



FY2020/2021 Proposed Sewer Service Charge Increases

Finance Committee Meeting
April 17, 2020



FY20/21 Budget and Rates Development Schedule Overview



Board Meeting

March 11, 2020

- Board reviews major capital project drivers, Advanced Treatment Fund considerations

April 23, 2020

- Board considers proposed SSC increases, setting public hearing, and approval to distribute Prop. 218 notices

May 13, 2020

- Board reviews key operating budget assumptions

June 2020

- Planned public hearing on SSC increases; Board considers approval of SSC increases
 - Board considers budget appropriations
- Need to confirm June public hearing date

Financial Sustainability

Guiding Principles



- Critically review operating budget each year to identify budget adjustment needs and opportunities
- Ensure effective prioritization of a capital improvement program (CIP) that addresses critical infrastructure needs
- Utilize a 5-year rate model to identify SSC revenue needed to meet cost projections without sharp rate increases
- Maximize cash funding of CIP (vs. debt financing) to ensure lowest overall costs for District customers
 - Significantly reduced availability of Clean Water State Revolving Fund low-interest loans (~2.0% for wastewater)
 - Alternative sources of debt (e.g., IBank, bond issuance) may require 4.0-5.0% interest rates

Financial Sustainability

Guiding Principles (cont'd)



- Meet District policy to maintain minimum reserve balance of 40% of annual budgeted operating expenses in Wastewater O&M Fund during 5-year rate analysis period
- Factor growth into SSC calculation each year to ensure equitable cost allocation across customers
- Reserve future debt management capacity for long-term secondary capacity expansion and nutrient management treatment plant upgrades (Debt Coverage Ratio >1.80)
- Maintain SSCs below average relative to peer agencies
- Comply with all California Constitution Article XIII D, Section 6 requirements for revenue collection

SSC Fund Allocations

Regional Treatment and Conveyance (WW O&M)

Funds facility O&M costs for wastewater conveyance and treatment, as well as District share of Delta HHW facility

Capital Asset

Funds new wastewater capital projects not related to new growth (District charges separate CFCCs for growth-related capital costs)

Capital Asset Replacement

Funds capital infrastructure renewal and replacement projects

Advanced Treatment Reserve

Designed to minimize significant future rate increases by providing dedicated funding to meet a future, more stringent regulatory requirement for advanced wastewater treatment (nutrient removal)

Bay Point Collections

Only collected from Bay Point customers to fund operation, maintenance, and rehabilitation of Bay Point collection system

FY20/21 SSC 5-year Analysis

Key Assumptions



- Preliminary FY20/21 operating budget = \$26.7M for SSCs (\$29.5M total) as baseline w/escalation in subsequent years
- Draft 5-year CIP = \$71M for SSCs (\$82M total)
 - Major project drivers presented on March 11, 2020
 - \$8.3M for new project following Antioch FM failure
- Existing debt = \$25.1M, pending debt = \$18.0M
 - Low-interest SRF and Municipal Finance Corporation loans (~1.9%-4.9%) total = \$43.1M (96% low interest)
- District continues to receive \$2M per year in ad valorem taxes (dependent on property values)

FY20/21 SSC 5-year Analysis

Key Assumptions (cont'd)



- Suspend SSC component allocation to AT Fund
 - As presented at March 11, 2020 Board Meeting:
 - Successful collaboration with regulators, scientists, and peer agencies has extended implementation timeline
 - Preliminary analysis from Resource Recovery Facility Master Plan indicates significant reduction of initial capital cost estimate and future integration with secondary process upgrade
 - Increase Capital Asset Replacement fund allocation
- Reduce reliance on debt financing
 - Last year, 5-year SSC analysis assumed \$22M in new debt financing
 - Key Outcome: Current 5-year SSC analysis shifted \$20M from debt financing to cash funding CIP projects

