



FY22/23 Proposed Sewer Service Charge (SSC) Adjustments

Finance Committee Meeting

April 13, 2022



FY22/23 SSCs and Budget Development Schedule Overview



Board Meeting

March 30, 2022

April 20, 2022

May 11, 2022

June 15, 2022

- Board received a report regarding major factors impacting the development of the new 5-year Capital Improvement Program
- Board reviews proposed SSC adjustments, considers setting public hearing and approving distribution of Prop. 218 notices
- Board reviews key operating budget assumptions, draft 5-year CIP (FY22/23 – FY26/27)
- CIP Public Hearing, Board considers CIP approval
- **SSC Public Hearing**, Board considers SSC approval and authorizing collection on tax roll
- Board considers approval of FY22/23 Budget appropriations

Overview

- SSC adjustments are required to continue meeting core mission of protecting public health and the environment
- Support the District's **Infrastructure Investment** and **Fiscal Responsibility goals** in the District's **Strategic Plan** (dated August 2021)
 - Ensure prioritized capital investment in **critical wastewater infrastructure** to address regulatory compliance vulnerabilities
 - Fund **progressive increases in operating costs** over time
 - **Maximize cash funding** to ensure lowest overall cost to customers and utilize **grants and low-interest loans** where applicable
 - Conduct long-term financial planning to **minimize potential for sharp rate increases** due to unanticipated funding needs
 - Prepare **master plans** for major infrastructure focus areas to improve operating effectiveness and efficiency

Financial Sustainability Guiding Principles



Guiding Principles	Key Actions
<p>Critically review operating budget each year to identify budget adjustment needs and opportunities</p>	<ul style="list-style-type: none"> ✓ Preliminary FY22/23 Wastewater Operating Budget = \$28.3M, which represents a 5.9% increase (\$1.6M) from FY21/22 <ul style="list-style-type: none"> – Labor = +0.7M; Chemicals/Utilities = +0.3M – Outside Services/Office-Operating = +0.5M
<p>Ensure effective prioritization of a CIP that addresses critical infrastructure needs</p>	<ul style="list-style-type: none"> ✓ Effectively prioritized capital projects <ul style="list-style-type: none"> – Proposed 5-year CIP = \$136M (+\$9.0M)
<p>Utilize a 5-year rate model to identify SSC revenue needed to meet cost projections without sharp rate increases</p>	<ul style="list-style-type: none"> ✓ Incorporated debt financing to minimize SSC increases, while meeting financial needs ✓ Effective CIP prioritization, operating cost control
<p>Maximize cash funding of CIP (vs. debt financing) to ensure lowest overall costs for District customers</p>	<ul style="list-style-type: none"> ✓ Proposing 5-year CIP with 78% cash funding (50% for \$60M Secondary Process Improvements) ✓ Seek low borrowing costs for debt issuance

Financial Sustainability

Guiding Principles (cont'd)



Guiding Principles	Key Actions
Meet District policy to maintain minimum reserve balance of 40% of annual budgeted operating expenses in WW O&M Fund	✓ Minimum WW O&M fund balance is maintained throughout 5-year financial planning period
Factor growth into SSC calculation each year to ensure equitable cost allocation across customers	✓ 520 ERUs (FY21/22 YTD) have been added into SSC calculation due to development in the service area (~ \$225k in additional annual SSC revenue)
Reserve debt management capacity for long-term secondary capacity expansion and nutrient management treatment plant upgrades	✓ SSCs are designed to ensure sufficient revenue is generated to meet current and planned debt obligations
Maintain SSCs below average relative to peer agencies	✓
Comply with legal requirements for revenue collection	✓

FY22/23 SSC 5-year Analysis

Key Assumptions



Operating Budget

- Preliminary FY22/23 = **\$28.3M** for SSCs (\$31.6M total) as baseline w/annual escalation (3.7%) in subsequent years

5-year CIP

- Draft 5-year CIP = **\$117M** for SSCs (\$136M total)
- **\$60M** for Secondary Process Improvements
 - \$46.8M (SSCs), \$9.6M (WW Expansion), \$3.6M (AT Fund)
- **\$18.5M** for Antioch Conveyance System and PS Improvements,
- **\$18M** for electrical, digester gas handling, and cogeneration improvements
- 78% cash funded (74% for FY21/22 5-year CIP)

