



FY2021/2022 Proposed Sewer Service Charge (SSC) Adjustments

Finance Committee Meeting

April 7, 2021



FY21/22 Budget and SSCs Development Schedule Overview



Board Meeting

March 25, 2021

- Board reviewed financial impacts of new \$60M Secondary Process Improvements Project on 5-year SSC increase projection

April 14, 2021

- Board reviews proposed SSC adjustments, considers setting public hearing and approving distribution of Prop. 218 notices

May 12, 2021

- Board reviews key operating budget assumptions, draft FY21/22 – FY25/26 CIP

June 9, 2021

- CIP Public Hearing, Board considers CIP approval
- **SSC Public Hearing**, Board considers SSC approval and authorizing collection on tax roll

July 14, 2021

- Board considers approval of FY21/22 Budget appropriations

COVID-19, Local Impacts, and SSC Adjustments



- Economic impacts on customers in service area may not be fully understood for months or even years into the future
- District has continued to provide effective and reliable “**essential services**” throughout the COVID-19 pandemic
- SSC adjustments are required to continue meeting core mission of protecting public health and the environment:
 - Ensure proactive, prioritized capital investment in **critical wastewater infrastructure** to address regulatory compliance vulnerabilities
 - Fund **progressive increases in operating costs** over time
 - Incorporate updated “**cost-of-service**” adjustments between and within customer classes (i.e., residential, non-residential)
 - Support the District’s **Financial Sustainability** guiding principles

Financial Sustainability Guiding Principles



Guiding Principles	Key Actions
<p>Critically review operating budget each year to identify budget adjustment needs and opportunities</p>	<ul style="list-style-type: none"> ✓ Preliminary FY21/22 Wastewater Operating Budget = \$26.2M, which represents a 1.0% reduction (\$270k) from FY20/21
<p>Ensure effective prioritization of a CIP that addresses critical infrastructure needs</p>	<ul style="list-style-type: none"> ✓ Incorporated critical new \$60.0M project, \$11.0M from master plan condition assessment findings ✓ Effectively prioritized and deferred projects <ul style="list-style-type: none"> – Current 5-year CIP = \$81M – Proposed 5-year CIP = \$67M + \$60M = \$127M; deferred \$10.2M (Years 1-3) for seven projects
<p>Utilize a 5-year rate model to identify SSC revenue needed to meet cost projections without sharp rate increases</p>	<ul style="list-style-type: none"> ✓ Incorporated debt financing to minimize SSC increases, while meeting financial needs ✓ Effective CIP prioritization, operating cost control
<p>Maximize cash funding of CIP (vs. debt financing) to ensure lowest overall costs for District customers</p>	<ul style="list-style-type: none"> ✓ Despite significant challenges, staff will be proposing 5-year CIP with 74% cash funding (50% for \$60M Secondary Process Improvements) ✓ Seek low borrowing costs for debt issuance

Financial Sustainability

Guiding Principles (cont'd)



Guiding Principles	Key Actions
Meet District policy to maintain minimum reserve balance of 40% of annual budgeted operating expenses in WW O&M Fund	✓ Minimum WW O&M fund balance is maintained throughout 5-year financial planning period
Factor growth into SSC calculation each year to ensure equitable cost allocation across customers	✓ 1,099 ERUs (FY20/21 YTD) have been added into SSC calculation due to development in the service area (~ \$450k in additional annual SSC revenue)
Reserve debt management capacity for long-term secondary capacity expansion and nutrient management treatment plant upgrades	✓ SSCs are designed to ensure sufficient revenue is generated to meet current and planned debt obligations
Maintain SSCs below average relative to peer agencies	✓
Comply with legal requirements for revenue collection	✓

FY21/22 SSC 5-year Analysis

Key Assumptions



Operating Budget

- Preliminary FY21/22 = **\$26.2M** for SSCs (\$28.9M total) as baseline w/escalation in subsequent years

5-year CIP

- Draft 5-year CIP = **\$113.4M** for SSCs (\$127M total)
- Major project drivers presented in Nov 2020 – Mar 2021
- \$60M for new Secondary Process Improvements
 - \$46.8M (SSCs), \$9.6M (WW Expansion), \$3.6M (AT Fund)
- \$11M for prioritized new projects from condition assessment work
- 74% cash funded (92% for FY20/21 5-year CIP)

