



Wastewater  
Treatment



TRANSFORMING  
WASTEWATER  
TO RESOURCES



Recycled  
Water



Energy  
Production



Biosolids  
Reuse

# Major Factors Impacting 5-Year CIP Development and SSC Financial Assumptions

Board of Directors Meeting  
March 12, 2025

# 5-Year CIP Development Overview

## Major Cost Impact Drivers



- Significant increase in estimated cost for largest capital project (\$210M to \$261.5M, **+\$51.5M**) over ten years
- Significant unplanned forcemain repair cost (**+\$9.5M**)
- Potential loss of assumed federal tax credits (**+\$6.5M**) under Inflation Reduction Act
- Moderate increase in estimated cost for two large capital projects (**+\$5.0M**)
- Staff has worked to reprioritize projects; however, **multiple high-priority, large-scale projects** are driving cost impacts
- Current 5-year CIP = \$187.1M  
Proposed 5-year CIP = \$232.2M (**+\$45.1M, +24%**)

# 5-Year CIP Development Overview

## Major Cost Impact Drivers (cont'd)



Description	Current CIP = \$187.1M	Prelim. CIP = \$232.2M (+\$45.1M)	Key Drivers
Secondary Process Improvements ( <b>Phase 1</b> )	\$104M	<b>\$134.0M</b> (+\$30M)	<ul style="list-style-type: none"> <li>Total cost increase (<b>\$110M to \$140.5M</b>) due to design progress; supports <b>regulatory mandate</b></li> </ul>
Secondary Process Improvements ( <b>Phase 2</b> )	\$0M	<b>\$4.5M</b> (+\$4.5M)	<ul style="list-style-type: none"> <li>Total cost increase (<b>\$100M to \$121M</b>) due to design progress; meets <b>regulatory mandate</b></li> </ul>
Shore Acres Forcemain Repair	\$0M	<b>\$9.5M</b> (+\$9.5M)	<ul style="list-style-type: none"> <li>Design and construction for permanent repair of Shore Acres Forcemain failure in Dec 2024</li> </ul>
Cogeneration System Improvements	\$11.7M	<b>\$13.6M</b> (+\$1.9M)	<ul style="list-style-type: none"> <li>Total cost increase (<b>\$13.5M to \$20M</b>); potential loss of federal IRA tax credits (<b>\$6.5M</b>)</li> </ul>
Antioch Pump Station and Conveyance System Improvements	\$22.0M	<b>\$24.0M</b> (+\$2.0M)	<ul style="list-style-type: none"> <li>Escalated construction cost estimate based on updated completion schedule (FY29/30)</li> </ul>
Manhole, Gravity Interceptor, and Easement Road Improvements Phase 2	\$11.0M	<b>\$14.0M</b> (+\$3.0M)	<ul style="list-style-type: none"> <li>Escalated construction cost estimate based on updated completion schedule (FY28/29)</li> </ul>

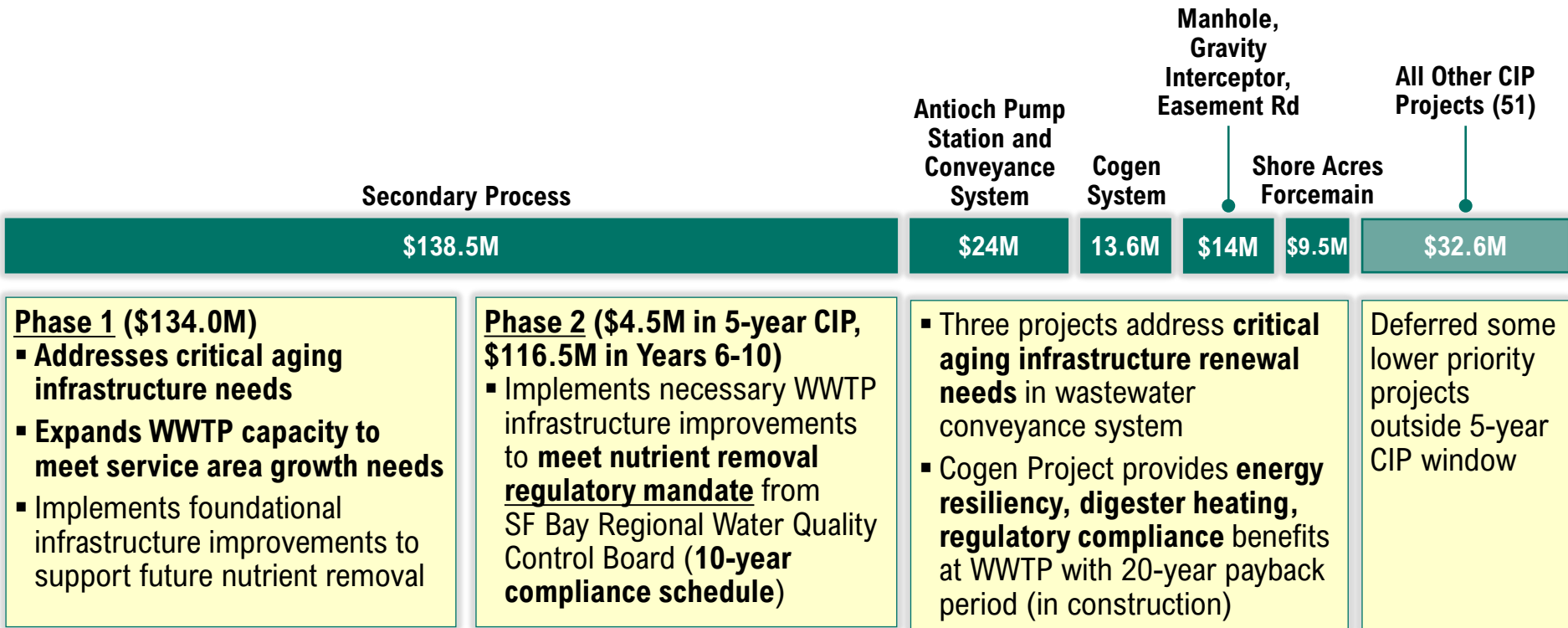
**These six critical, high-priority projects comprise 86.0% (\$199.6M of \$232.2M) of the prelim. 5-year CIP**