Debt

- Existing debt = \$30.1M, pending debt = \$17.7M (IFC, Jan 2022)
 - Low-interest SRF and Municipal Finance Corporation loans (~1%-4.9%) total = \$47.8M
- Planned issuance of **new debt** (\$30M) in Year 3 (FY24/25)

FY22/23 SSC 5-year Analysis

Key Assumptions (cont'd)



WW O&M Fund Equity

- Use of existing WW O&M Fund Equity (~**\$3.5M**) to allow increased allocation of SSC revenue to meet capital investment needs—still meets reserve balance requirements

Ad Valorem Taxes

- Continue annual revenue assumption of **\$3.0M** following elimination of CFCC reductions (March 2021 Board action)

Advanced Treatment Fund

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

Cost-of- Service Study

- Incorporated the 2021 Cost-of-Service Study, which included **rebalancing cost allocation** between non-residential and residential customers to reflect District's cost of providing services

Proposed FY22/23 SSC Adjustments



- Proposed increase in FY22/23 revenue = **\$1.2 million** to meet capital and operating financial needs
 - +4.5% from anticipated FY22/23 revenue

Residential (Single Family) Customers

Community/Category	SSC Increase	Current SSC	Proposed SSC	Annual Increase
Antioch/Pittsburg	+4.5%	\$429.42	\$448.75	\$19.33
Bay Point*	+4.5%	\$589.25	\$615.77	\$26.52

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

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

Proposed FY22/23 SSC Adjustments (cont'd)



- Uniform SSC increase (4.5%) for all non-residential customer categories

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

Category	Zone 1 - Bay Point			Zone 2 - Pittsburg			Zone 3 - Antioch		
	FY 21/22	FY 22/23	Annual Increase	FY 21/22	FY 22/23	Annual Increase	FY 21/22	FY 22/23	Annual Increase
Bakeries/Restaurants	\$9.02	\$9.43	\$0.41	\$7.33	\$7.66	\$0.33	\$7.33	\$7.33	\$0.33
Hotels/Motels	\$4.57	\$4.78*	\$0.21	\$4.57	\$4.78	\$0.21	\$4.57	\$4.57	\$0.21
Institutional	\$5.91	\$6.18	\$0.27	\$4.22	\$4.41	\$0.19	\$4.22	\$4.22	\$0.19
Light Industry	\$5.71	\$5.97	\$0.26	\$4.02	\$4.21	\$0.19	\$4.02	\$4.02	\$0.19
Marinas	\$6.03	\$6.31*	\$0.28	\$6.03	\$6.31	\$0.28	\$6.03	\$6.03	\$0.28
Misc. Commercial	\$5.91	\$6.18	\$0.27	\$4.22	\$4.41	\$0.19	\$4.22	\$4.22	\$0.19
Mortuaries	\$5.83	\$6.10*	\$0.27	\$5.83	\$6.10	\$0.27	\$5.83	\$5.83	\$0.27

Note: *SSC per HCF/y for FY22/23 provided, although no businesses in these classes are known in Bay Point.