Debt

- Existing debt = \$22.5M, pending debt = \$17.7M (IFC, Jan 2021)
 - Low-interest SRF and Municipal Finance Corporation loans (~1.9%-4.9%) total = \$40.2M (96% low interest)
- Planned issuance of **new debt** (\$30M) in Year 3 (FY23/24)

FY21/22 SSC 5-year Analysis

Key Assumptions (cont'd)



Ad Valorem Taxes

- Increased annual revenue assumption from \$2.0M to **\$3.0M** following elimination of CFCC reductions (Mar 2021 Board action)

Advanced Treatment Fund

- Continue **suspending SSC component** allocation to meet long-term nutrient removal regulatory requirements (**extended timeline** for implementation)

Cost-of-Service Study

- Implement key findings from 2021 Cost-of-Service Study, which includes **rebalancing cost allocation** between non-residential and residential customers

2021 Updated Cost-of-Service (CoS) Study Findings and Impacts to SSCs



- Update key factors (wastewater flow using potable water use and return factors, wastewater strength, parcels) influencing allocation of District costs to specific customer categories
- Key Findings
 - Shifted approximately \$740k in annual revenue requirement from non-residential (commercial, industrial) to residential customers

Category	Change in FY21/22 Revenue Need (CoS Only)	Equivalent Aggregate FY21/22 SSC Adjustment (CoS Only)*
Single-Family Residential	+\$740k	+1.7%
Non-residential	-\$740k	-15.8%

* Note: Based only on CoS-based reallocation of revenue needs between customer classes; does not include additional revenue to meet updated financial needs

- Adjusted annual minimum charge to 80 HCF (previously 90 HCF)
- Eliminated service area SSC differences for non-residential business types
- Significant SSC reductions required for specific non-residential customer businesses

Proposed FY21/22 SSC Adjustments



- Proposed increase in FY21/22 revenue = **\$1.6 million** to meet capital and operating financial needs
 - +4.8% from anticipated FY21/22 revenue without an SSC increase
- Implementation of Cost-of-Service findings yields different SSC adjustments for residential and non-residential

Residential (Single Family) Customers

Community/Category	SSC Increase	Current SSC	Proposed SSC	Annual Increase
Antioch/Pittsburg	+6.5%	\$403.10	\$429.42	\$26.32
Bay Point*	+5.9%	\$556.47	\$589.25	\$32.78

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

- No increase in Street Sweeping Service Charge for residential or non-residential customers

Proposed FY21/22 SSC Adjustments (cont'd)



- 2021 CoS Study + FY21/22 SSC adjustments = \$550k cost reallocation to residential customers
- SSC reductions required for non-residential customers

Non-Residential Customers

(values in \$ per hundred cubic feet [HCF] of potable water use)

Category	Zone 1 - Bay Point			Zone 2 - Pittsburg			Zone 3 - Antioch		
	FY 20/21	FY 21/22	% Change	FY 20/21	FY 21/22	% Change	FY 20/21	FY 21/22	% Change
Bakeries/Restaurants	\$9.47	\$9.02	-4.8%	\$8.01	\$7.33	-8.5%	\$7.94	\$7.33	-7.7%
Hotels/Motels	-	\$4.57	N/A	\$4.27	\$4.57	7.0%	\$4.64	\$4.57	-1.5%
Institutional	\$6.52	\$5.91	-9.4%	\$4.89	\$4.22	-13.7%	\$4.85	\$4.22	-13.0%
Light Industry	\$6.52	\$5.71	-12.4%	\$4.89	\$4.02	-17.8%	\$4.85	\$4.02	-17.1%
Marinas	-	\$6.03	N/A	\$6.30	\$6.03	-4.3%	\$6.34	\$6.03	-4.9%
Misc. Commercial	\$6.52	\$5.91	-9.4%	\$4.89	\$4.22	-13.7%	\$4.79	\$4.22	-11.9%
Mortuaries	-	\$5.83	N/A	\$5.53	\$5.83	5.4%	\$5.55	\$5.83	5.0%

