



# FY2020/2021 Proposed Sewer Service Charge Increases

Board of Directors Meeting  
April 23, 2020



# FY20/21 Budget and SSCs Development Schedule Overview



## Board Meeting

March 11, 2020

- Board reviews major capital project drivers, Advanced Treatment Fund considerations

April 23, 2020

- Board considers proposed SSC increases, setting public hearing, and approval to distribute Prop. 218 notices

May 13, 2020

- Board reviews key operating budget assumptions

June 25, 2020

- Planned public hearing on SSC increases; Board considers approval of SSC increases
- Board considers budget appropriations

# Financial Sustainability

## Guiding Principles



- Critically review operating budget each year to identify budget adjustment needs and opportunities
- Ensure effective prioritization of a capital improvement program (CIP) that addresses critical infrastructure needs
- Utilize a 5-year rate model to identify SSC revenue needed to meet cost projections without sharp rate increases
- Maximize cash funding of CIP (vs. debt financing) to ensure lowest overall costs for District customers
  - Significantly reduced availability of Clean Water State Revolving Fund low-interest loans (~2.0% for wastewater)
  - Alternative sources of debt (e.g., IBank, bond issuance) may require 4.0-5.0% interest rates

# Financial Sustainability

## Guiding Principles (cont'd)



- Meet District policy to maintain minimum reserve balance of 40% of annual budgeted operating expenses in Wastewater O&M Fund during 5-year rate analysis period
- Factor growth into SSC calculation each year to ensure equitable cost allocation across customers
- Reserve future debt management capacity for long-term secondary capacity expansion and nutrient management treatment plant upgrades
  - Minimum Debt Service Coverage Ratio >1.80
- Maintain SSCs below average relative to peer agencies
- Comply with all California Constitution Article XIII D, Section 6 requirements for revenue collection

# SSC Fund Allocations

## Regional Treatment and Conveyance (WW O&M)

Funds facility O&M costs for wastewater conveyance and treatment, as well as District share of Delta HHW facility

## Capital Asset

Funds new wastewater capital projects not related to new growth (District charges separate CFCCs for growth-related capital costs)

## Capital Asset Replacement

Funds capital infrastructure renewal and replacement projects

## Advanced Treatment Reserve

Designed to minimize significant future rate increases by providing dedicated funding to meet a future, more stringent regulatory requirement for advanced wastewater treatment (nutrient removal)

## Bay Point Collections

Only collected from Bay Point customers to fund operation, maintenance, and rehabilitation of Bay Point collection system

# FY20/21 SSC 5-year Analysis

## Key Assumptions



- Preliminary FY20/21 operating budget = \$26.7M for SSCs (\$29.5M total) as baseline w/escalation in subsequent years
- Draft 5-year CIP = \$71M for SSCs (\$82M total)
  - Major project drivers presented on March 11, 2020
  - \$8.3M for new project following Antioch FM failure
- Existing debt = \$25.1M, pending debt = \$18.0M
  - Low-interest SRF and Municipal Finance Corporation loans (~1.9%-4.9%) total = \$43.1M (96% low interest)
- District continues to receive \$2M per year in ad valorem taxes (dependent on property values)

# FY20/21 SSC 5-year Analysis

## Key Assumptions (cont'd)



- Suspend SSC component allocation to AT Fund
  - As presented at March 11, 2020 Board Meeting:
    - Successful collaboration with regulators, scientists, and peer agencies has extended implementation timeline
    - Preliminary analysis from Resource Recovery Facility Master Plan indicates significant reduction of initial capital cost estimate and future integration with secondary process upgrade
  - Increase Capital Asset Replacement fund allocation
- Reduce reliance on debt financing
  - Last year, 5-year SSC analysis assumed \$22M in new debt financing
  - Key Outcome: Current 5-year SSC analysis shifted approximately \$20M from debt financing to cash funding CIP projects

# FY20/21 Proposed SSC Increases



Community/Category	SSC Increase	Current SSC	Proposed SSC	Annual Increase
<b>Antioch/Pittsburg</b>				
▪ Residential (Single Family)	<b>+3.5%</b>	\$389.47	\$403.10	\$13.63
▪ Non-residential		varies	varies	varies
<b>Bay Point*</b>				
▪ Residential (Single Family)	<b>+3.0%</b>	\$540.26	\$556.47	\$16.21
▪ Non-residential		varies	varies	varies

\* Bay Point SSC includes wastewater collection services; cities provide these services directly to Antioch/Pittsburg customers

- Total increase in SSC annual revenue in FY20/21 = \$1.1 million
- No increase in residential annual Street Sweeping Service Charge



