



FY20/21 Proposed Sewer Service Charge Increases Frequently Asked Questions

May 2020

Delta Diablo has provided **two fact sheets**—“**Proposed Sewer Service Charge Increases**” and “**Investing in Critical Wastewater Infrastructure**”—on its **website*** to respond to the question, “**Why is Delta Diablo Increasing Rates?**”

This document complements these fact sheets by addressing potential questions from our customers regarding the **proposed Sewer Service Charge (SSC) increase** for Fiscal Year 2020/2021 (FY20/21).

* The referenced Fact Sheets are available at: <https://www.deltadiablo.org/proposed-sewer-service-charge-ssc-increases>

1. Why is the District raising rates in the middle of a COVID-19 pandemic? The economic impacts of COVID-19 and the shelter-in-place (SIP) order on customers in our service area are significant and may not be fully understood for months or even years into the future. We recognize that the prospect of raising rates in the middle of a pandemic is challenging when there is so much economic uncertainty in our local communities. As summarized in the two fact sheets referenced above, the District is proposing to increase SSCs by 3.5% (Antioch/Pittsburg) and 3.0% (Bay Point) 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. Failure to do so could expose our customers to costly regulatory fines and penalties if partially-treated wastewater is discharged to the Delta or sanitary sewer overflows occur in local communities and/or residences.
- **Address aging infrastructure through prioritized capital investment.** We continue to strategically rehabilitate and replace essential elements of the District’s wastewater collection, conveyance, and treatment system to maintain effective and reliable services. Addressing these issues in a proactive manner prevents infrastructure failure, which would lead to higher costs and associated rate impacts.
- **Offset increases in operating costs.** As a regulated utility that requires employees with specialized skills 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. Staffing levels are critically reviewed to meet service level needs, while ensuring cost-effective service delivery for our customers.
- **Prevent the need for more significant SSC increases in the future.** In developing its 5-year SSC projection each year, the District works hard to balance direct economic impacts to our customers and the need for sufficient revenue to cover operating costs and capital investment needs. This effort resulted in the **lowest proposed SSC increase (by percent) in 14 years**, while continuing to maintain our rates below the average of our peer agencies in the Bay Area. If an SSC increase is not implemented this year, more significant rate increases would likely be required in the next few years.
- **Focus on cash funding versus borrowing for capital improvements.** An SSC increase allows the District to continue predominantly cash funding its capital improvement program. If the District were to begin borrowing capital for these improvements, project costs to our customers could nearly double when considering loan interest repayment and the lack of available low-interest loans.

Throughout the SIP order, our core mission of protecting public health and the environment as an “essential governmental function” has remained unchanged as we continue to effectively convey and treat 13 million gallons of wastewater each day from our customers on a 24/7 basis.

2. **If I am a property owner, how much more will I have to pay in FY20/21?** The proposed SSC increase translates to approximately +\$1.13/month for Antioch and Pittsburg single-family residential (i.e., households) customers (+\$33.59 annually), and +\$1.35/month for Bay Point single-family residential customers (+\$46.37 annually). If approved, the proposed SSC increases would be included on property tax statements beginning in November 2020 with rates going into effect on July 1, 2020.
3. **What happens if the District does not raise rates in FY20/21?** In determining proposed SSC increases required to meet revenue needs, the District updates its 5-year annual SSC projection. In the absence of the proposed SSC increase this year, annual increases of 5.5-6% would likely be required over the next few years (compared to current projection of 4% each year with the FY20/21 SSC increase).
4. **Did the District consider deferring implementation of the proposed rate increase (e.g., for 6 months)?** We develop, propose, and adopt SSC increases and an associated budget on an annual, fiscal-year basis with both taking effect on July 1st each year. Because the District collects SSC revenue via the tax roll to eliminate administrative costs associated with direct billing and revenue collection, this process needs to be completed by July in order to administer these charges on property tax bills in FY20/21. If approved, the proposed SSC increases would be included on property tax statements beginning in November 2020.
5. **Why can't the District scale back its staffing levels, services, and activities to offset the need for a rate increase?** The proposed FY20/21 budget includes 78 funded staff positions to ensure the District meets its obligation to protect public health and the environment. As part of our commitment to fiscal responsibility, the District critically reviews the need for each position, in particular, when positions become vacant, and implements appropriate staffing level and position changes to continuously improve the District's services.
 - **Delivering Efficiency through a Highly-skilled Workforce:** The District requires specialized skills and experience in its operations, maintenance, engineering, business services (finance, human resources, information technology), laboratory, and administrative staff positions to ensure efficient service delivery and drive long-term organizational improvement.
 - **Meeting Staff Licensing and Certification Requirements:** Many of the District's positions require licensing and certification by the State of California and/or industry associations, years of experience in the water/wastewater sector, and specific knowledge, skills, and abilities. The District supports workforce development by encouraging staff to progressively increase license, certification, and training levels to minimize loss of institutional knowledge and capacity as experienced staff retire.
 - **Navigating a Competitive Labor Market:** Because the District and its peer agencies continue experiencing the loss of experienced staff through retirements and career advancement opportunities, we continue to maintain our focus on staff retention and recruitment in a very competitive wastewater sector labor market with limited available candidates in multiple critical disciplines.

