

AGENDA
BOARD OF DIRECTORS FINANCE COMMITTEE MEETING
DELTA DIABLO
(a California Special District)

2500 Pittsburg-Antioch Highway | Antioch, CA 94509
(Note: There will be no in-person meeting at the District.)
WEDNESDAY, APRIL 29, 2020
10:00 A.M.

To slow the spread of COVID-19, the Contra Costa County Health Officer's Shelter-in-Place Order of March 31, 2020 prevents public gatherings. In lieu of a public gathering, the Finance Committee meeting will be accessible via ZOOM to all members of the public as permitted by the Governor's Executive Order 29-20, which suspends certain requirements of the Ralph M. Brown Act to allow for greater flexibility in conducting public meetings.

Persons who wish to address the Finance Committee during the Public Comment period or with respect to an item on the Agenda will be limited to two (2) minutes. The Secretary to the Board will call on members of the public at the beginning of the meeting to establish a speaking order. Please indicate whether you wish to speak during the Public Comment period or on a specific Agenda item at that time. The Finance Committee Chair may reduce or eliminate the amount of time allotted to provide comments at the beginning of each item or public comment period depending on the number of comments and the business of the day. Your patience is appreciated.

Presentations will be made available online at <https://www.deltadiablo.org/> approximately 30 minutes prior to the start of the Finance Committee meeting.

A. PUBLIC COMMENTS

**B. REVIEW REPORT ON PREPARATION OF PROPOSED FISCAL YEAR 2020/2021
– 2024/2025 CAPITAL IMPROVEMENT PROGRAM (Thanh Vo)**

**C. REVIEW KEY ASSUMPTIONS FOR PROPOSED FISCAL YEAR 2020/2021
OPERATING BUDGET (Carol Margetich)**

D. ADJOURNMENT

To participate in the meeting via ZOOM (audio only)

Zoom Meeting Dial-In Number: (669) 900 6833

Meeting ID: 826 5081 6030 #





MEMORANDUM

Date: April 29, 2020

To: Sean Wright, Chair, Finance Committee

From: Thanh Vo, Senior Engineer

SUBJECT: REVIEW REPORT ON PREPARATION OF PROPOSED FISCAL YEAR
2020/2021 – 2024/2025 CAPITAL IMPROVEMENT PROGRAM

RECOMMENDATION

Review and comment on the proposed District's Fiscal Year 2020/2021 – 2024/2025 (FY20/21 – FY24/25) Capital Improvement Program (CIP).

Background

Staff has developed a new 5-year CIP for FY20/21 – FY24/25 to guide planning, design, construction, and financing of prioritized capital projects in the District's wastewater conveyance, collection, and treatment systems and recycled water system. These critical projects are necessary to ensure the continued effective and reliable operation of existing infrastructure, address future service needs, and meet current and future regulatory requirements. Staff prepares an updated 5-year CIP each year to reflect current priorities, address new project needs, and adjust estimated project costs and implementation schedules. In addition, this process assists in identifying long-term financial and resource needs, and required budget appropriations required to support project implementation at the start of each fiscal year. The proposed 5-year CIP was considered in developing both the proposed Sewer Service Charges (SSCs) for FY20/21 and the 5-year SSC forecast that were presented to the Board on April 23, 2020. Staff will present the proposed CIP to the Finance Committee and incorporate comments received into the draft CIP that will be presented to the Board for review on May 13, 2020.

Supporting documentation used during CIP development includes city and county General Plans, city collection system master plans, and detailed master plans prepared by the District for its wastewater treatment, recycled water, and conveyance system facilities. The District completed a Conveyance System Master Plan update in April 2010 and a Recycled Water Master Plan in August 2013 and is currently preparing a Resource Recovery Facility Master Plan (RRFMP) that will supersede the District's 2011 Treatment Plant Master Plan.

Analysis

The proposed FY20/21 – FY24/25 CIP includes a total of approximately \$81.3 million in prioritized capital improvements. As reported to the Board on March 11, 2020, staff has addressed significant changes to existing projects, as well as the addition of new priorities, in developing the proposed 5-year CIP. Key CIP highlights include the following:

- Addressing New Infrastructure Needs: Based on new capital investment priorities, 14 new projects were added to the CIP with an estimated total project cost of \$20.3 million. This includes \$8.3 million for the Antioch Pump Station and Conveyance System Improvements Project, which was developed in response to the failure of Antioch Force Main 102 and the associated sanitary sewer overflow on December 3, 2019.
- Investing in Existing Wastewater Infrastructure Renewal: Approximately 70% of the CIP total is allocated to support rehabilitation and/or replacement of existing critical wastewater infrastructure, including Antioch Pump Station and Conveyance System Improvements (\$8.3 million), Headworks Improvements (\$8.0 million), Cogeneration System Improvements (\$5.0 million), Electrical Switchgear Replacement (\$3.8 million), and Pump Station Facility Repair (\$3.5 million).
- Adapting to Shifting Project Priorities and Changes
 - East County Bioenergy Project (ECBP): As reported to the Board on March 11, 2020, the District is no longer pursuing implementation of this project, which included a total cash flow in the current CIP of \$28.3 million, most of which was neutral relative to SSC impacts as project costs were to be paid through project revenues. However, staff has included \$6.5 million in the proposed CIP to address ECBP-related infrastructure investment needs that were placed on hold pending integration with ECBP.
 - Nutrient Management: As reported to the Board on March 11, 2020 and April 23, 2020, the implementation timeline and initial capital cost estimate for nutrient removal have been extended and reduced, respectively, while preliminary master planning findings indicate that continued major capital investment in the existing tower trickling filters does not support flexibility for future nutrient removal. In addition, staff now anticipates integration of future secondary capacity and nutrient removal plant upgrades. In response, staff has renamed the “Tower Trickling Filter Improvements Project” that was included in the current CIP to “Capacity Expansion with Nutrient Management” in the proposed CIP.
- Driving Organizational Improvement
 - Asset Management Program (AMP): In FY19/20, staff has completed significant efforts to build the foundation of a formalized AMP with a plan to continue program development over the next few years. The proposed CIP includes \$1.7 million to support continued development of an AMP to support effective, efficient, and prioritized management of critical District infrastructure assets through implementation of enhanced business practices, data metrics, engagement throughout the organization.
 - Information Technology (IT): In FY19/20, staff initiated an IT Assessment to identify prioritized business needs and implementation plans to enhance business processes and use of IT to support organizational effectiveness and efficiency. The proposed CIP includes \$0.75 million in continued IT investment in support of this initiative.
- Planning for the Future: The proposed CIP identifies funding for multiple master planning efforts, including the current RRFMP (\$1.0 million), Electrical System Master Plan (\$0.4 million in FY22/23), Supervisory Control and Data Acquisition Master Plan (\$0.5 million in FY22/23), Biosolids Management Master Plan (\$0.4 million in FY23/24), and Recycled Water Master Plan Update (\$0.3 million in FY23/24).

The proposed 5-year CIP is provided in the CIP Program Summary (refer to Attachment), which includes a summary of capital projects by major fund, which is highlighted in Table 1.

Table 1 – Proposed FY20/21 – FY24/25 CIP Totals by Major District Fund

| Fund | 5-year CIP Total (\$M) | % of 5-Year CIP Total |
|---------------------------|------------------------|-----------------------|
| Wastewater | | |
| Capital Asset | 3.5 | 4.3 |
| Capital Asset Replacement | 56.8 | 69.9 |
| Expansion | 4.5 | 5.5 |
| Advanced Treatment | 3.3 | 4.0 |
| Recycled Water | | |
| Capital Asset | 2.5 | 3.0 |
| Capital Asset Replacement | 4.7 | 5.8 |
| Expansion | 0.2 | 0.2 |
| Bay Point Collection | 5.3 | 6.5 |
| Household Hazardous Waste | 0.5 | 0.6 |
| Total | \$81.3M | 100% |

The FY20/21 – FY24/25 CIP includes information regarding the location, scope, schedule, budget, risk, financing needs, and other information to adequately justify the need for capital projects. During development of the CIP, staff coordinated with planning agencies in the District’s service area (i.e., the cities of Antioch and Pittsburg, and Contra Costa County) to ensure that recommended projects in the CIP are consistent with the respective agency’s applicable specific and general plans. Staff used previously developed District planning documents to determine the recommended timing, scope, and budget for projects in the CIP. In accordance with the District’s CIP development process, the CIP shall be adopted by, and shall be annually reviewed and revised by, resolution of the Board, following issuance of a notice of public hearing. Notice of the hearing will be given in accordance with Government Code Section 65090. The final CIP will be presented for approval at the same time the budget is presented for approval. Following the Board’s adoption of the CIP, staff will provide copies of the approved CIP to the planning agencies in the District’s service area and update the District’s website to describe priority projects. Staff anticipates presenting the draft and final CIP for consideration at the May 13, 2020 and June 25, 2020 Board meetings, respectively.