FY20/21 Proposed SSC Increases



Community/Category	SSC Increase	Current SSC	Proposed SSC	Annual Increase
Antioch/Pittsburg				
▪ Residential (Single Family)	+3.5%	\$389.47	\$403.10	\$13.63
▪ Non-residential		varies	varies	varies
Bay Point*				
▪ Residential (Single Family)	+3.0%	\$540.26	\$556.47	\$16.21
▪ Non-residential		varies	varies	varies

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

- Total increase in SSC annual revenue in FY20/21 = \$1.1 million
- No increase in residential annual Street Sweeping Service Charge

FY20/21 SSC Increase by Component Antioch/Pittsburg Residential Customers



SSC Component	Current FY19/20	Proposed FY20/21 (+3.5%)
Regional Treatment and Conveyance	\$280.58	\$286.03
Capital Asset	\$18.47	\$4.18
Capital Asset Replacement	\$33.37	\$112.89
Advanced Treatment Reserve Fund*	\$57.05	\$0.00
Total SSC per Equivalent Residential Unit	\$389.47	\$403.10
Approximate Equivalent Monthly Charge	\$32.46	\$33.59

- SSC component for Advanced Treatment Reserve Fund has been suspended based on changes in implementation cost/schedule
- Increased Capital Asset Replacement allocation to support infrastructure needs and cash funding approach

