

## AGENDA

### **REGULAR BOARD OF DIRECTORS MEETING** **DELTA DIABLO**

*(a California Special District)*

**2500 Pittsburg-Antioch Highway | Antioch, CA 94509**

**WEDNESDAY, JANUARY 9, 2019**

**4:30 P.M.**

*Persons who wish to address the board during Public Comment or with respect to an item on the Agenda will be limited to three (3) minutes. The Board Chair may reduce the amount of time allotted per speaker at the beginning of each Item or Public Comment period depending on the number of speakers and the business of the day. Your patience is appreciated. A break may be called, or an item may be taken out of order, at the discretion of the Board Chair.*

#### **A. ROLL CALL**

#### **B. PLEDGE OF ALLEGIANCE**

Recited at the preceding Integrated Financing Corporation Meeting

#### **C. PUBLIC COMMENTS**

#### **D. BOARD REORGANIZATION**

Approve Reorganization of the Board for 2019 and Appoint Board Committee Members, Alternates, and Representatives (Vince De Lange)

#### **E. RECOGNITION**

**Introduction** of Jason Yun, Environmental Compliance Specialist II (Darrell Cain)

#### **F. CONSENT CALENDAR**

- 1) **Approve** Minutes of Regular Board of Directors Meeting, December 12, 2018 (Cecelia Nichols-Fritzler)
- 2) **Receive** Notes from Finance Committee Meeting, December 20, 2018 (Cecelia Nichols-Fritzler)
- 3) **Receive** District Monthly Check Register, November 2018 (Eka Ekanem)
- 4) **Authorize** General Manager to Execute Amendment No. 1 to Consulting Services Contract in an Amount Not to Exceed \$50,600, Lee & Ro, Inc., Engineering Services, Treatment Plant Electrical Switchgear Replacement Project No. 17120 (Irene O'Sullivan)
- 5) **Approve** Actions Related to Pump Station Facilities Repairs, Project No. 80008 (Thanh Vo):
  - a) **Award** Project Construction Contract Documents and **Authorize** General Manager to Execute Construction Services Contract in an Amount Not to Exceed \$9,872,000, W.M. Lyles Co., and **Authorize** General Manager or His Designee to **Approve** Contract

The District will provide reasonable accommodations for persons with disabilities who plan to participate in Board (or committee) meetings by contacting the Secretary to the Board 24-hours prior to the scheduled meeting at (925) 756-1927. Disclosable public records related to an open session item on a regular meeting agenda and distributed by the District to a majority of members of the Board of Directors less than 72 hours prior to that meeting are available for public inspection at 2500 Pittsburg-Antioch Highway, Antioch, CA 94509 during normal working business hours.

Change Orders in an Amount Not to Exceed 5% of Contract Amount, Pump Station Facilities Repair Project No. 80008 (Sean Williams)

- b) **Authorize** General Manager to Execute Amendment No. 2 to Consulting Services Contract in an Amount Not to Exceed \$353,220, Schaaf & Wheeler, Engineering Services; and **Authorize** the General Manager to Execute a Consulting Services Agreement in an Amount Not to Exceed \$832,000, Inferrera Construction Management Group, Inc., Construction Management Services, Pump Station Facilities Repair Project 80008 (Sean Williams)
  - c) **Approve** and **Authorize** Execution of Purchase and Sale Agreement with City of Antioch (City) to Purchase Approximately 1.987 Acres of Property, a Portion of Assessor's Parcel No. 065-050-037, Opposite of 724 Fulton Shipyard Road, in Exchange for Paying the City an Amount Not to Exceed \$291,721 and Granting the City Maintenance and Pipeline Easements in the Property; and take Related Actions Under the California Environmental Quality Act (Thanh Vo)
  - d) **Adopt** Resolution Amending Section 2 of Reimbursement Resolution 7/2017 to Provide the Reasonably Expected Maximum Principal Amount of Project Funds is \$13,500,000 for the Pump Station Facilities Repair Project No. 80008 (Jayne Strommer)
- 6) **Authorize** General Manager to Execute Amendment No. 2 to Consulting Services Contract in an Amount Not to Exceed \$6,595, Regional Government Services, District Job Classification and Job Description Project, RFP #51103117 (Cheryl Rhodes Alexander)

**G. DELIBERATION ITEMS:** *The Board will consider and take action on the following:*

**H. PRESENTATIONS AND REPORTS:** *The Board may consider and take action on the following:*

**Receive** Audited Comprehensive Annual Financial Report (CAFR) and Memorandum on Internal Control for Fiscal Year Ended June 30, 2018 (Maze & Associates)

**I. MANAGER'S COMMENTS**

**J. DIRECTORS' COMMENTS**

**K. CORRESPONDENCE**

**Receive** Monthly Lobbyist Report dated December 2018, Key Advocates, Inc., Western Recycled Water Coalition, Project No. 90024 (Jayne Strommer)

**L. CLOSED SESSION**

**CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION**

(Significant exposure to litigation pursuant to Gov. Code § 54956.9 (d) (2)): One potential case

**M. ADJOURNMENT**

The next regular monthly meeting will be **Wednesday, February 13, 2019, at 4:30 p.m.**

The District will provide reasonable accommodations for persons with disabilities who plan to participate in Board (or committee) meetings by contacting the Secretary to the Board 24-hours prior to the scheduled meeting at (925) 756-1927. Disclosable public records related to an open session item on a regular meeting agenda and distributed by the District to a majority of members of the Board of Directors less than 72 hours prior to that meeting are available for public inspection at 2500 Pittsburg-Antioch Highway, Antioch, CA 94509 during normal working business hours.

January 9, 2019

APPROVE REORGANIZATION OF THE BOARD FOR 2019, APPOINT BOARD COMMITTEE MEMBERS, ALTERNATES, AND REPRESENTATIVES

Recommendation

Approve reorganization of the Board for 2019 and appoint Board committee members, alternates, and representatives.

Background Information

In January of each year, the Board of Directors is required to elect officers and make committee appointments for the calendar year. Traditionally, Board Officer positions have rotated among the three Board Members.

Analysis

The current Board Officer positions and proposed rotation for 2019 are shown below.

<b>Position</b>	<b>2018 Current Officers</b>	<b>2019 Proposed Officers</b>
Chair	Federal Glover	Sean Wright
Vice Chair	Sean Wright	Juan Banales
Secretary	D. Pete Longmire	Federal Glover

In addition, the current Board Chair proposes appointments to the Finance Committee, Personnel Committee, and East County Water Management Association (ECWMA) with appointments based on maximizing continuity with each Director serving as lead representative on one committee, as well as alternate committee representatives if availability conflicts arise. The current and proposed Board committee appointments for 2019 are shown below.

<b>Committee</b>	<b>Current</b>	<b>2019 Proposed Appointments</b>	<b>2019 Proposed Alternates</b>
Finance	D. Pete Longmire	Sean Wright	Federal Glover
Personnel	Federal Glover	Federal Glover	Juan Banales
ECWMA	Sean Wright	Juan Banales	Sean Wright

The current Board Chair is requested to conduct an election by seeking Board approval of the proposed Board Officer and committee assignments, which would become effective February 1, 2019.

Financial Impact

None

Attachments

None

Signature:

  
 \_\_\_\_\_  
 Vince De Lange  
 General Manager



ITEM E

January 9, 2019

INTRODUCTION OF JASON YUN, ENVIRONMENTAL COMPLIANCE SPECIALIST II

RECOMMENDATION

Welcome Mr. Jason Yun to the District.

Background Information

The District recently completed a recruitment and selection process to fill the vacant Environmental Compliance Specialist II position resulting from the retirement of the incumbent, Robert Brothers, on December 28, 2018. Based on the results of a comprehensive and competitive selection process, Mr. Yun was selected as the best candidate to fill the position.

Analysis

Mr. Yun began his employment with the District on January 7, 2019. In his new role as Environmental Compliance Specialist II, his responsibilities include permit administration and inspection of commercial and industrial user facilities, monitoring and enforcement of federal and state pretreatment regulations, conducting laboratory analysis and testing, and public outreach and education.

Mr. Yun most recently served as an Environmental Protection Specialist I at the City of San Leandro, where he was responsible for reviewing and issuing industrial/commercial wastewater discharge permit applications, performing laboratory testing and analysis, monitoring data interpretation, and public outreach. In addition, he had similar responsibilities while working at the City of Manteca and the City of Livermore. Mr. Yun has a Bachelor of Science degree in Environmental Science from the University of the Pacific. He resides in Tracy and enjoys watching 49ers football, photography, snowboarding, and exercising.

Financial Impact

Funding for the Environmental Compliance Specialist II position is included in the District's adopted Fiscal Year 2018/2019 budget.

Attachments

None

Prepared by:

  
Darrell Cain  
Laboratory Manager

Reviewed by:

  
Dean Eckerson  
Resource Recovery Services  
Director

cc: Jason Yun, Environmental Compliance Specialist II  
District File HR.01-PEF-16382



January 9, 2019

APPROVE MINUTES OF REGULAR BOARD OF DIRECTORS MEETING, DECEMBER 12, 2018RECOMMENDATION

Approve Minutes of the Regular Board of Directors Meeting of December 12, 2018.

**DRAFT****Minutes of the Regular Board of Directors Meeting****DELTA DIABLO**

December 12, 2018

The meeting was called to order by Chair Glover on Wednesday, December 12, 2018, at 4:30 p.m., in the Board Room, located at 2500 Pittsburg-Antioch Highway, Antioch. Present were Chair Federal Glover and Directors Sean Wright and Juan Banales. Also present were Mary Ann Mason, District Counsel; Vince De Lange, General Manager; Cecelia Nichols-Fritzler, Office Manager/Secretary to the Board; Carol Margetich, Business Services Director; Dean Eckerson, Resource Recovery Services Director; Brian Thomas, Engineering Services Director/District Engineer; Joaquin Gonzalez, Operations Manager/Management Association Representative; Darrell Cain, Laboratory Manager; Robert Brothers, Environmental Compliance Specialist II; Jayne Strommer, Government Affairs Manager; Amanda Roa, Environmental Programs Manager; Thanh Vo, Senior Engineer; Steve Rodriguez, Operations Supervisor; Matt Gotshall, Computer Analyst/P&T Bargaining Unit Representative; Irene O'Sullivan, Associate Engineer/P&T Bargaining Unit Representative; Cheryl Rhodes Alexander, Human Resources & Risk Manager; Mary Harvey, Safety Manager; Regina Cartwright-Morales, Administrative Assistant III; Nick Steiner, Recycled Water Program Coordinator/P&T Bargaining Unit Representative; and Holland White, City of Pittsburg Councilmember and Supervisor's Aide for Special Projects, Office of Supervisor Federal D. Glover.

**PUBLIC COMMENTS**

None.

**RECOGNITION**

Adopt Resolution Commending and Congratulating Robert Brothers, Environmental Compliance Specialist II, on his Retirement from the District

Mr. Cain recognized and thanked Mr. Brothers for his 20 years of service to the District, acknowledging his active involvement with development of the FOG (fats, oils, and grease) program, his passion for teaching local students about pollution prevention, his strong advocacy for learning, and his commitment and genuine desire to help people help themselves. Mr. Cain closed his remarks and congratulated Mr. Brothers on his retirement and a job well done.

Chair Glover acknowledged Mr. Brothers and congratulated him on his 20 years of service with the District. Chair Glover thanked Mr. Brothers for his great work in educating students, expressed his appreciation for his service, and shared how well he represented the Delta Diablo family during his career.



Mr. Brothers addressed the Board and shared how his background in the U.S. Air Force led him to public service at Delta Diablo. He stated how fortunate he was to learn about the wastewater field and the opportunity to work at Delta Diablo. Mr. Brothers highlighted his involvement in working with local elementary school students and how he would continue mentoring local youths during his retirement years. He closed his remarks by acknowledging the great staff and thanking the District.

Director Wright moved approval to adopt the Resolution commending and congratulating Robert Brothers, Environmental Compliance Specialist II, on his Retirement from the District, seconded by Director Banales, and by unanimous voice vote (*Ayes: Banales, Wright; and Glover; Noes: None; Absent: None*).

### **CONSENT CALENDAR**

Director Banales moved approval and abstained from Item E-1, seconded by Director Wright, and by unanimous voice vote (*Ayes: Banales, Wright; and Glover; Noes: None; Absent: None*), the following Consent Calendar items were approved according to staff recommendations: Approve Minutes of Regular Board of Directors Meeting, November 14, 2018; Approve 2019 Delta Diablo Board Meeting Schedule; Receive District Monthly Check Register, November 2018; Adopt Resolution Commending and Congratulating Richard (Rich) Tamborski, Maintenance Mechanic II, on his Retirement from the District; Adopt Resolution Commending and Congratulating Andrzej (Andre) Dembny, Maintenance Mechanic II, on his Retirement from the District; Adopt Resolution Commending and Congratulating Paulette Rios, Buyer, on her Retirement from the District; and Receive; Approve Report on Fiscal Year 2017/2018 Capital Project Funds to be Carried Over to Fiscal Year 2018/2019, Budget Adjustments for Reduced Budget Amounts on Carryover Projects and Projects Closed in Fiscal Year 2017/2018; Accept and Authorize General Manager to File Notice of Completion, Clyde G. Steagall, Inc., Recycled Water Facility Emergency Backup Generator, Project No. 15126; Acting in the Capacity as Lead Agency of the Western Recycled Water Coalition, Authorize General Manager to Execute Amendment No. 4 to Consulting Services Contract in the Amount of \$90,000, for a New Total Contract Amount Not to Exceed \$422,000, Key Advocates, Inc., 2019 Legislative Advocacy Services, Western Recycled Water Coalition, Project No. 90024; Accept as Complete, Alan Pre-Fab Building Corporation, and Presidio Systems Incorporated, Analyzer Room Installation, Project No. 10187; Authorize Issuance of a Purchase Order in An Amount Not to Exceed \$275,000, Kruger, Inc., Recycled Water Facility Replacement Mixer Gearboxes and Associated Component Parts; Authorize General Manager to Execute Amendment No. 2 to Consulting Services Contract in an Amount Not to Exceed \$375,188, Carollo Engineers, Inc., Engineering Services, Headworks Improvements, Project No. 17117.

### **DELIBERATION**

None.

### **PRESENTATIONS AND REPORTS**

#### **RECEIVE REPORT ON CAPITAL IMPROVEMENT PROGRAM AND STATUS OF CONSTRUCTION PROJECTS**

Mr. Vo highlighted the District's Capital Improvement Program (CIP) and provided a status update on construction projects. He provided an overview of the five-year CIP and the District's focus on addressing aging infrastructure, meeting future regulatory requirements, expanding recycled water services, and identifying opportunities for improved energy management. Mr. Vo informed the Board that Phase 1 (Wastewater Conveyance System) of the Facility Condition

Assessment Project has been completed and noted that the overall system is in good condition with only 1,000-1,300 feet of sewer and 10-20 manholes in need of priority repair. He stated the analysis of the force mains will resume in spring 2019. Mr. Vo stated Phase 2 (Wastewater Treatment Plant) will be implemented next summer as part of the Resource Recovery Master Plan. He also reported that the construction award for the Pump Station Facility Improvement project would be considered in January 2019. Mr. Vo provided an update on the Wastewater Collection System and noted the Bay Point Rehabilitation Phase IV Project will address infrastructure needs to ensure ongoing operational reliability. He highlighted staff's efforts to save approximately \$8 million by shifting from a replacement to rehabilitation approach for the Headworks Facility Improvements Project. Mr. Vo compared budgeted capital expenditures for FY18/19 of \$21.8M to the updated FY18/19 projected expenditures of \$12-\$14M. Mr. Vo attributed the shortfall to the delay in completing the Pump Station Facility Improvements Project design, the updated East County Bioenergy project schedule, and lower than expected spending on programmatic efforts. He summarized upcoming program activities, including initiating the development of FY19/20-FY23/24 CIP budget, submitting new project requests, developing scopes and budgets for selected new projects, prioritizing existing and new projects, developing a funding plan and assessing rate impacts.

Chair Glover thanked Mr. Vo and commented that it was very informational.

Director Banales thanked Mr. Vo. Mr. Banales inquired as to which technologies were used for the infrastructure facility condition assessment work, how the data gathered from the inspection is incorporated into the CIP development process, and whether the current facility condition assessment effort is a one-time assessment or part of a sustained, long-term program. Mr. Vo responded that the District largely used closed-circuit television (CCTV) inspection for the condition assessment work (i.e., visual observations) and continues to look for opportunities to use more innovative technologies (e.g., "Smart Ball"). He also stated the current Phase 1 data has been incorporated into the CIP process and that the District will continue to perform regular infrastructure condition assessments in the future as part for of the Asset Management Program currently in development.

Director Wright thanked Mr. Vo for the presentation and commented that he is excited to see the focus on the District's infrastructure.

The Board received and filed the report.

### **MANAGER'S COMMENTS**

Mr. De Lange provided a follow-up to his communication last week to the Board regarding the regulatory compliance issue that occurred on December 3, 2018. He informed the Board that the District is awaiting a response from the Regional Water Board regarding how this event will be interpreted and anticipates that staff will follow-up next Monday for an update.

Mr. De Lange welcomed Mayor Banales to the Board.

### **DIRECTORS' COMMENTS**

Director Wright acknowledged the District and its outstanding regulatory compliance record. He stated his pride in the work performed by staff and added that he knows staff works diligently and the recent issue is likely a result of issues outside of their control. Director Wright closed his remarks wishing everyone a Merry Christmas.

Chair Glover welcomed Director Banales to the Board, noting his engineering background, and expressed his confidence that his questions will help guide the District forward. Chair Glover stated he is looking forward to working with him.

Director Banales stated he is excited to serve on the Board and is looking forward to learning more about the District and being a contributor.

### **CORRESPONDENCE**

Receive Monthly Report dated November 2018, Key Advocates, Inc., Western Recycled Water Coalition, Project No. 90024

The Board received and filed the report.

### **CLOSED SESSION**

### **ADJOURNMENT**

Before adjourning the meeting, Chair Glover wished staff a Merry Christmas. Chair Glover closed his remarks and said he is looking forward to 2019 and for remarkable things to continue at the District.

Chair Glover adjourned the meeting at 5:05 pm. The next regular meeting of the Board of Directors will be on Wednesday, January 9, 2019, at 4:30 pm.

---

Sean Wright, Vice Chair

(Recording Secretary:

Cecelia Nichols-Fritzler)



ITEM F/2

January 9, 2019

RECEIVE NOTES FROM FINANCE COMMITTEE MEETING, DECEMBER 20, 2018

RECOMMENDATION

Note receipt and file.

Background Information

The Finance Committee met on December 20, 2018. The meeting was attended by Committee Chair (Alternate), Federal Glover; Vince De Lange, General Manager; Carol Margetich, Business Services Director; Cecelia Nichols-Fritzler, Office Manager/Secretary to the Board; and David Alvey, Vice President, Maze & Associates.

The purpose of the meeting was to review the draft Comprehensive Annual Financial Report and Memorandum on Internal Control for the Fiscal Year ending June 30, 2018. Mr. Alvey reviewed key findings from the financial audit, which are summarized in the meeting notes.

Analysis

Committee Chair Glover recommended the audit report be brought forth to the full Board at the January 9, 2019 meeting. Committee meeting notes are provided as an informational report at regular Board Meetings as part of the Consent Calendar.

Financial Impact

None

Attachment

Finance Committee Meeting Notes, December 20, 2018

Signature:



Cecelia Nichols-Fritzler  
Office Manager/Secretary to the Board



## MEETING NOTES

### **BOARD OF DIRECTORS FINANCE COMMITTEE MEETING**

#### **DELTA DIABLO**

*(a California Special District)*

**190 E. 4<sup>TH</sup> STREET | PITTSBURG, CA 94565**

**THURSDAY, DECEMBER 20, 2018**

**11:00 A.M.**

The meeting was called to order by Committee Chair (Alternate), Federal Glover, on Thursday, December 20, 2018, at 11:25 a.m. at the office of Federal Glover, 190 E. 4<sup>th</sup> Street, Pittsburg, California. Present at the meeting were Vince De Lange, General Manager; Carol Margetich, Business Services Director; Cecelia Nichols-Fritzler, Office Manager/Secretary to the Board; and David Alvey, Vice President, Maze & Associates.

#### **PUBLIC COMMENTS**

None

#### **REVIEW OF COMPREHENSIVE ANNUAL FINANCIAL REPORT and MEMORANDUM ON INTERNAL CONTROL, JUNE 30, 2018**

Ms. Margetich provided an overview of the annual audit process and stated the District has exceeded its normal audit approach and will be applying for recognition under the Government Finance Officers Association (GFOA) Excellence in Financial Reporting Program. She introduced the District's auditor (Mr. David Alvey, Vice President of Maze & Associates).

Mr. Alvey reviewed key findings from the Fiscal Year 2017/2018 (FY17/18) financial audit. He noted the District continues to maintain a strong financial position and there were no material weaknesses identified in the District's internal controls. He highlighted several opportunities for the District to strengthen internal controls and operating efficiencies. Mr. Alvey noted that the District's net position as of June 30, 2018 is \$158.7 million, a decrease of \$7.4 million from last year, which is attributed to a \$2.3 million increase from positive operating results and a \$9.7 million decrease due to accounting restatements pertaining to Governmental Accounting Standards Board (GASB) 75 (\$7.2 million decrease) and GASB 68 (\$1.2 million increase), as well as the expensing of previously capitalized cost which resulted in a \$3.7 million decrease.

Total revenue equaled \$38.8 million, with service charges being the largest source of revenue at \$32.4 million, an increase of 9.9% from the previous year. Total expenses in FY17/18 were \$36.6 million, with Salary and Benefits being the largest expense at \$18.6 million, which is attributed to salary increases due to cost of living adjustments, merit increases, and new hires, as well as an increase in health care and pension costs.

Mr. Alvey highlighted the net pension liability under GASB 68 is \$17 million, net Other Post-Employment Benefits (OPEB) liability is \$4.8 million under GASB 75, and the District has a

OPEB trust fund balance of \$13.4 million. Chair Glover commented that the District was proactive in addressing the OPEB issue. Mr. Alvey also noted the total net position for the District is tracking very well and the District has realized an increase of \$13.7 million in total net position over the 10-year period (FY09 to FY18).

Chair Glover thanked staff and Mr. Alvey for a job well done. Chair Glover recommended the audit report be brought to the full Board at the January 9, 2019 meeting.

ADJOURNMENT

The meeting was adjourned at 11:40 a.m.

Recording Secretary: Cecelia Nichols-Fritzler

ITEM F/3

January 9, 2019

RECEIVE DISTRICT MONTHLY CHECK REGISTER, NOVEMBER 2018

RECOMMENDATION

Receive District Monthly Check Register for the month ending November 30, 2018.

Background Information

The Check Register for the month of November 2018 is attached. This report reflects payments to the District's suppliers, consultants, service providers, and contractors. A total of 173 checks totaling \$1,195,458.63 were disbursed in the month of November 2018.

Financial Impact

All payments made during the month are within funding levels included in the adopted operating and capital budgets for Fiscal Year 2018/2019.

Attachment

Check Register, month ending November 30, 2018

Prepared by:   
Eka Ekanem  
Senior Accountant

Reviewed by:   
Carol Margetich  
Business Services Director



# CHECK REGISTER

## DELTA DIABLO

CASH DISBURSEMENTS FOR THE MONTH OF NOVEMBER 2018

CHECK DATE	VENDOR NAME	INVOICE NO.	CHECK NO. INVOICE AMOUNT	CHECK AMOUNT DESCRIPTION
11/1/2018	ALLIANT INSURANCE SERVICES		30610	1,636.00
		45313	1,636.00	PROPERTY INSURANCE
11/1/2018	ALTAMONT LANDSCAPE SVC, INC		30611	34,057.00
		45286	7,837.00	LANDSCAPE MAINTENANCE SERVICES
		45287	320.00	LANDSCAPE MAINTENANCE SERVICES
		45288	25,900.00	POC FRONT LANDSCAPE MAKEOVER
11/1/2018	AT&T		30612	1,113.55
		45316	1,113.55	PHONE EXP
11/1/2018	CALTEST ANALYTICAL LABORATORY		30613	492.75
		45163	492.75	CONTRACT LABORATORY SERVICES
11/1/2018	CAROLLO ENGINEERS		30614	60,182.24
		45168	21,727.24	RE EVALUATE HEADWORKS REHAB OP
		45169	27,540.00	CONSULTING SERVICES HEADWORK I
		45184	10,915.00	PRIMARY CLARIFIER AREA IMPROVE
11/1/2018	CLASS C SOLUTIONS GROUP/		30615	355.60
		45284	355.60	MAINTENANCE OPERATING EXPENSES
11/1/2018	CWEA - CA WATER ENVIRONMENT		30616	188.00
		45297	188.00	M&D - SEAN WILLIAMS
11/1/2018	DEPARTMENT OF CONSUMER AFFAIRS		30617	115.00
		45343	115.00	CERTIFICATE RENEWAL - T. VO
11/1/2018	EAST BAY MUNICIPAL UTILITIES		30618	300.00
		45344	300.00	SPONSORSHIP
11/1/2018	FRESCHI AIR SYSTEMS		30619	1,720.00
		45185	1,720.00	POC ANNUAL SERVICE AGREEMENT
11/1/2018	GADDIS INC		30620	1,148.79
		45244	1,148.79	RWF INVENTORY
11/1/2018	DAN GARIG		30621	610.00
		45280	610.00	P.O. - B.I.T. INSPECTIONS
11/1/2018	INTERACTIVE RESOURCES INC.		30622	6,788.23
		45114	6,788.23	ROOF REPLACEMENT DESIGN - PN 1
11/1/2018	ANGELA LOWREY		30623	51.00
		45315	51.00	T&M
11/1/2018	MANAGED HEALTH NETWORK		30624	428.00
		45345	428.00	EAP NOV 18
11/1/2018	MCCAMPBELL ANALYTICAL, INC.		30625	385.00
		45334	385.00	CONTRACT LABORATORIES SERVICES

<b>CHECK DATE</b>	<b>VENDOR NAME</b>	<b>INVOICE NO.</b>	<b>CHECK NO.</b>	<b>CHECK AMOUNT</b>	<b>DESCRIPTION</b>
11/1/2018	<b>MECHANICAL COMPONENTS &amp; SERVIC</b>		<b>30626</b>	<b>482.22</b>	
		45206	104.40		INVENTORY
		45207	377.82		INVENTORY
11/1/2018	<b>NELSON STAFFING</b>		<b>30627</b>	<b>1,980.00</b>	
		45335	1,980.00		O/S TEMP
11/1/2018	<b>PAN PACIFIC SUPPLY CO.</b>		<b>30628</b>	<b>2,031.17</b>	
		45281	2,031.17		P12500 SERIES PUMP SEAL
11/1/2018	<b>SHARP ELECTRONICS CORP</b>		<b>30629</b>	<b>3,250.62</b>	
		45307	3,250.62		SHARP MAINTENANCE SERVICES
11/1/2018	<b>SYSTEM 1 STAFFING</b>		<b>30630</b>	<b>2,640.40</b>	
		45347	2,640.40		TEMP O/S
11/1/2018	<b>BRIAN THOMAS</b>		<b>30631</b>	<b>306.26</b>	
		45323	306.26		T&M
11/1/2018	<b>TURBO MACHINERY, INC</b>		<b>30632</b>	<b>13,826.28</b>	
		45304	7,090.40		OPEN MAINTENANCE POSITIONS TE
		45305	6,735.88		OPEN MAINTENANCE POSITIONS TE
11/1/2018	<b>TYLER TECHNOLOGIES, INC.</b>		<b>30633</b>	<b>725.00</b>	
		45309	725.00		TYLER FORMS
11/1/2018	<b>UNIFIRST CORPORATION</b>		<b>30634</b>	<b>338.54</b>	
		45271	132.37		UNIFORM/ LAUNDRY SERVICE AGREE
		45272	16.94		UNIFORM/ LAUNDRY SERVICE AGREE
		45324	31.73		UNIFORM/ LAUNDRY SERVICE AGREE
		45325	157.50		UNIFORM/ LAUNDRY SERVICE AGREE
11/1/2018	<b>UNION BANK OF CALIFORNIA</b>		<b>30635</b>	<b>875.00</b>	
		45308	875.00		INVESTMENT O/S
11/1/2018	<b>UNIVAR USA INC</b>		<b>30636</b>	<b>6,329.78</b>	
		45180	3,164.15		SODIUM HYPOCHLORITE
		45266	3,165.63		SODIUM HYPOCHLORITE
11/1/2018	<b>UTILITY TRAINING ACADEMY INC</b>		<b>30637</b>	<b>3,000.00</b>	
		45265	3,000.00		Utility Mark and Locate Class
11/1/2018	<b>VISION SERVICE PLAN</b>		<b>30638</b>	<b>2,036.50</b>	
		45349	1,992.92		VISION INS NOV 18
		45350	43.58		COBRA VISION INS NOV 18
11/1/2018	<b>WECK LABORATORIES, INC.</b>		<b>30639</b>	<b>486.98</b>	
		45166	243.49		CONTRACT LABORATORY SERVICES F
		45167	243.49		CONTRACT LABORATORY SERVICES F
11/8/2018	<b>ALICAT SCIENTIFIC INC.</b>		<b>30640</b>	<b>4,311.82</b>	
		45352	4,311.82		GAS MASS FLOW CONTROL VALVE
11/8/2018	<b>ANTIOCH SENIOR CENTER</b>		<b>30641</b>	<b>300.00</b>	
		45235	300.00		AD

<b>CHECK DATE</b>	<b>VENDOR NAME</b>	<b>INVOICE NO.</b>	<b>CHECK NO.</b>	<b>CHECK AMOUNT</b>	<b>DESCRIPTION</b>
11/8/2018	<b>BAY AREA AIR QUALITY MNGMENT</b>		<b>30642</b>	<b>27,866.00</b>	
		45410	27,866.00		PERMIT & REGULATORY FEES
11/8/2018	<b>BAY AREA COATING CONSULTANT</b>		<b>30643</b>	<b>3,255.00</b>	
		45373	630.00		TASK B PRIMARY CLARIFIER AREA
		45374	2,625.00		TASK B PRIMARY CLARIFIER AREA
11/8/2018	<b>BELLECCI &amp; ASSOCIATES, INC.</b>		<b>30644</b>	<b>26,504.80</b>	
		45375	26,504.80		TP ROADWAY MAINTENANCE PN 1811
11/8/2018	<b>GUY WORTHINGTON</b>		<b>30645</b>	<b>1,950.00</b>	
		45353	1,950.00		ENGINE #3 EMISSIONS TESTING
11/8/2018	<b>BRENTWOOD PRESS</b>		<b>30646</b>	<b>1,398.00</b>	
		45376	1,398.00		AD
11/8/2018	<b>LESLIE J. CAIN</b>		<b>30647</b>	<b>224.00</b>	
		45372	224.00		PER DIEM
11/8/2018	<b>CALIFORNIA WATER TECHNOLOGIES,LLC</b>		<b>30648</b>	<b>10,894.23</b>	
		45241	5,090.30		FERROUS CHLORIDE
		45319	5,803.93		FERROUS CHLORIDE
11/8/2018	<b>CALTEST ANALYTICAL LABORATORY</b>		<b>30649</b>	<b>2,385.90</b>	
		45237	913.50		CONTRACT LABORATORY SERVICES
		45321	333.90		CONTRACT LABORATORY SERVICES
		45322	307.80		CONTRACT LABORATORY SERVICES
		45377	382.50		CONTRACT LABORATORY SERVICES
		45378	448.20		CONTRACT LABORATORY SERVICES
11/8/2018	<b>CHEMSEARCH</b>		<b>30650</b>	<b>4,205.54</b>	
		45397	4,205.54		INVENTORY
11/8/2018	<b>CONTRACT SWEEPING SERVICES</b>		<b>30651</b>	<b>27,596.55</b>	
		45354	27,596.55		STREET SWEEPING
11/8/2018	<b>CUES</b>		<b>30652</b>	<b>3,600.00</b>	
		45317	3,600.00		COMP SOFTWARE
11/8/2018	<b>CWEA - CA WATER ENVIRONMENT</b>		<b>30653</b>	<b>300.00</b>	
		45399	300.00		TRAINING
11/8/2018	<b>DEPT OF GENERAL SERVICES</b>		<b>30654</b>	<b>11,434.38</b>	
		45380	11,434.38		UTILITY GAS SEPT 18
11/8/2018	<b>DRAKE HAGLAN &amp; ASSOCIATES, INC</b>		<b>30655</b>	<b>14,956.68</b>	
		45379	14,956.68		CONSULTING SERVICES SODIUM BIS
11/8/2018	<b>FARMER BROS CO</b>		<b>30656</b>	<b>701.95</b>	
		45300	308.32		COFFEE SERVICE PLAN
		45301	393.63		COFFEE SERVICE PLAN
11/8/2018	<b>FRAXIA ENGINEERING</b>		<b>30657</b>	<b>31,492.49</b>	
		45210	31,492.49		DESIGN SERVICES BP SEWER REHAB
11/8/2018	<b>FRONTIER ANALYTICAL LABORATORY</b>		<b>30658</b>	<b>1,700.00</b>	

CHECK DATE	VENDOR NAME	INVOICE NO.	CHECK NO. INVOICE AMOUNT	CHECK AMOUNT DESCRIPTION
		45381	1,700.00	DIOXINS AND PCB CONTRACT LAB A
11/8/2018	<b>GOLDEN STATE WATER CO.</b>		<b>30659</b>	<b>1,649.88</b>
		45355	1,050.79	WATER OCT 18
		45356	599.09	WATER OCT 18
11/8/2018	<b>GP CRANE &amp; HOIST SERVICES</b>		<b>30660</b>	<b>555.00</b>
		45370	555.00	STOP GAP FOR CRANE INSPECTIONS
11/8/2018	<b>HAWKINS DELAFIELD &amp; WOOD LLC</b>		<b>30661</b>	<b>6,760.00</b>
		45412	6,760.00	LEGAL SERVS DESIGN-BUILD & FEE
11/8/2018	<b>KEY ADVOCATES INC.</b>		<b>30662</b>	<b>7,900.00</b>
		45357	7,900.00	FEDERAL ADVOCACY WRWC PN 90024
11/8/2018	<b>LARRY WALKER ASSOCIATES</b>		<b>30663</b>	<b>3,687.75</b>
		45278	3,687.75	REGULATORY ASSISTANCE & LOCAL
11/8/2018	<b>MCCAMPBELL ANALYTICAL, INC.</b>		<b>30664</b>	<b>1,158.30</b>
		45382	175.50	CONTRACT LABORATORIES SERVICES
		45383	105.30	CONTRACT LABORATORIES SERVICES
		45384	386.10	CONTRACT LABORATORIES SERVICES
		45386	491.40	CONTRACT LABORATORIES SERVICES
11/8/2018	<b>MCMASTER CARR SUPPLY CO</b>		<b>30665</b>	<b>685.90</b>
		45400	685.90	INVENTORY
11/8/2018	<b>SUE THOMASON</b>		<b>30666</b>	<b>265.00</b>
		45346	265.00	INDOOR PLANT MAINTENANCE
11/8/2018	<b>NELSON STAFFING</b>		<b>30667</b>	<b>1,782.00</b>
		45385	1,782.00	TEMP O/S
11/8/2018	<b>CECELIA NICHOLS-FRITZLER</b>		<b>30668</b>	<b>496.08</b>
		45396	435.62	T&M
		45413	60.46	TRAINING AND MILEAGE
11/8/2018	<b>NV5 INC.</b>		<b>30669</b>	<b>5,131.00</b>
		45402	5,131.00	RWF EMERGENCY BACKUP GENERATOR
11/8/2018	<b>PACIFIC GAS &amp; ELECTRIC COMPANY</b>		<b>30670</b>	<b>49,836.78</b>
		45360	49,836.78	ELECTRIC OCT 18
11/8/2018	<b>PAN PACIFIC SUPPLY CO.</b>		<b>30671</b>	<b>4,765.77</b>
		45358	4,765.77	PPS SEWAGE PUMP ARV'S
11/8/2018	<b>PATTERSON LIFT TRUCKS, INC.</b>		<b>30672</b>	<b>247.11</b>
		45252	247.11	STOP GAP PREVENTIVE MAINTENANC
11/8/2018	<b>CITY OF PITTSBURG</b>		<b>30673</b>	<b>567.46</b>
		45359	567.46	WATER SEPT 18
11/8/2018	<b>POLYDYNE INC</b>		<b>30674</b>	<b>14,587.46</b>
		45401	14,587.46	LIQUID POLYMER
11/8/2018	<b>PUBLIC EMPLOYEES UNION</b>		<b>30675</b>	<b>1,763.22</b>
		3163341	1,763.22	UNION DUES P&T