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



**Critical, high-priority projects comprise 86.0% (\$199.6M of \$232.2M) of the preliminary 5-year CIP**

- Four projects are in design, one is in construction



# Major Impacts to Prior Financial Planning Assumptions

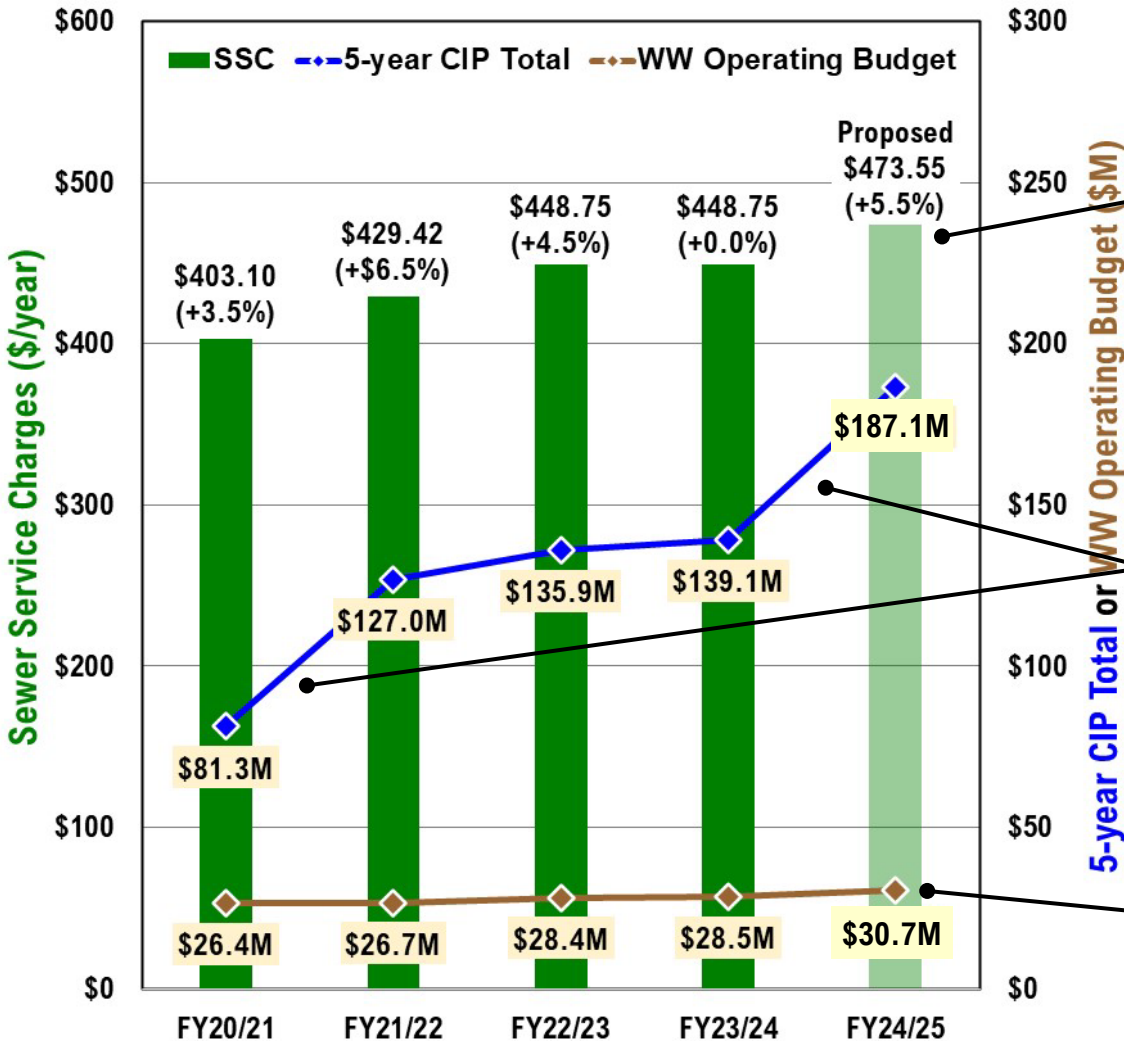


- Significant increases to prior SSC projection are required

Prior Projection (June 2024)	FY24/25	FY25/26	FY26/27	FY27/28	FY28/29
SSC Increase – Antioch/Pittsburg	5.5%	5.5%	3.5%	3.5%	3.5%
SSC Increase – Bay Point	5.4%	5.5%	3.5%	3.5%	3.5%

- Significant increase in debt funding of 5-year CIP is recommended to mitigate near-term SSC impacts
  - Current 5-year CIP = 71% cash (\$133M)/29% debt (\$54M) funding