FY20/21 SSC Increase by Component

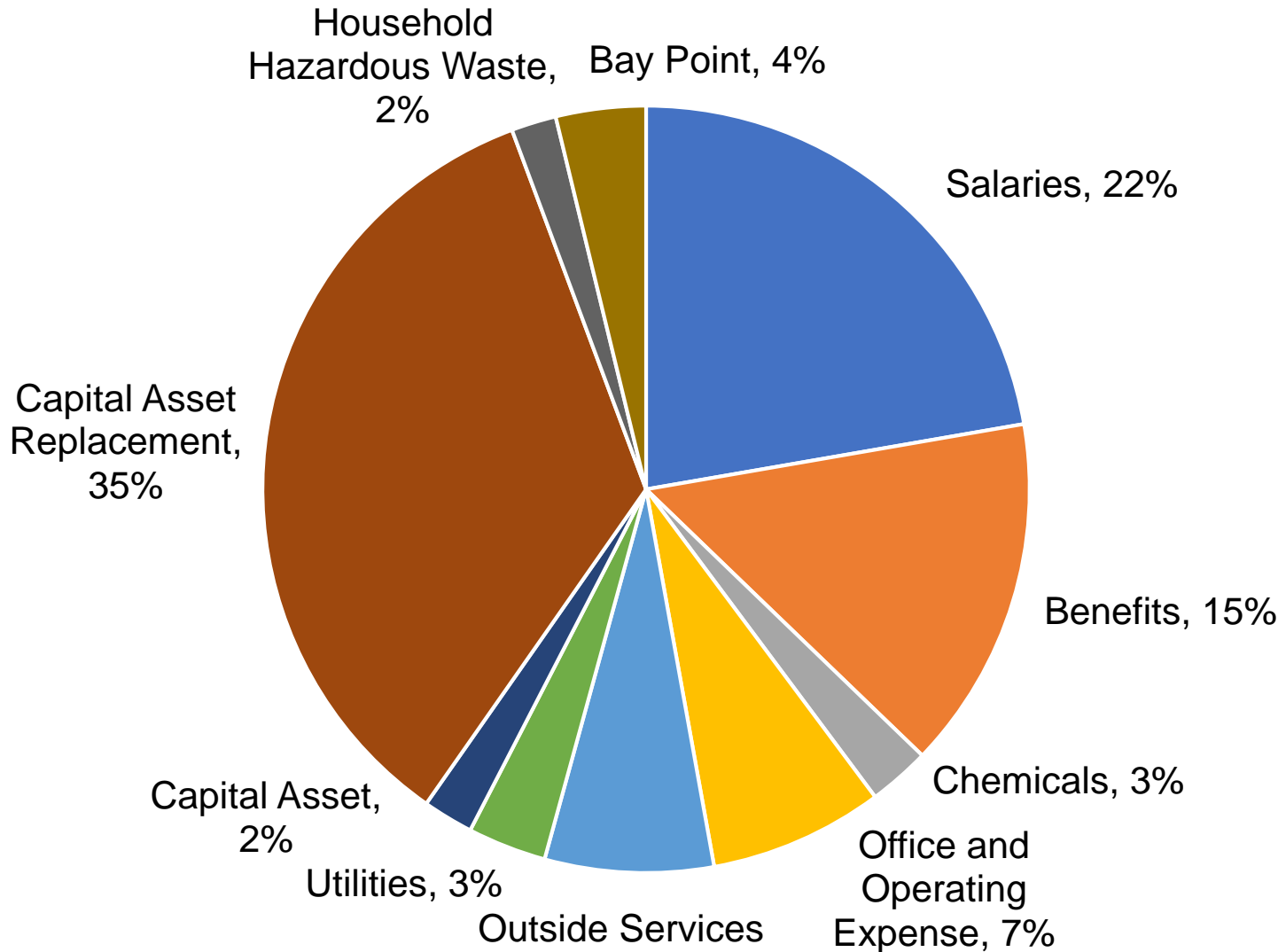
Bay Point Residential Customers



SSC Component	Current FY19/20	Proposed FY20/21 (+3.0%)
Regional Treatment and Conveyance	\$280.58	\$286.03
Capital Asset	\$18.47	\$4.18
Capital Asset Replacement	\$33.37	\$112.89
Advanced Treatment Reserve Fund	\$57.05	\$0.00
Bay Point Collections/Rehabilitation	\$150.79	\$153.37