# FY20/21 SSC Increase by Component Antioch/Pittsburg Residential Customers



SSC Component	Current FY19/20	Proposed FY20/21 <b>(+3.5%)</b>
Regional Treatment and Conveyance (WW O&M)	\$280.58	\$286.03
Capital Asset	\$18.47	\$4.18
Capital Asset Replacement	\$33.37	\$112.89
Advanced Treatment Reserve Fund	\$57.05	\$0.00
<b>Total SSC per Equivalent Residential Unit</b>	<b>\$389.47</b>	<b>\$403.10</b>
<b>Approximate Equivalent Monthly Charge</b>	<b>\$32.46</b>	<b>\$33.59</b>

- SSC component for Advanced Treatment Reserve Fund has been suspended based on changes in implementation cost/schedule
- Increased Capital Asset Replacement allocation to support infrastructure needs and cash funding approach

# FY20/21 SSC Increase by Component

## Bay Point Residential Customers



SSC Component	Current FY19/20	Proposed FY20/21 (+3.0%)
Regional Treatment and Conveyance (WW O&M)	\$280.58	\$286.03
Capital Asset	\$18.47	\$4.18
Capital Asset Replacement	\$33.37	\$112.89
Advanced Treatment Reserve Fund	\$57.05	\$0.00
Bay Point Collections/Rehabilitation	\$150.79	\$153.37
<b>Total SSC per Equivalent Residential Unit</b>	<b>\$540.26</b>	<b>\$556.47</b>
<b>Approximate Equivalent Monthly Charge</b>	<b>\$45.02</b>	<b>\$46.37</b>

- SSC component for Advanced Treatment Reserve Fund has been suspended based on changes in implementation cost/schedule
- Increased Capital Asset Replacement allocation to support infrastructure needs and cash funding approach

# FY20/21 SSC Increase in CAR Fund

## Impact of FY19/20 Inter-fund Loan



SSC Component	Current FY19/20	Proposed FY20/21 (+3.5%)
Regional Treatment and Conveyance (WW O&M)	\$280.58	\$286.03
Capital Asset	\$18.47	\$4.18
Capital Asset Replacement	<b>\$33.37*</b>	\$112.89
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\* A \$4 million loan to the CAR Fund from the AT Fund was executed, which yielded effective SSC components for **CAR** and **AT** Funds of **\$86.37** and **\$4.05**, respectively for FY19/20.

# FY20/21 SSC Increase in CAR Fund

## Impact of FY19/20 Inter-fund Loan



SSC Component (w/Updated CAR, AT Fund in FY19/20)	Current FY19/20	Proposed FY20/21 (+3.5%)
Regional Treatment and Conveyance (WW O&M)	\$280.58	\$286.03
Capital Asset	\$18.47	\$4.18
Capital Asset Replacement	<b>\$86.37*</b>	\$112.89
Advanced Treatment Reserve Fund	<b>\$4.05*</b>	\$0.00
<b>Total SSC per Equivalent Residential Unit</b>	<b>\$389.47</b>	<b>\$403.10</b>
<b>Approximate Equivalent Monthly Charge</b>	<b>\$32.46</b>	<b>\$33.59</b>

\* A \$4 million loan to the CAR Fund from the AT Fund was executed, which yielded effective SSC components for **CAR** and **AT** Funds of **\$86.37** and **\$4.05**, respectively for FY19/20.

Adjusted CAR Fund increase from \$86.37 to \$112.89.

# FY20/21 SSC Increase in CAR Fund

## Key Drivers



- Draft 5-year CIP includes \$55M in CAR-funded critical wastewater infrastructure budget needs
  - Antioch Pump Station and Conveyance System (\$8.3M)
  - Headworks Improvements (\$8.0M)
  - New Cogeneration Engine (\$5.0M+)
  - Switchgear Replacement (\$3.8M)
  - Pump Station Facility Repair (\$3.5M)
- Facility condition assessment at District's WWTP to be completed later this year
  - Likely to identify additional CAR-funded needs
- Future construction cost, bid climate uncertainty

