



Wastewater Treatment



TRANSFORMING
WASTEWATER
TO RESOURCES



Recycled Water



Energy Production



Biosolids Reuse

Proposed FY24/25-FY28/29 Capital Improvement Program

Finance Committee Meeting
April 23, 2024

Overview

CIP Development Process



Financial Sustainability Guiding Principles

- Critically review operating budget to identify budget adjustment needs and opportunities
- **Ensure effective capital improvement program (CIP) prioritization** that addresses critical infrastructure needs
- Utilize a 5-year rate model to identify costs and SSC revenue needed without sharp rate increases
- **Maximize cash funding** of CIP (vs. debt) to ensure lowest overall costs for District customers
- Maintain minimum reserve balance in Wastewater O&M Fund (40% of annual budgeted operating expenses)
- Factor growth into SSCs each year to ensure equitable cost allocation across customers
- **Reserve future debt capacity** for nutrient management, large-scale wastewater treatment plant upgrades
- Maintain SSCs below average relative to peer agencies

Overview

Proposed 5-year CIP



- **Current 5-year CIP (FY23/24-FY27/28) = \$139.1M**
- **Proposed 5-year CIP (FY24/25-FY28/29) = \$187.0M**
 - +\$47.9M increase
- **FY24/25 CIP Budget Request**
 - **Required FY24/25 CIP budget appropriation = \$19.4M**
 - **Estimated FY24/25 carryover expenditures = \$3.7M**
 - Note: Estimated carryover budget for FY24/25 = \$5.0M
 - **Estimated FY24/25 CIP expenditures = \$23.1M**

Major Factors Impacting Proposed 5-year CIP Development



Description	Current CIP = \$139.1M	Prop. CIP = \$187.0M (+\$47.9M)	Key Drivers
Secondary Process Improvements (Phase 1)	\$60M	\$110M (+\$50M)	<ul style="list-style-type: none"> Developed “Phase 1” with revised scope and cost to support future nutrient removal
Cogeneration System Improvements	\$7M	\$13.5M (+\$6.5M)	<ul style="list-style-type: none"> Updated cost based on detailed design activities, assumes IRA tax credits (\$6.5M)
Antioch Pump Station and Conveyance System Improvements	\$18.5M	\$22.0M (+\$3.5M)	<ul style="list-style-type: none"> Incorporating “alternative project delivery” (e.g., progressive design build); corridor study needed; updated cost
Debt Financing Assumption	\$30M	\$53.9M (+\$23.9M)	<ul style="list-style-type: none"> Mitigate rate impacts via WIFIA loan (favorable terms), potential bond issuance

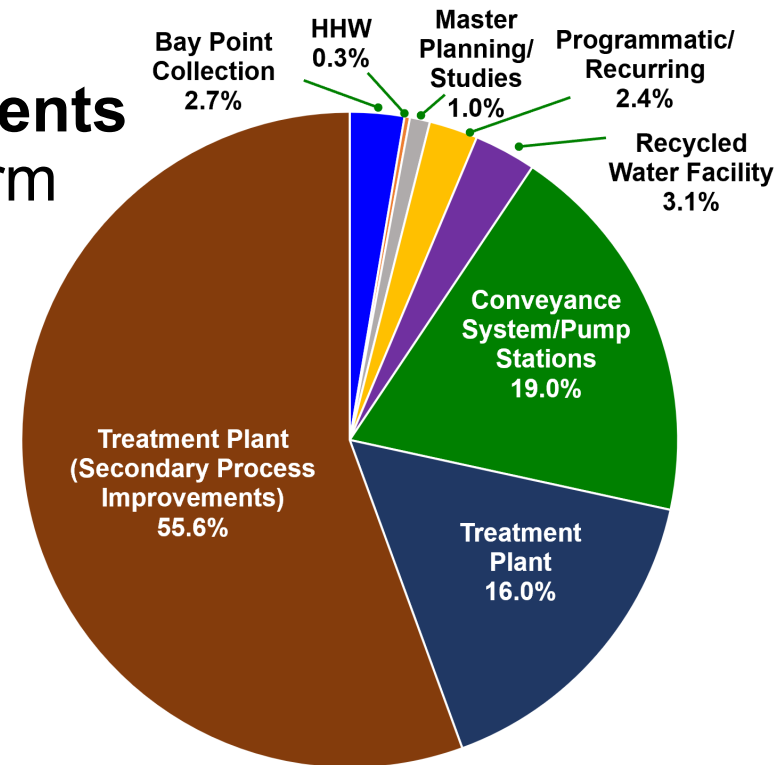
Staff has incorporated significant capital (+\$100M) into long-term term financial planning assumptions (Years 6-10) for **Secondary Process Improvements Phase 2** to meet **nutrient removal regulations**