<b>CHECK DATE</b>	<b>VENDOR NAME</b>	<b>INVOICE NO.</b>	<b>CHECK NO.</b>	<b>CHECK AMOUNT</b>	<b>DESCRIPTION</b>
11/8/2018	<b>PUBLIC EMPLOYEES UNION</b>		<b>30676</b>	<b>3,824.75</b>	
		3163241	3,824.75		UNION DUES O&M
11/8/2018	<b>RAIN FOR RENT</b>		<b>30677</b>	<b>638.60</b>	
		45371	638.60		THIS P.O. IS FOR SERVICES AND
11/8/2018	<b>RED WING SHOE STORE 165</b>		<b>30678</b>	<b>175.00</b>	
		45303	175.00		SAFETY SHOES - B.PADILLA
11/8/2018	<b>RH TECHNOLOGY</b>		<b>30679</b>	<b>7,860.24</b>	
		45361	4,366.80		TEMP O/S
		45388	3,493.44		TEMP O/S
11/8/2018	<b>SCHAAF &amp; WHEELER CONSULTING</b>		<b>30680</b>	<b>5,448.99</b>	
		45390	5,448.99		DESIGN FOR PUMP STATION FACILI
11/8/2018	<b>TAC AMERICAS, INC.</b>		<b>30681</b>	<b>1,551.67</b>	
		45363	1,551.67		POC HVAC SYSTEM SERVICE AGREEM
11/8/2018	<b>CA STATE DISBURSEMENT UNIT</b>		<b>30682</b>	<b>750.00</b>	
		CS9648268	750.00		GARNISHMENT
11/8/2018	<b>STATE OF CALIFORNIA</b>		<b>30683</b>	<b>325.00</b>	
		446175	325.00		INCOME TAX WITHHOLDING ORDER
11/8/2018	<b>STATE OF CALIFORNIA</b>		<b>30684</b>	<b>337.62</b>	
		446185	337.62		COURT-ORDERED WITHHOLDING
11/8/2018	<b>STATE WATER RESOURCES</b>		<b>30685</b>	<b>225.00</b>	
		45389	225.00		M&D - J. MARTINEZ
11/8/2018	<b>SYSTEM 1 STAFFING</b>		<b>30686</b>	<b>2,686.98</b>	
		45398	2,686.98		TEMP O/S
11/8/2018	<b>TELSTAR INSTRUMENTS INC</b>		<b>30687</b>	<b>1,388.91</b>	
		45348	1,388.91		INVENTORY
11/8/2018	<b>STACY TUCKER</b>		<b>30688</b>	<b>493.20</b>	
		45391	493.20		TEMP O/S
11/8/2018	<b>TURBO MACHINERY, INC</b>		<b>30689</b>	<b>13,560.39</b>	
		45306	7,090.40		OPEN MAINTENANCE POSITIONS TE
		45364	6,469.99		OPEN MAINTENANCE POSITIONS TE
11/8/2018	<b>UNIFIRST CORPORATION</b>		<b>30690</b>	<b>1,067.49</b>	
		45273	139.20		UNIFORM/ LAUNDRY SERVICE AGREE
		45327	16.94		UNIFORM/ LAUNDRY SERVICE AGREE
		45328	31.73		UNIFORM/ LAUNDRY SERVICE AGREE
		45329	163.67		UNIFORM/ LAUNDRY SERVICE AGREE
		45330	31.73		UNIFORM/ LAUNDRY SERVICE AGREE
		45331	168.03		UNIFORM/ LAUNDRY SERVICE AGREE
		45332	168.03		UNIFORM/ LAUNDRY SERVICE AGREE
		45333	16.94		UNIFORM/ LAUNDRY SERVICE AGREE
		45365	16.94		UNIFORM/ LAUNDRY SERVICE AGREE

CHECK DATE	VENDOR NAME	INVOICE NO.	CHECK NO.	CHECK AMOUNT	CHECK AMOUNT DESCRIPTION
		45366		143.35	UNIFORM/ LAUNDRY SERVICE AGREE
		45367		139.20	UNIFORM/ LAUNDRY SERVICE AGREE
		45368		31.73	UNIFORM/ LAUNDRY SERVICE AGREE
<b>11/8/2018</b>	<b>UNIVAR USA INC</b>		<b>30691</b>	<b>33,917.02</b>	
		45267		5,138.72	SODIUM BISULFITE
		45268		3,164.29	SODIUM HYPOCHLORITE
		45318		3,165.20	SODIUM HYPOCHLORITE
		45340		3,162.18	SODIUM HYPOCHLORITE
		45341		3,127.70	SODIUM HYPOCHLORITE
		45342		5,134.11	SODIUM BISULFITE
		45393		3,165.42	SODIUM HYPOCHLORITE
		45394		3,165.42	SODIUM HYPOCHLORITE
		45395		4,693.98	SODIUM BISULFITE
<b>11/8/2018</b>	<b>USA BLUEBOOK</b>		<b>30692</b>	<b>3,074.51</b>	
		45314		3,074.51	INVENTORY
<b>11/8/2018</b>	<b>V.W. HOUSEN &amp; ASSOCIATES, INC.</b>		<b>30693</b>	<b>28,028.15</b>	
		45392		28,028.15	DESIGN WORK
<b>11/8/2018</b>	<b>VERIZON WIRELESS</b>		<b>30694</b>	<b>2,702.46</b>	
		45369		2,702.46	PHONE OCT 18
<b>11/8/2018</b>	<b>WECK LABORATORIES, INC.</b>		<b>30695</b>	<b>1,791.07</b>	
		45336		243.49	CONTRACT LABORATORY SERVICES F
		45337		515.86	CONTRACT LABORATORY SERVICES F
		45338		515.86	CONTRACT LABORATORY SERVICES F
		45339		515.86	CONTRACT LABORATORY SERVICES F
<b>11/8/2018</b>	<b>YORKE ENGINEERING, LLC</b>		<b>30696</b>	<b>1,366.25</b>	
		45279		1,366.25	CONSULTING SERVICES EAST COUNT
<b>11/15/2018</b>	<b>AIR FILTER SUPPLY, INC</b>		<b>30697</b>	<b>2,531.60</b>	
		45485		2,531.60	SCREEN FILTERS FOR THE POC SHO
<b>11/15/2018</b>	<b>MICHAEL BAKALDIN</b>		<b>30698</b>	<b>261.64</b>	
		45470		261.64	RETIREE REIMB PREMIUM DED
<b>11/15/2018</b>	<b>BARTEL ASSOCIATES, LLC</b>		<b>30699</b>	<b>1,287.50</b>	
		45450		1,045.00	Actuarial Services FY 2019
		45451		242.50	Actuarial Services FY 2019
<b>11/15/2018</b>	<b>BAY AREA NEWS GROUP</b>		<b>30700</b>	<b>1,600.00</b>	
		45430		1,600.00	AD
<b>11/15/2018</b>	<b>DARRELL CAIN</b>		<b>30701</b>	<b>9.00</b>	
		45431		9.00	MED REIMB
<b>11/15/2018</b>	<b>CALIFORNIA WATER TECHNOLOGIES,LLC</b>		<b>30702</b>	<b>4,832.08</b>	
		45444		4,832.08	FERROUS CHLORIDE
<b>11/15/2018</b>	<b>COLANTUONO, HIGHSMITH &amp; WHATLEY, PC</b>		<b>30703</b>	<b>927.00</b>	

CHECK DATE	VENDOR NAME	INVOICE NO.	CHECK NO.	CHECK AMOUNT	CHECK AMOUNT DESCRIPTION
		45468		927.00	LEGAL SERVICES
11/15/2018	COMCAST BUSINESS COMMUNICATIONS, LI		30704	537.13	
		45452		537.13	PHONE - OCT 18
11/15/2018	CORELOGIC INFORMATION SOLUTIONS, INC		30705	165.00	
		45445		165.00	REALQUEST PROPERTY INFORMATION
11/15/2018	DATCO		30706	52.00	
		45432		52.00	PRE EMPLOYMENT COST
11/15/2018	VINCENT DE LANGE		30707	126.52	
		45461		126.52	T&M - MILEAGE REIMB
11/15/2018	DISCOVERY BENEFITS, INC.		30708	120.75	
		45433		120.75	FSA - OCT 18
11/15/2018	JERRY EASTLAND		30709	120.87	
		45434		120.87	MED REIMB
11/15/2018	EPIC COMPLIANCE SYSTEMS, INC.		30710	420.00	
		45463		420.00	MONTHLY SITE INSPECTIONS OF GA
11/15/2018	MICHAEL CRAMBLIT FOSTER		30711	14,107.05	
		45486		14,107.05	DIGESTER #2 MIXING PUMP VALVES
11/15/2018	GURMUKH SINGH GREWAL		30712	141.00	
		45435		141.00	MED REIMB
11/15/2018	MARY HARVEY		30713	38.59	
		45456		38.59	T&M
11/15/2018	IN SHAPE HEALTH CLUBS		30714	863.00	
		45436		863.00	GYM
11/15/2018	INTERACTIVE RESOURCES INC.		30715	10,381.37	
		45446		10,381.37	ROOF REPLACEMENT DESIGN - PN 1
11/15/2018	DENISE JONES		30716	59.14	
		45437		59.14	MED REIMB
11/15/2018	KONE. INC.		30717	103.28	
		45469		103.28	ELEVATOR SERVICE AGREEMENT
11/15/2018	LEGAL SHIELD		30718	173.55	
		45438		173.55	LEGAL MEMBERSHIPS
11/15/2018	MCCAMPBELL ANALYTICAL, INC.		30719	491.40	
		45439		491.40	CONTRACT LABORATORIES SERVICES
11/15/2018	McCAULEY AGRICULTURAL & PEST SERVIC		30720	1,125.00	
		45478		75.00	PEST CONTROL SERVICES
		45479		750.00	PEST CONTROL SERVICES
		45480		60.00	PEST CONTROL SERVICES
		45481		60.00	PEST CONTROL SERVICES
		45482		60.00	PEST CONTROL SERVICES
		45483		60.00	PEST CONTROL SERVICES

CHECK DATE	VENDOR NAME	INVOICE NO.	CHECK NO.	CHECK AMOUNT	CHECK AMOUNT DESCRIPTION
		45484		60.00	PEST CONTROL SERVICES
11/15/2018	MDRR PITTSBURG		30721	635.40	
		45440		635.40	WASTE
11/15/2018	MEYERS NAVE		30722	5,802.30	
		45459		5,802.30	LEGAL SERVICES
11/15/2018	NELSON STAFFING		30723	1,980.00	
		45448		1,980.00	O/S TEMP
11/15/2018	PACIFIC GAS & ELECTRIC COMPANY		30724	403.24	
		45457		345.15	BUILDING - NOV 18
		45458		58.09	BUILDING - NOV 18
11/15/2018	ABEL PALACIO		30725	545.45	
		45471		545.45	RETIREE REIMB PREMIUM DED
11/15/2018	PFM ASSET MANAGEMENT		30726	117.12	
		45454		117.12	INVESTMENT - SEPT 18
11/15/2018	PILLSBURY WINTHROP SHAW PITTMAN LLP		30727	3,087.00	
		45472		3,087.00	LEGAL SERVICES
11/15/2018	REGIONAL GOVERNMENT SERVICES		30728	15,938.65	
		45464		15,938.65	JOB DESCRIPTION PROJECT
11/15/2018	RH TECHNOLOGY		30729	4,039.29	
		45465		4,039.29	O/S TEMP
11/15/2018	CHERYL RHODES ALEXANDER		30730	214.49	
		45474		214.49	T&M
11/15/2018	SIGNAL SOLUTIONS CORPORATION		30731	5,124.00	
		45462		5,124.00	FIBER OPTIC FIELD CABLING
11/15/2018	SILAO GENERAL ENGINEERINGS INC		30732	8,522.49	
		45477		8,522.49	RELEASE OF RETENTION
11/15/2018	SPIRAC USA INC.		30733	3,848.14	
		45475		3,848.14	BC1001 GEAR BOX REPLACEMENT
11/15/2018	STANDARD INSURANCE COMPANY		30734	4,337.85	
		45467		4,337.85	LIFE INS - NOV 18
11/15/2018	SUBTRONIC CORP.		30735	1,800.00	
		45441		1,800.00	LOCATE UNDERGROUND UTILITIES P
11/15/2018	SYSTEM 1 STAFFING		30736	2,743.90	
		45476		2,743.90	TEMP O/S
11/15/2018	STACY TUCKER		30737	54.00	
		45443		54.00	MED REIMB
11/15/2018	TURBO MACHINERY, INC		30738	7,976.70	
		45460		7,090.40	OPEN MAINTENANCE POSITIONS TE
		45466		886.30	OPEN MAINTENANCE POSITIONS TE
11/15/2018	UNIFIRST CORPORATION		30739	349.51	

CHECK DATE	VENDOR NAME	INVOICE NO.	CHECK NO.	CHECK AMOUNT	DESCRIPTION
		45487	143.35		UNIFORM/ LAUNDRY SERVICE AGREE
		45489	170.32		UNIFORM/ LAUNDRY SERVICE AGREE
		45490	31.73		UNIFORM/ LAUNDRY SERVICE AGREE
		45492	4.11		UNIFORM/ LAUNDRY SERVICE AGREE
<b>11/15/2018</b>	<b>UNITED RENTALS</b>		<b>30740</b>	<b>6,444.53</b>	
		45473	6,444.53		EXPLOSION PROOF LIGHTING RENTA
<b>11/15/2018</b>	<b>WOODARD &amp; CURRAN INC.</b>		<b>30741</b>	<b>4,587.14</b>	
		45449	4,587.14		BID PERIOD & CONSTRUCTION ENGI
<b>11/29/2018</b>	<b>AFLAC</b>		<b>30742</b>	<b>916.30</b>	
		45579	916.30		INSURANCE
<b>11/29/2018</b>	<b>AIR FILTER SUPPLY, INC</b>		<b>30743</b>	<b>1,187.08</b>	
		45580	1,187.08		BLOWER ROOM RETROFIT FILTERS
<b>11/29/2018</b>	<b>CITY OF ANTIOCH- WATER</b>		<b>30744</b>	<b>9,082.43</b>	
		45529	111.30		WATER OCT 18
		45530	111.30		WATER OCT 18
		45531	111.30		WATER OCT 18
		45532	111.30		WATER OCT 18
		45533	908.97		WATER OCT 18
		45534	7,660.32		WATER OCT 18
		45553	67.94		WATER OCT 18
<b>11/29/2018</b>	<b>AT&amp;T</b>		<b>30745</b>	<b>1,111.64</b>	
		45586	1,111.64		PHONE
<b>11/29/2018</b>	<b>BRENTWOOD PRESS</b>		<b>30746</b>	<b>1,398.00</b>	
		45540	1,398.00		AD
<b>11/29/2018</b>	<b>IAN BRONSWICK</b>		<b>30747</b>	<b>951.25</b>	
		45549	951.25		TUITION REIMB
<b>11/29/2018</b>	<b>CALIFORNIA WATER TECHNOLOGIES,LLC</b>		<b>30748</b>	<b>5,125.01</b>	
		45562	5,125.01		FERROUS CHLORIDE
<b>11/29/2018</b>	<b>CONCENTRA/OCCUPATIONAL HEALTH CENT</b>		<b>30749</b>	<b>185.00</b>	
		45535	185.00		O/S OCCUP SAFETY
<b>11/29/2018</b>	<b>CONTRA COSTA WATER DISTRICT</b>		<b>30750</b>	<b>209.83</b>	
		45538	209.83		WATER OCT 18
<b>11/29/2018</b>	<b>CONTRACT SWEEPING SERVICES</b>		<b>30751</b>	<b>28,513.49</b>	
		45581	28,513.49		STREET SWEEPING
<b>11/29/2018</b>	<b>DIABLO WATER DISTRICT</b>		<b>30752</b>	<b>382.09</b>	
		45541	382.09		WATER OCT 18
<b>11/29/2018</b>	<b>EATON CORPORATION</b>		<b>30753</b>	<b>642.04</b>	
		45582	642.04		UTILITY MAIN BREAKER SHUTTER R
<b>11/29/2018</b>	<b>EPIC COMPLIANCE SYSTEMS, INC.</b>		<b>30754</b>	<b>150.00</b>	
		45542	150.00		MONTHLY SITE INSPECTIONS OF GA

CHECK DATE	VENDOR NAME	INVOICE NO.	CHECK NO.	CHECK AMOUNT	CHECK AMOUNT DESCRIPTION
11/29/2018	GRAINGER		30755	245.52	
		45563	245.52		INVENTORY
11/29/2018	HDR ENGINEERING, INC.		30756	45,774.78	
		45548	45,774.78		EAST COUNTY BIOENERGY PROJECT
11/29/2018	MCKENDRY DOOR SALES		30757	5,428.00	
		45583	4,948.00		MCKENDRY DOOR QUOTE DATED MAY
		45584	480.00		MISCELLANEOUS DOOR/ GATE REPAI
11/29/2018	MDRR PITTSBURG		30758	2,061.55	
		45604	2,061.55		WASTE
11/29/2018	MDRR-PARK (MT. DIABLO RESOURCE RECC		30759	131.74	
		45552	131.74		WASTE
11/29/2018	NELSON STAFFING		30760	3,019.50	
		45568	1,584.00		O/S TEMP
		45569	1,435.50		O/S TEMP
11/29/2018	NV5 INC.		30761	1,557.50	
		45554	1,557.50		RWF EMERGENCY BACKUP GENERATOR
11/29/2018	PACIFIC GAS & ELECTRIC COMPANY		30762	108,972.24	
		45557	68,206.99		ELECTRIC OCT 18
		45558	40,765.25		ELECTRIC OCT 18
11/29/2018	CITY OF PITTSBURG		30763	611.66	
		45607	611.66		WATER OCT 18
11/29/2018	PRAXAIR, INC.		30764	402.01	
		45559	7.94		PRAXAIR MONTHLY RENTALS
		45560	394.07		PRAXAIR MONTHLY RENTALS
11/29/2018	REPUBLIC SERVICES #210		30765	950.25	
		45561	950.25		WASTE
11/29/2018	RGM AND ASSOCIATES		30766	1,322.50	
		45565	1,322.50		CONSULTING SERVICES RWF EMERGE
11/29/2018	RH TECHNOLOGY		30767	4,175.75	
		45566	4,175.75		O/S TEMP
11/29/2018	STEVEN RODRIGUEZ		30768	1,365.38	
		45611	1,365.38		COMPUTER LOAN
11/29/2018	SARONI HEATING & A/C, INC.		30769	1,966.75	
		45587	1,966.75		TP HVAC PREVENTIVE MAINTENANCE
11/29/2018	CA STATE DISBURSEMENT UNIT		30770	750.00	
		CS9648269	750.00		GARNISHMENT
11/29/2018	STATE OF CALIFORNIA		30771	325.00	
		446176	325.00		INCOME TAX WITHOLDING ORDER
11/29/2018	STATE OF CALIFORNIA		30772	250.64	
		446186	250.64		COURT-ORDERED WITHOLDING

CHECK DATE	VENDOR NAME	INVOICE NO.	CHECK NO.	CHECK AMOUNT	CHECK AMOUNT DESCRIPTION
11/29/2018	NICHOLAS STEINER		30773	3,000.00	
		45567	3,000.00		TUITION REIMB
11/29/2018	SYSTAT		30774	3,853.00	
		45588	3,853.00		DIVERSION UPS6101 ANNUAL SERVI
11/29/2018	SYSTEM 1 STAFFING		30775	3,745.55	
		45570	2,364.40		O/S TEMP
		45612	1,381.15		O/S TEMP
11/29/2018	TELSTAR INSTRUMENTS INC		30776	11,961.37	
		45610	11,961.37		INVENTORY
11/29/2018	TRI-VALLEY JANITORIAL SERVICE & SUPPL'		30777	6,966.00	
		45573	6,966.00		JANITORIAL SERVICES
11/29/2018	TURBO MACHINERY, INC		30778	4,203.63	
		45571	865.00		P102 DISTANCE PIECE MODIFICATI
		45572	3,338.63		SHIMS FOR PPS RAW SEWAGE PUMPS
11/29/2018	UNIVAR USA INC		30779	10,497.37	
		45576	3,165.70		SODIUM HYPOCHLORITE
		45577	3,163.09		SODIUM HYPOCHLORITE
		45578	4,168.58		SODIUM BISULFITE
11/29/2018	WM LYLES COMPANY		30780	263,482.50	
		45603	263,482.50		CONSTRUCTION SERVICES PN 17140
11/29/2018	WUNDERLICH-MALEC		30781	1,593.60	
		45599	1,550.00		IFIX HISTORIAN UPGRADE
		45600	43.60		IFIX HISTORIAN UPGRADE
11/29/2018	YORKE ENGINEERING, LLC		30782	1,955.75	
		45602	1,955.75		CONSULTING SERVICES EAST COUNT
			<b>GRAND TOTAL</b>	<b>1,195,458.63</b>	

January 9, 2019

AUTHORIZE GENERAL MANAGER TO EXECUTE AMENDMENT NO. 1 TO CONSULTING SERVICES CONTRACT IN AN AMOUNT NOT TO EXCEED \$50,600, LEE & RO, INC., ENGINEERING SERVICES, TREATMENT PLANT ELECTRICAL SWITCHGEAR REPLACEMENT PROJECT NO. 17120

RECOMMENDATION

Authorize the General Manager to execute Amendment No. 1 to the Consulting Services Contract with LEE & RO, Inc. (LEE & RO) to provide additional detailed design services and engineering support services during the public bid period in an amount not to exceed \$50,600, for a new total contract amount of \$475,600.

Background Information

The main electrical switchgear is a critical component at the District's Wastewater Treatment Plant because it distributes utility and standby emergency power to all on-site buildings and treatment processes. The existing electrical switchgear is nearly 40 years old and has reached the end of its useful life. To ensure reliable electrical power distribution, the District has initiated a major capital improvement project to replace the existing electrical switchgear.

In April 2017, the Board awarded an engineering contract to LEE & RO for the design of a new electrical switchgear to replace the existing main electrical switchgear. Project design is near completion and is scheduled to be issued for public bid in early 2019.

Analysis

The District initially considered retrofitting the existing backup diesel generator engine system to automatically and seamlessly transfer from backup to utility power at the end of a facility power outage. During predesign, it was determined that the generator control scheme would not meet Bay Area Air Quality Management District (BAAQMD) and PG&E requirements due to extensive overlap between backup and utility power. Following further review, the new switchgear system was redesigned to include microprocessor-based digital relays in lieu of electromechanical relays to reduce the overlap period. This new design fully complies with BAAQMD requirements and PG&E is reviewing the District's project application. If approved by PG&E, this retrofit work will be incorporated into the project design.

When the project transitions to the public bid phase, engineering services during public bidding are necessary to respond to inquiries regarding the design documents and prepare conformed contract documents. LEE & RO should conduct these activities as the Engineer-of-Record for the project. Attachment 1 summarizes the scope of work and estimated costs for these services.

Financial Impact

The adopted FY18/19 – FY22/23 CIP includes an appropriation of \$2.8 million through FY18/19 in the Wastewater Capital Asset Replacement Fund for the Treatment Plant Electrical Switchgear Replacement Project. Sufficient funding is available to complete design, publicly bid the project, and initiate construction in the current fiscal year.



Attachment

1) LEE & RO Scope of Work and Cost Estimate Summary

Prepared by:   
For Irene O'Sullivan  
Associate Engineer

Reviewed by:   
Brian Thomas  
Engineering Services  
Director/District Engineer

cc: District File No. P.17120.01.04



TREATMENT PLANT ELECTRICAL SWITCHGEAR REPLACEMENT  
PROJECT NO. 17120

AMENDMENT NO. 1  
LEE & RO, INC. (CONSULTANT)

SCOPE OF WORK AND COST ESTIMATE SUMMARY

<u>DESCRIPTION</u>	<u>COST</u>
ORIGINAL AUTHORIZED CONTRACT AMOUNT	\$425,000
<u>AMENDMENT NO. 1 SCOPE OF WORK:</u>	
Project management, status calls, minutes	\$6,400
Onsite meeting with vendor and concept design calls	\$4,700
Pre-bid meeting, agenda, meeting handouts, minutes	\$3,400
Review and respond to bidder questions, prepare bid addenda	\$6,600
Design coordination with East County Bioenergy Project (includes coordination calls and meetings, technical assistance)	\$9,300
Closed transition design review with PG&E and equipment manufacturer	\$3,800
Closed transition design, plans, and specifications	\$16,400
Amendment No. 1 Subtotal	<u>\$50,600</u>
<b>GRAND TOTAL</b>	<b><u><u>\$475,600</u></u></b>

**ITEM F/5 (a)**

**January 9, 2019**

APPROVE PROJECT CONSTRUCTION CONTRACT DOCUMENTS; AUTHORIZE GENERAL MANAGER TO EXECUTE CONSTRUCTION SERVICES CONTRACT IN AN AMOUNT NOT TO EXCEED \$9,872,000, W.M. LYLES CO.; AND AUTHORIZE GENERAL MANAGER OR HIS DESIGNEE TO APPROVE CONTRACT CHANGE ORDERS IN AN AMOUNT NOT TO EXCEED 5% OF CONTRACT AMOUNT, PUMP STATION FACILITIES REPAIR PROJECT NO. 80008

RECOMMENDATION

1. Approve the construction contract documents for the Pump Station Facilities Repair Project.
2. Authorize the General Manager to execute a Construction Services Contract with W.M. Lyles Co. (W.M. Lyles) in an amount not to exceed \$9,872,000.
3. Authorize the General Manager or his Designee to approve construction change orders up to 5% of the contract amount, for a total authorization of \$10,365,600.

Background Information

The District owns and operates five remote pump stations and a diversion facility to convey flows to the District's Wastewater Treatment Plant. These critical wastewater conveyance system infrastructure elements are nearly 40 years old with most of the installed equipment near the end of their useful life. The District initiated a major capital improvement project to address infrastructure and equipment needs to increase operational reliability and facilitate future operations and maintenance activities.

In November 2016, the Board awarded an engineering services contract for design of the Pump Station Facilities Repair Project. Because this project is categorically exempt, a Notice of Exemption has been filed with the Contra Costa County Recorder's Office and publicly posted in compliance with Public Resources Code Section 21152, satisfying the requirements of the California Environmental Quality Act. The project was advertised for public bids in September 2018 and bids were opened on November 13, 2018.

Analysis

Five bids were received for the project as shown in Attachment 1. The apparent low bid was submitted by W. M. Lyles with a bid amount of \$9,872,000. Based on a detailed review of the submitted bid documents, including reference checks, staff determined W.M Lyles to be the lowest responsive, responsible bidder for the project. It is recommended that the Board authorize the General Manager to execute a Construction Services Agreement with W.M. Lyles in the amount of \$9,872,000 to perform the work. In addition, staff requests that the Board authorize the General Manager or his Designee to execute change orders up to 5% of the original contract amount to account for unknown issues, for total contract authorization of \$10,365,600.

Government Code section 830.6 provides the District immunity from liability for injuries caused by a plan of construction for, or improvements to, public property in the event that a causal relationship exists between the design and the accident and that the contract documents were



reasonably approved in advance of construction by the Board. The project's contract documents are available at the District's administrative office for Board member and public review.

Financial Impact

The adopted Fiscal Year 2018/2019 – 2022/2023 (FY18/19 – FY22/23) Capital Improvement Program (CIP) includes an appropriation of \$9,330,800 in the Wastewater Capital Asset Replacement Fund through FY18/19, with an overall project budget of \$11,330,800 for the Pump Station Facilities Repair Project. There is sufficient budget appropriated in the current fiscal year for the planned expenditures. Additional appropriations will be made in the future CIP to account for the new total project cost estimate of \$13,200,000, which includes planning, design, construction management and inspection, and contingencies. Staff has secured a Clean Water State Revolving Fund loan, with interest rate of 1.9%, to finance the project.

Attachment

1) Pump Station Facilities Repair Project Bid Summary

Prepared by:   
Sean Williams  
Associate Engineer

Reviewed by:   
Brian Thomas  
Engineering Services  
Director/ District Engineer

cc: Project File No. P.80008.09.02



**DELTA DIABLO**  
**PUMP STATION FACILITIES REPAIR PROJECT**  
**PROJECT NO. 80008**

Bid Opening: Tuesday, November 13, 2018

**BID SUMMARY**

<b><u>BIDDER</u></b>	<b><u>BASE BID AMOUNT</u></b>
<u>W.M. Lyles Co.</u>	<u>\$9,872,000</u>
<u>Steve P. Rados, Inc.</u>	<u>\$10,705,000</u>
<u>NTK Construction, Inc.</u>	<u>\$11,110,000</u>
<u>Myers &amp; Sons Construction, LLC</u>	<u>\$11,165,000</u>
<u>Syblon Reid General Engineering Contractors</u>	<u>\$11,187,000</u>

\* Lowest responsible and responsive bidder

January 9, 2019

AUTHORIZE GENERAL MANAGER TO EXECUTE AMENDMENT NO. 2 TO CONSULTING SERVICES CONTRACT IN AN AMOUNT NOT TO EXCEED \$353,220, SCHAAF & WHEELER, ENGINEERING SERVICES; AND AUTHORIZE THE GENERAL MANAGER TO EXECUTE A CONSULTING SERVICES AGREEMENT IN AN AMOUNT NOT TO EXCEED \$832,000, INFERRERA CONSTRUCTION MANAGEMENT GROUP, INC., CONSTRUCTION MANAGEMENT SERVICES, PUMP STATION FACILITIES REPAIR PROJECT NO. 80008

RECOMMENDATION

1. Authorize the General Manager to execute Amendment No. 2 to the Consulting Services Contract with Schaaf & Wheeler (S&W) to provide engineering services during construction in an amount not to exceed \$353,220, for a new total contract amount of \$1,262,220.
2. Authorize the General Manager to execute Consulting Services Contract with Inferrera Construction Management Group, Inc. (ICM) to provide construction management and inspection services in an amount not to exceed \$832,000.

Background Information

The District owns and operates five remote pump stations and a diversion facility to convey flows to the District's Wastewater Treatment Plant. These critical wastewater conveyance system infrastructure elements are nearly 40 years old with most of the installed equipment near the end of their useful life. The District initiated a major capital improvement project to address infrastructure and equipment needs to increase operational reliability and facilitate future operations and maintenance activities.

In November 2016, the Board awarded an engineering services contract to S&W for the design of the Pump Station Facilities Repair Project. The project was advertised for public bids in September 2018 and bids were opened on November 13, 2018.

Analysis

As the project transitions into the construction phase, engineering services during construction are necessary for submittal reviews and to respond to information requests related to the design documents. S&W should conduct these activities as the Engineer-of-Record for the project. Staff recommends that the Board authorize the General Manager to execute Amendment No. 2 to S&W's existing Consulting Services Contract in an amount not to exceed \$353,220 for a total agreement amount of \$1,262,220. A summary of the scope of work and anticipated costs associated with these services is shown in Attachment 1.

The District also solicited proposals for construction management and inspection services for the project with five firms submitting proposals. Staff evaluated the proposals, including reference checks, and determined ICM to be the most qualified to provide the requested services. Staff recommends that the Board authorize the General Manager to execute a Consulting Services Contract for construction management and inspection services with ICM in an amount not to exceed \$832,000. A summary of the anticipated costs associated with these services is provided in Attachment 2.

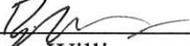


Financial Impact

The adopted Fiscal Year 2018/2019 – 2022/2023 (FY18/19 – FY22/23) Capital Improvement Program (CIP) includes an appropriation of \$9,330,800 in the Wastewater Capital Asset Replacement Fund through FY18/19, with an overall project budget of \$11,330,800 for the Pump Station Facilities Repair Project. There is sufficient budget appropriated in the current fiscal year for the planned expenditures. Additional appropriations will be made in the future CIP to account for the new total project cost estimate of \$13,200,000, which includes planning, design, construction management and inspection, and contingencies. Staff has secured a Clean Water State Revolving Fund loan, with interest rate of 1.9%, to finance the project.

Attachment

- 1) S&W Scope and Cost Summary
- 2) ICM Scope and Cost Summary

Prepared by:   
FOR Sean Williams  
Associate Engineer

Reviewed by:   
Brian Thomas  
Engineering Services  
Director/ District Engineer

cc: Project File No. P.80008.09.02



**SCOPE AND COST ESTIMATE SUMMARY – AMENDMENT NO. 2**

**Project:** Pump Station Facilities Repair Project, Project No. 80008

**Consultant:** Schaaf & Wheeler

---

**Scope of Work Items:**

**Estimated Cost:**

<b>ORIGINAL CONTRACT AMOUNT</b>	<b>\$670,000</b>
<b>AMENDMENT No. 1 AMOUNT</b>	<b>\$239,000</b>
<b>TASKS – AMENDMENT No. 2</b>	
1. Preparation of Conformed Plans and Specifications	\$38,958
2. Submittal Review	\$182,828
3. RFI Responses	\$63,648
4. Construction Meetings	\$21,168
5. Preparation of Record Drawings	\$46,618
<b>TOTAL AMENDMENT No. 2 NOT TO EXCEED AMOUNT</b>	<b>\$353,220</b>
<b>TOTAL CONTRACT AMOUNT</b>	<b>\$1,262,220</b>

**INFERRERA CONSTRUCTION MANAGMENT GROUP, INC.  
SCOPE AND COST ESTIMATE SUMMARY  
FOR CONSULTING SERVICES AGREEMENT**

Project: Pump Station Facilities Repair Project, Project No. 80008

Consultant: Inferrera Construction Management Group, Inc.

Scope of Work and Fee Estimate:

<b>Task</b>	<b>Description</b>	<b>Fee</b>
1	Construction Management	\$74,076.00
2	Inspection Services	\$540,800.00
3	Administrative Support	\$43,800.00
4	Material Testing Services	\$45,148.00
5	Coating Inspection Services	\$17,640.00
6	Labor Compliance Program Administrator	\$42,336.00
7	Travel/Construction Mangement Software Licensing/Technology Fee	\$68,200.00
<b>Total Consulting Services Agreement:</b>		<b>\$832,000.00</b>

ITEM F/5 (c)

January 9, 2019

APPROVE AND AUTHORIZE EXECUTION OF PURCHASE AND SALE AGREEMENT WITH CITY OF ANTIOCH (CITY) TO PURCHASE APPROXIMATELY 1.987 ACRES OF PROPERTY, A PORTION OF ASSESSOR'S PARCEL NO. 065-050-037, OPPOSITE OF 724 FULTON SHIPYARD ROAD, IN EXCHANGE FOR PAYING THE CITY AN AMOUNT NOT TO EXCEED \$291,721 AND GRANTING THE CITY MAINTENANCE AND PIPELINE EASEMENTS IN THE PROPERTY; AND TAKE RELATED ACTIONS UNDER THE CALIFORNIA ENVIRONMENTAL QUALITY ACT

RECOMMENDATION

1. Approve and authorize the General Manager, or his designee, to take the following actions on behalf of the District:
  - a. Execute a Purchase and Sale Agreement (“Agreement”) with the City to purchase approximately 1.987 acres of property identified as a portion of Assessor’s Parcel No. 065-50-037 (“Parcel”), in consideration for payment to the City in an amount not to exceed \$291,721 (“Maximum Purchase Price”), and granting pipeline easements in the Parcel to the City (the Maximum Purchase Price will be reduced by the value of the easements the District will convey to the City, calculated based on a \$3.37 per square foot fee value);
  - b. Execute grants of easements to convey to the City pipeline easements and maintenance easements in the Parcel after title to the Parcel vests in the District;
  - c. Take actions required of the District under the Agreement to close escrow, including payment of District’s share of closing costs, recording fees, and other charges required at the closing, and delivering documents required by the title company; and
  - d. Execute and deliver into escrow certificates of acceptance, to accept, on behalf of the District, fee title to the Parcel and two access easements on adjacent City property.
2. Find that this activity is exempt from environmental review under the California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines, Section 15061(b)(3), because it can be seen with certainty that there is no possibility that this activity may have a significant effect on the environment.
3. Direct the General Manager, or his Designee, to file a CEQA Notice of Exemption (Attachment 1) with the Contra Costa County Clerk Recorder.

Background Information

This transaction relates to the District’s purchase of City-owned property that is improved with the District’s Antioch Pump Station (APS). The District has occupied the property for over 35 years under a lease agreement with the City. The District now requires title to the property in order to proceed with planned improvements at APS using funds from a Clean Water State Revolving Fund (CWSRF) loan.



In 2014, the District secured a CWSRF loan to perform needed wastewater infrastructure repair and rehabilitation at the District's pump stations. The executed CWSRF agreement requires the District to secure property rights to the land where the work is to be performed through the 30-year term of the agreement. District legal counsel provided a legal opinion that the District has property rights in perpetuity for all pump stations except APS. For this site, the District has an unrecorded lease agreement with the City for a nominal annual fee of \$1.00, which expires on May 12, 2032. The expiration date will occur before the end of the 30-year term of the CWSRF loan agreement. Therefore, the District would need an extended lease for the APS property, or would need to own the property, before it could use CWSRF funds for improvements at that facility.

Prior to initiating design work for the Pump Station Facilities Repair Project in 2016, the District approached the City to discuss options to either extend the existing lease agreement or purchase the property. Based on an appraisal of the pump station property and information provided by the City, staff concluded that purchasing the property from the City was economically more beneficial than extending the property lease agreement.

In November 2018, the Board of Directors directed staff to negotiate with City staff to attempt to reach agreement on the terms of the District's purchase of the property. The City is willing to sell the property to the District, but it requires certain easements in the property so that it can continue to maintain City-owned sewer lines on the property.