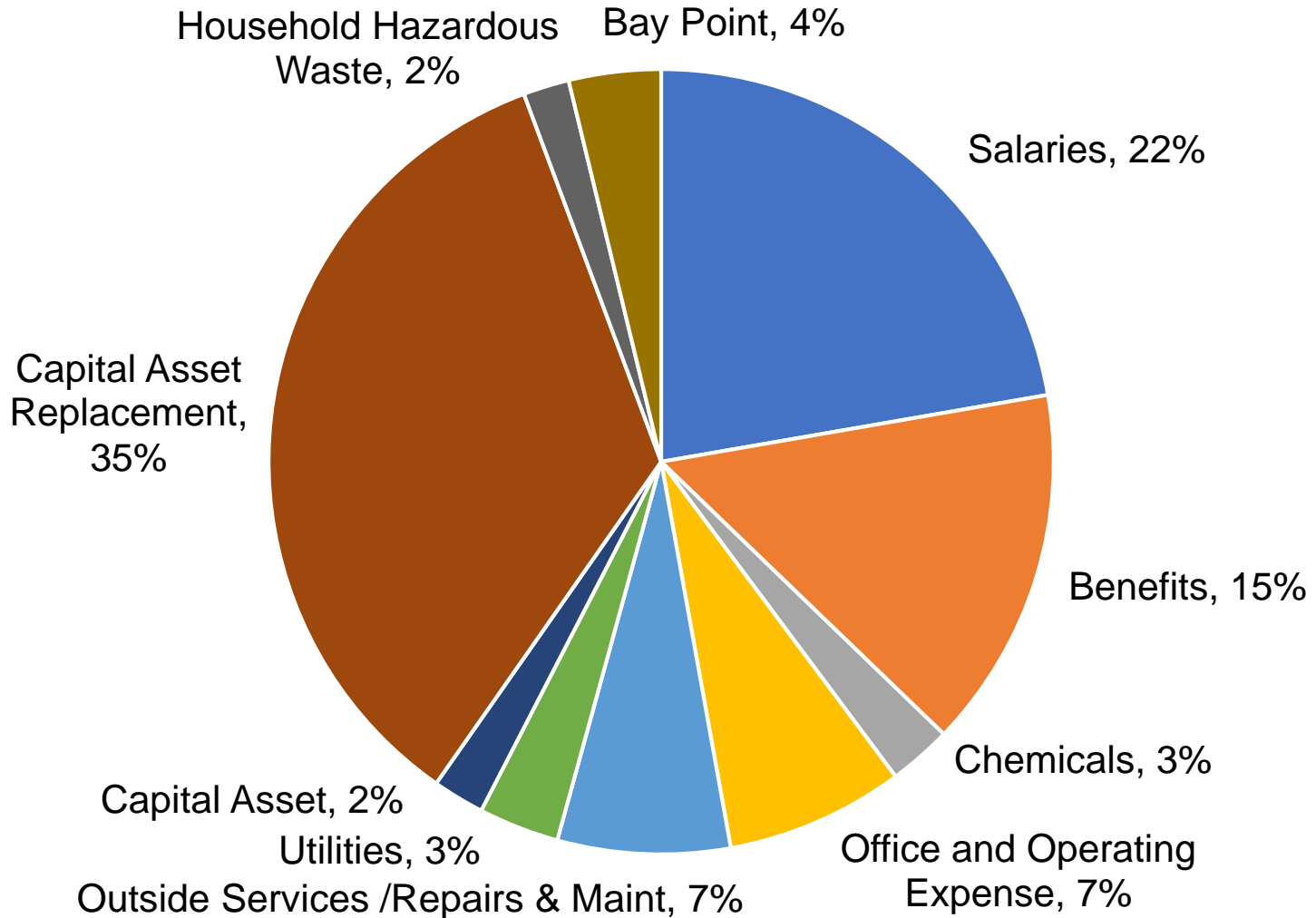
# FY20/21 SSC Increase in CAR Fund

## Key Drivers (cont'd)



- Increase cash funding (vs. debt financing)
  - Reduced availability of low-interest loans (5.0% vs. 2.0%)
  - Eliminate \$20M in new debt issuance from last year's 5-year SSC financial plan
  - Financial Impact of Cash Funding
    - \$20M in debt increases total project cost (w/interest) to ~\$40M
    - Cash funding saves ~\$20M over long term
- Reserve future debt management capacity for long-term secondary capacity expansion and nutrient management treatment plant upgrade
  - Minimum Debt Service Coverage Ratio >1.80

