new wastewater capital projects that are not related to new growth (the District charges separate CFCCs for growth-related capital costs).
3. Capital Asset Replacement: Funds capital infrastructure renewal and replacement projects.
4. Advanced Treatment Reserve: This fund is designed to minimize significant future rate increases by providing dedicated funding to meet a future, more stringent regulatory



requirement for advanced wastewater treatment (i.e., removal of nutrients from treated wastewater prior to discharge).

5. Bay Point Collections: This SSC rate component is only collected for Bay Point customers and funds operation and maintenance/rehabilitation of the Bay Point collection system.

Each year, the District submits required information to Contra Costa County to place SSCs on the property tax roll for most customers. The wastewater sector is heavily regulated with new and emerging issues competing with aging infrastructure needs, operating budget challenges (e.g., chemical, energy, hauling costs) regulatory compliance obligations, and limited state and federal funding support. Staff endeavors to meet these challenges while ensuring the District's SSCs remain below the average when compared to its peer agencies in the Bay Area region.

Analysis

Following critical review of operating budget adjustment needs and opportunities, staff has developed a proposed FY23/24 Operating Budget and 5-year (FY23/24-FY27/28) Capital Improvement Program (CIP). These documents directly support the District's focus on long-term financial sustainability and effective stewardship of limited ratepayer funds in operating and investing in critical infrastructure in the District's wastewater collection, conveyance, and treatment systems; recycled water system; household hazardous waste collection facility; and street sweeping services program.

The proposed FY23/24 Operating Budget, including salaries and benefits, chemicals, utilities, office and operating, and outside services, totals \$32.3 million. This represents a \$0.6 million increase (2.0%) relative to FY22/23 (\$31.7 million), which is a significant positive financial outcome considering the ongoing cost increase pressures for labor, chemicals, biosolids management, utilities, and outside services. The proposed 5-year CIP totals \$139.1 million and represents a \$3.2 million increase from the current CIP. The requested CIP budget appropriation for FY23/24 is estimated at \$12.0 million.

At the March 8, 2023 Board Meeting, staff informed the Board that based on the delays in major capital project expenditures, it was likely that no increase to SSCs would be required for FY23/24 (i.e., SSCs may be maintained at the same level as in FY22/23). Subsequent financial planning confirmed that rebalancing the allocation of projected FY23/24 SSC revenue between the District's operating and capital funds can meet cash flow needs and fund balance reserve requirements. At the May 10, 2023 Board Meeting, staff confirmed that no SSC increase is required, but highlighted that future Board approval would be requested to authorize collection of FY23/24 SSCs on the tax roll. In FY23/24, SSCs will continue to be levied at the same rates set by Ordinance No. 122 (refer to Attachment 2), which was adopted on June 22, 2022. These SSCs will remain in effect until changed by a future Board action. At the May 23, 2023 Board Meeting, the Board set the public hearing date for June 14, 2023, to consider approving collection of FY23/24 SSCs on the tax roll.

In order to collect SSCs on the tax roll in FY23/24, the District must conduct a public hearing to consider adopting a resolution approving a Written Report and directing collection of SSCs on the County tax roll. Notices of the public hearing were published twice in the East County Times, in accordance with Health and Safety Code Section 5473.1 and Government Code Section 6066 to provide notice of the availability of the Written Report and of the proposed collection of SSCs on the tax roll. During the public hearing, the Board will consider any protests or objections against collection of the SSCs on the tax roll in FY23/24. At the close of the public hearing, the Secretary



to the Board will announce the total number of protests and whether a majority protest exists. If a majority protest against the collecting SSCs on the tax roll is presented, the District would be prohibited from collecting SSCs via the tax roll and would be required to directly bill its customers. As of June 8, 2023, the District had not received any written protests regarding FY23/24 SSC collection on the tax roll.

Financial Impact

If the Board approves collection of SSCs on the tax roll after the June 14, 2023 public hearing, annual SSC revenue would be collected to meet the District's capital investment and operational financial needs. SSCs for Pittsburg and Antioch residential customers will remain at \$448.75 per year (does not include collection system charges) and Bay Point residential customers SSCs will remain at \$615.77 per year (includes collection system charges). Non-residential customer rates will be applied according to Exhibits A and B that are attached to Ordinance No. 122. The District's cost for providing wastewater collection, conveyance, and treatment services would remain below the average of rates charged by peer agencies in the San Francisco Bay Area.

Attachments

1. Proposed Resolution Authorizing SSC Collection on Tax Roll
2. Ordinance No. 122 (SSCs Approved June 22, 2022)

Reviewed by:



Brian Thomas

Deputy General Manager/District Engineer

cc: District File No. BRD.01-ACTS