#### Analysis

District and City staff negotiated the terms of a purchase and sale agreement within the parameters established by the Board. Substantive terms of the agreement include the following:

- 1) Purchase Price. The District will pay the City an amount not to exceed \$291,721 ("Maximum Purchase Price") for the Parcel.
- 2) District's Acquisitions. The District will acquire fee title to the Parcel, which is improved with the District's APS. The Parcel includes abutter's rights of access from Fulton Shipyard Road. The District will maintain the access driveway from Fulton Shipyard Road and the City will agree to preserve access to the Parcel.
- 3) City's Easements. The District will grant sewer pipeline easements and related maintenance easements to the City to allow maintenance of City-owned sewer pipelines in the Parcel. The City will indemnify the District for the City's use of the pipeline and maintenance easements. The Maximum Purchase Price will be reduced by the value of these easements based on a \$3.37 per square foot fee value.
- 4) Limitations of Liability. The District will acquire the property in its as-is condition. The District will release the City from claims related to the condition of the Property or the suitability of the Property for the District's uses. The City will release the District from claims related to the condition of the City-owned pipeline and maintenance easements.
- 5) Closing Costs. The District and the City will each pay one half of the closing costs, and the District will pay the premium for any extended title policy.



- 6) Street Improvements. In the future, the City may improve Fulton Shipyard Road by adding sidewalks, curbs, gutters, and other related improvements to the road. The District and the City will agree to negotiate in good faith on the terms of the District's contribution, if any, toward the cost of the portion of those improvements fronting the Parcel.

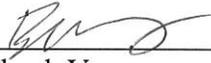
This project is exempt from environmental review under CEQA pursuant to California Code of Regulations, Title 14, Division 6, Chapter 3, Section 15061(b)(3), which states, "where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA." This is a land purchase with a change in title only, and the change in ownership of the Parcel will not have any effect on the physical environment. The District does not have any current plans to change the use of the Parcel. Therefore, staff recommends that the Board find that this project is exempt from CEQA environmental review and authorize the filing of a Notice of Exemption.

Financial Impact

The property market value is \$3.37 per square foot at 86,564 square feet (1.987 acres) for a total value of \$291,721. That amount will be reduced by the value of the easements the District will convey to the City based on the fee value of \$3.37 per square foot. The District will fund this one-time property purchase from Wastewater Capital Asset Fund reserves.

Attachments

CEQA Notice of Exemption

Prepared by:   
FOIR Thanh Vo  
Senior Engineer

Reviewed by:   
Brian Thomas  
Engineering Services  
Director/ District Engineer

cc: City of Antioch  
District File CORP.01-DOCS-1



# Notice of Exemption

To: Office of Planning and Research  
P.O. Box 3044, Room 113  
Sacramento, CA 95812-3044  
  
County Clerk  
County of: Contra Costa  
P.O. Box 350  
Martinez, CA 94553

From: (Public Agency): Delta Diablo  
2500 Pittsburg-Antioch Highway  
Antioch, CA 94509-1373  
  
(Address)

Project Title: Antioch Pump Station Land Acquisition

Project Applicant: Delta Diablo

Project Location - Specific:  
Opposite of 724 Fulton Shipyard Road in Antioch, CA.

Project Location - City: Antioch Project Location - County: Contra Costa

Description of Nature, Purpose and Beneficiaries of Project:  
This project consists of purchasing an approximately 1.987-acre parcel identified as Assessor's Parcel No. 065-050-037 in Antioch, CA.

Name of Public Agency Approving Project: Delta Diablo

Name of Person or Agency Carrying Out Project: Delta Diablo

Exempt Status: (check one):

- Ministerial (Sec. 21080(b)(1); 15268);
- Declared Emergency (Sec. 21080(b)(3); 15269(a));
- Emergency Project (Sec. 21080(b)(4); 15269(b)(c));
- Categorical Exemption. State type and section number: Section 15061(b)(3)
- Statutory Exemptions. State code number: \_\_\_\_\_

Reasons why project is exempt:  
This is a land acquisition with change in title only.

Lead Agency  
Contact Person: Thanh Vo Area Code/Telephone/Extension: 925-756-1949

If filed by applicant:

1. Attach certified document of exemption finding.
2. Has a Notice of Exemption been filed by the public agency approving the project?  Yes  No

Signature: \_\_\_\_\_ Date: \_\_\_\_\_ Title: General Manager

Signed by Lead Agency  Signed by Applicant

Authority cited: Sections 21083 and 21110, Public Resources Code.  
Reference: Sections 21108, 21152, and 21152.1, Public Resources Code.

Date Received for filing at OPR: \_\_\_\_\_

January 9, 2019

ADOPT RESOLUTION AMENDING SECTION 2 OF REIMBURSEMENT RESOLUTION 7/2017 TO PROVIDE THE REASONABLY EXPECTED MAXIMUM PRINCIPAL AMOUNT OF PROJECT FUNDS IS \$13,500,000 FOR THE PUMP STATION FACILITIES REPAIR PROJECT, PROJECT NO. 80008

RECOMMENDATION

Adopt a new resolution amending Section 2 of Reimbursement Resolution 7/2017 to provide the reasonably expected maximum principal amount of project funds of \$13,500,000 for the Pump Station Facilities Repair Project.

Background Information

On February 8, 2017, the Board authorized staff to file a Clean Water State Revolving Fund (CWSRF) financial assistance application to the State Water Resources Control Board (SWRCB) for the Pump Station Facilities Repair Project. The preliminary cost estimate was \$11,270,000, which included planning, design, construction, and contingencies. On May 10, 2017, the Board adopted Reimbursement Resolution 7/2017 for the project with this preliminary cost estimate.

The project was advertised for public bids in September 2018 and bids were opened on November 13, 2018 with a low bid amount of \$9,872,000. The new total project cost estimate, including planning, design, construction management and inspection, and contingencies, is \$13,200,000. Amending the previous Reimbursement Resolution with the new reasonably expected maximum principal amount of \$13,500,000 will ensure there is sufficient contingency to cover any unforeseen project expenses.

Analysis

The CWSRF application process requires a Reimbursement Resolution that sets a reasonably expected maximum amount of financing for the project. The District currently has a CWSRF loan agreement for this project, which will be amended by CWSRF staff to prepare the final loan agreement. An updated Reimbursement Resolution with the new maximum amount ensures the District can secure sufficient CWSRF financing for the project.

Financial Impact

The adopted Fiscal Year 2018/2019 – 2022/2023 Capital Improvement Program includes an appropriation of \$9,330,800 in the Wastewater Capital Asset Replacement Fund through FY18/19 with an overall project budget of \$11,330,800 for the Pump Station Facilities Repair Project. The CWSRF agreement interest rate is 1.9% for a 30-year term with no fees. This is the lowest-cost financing for the project, resulting in long-term savings and cash flow benefits. The total amount financed will depend on the actual project costs and reimbursements received but is not expected to exceed the maximum principal amount of \$13,500,000 million established in the Reimbursement Resolution. Any unused loan funds would be disencumbered by the SWRCB at the end of the project and made available to other loan applicants.

Attachments

- 1) Draft Amended Reimbursement Resolution
- 2) Adopted Resolution 7/2017

Prepared by:   
for Jayne Strommer  
Government Affairs Manager

Reviewed by:   
Brian Thomas  
Engineering Services  
Director/ District Engineer

cc: Project File P.80008.04.04



**BEFORE THE BOARD OF DIRECTORS OF  
DELTA DIABLO**

**Re:Amending Section 2 of Reimbursement Resolution    )  
7/2017 to Provide the Reasonably Expected Maximum)  
Principal Amount of Project Funds of \$13.5 Million    )  
For the Pump Station Facilities Repair Project        )       **RESOLUTION NO. x/2019****

The BOARD OF DIRECTORS OF DELTA DIABLO HAS DETERMINED THAT:

WHEREAS, Delta Diablo (the “Agency”) desires to finance the costs of constructing and/or reconstructing certain public facilities and improvements as part of the Pump Station Facilities Repair Project (the “Project”); and

WHEREAS, The Agency executed Installment Sale Agreement 14-802-550 as amended with the State Water Resources Control Board for the Project; and

WHEREAS, the Agency previously adopted Reimbursement Resolution 7/2017 for the Project and now desires to amend Section 2 of said resolution to increase the reasonably expected maximum principal amount to reflect updated cost estimates;

NOW THEREFORE, the Board of Directors of Delta Diablo DOES HEREBY RESOLVE, ORDER AND DETERMINE as follows:

SECTION 2. The reasonably expected maximum principal amount of the Project funds is \$13,500,000.

PASSED AND ADOPTED on January 9, 2019, by the following vote:

AYES: BANALES, GLOVER, and WRIGHT        ABSENT: NONE  
NOES: NONE                                        ABSTAIN: NONE

I DO HEREBY CERTIFY that the foregoing is a full, true and correct copy of a Resolution duly and regularly adopted at a meeting of the Board of Directors of Delta Diablo on January 9, 2019.

ATTEST: Federal Glover  
Board Secretary

By: \_\_\_\_\_

**BEFORE THE BOARD OF DIRECTORS OF  
DELTA DIABLO**

**Re: Approving Reimbursement of the State)  
Revolving Fund Financial Assistance )  
Expenditure on the Pump Station )  
Facilities Repair Project )**

**RESOLUTION NO. 7/2017**

The BOARD OF DIRECTORS OF DELTA DIABLO HAS DETERMINED THAT:

WHEREAS, Delta Diablo (the “Agency”) desires to finance the costs of constructing and/or reconstructing certain public facilities and improvements relating to its wastewater system, including certain treatment station facilities, pipelines and other infrastructure (the “Project”); and

WHEREAS, The Agency intends to finance the construction and/or reconstruction of the Project or portions of the Project with moneys (“Project Funds”) provided by the State of California, acting by and through the State Water Resources Control Board (State Water Board); and

WHEREAS, the State Water Board may fund the Project Funds with proceeds from the sale of obligations the interest upon which is excluded from gross income for federal income tax purposes (the “Obligations”), and

WHEREAS, prior to either the issuance of the Obligations or the approval by the State Water Board of the Project Funds, the Agency desires to incur certain capital expenditures (the “Expenditures”) with respect to the Project from available moneys of the Agency; and

WHEREAS the Agency has determined that those moneys to be advanced on and after the date hereof to pay the Expenditures are available only for a temporary period and it is necessary to reimburse the Agency for the Expenditures from the proceeds of the Obligations.

NOW THEREFORE, the Board of Directors of Delta Diablo DOES HEREBY RESOLVE, ORDER AND DETERMINE as follows:

SECTION 1. The Agency hereby states its intention and reasonably expects to reimburse Expenditures paid prior to the issuance of the Obligations or the approval by the State Water Board of the Project Funds.

SECTION 2. The reasonably expected maximum principal amount of the Project funds is \$11,270,000.

SECTION 3. This resolution is being adopted no later than 60 days after the date on which the Agency will expend moneys for the portion of the Project costs to be reimbursed with Project Funds.

SECTION 4. Each Agency expenditure will be of a type properly chargeable to a capital account under general federal income tax principles.

SECTION 5. To the best of our knowledge, this Agency is not aware of the previous adoption of official intents by the Agency that have been made as a matter of course for the purpose of reimbursing expenditures and for which tax-exempt obligations have not been issued.

SECTION 6. This resolution is adopted as official intent of the Agency in order to comply with Treasury Regulation §1.150-2 and any other regulations of the Internal Revenue Service relating to the qualification for reimbursement of Project costs.

SECTION 7. All the recitals in this Resolution are true and correct and this Agency so finds, determines and represents.

PASSED AND ADOPTED on May 10, 2017, by the following vote:

AYES: GLOVER, WRIGHT and LONGMIRE  
NOES: NONE

ABSENT: NONE  
ABSTAIN: NONE

I DO HEREBY CERTIFY that the foregoing is a full, true and correct copy of a Resolution duly and regularly adopted at a meeting of the Board of Directors of Delta Diablo on May 10, 2017.

ATTEST: Sean K. Wright  
Board Secretary

By:  \_\_\_\_\_

**RESOLUTION NO. 7/2017**

January 9, 2019

AUTHORIZE GENERAL MANAGER TO EXECUTE AMENDMENT NO. 2 TO CONSULTING SERVICES CONTRACT IN AN AMOUNT NOT TO EXCEED \$6,595, REGIONAL GOVERNMENT SERVICES, DISTRICT JOB CLASSIFICATION AND JOB DESCRIPTION PROJECT, RFP #51103117

Recommendation

Authorize the General Manager to execute Amendment No. 2 to Consulting Services Contract with Regional Government Services (RGS) to conduct a comprehensive job classification and job description study in an amount not to exceed \$6,595, for a new total contract amount of \$92,030.

Background Information

At the December 13, 2017 Board Meeting, the Board authorized the General Manager to execute a Consulting Services Contract with Regional Government Services (RGS) in the amount of \$76,935 to conduct a comprehensive District-wide job classification and job description study. On June 13, 2018, the Board approved an amendment that expanded the scope of the study to include the five senior management classifications and extended the project timeline to March 31, 2019. The expanded scope of work and related RGS staff time increased the total cost of the project to \$85,435.

Analysis

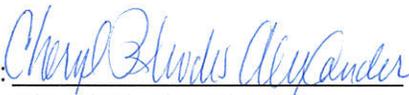
Prior to the start of the job analysis phase of the study in October 2018, the District requested several changes to the process that included: 1) elimination of the pre-work exercise; 2) redesign of the forms used in the workshop sessions to shorten completion time; 3) targeted communication to increase employee participation and engagement in the workshop sessions; and 4) use of a senior advisor in the workshop sessions. RGS has estimated that the additional scope will increase the project cost by \$6,595, for a total project cost of \$92,030.

Staff is recommending that the Professional Services Agreement Consulting Services Contract with Regional Government Services (RGS) be amended to include: 1) the expanded scope of work related to the redesign of the job analysis phase of the study, which; and, 2) would increase the total project cost of the project by \$6,595 to an amount not to exceed \$92,030

Financial Impact

The adopted Fiscal Year 2018/2019 operating budget has sufficient funds to cover the additional costs for this study.

Prepared by:



Cheryl Rhodes Alexander  
Human Resources and Risk Manager

Reviewed by:



Carol Margetich  
Business Services Director

cc: Regional Government Services  
District File No.

## ITEM H

January 9, 2019

### RECEIVE AUDITED COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR) AND MEMORANDUM ON INTERNAL CONTROLS FOR FISCAL YEAR ENDED JUNE 30, 2018

#### RECOMMENDATION

Receive audited Comprehensive Annual Financial Report (CAFR) and Memorandum on Internal Control (MOIC) for Fiscal Year Ended June 30, 2018 (FYE18).

#### Background Information

California statutes require special districts to have an annual audit conducted by independent certified public accountants. This year, in addition to preparing basic financial statements for FYE18, the District prepared a CAFR (Attachment 1), which provides more information (i.e., a Letter of Transmittal and a statistical section) to improve context for the reader. The FYE18 CAFR was audited by Maze & Associates (Maze), who has performed financial audits for the District since FYE14 following Board approval of the original contract on June 11, 2014 and a two-year contract renewal on December 14, 2016. In addition to completing audit work and reviewing the District's financial statements, Maze made recommendations for improvements in a MOIC (Attachment 2).

#### Analysis

Consistent with prior audit results, Maze has determined that the financial statements fairly present the District's financial condition (this is known as an "unmodified" or "clean" opinion) and no material weaknesses were identified in their review of internal control. The District's net position decreased by \$7.4 million in FYE18 due to restatements related to Governmental Accounting Standards Board (GASB) pronouncements and correction of prior period accounting.

Mr. David Alvey, Vice President of Maze & Associates, presented the FYE18 audit results to the Finance Committee at its December 20, 2018 meeting. The staff report and meeting notes are provided in Attachments 3 and 4, respectively. At the conclusion of the meeting, Chair Glover recommended submission of the CAFR and MOIC to the Board.

Ms. Vikki Rodriguez, a Partner with Maze & Associates, will present the FYE18 audit results to the Board at its January 9, 2019 meeting.

The District will submit the FYE18 CAFR to the Government Finance Officers Association (GFOA) for its Certificate of Achievement for Excellence in Financial Reporting. The GFOA works to advance excellence in state and local government financial management and promote financial reporting that provides useful information to taxpayers, customers, public officials, investors, and others who use financial reports.

#### Financial Impact

The District remains financially sound and no material weaknesses in internal control were identified by Maze. The District's net position has decreased by \$7.4 million primarily due to



positive net operating results of \$2.3 million and \$9.7 million decrease due to accounting restatements.

Attachments

- 1) Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2018
- 2) Memorandum on Internal Control for the Year Ended June 30, 2018
- 3) Staff Report to Finance Committee, dated December 19, 2018 (without attachments)
- 4) Meeting Notes from December 20, 2018 Finance Committee Meeting

Prepared by:

  
Carol Margetich  
Business Services Director

cc: David Alvey, Vice President, Maze & Associates  
Vikki Rodriguez, Partner, Maze & Associates





# Delta Diablo

## Comprehensive Annual Financial Report



**Treatment Plant and District Offices**

For the Fiscal Year Ended  
June 30, 2018

Prepared By: Finance Division  
2500 Pittsburg Antioch Hwy  
Antioch, California 94509

This Page Left Intentionally Blank

**DELTA DIABLO, CALIFORNIA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

**PREPARED BY THE  
FINANCE DIVISION**

This Page Left Intentionally Blank

**INTRODUCTORY SECTION (UNAUDITED)**

Letter of Transmittal.....

District Principal Officers .....

Organizational Chart .....

Vision, Mission and Values .....

Location Map .....

**FINANCIAL SECTION**

Independent Auditors' Report.....

Management's Discussion and Analysis .....

Basic Financial Statements:

    Statements of Net Assets .....

    Statements of Revenue, Expenses and Changes in Net Assets.....

    Statements of Cash Flows.....

    Notes to Basic Financial Statements .....

Required Supplementary Information.....

Supplementary Information:

    Supplementary Schedule of Net Assets.....

    Supplementary Schedule of Statements of Revenue, Expenses and.....

    Changes in Net Assets .....

**STATISTICAL SECTION (UNAUDITED)**

Net Assets by Component .....

Condensed Statement of Revenues, Expenses and Changes in Net Assets .....

Total Revenues By Source .....

**DELTA DIABLO**  
**Comprehensive Annual Financial Report**  
**For the Fiscal Years Ended June 30, 2018 and 2017**

**Table of  
Contents**

Total Expenses By Category.....

Major Revenue Base and Rates .....

Service Charges and Service Charges as a Percentage  
of Total Operating Revenue.....

Principal Customers .....

Outstanding Debt By Type and Debt per Capita .....

Pledged-Revenue Coverage .....

Principal Employers in Contra Costa County.....

Demographics and Economic Statistics - District Service Area  
and Contra Costa County .....

About the District.....

Number of District Employees By Department/Function .....

Operating and Capital Indicators By Program.....

# INTRODUCTORY SECTION



Tower Trickling Filters and Aeration Basins

This page is intentionally left blank



## DATE

To the Honorable Board of Directors and Customers of Delta Diablo:

We are pleased to submit the Comprehensive Annual Financial Report of Delta Diablo (District) for the fiscal year ended June 30, 2018 (FY 2018).

The Comprehensive Annual Financial Report (CAFR) has been prepared by the Finance Division in compliance with the principles and standards for financial reporting set forth by the Governmental Accounting Standards Board (GASB). This report consists of three sections: introductory, financial and statistical. Management assumes the responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

California statutes require special districts to have an annual audit conducted by independent certified public accountants. This report is published to fulfill that requirement for FY 2018. Maze & Associates, Accountancy Corporation, has issued an unmodified (“clean”) opinion on the District’s financial statements for FY 2018. The independent auditor’s report is located at the front of the financial section of this report.

Management’s discussion and analysis (MD&A) immediately follows the independent auditor’s report and provides an introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

The Comprehensive Annual Financial Report follows the guidelines recommended by the Government Finance Officers Association (GFOA). The District is submitting this report to GFOA for review and certification.

### ***Profile of the Government***

Delta Diablo is a special district in the State of California that was originally formed in 1955 as Contra Costa County Sanitation District No. 7-A, pursuant to the California Health and Safety Code Section 4700 for the purpose of operating, maintaining and constructing wastewater collection and treatment facilities in the West Pittsburg (now called Bay Point) area. In the early 1970s, the California State Water Resources Control

Board adopted a policy of encouraging public wastewater agencies to consolidate on a sub-regional basis. In 1976, the cities of Pittsburg and Antioch were annexed to the District.

A new sub-regional conveyance system and treatment facility was recommended and subsequently constructed in the current location between the two cities. In 1989, the District's name was changed to Delta Diablo Sanitation District after years of being referred to as such by the public. In 2014, the District's name was changed to Delta Diablo to reflect the general industry shift of viewing wastewater treatment plants as water resource recovery facilities via renewable energy production, water recycling, and biosolids reuse.

Serving nearly 210,000 residents and encompassing 54 square miles, the District is an award-winning agency with a mission to protect public health and the environment. Public ownership of these services allows customers the benefit of reliable service while having rates among the lowest in the region.

The District's service area is divided into three zones: Zone 1 – Bay Point, Zone 2 – Pittsburg, and Zone 3 – Antioch. It is governed by a three-member Board of Directors with one member appointed to represent each zone.

The District's Board of Directors includes the Mayor of the City of Pittsburg (or designee), the Mayor of the City of Antioch (or designee), and the Contra Costa County Board of Supervisor member representing Bay Point, which is unincorporated. The Board of Directors determines overall policies, which are then implemented under the direction of the General Manager.

Board meetings are open to the public and held the second Wednesday of each month. In addition, workshop sessions, special meetings, and public hearings are occasionally scheduled and noticed.

The District has continually pursued an array of solutions to provide high-quality and environmentally-sound resource recovery services to its service area to protect public health, the Delta, and San Francisco Bay now, and into the future. As a result, five-core resource recovery programs and services have been developed: Wastewater, Recycled Water, Household Hazardous Waste, Street Sweeping and Bay Point Collections.

**Wastewater Program:** The Wastewater program's primary purpose is to protect the health of the public and the environment by collecting and effectively treating wastewater. It currently serves a population of 210,000 residents as well as commercial and industrial customers in a service area of approximately 52 square miles. Operating 24 hours a day, 365 days a year, the District's wastewater treatment plant (WWTP) is permitted by the San Francisco Bay Regional Water Quality Control Board (Regional Board) as a secondary wastewater treatment facility for an average dry weather flow of

19.5 million gallons per day (MGD).

***Recycled Water Program:*** Since 2000, the District has been operating one of the largest industrial recycled water plants in California. Generating an average of 6 MGD, this recycled water facility is rated for 12.8 MGD and utilizes a state-of-the-art computerized Supervisory Control and Data Acquisition (SCADA) system. Recycled water produced at the District is used as cooling water at two power plants, as well as landscape irrigation at several parks, Caltrans, right-of-way, city offices, and the golf course in Antioch. The use of high-quality recycled water for industrial and irrigation applications provides an alternative source of water that not only is more cost efficient than potable water and promotes water conservation but is also an environmentally sound recapturing of water resources rather than discharging the treated water directly to the Delta.

***Household Hazardous Waste Program:*** In partnership with multiple local governmental entities, the District has operated a regional Household Hazardous Waste (HHW) Program since 1996. The core of the program is the Delta Household Hazardous Waste Collection Facility, which was constructed in 2003 adjacent to the District's WWTP. The purpose of the HHW program is to keep pollutants out the wastewater system in support of the District's Pollution Prevention Program. Free of charge for residents and small businesses in East Contra Costa County, the program accepts household hazardous wastes, such as medications, used oil and filters, anti-freeze, paints and stains, batteries, fluorescent and high intensity lamps, cosmetics, pesticides, pool chemicals and household cleaners, cooking oils and grease, computers, and televisions.

***Street Sweeping Program:*** Street sweeping is another pollution prevention service offered by the District. One of the best ways to prevent pollutants from entering local waterways is to remove them from streets before wind and rain carries them into storm drains. Regular street sweeping provides a clean appearance throughout neighborhoods, attracts businesses to downtown areas, and helps the region comply with state and federal regulations related to the Clean Water Act.

***Bay Point Collection Program:*** In 1984, the District assumed responsibility from Contra Costa County for the West Pittsburg (Bay Point) collection system. Services provided for this system consists of cleaning, inspection, and maintaining 43 miles of wastewater lines that transports untreated wastewater to the WWTP for treatment. Both the cities of Antioch and Pittsburg maintain their own collection systems.

Additional resource recovery services include pollution prevention, energy recovery, and beneficial reuse of biosolids.

### ***Local Economy***

The District provides water resource recovery services for the City of Antioch (Antioch), the City of Pittsburg (Pittsburg), and the unincorporated community of Bay Point, serving

a population of 210,000 with 38,000 connections in Antioch, 23,750 in Pittsburg and 7,500 in Bay Point.

The three communities are located in the Delta where the Sacramento and San Joaquin Rivers meet at the eastern edge of the greater San Francisco Bay Area (Bay Area). Housing is affordable in the otherwise expensive Bay Area, and there is still significant undeveloped land in the area available for future development. The Bay Area Rapid Transit (BART) Pittsburg-Antioch line and Highway 4 run through the area, connecting commuters in the three communities to jobs in other parts of the Bay Area.

As the bedroom communities to the Bay Area's financial district and high-tech industries, housing-related development, construction and services dominate the local economy. In general, the local economy is consistent with the Bay Area economy. In July 2018, the San Francisco Chronicle reported that for the past three years, the Bay Area economy grew at 4.3%, which was nearly double that of the United States (U.S.) as a whole. An independent economic research firm, Beacon Economics, expects growth to continue but cautions that it, along with soaring housing costs, are hurting the region's economic diversity. Census data showed that across California, less expensive regions such as the Sacramento, San Joaquin Valley, Inland Empire, etc., were seeing greater population growth. As one of the few affordable areas in the Bay Area, the housing industry is projected to remain strong, along with the Bay Area economy, which is expected to carry the local economy. Given the vulnerability of the single housing industry dominating the local economy, local officials are exploring opportunities and providing incentives to businesses to diversify the local economy.

Median household income in Bay Point, Pittsburg and Antioch were \$51,999, \$63,950 and \$65,530, respectively, compared with the California median household income of \$67,739 in 2016. Populations in Pittsburg and Antioch grew from 63,264 and 102,372 in 2010 to 72,647 and 113,061 in 2018, respectively. This information was not separately available for Bay Point as it is an unincorporated area. Median housing prices were \$426,700 in the Bay Point and Pittsburg areas, and \$435,600 in Antioch, as reported by Zillow for August 2018.

### ***Long-Term Planning***

Consistent with GFOA's recommendations, the District has developed a strategic plan as a blueprint for how the District will respond to future challenges and changing priorities. Based on the District's mission and values, goals are established, monitored and reviewed on an annual basis with the Board of Directors.

The Strategic Business Plan was adopted by the Board in September 2013 along with the mission, vision, core values and strategic goals as follows:

**Mission:** Protect public health and the environment in our communities by providing

wastewater resource recovery services of exceptional quality and value.

**Vision:** Delta Diablo will be a national leader in wastewater resource recovery

**Core Values:** Integrity, Teamwork, and Trust

***Strategic Goals:***

- Financial Sustainability
- Leadership
- Operational Excellence
- Workplace Innovation
- Stakeholder Engagement

Management presents Strategic Business Plan Initiatives in support of the Strategic Plan with a focus on specific efforts under each goal area for the Board’s review and acceptance each year.

***Financial Policies and Highlights***

***Financial Policies***

The District has a comprehensive set of financial policies that set forth guidelines to maintain accountability and control over operating revenue and expenses, ensure proper appropriation of reserves and restricted funds, and maintain a reasonable balance between debt and assets when providing funding for capital projects.

***Investments:*** Annually, the Board of Directors adopts an Investment Policy pursuant to California Government Code, Sections 53600 et seq. The investment of idle funds is delegated by the Board of Directors to the District’s General Manager, who assumes full responsibility for the transactions of the investment program. The objectives of the Investment Policy are safety, liquidity, yield, and diversity. The District’s investments are in compliance with the adopted Investment Policy. See Note 2 – Cash and Investments in the Notes section of this report for detailed investment information.

***Reserves:***

- *Economic Reserves:* Economic reserves are an essential part of the District’s operating requirements and ensure the continued ability to provide services during budget shortfalls or unforeseen circumstances. The purpose of this reserve is to provide adequate funding to mitigate overall rate volatility resulting from economic changes or events that significantly decrease the District’s revenues or increase the District’s operating costs.
- *Advanced Treatment Reserve:* A component of the wastewater rate is dedicated

and set aside to provide funding for a significant future advanced treatment project to meet more stringent anticipated discharge regulations.

***Other Post-Employment Benefits (OPEB) Trust Funding:*** Following the acceptance of each fiscal year's audited financial statements for the District, the Board of Directors makes a determination as to how much of that year's remaining Actuarially Determined Contribution (ADC) (formerly Annual Required Contributions or ARC) will be funded by the District and deposited to the OPEB trust fund from all or part of the following sources in the order listed below: 1) unanticipated revenue streams; 2) wastewater service charge revenues exceeding planned levels for the prior fiscal year; 3) unused wastewater operating contingency funds from the prior fiscal year; 4) wastewater operating budget savings from the prior fiscal year; 5) ad valorem tax revenues; and 6) wastewater general fund.

***Pension Benefits Trust Funding:*** The District's intent is to set aside additional funds in a separate qualified trust fund which may in the future be directed into either the California Public Employees' Retirement System (CalPERS) and/or Contra Costa County Employee's Retirement Association (CCCERA). Annual budgeted amounts are contributed following the adoption of the budget. Upon fully funding the OPEB Trust Fund, those funding sources previously discussed shall be redirected to pension benefit trust funding, provided the OPEB trust funds remains fully funded.

***Internal Controls:*** Management is responsible for establishing and maintaining adequate internal controls to ensure that District operations are effective and efficient, applicable laws and regulations are followed, and financial reports are reliable. Internal controls provide reasonable, but not absolute assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived, and that the cost-benefit analyses require estimates and judgements by Management.

### ***FY 2018 Strategic Business Plan Initiatives***

- ***Financial Sustainability***
  - *Evaluate the financial viability of the East County Bioenergy Project, including mitigation of potential financial, technological, operational, regulatory, and other public acceptance risks.* Status: The project is in the planning phase. Staff actively evaluated project risks and mitigation strategies. Ongoing and continues in FY 2019.
  - *Ensure the lowest cost of capital (i.e., financing cost) for ratepayers by proactively securing project funding from applicable grants and low-interest loan programs.* Status: Staff actively sought the lowest cost of capital by proactively securing project funding from applicable grant and low-interest loan program,

including a SRF loan for the planned Bay Point Pipeline Rehab Phase IV project and a federal grant of \$194,200 for the East County Bioenergy Project. Ongoing and continues in FY 2019.

- *Evaluate alternatives and provide a recommendation for improvements to the rate-setting and capital improvement program development process.* Status: A resolution was adopted in April 2018 to repeal and replace the triennial budget with an annual budget for FY 2019 and possibly FY 2020 to align the operating and capital improvement project budgets with the rate-setting process. Additionally, a set of comprehensive financial policies is in development with a target for the Board's adoption by June 30, 2019.
  
- **Leadership**
  - *Develop a Succession Planning Strategy to support workforce development and business continuity.* Status: Implemented multi-pronged strategies including having a new hire train with the outgoing retiree for an overlapping period (e.g. one to two months), enhanced continuing professional education and training for active employees, encouraged on the job mentoring and coaching, and implemented cross training for critical positions. Ongoing and continues in FY 2019.
  
  - *Develop supervisor and employee handbooks and initiate job description updates to support development of future leaders.* Status: With assistance from a consulting firm, all District staff have completed the position description questionnaires and met with the consultants for interviews and meetings for further information. Supervisor and employee handbook development was deferred.
  
- **Operational Excellence**
  - *Complete development of a comprehensive Business Continuity Plan to minimize operational disruptions to critical District operations and functions during emergency conditions.* Status: Department representatives met regularly to update the plan which is approximately 75% complete. Continue in FY 2019 for with a completion target of June 2019.
  
  - *Enhance the employee safety and other training program (and other training programs) by implementing a dynamic training approach that includes hands-on and interactive elements.* Status: Revamped the safety training program with more interactive and hands on learning opportunities. Conducted ten sessions of hands-on training and six online interactive quizzes. Business initiative completed; other training enhancements ongoing as continuous improvement.

- *Improve business and operational practices by completing the first phase of MUNIS modernization modules, the MUNIS “dashboard”, an implementation plan for employee self-service modules, and the first phase of the parcel/permit database upgrade (to ensure stable revenue collection).* Status: Implemented the Munis dashboard and employee self-service features. Electronic purchase order is in development. Completed an investment assessment for the Munis 2018.1 upgrade in FY 2019. Business initiative completed; excluding the parcel/permit database which continues in FY 2019.
- *Evaluate and implement initial recommendations from the Asset Management Gap Analysis.* Status: After reviewing the gap analysis recommendations, staff determined the appropriate first action is to receive training on asset management principles. This will allow a multi-department team to develop a long-term strategy for implementation of an asset management program. Ongoing and continues in FY 2019.
- ***Workplace Innovation***
  - *Continue pursuing multi-benefit initiatives that increase biogas production, improve process performance, and/or address long-term biosolids (e.g., gasification project) and nutrient management (e.g., participation in BACWA regional planning) issues.* Status: Completed.
  - *Achieve Superior Energy Performance and ISO 50001 certifications and maintain certifications by focusing on reducing energy intensity and increasing renewable energy production.* Status: Established Energy Steering Committee and Energy Team and completed significant requirements toward ISO 50001 certification. An internal audit was conducted and there are minor actions to be addressed in FY 2019. Ongoing and continuing in FY 2019 as a Financial Sustainability initiative.
  - *Develop a process for identifying applicable innovative approaches and initiatives for evaluation that benefit ratepayers through industry engagement via conducting site visits, vendor meetings, and publication reviews and attending conferences, seminars, and webinars.* Status: Carries forward in FY 2019.
  - *Complete pilot scale testing of the anammox/zeolite process to improve effluent and recycled water quality and initiate the Lawrence Livermore National Laboratory (LLNL) Capacitive Desalination project.* Status: In partnership with Calpine, completed testing of the anammox/zeolite process to remove ammonia from recycled water. A findings report is being developed to determine future recommendations for this technology. Completed pending report.
- ***Stakeholder Engagement***

- *Actively support the Bay Area Biosolids Coalition’s key strategic activities, including developing year-round biosolids management alternatives, forging partnerships to advance biosolids research, and expanding community outreach and education.* Status: The District continues to actively participate in monthly strategic planning workshops and steering committee meetings to guide development of sustainable biosolids management alternatives and potential site locations, and support research and product market assessments that highlight the environmental benefits and value of biosolids. Coalition members will soon begin developing the strategic framework and scope of work to guide coalition activities for FY 2020.
- *Ensure proactive communication and engagement with local community members to support implementation of key initiatives and project activities that may generate community interest.* Status: Regularly attended meetings and made presentations to the three local Chambers of Commerce, California Association of Sanitation Agencies, California Water Environ Association, and East County Business Education Alliance. Collaborated with local high schools on film clips to promote public awareness of the District’s services. Ongoing and continues in FY 2019.

- ***Long-Term Infrastructure Investment***

The District’s Capital Improvement Program (CIP) presents project needs and funding requirements to maintain and/or upgrade District infrastructure. Recommended projects in the CIP are based on previous master planning efforts as well as ongoing condition assessment of existing facilities. The five-year CIP defines and prioritizes projects for each of the Resource Recovery Program areas described above. Below is a discussion of the active major capital projects in FY 2018.

- East County Bioenergy Project – Preliminary design to determine the viability of a public-private partnership with Mt. Diablo Resource Recovery to meet organic waste diversion requirements and generate energy through anaerobic digestion of the organic waste using District facilities.
- Pittsburg Forcemain Improvements – Construction of a second wastewater forcemain from the Pittsburg Pump Station to the Pittsburg Interceptor for redundancy of a critical pipeline.
- Facility Condition Assessment Study – Evaluation of conveyance system and WWTP pipelines to develop a prioritized renewal and rehabilitation plan.
- Headworks Improvements – Design of a replacement headworks to address deterioration of the existing headworks.
- Treatment Plant Electrical Switchgear Replacement – Design of a new switchgear to ensure continuous, reliable power that can accommodate future WWTP power demand and electricity generation.

- Primary Clarifier Area Improvements – Completed design and began construction to rehabilitate the primary clarifier infrastructure including exposed piping, mechanical equipment, and electrical systems.
- District Office Building Roof Replacement – Completed design and began construction to replace the Plant Operations Center and Treatment Plant office building roofing systems.
- Pump Station Facility Repair – Design of comprehensive repair and replacement work related to mechanical, electrical, and coating systems at District pump stations and grading improvements to protect against flooding during storm events.
- Emergency Backup Power Generator – Completed design and began construction of an emergency back-up power generator at the District’s Recycled Water Facility to ensure ongoing operation during power outages to reliably meet recycled water demand.
- Bay Point Rehabilitation Phase IV – Design of gravity sewer rehabilitation and replacement to address defects identified as part of the District’s sewer inspection program.

***Awards & Acknowledgements***

The District was a proud recipient of several prestigious industry awards:

- California Water Environment Association 2018 Community Engagement and Outreach Newsletter of the Year, Second Place;
- National Association of Clean Water Agencies Peak Performance Awards for the 14<sup>th</sup> consecutive year;
- California Association of Sanitation Agencies 2018 Award of Excellence for Public Outreach and Education.