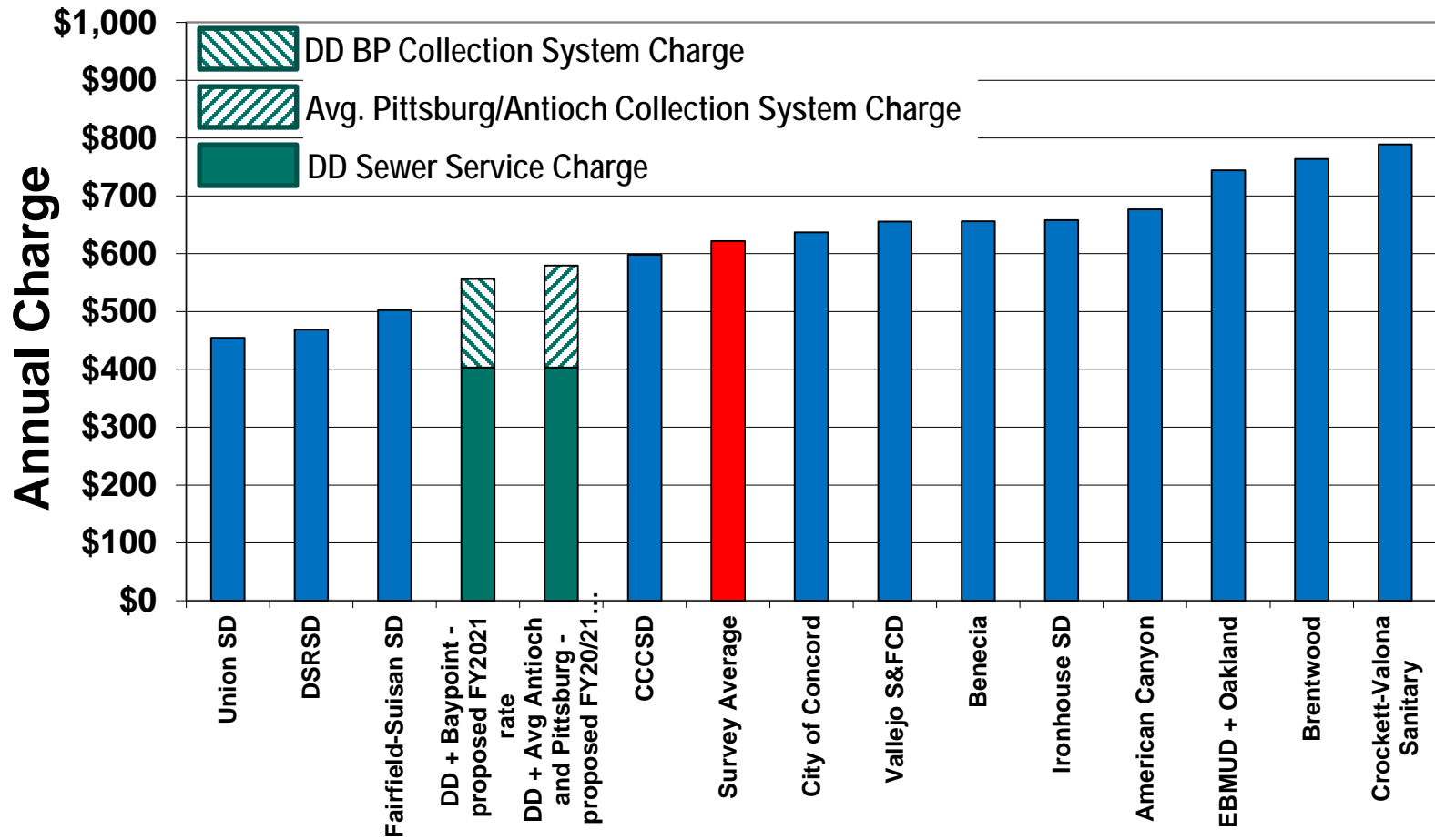
# What Do Utility Rates Pay For? Proposed FY20/21 Expenses



# FY20/21 Rate Comparison



Annual Wastewater Treatment and Collection Charges  
Proposed FY20/21 Rates vs. Rates of Other Agencies





# 5-Year SSC Increase Projection



## Current SSC Increase Projection

	FY20/21	FY21/22	FY22/23	FY23/24	FY24/25
<b>Antioch and Pittsburg Customers</b>					
<b>SSC Increase</b>	3.5%	4.0%	4.0%	4.0%	4.0%
<b>Bay Point Customers</b>					
<b>SSC Increase</b>	3.0%	3.5%	3.5%	3.5%	3.5%

## Previous SSC Projection (June 2019)

	FY19/20	FY20/21	FY21/22	FY22/23	FY23/24
<b>Antioch and Pittsburg Customers</b>					
<b>SSC Increase</b>	4.5%	4.5%	4.1%	4.1%	4.1%
<b>Bay Point Customers</b>					
<b>SSC Increase</b>	3.5%	3.5%	3.3%	3.2%	3.2%