Annual Single-Family Residential FY22/23 SSC Breakdown

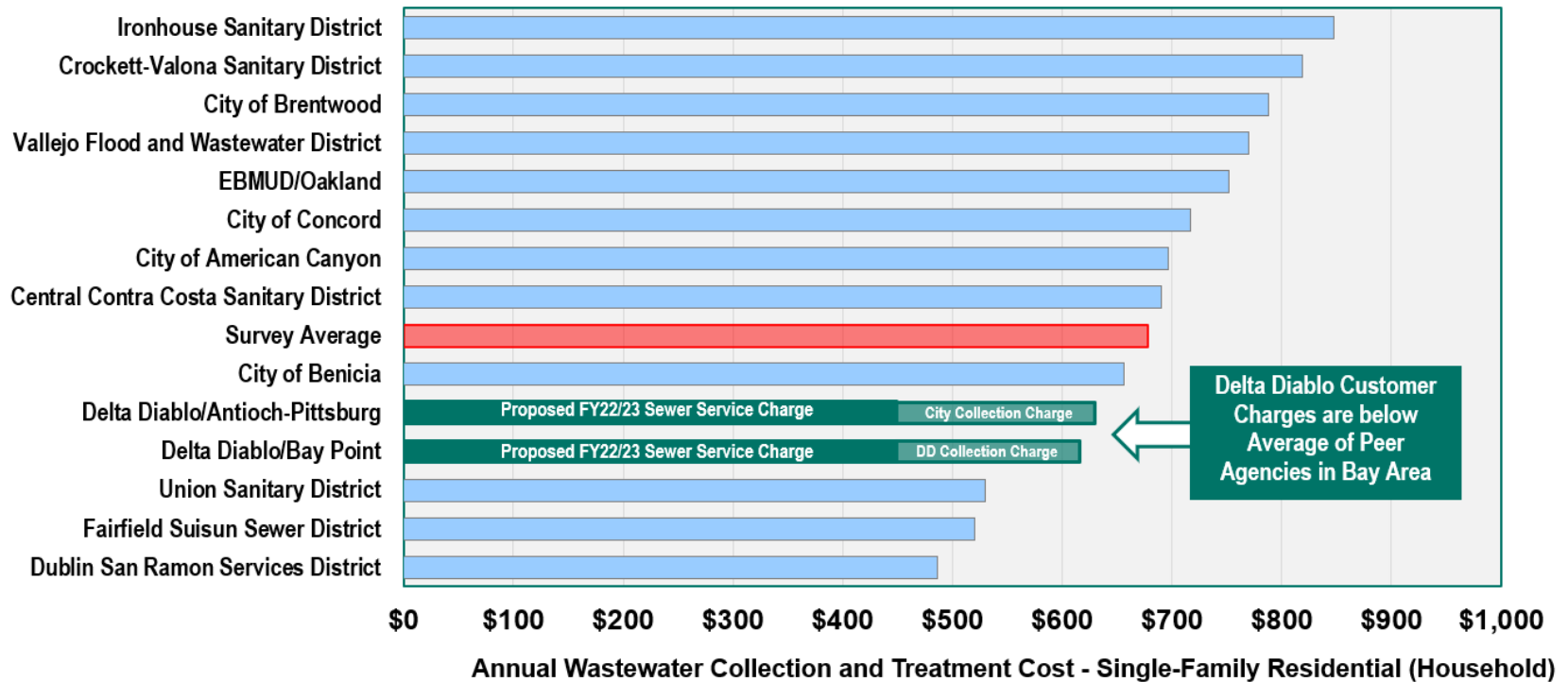


- In FY21/22, significant SSC revenue was allocated to capital funds to support infrastructure needs
- In FY22/23, SSC allocation returns to recent historical revenue split (i.e., 57% O&M, 43% capital)

SSC Component	Antioch/Pittsburg		Bay Point	
	Current FY21/22	Proposed FY22/23	Current FY21/22	Proposed FY22/23
Wastewater O&M	\$184.67	\$263.66	\$184.67	\$263.66
Capital Improvements	\$244.75	\$185.09	\$244.75	\$185.09
Bay Point Collections (BP only)	N/A	N/A	\$159.83	\$167.02
Total SSC per Equivalent Residential Unit	\$429.42	\$448.75	\$589.25	\$615.77
Estimated Monthly Charge	\$35.79	\$37.40	\$49.10	\$51.31

FY22/23 Rate Comparison

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



5-Year SSC Increase Projection



Current SSC Increase Projection

	FY22/23	FY23/24	FY24/25	FY25/26	FY26/27
Antioch and Pittsburg Customers					
SSC Increase	4.5%	4.5%	2.5%	2.0%	2.0%
Bay Point Customers					
SSC Increase	4.5%	4.5%	2.5%	2.0%	2.0%

Previous SSC Increase Projection (June 2021)

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

5-year Financial Planning

Projected Inter-Fund Loans



- Anticipated \$9.6M loan from WW CAR to WW Expansion (funded by connection fees [CFCCs]) to support cash funding of Secondary Process Improvements Project in Year 3 (FY24/25)
 - \$1.0M to be paid back from WW Expansion to WW CAR in subsequent years until repaid

Draft Prop. 218 Notice

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

Draft Prop. 218 Notice (cont'd)



Notice of Proposed Sewer Service Charge Rate Increases for Fiscal Year 2022/2023

Proposition 218 Notification to Property Owners of Public Hearing

NOTICE IS HEREBY GIVEN that the Delta Diablo Board of Directors will hold a public hearing on **Wednesday, June 15, 2022, at 4:30 p.m., in the Board Room at 2500 Pittsburg-Antioch Highway, Antioch, California**, to consider adoption of proposed rate increases for wastewater utility services. A summary of the proposed rates and associated financial needs and information, and instructions for protesting the rate increases (if desired) are provided below. In addition, related fact sheets and a "Frequently Asked Questions" document are available on the District's website (www.deltadiablo.org).