Total SSC per Equivalent Residential Unit	\$540.26	\$556.47
Approximate Equivalent Monthly Charge	\$45.02	\$46.37

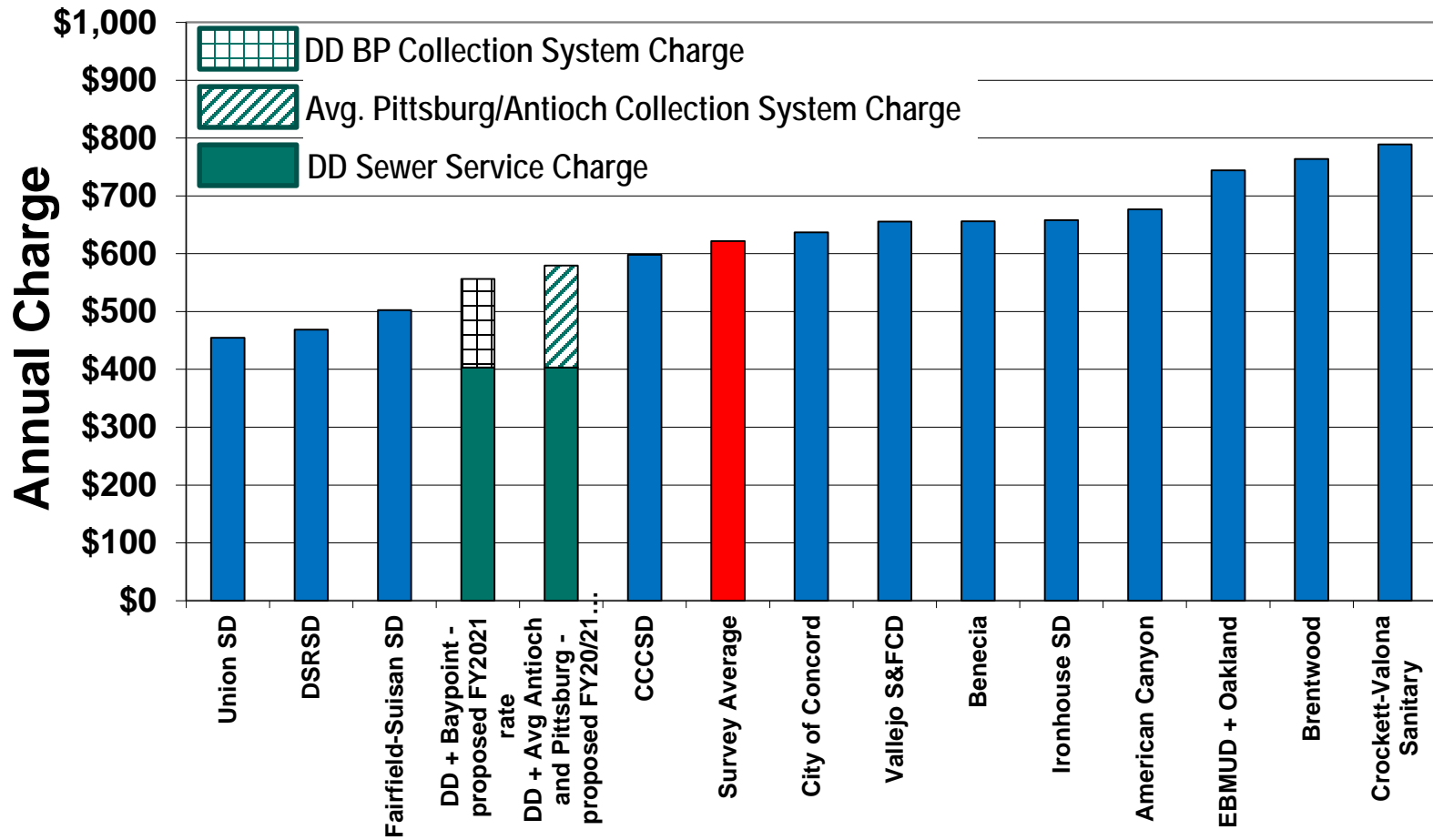
- SSC component for Advanced Treatment Reserve Fund has been suspended based on changes in implementation cost/schedule
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What Do Utility Rates Pay For? Proposed FY20/21 Expenses