# Future Impact of No SSC Increase in FY20/21 on 5-Year Projection

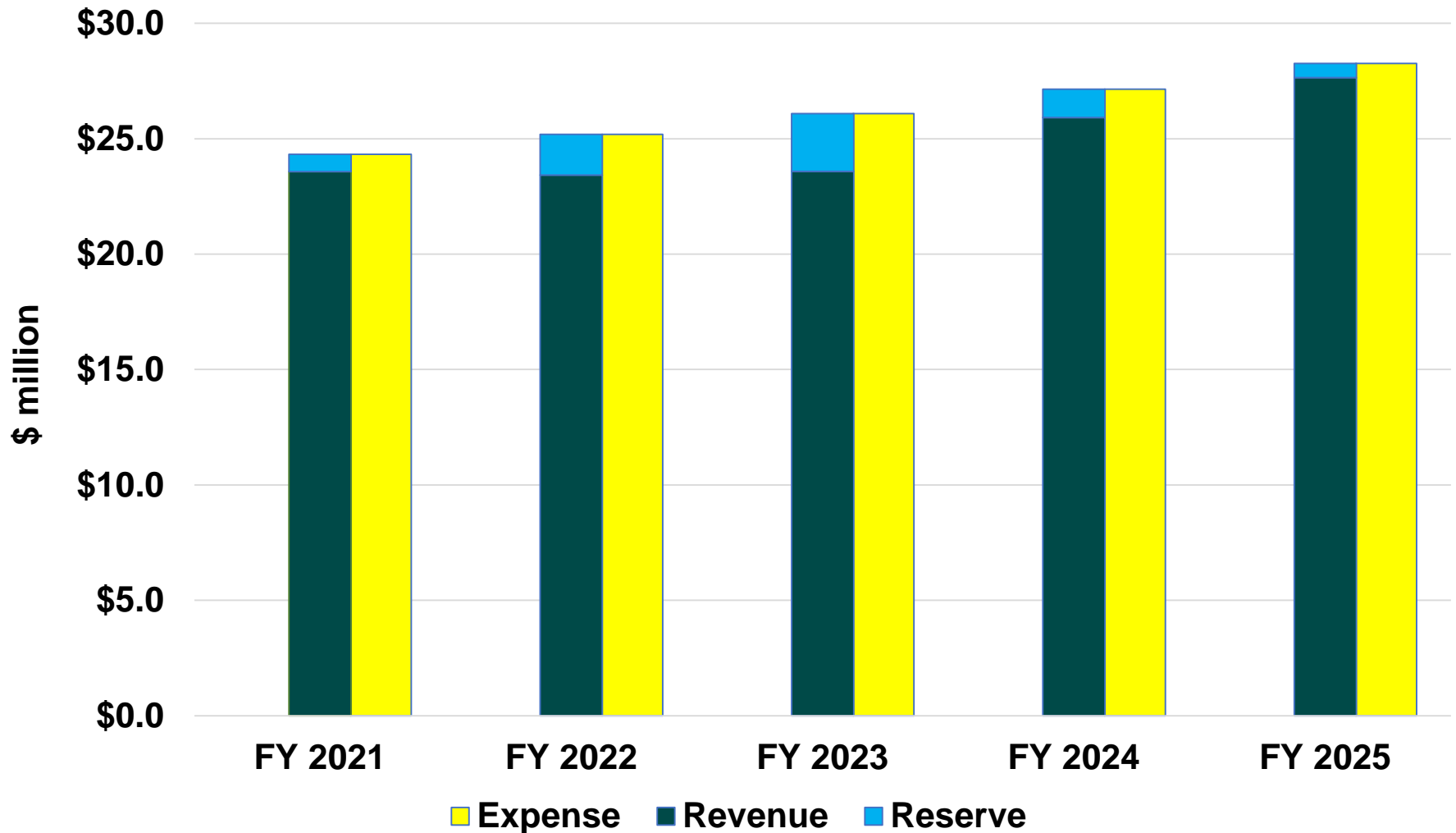


- District has progressively reduced 5-year SSC increase projections over last three years
  - Antioch/Pittsburg customers:
    - June 2018: 6.2-6.4%; June 2019; 4.1-4.5%; Current: **3.5-4.0%**
  - No increase in FY20/21 would raise likelihood of higher SSC increases next year and thereafter