*Acknowledgements*

We would like to thank the Board of Directors for its continued interest and dedicated support for maintaining the highest standards of professionalism and integrity in the management of the Delta Diablo's finances. Additionally, this report could not have been accomplished without the skill, effort, and dedication of the entire staff of the Finance Division. We wish to thank all departments for their assistance in providing the data necessary to prepare this report.

Sincerely,

---

**Vincent De Lange**  
**General Manager**

---

**Carol Margetich**  
**Business Services Director**

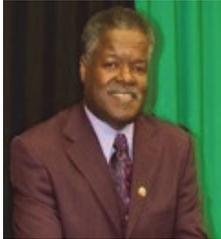
# DELTA DIABLO

## Principal Officers – June 30, 2018

### Board of Directors

---

Delta Diablo has a three-member Board of Directors consisting of representatives appointed by the governing bodies of the three service areas: unincorporated Bay Point, City of Pittsburg and City of Antioch.



Federal Glover, appointed by the Contra Costa County Board of Supervisors, represents the unincorporated Bay Point.



Pete Longmire, appointed by the Pittsburg City Council, represents the City of Pittsburg.



Sean Wright, appointed by the Antioch City Council, represents the City of Antioch.

### Staff

---

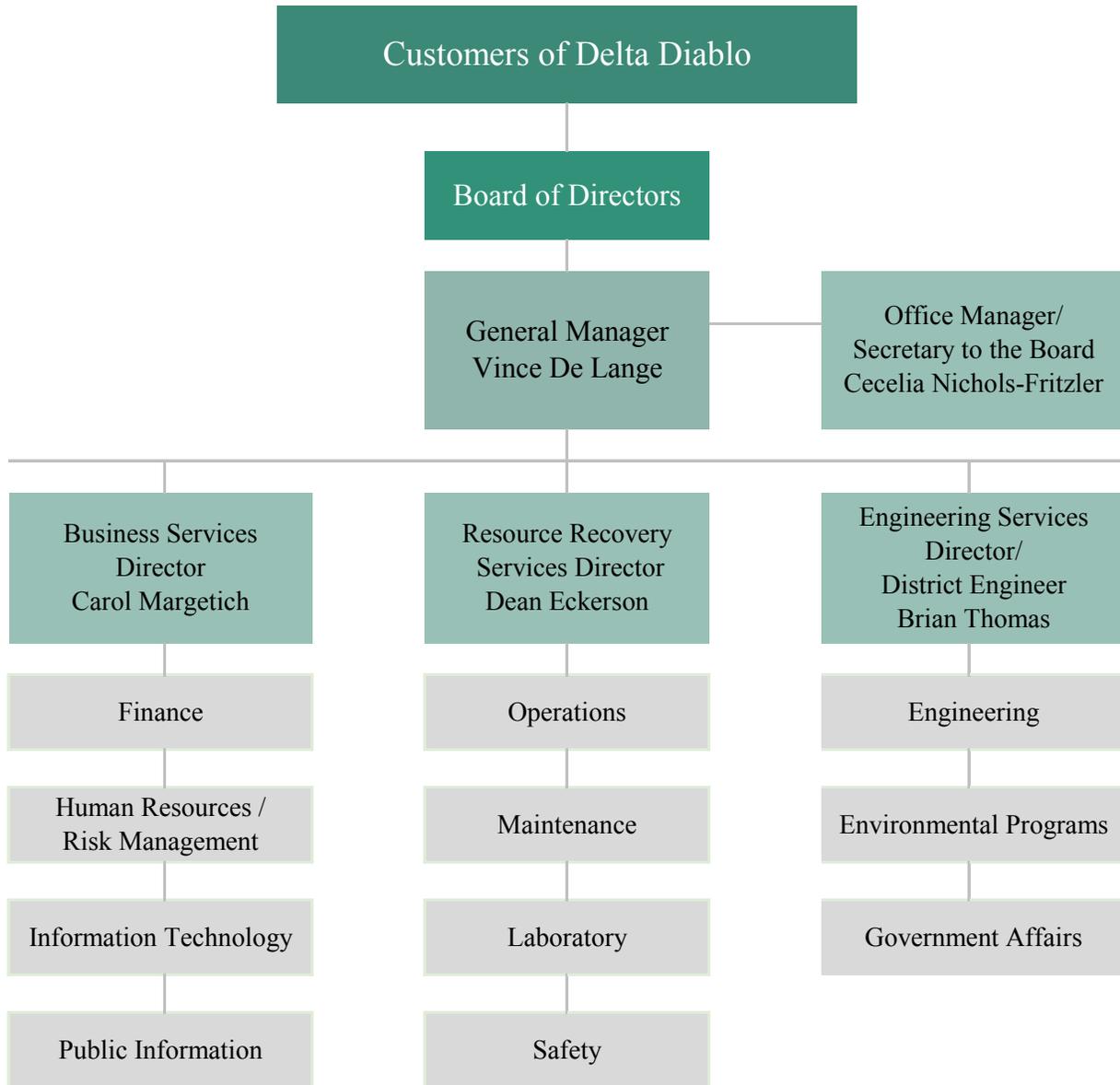
Vince De Lange, General Manager

Dean Eckerson, Resource Recovery Services Director

Brian Thomas, Engineering Services Director

Carol Margetich, Business Services Director

# Organization Chart



# DELTA DIABLO

## Vision, Mission and Core Values

### **Mission**

Protect public health and the environment of our communities by providing *wastewater* and other resource recovery services of exceptional quality and value.

### **Vision**

Delta Diablo will be a national leader in *wastewater* resource recovery.

### **Core Values**

Delta Diablo is committed to:

#### **Integrity**

- Maintain the highest ethical standards with our customers, partners and each other
- Honor our commitments
- Treat others fairly and consistently

#### **Teamwork**

- Collaborate to achieve a common vision
- Communicate in an open and timely manner
- Celebrate our successes and achievements

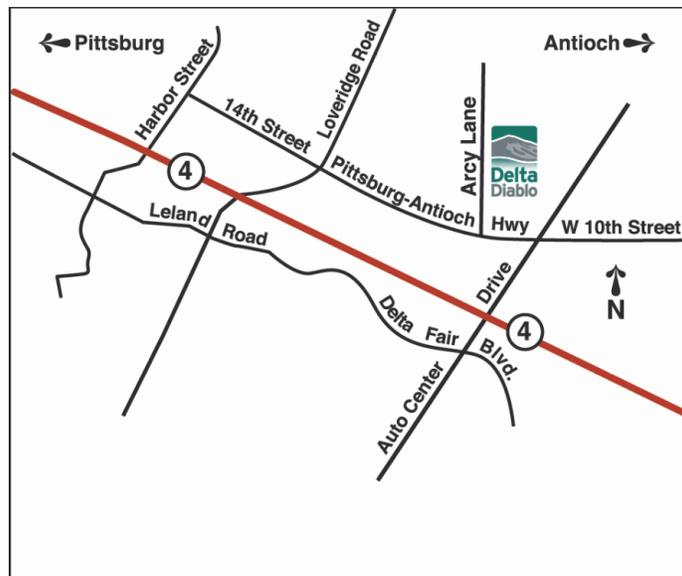
#### **Trust**

- Inspire confidence through our words and actions
- Promote a positive work environment through honest, transparent, and respectful interactions
- Encourage and embrace diverse points of view

# DELTA DIABLO Location Map



Delta Diablo  
Antioch, CA



This Page Left Intentionally Blank

# **FINANCIAL SECTION**

This Page Left Intentionally Blank

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Delta Diablo  
Antioch, California

### *Report on Financial Statements*

We have audited the accompanying financial statements of the business-type activities and aggregate remaining fund information of Delta Diablo (District), California, as of and for the years ended June 30, 2018 and June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the enterprise fund and the aggregate remaining fund information of Delta Diablo as of June 30, 2018 and 2017, and the respective changes in the financial positions, and where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Change in Accounting Principle***

Management adopted the provisions of the Governmental Accounting Standards Board Statement No 75 – *Financial Reporting for Post-employment Benefit Plans Other than Pension Plans* which became effective during the year ended June 30, 2018 that had material effects on the financial statements, as discussed in Note 1M to the financial statements.

The emphasis of these matters does not constitute a modification to our opinions.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and other required supplementary information as listed in the table of contents the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with generally accepted auditing standards in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Introductory Section, Supplementary Information and Statistical Section as listed in the Table of Contents are presented for purposes of additional analysis are not required part of the basic financial statements.

The Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted standards in the United States of America. In our opinion, the Supplementary Information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The Introductory Section and Statistical Section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated **DATE** on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grand agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Pleasant Hill, California

**DATE**

This Page Left Intentionally Blank

DELTA DIABLO  
MANAGEMENT'S DISCUSSION & ANALYSIS  
For the Fiscal Year Ended June 30, 2018

This section provides Management's analysis of Delta Diablo's (the District) financial condition and activities as of and for the year ended June 30, 2018 (FY 2018). The intent of the Management's Discussion and Analysis (MD&A) is to provide an introduction to the District's basic financial statements.

This information should be read in conjunction with the audited financial statements shown on pages that follow this section.

The information provided in this MD&A is reported in condensed format and is presented under the following headings:

- Organization and Business
- Overview of the Financial Statements
- Financial Highlights
- Financial Analysis
- Capital Assets and Debt
- Economic Factors and Next Year's Budgets and Rates
- Requests for Information

## ORGANIZATION AND BUSINESS

Delta Diablo is a California Special District that provides water resource recovery services to a population of about 210,000 within a fifty-four (54) square mile service area including the City of Antioch, the City of Pittsburg, and the unincorporated community of Bay Point. The water resource recovery services consist of secondary treatment of wastewater, recycled water production and distribution, pollution prevention, energy recovery, beneficial reuse of biosolids, street sweeping, and household hazardous waste collection.

## OVERVIEW OF THE FINANCIAL STATEMENTS

The District's basic financial statements consist of two components: 1) Fund Financial Statements and 2) Notes to the Financial Statements. This report also contains other supplementary information in addition to the basic financial statements.

***Fund Financial Statements:*** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. As a special purpose government, the District reports its financial statements in accordance with business-type activities known as enterprise funds. Enterprise funds are self-supporting funds that charge fees to users to cover the cost of operations, maintenance, capital asset improvements and replacements. Enterprise funds are reported on "accrual basis" of accounting similar to private sector companies. Accrual basis is the basis of accounting under which revenues and gains are recorded when earned, and all expenses and losses are recorded when incurred.

The fund financial statements consist of the *Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position* and *Statement of Cash Flows*.

The *Statement of Net Position* reports all of the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position in a format displaying *assets, plus deferred outflows of resources, less liabilities, less deferred inflows of resources, equals net position*. Over time, increases or decreases in net position serve as an indicator of whether the District's financial position improves or declines.

DELTA DIABLO  
MANAGEMENT'S DISCUSSION & ANALYSIS  
For the Fiscal Year Ended June 30, 2018

The *Statement of Revenues, Expenses and Changes in Net Position* presents information on the District's operating results and how the net position changed during the fiscal year. Revenues are recorded when earned and expenses are recorded when incurred regardless of the timing of related cash flows. This statement displays the costs of services provided to customers, and how the District finances these costs of services – through rate revenues, fees, grants and other program revenues.

The *Statement of Cash Flows* reflects changes in cash and cash equivalents resulting from operational, capital, noncapital, and investing activities. This statement summarizes cash inflows (receipts) and outflows (disbursements) without consideration of the timing of the event giving rise to the obligation or receipt, and excludes noncash transactions such as depreciation and amortization.

**Notes to the Financial Statements:** The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements can be found on pages [REDACTED] of this report.

**Other Information:** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's progress in funding its obligation to provide pension and other post-employment healthcare benefits to its employees. Such required supplementary information can be found on pages [REDACTED] of this report.

## FINANCIAL ANALYSIS

### *Financial Highlights*

In FY 2018, the District continued to effectively manage its finances and strengthen its financial position by adopting sufficient user rates to fund operations, capital infrastructure improvements, future post-employment benefits, and to maintain strong financial performance. The District implemented Governmental Accounting Standards Board (GASB) Statement Number 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (GASB 75). The new accounting rules resulted in a prior period adjustment decreasing the beginning net position by \$7.2 million. The following results of operations indicate a continuing strong and stable fiscal position.

- Total assets plus deferred outflows of the District exceeded the total liabilities and deferred inflows by \$158.7 million (net position)
- Net position decreased by \$7.4 million (4.5%) from the previous year
- Total assets plus deferred outflows remain unchanged at \$209.2 million
- Total liabilities plus deferred inflow of resources increased by \$7.5 million (17.4%)
- Total operating revenue was \$34.2 million, an increase of \$0.5 million (1.5%)
- Total operating expenses were \$36 million, an increase of \$3.1 million (9.4%)
- Capital contributions were \$1.2 million, a decrease of \$1.2 million (49.3%)

**DELTA DIABLO**  
**MANAGEMENT'S DISCUSSION & ANALYSIS**  
For the Fiscal Year Ended June 30, 2018

***Financial Position***

In the current year, the District's net position decreased by \$7.4 million, or 4.5%, to \$158.7 million. Capital assets, net of depreciation, increased \$0.3 million to \$141 million. Total assets plus deferred outflows remained unchanged at \$209.2 million. Total liabilities plus deferred inflows increased \$7.5 million, or 17.4%, during the year to \$50.5 million. By far, the largest portion of the District's net position, 75%, or \$118.7 million is invested in capital assets necessary to provide services to its ratepayers.

In the previous fiscal year, the District's net position increased by \$5.6 million, or 3.5%, to \$166.2 million. Capital assets, net of depreciation, increased \$4.1 million to \$140.7 million. Total assets plus deferred outflows increased \$12.2 million, or 6.2%, to \$209.2 million. Total liabilities plus deferred inflows increased \$6.5 million, or 17.9%, during the year to \$43 million.

The current fiscal year's decrease in net position of \$7.4 million resulted from positive operating results (\$2.3 million increase) (i.e., total revenues less total expenses), prior period adjustments for GASB Statements 75 and 68 (\$7.2 million decrease and \$1.2 million increase, respectively), and a change in expensing previously capitalized costs (\$3.7 million decrease). Additional information on long-term debt, net pension liability, and net OPEB liability is provided in the accompanying notes to the financial statement in Note 7 – Long-term Debt and Note 8 – Retirement.

Table 1 below presents the District's Statement of Net Position for the fiscal years ended June 30, 2018, 2017, and 2016:

**Table 1**  
Condensed Statement of Net Position  
(In Thousands)

	Fiscal Year Ended June 30			2018 vs 2017		2017 vs 2016	
	2018	2017	2016	Variance	Percent	Variance	Percent
Current and other assets	\$ 62,567	\$ 64,250	\$ 56,782	\$ (1,683)	-2.6%	\$ 7,468	13.2%
Capital assets (net)	141,043	140,744	136,602	299	0.2%	4,142	3.0%
Deferred outflow of resources	5,618	4,186	3,633	1,432	34.2%	553	15.2%
Total assets	<u>209,228</u>	<u>209,181</u>	<u>197,017</u>	<u>47</u>	<u>0.0%</u>	<u>12,164</u>	<u>6.2%</u>
Current liabilities	6,551	6,042	9,918	509	8.4%	(3,876)	-39.1%
Long-term liabilities	43,086	35,742	25,430	7,344	20.5%	10,312	40.6%
Deferred inflows of resources	848	1,205	1,126	(357)	-29.6%	79	7.0%
Total liabilities	<u>50,485</u>	<u>42,989</u>	<u>36,474</u>	<u>7,496</u>	<u>17.4%</u>	<u>6,515</u>	<u>17.9%</u>
Net position							
Net investment in capital assets	118,740	119,129	122,139	(389)	-0.3%	(3,010)	-2.5%
Restricted	930	378	2,086	552	146.0%	(1,708)	-81.9%
Unrestricted	39,072	46,684	36,318	(7,612)	-16.3%	10,366	28.5%
Total net position	<u>\$ 158,742</u>	<u>\$ 166,191</u>	<u>\$ 160,543</u>	<u>\$ (7,449)</u>	<u>-4.5%</u>	<u>\$ 5,648</u>	<u>3.5%</u>

DELTA DIABLO  
MANAGEMENT'S DISCUSSION & ANALYSIS  
For the Fiscal Year Ended June 30, 2018

*Results of Operations*

In FY 2018, the District's total operating revenue of \$34.2 million increased by \$0.5 million and total operating expense of \$36 million increased by \$3.1 million. The change in net position (including capital contributions) decreased from \$5.6 million in the previous fiscal year to \$2.3 million in the current fiscal year. The District's total net position decreased \$7.4 million from \$166.2 million to \$158.7 million during the current fiscal due to prior period adjustments.

The major components of the District's results in FY 2018 were:

- Operating revenue remained stable increasing \$0.5 million or 1.5%. Service charges increased \$0.8 million, or 2.6%, driven by a wastewater service rate increase of 6.5%. The increase was offset by reductions in recycled water service charges and a \$0.3 million reduction in other operating revenues includes rebates (\$0.1 million) and work for others (\$0.2 million).
- Labor costs, consisting of salaries and benefits, increased \$1.6 million, or 9.5%, primarily due to increased salaries and benefits of \$0.5 million and \$0.5 million, respectively, as a result of cost-of-living increases, merit increases, fewer vacant positions, and higher benefit costs. GASB 68 pension and GASB 75 OPEB accounting rule changes resulted in a net increase of \$0.5 million.
- Outside services and maintenance costs increased \$1.2 million, or 29.3%, primarily due to correctly expensing costs that had been capitalized in the past.
- Property tax revenue increased \$0.2 million, or 9.1%, due to the ongoing economic recovery.
- Capital contributions decreased \$1.2 million, or 49.3% due to a reduction of 377 new equivalent residential unit (ERU) permits from the prior year due to construction delays.

For FY 2017, operating revenue was \$33.7 million, an increase of \$1.0 million (3%) and total operating expense of \$32.9 million increased by \$3.1 million. The change in net position (including capital contributions) decreased \$1.3 million from \$4.6 million in the previous FY to \$3.3 million in FY 2017. The District's total net position increased from \$160.5 million to \$166.2 million in FY 2017.

The major components of the District's results in FY 2017 were:

- Operating revenue increased \$1.0 million or 2.9%. Service charges increased \$0.8 million, or 2.7%, driven by a wastewater service rate increase of 6.5%. In addition, recycled water consumption rates increased by 3.2% to fund the increased operating costs as well as capital improvement projects to address the aging facilities and conveyance system.
- Labor costs, consisting of salaries and benefits, increased \$4.2 million (32.5%) primarily due to increases of \$3.2 million in pension expense, cost-of-living increases of \$0.3 million, and one-time contribution of \$0.5 million to the OPEB trust.
- Outside services and maintenance costs decreased \$1.1 million, or 21.4 primarily due to the completion of the painting and coating of District-wide facilities and the Tower Pump Station rehabilitation project in prior year.

**DELTA DIABLO**  
**MANAGEMENT'S DISCUSSION & ANALYSIS**  
For the Fiscal Year Ended June 30, 2018

- Property tax revenue increased \$0.2 million, or 10.1%, due to the ongoing economic recovery.
- Capital contributions increased \$0.1 million, or 6.5% primarily due to increased issuance of connection permits.

Table 2 below presents the District's Statement of Revenues, Expenses and Changes in Net Position for the FYs ended June 30, 2018, 2017, and 2016:

**Table 2**  
Condensed Statement of Revenues, Expenses and Changes in Net Position  
(In Thousands)

	Fiscal Year Ended June 30			2018 vs 2017		2017 vs 2016	
	2018	2017	2016	Variance	Percent	Variance	Percent
Service charges	\$ 32,390	\$ 31,573	\$ 30,756	\$ 817	2.6%	\$ 817	2.7%
Other operating revenues	1,810	2,122	1,989	(312)	-14.7%	133	6.7%
Total operating revenue	<u>34,200</u>	<u>33,695</u>	<u>32,745</u>	<u>505</u>	<u>1.5%</u>	<u>950</u>	<u>2.9%</u>
Salaries and benefits	18,569	16,952	12,796	1,617	9.5%	4,156	32.5%
Chemicals and utilities	2,908	2,772	2,650	136	4.9%	122	4.6%
Outside services and maintenance	5,352	4,138	5,265	1,214	29.3%	(1,127)	-21.4%
Depreciation and amortization	6,897	6,882	6,994	15	0.2%	(112)	-1.6%
Other operating expenses	2,260	2,160	2,113	100	4.6%	47	2.2%
Total operating expense	<u>35,986</u>	<u>32,904</u>	<u>29,818</u>	<u>3,082</u>	<u>9.4%</u>	<u>3,086</u>	<u>10.3%</u>
Net operating income (expense)	(1,786)	791	2,927	(2,577)	-325.8%	(2,136)	-73.0%
Nonoperating income (expense)							
Property Taxes	2,680	2,456	2,230	224	9.1%	226	10.1%
Interest income	679	359	298	320	89.1%	61	20.5%
Interest expense	(573)	(371)	(662)	(202)	54.4%	291	-44.0%
Other non-operating income (expense)	69	73	(171)	(4)	-5.5%	244	-142.7%
Total nonoperating income (expense), net	<u>2,855</u>	<u>2,517</u>	<u>1,695</u>	<u>338</u>	<u>13.4%</u>	<u>822</u>	<u>48.5%</u>
Income (loss) before contributions	1,069	3,308	4,622	(2,239)	-67.7%	(1,314)	-28.4%
Capital Contributions	<u>1,187</u>	<u>2,340</u>	<u>2,198</u>	<u>(1,153)</u>	<u>-49.3%</u>	<u>142</u>	<u>6.5%</u>
Change in net position	2,256	5,648	6,820	(3,392)	-60.1%	(1,172)	-17.2%
Net position - beginning of year	166,191	160,543	153,723	5,648	3.5%	6,820	4.4%
Prior period adjustment	(9,705)	-	-	(9,705)	n/a	-	0.0%
Net position - end of year	<u>\$ 158,742</u>	<u>\$ 166,191</u>	<u>\$ 160,543</u>	<u>\$ (7,449)</u>	<u>-4.5%</u>	<u>\$ 5,648</u>	<u>3.5%</u>

**Capital Assets**

The District had capital assets (net of depreciation) of \$141.0 million, \$140.7 million, and \$136.6 million as of June 30, 2018, 2017 and 2016, respectively. The District invests in a broad range of capital assets including land, buildings, improvements, wastewater treatment facilities, water reclamation facilities, hazardous waste facilities, transmission and conveyance systems, pump stations, and machinery and equipment. In FY 2018, capital assets increased \$0.3 million due to the acquisition of a land parcel for \$3.5 million, capitalization of \$3.7 million eligible construction-in-progress expenses, offset by an increase of \$6.9 million in accumulated depreciation.

**DELTA DIABLO  
MANAGEMENT'S DISCUSSION & ANALYSIS  
For the Fiscal Year Ended June 30, 2018**

Table 3 below presents the District's Capital Assets, net of depreciation, for the FYs ended June 30, 2018, 2017, and 2016:

**Table 3**  
Schedule of Capital Assets, Net of Depreciation  
(In Thousands)

	Fiscal Year Ended June 30			2018 vs 2017		2017 vs 2016	
	2018	2017	2016	Variance	Percent	Variance	Percent
Land	\$ 6,226	\$ 2,719	\$ 2,719	\$ 3,507	129.0%	\$ -	0%
Construction in progress	17,704	20,654	9,912	(2,950)	-14.3%	10,742	108%
Treatment & collection system	116,652	116,596	123,141	56	0.0%	(6,545)	-5%
Equipment	460	776	830	(316)	-40.7%	(54)	-7%
Total capital assets	<u>\$141,042</u>	<u>\$140,745</u>	<u>\$136,602</u>	<u>\$ 297</u>	<u>0%</u>	<u>\$ 4,143</u>	<u>3.0%</u>

The District's net revenue, long-term debt, property tax revenue, and contributions from customers are used to finance capital investments.

This year's major capital expenditures included:

<u>Project</u>	<u>(In Millions)</u>
Pittsburg Force Main Rehabilitation	\$ 12.2
East County Bioenergy Project	0.90
Primary Clarifier Scum Box Replacement	0.80
Total	<u>\$ 13.9</u>

The District's Capital Improvement Program (CIP) prioritizes the District's capital needs with funding sources for a five-year period. Each year, the District continues to expand and improve its wastewater treatment plants and conveyance systems to comply with the stricter environmental regulations as well as to minimize wastewater overflows and/or disruptions of service. For additional information, see accompanying notes to the financial statement No.5 – Capital Assets.

***Debt Administration***

At year-end, the District had total net long-term debt outstanding of \$21.3 million versus \$20.6 million last year. In FY 2018, this debt consisted of five State Revolving Fund (SRF) loans. A 2017 SRF loan in the amount of \$6 million was defeased as the associated project was cancelled. For additional information, see accompanying notes to the Financial Statements Note 7 – Long-Term Debt.

The District received a reaffirmation of the AA credit rating from Standard & Poor's in November 2015. The AA rating represents the District's very strong capacity to meet its financial commitments. The primary reason for the reaffirmation was the District Board's willingness to continue to adjust rates incrementally, and the very prudent approach to begin collecting and setting aside funds for the advanced treatment plant project in anticipation of elevated nutrient removal regulations. Additionally, the District's strong financial performance, debt service coverage and strong liquidity built on competitive rates; manageable capital plan with expansion costs historically financed from connection fees; and a stable and diverse customer base largely collected through the County's Teeter Plan supported the AA credit rating.

DELTA DIABLO  
MANAGEMENT'S DISCUSSION & ANALYSIS  
For the Fiscal Year Ended June 30, 2018

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

***Economic Factors:*** The District operates as an enterprise fund and is therefore self-supporting. The District charges rates and fees to users to cover the costs of operations and capital improvements. Economic factors that may affect the District include, but are not limited to the following:

- Economic cycle, which impacts the capacity/connection fees as new development projects are highly sensitive to the economic cycle. Economic cycle also impacts the Federal and State budgets and legislation, which could affect the District's ability to secure grant funding and low interest loans.
- Interest rate and/or investment return, which directly impact investment earnings, borrowing costs, and pension and OPEB contribution rates.
- Consumer price index (CPI), which is a good measure of inflation. CPI for San Francisco-Oakland-Hayward directly impacts the cost of living adjustments provided in the employee MOUs and costs for supplies and expenses.
- Crude oil prices, which impact the energy market for electricity and gas prices. The District's utilities expenses ranged from \$1.5 million to \$1.7 million in the three-year period ending FY 2018. Crude oil prices also impact the chemicals used for wastewater treatment.
- Changes in assessed property values, which affect the District's property tax revenue. When the housing market improves, the assessed property values increase, thereby increasing the District's property tax receipts. Conversely, any decline in the housing market will decrease property values and correspondingly decrease property tax receipts for the District.

These factors, to the extent known, were considered in preparing the District's budget.

***Next Year's Budget and Rates:*** FY 2018 was the last year of the three-year operating budget cycle. In April 2018, the Board repealed the three-year budget cycle and replaced it with a single year budget to improve the rate-setting and CIP development processes.

In June 2018, the Board adopted the FY 2019 operating budget of \$29.3 million and CIP budget of \$23.3 million.

In March 2018, Prop 218 notices were mailed to all ratepayers for the proposed new rates and the public hearing date and location. The District proposed an increase of 6.0% in sewer service charge for customers in the Cities of Pittsburg and Antioch, and an increase of 5.0% for customers in unincorporated Bay Point. In May 2018, the Proposition 218 public hearing was held and in June 2018, the Board of Directors passed the new rates for July 2018 implementation.

For the FY 2019 budget summary, Prop 218 Notice and the Master Fee Schedule, please visit the District's website at [www.deltadiablo.org](http://www.deltadiablo.org).

DELTA DIABLO  
MANAGEMENT'S DISCUSSION & ANALYSIS  
For the Fiscal Year Ended June 30, 2018

**REQUESTS FOR INFORMATION**

This financial report is designed to provide citizens, customers, taxpayers, investors, and creditors with an overview of the District's finances, and to demonstrate the District's accountability for the funding it receives. Questions concerning the information provided in this report or requests for additional financial information, please visit the District website at [www.deltadiablo.org](http://www.deltadiablo.org) or the District office at 2500 Pittsburg-Antioch Highway, Antioch, California, 94509.

This Page Left Intentionally Blank

DELTA DIABLO  
STATEMENTS OF NET POSITION  
JUNE 30, 2018 AND 2017

ASSETS	2018	2017
<b>CURRENT ASSETS</b>		
Cash (Note 2)	\$4,607,730	\$11,230,529
Investments (Note 2)	35,334,547	29,579,996
Accounts receivable	1,150,780	1,207,308
Interest receivable	196,154	83,720
Notes receivable, current portion (Note 3)	331,042	327,406
Employee computer loans receivable, current portion (Note 4)	6,976	10,222
Materials and supplies (Note 1H)	963,173	930,157
Prepaid expenses	102,372	110,509
	<b>42,692,774</b>	<b>43,479,847</b>
<b>NON-CURRENT ASSETS</b>		
Other Assets:		
Restricted cash (Note 2)	398,880	367,389
Restricted investments (Note 2)	929,736	378,358
Designated investments (Note 2)	14,507,298	12,397,780
Notes receivable, less current portion (Note 3)	4,034,686	4,365,727
Employee computer loans receivable, less current portion (Note 4)	3,736	5,779
Net OPEB asset		3,255,434
	<b>19,874,336</b>	<b>20,770,467</b>
Capital Assets (Note 5):		
Capital assets, non-depreciable	23,930,046	23,373,062
Depreciable capital assets, net of accumulated depreciation	117,112,733	117,371,155
	<b>141,042,779</b>	<b>140,744,217</b>
	<b>160,917,115</b>	<b>161,514,684</b>
<b>TOTAL ASSETS</b>	<b>203,609,889</b>	<b>204,994,531</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Related to pensions (Note 8)	5,617,629	4,185,836

See accompanying notes to financial statements

DELTA DIABLO  
STATEMENTS OF NET POSITION  
JUNE 30, 2018 AND 2017

	2018	2017
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$3,303,109	\$2,693,491
Accrued payroll and benefits	583,483	610,248
Deposits payable	717,966	843,958
Unearned revenue	80,468	82,209
Compensated absences - current portion (Note 6)	824,918	799,037
Current portion of long-term debt (Note 7)	973,476	1,000,849
Accrued interest payable	67,265	12,132
Total current liabilities	6,550,685	6,041,924
LONG-TERM LIABILITIES		
Long-term debt, net of current portion (Note 7):		
State revolving fund loans	19,909,594	19,130,664
Installment sale agreement	1,419,331	1,483,830
Total long-term debt, net of current portion	21,328,925	20,614,494
Compensated absences -net of current portion (Note 6)	33,695	94,051
Property tax refund	31,121	31,121
Net pension liability (Note 8)	16,919,408	15,002,675
Net OPEB liability (Note 9)	4,773,000	
Total long-term liabilities	43,086,149	35,742,341
TOTAL LIABILITIES	49,636,834	41,784,265
DEFERRED INFLOWS OF RESOURCES		
Related to pensions (Note 8)	747,160	1,204,735
Related to OPEB (Note 9)	101,000	
Total deferred inflows of resources	848,160	1,204,735
NET POSITION (Note 11)		
Net investment in capital assets	118,740,378	119,128,874
Restricted for debt service	929,736	378,358
Unrestricted	39,072,410	46,684,135
TOTAL NET POSITION	\$158,742,524	\$166,191,367

See accompanying notes to financial statements

DELTA DIABLO  
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
OPERATING REVENUES		
Service charges	\$32,389,604	\$31,572,922
Discharge permits	161,900	124,250
Household hazardous waste operating fees	471,923	472,479
Miscellaneous	499,084	613,001
Work for others	677,136	912,159
Total operating revenues	34,199,647	33,694,811
OPERATING EXPENSES		
Salaries and benefits	18,569,205	16,951,986
Chemicals	1,178,138	1,027,234
Depreciation (Note 5)	6,897,318	6,881,767
Office expense	1,042,394	1,000,593
Operating expense	994,321	902,781
Outside service and maintenance	5,352,273	4,137,773
Travel and meetings	63,783	95,369
Utilities	1,730,048	1,745,270
Other	158,318	160,809
Total operating expenses	35,985,798	32,903,582
OPERATING INCOME	(1,786,151)	791,229
NONOPERATING REVENUES (EXPENSES)		
Interest expense	(572,957)	(371,091)
Interest income	678,535	359,034
Capital facilities capacity charges (Note 11)	992,717	2,359,761
Lease revenue (Note 12)	36,332	36,540
Gain on sale of asset	29,357	3,739
Federal grants	194,014	
Subgrants	4,567	13,298
Property taxes	2,679,597	2,455,507
Total nonoperating revenues (expenses), net	4,042,162	4,856,788
NET INCOME	2,256,011	5,648,017
NET POSITION, BEGINNING OF YEAR	166,191,367	160,543,350
Prior period adjustment (Note 1M)	(9,704,854)	
NET POSITION, END OF YEAR	\$158,742,524	\$166,191,367

See accompanying notes to financial statements

DELTA DIABLO  
STATEMENTS OF CASH FLOWS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	\$34,256,175	\$33,520,881
Payments to employees	(18,825,463)	(14,029,799)
Payments to utilities	(1,730,048)	(1,745,270)
Payments to contractual/professional services	(5,478,265)	(3,514,780)
Payments to suppliers	(2,630,114)	(4,196,404)
Other receipts (payments)	(223,842)	(257,991)
	<u>5,368,443</u>	<u>9,776,637</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Taxes	2,679,597	2,455,507
State, federal and sub grants	198,581	13,298
Receipts (payments) on employee computer loans	5,289	6,535
	<u>2,883,467</u>	<u>2,475,340</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition of capital assets	(10,903,194)	(11,023,667)
Proceeds from sale of capital assets	29,357	3,739
Proceeds from loan agreements	1,929,835	8,705,233
Interest paid on long-term debt	(517,824)	(3,030,994)
Payment of long-term debt	(1,242,777)	(1,553,152)
Connection fees	992,717	2,359,761
	<u>(9,711,886)</u>	<u>(4,539,080)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Redemption and (acquisition) of investments	(6,092,661)	665,343
Receipts on note	327,405	323,917
Interest received on investments	566,101	323,259
Interest received on lease	36,332	36,540
	<u>(5,162,823)</u>	<u>1,349,059</u>
<b>NET INCREASE IN CASH</b>	(6,622,799)	9,061,956
Cash, beginning of year	11,230,529	2,168,573
Cash, end of year	<u>\$4,607,730</u>	<u>\$11,230,529</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>		
Operating income	(\$1,786,151)	\$791,229
Adjustments to reconcile operating loss to cash flows from operating activities:		
Depreciation	6,897,318	6,881,767
Change in assets and liabilities:		
(Increase) decrease in receivables, net	56,528	(173,930)
(Increase) decrease in materials and supplies	(33,016)	37,501
(Increase) decrease in prepaid expenses	8,137	53,290
Increase (decrease) in accounts payable and accrued expenses	609,618	(1,356,587)
Increase (decrease) in accrued payroll and related expenses	(61,240)	(77,937)
Increase (decrease) in deposits payable	(125,992)	622,993
Increase (decrease) in unearned revenue	(1,741)	(1,813)
Increase (decrease) in net pension liability	(1,141,018)	2,283,641
Increase (decrease) in net OPEB liability	946,000	716,483
	<u>\$5,368,443</u>	<u>\$9,776,637</u>
<b>SCHEDULE OF NON CASH ACTIVITY</b>		
Accreted interest on bonds		(\$2,667,959)
Change in fair value of investments	(85,761)	(49,507)

See accompanying notes to financial statements

DELTA DIABLO  
STATEMENTS OF FIDUCIARY NET POSITION  
FIDUCIARY FUND  
OTHER POST-EMPLOYMENT BENEFIT TRUST FUND  
JUNE 30, 2018 AND 2017

	2018	2017
ASSETS		
Investments with Trustees:		
Cash equivalents (Note 2)	\$355,187	\$330,663
Fixed income mutual funds (Note 2)	8,122,840	4,247,309
Equity mutual funds (Note 2)	4,919,423	6,824,200
Total investments	13,397,450	11,402,172
Total Assets	\$13,397,450	\$11,402,172
NET POSITION		
Net position held in trust for OPEB benefits	\$13,397,450	\$11,402,172

See accompanying notes to basic financial statements

DELTA DIABLO  
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUND  
OTHER POST-EMPLOYMENT BENEFIT TRUST FUND  
FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
ADDITIONS		
Contributions:		
District	\$1,744,458	\$1,836,275
Total contributions	1,744,458	1,836,275
Investment income:		
Interest, dividends and other	971,720	896,887
Less: investment expenses	(66,447)	(19,883)
Total net investment income	905,273	877,004
Total additions	2,649,731	2,713,279
Distributions:		
Payments made to retirees	654,453	456,447
Total distributions	654,453	456,447
Change in net position	1,995,278	2,256,832
NET POSITION		
Beginning of year as restated (Note 1M)	11,402,172	9,145,340
End of year	\$13,397,450	\$11,402,172

See accompanying notes to basic financial statements

**DELTA DIABLO**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. General**

Delta Diablo (District), formerly known as Delta Diablo Sanitation District, was formed in 1955 and later incorporated in October 1976 to serve the territory of the cities of Antioch and Pittsburg and the community of Bay Point. Treatment of the wastewater collected from the three communities began in 1982.