FY20/21 Rate Comparison

Annual Wastewater Treatment and Collection Charges
Proposed FY20/21 Rates vs. Rates of Other Agencies



5-Year SSC Increase Projection



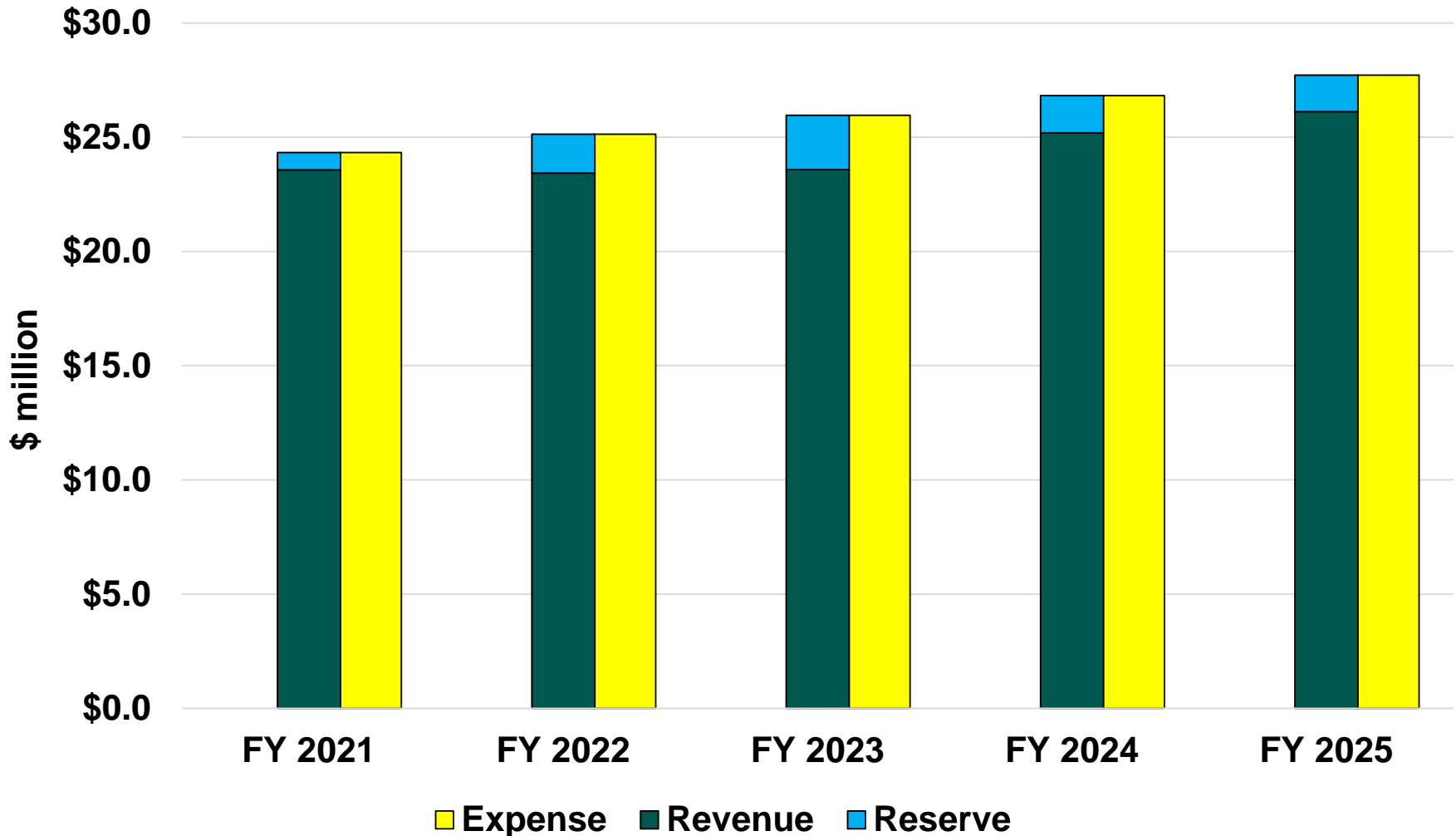
Current SSC Projection

	FY20/21	FY21/22	FY22/23	FY23/24	FY24/25
Antioch and Pittsburg Customers					
SSC Increase	3.5%	4.0%	4.0%	4.0%	4.0%
Bay Point Customers					
SSC Increase	3.0%	3.5%	3.5%	3.5%	3.5%