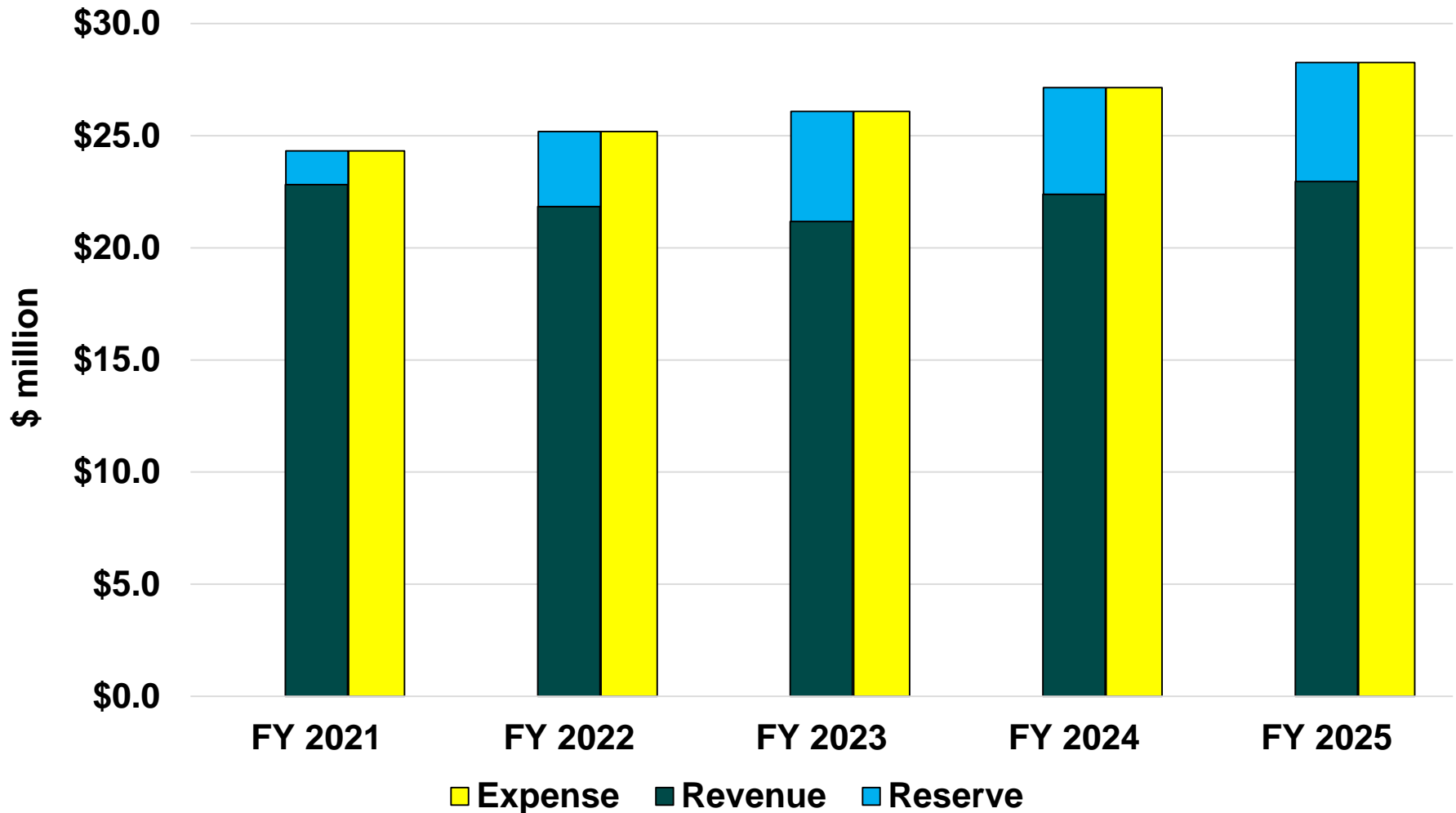
## Future SSC Increase Projection

	FY20/21	FY21/22	FY22/23	FY23/24	FY24/25
<b>Antioch and Pittsburg Customers</b>					
<b>SSC Increase</b>	<b>0%</b>	<b>6.0%</b>	<b>6.0%</b>	<b>5.5%</b>	<b>5.0%</b>
<b>Bay Point Customers</b>					
<b>SSC Increase</b>	<b>0%</b>	<b>5.5%</b>	<b>5.5%</b>	<b>5.0%</b>	<b>4.5%</b>