If state and local COVID-19 regulations remain in effect, the June 15, 2022 Board Meeting agenda posted on the District's website will inform members of the public as to how the public hearing will be conducted in accordance with applicable laws, health orders, and Governor's executive orders.

WHAT IS DELTA DIABLO?

Delta Diablo ("District") provides wastewater conveyance and treatment services for over 71,000 customer accounts (residential and non-residential), representing approximately 215,000 residents in the cities of Antioch and Pittsburg, and the unincorporated community of Bay Point. As part of our core mission to protect public health and the environment, the District treats 13.6 million gallons of wastewater each day with a focus on exemplary regulatory compliance, innovative and sustainable approaches, and sound stewardship of the public's resources and trust.

The District has transformed its Wastewater Treatment Plant (WWTP) into a "resource recovery facility" by producing approximately 7.6 million gallons per day of recycled water, generating on-site renewable energy to meet over 55 percent of WWTP power needs, reusing residual biosolids as fertilizer via land application, providing household hazardous waste (HHW) collection services, and further protecting the Delta by providing street sweeping services to remove pollutants that would otherwise enter local stormwater systems.

PROPOSED FISCAL YEAR 2022/2023 SEWER SERVICE CHARGES

The District collects Sewer Service Charges (SSCs) from its customers each year as the primary revenue source needed to fund capital infrastructure investments, labor, energy, chemicals, regulatory compliance obligations, plant maintenance, and Delta HHW Collection Facility operations. For Fiscal Year 2022/2023 (FY22/23) (July 1, 2022 – June 30, 2023), the District is proposing SSC increases of approximately 4.5% (+\$19.33 per year) for residential customers in Antioch and Pittsburg, and approximately 4.5% (+\$26.52 per year) for residential customers in Bay Point.

Because the District's costs in the categories referenced above will increase in the next fiscal year, SSC increases are required to recover the District's costs, maintain effective and reliable wastewater conveyance and treatment services, and ensure financial integrity and long-term sustainability. In addition, the proposed FY22/23 SSCs incorporate 2021 Cost-of-Service Study findings, which reapportioned certain costs from non-residential customers to residential customers to ensure SSCs accurately reflect the District's cost of providing services to different customer classes. SSCs for non-residential customers (i.e., commercial, industrial) were adjusted accordingly in FY21/22 based on customer class. Most District customers are billed on a fiscal-year basis and pay SSCs via annual property tax bills. Property tax bills also include a street sweeping service charge (no increase from FY21/22) that varies by community based on service frequency.

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

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

Table 1 – Example Annual Residential SSC on Property Tax Bills for FY22/23

Residential Service Customers	Proposed SSC Increase*	Current FY21/22	Proposed FY22/23	Annual Change
Antioch/Pittsburg	4.5%	\$429.42	\$448.75	+\$19.33
Bay Point**	4.5%	\$589.25	\$615.77	+\$26.52

Notes: * Percentage increases are approximate.

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

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

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

Business Class (Commercial/Industrial)	Bay Point (Zone 1)		Pittsburg (Zone 2)		Antioch (Zone 3)	
	Current FY21/22	Proposed FY22/23	Current FY21/22	Proposed FY22/23	Current FY21/22	Proposed FY22/23
Bakeries/Restaurants	\$9.02	\$9.43	\$7.33	\$7.66	\$7.33	\$7.66
Hotels/Motels	\$4.57*	\$4.78*	\$4.57	\$4.78	\$4.57	\$4.78
Institutional	\$5.91	\$6.18	\$4.22	\$4.41	\$4.22	\$4.41
Light Industrial	\$5.71	\$5.97	\$4.02	\$4.21	\$4.02	\$4.21
Marinas	\$6.03*	\$6.31*	\$6.03	\$6.31	\$6.03	\$6.31
Misc. Commercial	\$5.91	\$6.18	\$4.22	\$4.41	\$4.22	\$4.41
Mortuaries	\$5.83*	\$6.10*	\$5.83	\$6.10	\$5.83	\$6.10
Annual Minimum	varies**	varies**	varies**	varies**	varies**	varies**

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

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

WHAT DO SEWER SERVICE CHARGES FUND?