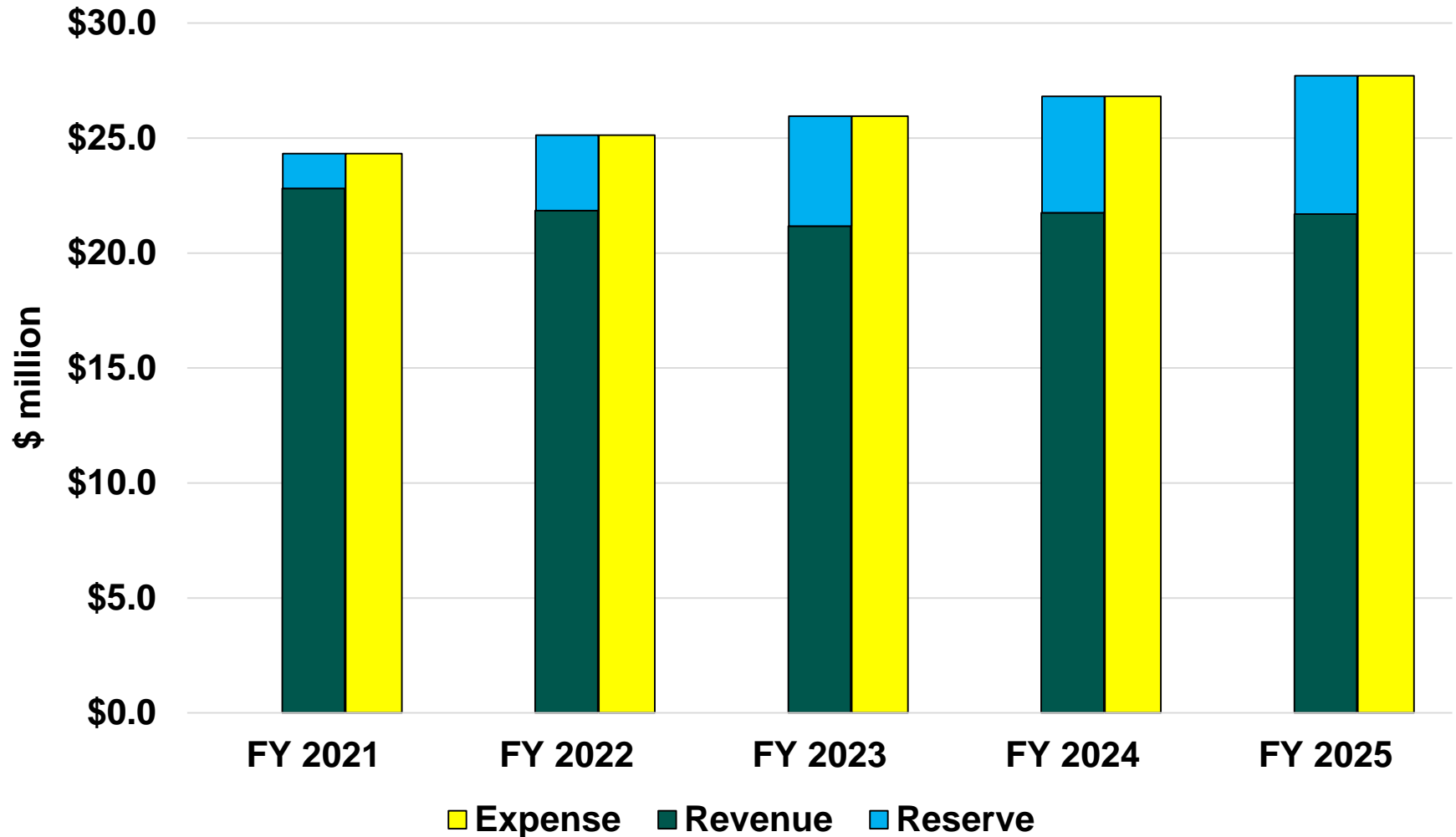
Previous SSC Projection (June 2019)

	FY19/20	FY20/21	FY21/22	FY22/23	FY23/24
Antioch and Pittsburg Customers					
SSC Increase	4.5%	4.5%	4.1%	4.1%	4.1%
Bay Point Customers					
SSC Increase	3.5%	3.5%	3.3%	3.2%	3.2%