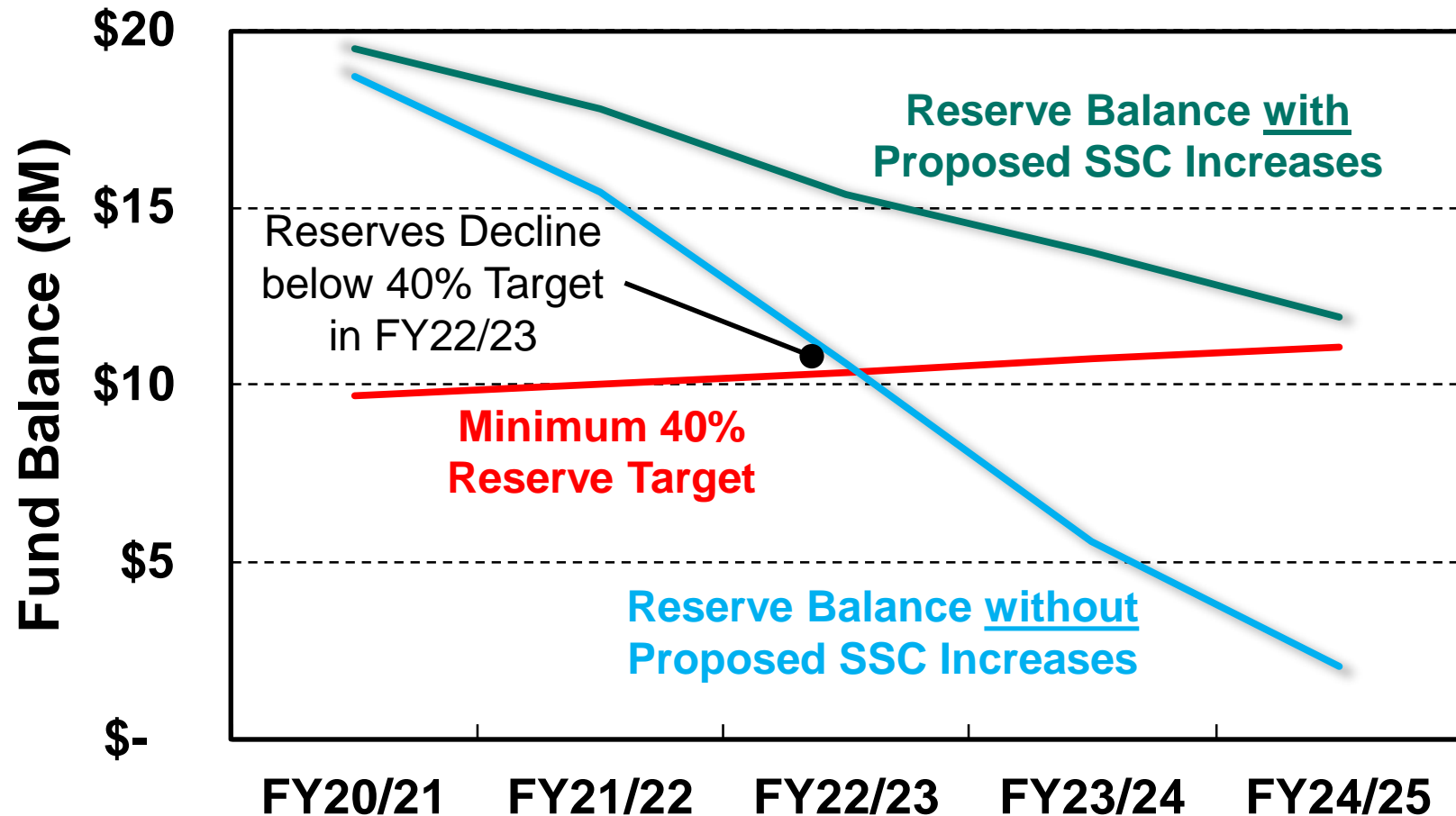
# Wastewater O&M Fund Projection with Proposed SSC Increases