The District constructs and operates subregional sewage facilities and is responsible for maintenance of the collection system in Bay Point.

The District is divided into three separate zones and may impose different service charges for each area in accordance with the benefits received by those areas.

Other Post-Employment Benefits Plan – is an irrevocable trust to account for contributions and investment income restricted to pay medical benefits. Benefit and contribution provisions are established by the Board of Directors. Eligibility, actuarial interest rates, administration and certain other tasks are the responsibility of the Board established by action of the Board. The financial activities of the Plan have been included in these financial statements in the OPEB Trust Fund. The Plan does not issue separate financial statements.

**B. Reporting Entity**

As required by generally accepted accounting principles, these basic financial statements present Delta Diablo and its component unit. The component unit discussed in the following paragraph is included in the District's reporting entity because of the significance of its operational or financial relationships with the District.

Blended Component Unit - The Delta Diablo Integrated Financing Corporation (Corporation) was organized November 1, 1988, under the Non-Profit Public Benefit Corporation Law of the State of California solely for the purpose of providing financial assistance to the District by acquiring, constructing, improving and financing various facilities, land and equipment, and by leasing or selling certain facilities, land and equipment for the use, benefit and enjoyment of the public served by the District. The Corporation has no members and the Board of Directors of the Corporation consists of the same persons who are serving as the Board of Directors of the District. There are no separate basic financial statements for the Corporation.

**C. Basis of Accounting**

Basic Financial Statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the U.S.A.

The Statements of Net Position and the Statements of Revenues, Expenses and Changes in Net Position display information about the Delta Diablo. Eliminations have been made to minimize the double counting of internal activities. Business-type activities are financed in whole or in part by fees charged to external parties.

**DELTA DIABLO**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The District is a proprietary entity; it uses an enterprise fund format to report its activities for financial statement purposes. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the cost and expenses, including depreciation, of providing goods or services to its customers be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of revenues earned, expense incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Enterprise funds are used to account for activities similar to those in the private sector, where the proper matching of revenues and costs is important and the full accrual basis of accounting is required. With this measurement focus, all assets and liabilities of the enterprise are recorded on its statement of net position, all revenues are recognized when earned and all expenses, including depreciation, are recognized when incurred.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

In addition to the District's enterprise activities, the District maintains a fiduciary fund to account for the assets held in a trustee capacity. Fiduciary funds are also accounted for using the economic resources measurement focus and accrual basis of accounting. The District reports the following fiduciary fund:

The Other Post-Employment Benefits Plan Trust Fund (OPEB Trust Fund) is an irrevocable trust fund used to account for assets held by the District as Trustee for the other postemployment benefits as further described in Note 9.

***D. Budgets and Budgetary Accounting***

FY 2018 was the last year of the 3-year operating budget cycle for FY 2016 to FY2018. During the 3-year cycle, the District annually conducted a review and updated the operating budget document, which was approved and adopted by the Board. For capital budgets, the District has a five-year Capital Improvement Program which is updated annually and adopted by the Board. Budgetary controls are used and maintained by the District to facilitate compliance with the annually appropriated budget.

***E. Use of Estimates***

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**DELTA DIABLO**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***F. Compensated Absences***

The total amount of liability for compensated absences is reflected in the basic financial statements. See Note 6 for additional information regarding compensated absences.

***G. Cash and Cash Equivalents***

For purposes of the statement of cash flows, the District defines cash and cash equivalents to include all cash and temporary investments with original maturities of three months or less from the date of acquisition.

***H. Materials and Supplies***

Inventories consist of operational materials and supplies, which are valued using the weighted average costing method.

***I. Revenues – Capital Facilities Capacity Charges***

Capital facilities capacity charges represent a one-time, non-discriminatory charge imposed at the time a structure is connected to the District's system, directly or indirectly, or an existing structure or category of use is expanded or increased. The charge is to pay for District facilities in existence at the time the charge is imposed, or to pay for new facilities to be constructed in the future, that are of benefit to the property being charged.

Revenues derived from these charges are used for the acquisition, construction and reconstruction of the wastewater collection, conveyance, treatment and disposal facilities of the District, to repay principal and interest on debt instruments, or to repay federal or state loans for the construction and reconstruction of the sewerage facilities, together with costs of administration and provisions for necessary reserves.

***J. Deferred Outflows/Inflows of Resources***

In addition to assets, the balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualify for reporting in this category.

In addition to liabilities, the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as inflow of resources (revenue) until that time.

**DELTA DIABLO**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**K. *Fair Value Hierarchy***

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs are inputs, other than quoted prices included within level 1, that are observable for an asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for an asset or liability.

If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

**L. *Implementation of Governmental Accounting Standards Board (GASB) Pronouncements***

Management adopted the provisions of the following Governmental Accounting Standards Board (GASB) Statements, which became effective during the year ended June 30, 2018.

**GASB Statement No. 75 – *Accounting and Financial Reporting for Post-Employment Benefits Other than Pensions*** — The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for post-employment benefits other than pensions (other post-employment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all post-employment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

**GASB Statement No. 81 – *Irrevocable Split-Interest Agreements*** — This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period.

**DELTA DIABLO**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**GASB Statement No. 85 – *Omnibus 2017*** — This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period.

**GASB Statement No. 86 – *Certain Debt Extinguishment Leases*** — The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

**M. *Beginning Net Position Restatement***

During fiscal year 2017/18, the District made the following prior period adjustments and restated the beginning net position as follows:

During the current year, the District corrected certain amounts in its recording of the deferred outflows and inflows of resources as they relate to the net pension liability. Accordingly, beginning net position was increased by \$1,168,418.

During the current year, the District implemented GASB 75, as discussed above. Accordingly, beginning net position was decreased by \$7,183,434.

During the current year, the District determined that some prior year construction in progress amounts should not have been capitalized. Accordingly, beginning net position was decreased by \$3,689,838.

**NOTE 2 – CASH AND INVESTMENTS**

**A. *Policies***

The District and its fiscal agents invest in individual investments and in investment pools. Individual investments are evidenced by specific identifiable pieces of paper called *securities instruments*, or by an electronic entry registering the owner in the records of the institution issuing the security, called the *book entry* system. In order to maximize security, the District employs the Trust Department of a bank as the custodian of all District managed investments, regardless of their form.

California Law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of the District's cash on deposit or first trust deed mortgage notes with a value of 150% of the District's cash on deposit as collateral for these deposits. Under California Law this collateral is held in an investment pool by an independent financial institution in the District's name and places the District ahead of general creditors of the institution pledging the collateral.

**DELTA DIABLO**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017**

**NOTE 2 – CASH AND INVESTMENTS (Continued)**

The District’s investments are carried at fair value, as required by generally accepted accounting principles. The District adjusts the carrying value of its investments to reflect their fair value at each fiscal year end, and it includes the effects of these adjustments in income for that fiscal year. In the District’s case, fair value equals fair market value, since all District’s investments are readily marketable.

**B. Classification**

Cash and investments are classified in the financial statements as shown below, based on whether or not their use is restricted.

	June 30,	
	2018	2017
Cash and cash equivalents	\$4,607,730	\$7,210,419
Investments	35,334,547	33,600,106
Restricted cash and cash equivalents	398,880	367,389
Restricted investments	929,736	378,358
Designated cash and investments	14,507,298	12,397,780
Cash and investments held with OPEB trust	13,397,450	11,402,172
Total Cash and Investments	\$69,175,641	\$65,356,224

The District’s cash and investments consist of the following at June 30:

	June 30,	
	2018	2017
Cash on hand	\$800	\$800
Cash with County Treasury Pool	1,667,604	2,897,035
Deposits with financial institutions	3,338,206	4,679,973
Investments	50,771,581	46,376,244
Cash and investments held with OPEB trust	13,397,450	11,402,172
Total Cash and Investments	\$69,175,641	\$65,356,224

**DELTA DIABLO**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017**

**NOTE 2 – CASH AND INVESTMENTS (Continued)**

**C. *Investments Authorized by the California Government Code and the District’s Investment Policy***

The District’s Investment Policy and the California Government Code allow the District to invest in the following, provided the credit ratings of the issuers are acceptable to the District and approved percentages and maturities are not exceeded. The table below also identifies certain provisions of the California Government Code or the District’s Investment Policy where it is more restrictive than address interest rate risk, credit risk and concentration of credit risk:

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
United States Treasury Obligations	5 years		100%	No Limit
United States Government Agency Obligations	5 years		100%	No Limit
State of California Obligations	5 years		100%	No Limit
Local Agency Obligations	5 years		100%	No Limit
Banker’s Acceptances	180 days		40%	30%
Commercial Paper	270 days	A-1	25%	10%
United States Medium Term Corporate Notes	5 years	AA	30%	No Limit
Negotiable Certificates of Deposit	1 year	AA	30%	No Limit
Local Agency Investment Fund	n/a		\$40 million per account	No Limit
Local Government Investment Pools	n/a	AAA	100%	No Limit
Money Market Mutual Funds	n/a		15%	10%
Insured savings or money market accounts	n/a		100%	No Limit

**DELTA DIABLO**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017**

**NOTE 2 – CASH AND INVESTMENTS (Continued)**

*C. Investments Authorized by the California Government Code and the District’s Investment Policy*

The District’s Investment Policy and the California Government Code allow the District to invest in the following, provided the credit ratings of the issuers are acceptable to the District and approved percentages and maturities are not exceeded. The table below also identifies certain provisions of the California Government Code or the District’s Investment Policy where it is more restrictive than address interest rate risk, credit risk and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
United States Treasury Obligations	5 years		100%	No Limit
United States Government Agency Obligations	5 years		100%	No Limit
State of California Obligations	5 years		100%	No Limit
Local Agency Obligations	5 years		100%	No Limit
Banker’s Acceptances	180 days		40%	30%
Commercial Paper	270 days	A-1	25%	10%
United States Medium Term Corporate Notes	5 years	AA	30%	No Limit
Negotiable Certificates of Deposit	1 year	AA	30%	No Limit
Local Agency Investment Fund	n/a		\$40 million per account	No Limit
Local Government Investment Pools	n/a	AAA	100%	No Limit
Money Market Mutual Funds	n/a		15%	10%
Insured savings or money market accounts	n/a		100%	No Limit

**DELTA DIABLO**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017**

**NOTE 2 – CASH AND INVESTMENTS (Continued)**

Information about the sensitivity of the fair values of the District’s investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following table that shows the distribution of the District’s investments by maturity or earliest call dates, at June 30, 2018:

Investment Type	12 Months or less	Total
California Local Agency Investment Fund	\$45,699,047	\$45,699,047
Money Market Mutual Funds	5,072,534	5,072,534
Total Investments	<u>\$50,771,581</u>	<u>\$50,771,581</u>

Information about the sensitivity of the fair values of the District’s investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following table that shows the distribution of the District’s investments by maturity or earliest call dates, at June 30, 2017:

Investment Type	12 Months or less	Total
Corporate Notes	\$1,002,168	\$1,002,168
California Local Agency Investment Fund	41,353,966	41,353,966
Money Market Mutual Funds	4,020,110	4,020,110
Total Investments	<u>\$46,376,244</u>	<u>\$46,376,244</u>

The District is a participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The District reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The balance is available for withdrawal on demand, and is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF’s investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills, and corporations. At June 30, 2018 and 2017, these investments matured in an average of 193 and 194 days, respectively.

Money market mutual funds are available for withdrawal on demand. At June 30, 2018 and 2017, these investments matured in an average of 27 and 43 days, respectively.

**DELTA DIABLO**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017**

**NOTE 2 – CASH AND INVESTMENTS (Continued)**

The District has authorized staff to deposit cash with the Contra Costa County Treasurer in a series of pooled accounts with cash from various other governmental entities within the County, for investment purposes. The County’s investment policies are governed by State statutes. In addition, the County has an investment committee, which prescribes written investment policies regarding the types of investments that may be made. The policies limit amounts that may be invested in any one financial institution or amounts, which may be invested in long-term instruments. Interest earned from such time deposits and investments is allocated quarterly to the District based on its average daily cash balances. The fair value of the account at June 30, 2018 was provided by the County Treasurer.

**F. Credit Risk**

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the actual rating as of June 30, 2018 for each investment type as provided by Moody’s investment rating system:

Investment Type	Aaa	Total
Money Market Mutual Funds	\$5,072,534	\$5,072,534
Totals	\$5,072,534	5,072,534
<i>Not Rated:</i>		
California Local Agency Investment Fund		45,699,047
Total Investments		\$50,771,581

Presented below is the actual rating as of June 30, 2017 for each investment type as provided by Moody’s investment rating system:

Investment Type	Aaa	Total
Corporate Notes	\$1,002,168	\$1,002,168
Money Market Mutual Funds	4,020,110	4,020,110
Totals	\$5,022,278	5,022,278
<i>Not Rated:</i>		
California Local Agency Investment Fund		41,353,966
Total Investments		\$46,376,244

**G. Concentration Risk**

There are no instances of concentration risk at June 30, 2018 and June 30, 2017.

**DELTA DIABLO**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017**

**NOTE 2 – CASH AND INVESTMENTS (Continued)**

**H. *Restricted Cash and Investments***

The District has the following restrictions on cash and investments:

**Restricted for Debt Service – State Revolving Fund Loan-** The District has restricted investments in reserves as required by the agreement between the District and the California State Water Resources Control Board State Revolving Fund Loan (SRF) in the amount of \$929,736 and \$378,358 at June 30, 2018 and 2017, respectively.

**Restricted for Escrow – Pittsburg Force Main Improvement Project –** The District held \$398,880 and \$367,389 at June 30, 2018 and 2017, respectively, in escrow related to retentions on the construction project. The retentions are to be paid out once the project has been completed and accepted by the District.

**I. *Board Designated Investments***

The District has the following designations on investments as of June 30:

**Designated for Advanced Treatment Plant -** The District has designated investments for the anticipation of the need for an advanced treatment plant in the amount of \$13,340,886, and \$11,187,962 at June 30, 2018 and 2017, respectively.

**Designated for Operations and Maintenance Rate Stabilization -** The District has designated investments for rate increases due to loss of revenue, increased retirement costs or other unanticipated significant expenses in the amount of \$600,000, at June 30, 2018 and 2017, respectively.

**Designated for Related Employee Benefits Costs -** The District has designated investments in accordance with employee labor contracts for the purpose of paying future benefits in connection with salary continuation in the amount \$66,412, and \$109,818 at June 30, 2018 and 2017, respectively.

**Designated for Insurance -** The District has designated investments for potential insurance claims in the amount of \$500,000, at both June 30, 2018 and 2017, respectively.

**J. *Fair Value Hierarchy***

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

**K. *Reclassification***

For the year ended June 30, 2018, certain classification has been changed to improve financial statement presentation. For comparative purposes, prior year balances have been reclassified to conform for the fiscal year 2018 presentation.

**DELTA DIABLO**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017**

**NOTE 2 – CASH AND INVESTMENTS (Continued)**

The following is a summary of the fair value hierarchy of the fair value of investments of the District as of June 30, 2018:

Investment Type	Total
<i>Investments Measured at Amortized Cost:</i>	
Money Market Mutual Funds	\$5,072,534
<i>Investments Exempt from Fair Value Hierarchy:</i>	
California Local Agency Investment Fund	45,699,047
Total Investments	\$50,771,581

The following is a summary of the fair value hierarchy of the fair value of investments of the District as of June 30, 2017:

Investment Type	Level 2	Total
Corporate Notes	\$1,002,168	\$1,002,168
<i>Investments Measured at Amortized Cost:</i>		
Money Market Mutual Funds		4,020,110
<i>Investments Exempt from Fair Value Hierarchy:</i>		
California Local Agency Investment Fund		41,353,966
Total Investments		\$45,374,076

U.S. Securities and Corporate Notes categorized as Level 2 are valued based on matrix pricing which uses observable market inputs such as yield curves and market indices that are derived principally from or corroborated by observable inputs market data by correlation to other means.

**NOTE 3 – NOTES RECEIVABLE**

Notes receivable at June 30 consisted of the following:

	2018	2017
Recycled Water:		
City of Antioch	\$3,258,750	\$3,508,074
City of Antioch - Surcharge	863,129	907,330
City of Pittsburg - Surcharge	181,651	213,582
Household Hazardous Waste:		
Contra Costa County	62,198	64,147
Total Notes Receivable	4,365,728	4,693,133
Less: Current Portion	(331,042)	(327,406)
Long-Term Portion	\$4,034,686	\$4,365,727

**DELTA DIABLO**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017**

**NOTE 3 – NOTES RECEIVABLE (Continued)**

**Recycled Water (RW):**

**City of Antioch** - The District and the City of Antioch (City) entered into a Joint Powers Agreement on November 18, 2003, for the purpose of development and operation of a “Recycled Water Program” (the Project). Under the provisions of the agreement, the Project is to be jointly funded (50/50) by the District and the City. The District is authorized to design, construct, own, operate and regulate the facilities.

In fiscal year 2010/2011 (FY 2011), the District recognized a Note Receivable in the amount of \$5,753,348 from the City of Antioch for their net share of the costs for this project. This note has an interest rate of .077% with principal and interest due annually commencing December 31, 2011 and maturing on December 31, 2030. On June 10, 2012, the District and the City of Antioch amended the Joint Powers Agreement to cap this Notes Receivable to a maximum of \$5,000,000.

In FY 2012, additional project cost share incurred in excess of \$5 million in the amount of \$1,102,272 will be financed by the District at an interest rate of 4.25% with principal and interest due monthly over a 20-year term commencing July 1, 2012 and maturing on June 1, 2032. This monthly installment is billed to the City of Antioch as a Recycled Water Surcharge and annually amounts to \$81,908.

**City of Pittsburg** - The District and the City of Pittsburg (City) entered into a Joint Powers Agreement on November 24, 1999, for the purpose of development and operation of a “Recycled Water Program” (the Project). The goal of this project is to construct a conveyance system and transport recycled water to the City’s golf course and certain parks to reduce the City’s reliance on treated drinking water for irrigation. Under the provisions of the agreement, the Project is to be jointly funded by the District and the City. The City is responsible for the design and construction of the Project. The District will operate and maintain after construction is completed. The original project was completed, however, it was discovered that a portion of the previously existing line needs to be rehabilitated in order to ensure reliability. The estimated cost for this rehabilitation project was \$1,500,000. Of this amount, the City has agreed to pay a maximum of \$375,000 payable over a 10-year term with an interest of 4.25 percent (prime plus 1 percent).

The actual cost of this rehabilitation amounted to \$244,187. The District recognized a Note Receivable for this amount with principal and interest due monthly commencing July 1, 2013 and maturing on June 1, 2023. This monthly installment is billed to the City of Pittsburg as a Recycled Water Surcharge and annually amounts to \$40,391.

**Household Hazardous Waste (HHW)** - The District owns and operates a Household Hazardous Waste (HHW) and a Conditionally Exempt Small Quantity Generator (CESQG) waste collection facility. In an agreement dated July 1, 2002, Contra Costa County, Ironhouse Sanitary District and the Cities of Antioch, Brentwood and Pittsburg (Subscribers) agreed to reimburse the District for capital costs in planning and constructing the household hazardous waste facility.

**DELTA DIABLO  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017**

**NOTE 3 – NOTES RECEIVABLE (Continued)**

On April 9, 2008, this agreement was amended and includes capital cost sharing minus any grants received for the planning and construction of the new facility expansion. The Delta Household Hazardous Waste Collection Facility (DHHWCF) expansion was completed in September 2009. Per the provisions of this amendment, the outstanding principal balance from the original facility construction will be combined with the new facility expansion costs, to be re-paid over a 25-year period with interest at 6% per annum. Total capital costs were allocated to the Subscribers based on the number of housing units in each Subscriber’s jurisdiction. The City of Brentwood and Ironhouse Sanitary District have paid its share in full.

**NOTE 4 – EMPLOYEE COMPUTER LOANS RECEIVABLE**

The District provides a zero interest loan to its employees for the purchase of personal computers. These loans are payable in a maximum of 78 equal payroll deductions (3 years). The maximum amount each employee may borrow is \$2,500. As of June 30, the receivable was as follows:

	2018	2017
Employee computer loans	\$10,712	\$16,001
Less: current portion	(6,976)	(10,222)
Long-term portion	\$3,736	\$5,779

**NOTE 5 – CAPITAL ASSETS**

Property, plant and equipment are recorded at the time of purchase and are capitalized at cost. The District capitalizes as part of the asset cost, any significant interest incurred during the construction phase of the asset. Contributed capital assets are valued at their estimated fair market value on the date contributed. The District defines capital assets as property, plant and equipment with an initial individual cost of \$5,000 and an estimated useful life in excess of one year.

Depreciation is provided using the straight-line method for assets other than land and construction in progress. Estimated useful lives are as follows:

Conveyance and collection systems	50 years
Treatment plant	40 years
Office furniture	15 years
Shop, lab and other equipment	10 years
Computer equipment	3 years
Vehicles	3 years

**DELTA DIABLO**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017**

**NOTE 5 – CAPITAL ASSETS (Continued)**

Changes in property, plant and equipment accounts as of June 30, 2018 are summarized below:

	Balance at June 30, 2017	Additions	Transfers	Retirement	Balance at June 30, 2018
Capital assets not being depreciated:					
Land	\$2,719,251	\$3,507,057			\$6,226,308
Construction in Progress	20,653,811	3,701,148	(\$6,651,221)		17,703,738
Total capital assets not being depreciated	23,373,062	7,208,205	(6,651,221)		23,930,046
Capital assets being depreciated:					
Treatment & Collection System	229,356,752		6,605,433		235,962,185
Equipment	5,183,977	5,151	45,788	(\$181,341)	5,053,575
Total capital assets being depreciated	234,540,729	5,151	6,651,221	(181,341)	241,015,760
Less accumulated depreciation for:					
Treatment & Collection System	112,761,452	6,548,194			119,309,646
Equipment	4,408,123	349,124		(163,866)	4,593,381
Total accumulated depreciation	117,169,575	\$6,897,318		(\$163,866)	123,903,027
Net capital assets being depreciated	117,371,154	(6,892,167)	6,651,221	(17,475)	117,112,733
Total Capital Assets, net	\$140,744,216	\$316,038		(\$17,475)	\$141,042,779

Changes in property, plant and equipment accounts as of June 30, 2017 are summarized below:

	Balance at June 30, 2016	Additions	Transfers	Retirement	Balance at June 30, 2017
Capital assets not being depreciated:					
Land	\$2,719,251				\$2,719,251
Construction in Progress	9,912,098	\$10,968,755	(\$227,042)		20,653,811
Total capital assets not being depreciated	12,631,349	10,968,755	(227,042)		23,373,062
Capital assets being depreciated:					
Treatment & Collection System	229,356,754				229,356,753
Equipment	4,909,401	54,912	227,042	(\$7,378)	5,183,977
Total capital assets being depreciated	234,266,155	54,912	227,042	(7,378)	234,540,730
Less accumulated depreciation for:					
Treatment & Collection System	106,216,365	6,545,087			112,761,452
Equipment	4,078,821	336,680		(7,378)	4,408,123
Total accumulated depreciation	110,295,186	\$6,881,767		(\$7,378)	117,169,575
Net capital assets being depreciated	123,970,969				117,371,155
Total Capital Assets, net	\$136,602,318				\$140,744,217

Construction in progress represents construction of treatment facilities and conveyance systems.

**DELTA DIABLO**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017**

**NOTE 6 – COMPENSATED ABSENCES**

Accumulated unpaid vacation and compensatory time have been accrued at year end. Accumulated unpaid sick pay is not included in the amount for accrued benefits due to the contingent nature of any future payment.

As of June 30, 2018 the changes in compensated absences were as follows:

	2018	2017
Beginning Balance	\$893,088	\$925,267
Additions	785,819	787,530
Payments	(820,294)	(819,709)
Ending Balance	\$858,613	\$893,088
Current Portion	\$824,918	\$799,037
Non Current Portion	\$33,695	\$94,051

In addition, the Board has set up a Catastrophic Leave Bank, which accumulates up to 40 hours from each terminated employee’s forfeited sick leave. Employees may also donate vacation hours. This time may be used by employees who have used all their sick leave due to catastrophic illness and need additional time off. Accumulated Catastrophic Leave at June 30, 2018 was \$100,547 and is included in the balance of Accrued Payroll and Benefits on the Statements of Net Position.

**DELTA DIABLO**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017**

**NOTE 7 – LONG-TERM DEBT**

**A. Current Year Transactions and Balances**

The changes in the District’s long-term obligations during the year ended June 30, 2018 consisted of the following:

	Original Issue Amount	Balance June 30, 2017	Additions	Retirements	Balance June 30, 2018	Amount due within one year
2010 State Revolving Fund Loan .077% due 4/03/2030	\$6,325,503	\$4,437,977		\$315,415	\$4,122,562	\$315,658
2011 Installment Sale Agreement 4.9%, due 6/24/2031	2,344,210	1,542,156		58,326	1,483,830	64,499
2011 State Revolving Fund Loan 2.60%, due 4/03/2033	5,041,873	4,227,632		216,440	4,011,192	222,067
2015 California Energy Commission Loan 1.00%, due 06/22/2029	700,000	608,219		47,953	560,266	48,433
2015 Bay Point State Revolving Fund Loan 1.9% due 11/01/2044	1,188,820	1,114,056		30,506	1,083,550	31,086
2016 PB State Revolving Fund Loan 1.9% due 11/1/2046	12,000,000	7,624,170	\$1,772,760	312,973	9,083,957	238,143
2016 WW State Revolving Fund Loan 1.9% due 12/30/2046	2,054,000	2,017,507		60,463	1,957,044	53,590
2017 RW State Revolving Fund Loan 1.9% due 6/1/2048	6,000,000	43,626	157,075	200,701		
<b>Total Long-Term Debt</b>		21,615,343	<u>\$1,929,835</u>	<u>\$1,242,777</u>	22,302,401	<u>\$973,476</u>
Less:						
Amount due within one year		<u>(1,000,849)</u>			<u>(973,476)</u>	
<b>Total Long-Term Debt, net</b>		<u>\$20,614,494</u>			<u>\$21,328,925</u>	

**DELTA DIABLO  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017**

**NOTE 7 – LONG-TERM DEBT (Continued)**

The changes in the District’s long-term obligations during the year ended June 30, 2017 consisted of the following:

	Original Issue Amount	Balance June 30, 2016	Additions	Retirements	Balance June 30, 2017	Amount due within one year
1991 Certificates of Participation Wastewater Facilities Expansion Project, 4.6-6.25%, due 12/01/2016	\$17,454,950	\$642,041		\$642,041		
Accreted interest on 1991 Certificates		2,667,959		2,667,959		
1997 State Revolving Fund Loan 1.80%, due 12/31/2016	3,611,046	212,826		212,826		
2010 State Revolving Fund Loan .077% due 4/03/2030	6,325,503	4,753,149		315,172	\$4,437,977	\$315,415
2011 Installment Sale Agreement 4.9%, due 6/24/2031	2,344,210	1,594,676		52,520	1,542,156	58,326
2011 State Revolving Fund Loan 2.60%, due 4/03/2033	5,041,873	4,438,586		210,954	4,227,632	216,439
2015 California Energy Commission Loan 1.00%, due 06/22/2029	700,000	655,696		47,477	608,219	47,953
2015 Bay Point State Revolving Fund Loan 1.9% due 11/01/2044	1,188,820	1,143,995		29,939	1,114,056	30,506
2016 PB State Revolving Fund Loan 1.9% due 11/1/2046	12,000,000	948,459	\$6,675,711		7,624,170	271,746
2016 WW State Revolving Fund Loan 1.9% due 12/30/2046	2,054,000	73,835	1,985,895	42,223	2,017,507	60,464
2017 RW State Revolving Fund Loan 1.9% due 6/1/2048	6,000,000		43,626		43,626	
<b>Total Long-Term Debt</b>		<b>17,131,222</b>	<b>\$8,705,232</b>	<b>\$4,221,111</b>	<b>21,615,343</b>	<b>\$1,000,849</b>
Less:						
Amount due within one year		<u>(4,278,887)</u>			<u>(1,000,849)</u>	
<b>Total Long-Term Debt, net</b>		<b><u>\$12,852,335</u></b>			<b><u>\$20,614,494</u></b>	

**D. 2010 State Revolving Fund (SRF) Loan**

The District entered into a loan contract with the State of California (State Water Resources Control Board) on July 8, 2009, for the purpose of financing the Antioch/Delta Diablo Sanitation District Recycled Water Project. The loan amount totals \$6,325,503 with a stated interest rate of .077% per annum over a 20-year term. The City of Antioch owes the District \$5,000,000 of this amount as part of their cost share for the Recycled Water Antioch Project (see Note 3 - Notes Receivable). Principal payments are due annually beginning on December 31, 2011 through the fiscal year 2030/31.

**E. 2011 Installment Sale Agreement**

On June 9, 2011, the District entered into an installment sale agreement (agreement) with Municipal Finance Corporation, which was subsequently assigned to City National Bank on June 22, 2011, for the purpose of financing a solar energy project. The agreement amount totals \$2,344,210 with a stated interest of 4.9% per annum, and is payable from revenues of the District. Principal and interest payments are due semi-annually on December 24 and June 24, commencing December 24, 2011 and maturing on June 24, 2031.

**DELTA DIABLO**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017**

**NOTE 7 – LONG-TERM DEBT (Continued)**

***F. 2011 State Revolving Fund (SRF) Loan***

The District entered into a loan contract with the State of California (State Water Resources Control Board) on March 25, 2011, for the purpose of financing the Aeration System Improvement Project. The loan amount totals \$5,041,873 with a stated interest rate of 2.60% per annum. Principal payments are due annually beginning on April 3, 2014 through the fiscal year 2033.

***G. 2015 California Energy Commission***

The District entered into a loan agreement with the California Energy Resources Conservation Development Commission on October 10, 2013, for the purpose of financing the Energy Savings Project. The project consists of energy savings projects to be installed at the Wastewater Treatment Plant. The loan amount totals \$700,000 at 1.00% interest per annum on the unpaid principal. Principal and interest payments are due semi-annually beginning on December 22, 2015 through the fiscal year 2029.

***H. 2015 Bay Point State Revolving Fund (SRF) Loan***

On October 8, 2014, the District entered into a loan agreement with the State of California (State Water Resources Control Board) for the purpose of financing the Bay Point Wastewater Infrastructure Repair and Rehabilitation Project (Phase 1). The loan principal totals \$1,188,820 with a 30-year term and stated interest of 1.9% per annum. Principal and interest payments are due semi-annually, on November 1 and May 1, commencing on November 1, 2015 and maturing on November 1, 2044.

***I. 2016 Wastewater State Revolving Loan***

On August 8, 2014, the District entered into a loan agreement with the State of California (State Water Resources Control Board) for the purpose of financing Bay Point Wastewater Infrastructure Repair and Rehabilitation Project (Phase 3). The loan principal totals \$2,054,000 with a 30-year term and stated interest of 1.9% per annum. Principal and interest payments are due semi-annually, on November 1 and May 1, commencing on November 1, 2016 and maturing on November 1, 2045.

***J. 2016 Pittsburg State Revolving Fund (SRF) Loan***

On October, 24, 2014, the District entered into a loan agreement with the State of California (State Water Resources Control Board) for the purpose of financing the Pittsburg Forcemain Improvement project. The loan principal totals \$12,000,000 with a 30-year term and stated interest of 1.9% per annum. Principal and interest payments are due semi-annually, on November 1 and May 1, commencing November 1, 2017 and maturing on November 1, 2046.

**DELTA DIABLO**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017**

**NOTE 7 – LONG-TERM DEBT (Continued)**

**K. 2017 Recycled Water State Revolving Loan**

On September 23, 2016, the District entered into a loan agreement with the State of California (State Water Resources Control Board) for the purpose of financing the Recycled Water System Storage Tank Project. The loan principal totaled \$6,000,000 with a 30-year term and stated interest of 1% per annum. Principal and interest payments were due semi-annually, on November 1 and May 1, commencing on December 1, 2018 and maturing on December 1, 2048. This loan was fully repaid and retired in March 2018 due to the cancellation of the associated project.

**L. Debt Service Requirements**

Annual debt service requirements are shown below for all long-term debt as of June 30:

2018			
For The Year Ending June 30	Principal	Interest	Total
2019	\$973,476	\$412,174	\$1,385,650
2020	992,234	396,256	1,388,490
2021	1,012,110	379,719	1,391,829
2022	1,032,682	362,570	1,395,252
2023	1,053,988	344,766	1,398,754
2024 - 2028	5,617,582	1,431,841	7,049,423
2029 - 2033	5,031,558	888,472	5,920,030
2034 - 2038	2,220,680	522,041	2,742,721
2039 - 2043	2,439,815	300,641	2,740,456
2044 - 2047	1,928,276	69,627	1,997,903
Total payments due	\$22,302,401	\$5,108,107	\$27,410,508

2017			
For The Year Ending June 30	Principal	Interest	Total
2018	\$1,000,849	\$381,817	\$1,382,666
2019	1,003,037	379,710	1,382,747
2020	946,654	364,667	1,311,321
2021	965,665	349,015	1,314,680
2022	985,354	332,767	1,318,121
2023 - 2027	5,248,385	1,396,843	6,645,228
2028 - 2032	5,511,545	951,581	6,463,126
2033 - 2037	2,226,612	473,548	2,700,160
2038 - 2042	2,096,839	266,609	2,363,448
2043 - 2045	1,630,403	73,682	1,704,085
Total payments due	\$21,615,343	\$4,970,239	\$26,585,582

**DELTA DIABLO**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017**

**NOTE 8 – RETIREMENT**

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan’s fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

**A. General Information about the Pension Plans**

**Plan Description** – All qualified permanent and probationary employees are eligible to participate in the District’s Miscellaneous Employee Pension Rate Plan. The District’s Miscellaneous Rate Plan are part of the public agency cost-sharing multiple-employer, which is administered by the California Public Employees’ Retirement System (CalPERS). The employer participates in one cost-sharing multiple-employer defined benefit pension plan regardless of the number of rate plans the employer sponsors. Benefit provisions under the Plan are established by State statute and Board resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

**Benefits Provided** – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.

The Plan’s provisions and benefits in effect at June 30, 2018, are summarized as follows:

	Tier I	Miscellaneous Tier II	Tier III
	Prior to 6/30/12	6/30/12 to 12/31/12 and employees hired on or after 1/1/13 who are not a "new member	On or after 1/1/13; new member
Hire date			
Benefit formula	2.7% @ 55	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	55	55	62
Monthly benefits, as a % of eligible compensation	2.70%	2.00%	2.00%
Required employee contribution rates	8.0%	7.0%	6.5%
Required employer contribution rates	12.293%	9.384%	7.045%

**DELTA DIABLO**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017**

**NOTE 8 – RETIREMENT (Continued)**

CalPERS collects employer contributions for the Plan as a percentage of payroll for the normal cost portion as noted in the rates above and as a dollar amount for contributions toward the unfunded liability (UAL). The dollar amounts for the UAL were paid in lump-sum in July 2017. The District’s total annual required contribution was \$1,710,434 in fiscal year 2018.

**Contributions** – Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, the contributions to the Plan were as follows:

	2018	2017
	Miscellaneous	Miscellaneous
	Tier I, II & III	Tier I, II & III
Contributions - employer	\$1,224,400	\$1,246,445
Contributions - employee (paid by employer)	530,512	416,592

**B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions**

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan’s fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

As of June 30, the District reported a net pension liability for its proportionate share of the net pension liability of the Plan as follows:

	2018	2017
	Proportionate	Proportionate
	Share of Net	Share of Net
	Pension Liability	Pension Liability
CCCERA Plan	\$1,435,257	\$1,743,880
Miscellaneous Tier I, II & III	15,484,151	13,258,795
Total Net Pension Liability	\$16,919,408	\$15,002,675

**DELTA DIABLO  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017**

**NOTE 8 – RETIREMENT (Continued)**

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2017, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2018 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for the Plan as of June 30, 2016 and 2017 was as follows:

	Miscellaneous Tier I, II & III
Proportion - June 30, 2016	0.38167%
Proportion - June 30, 2017	0.37573%
Change - Increase (Decrease)	-0.00594%

For the year ended June 30, 2018, the District's recognized pension expense of \$3,214,979. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Miscellaneous Tier I, Tier II, & III	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions made after the measurement date	\$1,710,608	
Differences between actual and expected experience	20,465	(\$293,197)
Changes in assumptions	2,539,209	(193,617)
Change in employer's proportion	773,083	
Net differences in actual contributions and proportionate contributions		(260,346)
Net differences between projected and actual earnings on pension plan investments	574,264	
Total	\$5,617,629	(\$747,160)

Deferred outflows of \$1,710,608 related to contributions subsequent to the measurement date, was recognized as a reduction of the net pension liability in the year ended June 30, 2018.

**DELTA DIABLO**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017**

**NOTE 8 – RETIREMENT (Continued)**

At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Miscellaneous Tier I, Tier II, &amp; III</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Contributions made after the measurement date	\$1,663,037	
Differences between actual and expected experience	48,063	(\$11,013)
Changes in assumptions		(454,718)
Net differences in actual contributions and proportionate contributions	108,078	
Net differences between projected and actual earnings on pension plan investments	2,366,658	
Adjustments due to differences in proportion		(739,004)
Total	<u>\$4,185,836</u>	<u>(\$1,204,735)</u>

Deferred outflows of \$1,663,037 related to contributions subsequent to the measurement date, was recognized as a reduction of the net pension liability in the year ended June 30, 2017.