  - Ensure SSCs generate sufficient revenue to meet debt service needs
- Staff expects operating budget pressure on SSCs as significant cost reductions have already been implemented

# 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** (two years, minimum) to support anticipated public bond offering (i.e., provides **increased revenue collection certainty**)

# 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
- Update Street Sweeping Service Charge to address **increased labor costs** due to prevailing wages, expanded scope of services (i.e., avoids temporary inter-fund loan)
- 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**



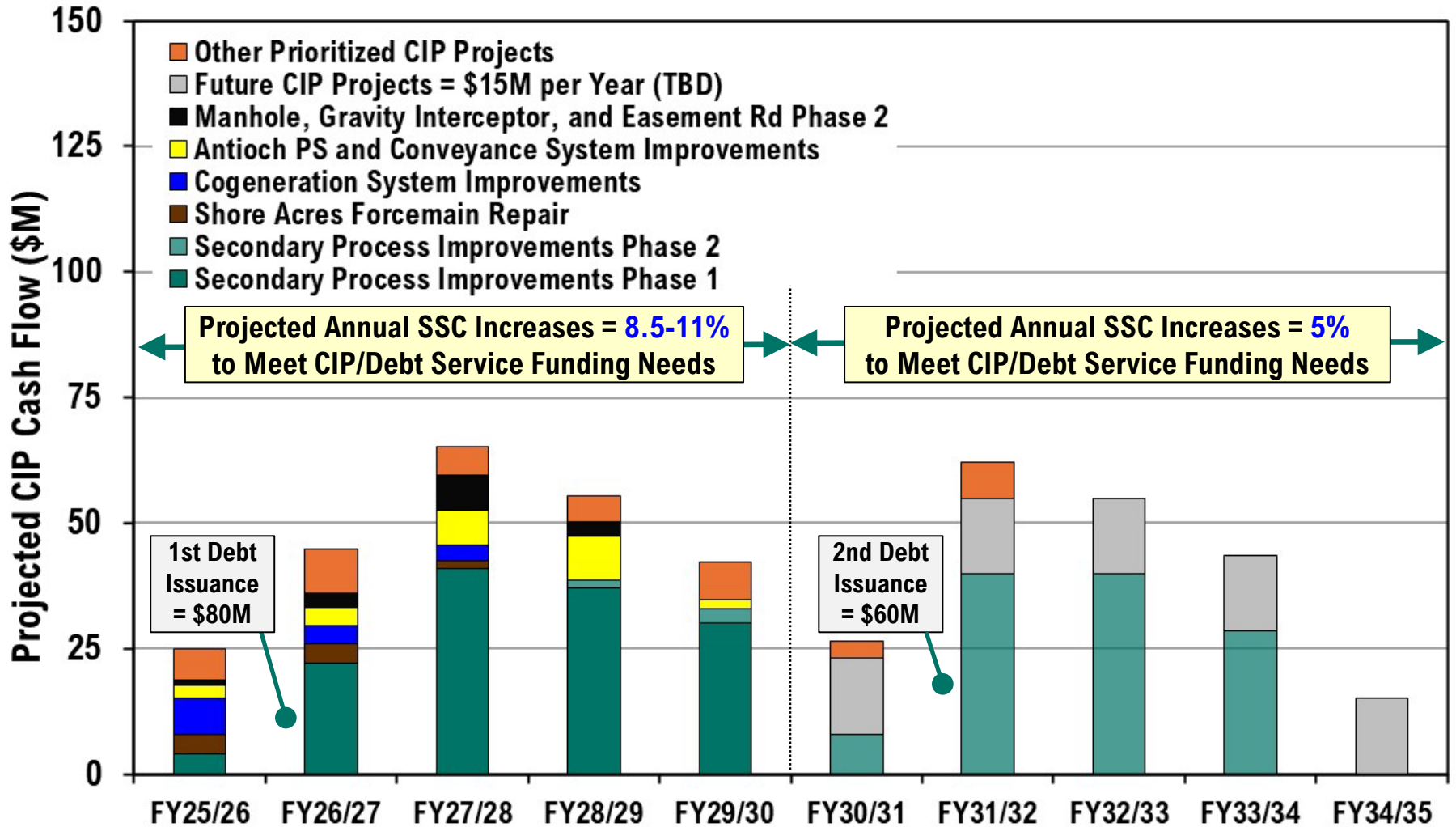
# Preliminary SSC Projections for Various CIP Funding Approaches