Annual Single-Family Residential FY21/22 SSC Breakdown

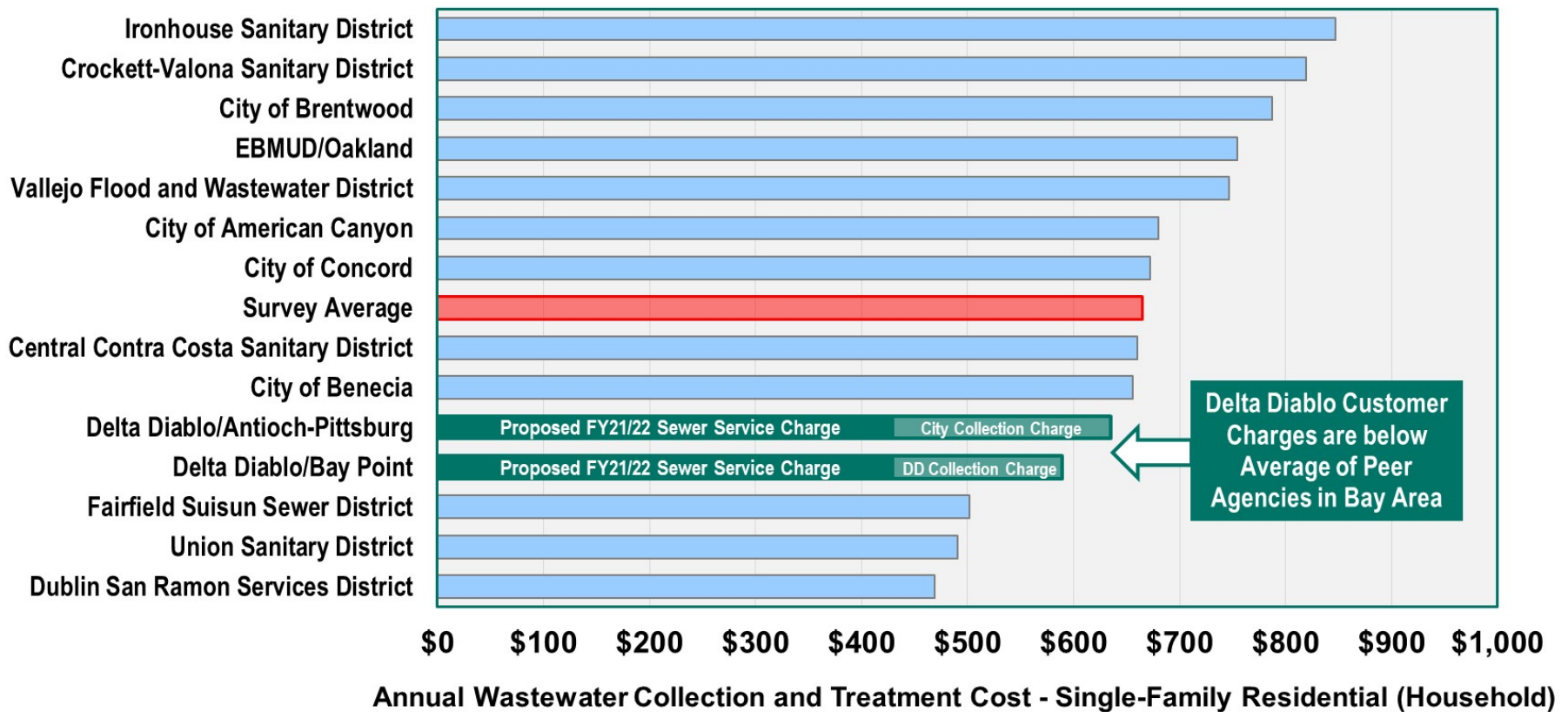


- Significant reduction in WW O&M Fund balance planned for FY21/22 to support near-term capital investment in infrastructure needs

SSC Component	Antioch/Pittsburg		Bay Point	
	Current FY20/21	Proposed FY21/22	Current FY20/21	Proposed FY21/22
Wastewater O&M	\$286.03	\$184.67	\$286.03	\$184.67
Capital Improvements	\$117.07	\$244.75	\$117.07	\$244.75
Bay Point Collections (BP only)	N/A	N/A	\$153.37	\$159.83
Total SSC per Equivalent Residential Unit	\$403.10	\$429.42	\$556.47	\$589.25
Estimated Monthly Charge	\$33.59	\$35.79	\$46.37	\$49.10

FY21/22 Rate Comparison

- District SSCs are below average when compared to peer agencies in the Bay Area



5-Year SSC Increase Projection



Current SSC Increase Projection

	FY21/22	FY22/23	FY23/24	FY24/25	FY25/26
Antioch and Pittsburg Customers					
SSC Increase	6.5%	5.8%	5.8%	2.5%	2.0%
Bay Point Customers					
SSC Increase	5.9%	5.8%	5.8%	2.5%	2.0%