# Wastewater O&M Fund Projection without Proposed SSC Increases



# Wastewater O&M Fund Projection without Proposed SSC Increases

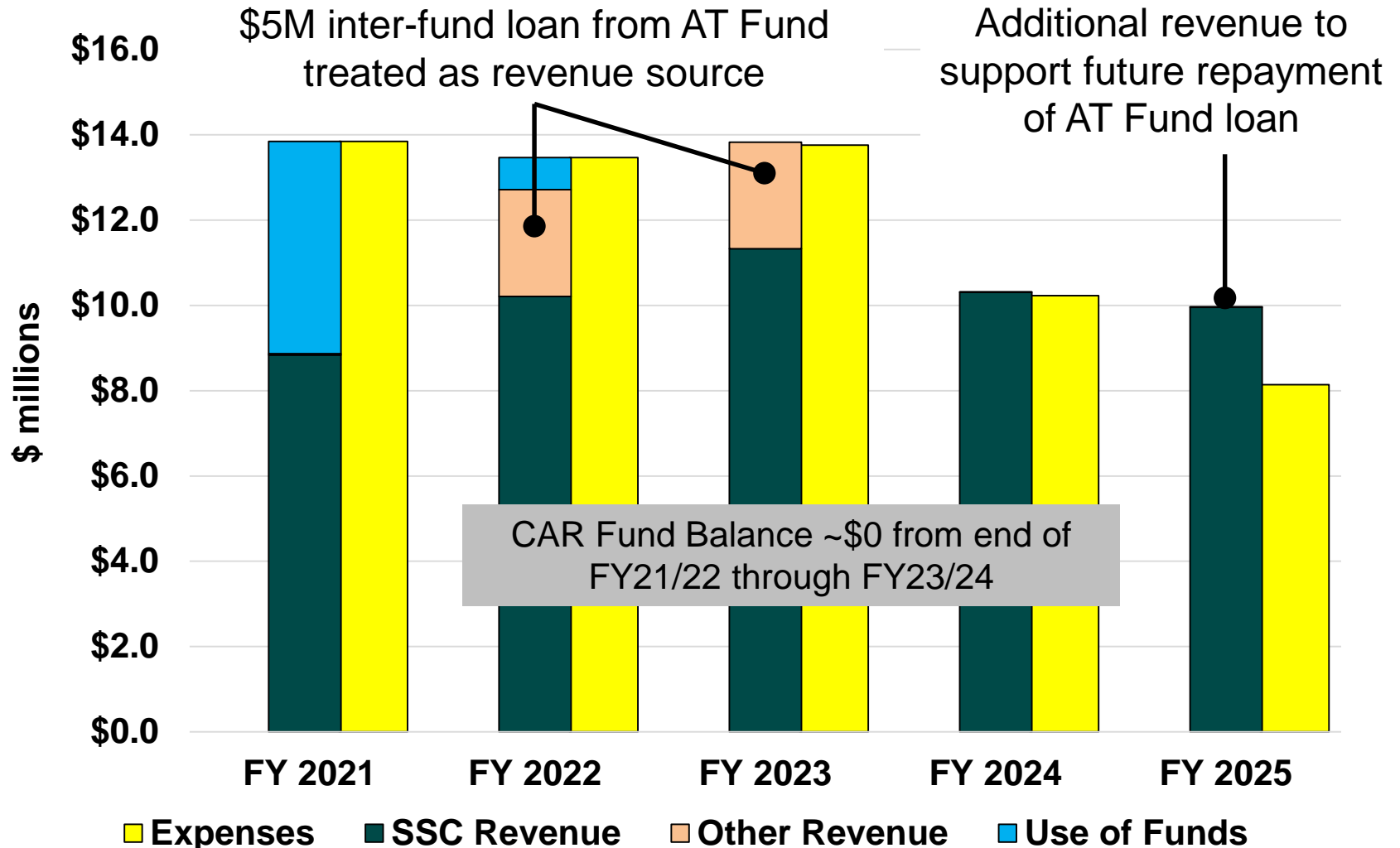


# Projected FY20/21 Inter-Fund Loans



- Continued Capital Expansion Fund loan repayment of \$0.9M to Capital Asset Replacement Fund (with interest)
- No inter-fund loans are planned for FY20/21
  - Anticipated \$5M inter-fund loan from AT to CAR split evenly between FY21/22 and FY22/23
    - Further support cash funding of capital projects
    - Based on extended timeline for AT Fund use, no loan repayment is included in 5-year SSC analysis

# Capital Asset Replacement Fund Projection



# Draft Prop. 218 Notice

- References procedural conditions if COVID-19 shelter-in-place order remains in effect at time of public hearing
- Provides background on District, proposed SSC increases for residential/non-residential, fund allocations
- Describes procedure for protesting SSC increase
- Must be sent to property owners at least 45 days prior to public hearing



# SSC Implementation Timeline



- Proposed SSC Increases Report to Board 4/23/20
- Request Board Approval to mail Prop. 218 Notices by May 1, 2020 4/23/20
- Planned Public Hearing 6/25/20
- Effective FY20/21 SSC Adoption Date 7/1/20

# Recommendations

- Review and comment on proposed SSC increase for FY20/21:
  - Antioch and Pittsburg – 3.5%
  - Bay Point – 3.0%
- Set public hearing for June 25, 2020 at 4:30 pm to:
  - Receive public comments
  - Consider protests and adoption of SSC increases for FY20/21
  - Consider authorizing SSC collection on tax roll
- Authorize distribution of Prop. 218 Hearing Notices and publication of hearing notices