



A CALIFORNIA SPECIAL DISTRICT

## Board of Directors Finance Committee Meeting

**4:30 PM, Wednesday, March 5, 2025**

Plant Operations Center Conference Room  
2500 Pittsburg-Antioch Highway, Antioch, CA 94509

Presentations will be made available at [www.deltadiablo.org/board-meetings](http://www.deltadiablo.org/board-meetings) approximately one hour prior to the start of the Finance Committee meeting. A copy of the presentations will also be available for inspection at the meeting and at the District Administration Building, which is located at 2500 Pittsburg-Antioch Highway, Antioch, California. Disclosable public records related to an open session item on a regular meeting agenda and distributed by the District to a majority of the Board of Directors less than 72 hours prior to that meeting will be made available for public inspection on the District website at [www.deltadiablo.org](http://www.deltadiablo.org) and at the District Administration Building during normal business hours.

The District will provide reasonable accommodations for individuals with disabilities who plan to participate in Board (or committee) meetings by contacting the Secretary to the Board at least 24 hours prior to the scheduled meeting at (925) 756-1927.

## AGENDA

- A. PUBLIC COMMENTS**
- B. REVIEW MAJOR FACTORS IMPACTING 5-YEAR CIP DEVELOPMENT AND SSC FINANCIAL ASSUMPTIONS (MURAT BOZKURT, NITISH SHARMA)**
- C. ADJOURNMENT**



# MEMORANDUM

**DATE:** March 5, 2025

**TO:** Juan Banales, Chair, Finance Committee

**FROM:** Murat Bozkurt, Engineering Services Director/District Engineer  
Nitish Sharma, Business Services Director

**SUBJECT:** RECEIVE REPORT ON MAJOR FACTORS IMPACTING 5-YEAR CIP  
DEVELOPMENT AND SSC FINANCIAL ASSUMPTIONS

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## Recommendation

Receive report on major factors impacting development of the 5-year Capital Improvement Program (CIP) and financial assumptions for recommended Sewer Service Charge (SSC) increases.

## Background Information

Staff is currently developing an updated 5-year CIP (FY25/26-FY29/30) that reflects key changes following approval of the current 5-year CIP (FY24/25-FY28/29), which totals \$187.1 million and was approved by the Board in June 2024. Based on significant increases in cost estimates for multiple large-scale capital projects, potential loss of external funding at the federal level, and recent unplanned infrastructure renewal needs, the preliminary 5-year CIP totals \$232.2 million, which represents a \$45.1 million increase (24%) from the current 5-year CIP. In particular, the estimated cost for the Secondary Process Improvements Project, which is required to meet critical aging infrastructure needs, address growth in the service area, and comply with a nutrient removal regulatory mandate issued by the Regional Water Quality Control Board (RWB), has increased from \$210 million to \$261.5 million (+\$51.5 million) over the next ten years.

## Analysis

An overview of major cost drivers impacting development of the 5-year CIP is provided below.

- **Secondary Process Improvements Project:** As the District has progressed to completing 30% design for Phase 1, the estimated cost for Phase 1 and Phase 2 has increased from \$110 million to \$140.5 million (+\$30.5 million) and from \$100 million to \$121 million (+\$21 million), respectively. Because this project is expected to be implemented over the next 10 to 12 years, \$145 million is included in the preliminary 5-year CIP with the remaining \$116.5 million in Years 6 to 10.
- **Shore Acres Forcemain Repair Project:** Following identification of the Shore Acres Pump Station forcemain failure in December 2024, the District is proceeding with implementation of a permanent repair project to maintain effective wastewater flow conveyance. This unplanned project adds approximately \$9.5 million to the 5-year CIP.
- **Cogeneration System Improvements Project:** Based on meeting specific requirements (i.e., project must be in construction by December 2024), the District assumed receipt of \$6.5 million in tax credits under the federal Inflation Reduction Act in the funding plan for the current 5-year CIP; however, based on funding concerns associated with the recent presidential election outcome, staff is recommending that receipt of federal tax credits be excluded going forward.

- **Construction Cost Escalation for Two Large CIP Projects:** Based on updated construction schedules, staff has updated the cost estimate for the Antioch Pump Station and Conveyance System Improvements (\$24 million, +\$2.0 million) and the Manhole, Gravity Interceptor, and Easement Road Improvements Phase 2 Project (\$14 million, +\$3.0 million).

The significant increase in CIP funding needs is expected to have the following impacts on prior financial planning assumptions:

- A significant increase to the prior Sewer Service Charge (SSC) projection for the next five years is required.
- A significant increase in debt funding of the 5-year CIP is recommended to mitigate near-term SSC impacts.

Staff has identified the following financial planning strategies in response to the significant increase in CIP funding needs:

- Maximize CIP cash funding to ensure lowest cost of capital for customers, while maintaining sufficient reserves for unplanned financial needs
- Cash fund the majority of CIP projects, except for significant debt funding of the Secondary Process Improvements Project; align the long-term debt funding approach with the extended project completion timeline (10-12 years) to meet the regulatory mandate issued by RWB; and stagger public bond issuances to align with major construction phases
- Shift the long-term debt funding source from the federal Water Infrastructure Finance and Innovation Act (WIFIA) to a public bond offering—a bond issuance is expected to offer a 0.5-1.0% lower borrowing rate
- Develop a multi-year Proposition 218 Notice (two years, minimum) to support the anticipated public bond offering (i.e., provides increased revenue collection certainty)
- Ensure appropriate CIP project cost allocation to the Wastewater Expansion Fund (funded by Capital Facilities Capacity Charges [CFCCs]). The District updated CFCCs in FY24/25 and expects to recommend CFCC adjustments in FY25/26 based on increased costs for projects that directly support growth in the District’s service area.
- Update Street Sweeping Service Charge to address increased labor costs due to prevailing wages and expanded scope of services (i.e., avoids temporary inter-fund loan)
- Continue advocating for increased federal and state grants and low-interest loans—unlikely based on current conditions

Staff has developed multiple SSC projection scenarios at various cash vs. debt CIP funding ratios for consideration, including estimated percentage of available debt capacity consumed, which will be presented for review at the Finance Committee Meeting on March 5, 2025.

## **Next Steps**

If recommended by the Finance Committee, staff would present this item to the Board of Directors on March 12, 2025.