The SSC increases are necessary to fund \$1.2 million in increased costs attributable to providing wastewater services. The District utilizes annual SSC revenue to:

- **Meet the District's core mission of protecting public health and the environment.** Achieving this mission requires sufficient capital investment and staffing levels to properly operate and maintain the District's complex network of sewer pipes, pump stations, and treatment processes.
- **Address aging infrastructure through prioritized capital investment.** The District continues to strategically rehabilitate and replace essential elements of the wastewater collection, conveyance, and treatment systems to maintain effective and reliable services.
- **Recover increases in operating costs.** As a regulated utility that requires specialized employees, materials, and services to meet its mission, the District continues to experience progressive increases in annual operating costs due to escalations in labor, chemical, energy, materials, supplies, hauling, services, and regulatory compliance costs.

Draft Prop. 218 Notice (cont'd)



- **Prevent the need for more significant SSC adjustments in the future.** In developing its 5-year financial plan each year, the District works hard to balance direct economic impacts to customers and the need for sufficient revenue to cover capital investment needs and operating costs. The District continues to maintain its rates below the average of its peer agencies in the Bay Area. If SSC adjustments are not implemented this year, more significant rate adjustments may need to be proposed in subsequent years.
- **Focus on cash funding versus borrowing for capital improvements.** Increasing overall SSC revenue allows the District to continue cash funding a majority of necessary capital improvements in its wastewater conveyance and treatment systems.

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

PUBLIC HEARING AND PROTEST PROCEDURES

The Board of Directors will hold a public hearing on the proposed SSC increases on Wednesday, June 15, 2022, at 4:30 p.m., in the Board Room at 2500 Pittsburg-Antioch Highway, Antioch, California, 94509. If state and local COVID-19 regulations remain in effect, the June 15, 2022 Board Meeting agenda posted on the District's website will inform members of the public as to how the public hearing will be conducted in accordance with applicable laws, health orders, and Governor's executive orders. After the close of the public hearing and consideration of all public comments and written protests received, the Board of Directors will be asked to take action to implement the proposed SSC increases at this meeting.

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



Delta Diablo Wastewater Treatment Plant in Antioch, CA



2500 Pittsburg-Antioch Highway
Antioch, CA 94509

NOTICE OF PUBLIC HEARING
PROPOSED SEWER SERVICE CHARGE RATE INCREASES

4:30 PM
WEDNESDAY, JUNE 15, 2022
2500 PITTSBURG-ANTIOCH HIGHWAY
ANTIOCH, CA 94509



Delta Diablo provides wastewater conveyance and treatment services to approximately 215,000 customers in Pittsburg, Antioch, and Bay Point

Delta Diablo protects public health and the environment for our communities by safely providing exceptional wastewater conveyance, treatment, and resource recovery services in a sustainable and fiscally-responsible manner

- Environmental Stewardship** In treating 13.6 million gallons of wastewater each day, Delta Diablo has an exemplary regulatory compliance record in meeting federal, state, and local regulatory requirements and protecting the local Delta receiving waters.
- Infrastructure Investment** Continued capital investment in the Wastewater Treatment Plant, 76 combined miles of sewer pipes and force mains, and five pump stations is critical to maintaining effective, reliable, and high-quality customer service.
- Fiscal Responsibility** Delta Diablo is committed to maintaining responsible rates by prioritizing capital investments, managing budgets through operational efficiencies, and targeting available grant and low-interest loan programs.

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

FY22/23 SSCs and Budget Development Schedule Overview



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April 20, 2022

May 11, 2022

June 15, 2022

- Board received a report regarding major factors impacting the development of the new 5-year Capital Improvement Program
- Board reviews proposed SSC adjustments, considers setting public hearing and approving distribution of Prop. 218 notices
- Board reviews key operating budget assumptions, draft 5-year CIP (FY22/23 – FY26/27)
- CIP Public Hearing, Board considers CIP approval
- **SSC Public Hearing**, Board considers SSC approval and authorizing collection on tax roll
- Board considers approval of FY22/23 Budget appropriations

Recommendations

- Provide comments and/or questions on:
 - Proposed FY22/23 SSC adjustments
 - **Residential Customers (Antioch/Pittsburg/Bay Point) = 4.5%**
 - **Non-residential Customers = 4.5%**
 - Draft Prop. 218 Notice addressing proposed SSC increases and notifying property owners of public hearing on June 15, 2022
- Approve submitting proposed FY22/23 SSC adjustments, proposed Prop. 218 Notice, and public hearing date for review at April 20, 2022 Board meeting