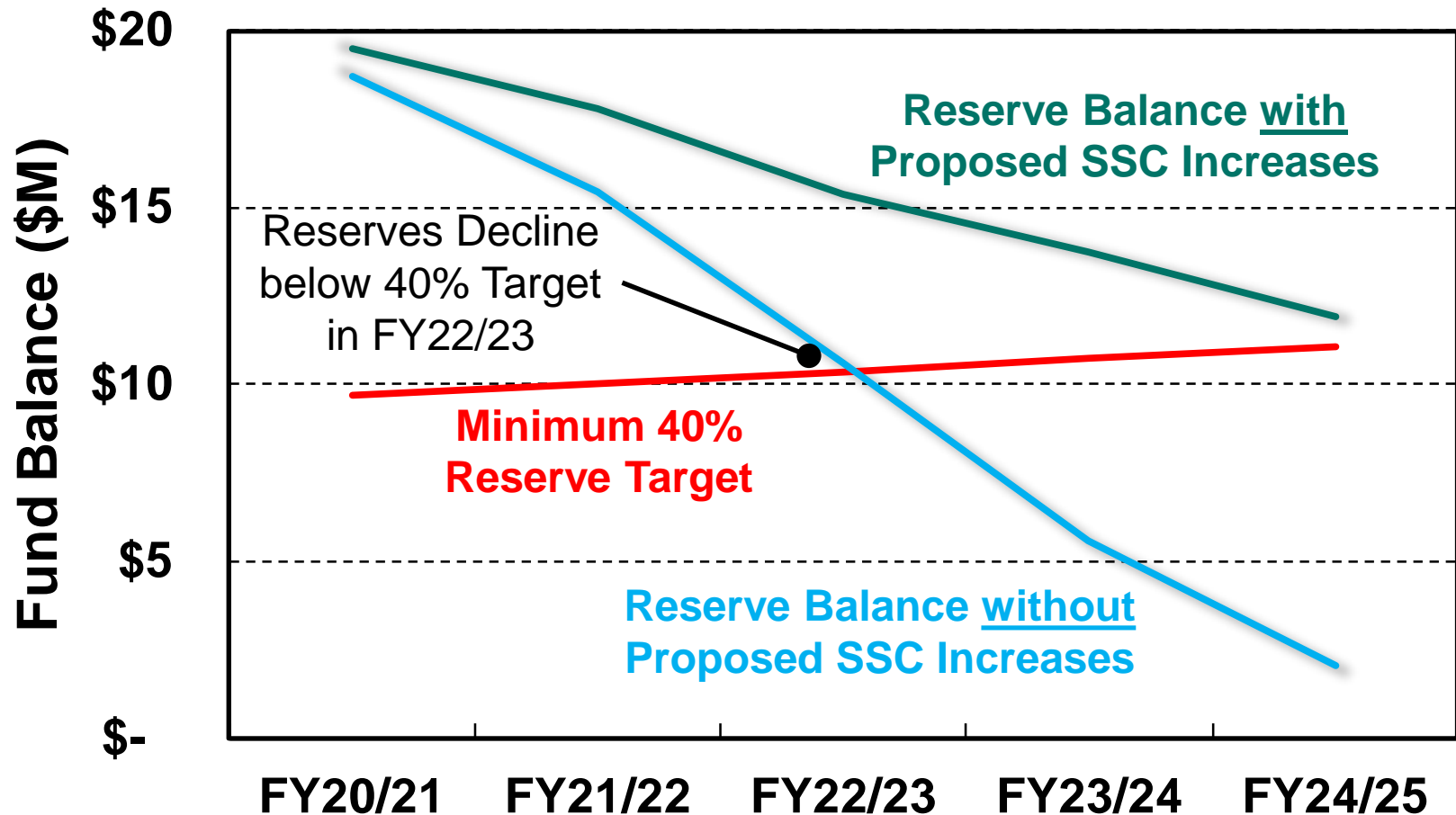
Wastewater O&M Fund Projection with Proposed Rate Increase