Previous SSC Projection (June 2020)

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

5-year Financial Planning

Projected Inter-Fund Loans



- Repayment of Board-approved \$3.0M loan from AT Fund to WW CAR Fund in FY20/21
 - \$3.0M to be paid back to AT Fund from WW CAR in FY21/22
- Anticipated \$9.6M loan from WW CAR to WW Expansion (funded by CFCCs) to support cash funding of Secondary Process Improvements Project in Year 3 (FY24/25)
 - \$1.0M to be paid back from WW Expansion to WW CAR in subsequent years until repaid

Draft Prop. 218 Notice

- References procedural conditions if COVID-19 restrictions remain in effect at time of planned public hearing
- Provides background on District, proposed SSC adjustments for residential and non-residential customers
- Describes procedure for protesting SSC increase
- Notice must be sent at least 45 days prior to public hearing

Draft Prop. 218 Notice (cont'd)



Notice of Proposed Sewer Service Charge Rate Adjustments for Fiscal Year 2021/2022

Proposition 218 Notification to Property Owners of Public Hearing

NOTICE IS HEREBY GIVEN that the Delta Diablo Board of Directors will hold a public hearing on **Wednesday, June 9, 2021, at 4:30 p.m., in the Board Room at 2500 Pittsburg-Antioch Highway, Antioch, California**, to consider adoption of proposed rate adjustments for wastewater utility services. A summary of the proposed rates and associated financial needs and information, and instructions for protesting the rate adjustments (if desired) are provided below. In addition, related fact sheets and a "Frequently Asked Questions" document are available on the District's website (www.deltadiablo.org).

If state and local COVID-19 restrictions remain in effect, the June 9, 2021 Board Meeting agenda posted on the District's website will inform members of the public as to how the public hearing will be conducted in accordance with applicable laws, health orders, and Governor's executive orders.

WHAT IS DELTA DIABLO?

Delta Diablo ("District") provides wastewater conveyance and treatment services for over 70,000 customer accounts (residential and non-residential), representing approximately 214,000 residents in the cities of Antioch and Pittsburg, and the unincorporated community of Bay Point. As part of our core mission to protect public health and the environment, the District treats 13 million gallons of wastewater each day with a focus on exemplary regulatory compliance, innovative and sustainable approaches, and sound stewardship of the public's resources and trust.

The District has transformed its Wastewater Treatment Plant (WWTP) into a "resource recovery facility" by producing approximately 6 million gallons per day of recycled water, generating on-site renewable energy to meet over 55 percent of WWTP power needs, reusing residual biosolids as fertilizer via land application, providing household hazardous waste (HHW) collection services, and further protecting the Delta by providing street sweeping services to remove pollutants that would otherwise enter local stormwater systems.

PROPOSED FISCAL YEAR 2021/2022 SEWER SERVICE CHARGES

The District collects Sewer Service Charges (SSCs) from its customers each year as the primary revenue source needed to fund capital infrastructure investments, labor, energy, chemicals, regulatory compliance obligations, plant maintenance, and Delta HHW Collection Facility operations. For Fiscal Year 2021/2022 (FY21/22) (July 1, 2021 – June 30, 2022), the District is proposing SSC adjustments of approximately 6.5% (+\$26.32 per year) for residential customers in Antioch and Pittsburg, and approximately 5.9% (+\$32.78 per year) for residential customers in Bay Point.

Because the District's costs in the categories referenced above will increase in the next fiscal year, SSC adjustments are required to recover the District's costs, maintain effective and reliable wastewater conveyance and treatment services, and ensure financial integrity and long-term sustainability. In addition, the proposed FY21/22 SSCs incorporate 2021 Cost-of-Service Study findings, which reapportioned certain costs from non-residential customers to residential customers to ensure SSCs accurately reflect the District's cost of providing services to different customer classes. SSCs for non-residential customers (i.e., commercial, industrial) have been adjusted accordingly and vary based on customer class. Most District customers are billed on a fiscal-year basis and pay SSCs via annual property tax bills. Property tax bills also include a street sweeping service charge (no increase from FY20/21) that varies by community based on service frequency.

Residential Customers: The impact of the proposed SSC increase on the annual property tax bill for a single-family residential customer is shown in **Table 1**. The total annual charge for residential

properties with multiple units (e.g., duplex, fourplex, apartment complex, etc.) can be calculated by multiplying the applicable per unit SSC charge in **Table 1** by the total number of units.