Other amounts reported as deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Miscellaneous -Tier I, II, &amp; III</u>	
<u>Year Ended June 30</u>	<u>Annual Amortization</u>
2019	\$997,008
2020	1,554,817
2021	948,987
2022	(340,951)
Total	<u>\$3,159,861</u>

**DELTA DIABLO**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017**

**NOTE 8 – RETIREMENT (Continued)**

**Actuarial Assumptions** – For the measurement period ended June 30, 2018, the total pension liability was determined by rolling forward the June 30, 2017 total pension liability. The June 30, 2018 and June 30, 2017 total pension liability was based on the following actuarial methods and assumptions:

	All Plans
Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Projected Salary Increase	Varies by entry age and service
Investment Rate of Return	7.15% (1)

(1) Net of pension plan investment expenses, including inflation

All other actuarial assumptions used in the June 30, 2016 valuation were based on the results of a January 2016 actuarial experience study for the period 1997 to 2011, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found on the CalPERS website under Forms and Publications.

**Change of Assumptions** – GASB 68, paragraph 68 states that the long long-term expected rate of return should be determined net of pension plan investment expense, but without reduction for pension plan administrative expense. The discount rate of 7.15% used for the June 30, 2017 measurement date was net of administrative expenses. The discount rate of 7.5% used for the June 30, 2016 measurement date is without reduction of pension plan administrative expense. All other assumptions for the June 30, 2017 measurement date were the same as those used for the June 30, 2016 measurement date.

**Discount Rate** – The discount rate used to measure the total pension liability was 7.15% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15% will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

**DELTA DIABLO**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017**

**NOTE 8 – RETIREMENT (Continued)**

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

Asset Class	Policy Strategic Allocation	Market Value (\$ Billion)
Global Equity	51.0%	\$162.5
Private Equity	10.0%	29.0
Global Fixed Income	20.0%	53.1
Liquidity	1.0%	7.5
Real Assets	12.0%	31.8
Inflation Sensitive Assets	6.0%	15.6
Absolute Return Strategy (ARS)	0.0%	2.4
Total	100%	\$301.9

***Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*** The following presents the District's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate at June 30, 2018:

	Miscellaneous - Tier I, II & III
1% Decrease	6.15%
Net Pension Liability	\$23,854,108
Current Discount Rate	7.15%
Net Pension Liability	\$15,484,151
1% Increase	8.15%
Net Pension Liability	\$8,552,000

**DELTA DIABLO  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017**

**NOTE 8 – RETIREMENT (Continued)**

*Pension Plan Fiduciary Net Position* – Detailed information about each pension plan’s fiduciary net position is available in the separately issued CalPERS financial reports.

**C. *Contra Costa County Employees Retirement Association Closed Plan***

The District discontinued participation in the Contra Costa County Employees Retirement Association (CCCERA) effective June 20, 2004. The termination agreement provides for an evaluation of any additional liability owed to CCCERA every three years. CCCERA retained certain assets contributed by the District and they remain responsible for retiree benefits for retirees and deferred vested members who were not transferred to the CalPERS system. The designation of 3.75% of payroll annually for Employee Benefit Costs will be a source of funds to address this or other liabilities due to employee benefit January 10, 2017, CCCERA’s actuary has conducted and determined the District’s termination liability using the triennial experience analysis as of December 31, 2015. Based on this analysis and in accordance with the termination agreement with CCCERA, the District’s unfunded obligation of \$2,017,307 is to be amortized over 15 years, resulting in annual payments of \$221,489 starting December 31, 2016. The next triennial actuarial valuation is expected on December 2018. As of June 30, 2018, in accordance with GASB 68, the District recorded a net pension liability of \$1,435,257 under the CCCERA plan.

**NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS**

**A. *Plan Description and Funding Policy***

The District provides postretirement health care benefits to eligible retirees in accordance with Memorandums of Understanding (M.O.U.s) with employee groups. In accordance with the M.O.U.s, the District contracts with CalPERS to provide post-retirement health benefits through the CalPERS PEMHCA program, which provides for vesting at age 50 with five (5) years of service. The District implemented the California State Vesting Program for Retiree Health Care as regulated by Government Code 22893 by resolution (8/2008).

All District employees hired after the implementation date (01/01/2009), will be enrolled in the State’s Vesting Program, which starts fifty (50%) medical benefit at age 50 with 10 years of service, increasing by 5% for each additional year of service to 100% with 20 years of service. The District contribution for eligible retirees (and spouses) is continued at the rate in effect each year. The cost of the benefits provided by the plan is currently being pre-funded in an irrevocable trust by the District. The District’s plans to fund the benefits provided under the plan over a 30-year horizon, with minimal impacts to District rate payers. Upon adoption of the annual fiscal year operating budget, the District will transfer all funds budgeted for retiree medical premiums to its OPEB Trust Fund. Additional funding over and above the actuarially determined contributions (ADC) will be set by the District Board from all or part of the following sources, in the order listed below:

1. Unanticipated revenue streams (either one-time or on-going)
2. Wastewater Service Charge revenues exceed planned levels for the prior fiscal year
3. Unused wastewater operating contingency funds from the prior fiscal year
4. Wastewater operating budget savings from the prior fiscal year
5. Ad valorem tax revenues
6. The wastewater general fund

**DELTA DIABLO  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017**

**NOTE 9 – POST-EMPLOYMENT HEALTH CARE BENEFITS (Continued)**

On July 14, 2011, the Board adopted the District’s Retiree Health Funding Plan which outlines that employees will begin contributing 1% of their salaries to the OPEB trust in July 2011; that these contributions will increase to 2% of salaries in July 2011 and to 3% of salaries in July 2012. It also covers all of the other key elements of the Principles of Agreement such as 1) employee contributions are made on a pre-tax basis and are included in employee compensation for CalPERS retirement purposes; 2) the District at least match the annual employee contributions; 3) the District make a good faith effort to fully fund the remaining ADC each year; and 4) that in recognition of the employees’ initiative in assisting in funding the OPEB obligation, the terms of the bargaining units’ MOU with the District be extended by three years to June 30, 2021.

	Fiscal Years Ended June 30, 2018 and 2017
Plan Type	Agent Multiple Employer
OPEB Trust	Yes
Special Funding Situation	No
Nonemployer Contributing Er	No

***Employees Covered by Benefit Terms*** – Membership in the plan consisted of the following at the measurement date of June 30:

	2018	2017
Active plan members	79	80
Inactive employees or beneficiaries currently receiving benefit payments	56	50
Inactive employees entitled to but not yet receiving benefit payments	0	0
Total	135	130

**DELTA DIABLO**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017**

**NOTE 9 – POST-EMPLOYMENT HEALTH CARE BENEFITS (Continued)**

**B. Net OPEB Liability**

**Actuarial Methods and Assumptions** – The District net OPEB liability was measured as of June 30, 2018 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2016 that was rolled forward to determine the \$18,170,000 total OPEB liability June 30, 2018, based on the following actuarial methods and assumptions:

	Actuarial Assumptions
Valuation Date	June 30, 2016
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry Age Method
Actuarial Assumptions:	
Discount Rate	6.50%
Inflation	3% per annum
Payroll Growth	Aggregate - 3.25% annually
Investment Rate of Return	Same as discount rate. Plan assets projected to be sufficient to pay all benefits from trust.
Mortality, Retirement, Disability, Termination	CalPERS 1997-2011 experience study
Mortality Improvement	Scale MP-2014 modified to converge to ultimate mortality improvement rates in 2022
Medical Trend	Non-Medicare - 6.5% for 2018, decreasing to an ultimate rate of 5.0% in 2021 Medicare - 6.7% for 2018, decreasing to an ultimate rate of 5.0% in 2021
Participation at Retirement	Actives covered & surviving spouse hired < 1/1/09 - 100% Actives covered & surviving spouse hired ≥ 1/1/09 - 0% with <10 years service, 90% with 10-14 years, 95% with 15-19 years, 100% with 20+ years Actives waived - 80% of above assumption for covered active Retirees & surviving spouses - 100% if covered, 20% at 65 if waived < 65, 0% waived ≥ 65

The underlying mortality assumptions were based on the CalPERS 1997-2011 Experience Study and all other actuarial assumptions used in the June 30, 2016 valuation were based on the results of a June 30, 2016 actuarial experience study for the period of July 1, 2017 to June 30, 2018.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following tables.

**DELTA DIABLO**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017**

**NOTE 9 – POST-EMPLOYMENT HEALTH CARE BENEFITS (Continued)**

As of June 30, 2018 and 2017:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity	60%	5.35%
Fixed Income	35%	1.55%
Cash	5%	0.00%
Total	100%	
Assumed Long-Term Rate of Inflation		3.00%
Assumed Long-Term Investment Expenses		0.30%
Expected Long-Term Net Rate of Return		7.19%
Discount Rate		6.50%

**Discount Rate** – The discount rate used to measure the total OPEB liability was 6.50% for 2018 and 2017. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**DELTA DIABLO**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017**

**NOTE 9 – POST-EMPLOYMENT HEALTH CARE BENEFITS (Continued)**

**C. Changes in Net OPEB Liability**

The changes in the Net OPEB Liability follows as of June 30, 2018:

	<b>Increase (Decrease)</b>		
	<b>Total OPEB Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Net OPEB Liability/(Asset)</b>
	<b>(a)</b>	<b>(b)</b>	<b>(c) = (a) - (b)</b>
Balance at June 30, 2017	\$16,922,000	\$11,402,000	\$5,520,000
Changes Recognized for the Measurement Period:			-
Service Cost	725,000	-	725,000
Interest on the total OPEB liability	1,122,000	-	1,122,000
Changes in benefit terms	182,000	-	182,000
Difference between expected and actual experience	-	-	-
Changes of assumptions	-	-	-
Contributions from the employer	-	1,592,000	(1,592,000)
Contributions from the employee	-	282,000	(282,000)
Net investment income	-	935,000	(935,000)
Administrative expenses	-	(33,000)	33,000
Benefit payments and refunds	(781,000)	(781,000)	-
Net Changes during July 1, 2017 to June 30, 2018	<u>1,248,000</u>	<u>1,995,000</u>	<u>(747,000)</u>
Balance at June 30, 2018	<u>\$18,170,000</u>	<u>\$13,397,000</u>	<u>\$4,773,000</u>

The changes in the Net OPEB Liability follows as of June 30, 2017:

	<b>Increase (Decrease)</b>		
	<b>Total OPEB Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Net OPEB Liability/(Asset)</b>
	<b>(a)</b>	<b>(b)</b>	<b>(c) = (a) - (b)</b>
Balance at June 30, 2016 (Valuation Date)	\$15,896,000	\$9,145,000	\$6,751,000
Changes Recognized for the Measurement Period:			
Service Cost	702,000	-	702,000
Interest on the total OPEB liability	1,056,000	-	1,056,000
Changes in benefit terms	-	-	-
Difference between expected and actual experience	(12,000)	-	(12,000)
Changes of assumptions	-	-	-
Contributions from the employer	-	1,505,000	(1,505,000)
Contributions from the employee	-	262,000	(262,000)
Net investment income	-	1,236,000	(1,236,000)
Administrative expenses	-	(26,000)	26,000
Benefit payments and refunds	(720,000)	(720,000)	-
Net Changes during July 1, 2016 to June 30, 2017	<u>1,026,000</u>	<u>2,257,000</u>	<u>(1,231,000)</u>
Balance at June 30, 2017 (Measurement Date)	<u>\$16,922,000</u>	<u>\$11,402,000</u>	<u>\$5,520,000</u>

**DELTA DIABLO  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017**

**NOTE 9 – POST-EMPLOYMENT HEALTH CARE BENEFITS (Continued)**

**D. Sensitivity of the Net OPEB Liability**

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50 percent) or 1-percentage-point higher (7.50 percent) than the current discount rate:

As of June 30, 2018:

<b>Plan's Net OPEB Liability/(Asset)</b>		
<b>Discount Rate -1%</b>	<b>Current Discount</b>	<b>Discount Rate +1%</b>
<b>(5.50%)</b>	<b>Rate (6.50%)</b>	<b>(7.50%)</b>
\$7,175,000	\$4,773,000	\$2,810,000

As of June 30, 2017:

<b>Plan's Net OPEB Liability/(Asset)</b>		
<b>Discount Rate -1%</b>	<b>Current Discount</b>	<b>Discount Rate +1%</b>
<b>(5.5%)</b>	<b>Rate (6.5%)</b>	<b>(7.5%)</b>
\$7,782,000	\$5,520,000	\$3,673,000

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rate:

As of June 30, 2018:

<b>Plan's Net OPEB Liability/(Asset)</b>		
<b>Discount Rate -1%</b>	<b>Health Care Cost</b>	<b>Discount Rate +1%</b>
	<b>Trend Rates</b>	
\$2,298,000	\$4,773,000	\$7,852,000

As of June 30, 2017:

<b>Plan's Net OPEB Liability/(Asset)</b>		
<b>Discount Rate -1%</b>	<b>Healthcare Cost</b>	<b>Discount Rate +1%</b>
	<b>Trend Rates</b>	
\$3,336,000	\$5,520,000	\$8,230,000

**DELTA DIABLO  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017**

**NOTE 9 – POST-EMPLOYMENT HEALTH CARE BENEFITS (Continued)**

***E. OPEB Expenses and Deferred Outflows/Inflows of Resources Related to OPEB***

For the year ended June 30, 2018, the District recognized OPEB Expense of \$946,000. As of fiscal year ended June 30, 2018, the District reported deferred inflows of resources totaling to \$101,000 related to OPEB from the net difference between projected and actual earnings on OPEB plan investments.

The District did not have any contributions subsequent to the measurement date to report as deferred outflows of resources as of June 30, 2018. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as future OPEB expense as follows:

Measurement Period Ended June 30	Annual Amortization
2019	(\$25,000)
2020	(25,000)
2021	(25,000)
2022	(26,000)

***F. Payable to the OPEB Plan***

At June 30, 2018, the District reported a payable of \$101,000 for the outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2018.

**DELTA DIABLO  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017**

**NOTE 9 – POST-EMPLOYMENT HEALTH CARE BENEFITS (Continued)**

**G. Funding Progress and Funded Status Under GASB 45**

At June 30, 2017, the District's Net OPEB Asset is recorded in the Statement of Net Position and is calculated as follows:

Net OPEB Obligation (Asset) at June 30, 2015		(\$1,792,147)
Annual OPEB cost - fiscal 2015/2016:		
Annual required contribution (ARC)	\$813,000	
Interest on Net OPEB Obligation	(81,000)	
Adjustments to ARC	80,000	
Annual OPEB cost - fiscal 2015/2016	812,000	
Less contributions made during fiscal year 2015/2016:		
Contributions made to PARS irrevocable trust	1,558,804	
Total contributions	1,558,804	
(Decrease) in net OPEB obligation		(746,804)
Net OPEB Obligation (Asset) at June 30, 2016		(2,538,951)
Annual OPEB cost - fiscal 2016/2017:		
Annual required contribution (ARC)	924,000	
Interest on Net OPEB Asset	(165,000)	
Adjustments to ARC	167,000	
Annual OPEB cost - fiscal 2016/2017	926,000	
Less contributions made during fiscal year 2016/2017:		
Contributions made to PARS irrevocable trust	1,642,483	
Total contributions	1,642,483	
Increase in net OPEB asset		(716,483)
Net OPEB Obligation (Asset) at June 30, 2017		(\$3,255,434)

For the three years starting with June 30, 2017, the Plan's annual required contributions and actual contributions is set forth below:

Fiscal Year	Annual OPEB Cost (AOC)	Actual Contribution	Percentage of AOC Contributed	Net OPEB Obligation (Asset)
June 30, 2017	\$926,000	\$1,642,483	177%	(\$3,255,434)
June 30, 2016	812,000	1,558,804	192%	(2,538,951)
June 30, 2015	790,000	1,333,769	169%	(1,792,147)

**DELTA DIABLO  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017**

**NOTE 10 – RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disaster. The District joined together with other entities to form the California Sanitation Risk Management Authority (CSRMA), a public entity risk pool currently operating as a common risk management and insurance program for 60 member entities. The purpose of CSRMA is to spread the adverse effects of losses among the member entities and to purchase excess insurance as a group, thereby reducing its cost. The District pays an annual premium to CSRMA for its general liability, property damage, workers compensation insurance and automobile coverage.

CSRMA is governed by a Board composed of one representative from each member agency. The Board controls the operations of CSRMA including selection of management and approval of operating budgets, independent of any influence by member entities.

CSRMA is not a component unit of the District and the District's share of assets, liabilities, and equity has not been calculated.

The following is a summary of the insurance policies in force carried by the District as of June 30, 2018:

<u>Type of Coverage</u>	<u>Limits</u>	<u>Deductibles</u>
General Liability	\$15,000,000	\$100,000
Excess General Liability	25,500,000	15,000,000
Worker's Compensation	750,000	None
Excess Worker's Compensation Liability	Statutory Limit	750,000
Special Form Property	168,656,497	25,000
Public Entity Pollution Liability	2,000,000	75,000
Cyber Liability Coverage	2,000,000	None
Master Crime Liability	2,000,000	2,500

The District also maintains employee fidelity bonds to protect against the risk of employee theft or defalcation. Settled claims for CSRMA or employee fidelity bonds have not exceeded coverage in any of the past three fiscal years. Audited financial statements of CSRMA may be obtained at 500 Washington Street, Suite 300, San Francisco, CA 94111-2933.

The District did not record a liability for outstanding claims at fiscal year-end, as management believes that the claims were minimal.

**DELTA DIABLO**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017**

**NOTE 11 – NET POSITION**

Net Position is the excess of all the District’s assets and deferred outflows over all its liabilities and deferred inflows, regardless of fund. Net Position is divided into three categories. These captions apply only to Net Position, which is determined only at the District-wide level, and are described below:

*Net investment in Capital Assets* describes the portion of Net Positions which is represented by the current net book value of the District’s capital assets, less the outstanding balance of any debt issued to finance these assets.

*Restricted* describes the portion of Net Position which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the District cannot unilaterally alter.

*Unrestricted* describes the portion of Net Position which is not restricted to use.

**NOTE 12 – COMMITMENTS AND CONTINGENCIES**

**A. Lease Revenue**

Delta Energy Center, LLC (DEC) and Calpine Corporation entered into an operating lease with the District, effective December 11, 2002, to lease real property located at 2600 Pittsburg-Antioch Highway, in Pittsburg, for a cooling tower site. The base rent for the leased land started at \$32,500 per year and is set to escalate every five years based on changes in the Consumer Price Index. The current rate is \$36,540 per year. The area leased is 260 feet by 50 feet, on land that is not targeted for District improvements. The agreement terminates May 31, 2050. Minimum future rentals total \$1,169,280 at June 30, 2018. The lessee, DEC, retains an option to terminate the lease agreement by providing a thirty-day written notice to the District. The total remaining minimum future rental payments are as follows:

For the Year Ending June 30	Minimum Future Rentals
2019	\$36,540
2020	36,540
2021	36,540
2022	36,540
2023	36,540
2024 - 2028	182,700
2029 - 2033	182,700
2034 - 2038	182,700
2039 - 2043	182,700
2044 - 2048	182,700
2049 - 2050	73,080
	\$1,169,280

**DELTA DIABLO**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017**

**NOTE 12 – COMMITMENTS AND CONTINGENCIES (Continued)**

**B. *Purchase Commitments***

The District has a number of purchase commitments for ongoing operating and capital projects that involves multi-year contracts. Purchase commitments related to these multi-year contracts are approximately \$6,443,839 and \$10,969,622 as of June 30, 2018 and 2017, respectively.

**NOTE 13 – SUBSEQUENT EVENTS**

**A. *Authorized but Unissued Debt***

On June 13, 2018 the Board of Directors authorized the filing of the California Infrastructure and Economic Development ("IBank") Financing Application and incurring an obligation payable to IBank for financing of and approving certain other matters in connection with the Headworks Improvements Project. As of June 30, 2018 it remains authorized but unissued.

This Page Left Intentionally Blank

**REQUIRED SUPPLEMENTARY INFORMATION**

Delta Diablo  
 Cost-Sharing Multiple-Employer Defined Pension Plan  
 Last 10 Years\*  
**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS  
 AS OF THE MEASUREMENT DATE**

Measurement Date	<b>Miscellaneous</b>			
	<b>Tier I &amp; II 6/30/2017</b>	<b>Tier I &amp; II 6/30/2016</b>	<b>Tier I &amp; II 6/30/2015</b>	<b>Tier I &amp; II 6/30/2014</b>
Plan's Proportion of the Net Pension Liability/Asset	0.3757%	0.3817%	0.3747%	0.3345%
Plan's Proportionate Share of the Net Pension Liability/(Asset)	\$15,484,151	\$13,258,795	\$10,279,890	\$10,961,818
Plan's Covered Payroll	\$8,274,225	\$7,557,557	\$8,138,640	\$7,681,566
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered Payroll	187.14%	175.44%	126.31%	142.70%
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of the Plan's Total Pension Liability	25.45%	24.48%	20.43%	24.57%

\* Fiscal year 2015 was the 1st year of implementation, therefore only four years are shown.

Delta Diablo  
 Cost-Sharing Multiple-Employer Defined Pension Plan  
 Last 10 Years\*  
**SCHEDULE OF CONTRIBUTIONS**

	<b>Miscellaneous Tier I, II, &amp; III FY 2018</b>	<b>Miscellaneous Tier I, II, &amp; III FY 2017</b>	<b>Miscellaneous Tier I, II, &amp; III FY 2016</b>	<b>Miscellaneous Tier I, II, &amp; III FY 2015</b>
Actuarially determined contribution	\$1,710,608	\$1,663,037	\$1,669,912	\$1,251,178
Contributions in relation to the actuarially determined contributions	<u>(1,710,608)</u>	<u>(1,663,037)</u>	<u>(1,669,912)</u>	<u>(1,251,178)</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Covered payroll	\$9,385,142	\$8,274,225	\$7,557,557	\$8,138,640
Contributions as a percentage of covered payroll	18.23%	20.10%	22.10%	15.37%
<b>Notes to Schedule</b>				
Valuation date:	6/30/2016	6/30/2015	6/30/2014	6/30/2013
Methods and assumptions used to determine contribution rates:				
Actuarial cost method			Entry age	
Amortization method			Level percentage of payroll, closed	
Remaining amortization period			30 years	
Asset valuation method			5-year smoothed market	
Inflation			2.75%	
Salary increases			Varies by Entry Age and Service	
	7.65%, net of pension plan investment and administrative expenses,	7.65%, net of pension plan investment and administrative expenses,	7.65%, net of pension plan investment and administrative expenses,	7.5%, net of pension plan investment and administrative expenses,
Investment rate of return			55 yrs. Misc., 62 yrs. Tier 2	
Retirement age				
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.	mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

\* FY 2015 was the 1st year of implementation, therefore only four years are shown.

Delta Diablo  
Retiree Health Funding Plan  
Last 10 years\*  
**SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS**  
**AS OF THE MEASUREMENT DATE**

Measurement Date	6/30/17	6/30/18
<b>Total OPEB Liability</b>		
Service Cost	\$702,000	\$725,000
Interest	1,056,000	1,122,000
Differences between expected and actual experience	(12,000)	
Change of benefit terms	-	182,000
Benefit payments, including refunds of employee contributions	(720,000)	(781,000)
<b>Net change in total OPEB liability</b>	1,026,000	1,248,000
<b>Total OPEB liability - beginning</b>	15,896,000	16,922,000
<b>Total OPEB liability - ending (a)</b>	\$16,922,000	\$18,170,000
<b>OPEB fiduciary net position</b>		
Contributions - employer	\$1,505,000	\$1,592,000
Contributions - employee	262,000	282,000
Net investment income	1,236,000	935,000
Administrative expense	(26,000)	(33,000)
Benefit payments, including refunds of employee contributions	(720,000)	(781,000)
<b>Net change in plan fiduciary net position</b>	2,257,000	1,995,000
<b>Plan fiduciary net position - beginning</b>	9,145,000	11,402,000
<b>Plan fiduciary net position - ending (b)</b>	\$11,402,000	\$13,397,000
 Net OPEB liability - ending (a)-(b)	 \$5,520,000	 \$4,773,000
 Plan fiduciary net position as a percentage of the total OPEB liability	 67%	 74%
 Covered-employee payroll	 \$8,724,000	 \$9,385,000
 Net OPEB liability as a percentage of covered-employee payroll	 63.27%	 50.86%

**Notes to schedule:**

\* FY 2017 was the first year of implementation.

Delta Diablo  
 Retiree Health Funding Plan  
 Last Ten Fiscal Years \*

**OTHER POST-EMPLOYMENT BENEFITS - SCHEDULE OF CONTRIBUTIONS**

<b>Fiscal Year Ended June 30,</b>	<u><b>2017</b></u>	<u><b>2018</b></u>
Actuarially determined contribution	\$ 926,000	\$ 920,000
Contributions in relation to the actuarially determined contributions	-	-
	<u>1,642,483</u>	<u>1,592,000</u>
Contribution deficiency (excess)	<u>(\$716,483)</u>	<u>(\$672,000)</u>
Covered-employee payroll	<u>\$8,724,000</u>	<u>\$9,385,000</u>
Contributions as a percentage of covered-employee payroll	18.83%	16.96%

**Notes to Schedule**

Valuation date: June 30, 2015 June 30, 2016

Methods and assumptions used to determine contribution rates:

	<b>Actuarial Assumptions</b>
Valuation Date	June 30, 2016
Actuarial Cost Method	Entry Age Normal, Level Percentage of Payroll
Amortization Method	Level percent of pay
Amortization Period	21-year fixed (closed) period for 2017/18
Asset Valuation Method	Investment gains and losses spread over 5-year rolling
Discount Rate	6.5%
General Inflation	3.0%
Medical Trend	Non-Medicare - 6.5% for 2018, decreasing to
Mortality	CalPERS 1997-2011 experience study
Mortality Improvement	Mortality Improvement Scale MP-2014 modified to converge to ultimate mortality improvement rates in 2022
Payroll increase	Aggregate - 3.25% annually. Merit - CalPERS 1997-2011 Experience study
All Other Assumptions	Same as those used to determine the total

\* FY 2018 was the first year of implementation.

**SUPPLEMENTARY INFORMATION**

This Page Left Intentionally Blank

DELTA DIABLO  
SUPPLEMENTARY SCHEDULE OF NET POSITION - PROPRIETARY FUND TYPE  
ENTERPRISE FUNDS  
JUNE 30, 2018

	Waste Water <sup>(A)</sup>	Waste Water Expansion <sup>(B)</sup>	Recycled Water Facility	Hazardous Waste
<b>ASSETS</b>				
<b>CURRENT ASSETS:</b>				
Cash	\$906,442	\$851,535	\$1,026,734	\$144,576
Investments	27,402,652	160,475	3,237,988	160,000
Accounts receivable	631,940	1,220	379,243	126,968
Interfund receivable	7,168,600			
Interest receivable	157,447	351	15,498	
Current portion of notes receivable			328,948	2,094
Current portion of employee computer loans receivable	6,976			
Inventory	883,294		79,879	
Prepaid expenses	95,085		7,287	
Total current assets	<u>37,252,436</u>	<u>1,013,581</u>	<u>5,075,577</u>	<u>433,638</u>
<b>NON-CURRENT ASSETS:</b>				
<b>OTHER ASSETS:</b>				
Restricted cash	299,160	99,720		
Restricted investments	667,113	113,585		
Cash and investments	14,507,298			
Notes receivable less current portion			3,974,582	60,104
Employee notes receivable less current portion	3,736			
Total other assets	<u>15,477,307</u>	<u>213,305</u>	<u>3,974,582</u>	<u>60,104</u>
<b>CAPITAL ASSETS:</b>				
Capital assets, non depreciable	20,325,885	3,056,062	499,627	
Capital assets, net of accumulated depreciation	80,024,648		30,690,768	1,342,246
Total capital assets, net	<u>100,350,533</u>	<u>3,056,062</u>	<u>31,190,395</u>	<u>1,342,246</u>
Total Noncurrent Assets	<u>115,827,840</u>	<u>3,269,367</u>	<u>35,164,977</u>	<u>1,402,350</u>
<b>TOTAL ASSETS</b>	<u>153,080,276</u>	<u>4,282,948</u>	<u>40,240,554</u>	<u>1,835,988</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Related to pensions	5,617,629			
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES:</b>				
Accounts payable	2,404,245	251,298	389,509	143,883
Accrued payroll and benefits	544,416	531	19,706	6,161
Interfund payable		7,168,600		
Deposits payable	602,055	99,720	16,191	
Deferred revenue	18,270			62,198
Compensated absences - due within one year	824,918			
Current portion of long-term debt	513,606	59,536	315,658	
Accrued interest payable	48,859	7,191	1,587	
Total current liabilities	<u>4,956,369</u>	<u>7,586,876</u>	<u>742,651</u>	<u>212,242</u>
<b>NON-CURRENT LIABILITIES:</b>				
<b>Long-term debt, net of current portion:</b>				
<b>Certificates of participation</b>				
State revolving fund loans	10,935,320	2,211,452	3,806,904	
Installment sale agreement	1,419,331			
Compensated absences - due in more than one year	33,695			
Property tax refund, net of current portion	31,121			
Net pension liability	16,919,408			
Net OPEB Liability	4,773,000			
Total long-term liabilities	<u>34,111,875</u>	<u>2,211,452</u>	<u>3,806,904</u>	
<b>TOTAL LIABILITIES</b>	<u>39,068,244</u>	<u>9,798,328</u>	<u>4,549,555</u>	<u>212,242</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Related to pensions	747,160			
Related to OPEB	101,000			
Total deferred inflows of resources	<u>848,160</u>			
<b>NET POSITION</b>				
Net investment in capital assets	87,482,276	785,074	27,067,833	1,342,246
Restricted for debt service	667,113	113,585		
Restricted for capital projects	299,160			
Unrestricted	30,332,952	(6,414,039)	8,623,166	281,500
<b>TOTAL NET POSITION (DEFICIT)</b>	<u>\$118,781,501</u>	<u>(\$5,515,380)</u>	<u>\$35,690,999</u>	<u>\$1,623,746</u>

<sup>(A)</sup> Wastewater is funded by user charges and is comprised of operations & maintenance, capital assets, and capital asset replacement for wastewater treatment and operations. Starting fiscal year 11/12 includes designations for Advanced Treatment Plant.

<sup>(B)</sup> Wastewater Expansion is funded by developers for connection fees.

<sup>(C)</sup> Street Sweeping is funded by user charges. Street sweeping activities prior to fiscal year 06/07 were reported under Waste Water.

<sup>(D)</sup> Bay Point is funded by user charges. Bay Point activities prior to fiscal year 06/07 were reported under Waste Water.

Street Sweeping <sup>(C)</sup>	Bay Point <sup>(D)</sup>	Total
\$586,241	\$1,092,202	\$4,607,730
569,523	3,803,909	35,334,547
\$56	11,353	1,150,780
		7,168,600
4,597	18,261	196,154
		331,042
		6,976
		963,173
		102,372
<u>1,160,417</u>	<u>4,925,725</u>	<u>49,861,374</u>
		398,880
	149,038	929,736
		14,507,298
		4,034,686
		3,736
	<u>149,038</u>	<u>19,874,336</u>
	48,472	23,930,046
	<u>5,055,071</u>	<u>117,112,733</u>
	<u>5,103,543</u>	<u>141,042,779</u>
	<u>5,252,581</u>	<u>160,917,115</u>
<u>1,160,417</u>	<u>10,178,306</u>	<u>210,778,489</u>
		5,617,629
79,458	34,716	3,303,109
	12,669	583,483
		7,168,600
		717,966
		80,468
		824,918
	84,676	973,476
	9,628	67,265
<u>79,458</u>	<u>141,689</u>	<u>13,719,285</u>
	2,955,918	19,909,594
		1,419,331
		33,695
		31,121
		16,919,408
		4,773,000
	<u>2,955,918</u>	<u>43,086,149</u>
<u>79,458</u>	<u>3,097,607</u>	<u>56,805,434</u>
		747,160
		101,000
		848,160
	2,062,949	118,740,378
	149,038	929,736
		299,160
<u>1,080,959</u>	<u>4,868,712</u>	<u>38,773,250</u>
<u>\$1,080,959</u>	<u>\$7,080,699</u>	<u>\$158,742,524</u>

DELTA DIABLO  
SUPPLEMENTARY SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -  
PROPRIETARY FUND TYPE ENTERPRISE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Waste Water <sup>(A)</sup>	Waste Water Expansion <sup>(B)</sup>	Recycled Water Facility	Household Hazardous Waste
<b>OPERATING REVENUES</b>				
Service charges	\$28,218,873		\$2,390,199	
Discharge permits	161,900			
Household hazardous waste operating fees				\$471,923
Miscellaneous	498,131			953
Work for others	674,487		700	1,949
<b>Total operating revenues</b>	<b>29,553,391</b>		<b>2,390,899</b>	<b>474,825</b>
<b>OPERATING EXPENSES</b>				
Salaries and benefits	17,340,072		643,126	188,712
Chemicals	782,854		395,250	
Depreciation	5,421,669		1,298,723	38,646
Office expense	953,965		14,225	15,148
Operating expense	909,709		53,866	24,384
Outside services and maintenance	3,444,598		752,448	475,410
Travel and meetings	60,493		2,343	947
Utilities	1,309,754		419,479	815
Other	88,568		4	
<b>Total operating expenses</b>	<b>30,311,682</b>		<b>3,579,464</b>	<b>744,062</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(758,291)</b>		<b>(1,188,565)</b>	<b>(269,237)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest expense	(342,068)	(\$158,463)	(6,305)	
Interest income	486,228	32,118	92,461	4,555
Capital facilities capacity charges		992,717		
Lease revenue	36,332			
Gain (Loss) on sale of assets	29,357			
Federal grants	194,014			
Subgrants			4,567	
Property taxes	1,799,062	179,027	701,508	
<b>Total nonoperating revenues</b>	<b>2,202,925</b>	<b>1,045,399</b>	<b>792,231</b>	<b>4,555</b>
<b>NET INCOME (LOSS) BEFORE TRANSFERS</b>	<b>1,444,634</b>	<b>1,045,399</b>	<b>(396,334)</b>	<b>(264,682)</b>
Transfers In	5,589,415		470,293	189,450
Transfers (Out)	(5,459,335)		(789,823)	
<b>Total transfers in (out)</b>	<b>130,080</b>		<b>(319,530)</b>	<b>189,450</b>
<b>NET INCOME (LOSS) AFTER TRANSFERS</b>	<b>1,574,714</b>	<b>1,045,399</b>	<b>(715,864)</b>	<b>(75,232)</b>
<b>NET POSITION (DEFICIT), BEGINNING OF YEAR</b>	<b>126,467,089</b>	<b>(6,560,779)</b>	<b>36,851,415</b>	<b>1,698,978</b>
Prior period adjustment (Note 1M)	(9,260,302)		(444,552)	
<b>NET POSITION (DEFICIT), END OF YEAR</b>	<b>\$118,781,501</b>	<b>(\$5,515,380)</b>	<b>\$35,690,999</b>	<b>\$1,623,746</b>

<sup>(A)</sup> Wastewater is funded by user charges and is comprised of operations & maintenance, capital assets, and capital asset replacement for wastewater treatment and operations. Starting fiscal year 11/12 includes designations for Advanced Treatment Plant.

<sup>(B)</sup> Wastewater Expansion is funded by developers for connection fees.

<sup>(C)</sup> Street Sweeping is funded by user charges. Street sweeping activities prior to fiscal year 06/07 were reported under Waste Water.

<sup>(D)</sup> Bay Point is funded by user charges. Bay Point activities prior to fiscal year 06/07 were reported under Waste Water.

Street Sweeping <sup>(C)</sup>	Bay Point <sup>(D)</sup>	Total
\$639,007	\$1,141,525	\$32,389,604
		161,900
		471,923
		499,084
		677,136
639,007	1,141,525	34,199,647
526	396,769	18,569,205
	34	1,178,138
	138,280	6,897,318
	59,056	1,042,394
	6,362	994,321
608,519	71,298	5,352,273
		63,783
		1,730,048
	69,746	158,318
609,045	741,545	35,985,798
29,962	399,980	(1,786,151)
	(66,121)	(572,957)
12,024	51,149	678,535
		992,717
		36,332
		29,357
		194,014
		4,567
		2,679,597
12,024	(14,972)	4,042,162
41,986	385,008	2,256,011
		6,249,158
		(6,249,158)
41,986	385,008	2,256,011
1,038,973	6,695,691	166,191,367
		(9,704,854)
\$1,080,959	\$7,080,699	\$158,742,524

# STATISTICAL SECTION



Recycled Water Facility – Chlorine Contact Tanks

This section of the District’s comprehensive annual financial report provides detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District’s overall financial health. Information provided in this section is not subject to an independent audit.

## **Financial Trends**

---

These schedules contain trend information to help the reader understand how the District’s financial performance and well-being have changed over time.

Net Position by Component .....  
Condensed Statement of Revenues, Expenses and Changes in Net Position .....  
Total Revenues By Source .....  
Total Expenses By Category.....

## **Revenue Capacity**

---

These schedules contain information to help the reader assess the District’s most significant revenue sources.

Major Revenue Base and Rates .....  
Service Charges and Service Charges as a Percentage  
of Total Operating Revenue .....  
Principal Customers .....