Wastewater O&M Fund Projection without Proposed Rate Increase



Wastewater O&M Fund Projection without Proposed Rate Increase

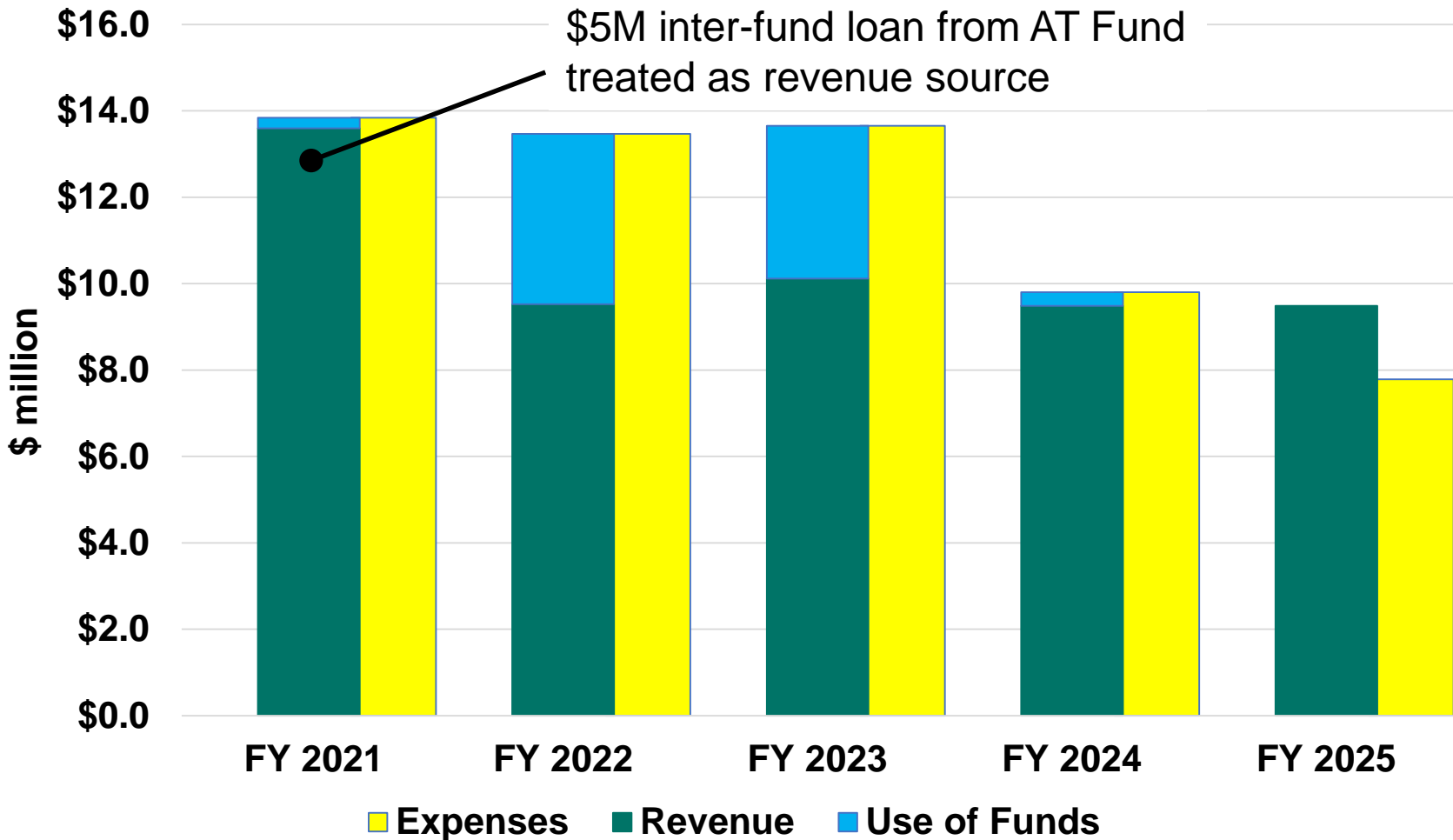


Projected FY20/21 Inter-Fund Loans



- Continued Capital Expansion Fund loan repayment of \$0.9M to Capital Asset Replacement Fund (with interest)
- \$5M loan from AT Reserve Fund to Capital Asset Replacement Fund
 - Supports cash funding of major CIP projects (e.g., Headworks Improvements Project)
 - Based on extended timeline for AT Fund use, no loan repayment is included in 5-year SSC model analysis

Capital Asset Replacement Fund Projection



Draft Prop. 218 Notice

- References procedural conditions if COVID-19 shelter-in-place order remains in effect at time of public hearing
- Provides background on District, proposed SSC increases for residential/non-residential, fund allocations
- Describes procedure for protesting SSC increase
- Must be sent at least 45 days prior to public hearing

SSC Implementation Timeline



- Presentation on Proposed SSC Increases to Finance Committee 4/17/20
- Proposed SSC Adjustments Report to Board 4/23/20
- Request Board Approval to mail Prop. 218 Notices by May 1, 2020 4/23/20
- Planned Public Hearing June 2020 (TBD)
- Effective FY20/21 SSC Adoption Date 7/1/20

Recommendation

- Review and comment on proposed SSC increase for FY20/21:
 - Antioch and Pittsburg – 3.5%
 - Bay Point – 3.0%
- Review and comment on draft Prop. 218 Notice addressing proposed SSC increases and notifying property owners of the public hearing in June 2020 (date TBD)
- Approve submitting proposed FY20/21 SSC, draft Prop. 218 Notice, and public hearing date for consideration at April 23, 2020 Board Meeting