

MEETING NOTES

BOARD OF DIRECTORS FINANCE COMMITTEE MEETING DELTA DIABLO

TUESDAY, APRIL 2, 2019
9:00 A.M.

The meeting was called to order by Committee Chair Sean Wright on Tuesday, April 2, 2019 at 9:03 am in the Plant Operations Center Conference Room, 2600 Pittsburg-Antioch Highway, Antioch, California. Also present at the meeting were Vince De Lange, General Manager; Carol Margetich, Business Services Director; Brian Thomas, Engineering Services Director/District Engineer; Thanh Vo, Senior Engineer; and Cecelia Nichols-Fritzler, Office Manager/Secretary to the Board.

PUBLIC COMMENTS

No public comments.

REVIEW REPORT ON PRELIMINARY SEWER SERVICE CHARGE ANALYSIS FOR FISCAL YEAR 2019/2020 AND THE DRAFT PROPOSITION 218 NOTICE

Ms. Margetich outlined the budget and rates development schedule, guiding principles, and key assumptions used in the sewer service charge (SSC) analysis for Fiscal Year 2019/2020 (FY19/20). She presented a table with the proposed SSC increases for Antioch and Pittsburg customers (4.5%) and Bay Point (3.5%) customers. Chair Wright questioned whether the magnitude of the SSC increase was the same for Antioch/Pittsburg and Bay Point, which Ms. Margetich confirmed while noting that the Bay Point SSC is larger because it includes wastewater collection services. This larger rate translates into a smaller overall rate increase as a percentage for Bay Point customers. She highlighted the various SSC components by fund and noted that the Advanced Treatment (AT) Reserve Fund component is proposed to be maintained at the same level as FY18/19. Ms. Margetich presented a breakdown of District expenses paid by SSC with salaries/benefits (39%) and capital improvements (38%) as the largest categories.

Ms. Margetich presented a preliminary rate comparison table for FY19/20, which highlights that the District's ratepayers pay among the lowest rates relative to peer agencies. She reviewed the projected SSCs increases over the next five years and noted that staff has worked diligently to refine both capital and operating budgets to reduce the rate projection relative to last year's estimate. Chair Wright inquired as to whether other peer agencies are collecting a similar AT Fund charge. Mr. De Lange noted that although two Bay Areas agencies are currently implementing nutrient removal infrastructure improvements in advance of regulatory requirements, most peer agencies are not collecting similar rate components. As presented to the Board at the March 2019 meeting, he stated that staff would be developing the strategic, technical, and financial approach to long-term nutrient management as part of the upcoming Resource Recovery Facility Master Plan. In the near term, the AT Fund rate component is proposed to be maintained at current levels (i.e., no planned increase). Ms. Margetich commented on the Board's very proactive financial planning approach in 2011. Chair Wright commented that the reduced 5-year rate projection is a very positive outcome and should be shared in response to potential comments raised at the planned Public Hearing.

Ms. Margetich provided an overview of the District's efforts to balance various fund balances each year and presented preliminary budget expenditures by fund for the 5-year period. She provided a comparison of planned revenues and expenses in the Wastewater O&M Fund and use of cash reserves to smooth fund balances and rate impacts. She showed a chart illustrating the severe impacts on the District's ability to maintain cash reserves at 40% of operating budget without the proposed SSC increases; in particular, cash reserves would fall below this target by FY22/23 and be nearly depleted by FY23/24. Mr. De Lange added that this would be reviewed in more detail as part of the budget presentations to the Board in May and June. Ms. Margetich discussed inter-fund transfers and loans and closed the presentation with next steps, including consideration of proposed SSCs and distribution of the associated Proposition 218 Notice by the full Board at the April 10, 2019 meeting.

Chair Wright thanked Ms. Margetich for the report and recommended the item be brought to the full Board for consideration at the April Board meeting.

ADJOURNMENT

Chair Wright adjourned the meeting at 9:29 am.

(Recording Secretary: Cecelia Nichols-Fritzler)