## **Debt Capacity**

---

These schedules contain information to help the reader assess the affordability of the District’s current level of outstanding debt and its ability to issue additional debt in the future.

Outstanding Debt By Type and Debt per Capita.....  
Pledged-Revenue Coverage .....

## Demographics and Economic Information

These schedules contain demographic and economic indicators to help the reader understand the environment within which the District’s financial activities take place.

Principal Employers in Contra Costa County.....

Demographics and Economic Statistics - District Service Area  
and Contra Costa County .....

## Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the District’s financial report relates to the services the District provides and activities/programs it performs.

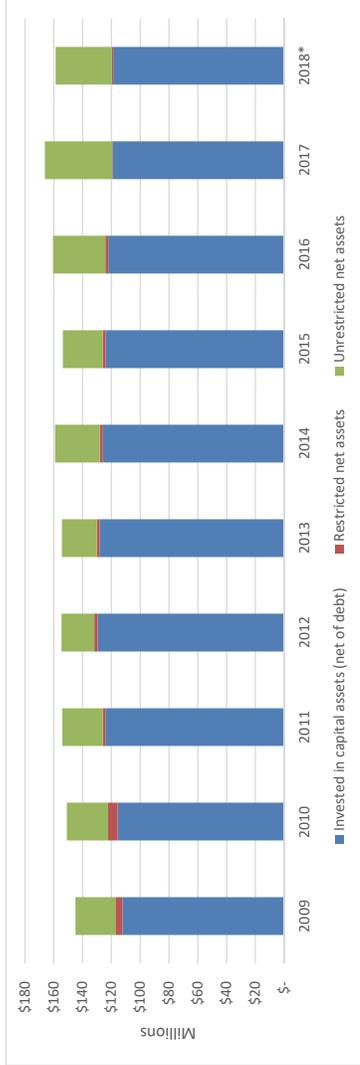
About the District.....

Number of District Employees By Department/Function .....

Operating and Capital Indicators By Program.....

Sources: Unless otherwise noted, the information in these schedules is derived from the annual audited financial reports for the relevant year.

**Delta Diablo**  
**Statement of Net Position by Component - Financial Trends**  
**Last Ten Fiscal Years**  
 (accrual basis of accounting)



	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018*
<b>Business-type activities</b>										
Invested in capital assets (net of debt)	\$ 112,308,547	\$ 115,710,911	\$ 124,147,282	\$ 129,564,959	\$ 128,104,632	\$ 125,917,417	\$ 123,992,770	\$ 122,139,055	\$ 119,128,874	\$ 118,740,378
Restricted net assets	4,902,692	6,589,435	1,796,301	2,307,508	2,088,821	2,088,848	2,087,120	2,086,398	378,358	929,736
Unrestricted net assets	27,763,004	28,654,152	28,186,209	22,772,245	24,176,242	31,151,027	27,642,843	36,317,897	46,684,135	39,072,410
<b>Total business-type activities net position</b>	<b>144,974,243</b>	<b>150,954,498</b>	<b>154,129,792</b>	<b>154,644,712</b>	<b>154,369,695</b>	<b>159,157,292</b>	<b>153,722,733</b>	<b>160,543,350</b>	<b>166,191,367</b>	<b>158,742,524</b>

Source: Delta Diablo Audited Financial Statements

\* Includes net GASB 68 and 75 prior year adjustment of \$6M and a \$3.7M write-off of construction in progress

**Delta Diablo**  
**Condensed Statement of Revenues, Expenses, and Changes in Net Position - Financial Trends**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Operating Revenues</b>										
Service charges <sup>(1)</sup>	\$19,481,408	\$20,867,811	\$21,650,025	\$23,741,202	\$25,824,829	\$27,151,658	\$28,626,113	\$30,755,640	\$31,572,922	\$32,389,604
Discharge permits	196,375	193,942	191,200	148,900	186,200	167,150	158,950	145,750	124,250	161,900
Household hazardous waste operating fe	408,039	430,508	464,830	471,627	457,034	437,394	450,714	468,206	472,479	471,923
Miscellaneous	336,606	309,303	351,168	547,008	554,666	641,136	641,137	699,005	613,001	499,084
Work for others	1,626,059	5,925,106	2,022,277	1,448,157	1,479,705	915,624	896,889	676,712	912,159	677,136
<b>Total operating revenues</b>	<b>22,048,487</b>	<b>27,726,670</b>	<b>24,679,500</b>	<b>26,356,894</b>	<b>28,502,434</b>	<b>29,312,962</b>	<b>30,773,803</b>	<b>32,745,313</b>	<b>33,694,811</b>	<b>34,199,647</b>
<b>Operating Expenses</b>										
Salaries and benefits	12,650,803	12,806,405	13,089,446	13,892,968	17,593,719 <sup>(2)</sup>	13,500,132	12,304,139	12,796,436	16,951,986	18,569,205
Chemicals	1,590,920	1,217,860	1,144,660	1,266,027	1,311,718	1,160,309	1,078,924	1,160,518	1,027,234	1,178,138
Depreciation (Note 5)	4,868,388	6,411,047	5,990,441	6,279,367	6,506,348	6,821,159	6,959,201	6,993,567	6,881,767	6,897,318
Office expense	694,827	746,547	737,847	717,931	840,356	816,023	911,237	1,002,275	1,000,593	1,042,394
Operating expense	600,903	617,005	633,835	707,657	812,437	813,770	848,739	855,157	902,781	994,321
Outside service and maintenance	4,162,236	3,703,991	3,368,044	3,833,246	3,810,858	4,071,441	4,445,466	5,265,128	4,137,773	5,352,273
Travel and meetings	97,120	88,321	88,514	97,319	90,789	79,253	84,202	85,006	95,369	63,783
Utilities	1,550,981	1,496,049	1,441,417	1,549,545	1,444,024	1,606,954	1,488,843	1,488,734	1,745,270	1,730,048
Other	131,899	162,859	126,065	127,113	128,920	130,976	62,813	171,067	160,809	158,318
<b>Total operating expenses</b>	<b>26,348,077</b>	<b>27,250,084</b>	<b>26,620,269</b>	<b>28,471,173</b>	<b>32,539,169 <sup>(2)</sup></b>	<b>29,000,017</b>	<b>28,183,564</b>	<b>29,817,888</b>	<b>32,903,582</b>	<b>35,985,798</b>
<b>Operating Income (Loss)</b>	<b>(4,299,590)</b>	<b>476,586</b>	<b>(1,940,769)</b>	<b>(2,114,279)</b>	<b>(4,036,735)</b>	<b>312,945</b>	<b>2,590,239</b>	<b>2,927,425</b>	<b>791,229</b>	<b>(1,786,151)</b>
<b>Non Operating Revenues (Expenses)</b>										
Interest expense	(1,414,645)	(1,301,793)	(1,174,581)	(1,025,593)	(868,105)	(695,818)	(735,098)	(662,132)	(371,091)	(572,957)
Interest income	1,256,487	568,784	275,653	151,223	189,139	174,179	207,369	297,905	359,034	678,535
Capital facilities capacity charges	2,672,259	1,393,342	2,160,678	1,687,667	2,280,985	2,250,790	1,926,982	2,031,409	2,359,761	992,717
Lease revenue	35,773	35,773	35,773	35,949	36,125	36,125	36,125	36,125	36,540	36,332
Gain (Loss) on sale of asset		(1,644,748)		5,295	20,382	(415,681)	4,034	(217,711)	3,739	29,357
State grants	909,797	2,254,643	389,697	1,742	(1,742)	512,404	160,683	37,500		
Federal grants	0	2,402,617	1,478,384	0	205,043		0	0	0	194,014
Subgrants	899,270	158,773	288,023	181,749	272,185	914,469	203,021	139,638	13,298	4,567
Property taxes	2,149,559	1,636,278	1,662,436	1,591,167	1,627,706	1,698,184	1,974,773	2,230,458	2,455,507	2,679,597
<b>Total nonoperating revenues (expenses)</b>	<b>6,508,500</b>	<b>5,503,669</b>	<b>5,116,063</b>	<b>2,629,199</b>	<b>3,761,718</b>	<b>4,474,652</b>	<b>3,777,889</b>	<b>3,893,192</b>	<b>4,856,788</b>	<b>4,042,162</b>
<b>Net Income (Loss)</b>	<b>2,208,910</b>	<b>5,980,255</b>	<b>3,175,294</b>	<b>514,920</b>	<b>(275,017)</b>	<b>4,787,597</b>	<b>6,368,128</b>	<b>6,820,617</b>	<b>5,648,017</b>	<b>2,256,011</b>
<b>Net Position, Beginning of Year</b>	<b>142,765,333</b>	<b>144,974,243</b>	<b>150,954,498</b>	<b>154,129,792</b>	<b>154,644,712</b>	<b>154,369,695</b>	<b>159,157,292</b>	<b>153,722,733</b>	<b>160,543,350</b>	<b>166,191,367</b>
Prior period adjustment							(11,802,687) <sup>(3)</sup>			(9,704,854) <sup>(3)</sup>
<b>Net Position, End of Year</b>	<b>\$144,974,243</b>	<b>\$150,954,498</b>	<b>\$154,129,792</b>	<b>\$154,644,712</b>	<b>\$154,369,695</b>	<b>\$159,157,292</b>	<b>\$153,722,733</b>	<b>\$160,543,350</b>	<b>\$166,191,367</b>	<b>\$158,742,524</b>

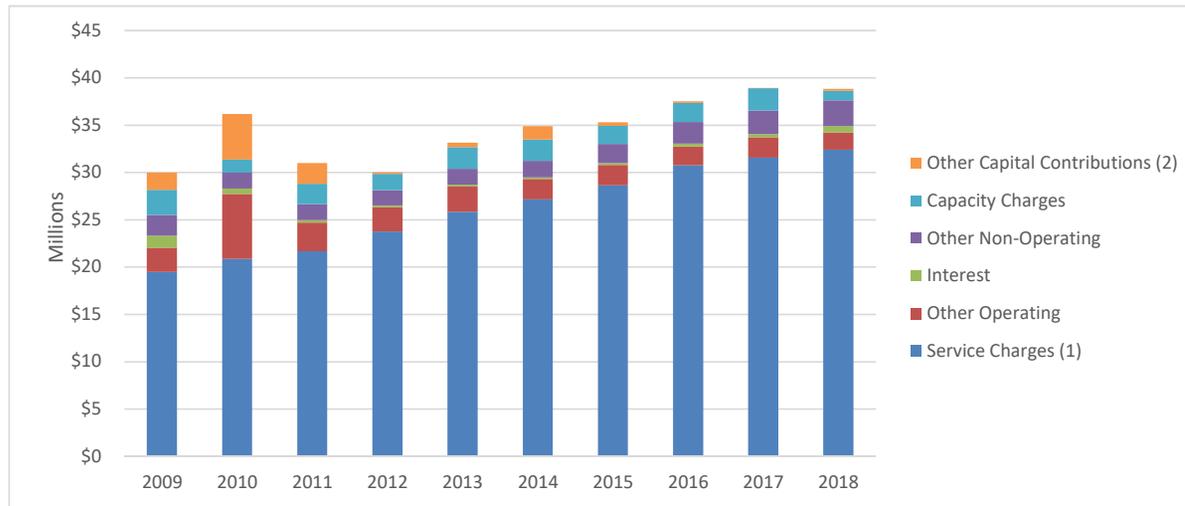
Source: Delta Diablo Audited Financial Statements

Note: <sup>(1)</sup> Service Charges is comprised of Wastewater Service, Recycled Water, Street Sweeping, and Bay Point Collection Charges.

<sup>(2)</sup> Includes a one-time side fund payment made to CALPERS of \$3.9M.

<sup>(3)</sup> Adjustments for implementation of GASB 68, GASB 75 and expensing costs previously capitalized

**Delta Diablo**  
**Total Revenue By Source - Financial Trends**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**



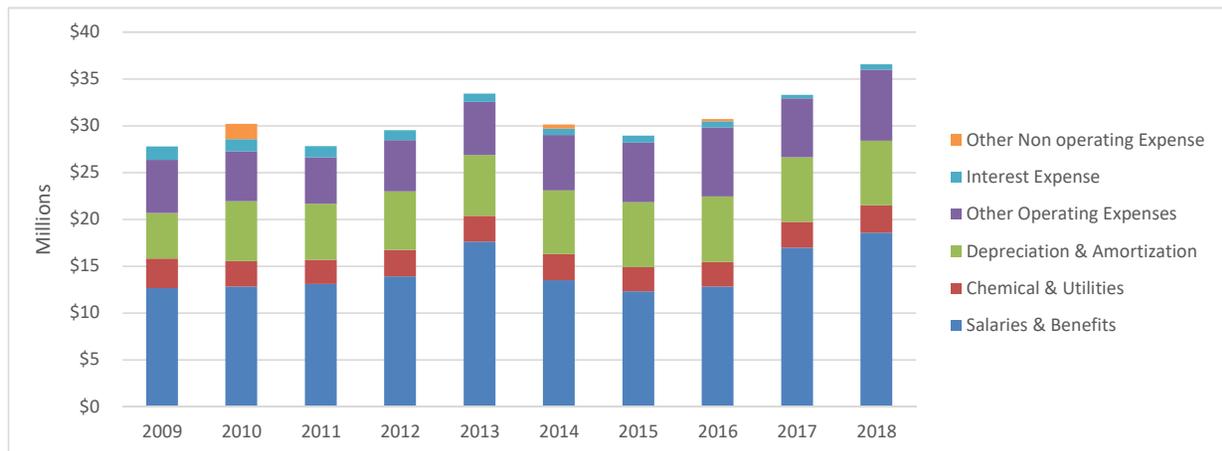
Revenue Sources							
Fiscal Year	Service Charges <sup>(1)</sup>	Other Operating	Interest	Other Non-Operating	Capacity Charges	Other Capital Contributions <sup>(2)</sup>	Total
2009	\$19,481,408	\$2,567,079	\$1,256,487	\$2,185,332	\$2,672,259	\$1,809,067	\$29,971,632
2010	20,867,811	6,858,859	568,784	1,672,051	1,393,342	4,816,033	36,176,880
2011	21,650,025	3,029,475	275,653	1,698,209	2,160,678	2,156,104	30,970,144
2012	23,741,202	2,615,692	151,223	1,632,411	1,687,667	183,491	30,011,686
2013	25,824,829	2,677,605	189,139	1,684,213	2,280,985	475,486	33,132,257
2014	27,151,658	2,161,304	174,179	1,734,309	2,250,790	1,426,873	34,899,113
2015	28,626,113	2,147,690	207,369	2,014,932	1,926,982	363,704	35,286,790
2016	30,755,640	1,989,673	297,905	2,266,583	2,031,409	177,138	37,518,348
2017	31,572,922	2,121,889	359,034	2,495,786	2,359,761	13,298	38,922,690
2018	32,389,604	1,810,043	678,535	2,745,286	992,717	198,581	38,814,766

Source: Delta Diablo Audited Financial Statements

Note: <sup>(1)</sup> Service Charges is comprised of Wastewater Sewer Service, Recycled Water, Street Sweeping, and Bay Point Collection Charges.

<sup>(2)</sup> The District received capital contributions either in the form of State, Subgrants and/or Federant grants.

**Delta Diablo**  
**Total Expense By Category - Financial Trends**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**



Fiscal Year	Salaries & Benefits	Chemical & Utilities	Depreciation & Amortization	Other Operating Expenses	Interest Expense	Other Non operating Expense	Total
2009	\$12,650,803	\$3,141,901	\$4,868,388	\$5,686,985	\$1,414,645		\$27,762,722
2010	12,806,405	2,713,909	6,411,047	5,318,723	1,301,793	1,644,748 <sup>(3)</sup>	30,196,625
2011	13,089,446	2,586,077	5,990,441	4,954,305	1,174,581		27,794,850
2012	13,892,968	2,815,572	6,279,367	5,483,266	1,025,593		29,496,766
2013	17,593,719 <sup>(1)</sup>	2,755,742	6,506,348	5,683,360	868,105		33,407,273
2014	13,500,132	2,767,263	6,821,159	5,911,463	695,818	415,681	30,111,516
2015	12,304,139	2,567,767	6,959,201	6,352,457	735,098		28,918,662
2016	12,796,436	2,649,252	6,993,567	7,378,633	662,132	217,711	30,697,731
2017	16,951,986 <sup>(2)</sup>	2,772,504	6,881,767	6,297,325	371,091		33,274,673
2018	18,569,205 <sup>(2)</sup>	2,908,186	6,897,318	7,611,089	572,957		36,558,755

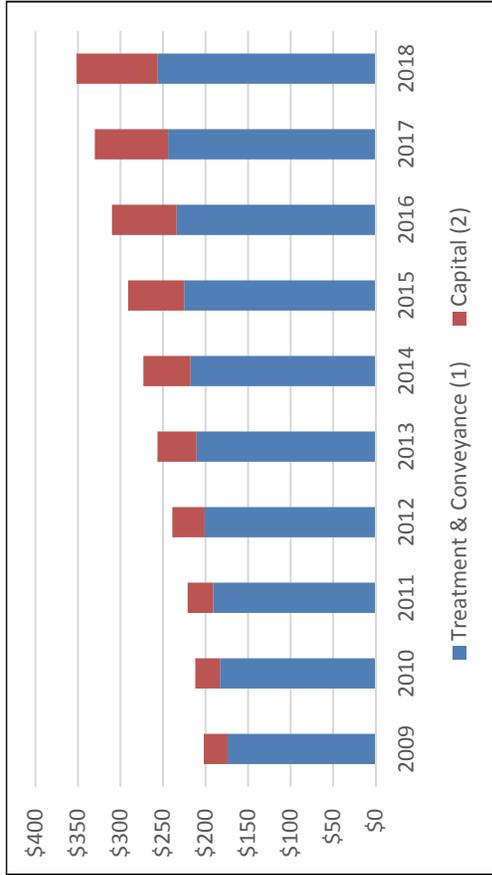
Source: Delta Diablo Audited Financial Statements

Note: <sup>(1)</sup> Includes a one-time side fund payment made to CALPERS of \$3.9M.

<sup>(2)</sup> Includes adjustments for implementation of GASB 68 and GASB 75, and expensing costs previously capitalized.

<sup>(3)</sup> Loss on disposition of capital assets.

**DELTA DIABLO**  
**Major Revenue Base and Rates – Revenue Capacity**  
**Last Ten Years**



Fiscal Year	Annual Sewer Service Charge		Capacity Charges (3)
	Treatment & Conveyance (1)	Capital (2)	
2009	\$174	\$28	\$202
2010	183	29	211
2011	191	30	222
2012	201	38	238
2013	211	46	257
2014	218	55	273
2015	225	66	291
2016	234	76	310
2017	244	86	330
2018	256	95	352

Source: Delta Diablo Rate Ordinance  
 Note: (1) Average annual flat fee (Zones 1-3) per Equivalent Residential Unit (ERU). Multi-family properties, multiply # of ERU x annual flat fee. Commercial user charges consist of an annual rate x hundred cubic feet water (HCF) of water consumed except for customers with 90 HCF or less of water consumed, which are assessed an annual flat fee.  
 Note: (2) Average annual flat fee (Zones 1-3) for Capital Asset and Capital Asset Replacement. Starting in FY11-12 includes an Advance Treatment Plant component.  
 Note: (3) Average Capital Facilities Capacity Charges (Zones 1-3) for new users per ERU connecting to the wastewater system.

**DELTA DIABLO**  
**Service Charges and Service Charges as a Percentage of Total Operating Revenue - Revenue Capacity**  
**Current Year and Nine Years Ago**

	2008-2009	2017 - 2018
Service Charges:		
Waste Water Sewer	\$ 16,061,820	\$ 28,218,873
Recycled Water	2,032,698	2,390,199
Street Sweeping	584,453	639,007
Baypoint	802,437	1,141,525
Total Service Charges	\$ 19,481,408	\$ 32,389,604
 Total Operating Revenues	 \$ 22,048,487	 \$ 34,199,648
 Service Charges as a Percentage of Total Operating Revenue	 88%	 95%

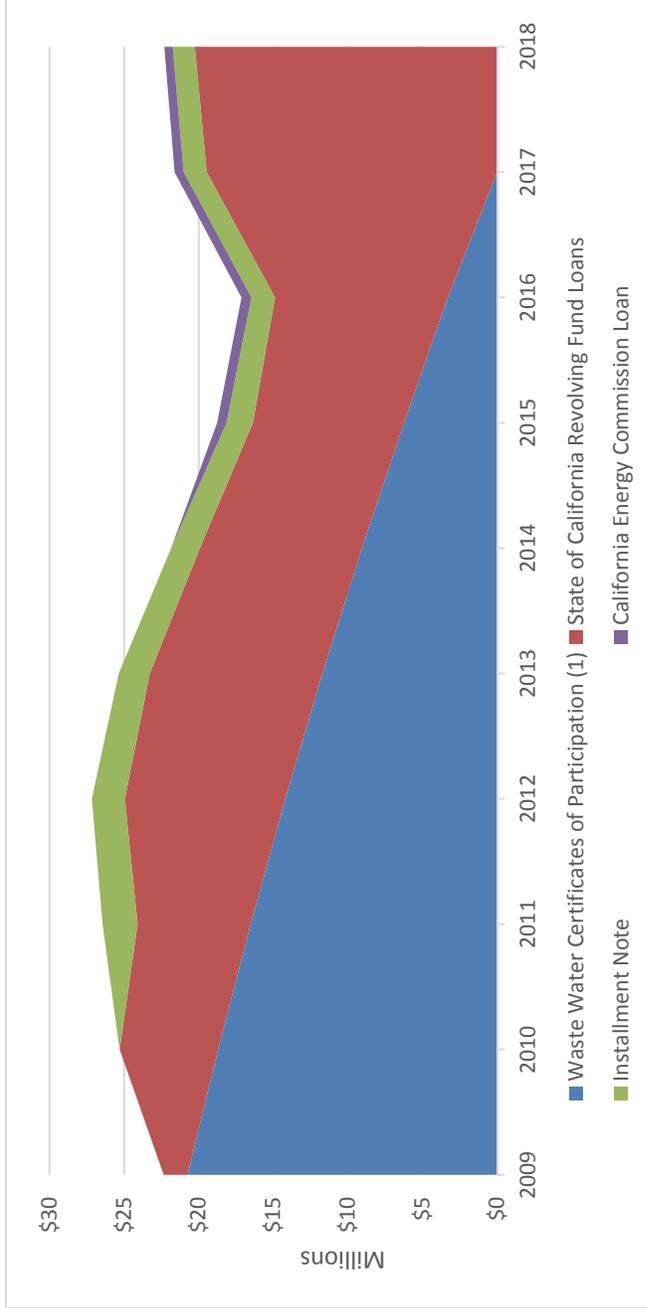
**Principal Customers - Revenue Capacity**  
**Current Year and Nine Years Ago**

Customer	Business Type	City	FY2008-2009 Service Charge Annual Billing	Rank	Percentage of Total Annual Billings	FY2017-2018 Service Charge Annual Billing	Rank	Percentage of Total Annual Billings
Calpine <sup>(1)</sup>	Utility	Pittsburg	\$ 2,429,234.24	1	12.5%	\$ 2,796,227.92	1	8.6%
Dow Chemical	Manufacturing	Pittsburg	83,863	5	0.4%	293,397	2	0.9%
City of Pittsburg	City Government	Pittsburg				267,254	3	0.8%
Angelica Healthcare	Service	Antioch/Pittsburg <sup>(2)</sup>	77,901	6	0.4%	221,393	4	0.7%
Woodland Hills Apartments	Housing	Pittsburg				207,553	5	0.6%
Kaiser Hospital	Service	Antioch				192,290	6	0.6%
City of Antioch	City Government	Antioch				188,959	7	0.6%
Rivershore Apartments	Housing	Bay Point	75,289	7	0.4%	129,042	8	0.4%
Villas at San Marcos	Housing	Pittsburg				128,668	9	0.4%
The Meadows Trailer Park	Housing	Pittsburg				114,882	10	0.4%
GWF Power Systems	Utility	Pittsburg	193,759	2	1.0%			
Woodland Hills Apartments	Housing	Pittsburg	115,502	3	0.6%			
USS/POSCO Industries	Manufacturing	Pittsburg	108,742	4	0.6%			
Williams Sanitary	Service	Antioch	67,377	8	0.3%			
The Meadows Trailer Park	Housing	Pittsburg	63,696	9	0.3%			
G&K Services	Service	Pittsburg	62,899	10	0.3%			
All Other <sup>(2)</sup>		Bay Point/Pittsburg/Antioch	16,203,147		83.2%	27,849,939		86.0%
<b>Total</b>			<b>\$ 19,481,408</b>		<b>100.0%</b>	<b>\$ 32,389,604</b>		<b>100.0%</b>

Source: Delta Diablo Audited Financial Statements and Billing Records

Note: (1) Calpine is the District's largest Recycled Water customer, data includes Recycled Water charges (2) Angelica Healthcare was in Antioch until FY2008-09 where it relocated to Pittsburg. (3) "All Other" customers (includes residential, commercial customers) when listed individually is less than 0.5% of Total Annual Service Charges Billings covering all three cities served.

**DELTA DIABLO**  
**Outstanding Debt by Type and Debt Per Capita - Debt Capacity**  
**Last Ten Fiscal Years**



Fiscal Year	Waste Water Certificates of Participation <sup>(1)</sup>	State of California Revolving Fund Loans	Installment Note	California Energy Commission Loan	Total	Population Estimates <sup>(2)</sup>	Debt Per Capita <sup>(3)</sup>
2009	\$20,746,820	\$1,600,725			\$22,347,545	185,198	\$121
2010	18,700,761	6,599,396			25,300,157	186,985	135
2011	16,517,749	7,580,161	2,344,210		26,442,120	189,700	139
2012	14,193,806	10,754,568	2,212,746		27,161,120	192,707	141
2013	11,714,312	11,568,040	2,072,577		25,354,929	195,392	130
2014	9,067,882	10,854,596	1,923,203		21,845,681	198,473	110
2015	6,237,347	10,134,156	1,764,088	630,000	18,765,591	200,942	93
2016	3,310,000	11,570,850	1,594,676	655,696	17,131,222	203,759	84
2017	19,464,968	1,542,156		608,219	21,615,343	204,971	105
2018	20,258,304	1,483,830		560,267	22,302,401	207,057	108

Source: Delta Diablo Audited Financial Statements

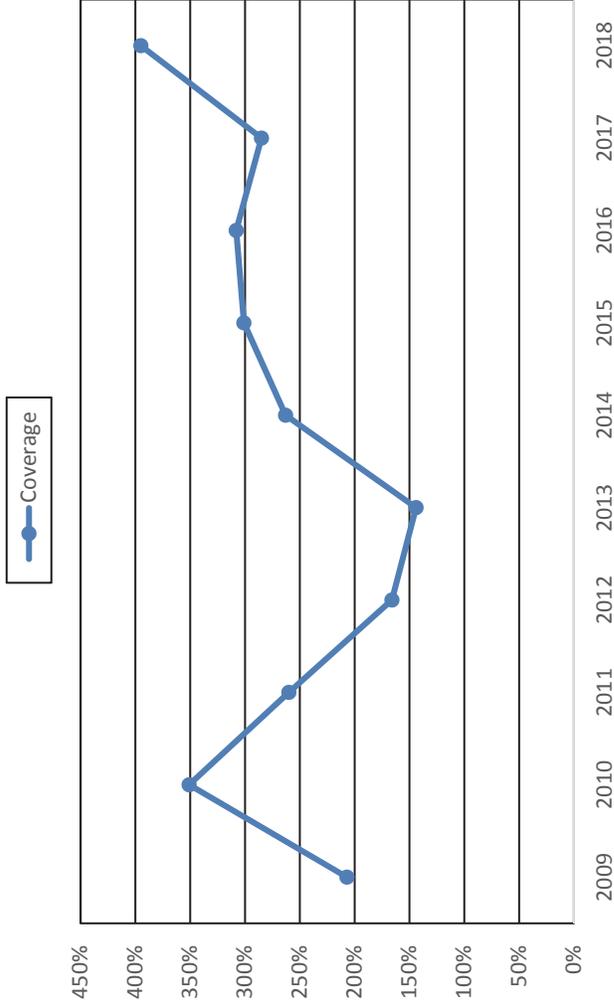
Note: Debt amounts exclude any premiums, discounts, or other amortization amounts.

(1) Includes accrued interest. Matured in 2016.

(2) Demographics and Economic Statistics (Statistical section)

(3) Debt per Capita = Total Debt/Population Estimate.

**DELTA DIABLO**  
**Pledged - Revenue Coverage - Debt Capacity**  
**Last Ten Fiscal Years**



Fiscal Year	Gross		Net Revenue Available for		Debt Service Requirements		Total	Coverage
	Revenue (1)	Expenses (2)	Operating	Debt Service	Principal	Interest		
2009	\$29,971,632	\$22,894,334	\$7,077,298	\$7,077,298	\$3,314,477	\$103,062	\$3,417,539	207%
2010	36,176,880	23,785,578	12,391,302	12,391,302	3,211,127	320,537	3,531,664	351%
2011	30,970,144	21,804,409	9,165,735	9,165,735	3,506,189	25,475	3,531,664	260%
2012	30,011,686	23,217,399	6,794,287	6,794,287	3,951,703	140,199	4,091,902	166%
2013	33,132,257	26,900,926	6,231,331	6,231,331	3,635,223	700,029	4,335,252	144%
2014	34,899,113	23,290,357	11,608,756	11,608,756	4,172,818	248,160	4,420,978	263%
2015	35,286,790	21,959,461	13,327,329	13,327,329	4,194,555	233,724	4,428,279	301%
2016	37,518,348	23,704,164	13,814,184	13,814,184	4,253,312	226,260	4,479,572	308%
2017	38,922,690	26,392,906	12,529,784	12,529,784	4,178,887	221,286	4,400,173	285%
2018	38,814,767	33,351,275	5,463,492	5,463,492	1,000,849	381,817	1,382,666	395%

Source: Delta Diablo Audited Financial Statements

Note: Detail information on Long-term Debt can be found in the notes to the financial statements

(1) All revenues including capacity charges and other capital contributions

(2) Does not include depreciation and amortization

(3) Debt per Capita = Total Debt/Population Estimate.

**DELTA DIABLO**  
**Principal Employers in the District-Demographics and Economic Information**  
**Current Year and Nine Years Ago**

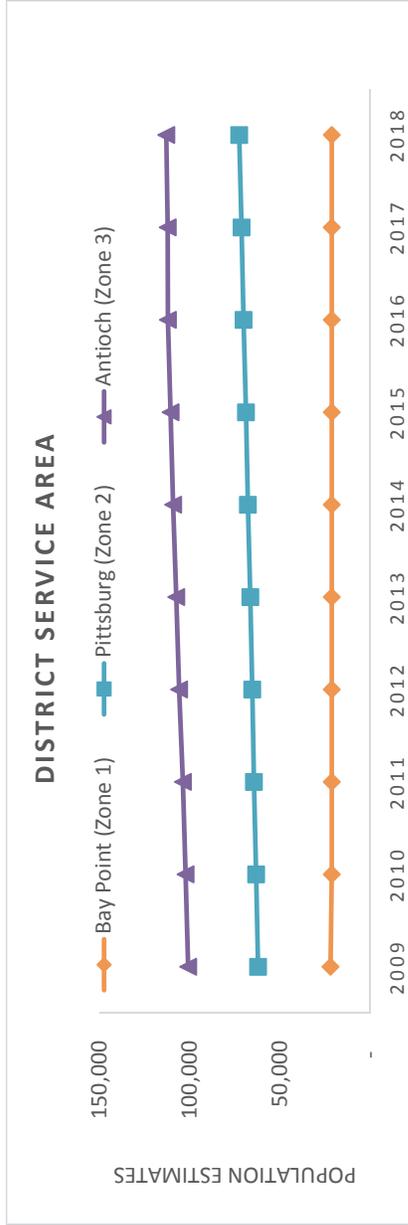
Employer <sup>(1)</sup>	Industry <sup>(2)</sup>	2018 <sup>(1)</sup>				2009 <sup>(1)</sup>			
		Estimated		Percent of		Estimated		Percent of	
		Employees	Rank	Total District	Employment	Employees	Rank	Total District	Employment
Kaiser Permanente	Hospitals/Clinics	2,014	1	2.17%	2,070	1	2.65%		
Antioch Unified School District	Schools-Universities	1,817	2	1.95%	1,786	2	2.29%		
Sutter Delta Medical Center	Hospitals/Clinics	1,200	3	1.29%	891	4	1.14%		
Pittsburg Unified School District	Schools-Universities	1,175	4	1.26%	965	3	1.24%		
USS-POSCO	Manufacturing	621	5	0.67%	700	5	0.90%		
Los Medanos Community College	Schools-Universities	592	6	0.64%	640	6	0.82%		
Contra Costa County Social Services	Family Services	525	7	0.56%	525	7	0.67%		
Walmart	Retail	423	8	0.45%	318	9	0.41%		
City of Pittsburg	Legislative Bodies	387	9	0.42%					
Dow Chemical Company	Manufacturing	350	10	0.38%	400	8	0.58%		
City of Antioch	Legislative Bodies				308	10	0.39%		
All Others		83,896			69,497				
<b>Total<sup>(3)</sup></b>		<b>93,000</b>			<b>78,100</b>				

Source: <sup>(1)</sup> City of Antioch and City of Pittsburg 2017/2009 CAFR

<sup>(2)</sup> State of California, Employment Development , Major Employers (Industry Type)

<sup>(3)</sup> State of California , Employment Development Department, Labor Market Information

**DELTA DIABLO**  
**Demographic and Economic Statistics**  
**Last Ten Fiscal or Calendar Years**



Fiscal Year Ended June 30	Population Estimates for the District's Service Area			Contra Costa County			
	Bay Point (Zone 1) <sup>(1)</sup>	Pittsburg (Zone 2) <sup>(2)</sup>	Antioch (Zone 3) <sup>(2)</sup>	Population <sup>(2)</sup>	Personal Income <sup>(3)</sup>	Per Capita Personal Income <sup>(3)</sup>	Average Annual Unemployment Rate <sup>(4)</sup>
2009	22,041	62,201	100,956	1,038,390	\$ 56,442,667	\$ 54,382	8.1
2010	21,349	63,264	102,372	1,049,025	\$ 56,594,058	\$ 53,752	10.8
2011	21,349	64,483	103,868	1,059,557	\$ 61,156,431	\$ 57,363	10.8
2012	21,349	65,407	105,951	1,070,440	\$ 66,344,299	\$ 61,530	9.7
2013	21,349	66,499	107,544	1,083,937	\$ 66,607,757	\$ 60,883	8.2
2014	21,349	67,849	109,275	1,098,018	\$ 69,818,812	\$ 62,957	6.8
2015	21,349	68,895	110,698	1,112,328	\$ 76,517,699	\$ 68,123	5.6
2016	21,349	70,233	112,177	1,127,279	\$ 80,412,234	\$ 70,840	4.7
2017	21,349	71,342	112,280	1,139,313	n/a	n/a	4.2
2018	21,349	72,647	113,061	1,149,363	n/a	n/a	3.5
Average (10 years)	21,418	67,282	107,818				
As a % of Total	11%	34%	55%	100%			

Source: <sup>(1)</sup>U. S. Census Bureau -2010-2017 Census People Quick Facts, population 2010 or latest estimates available.

<sup>(2)</sup>California Department of Finance, Estimate for January 1 of each year.

<sup>(3)</sup>U. S. Department of Commerce-Bureau of Economic Analysis (thousands).

<sup>(4)</sup> Federal Reserve Economic Data-Economic Research Division.

Notes: Data shown as n/a denotes information is not available.

The district is located in Contra Costa County and serves 3 cities (Bay Point, Pittsburg and Antioch) within the county.

**DELTA DIABLO  
About the District**

Date of Formation 1955

Number of employees (FTE) 79

Governing Body (3) Appointed Members of the Board (The Mayors of the City of Pittsburg [or Designee] and City of Antioch [or Designee]), and the Contra Costa County Supervisor of Bay Point.

Services Wastewater treatment and disposal, Recycled Water, Household Hazardous Waste Facility, Street sweeping and Wastewater collection for Bay Point.

Service Areas in Contra Costa County	Square Miles	Population Estimates <sup>(1)</sup>	Per Capita Income <sup>(2)</sup>	Unemployment Rate <sup>(3)</sup>
Bay Point (Unincorporated)	6.55	21,349	18,661	5.7%
Pittsburg (City)	17.22	72,647	24,767	4.1%
Antioch (City)	28.35	113,061	26,385	4.4%
<b>Total</b>	<b>52.12</b>	<b>207,057</b>		
<b>Weighted Average Unemployment (based on est. population for 3 cities)</b>				<b>4.6%</b>

**Facilities:**

Number of Treatment Plants	1	Number of Recycled Water Plants	1
Miles of Sanitary Sewer	73.5	Miles of Recycled Water Main	16
Number of Pump Stations	5	Number of Recycled Water Reservoirs	3
Number of Household Hazardous Waste Facility	1		

Source: Delta Diablo Records

<sup>(1)</sup> Demographic and Economic Statistics Section of this report.