5-Year CIP Highlights

Planned Expenditures by Major Area

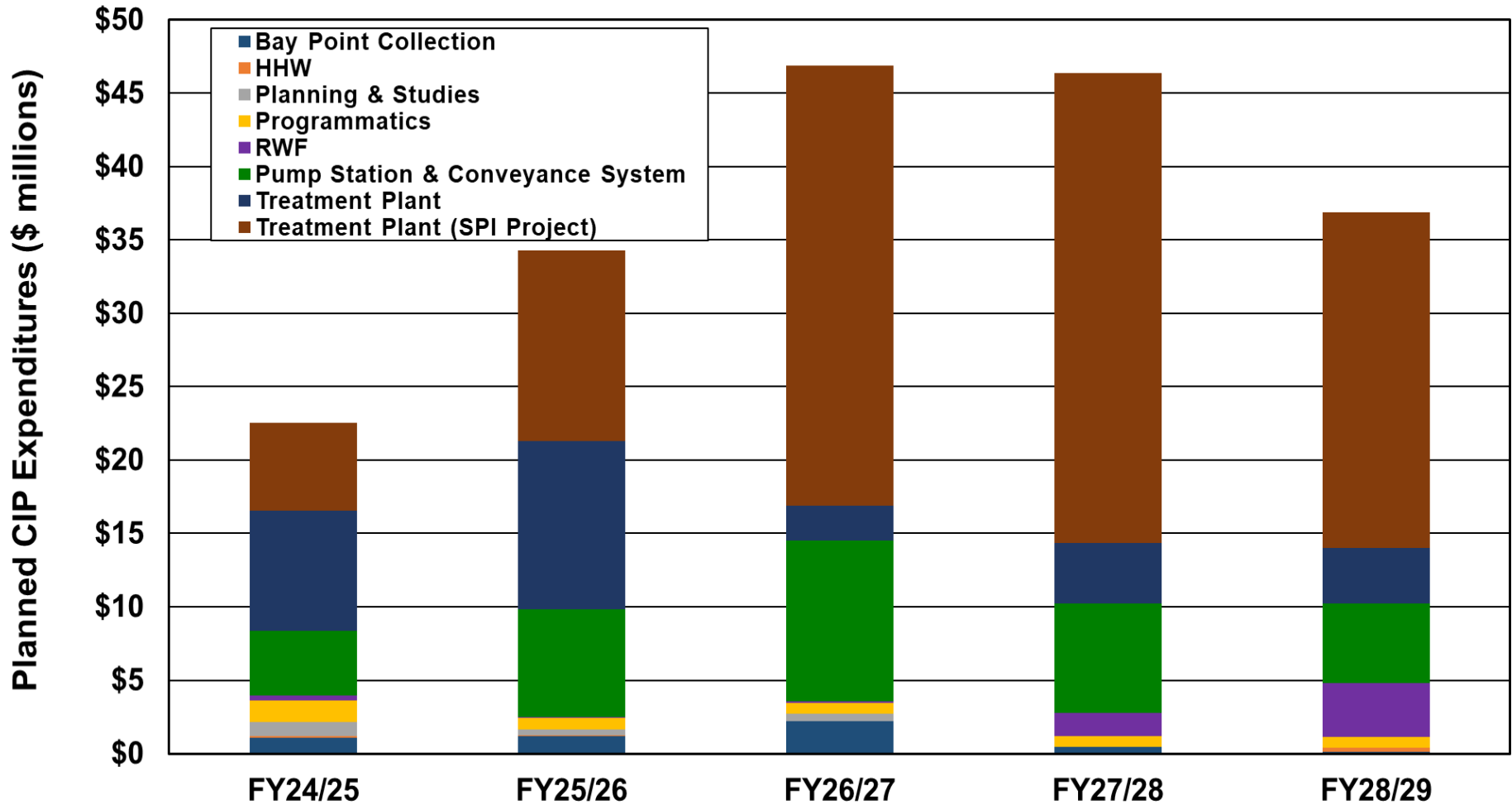


- Majority of CIP addresses **critical aging infrastructure needs** at WWTP (>72%) and conveyance system (19%)
- Progressing toward meeting new **regulatory requirements for nutrients** via \$20.7M in foundational, near-term investments (Secondary Process Improvements Phase 1)
- Added **six new projects** (\$6.7M)
- Continuing prioritized investment in **Bay Point collections** (\$5.0M)
- Planning for the future via five **master planning** efforts (\$1.9M)



Proposed 5-year CIP Overview

Planned Expenditures by Fiscal Year



FY24/25 SSC, CIP, and Budget Development Schedule Overview



March 2024	<ul style="list-style-type: none">3/13 Major Factors Impacting 5-Year CIP Development and Financial Assumptions3/27 Fin Comm: Review Proposed FY24/25 SSCs/Prop. 218 Notice	
April 2024	<ul style="list-style-type: none">4/10 Review Proposed FY24/25 SSCs, Set Public Hearing, Approve Prop. 218 Notice4/23 Fin Comm: Review Draft 5-year CIP, FY24/25 Operating Budget Assumptions	←
May 2024	<ul style="list-style-type: none">5/8 Review Draft 5-year CIP, Set Public Hearing Review FY24/25 Operating Budget Assumptions	←
June 2024	<ul style="list-style-type: none">6/12 Conduct 5-year CIP Public Hearing, Consider Approval Conduct FY24/25 SSC Public Hearing, Consider Approval, Authorize Collection Consider FY24/25 Budget Approval	←

Next Steps

- Receive comments from Finance Committee on proposed 5-year CIP
- Seek recommendation to present item at May 8, 2024 Board Meeting