Table 1 – Example Annual Residential SSC on Property Tax Bills for FY21/22

Residential Service Customers	Proposed SSC Increase*	Current FY20/21	Proposed FY21/22	Annual Change
Antioch/Pittsburg	6.5%	\$403.10	\$429.42	+\$26.32
Bay Point**	5.9%	\$556.47	\$589.25	+\$32.78

Notes: * Percentage increases are approximate.

** Delta Diablo provides wastewater collection services for Bay Point customers only (i.e., higher SSC), while the respective cities provide these services for Antioch and Pittsburg customers.

Non-residential Customers: The District is proposing SSCs adjustments for commercial and industrial customers based on 2021 Cost-of-Service Study findings and annual potable water consumption data (i.e., the SSC rates are per one hundred cubic feet per year [HCF/y] of potable water consumption), as presented in **Table 2**, by business class and community. A minimum annual charge of 80 HCF/y multiplied by the applicable rate for each business class will be assessed.

Table 2 – Non-residential Proposed User Charges: SSC (\$) per Hundred Cubic Feet per Year

Business Class (Commercial/Industrial)	Bay Point (Zone 1)		Pittsburg (Zone 2)		Antioch (Zone 3)	
	Current FY20/21	Proposed FY21/22	Current FY20/21	Proposed FY21/22	Current FY20/21	Proposed FY21/22
Bakeries/Restaurants	\$9.47	\$9.02	\$8.01	\$7.33	\$7.94	\$7.33
Hotels/Motels	-	\$4.57*	\$4.27	\$4.57	\$4.64	\$4.57
Institutional	\$6.52	\$5.91	\$4.89	\$4.22	\$4.85	\$4.22
Light Industrial	\$6.52	\$5.71	\$4.89	\$4.02	\$4.85	\$4.02
Marinas	-	\$6.03*	\$6.30	\$6.03	\$6.34	\$6.03
Misc. Commercial	\$6.52	\$5.91	\$4.89	\$4.22	\$4.79	\$4.22
Mortuaries	-	\$5.83*	\$5.53	\$5.83	\$5.55	\$5.83
Annual Minimum	\$556.47	varies**	\$403.10	varies**	\$403.10	varies**

Notes: * SSC per HCF for FY21/22 provided, although no businesses in these classes are known in Bay Point.

** Annual minimum charge is calculated by multiplying 80 HCF/y by the applicable SSC per HCF/y

WHAT DO SEWER SERVICE CHARGES FUND?

The SSC adjustments are necessary to fund \$1.6 million in increased costs attributable to providing wastewater services. The District utilizes annual SSC revenue to:

- **Meet the District's core mission of protecting public health and the environment.** Achieving this mission requires sufficient capital investment and staffing levels to properly operate and maintain the District's complex network of sewer pipes, pump stations, and treatment processes.
- **Address aging infrastructure through prioritized capital investment.** The District continues to strategically rehabilitate and replace essential elements of the wastewater collection, conveyance, and treatment systems to maintain effective and reliable services.
- **Recover increases in operating costs.** As a regulated utility that requires specialized employees, materials, and services to meet its mission, the District continues to experience progressive increases in annual operating costs due to escalations in labor, chemical, energy, materials, supplies, hauling, services, and regulatory compliance costs.
- **Prevent the need for more significant SSC adjustments in the future.** In developing its 5-year financial plan each year, the District works hard to balance direct economic impacts

Draft Prop. 218 Notice (cont'd)



to customers and the need for sufficient revenue to cover capital investment needs and operating costs. The District continues to maintain its rates well below the average of its peer agencies in the Bay Area. If SSC adjustments are not implemented this year, more significant rate adjustments may need to be proposed in subsequent years.

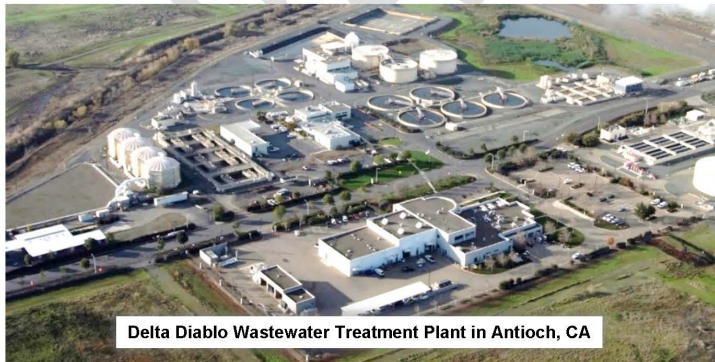
- **Focus on cash funding versus borrowing for capital improvements.** Increasing overall SSC revenue allows the District to continue cash funding a majority of necessary capital improvements in its wastewater conveyance and treatment systems.