<sup>(2)</sup> U.S. Census Bureau, State & County Quick Facts, 2016 Dollars

<sup>(3)</sup> State of California, Employment Development Department, Monthly Labor Force Data for Cities and Census Designated Places (2018 Preliminary, data not seasonally adjusted)

**DELTA DIABLO**  
**Number of District Employees By Department/Function-Operation Information**  
**Last Ten Fiscal Years**

Department/Function	Fiscal Year Ending June 30									
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Administration	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	9.00	8.00
Public Information	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Sub-total Administrative Services Department	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	10.00	9.00
Human Resources and Safety	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Finance	5.80	5.80	5.80	5.80	5.80	6.00	6.00	5.00	6.00	6.00
Information systems	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Purchasing	2.00	2.00	2.00	2.00	0.00	0.00	1.00	1.00	1.00	1.00
Sub-total Business Services Department	12.80	12.80	12.80	12.80	10.80	11.00	12.00	11.00	12.00	12.00
Engineering and Construction	10.00	10.00	10.00	10.00	10.00	10.00	10.00	11.00	11.00	12.00
Sub-total Engineering Services	10.00	10.00	10.00	10.00	10.00	10.00	10.00	11.00	11.00	12.00
Maintenance	19.00	19.00	19.00	18.00	19.00	19.00	18.00	18.00	21.00	19.00
Collection	2.00	2.00	2.00	2.00	2.00	2.00	2.00	3.00	3.00	3.00
Plant Operations	17.00	18.00	18.00	18.00	18.00	17.00	18.00	17.00	19.00	19.00
Laboratory, pre-treatment and pollution prevention	7.00	7.00	7.00	6.00	6.00	5.00	5.00	5.00	5.00	5.00
Sub-total Operations Services	45.00	46.00	46.00	44.00	45.00	43.00	43.00	43.00	48.00	46.00
Total Number of Employees	<u>76.80</u>	<u>77.80</u>	<u>77.80</u>	<u>75.80</u>	<u>74.80</u>	<u>73.00</u>	<u>74.00</u>	<u>74.00</u>	<u>81.00</u>	<u>79.00</u>
Total Number of Retirees	<u>25.00</u>	<u>25.00</u>	<u>25.00</u>	<u>28.00</u>	<u>31.00</u>	<u>33.00</u>	<u>39.00</u>	<u>42.00</u>	<u>46.00</u>	<u>50.00</u>

Source: Delta Diablo District Payroll and Financial Records

Note: Does not include Board members, temporary and/or summer co-op interns. Retiree count does not include spouses.

**DELTA DIABLO**  
**Operating and Capital Indicators by Program - Operating Information**  
**Last Ten Fiscal Years (FY) or Calendar Years (CY)**

Program	Year	Unit	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Wastewater (WW)</b>												
Number of Treatment Plants	CY		1	1	1	1	1	1	1	1	1	1
Miles of Wastewater Sanitary Lines	CY		71	71	71	71	71	71	71	71	73.5	73.5
Number of Pump Stations	CY		5	5	5	5	5	5	5	5	5	5
Annual Average Influent Flow	CY	mgd	13.2	13.4	13.5	13.2	13.0	12.8	12.2	12.4	13.3	13.3
Treatment Plant Capacity (ADWF)	CY	mgd	16.5	16.5	16.5	16.5	16.5	19.5	19.5	19.5	19.5	19.5
Average Dry Weather Flow (ADWF)	CY	mgd	12.8	13.2	13.2	12.7	13.1	12.5	11.8	12.3	12.8	12.8
<b>Recycled Water (RW)</b>												
Number of Recycled Water Reservoirs	CY		2.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Miles of Recycled Water Mains	CY		8.0	14.2	14.2	14.2	14.2	16.0	16.0	16.0	16.2	16.2
Storage Capacity of Recycled Water Reservoirs <sup>(2)</sup>	CY	mg	2.9	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Annual Average Recycled Water Produced	CY	mgd	6.6	5.6	5.8	7.9	8.0	7.2	6.6	6.4	4.4	4.4
Average Dry Weather Flow (ADWF)	CY	mgd	6.3	4.8	4.6	8.3	8.6	7.4	7.3	7.8	5.2	5.2
<b>Household Hazardous Waste (HHW)</b>												
Number of Households (est)	FY		96,815	97,112	97,714	95,064	95,656	97,837	99,036	100,249	101,954	103,153
Total Number of Vehicles	FY		11,562	12,544	12,661	14,345	14,609	14,560	15,504	16,071	17,465	19,151
Total Participation Rate	FY		11.9%	12.9%	13.0%	15.1%	17.0%	14.9%	15.7%	16.0%	17.1%	18.6%
Total Tons of Waste Collected	FY		453	518	562	498	434	399	441	516	533	545
Total Percent of Waste Recycled	FY		75.7%	77.1%	78.2%	74.9%	77.6%	73.0%	71.0%	69.0%	68.7%	72.4%
<b>Street Sweeping</b>												
Annual Curb Miles Swept	CY		24,816	25,070	25,114	25,380	25,380	25,609	25,724	25,840	25,989	25,989
<b>Collection</b>												
Miles of Collection Sewer Lines	CY		43	43	43	43	43	43	43	43	43	43

Source: Delta Diablo Records  
 mgd = million gallons per day, mg = million gallons

**DELTA DIABLO  
MEMORANDUM ON INTERNAL CONTROL  
AND  
REQUIRED COMMUNICATIONS  
FOR THE YEAR ENDED JUNE 30, 2018**

This Page Left Intentionally Blank

**DELTA DIABLO  
MEMORANDUM ON INTERNAL CONTROL  
AND  
REQUIRED COMMUNICATIONS**

**For The Year Ended June 30, 2018**

**Table of Contents**

	<b><u>Page</u></b>
<b><i>Memorandum on Internal Control</i></b> .....	1
Schedule of Other Matters .....	3
Schedule of Prior Year Other Matters .....	5
<b><i>Required Communications</i></b> .....	7
<b>Significant Findings</b> .....	7
Accounting Policies.....	7
Unusual Transactions, Controversial or Emerging Areas.....	8
Accounting Estimates.....	8
Disclosures.....	9
Difficulties Encountered in Performing the Audit .....	9
Corrected and Uncorrected Misstatements .....	9
Disagreements with Management.....	9
Management Representations .....	9
Management Consultations with Other Independent Accountants.....	9
Other Audit Findings and Issues.....	10
<b>Other Information Accompanying the Financial Statements</b> .....	10

This Page Left Intentionally Blank

## MEMORANDUM ON INTERNAL CONTROL

To the Board of Directors  
Delta Diablo  
Antioch, California

In planning and performing our audit of the basic financial statements of the Delta Diablo (District) as of and for the year ended June 30, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Included in the Schedule of Other Matters are recommendations not meeting the above definitions that we believe are opportunities for strengthening internal controls and operating efficiency.

Management's written responses included in this report have not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

This communication is intended solely for the information and use of management, Board of Directors, others within the organization, and agencies and pass-through entities requiring compliance with *Government Auditing Standards*, and is not intended to be and should not be used by anyone other than these specified parties.

Pleasant Hill, California  
**DATE**

This Page Left Intentionally Blank

## MEMORANDUM ON INTERNAL CONTROL

### SCHEDULE OF OTHER MATTERS

#### 2018-01 Timely Updating of LAIF Signature Card

**Criteria:** Signature cards for the bank and investment accounts should be updated immediately whenever there is a change in authorized signers.

**Condition:** As of May 8, 2018, we found that the previous Finance Manager was listed as an authorized signer to transfer funds for the Local Agency Investment Fund account. The previous Finance Manager left the District in 2017.

**Cause:** This appears to be due to an oversight by the District.

**Effect:** Keeping ex-employees as authorized signers to transfer funds on the District's LAIF accounts exposes the District to the risk of misappropriation of the District's assets.

**Recommendation:** We recommend that the District immediately remove the ex-employees from the authorized signer lists of all bank accounts.

**Management Response:** The District concurs with the recommendations and has removed the ex-employee from the authorized signer lists of all bank and investment accounts. Staff has implemented procedures to address updating signature authorities in a timely manner when staffing changes occur.

#### 2018-02 Timely Review of Bank Reconciliations

**Criteria:** Monthly bank and investment reconciliations should be prepared and reviewed by two different people within 30 to 45 days of the end of the month.

**Condition:** During our testing of the District's internal controls for bank reconciliations, it was noted that the November 2017 bank reconciliation was prepared by the Senior Accountant on January 22, 2018 and reviewed by the Finance Manager on May 2, 2018, respectively. Thus, the reconciliation was not reviewed within 45 days of the end of the month. It was also noted that the December 2017 investment account reconciliation was not reviewed until March 2, 2018, and thus was not reviewed within 45 days of the end of the month.

**Cause:** The District was undergoing staff changes in the Finance Manager position that caused a delay in the review of the bank reconciliation.

**Effect:** When bank reconciliations are not reviewed in a timely manner, there is an increased risk that errors will go unnoticed.

**Recommendation:** We recommend that the District implement procedures to ensure that bank and investment reconciliations are prepared and reviewed in a timely manner, ideally within 45 days of the end of the month.

**Management Response:** The District concurs with the recommendation. Staff has implemented procedures to ensure that bank and investment reconciliations are prepared and reviewed in a timely manner, ideally within 45 days of the end of the month.

## MEMORANDUM ON INTERNAL CONTROL

### SCHEDULE OF OTHER MATTERS

#### 2018-03 Compliance With Investment Policy

**Criteria:** Section 3020.8.6 of Delta Diablo's Investment Policy states that corporate notes must be rated in a rating category "AA" or its equivalent or better by a nationally recognized rating service.

**Condition:** During out testing of the District's investments for compliance with the Investment Policy, it was noted that the District is invested in GE Global Corporate Notes. Per review of the March 31, 2018 PFM Statement, it appears that this corporate note is rated "A" by Standard and Poor's, which is less than "AA."

**Cause:** When the District made the investment, GE Global Corporate Notes were rated "AA+," and subsequent to the purchase of the investment, the rating has dropped to "A."

**Effect:** The District's investments are not in compliance with the Investment Policy.

**Recommendation:** We recommend that the District implement procedures to periodically review the ratings of the investments held by the District to ensure compliance with the Investment Policy.

**Management Response:** The District concurs with the recommendation. Staff has implemented procedures to periodically review the ratings of the investments held by the District to ensure compliance with the Investment Policy.

## MEMORANDUM ON INTERNAL CONTROL

### SCHEDULE OF OTHER MATTERS

#### **2018-04 New GASB Pronouncements Not Yet Effective**

The following comment represents new pronouncements taking effect in the next few years. We have cited them here to keep you abreast of developments:

#### **EFFECTIVE FISCAL YEAR 2018/19:**

#### **GASB 83 –Certain Asset Retirement Obligations**

This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO.

This Statement requires the measurement of an ARO to be based on the best estimate of the current value of outlays expected to be incurred. The best estimate should include probability weighting of all potential outcomes, when such information is available or can be obtained at reasonable cost. If probability weighting is not feasible at reasonable cost, the most likely amount should be used. This Statement requires that a deferred outflow of resources associated with an ARO be measured at the amount of the corresponding liability upon initial measurement.

This Statement requires the current value of a government's AROs to be adjusted for the effects of general inflation or deflation at least annually. In addition, it requires a government to evaluate all relevant factors at least annually to determine whether the effects of one or more of the factors are expected to significantly change the estimated asset retirement outlays. A government should remeasure an ARO only when the result of the evaluation indicates there is a significant change in the estimated outlays. The deferred outflows of resources should be reduced and recognized as outflows of resources (for example, as an expense) in a systematic and rational manner over the estimated useful life of the tangible capital asset.

## MEMORANDUM ON INTERNAL CONTROL

### SCHEDULE OF OTHER MATTERS

#### **GASB 83 – Certain Asset Retirement Obligations (Continued)**

A government may have a minority share (less than 50 percent) of ownership interest in a jointly owned tangible capital asset in which a nongovernmental entity is the majority owner and reports its ARO in accordance with the guidance of another recognized accounting standards setter. Additionally, a government may have a minority share of ownership interest in a jointly owned tangible capital asset in which no joint owner has a majority ownership, and a nongovernmental joint owner that has operational responsibility for the jointly owned tangible capital asset reports the associated ARO in accordance with the guidance of another recognized accounting standards setter. In both situations, the government's minority share of an ARO should be reported using the measurement produced by the nongovernmental majority owner or the nongovernmental minority owner that has operational responsibility, without adjustment to conform to the liability measurement and recognition requirements of this Statement.

In some cases, governments are legally required to provide funding or other financial assurance for their performance of asset retirement activities. This Statement requires disclosure of how those funding and assurance requirements are being met by a government, as well as the amount of any assets restricted for payment of the government's AROs, if not separately displayed in the financial statements.

This Statement also requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. If an ARO (or portions thereof) has been incurred by a government but is not yet recognized because it is not reasonably estimable, the government is required to disclose that fact and the reasons therefor. This Statement requires similar disclosures for a government's minority shares of AROs.

#### **GASB 88 – Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements**

The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

## MEMORANDUM ON INTERNAL CONTROL

### SCHEDULE OF OTHER MATTERS

#### ***GASB 88 – Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*** ***(Continued)***

##### ***How the Changes in This Statement Improve Financial Reporting***

The requirements of this Statement will improve financial reporting by providing users of financial statements with essential information that currently is not consistently provided. In addition, information about resources to liquidate debt and the risks associated with changes in terms associated with debt will be disclosed. As a result, users will have better information to understand the effects of debt on a government's future resource flows.

##### **EFFECTIVE FISCAL YEAR 2019/20:**

#### ***GASB 84 – Fiduciary Activities***

The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. An exception to that requirement is provided for a business-type activity that normally expects to hold custodial assets for three months or less.

This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria.

A fiduciary component unit, when reported in the fiduciary fund financial statements of a primary government, should combine its information with its component units that are fiduciary component units and aggregate that combined information with the primary government's fiduciary funds.

This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval, or condition is required to be taken or met by the beneficiary to release the assets.

## MEMORANDUM ON INTERNAL CONTROL

### SCHEDULE OF OTHER MATTERS

#### ***GASB 90 - Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61***

The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis.

## MEMORANDUM ON INTERNAL CONTROL

### SCHEDULE OF OTHER MATTERS

#### EFFECTIVE FISCAL YEAR 2020/21:

##### **GASB 87 – Leases**

The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

A lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. Examples of nonfinancial assets include buildings, land, vehicles, and equipment. Any contract that meets this definition should be accounted for under the leases guidance, unless specifically excluded in this Statement.

##### **GASB 89 – Accounting for Interest Cost Incurred before the End of a Construction Period**

The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

This Page Left Intentionally Blank

## REQUIRED COMMUNICATIONS

To the Board of Directors  
Delta Diablo  
Antioch, California

We have audited the basic financial statements of the Delta Diablo (District) for the year ended June 30, 2018. Professional standards require that we communicate to you the following information related to our audit under generally accepted auditing standards and, *Government Auditing Standards* and *Uniform Guidance*.

### **Significant Audit Findings**

#### ***Accounting Policies***

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year, except as follows:

The following Governmental Accounting Standards Board (GASB) pronouncement became effective and did have a material effect on the financial statements as discussed in Note 1M and Note 9:

*GASB 75 – Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions* - The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for post-employment benefits other than pensions (other post-employment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all post-employment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This pronouncement required the District to make a prior period adjustment. As a result, the beginning net position of the District was restated and reduced by \$7,183,434. See Note 1M and Note 9 for additional information.

*GASB 85 – Omnibus 2017* - The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]).

#### ***Unusual Transactions, Controversial or Emerging Areas***

We noted no transactions entered into by the District's during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

## ***Accounting Estimates***

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the District's financial statements were:

*Estimated Net Pension Liabilities and Pension-Related Deferred Outflows and Inflows of Resources:* Management's estimate of the net pension liability and deferred outflows/inflows of resources are disclosed in Note 8 to the financial statements and are based on actuarial studies determined by a consultant, which are based on the experience of the District. We evaluated the key factors and assumptions used to develop the estimate and determined that it is reasonable in relation to the basic financial statements taken as a whole.

*Estimated Net OPEB Assets and Liabilities and OPEB-Related Inflows of Resources:* Management's estimate of the net OPEB liability and deferred inflows of resources are disclosed in Note 9 to the financial statements and are based on actuarial studies determined by a consultant, which are based on the experience of the District. We evaluated the key factors and assumptions used to develop the estimate and determined that it is reasonable in relation to the basic financial statements taken as a whole.

*Estimated Fair Value of Investments:* The District's cash and investments held at June 30, 2018 as measured by fair value are disclosed in Note 2 to the financial statements. Fair value is essentially market pricing in effect as of June 30, 2018. These fair values are not required to be adjusted for changes in general market conditions occurring subsequent to June 30, 2018.

*Estimate of Depreciation:* Management's estimate of the depreciation is based on useful lives determined by management. These lives have been determined by management based on the expected useful life of assets as disclosed in Note 5 to the financial statements. We evaluated the key factors and assumptions used to develop the depreciation estimate and determined that it is reasonable in relation to the basic financial statements taken as a whole.

## ***Disclosures***

The financial statement disclosures are neutral, consistent, and clear.

## ***Difficulties Encountered in Performing the Audit***

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### ***Corrected and Uncorrected Misstatements***

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Professional standards require us to accumulate all known and likely uncorrected misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We have no such misstatements to report to the Board of Directors.

### ***Disagreements with Management***

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### ***Management Representations***

We have requested certain representations from management that are included in a management representation letter dated **DATE**.

### ***Management Consultations with Other Independent Accountants***

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### ***Other Audit Findings or Issues***

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

## **Other Information Accompanying the Financial Statements**

We applied certain limited procedures to the required supplementary information that accompanies and supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the required supplementary information and do not express an opinion or provide any assurance on the required supplementary information.

We were engaged to report on the supplementary information, which accompanying the financial statements but are not required supplementary information. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the Introductory and Statistical Sections which accompany the financial statements, but are not required supplementary information. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

\*\*\*\*\*

This information is intended solely for the use of Board of Directors and management and is not intended to be, and should not be, used by anyone other than these specified parties.

Pleasant Hill, California

**DATE**

MEMORANDUM

Date: December 19, 2018  
To: Federal Glover, Chair (alternate), Finance Committee  
From: Carol S. Margetich, Business Services Director  
SUBJECT: REVIEW OF COMPREHENSIVE ANNUAL FINANCIAL REPORT AND  
MEMORANDUM ON INTERNAL CONTROL, JUNE 30, 2018

---

RECOMMENDATION

Review audited Comprehensive Annual Financial Report (CAFR) and Memorandum on Internal Control for the Fiscal Year Ended June 30, 2018 (FYE18).

Background Information

California statutes require special districts to have an annual audit conducted by independent certified public accountants. This year, in addition to preparing basic financial statements for FYE18, the District has prepared a CAFR, which provides more information (i.e., a Letter of Transmittal and a statistical section) to improve context for the reader. Major CAFR elements and audit findings will be presented to the Finance Committee on December 20, 2018 prior to including this item on the agenda for the January 9, 2019 Board Meeting.

The FYE18 CAFR was audited by Maze & Associates, who has performed financial audits for the District since FYE14 following Board approval of the original contract on June 11, 2014 and a two-year contract renewal on December 14, 2016.

The basic structure of the District's CAFR includes three sections:

- 1) **Introductory Section.** This section contains the Letter of Transmittal, which provides a brief overview and directs readers to relevant information within the CAFR to provide context and improve comprehension of the CAFR contents.
- 2) **Financial Section.** This section contains both comparative totals from the prior fiscal year and supplementary information relating to the District's five core programs: Wastewater, Recycled Water, Household Hazardous Waste, Street Sweeping, and Bay Point Collections.
- 3) **Statistical Section.** This section provides additional historical perspective, context, and detail to help the reader utilize the information found elsewhere in the financial report to better understand the District's economic condition.

The Government Finance Officers Association (GFOA) works to advance excellence in state and local government financial management and promote financial reporting that provides useful information to taxpayers, customers, public officials, investors, and others who use financial reports. The District will submit the FYE18 CAFR to GFOA for its Certificate of Achievement for Excellence in Financial Reporting.

### Analysis

Consistent with prior audit results, the auditors have determined that the CAFR fairly presents the District's financial condition (this is known as an "unmodified opinion" or "clean" opinion), and no material weaknesses were identified in their review of internal controls over financial reporting. Achieving an unmodified opinion provides reasonable assurance that the District's CAFR is free of material misstatements and represents the highest opinion that can be rendered in an audit.

In addition to their audit work and review of the CAFR, the auditors made recommendations for improvements as summarized in a "Memorandum on Internal Control." This document will also be presented to the Finance Committee.

#### *FY17/18 Financial Highlights*

- Total assets plus deferred outflows of the District exceeded the total liabilities and deferred inflows by \$158.7 million (net position)
- Net position decreased by \$7.4 million (4.5%) from the previous year
- Total assets plus deferred outflows remain unchanged at \$209.2 million
- Total liabilities plus deferred inflow of resources increased by \$7.5 million (17.4%)
- Total operating revenue was \$34.2 million, an increase of \$0.5 million (1.5%)
- Total operating expenses were \$36 million, an increase of \$3.1 million (9.4%)
- Capital contributions were \$1.2 million, a decrease of \$1.2 million (50%)

The District remains financially sound with a combined total net position as of FYE18 of \$158.7 million. Changes in net position serve as a useful indicator of the District's financial standing over time. For FYE18, the District's net position decreased by \$7.4 million, which was the result of two main factors:

- 1) Total revenues of \$38.8 million exceeded total expenses by \$2.3 million. This positive result demonstrates the success of the District's overall operations for the fiscal year and shows effective cost recovery from user fees and other charges.
- 2) Prior period adjustments of \$9.7 million consisting of:
  - a. Compliance with new Governmental Accounting Standards Board (GASB) Statement 75, which represented a \$7.2 million decrease
  - b. GASB 68, which represented a \$1.2 million increase
  - c. A change in expensing previously capitalized costs, a \$3.7 million decrease

A thorough discussion the financial activities for FYE18 is provided in the Management Discussion and Analysis (MD&A) section of the CAFR.

During the fiscal year, the Wastewater Capital Expansion Fund also began repaying an interfund loan from the Wastewater Fund. A payment of \$1.6 million was made and the outstanding balance as of June 30, 2018 was \$7.2 million.

Federal Glover, Chair (alternate), Finance Committee

December 19, 2018

REVIEW OF COMPREHENSIVE ANNUAL FINANCIAL REPORT AND MEMORANDUM  
ON INTERNAL CONTROL, JUNE 30, 2018

Page 3

An auditor representative (David Alvey, CPA, Vice President, Maze & Associates) will present the FYE18 Financial Audit Results to the Finance Committee and will address questions on the scope of their work and report findings.

*Next Steps*

Upon recommendation of the Finance Committee, the draft documents would be finalized and presented to the full Board. Finance Committee comments and recommendations would be included in the report to the Board.

Financial Impact

The District remains financially sound and no material weaknesses in internal controls were identified by the auditor. The District's net position has decreased by \$7.4 million in the current fiscal year due to restatements related to GASB pronouncements and correction of prior period accounting.

Attachments

- 1) Comprehensive Annual Financial Report (CAFR)
- 2) Memorandum on Internal Controls

//CSM

cc: David Alvey, CPA, Vice President, Maze & Associates

## MEETING NOTES

### **BOARD OF DIRECTORS FINANCE COMMITTEE MEETING**

#### **DELTA DIABLO**

*(a California Special District)*

**190 E. 4<sup>TH</sup> STREET | PITTSBURG, CA 94565**

**THURSDAY, DECEMBER 20, 2018**

**11:00 A.M.**

The meeting was called to order by Committee Chair (Alternate), Federal Glover, on Thursday, December 20, 2018, at 11:25 a.m. at the office of Federal Glover, 190 E. 4<sup>th</sup> Street, Pittsburg, California. Present at the meeting were Vince De Lange, General Manager; Carol Margetich, Business Services Director; Cecelia Nichols-Fritzler, Office Manager/Secretary to the Board; and David Alvey, Vice President, Maze & Associates.

#### **PUBLIC COMMENTS**

None

#### **REVIEW OF COMPREHENSIVE ANNUAL FINANCIAL REPORT and MEMORANDUM ON INTERNAL CONTROL, JUNE 30, 2018**

Ms. Margetich provided an overview of the annual audit process and stated the District has exceeded its normal audit approach and will be applying for recognition under the Government Finance Officers Association (GFOA) Excellence in Financial Reporting Program. She introduced the District's auditor (Mr. David Alvey, Vice President of Maze & Associates).

Mr. Alvey reviewed key findings from the Fiscal Year 2017/2018 (FY17/18) financial audit. He noted the District continues to maintain a strong financial position and there were no material weaknesses identified in the District's internal controls. He highlighted several opportunities for the District to strengthen internal controls and operating efficiencies. Mr. Alvey noted that the District's net position as of June 30, 2018 is \$158.7 million, a decrease of \$7.4 million from last year, which is attributed to a \$2.3 million increase from positive operating results and a \$9.7 million decrease due to accounting restatements pertaining to Governmental Accounting Standards Board (GASB) 75 (\$7.2 million decrease) and GASB 68 (\$1.2 million increase), as well as the expensing of previously capitalized cost which resulted in a \$3.7 million decrease.

Total revenue equaled \$38.8 million, with service charges being the largest source of revenue at \$32.4 million, an increase of 9.9% from the previous year. Total expenses in FY17/18 were \$36.6 million, with Salary and Benefits being the largest expense at \$18.6 million, which is attributed to salary increases due to cost of living adjustments, merit increases, and new hires, as well as an increase in health care and pension costs.

Mr. Alvey highlighted the net pension liability under GASB 68 is \$17 million, net Other Post-Employment Benefits (OPEB) liability is \$4.8 million under GASB 75, and the District has a

OPEB trust fund balance of \$13.4 million. Chair Glover commented that the District was proactive in addressing the OPEB issue. Mr. Alvey also noted the total net position for the District is tracking very well and the District has realized an increase of \$13.7 million in total net position over the 10-year period (FY09 to FY18).

Chair Glover thanked staff and Mr. Alvey for a job well done. Chair Glover recommended the audit report be brought to the full Board at the January 9, 2019 meeting.

ADJOURNMENT

The meeting was adjourned at 11:40 a.m.

Recording Secretary: Cecelia Nichols-Fritzler

ITEM K

January 9, 2019

RECEIVE MONTHLY LOBBYIST REPORT DATED DECEMBER 2018, KEY  
ADVOCATES, INC., WESTERN RECYCLED WATER COALITION, PROJECT NO. 90024

RECOMMENDATION

Receive and file Report.

Background Information

As lead Agency for the Western Recycled Water Coalition, the District administers a contract with a lobbyist, Key Advocates, Inc. (KA), and receives a monthly summary report regarding related lobbying activities.

Analysis

Attached is the report for December 2018, which was produced by KA and distributed to members of the Western Recycled Water Coalition.

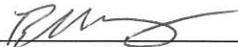
Financial Impact

None

Attachment

Monthly Report, December 2018

Prepared by:   
For Jayne Strommer  
Government Affairs Manager

Reviewed by:   
Brian Thomas  
Engineering Services  
Director/District Engineer

cc: Project File No. P.90024.06.01





1701 Pennsylvania Avenue  
Suite 300  
Washington, D.C. 20006  
(202) 722-0167

December 28, 2018

To: Western Recycled Water Coalition  
From: Sante Esposito  
Subject: December Monthly Report

### **Infrastructure**

It has been fairly quiet this month both in terms of legislative action (hearings, etc.) and rhetoric. The focus has been on the FY19 appropriations process and specifically funding for the border wall. We're watching key subcommittee assignments, which will most likely spill over until January, with some into February and March. With so many new Members and staff, including staff shuffles, will discuss compiling a Coalition Hill informational data base with Executive Director Jayne Strommer, to include sponsor, project, House Member, House Member water Legislative Assistant (LA), Senators, Senators' water LA, key committee water staffs, etc.

### **Earmarks**

There is continued support for the return of earmarks. Recently, incoming Transportation and Infrastructure Chair, Congressman DeFazio, reiterated his disappointment with the Republicans "nonsensical" ban on earmarks. "Do we think that all of the wisdom on how to better serve your district and your state comes from the DOT in D.C. or your state DOT? No," he said, pointing to his support to allow "congressionally directed spending in a fully transparent way." As previously reported, the House Republicans have decided to punt on the question of whether to end the ban on earmarks, instead letting Democrats take the first step next year. Congressman Mike Rogers was expected to introduce a proposal to undo the earmark moratorium at a closed-door GOP meeting last month but restoring the practice of directing spending toward specific projects never came up. It's not clear how Democrats will approach the issue come January. Incoming Majority Leader Hoyer has drafted an earmark proposal not yet public and recently Congressman David Price, who would take the Appropriations Transportation-HUD Subcommittee gavel next Congress, said that he would back the return of earmarks.

### **Other Bills**

For the current Congress there were a number of bills the Coalition has had either direct involvement in their formulation and/or have continued to monitor developments. These include bills authored by Members McNerney, DeFazio, Blumenauer, Boozman-Feinstein, Reed-Carbajal,

Huffman, Ellison, etc. Whether or not these bills get introduced in the new Congress is not clear. Some may not, deferring to the Leadership and the key committees on the infrastructure issue. Some may, if Members want to “stake out” their position on an infrastructure plan.

### **FY 19 Federal Funding Generally**

Congress recessed without passing a Continuing Resolution to fund the government beyond December 21, thereby causing a government shutdown. The lapse in appropriations affects 25 percent of the Federal government, including funding for the Departments of Agriculture, Commerce, Justice, Transportation, Housing and Urban Development, Interior, Treasury, State, and Homeland Security, as well as the Food and Drug Administration, the Environmental Protection Agency, the National Aeronautics and Space Administration, the federal judiciary, and other related government programs. That includes the Interior (SRF funding) Appropriations Bill which is currently in conference. It does not include the Energy and Water Appropriations Bill (Corps of Engineers) which was signed into law on September 21.

### **FY19 Interior Appropriations Bills**

The Senate version contains higher appropriations for Clean Water State Revolving Fund (CWSRF) and Water Infrastructure Finance and Innovation Act (WIFIA) than the House version. Specifically, the House bill contains lower numbers (\$1.34B for the CWSRF and \$900M for the Safe Drinking Water SRF) than the Senate despite the FY19 raised budget caps. The Senate has the same numbers as for FY18, which are \$1.694B for the CWSRF and \$1.16B for the SDWSRF. The House provides \$75M for WIFIA and the Senate \$63M.

### **Final FY19 Energy and Water Appropriations Bill**

The Energy and Water Bill was signed into law on September 21<sup>st</sup>. It includes \$34M for WaterSMART, \$39M for the “traditional” Title XVI program, \$20M for WIIN Act recycled water grants, and \$134M for water storage.

### **WIIN Grants Round #2**

No further developments as the Interior Department is one of the Federal agencies affected by the shutdown. As reported last month, grant selections have been made but have not been sent to Congress and Reclamation still hasn’t made a decision on whether it will make an award announcement in advance of listing the projects in an appropriations bill. USBR did say to expect the 2019 NOFA soon after the FY18 awards have been submitted/announced.

### **U.S. GAO Title XVI Report**

No word from GAO on the release of the report. Will give them until end of first week in January and then, if still no word, will check with them. Per a November 29 email from GAO, they wrote that they “are in the final stretches and anticipate issuing the Title XVI report next month.” They also thanked us for our “continued interest.”

**Bill Tracking - 115th Congress (2017-2018)**

**All legislation not passed by the end of the 115<sup>th</sup> Congress dies and must be reintroduced in the next Congress**

**S. 3012 - To establish an innovative water technology grant program and to amend the Safe Drinking Water Act and the Federal Water Pollution Control Act to encourage the use of innovative water technology, and for other purposes.** Sponsor: Senator Tammy Baldwin (D-WI). Introduced on June 6. No cosponsors. Referred to the Committee on Environment and Public Works.

**H.R.434 —New WATER Act**

**Sponsor:** Rep. Denham, Jeff [R-CA-10] (Introduced 01/11/2017) **Cosponsors:** (9)

**Committees:** House - Natural Resources **Latest Action:** House - 02/07/2017 Referred to the Subcommittee on Water, Power and Oceans

**H.R.465 —Water Quality Improvement Act of 2017**

**Sponsor:** Rep. Gibbs, Bob [R-OH-7] (Introduced 01/12/2017) **Cosponsors:** (8)

**Committees:** House - Transportation and Infrastructure **Latest Action:** House - 01/13/2017 Referred to the Subcommittee on Water Resources and Environment

**H.R.547 —National Infrastructure Development Bank Act of 2017**

**Sponsor:** Rep. DeLauro, Rosa L. [D-CT-3] (Introduced 01/13/2017) **Cosponsors:** (86)

**Committees:** House - Energy and Commerce, Transportation and Infrastructure, Financial Services, Ways and Means **Latest Action:** House - 01/17/2017 Referred to the Subcommittee on Water Resources and Environment.

**H.R.1579 —Secure and Resilient Water Systems Act**

**Sponsor:** Rep. Peters, Scott H. [D-CA-52] (Introduced 03/16/2017) **Cosponsors:** (2)

**Committees:** House - Energy and Commerce **Latest Action:** House - 03/17/2017 Referred to the Subcommittee on Environment.

**H.R.1647 —Water Infrastructure Trust Fund Act of 2017**

**Sponsor:** Rep. Blumenauer, Earl [D-OR-3] (Introduced 03/21/2017) **Cosponsors:** (2)

**Committees:** House - Energy and Commerce, Ways and Means, Transportation and Infrastructure **Latest Action:** House - 03/24/2017 Referred to the Subcommittee on Environment.

**H.R.1669 —Partnership to Build America Act of 2017**

**Sponsor:** Rep. Delaney, John K. [D-MD-6] (Introduced 03/22/2017) **Cosponsors:** (27)

**Committees:** House - Transportation and Infrastructure, Ways and Means **Latest Action:** House - 03/23/2017 Referred to the Subcommittee on Water Resources and Environment.

**H.R.2510 —Water Quality Protection and Job Creation Act of 2017**

**Sponsor:** Rep. DeFazio, Peter A. [D-OR-4] (Introduced 05/18/2017) **Cosponsors:** (28)

**Committees:** House - Transportation and Infrastructure **Latest Action:** House - 05/19/2017 Referred to the Subcommittee on Water Resources and Environment.

**H.R.2799 — Western Water Recycling and Drought Relief Act**

**Sponsor:** Rep. McNerney, Jerry [D-CA-9] (Introduced 06/07/2017) **Cosponsors:** (6)

**Committees:** House - Natural Resources **Latest Action:** House - 06/16/2017 Referred to the Subcommittee on Water, Power and Oceans.

**H.R.3275 — Water and Energy Sustainability through Technology Act**

**Sponsor:** Rep. McNerney, Jerry [D-CA-9] (Introduced 07/17/2017) **Cosponsors:** (15)

**Committees:** House - Energy and Commerce, Natural Resources, Transportation and Infrastructure, Agriculture, Science, Space, and Technology, Ways and Means, Foreign Affairs

**Latest Action:** House – 5/22/2018 Referred to the Subcommittee on Energy.

**H.R.4492 — Water Infrastructure Finance and Innovation Reauthorization Act of 2017**

**Sponsor:** Rep. Mast, Brian J. [R-FL-18] (Introduced 11/30/2017) **Cosponsors:** (6)

**Committees:** House - Transportation and Infrastructure, Energy and Commerce

**Latest Action:** House - 12/01/2017 Referred to the Subcommittee on Environment.

**H.R.5127 — 115th Congress - Water Recycling Investment and Improvement Act**

**Sponsor:** Rep. Napolitano, Grace F. [D-CA-32] (Introduced 2/27/2018) **Cosponsors:** (16)

**Committees:** House - Natural Resources, Transportation and Infrastructure

**Latest Action:** House - 03/06/2018 Referred to the Subcommittee on Water, Power and Oceans.

**H.R.5609 — Water Affordability, Transparency, Equity, and Reliability Act of 2018**

**Sponsor:** Rep. Ellison, Keith [D-MN-5] (Introduced 4/25/2018) **Cosponsors:** (40)

**Committees:** House - Transportation and Infrastructure, Energy and Commerce, Ways and Means, Agriculture **Latest Action:** House - 05/22/2018 Referred to the Subcommittee on

Commodity Exchanges, Energy, and Credit.

**H.R.5596 — Water Infrastructure Resiliency and Sustainability Act of 2018**

**Sponsor:** Rep. Carbajal, Salud O. [D-CA-24] (Introduced 04/24/2018) **Cosponsors:** (2)

**Committees:** House - Transportation and Infrastructure, Energy and Commerce, Natural Resources **Latest Action:** House - 05/01/2018 Referred to the Subcommittee on Water, Power and Oceans.

**S.1137 — Clean Safe Reliable Water Infrastructure Act**

**Sponsor:** Sen. Cardin, Benjamin L. [D-MD] (Introduced 05/16/2017) **Cosponsors:** (3)

**Committees:** Senate - Environment and Public Works **Latest Action:** Senate - 05/16/2017 Read twice and referred to the Committee on Environment and Public Works.

**S.2329 — Water Infrastructure Finance and Innovation Reauthorization Act of 2018**

**Sponsor:** Sen. Hoeven, John [R-ND] (Introduced 1/23/2018) **Cosponsors:** (3)

**Committees:** Senate - Environment and Public Works **Latest Action:** Senate - 01/23/2018 Read twice and referred to the Committee on Environment and Public Works