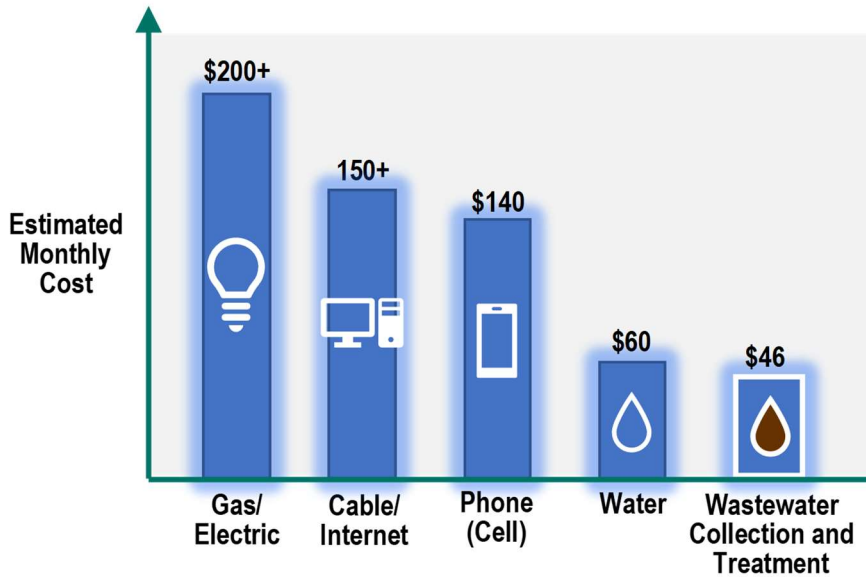
We have worked hard to ensure the safety, health, and well-being of District staff throughout the COVID-19 pandemic through social distancing and implementation of modified staffing plans to ensure our critical wastewater services workers are protected and available to provide their essential functions. The District is appropriately staffed to maintain critical staffing levels, while ensuring that we can effectively respond to unplanned and/or emergency situations that can arise periodically.

- 6. What could happen if the District’s level of service declines or investment in critical wastewater infrastructure is reduced?** Potential impacts associated with the lack of available qualified and experienced personnel, coupled with failure of critical wastewater conveyance and treatment infrastructure, can be severe with significant disruptions in local communities due to sanitary sewer overflows and backups in local streets and residences, respectively, and discharge of partially treated wastewater to the local Delta receiving waters in violation of discharge permit requirements. These conditions would expose the District to significant regulatory fines and penalties (millions of dollars for sustained periods of non-compliance), as many agencies across the country have experienced in the past, with associated financial impacts on our customers. The District proactively designs its staffing levels and infrastructure investment approaches to guard against this potential scenario. Our team of dedicated wastewater professionals is critical to protecting public health and the environment both during and after the COVID-19 pandemic.
- 7. How do the District’s rates compare to its peer agencies?** As shown in the graph below, the total wastewater collection and treatment charges (including collection services billed directly by the cities of Antioch and Pittsburg) for the District’s residential customers remains below average when compared to our peer agencies in the Bay Area.



- 8. Are the District’s peer agencies raising rates during the current COVID-19 pandemic?** Based on a review of available information, a number of the District’s peer agencies are also in the process of implementing rate increases (in the range of 3.0 – 8.0%) in FY20/21.

9. **How do the District's rates compare to common utility costs?** For comparison purposes, the chart below highlights the District's rates relative to typical gas/electricity, cable/internet, phone (cell), and water service monthly costs.



10. **Can the District collect SSC revenues based on income levels to provide assistance or discounts to fixed-income (e.g., senior citizens), lower-income, or unemployed customers to offset SSC impacts?** We understand the concern an increase in utility service rates (gas/electricity, cable, internet, phone, water, wastewater) causes for fixed-/lower-income and unemployed customers. However, the District is constrained by voter-approved Proposition 218 requirements and state laws and regulations that mandate that all customers must pay their proportional share of the cost to provide service. Because the District is barred from subsidizing one portion of its customer base by charging higher SSCs for other customers, we are unable to apply SSCs toward a fixed-/lower-income customer assistance program.