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%	\$39.5M (Base)
0% Debt/100% Cash	0	232.2	0	25%	25%	20%	5%	5%	+\$119M
14% Debt/86% Cash	33.5	198.7	29%	15%	15%	15%	12%	10%	+\$71M
23% Debt/77% Cash	53.9	178.3	46%	10%	10%	15%	17%	19%	+\$59M
29% Debt/71% Cash	67.0	165.2	57%	8%	8%	12%	12%	12%	+\$38M
<b>35% Debt/65% Cash</b>	<b>80.4</b>	<b>151.8</b>	<b>69%</b>	<b>10%</b>	<b>10%</b>	<b>10%</b>	<b>8%</b>	<b>8%</b>	<b>+\$36.7M</b>
<b>35% Debt/65% Cash</b>	<b>80.4</b>	<b>151.8</b>	<b>69%</b>	<b>8.5%</b>	<b>8.5%</b>	<b>8.5</b>	<b>11%</b>	<b>11%</b>	<b>+\$32.9M</b>
43% Debt/57% Cash	100.5	131.7	87%	6.5%	6.5%	6.5%	7.5%	7.5%	+\$16M
50% Debt/50% Cash (Max Debt)	116	116.2	100%	5.5%	5.5%	5.5%	5.5%	8.5%	+\$9M

\* Does not include significant increase in 5-Year CIP (\$187.1M to \$232.2M)

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



# Upcoming Board Meetings SSC, CIP, and Budget Development



<p><b>March 2025</b></p>	<ul style="list-style-type: none"> <li>• 3/5 Fin Comm: Major Factors Impacting 5-Year CIP Development and SSC Financial Assumptions</li> <li>• 3/12 <b>Review Major Factors Impacting 5-year CIP Development and SSC Financial Assumptions</b> ←</li> </ul>
<p><b>April 2025</b></p>	<ul style="list-style-type: none"> <li>• 4/9 TBD</li> <li>• 4/16 Fin Comm: Review Proposed SSCs/Prop. 218 Notice</li> <li>• 4/23 Review Proposed SSCs, Set Public Hearing, Approve Prop. 218 Notice</li> </ul>
<p><b>May 2025</b></p>	<ul style="list-style-type: none"> <li>• 5/7 Fin Comm: Review Draft 5-Year CIP, FY25/26-26/27 Operating Budget Assumptions</li> <li>• 5/14 Review Draft 5-year CIP, Set Public Hearing Review FY25/26-26/27 Operating Budget Assumptions</li> </ul>
<p><b>June 2025</b></p>	<ul style="list-style-type: none"> <li>• 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</li> </ul>

# Next Steps



- Confirm SSC increase projections for various cash vs. debt funding ratios
  - Preliminary SSC projections provided today were based on use of financial model that has not been fully updated
- Develop a draft Proposition 218 Notice that includes multiple years (2-3 years) of proposed SSC increases for Board consideration on April 23, 2025
  - Supports future public bond issuance by providing revenue certainty
- Prepare associated public information materials to support SSC review and approval process
  - Includes multiple fact sheets, FAQs, website content