Detailed information on operating and capital costs is available within the District's budget and CIP documents, which are on file at the District's offices.

PUBLIC HEARING AND PROTEST PROCEDURES

The Board of Directors will hold a public hearing on the proposed SSC adjustments on Wednesday, June 9, 2021, at 4:30 p.m., in the Board Room at 2500 Pittsburg-Antioch Highway, Antioch, California, 94509. If state and local COVID-19 restrictions remain in effect, the June 9, 2021 Board Meeting agenda posted on the District's website will inform members of the public as to how the public hearing will be conducted in accordance with applicable laws, health orders, and Governor's executive orders. After the close of the public hearing and consideration of all public comments and written protests received, the Board of Directors will be asked to take action to implement the proposed SSC adjustments at this meeting.

Written protests may be sent to the District (attention of "Office Manager/Secretary to the Board", 2500 Pittsburg-Antioch Highway, Antioch, California, 94509) prior to close of the public hearing and **must include your property address and the Assessor Parcel Number** found on your mailing label. At the close of the public hearing, the Secretary to the Board will announce the total number of protest responses, including any received by close of the public hearing. If written protests are presented by a majority of the parcel owners in the District's service area, the District cannot implement the SSC increase.



Delta Diablo Wastewater Treatment Plant in Antioch, CA



2500 Pittsburg-Antioch Highway
Antioch, CA 94509

**NOTICE OF PUBLIC HEARING
PROPOSED SEWER SERVICE CHARGE
RATE INCREASES**

4:30 PM
WEDNESDAY, JUNE 9, 2021
2500 PITTSBURG-ANTIOCH HIGHWAY
ANTIOCH, CA 94509



Delta Diablo provides wastewater conveyance and treatment services to approximately 214,000 customers in Pittsburg, Antioch, and Bay Point

Our core mission is to protect public health and the environment in our communities by providing wastewater resource recovery services of exceptional quality and value

Environmental Stewardship

In treating 13 million gallons of wastewater each day, Delta Diablo has an exemplary regulatory compliance record in meeting federal, state, and local regulatory requirements and protecting the local Delta receiving waters.

Infrastructure Investment

Continued capital investment in the Wastewater Treatment Plant, 76 combined miles of sewer pipes and force mains, and five pump stations is critical to maintaining effective, reliable, and high-quality customer service.

Fiscal Responsibility

Delta Diablo is committed to maintaining responsible rates by prioritizing capital investments, managing budgets through operational efficiencies, and targeting available grant and low-interest loan programs.

For more information, visit www.deltadiablo.org or call (925) 756-1900.

214,000 residents	13 million gallons of wastewater per day	76 miles of sewer pipes, force mains	5 pumps stations to convey wastewater	Wastewater Treatment Plant	Recycled Water Facility
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FY21/22 Budget and SSCs Development Schedule Overview



Board Meeting

March 25, 2021

April 14, 2021

May 12, 2021

June 9, 2021

July 14, 2021

- Board reviewed financial impacts of new \$60M Secondary Process Improvements Project on 5-year SSC increase projection
- Board reviews proposed SSC adjustments, considers setting public hearing and approving distribution of Prop. 218 notices
- Board reviews key operating budget assumptions, draft FY21/22 – FY25/26 CIP
- CIP Public Hearing, Board considers CIP approval
- **SSC Public Hearing**, Board considers SSC approval and authorizing collection on tax roll
- Board considers approval of FY21/22 Budget appropriations

Recommendations

- Provide comments and/or questions on:
 - Proposed FY21/22 SSC adjustments
 - **Residential Customers (Antioch/Pittsburg = 6.5%, Bay Point = 5.9%)**
 - **Non-residential Customers (varies by business type)**
 - Draft Prop. 218 Notice addressing proposed SSC adjustments and notifying property owners of public hearing on June 9, 2021
- Approve submitting proposed FY21/22 SSC adjustments, proposed Prop. 218 Notice, and public hearing date for review at April 14, 2021 Board meeting