Financial Impact

The proposed FY20/21 – FY24/25 CIP includes approximately \$81.3 million in capital investment needs. As recommended at the Board meeting on April 23, 2020, staff is recommending that the majority of the District’s capital spending be cash funded (versus debt financed) to provide the highest overall value to the District’s customers. The proposed CIP has been incorporated into the current FY20/21 SSC analysis, which would provide funding required to support capital spending needs in FY20/21.

Attachment

CIP Program Summary

TV:tv

cc: District File No. CORP.09-CORRES
Chron File

Attachment 1
Delta Diablo Five Year Capital Improvement Program
 FY2020/2021 - FY2024/2025

| Page | Project Name | Project No. | Priority | Lead Dept.* | Available Budget through FY19/20 | Anticipated Budgets | | | | | Anticipated Budget By Fund | | | | | | | | |
|--|---|-------------|----------|-------------|----------------------------------|---------------------|---------------------|---------------------|---------------------|--------------------|----------------------------|---------------------|--------------------|---------------------|------------------|------------------|-----------------|--------------------|------------------|
| | | | | | | FY20/21 | FY21/22 | FY22/23 | FY23/24 | FY24/25 | 5-Year Total | WW CA | WW CAR | WW Exp | AT | RW CA | RW CAR | RW Exp | BP Coll. |
| Wastewater Capital Asset (Fund 120) | | | | | | | | | | | | | | | | | | | |
| | CA-4 | | | | | | | | \$500,000 | \$1,200,000 | \$1,700,000 | \$850,000 | | | | \$850,000 | | | |
| | CA-5 | 19109 | 3 | ES | \$250,391 | \$700,000 | \$300,000 | \$300,000 | \$200,000 | \$200,000 | \$1,700,000 | \$1,700,000 | | | | | | | |
| | CA-6 | 18107 | 3 | RRS | \$50,000 | \$50,000 | \$50,000 | \$50,000 | \$50,000 | \$50,000 | \$250,000 | \$250,000 | | | | | | | |
| | CA-7 | 18908 | 3 | ES | \$50,000 | \$50,000 | \$50,000 | \$50,000 | \$50,000 | \$50,000 | \$250,000 | \$125,000 | \$125,000 | | | | | | |
| | CA-8 | 18908 | 3 | ES | \$100,000 | \$100,000 | \$100,000 | \$100,000 | \$100,000 | \$100,000 | \$500,000 | \$250,000 | \$250,000 | | | | | | |
| | FY19/20 | 18109 | 1 | ES | \$776,986 | | | | | | | | | | | | | | |
| | FY19/20 | 16117 | 1 | ES | \$4,555,784 | | | | | | | | | | | | | | |
| | Wastewater Capital Asset Fund Total | | | | | \$5,783,161 | \$900,000 | \$500,000 | \$500,000 | \$900,000 | \$1,600,000 | \$4,400,000 | \$3,175,000 | \$375,000 | | \$850,000 | | | |
| Wastewater Capital Asset Replacement (Fund 130) | | | | | | | | | | | | | | | | | | | |
| | CAR-3 | | | | \$100,000 | \$200,000 | | | | | \$200,000 | | \$200,000 | | | | | | |
| | CAR-5 | | | | | \$60,000 | \$60,000 | | | | \$120,000 | | \$120,000 | | | | | | |
| | CAR-6 | | | | | | | \$500,000 | \$1,500,000 | | \$2,000,000 | | \$2,000,000 | | | | | | |
| | CAR-8 | 18113 | 1 | ES | \$1,245,381 | | \$400,000 | \$1,000,000 | \$2,000,000 | \$2,082,837 | \$5,482,837 | | \$5,482,837 | | | | | | |
| | CAR-10 | 17117 | 1 | ES | \$2,700,109 | \$5,000,000 | \$3,000,000 | | | | \$8,000,000 | | \$8,000,000 | | | | | | |
| | CAR-11 | | | | \$70,000 | \$325,000 | \$50,000 | \$400,000 | \$50,000 | \$50,000 | \$875,000 | | \$875,000 | | | | | | |
| | CAR-12 | | | | \$25,000 | \$50,000 | \$50,000 | \$50,000 | \$50,000 | \$50,000 | \$250,000 | | \$250,000 | | | | | | |
| | CAR-13 | | | | | \$400,000 | \$600,000 | | | | \$1,000,000 | | \$700,000 | | | \$200,000 | \$100,000 | | |
| | CAR-14 | | | | | \$600,000 | \$1,500,000 | \$900,000 | | | \$3,000,000 | | \$2,100,000 | | | \$900,000 | | | |
| | CAR-15 | 19112 | 1 | ES | \$490,749 | | | | | | | | | | | | | | |
| | FY19/20 | | | | | | | | | | \$90,000 | | | | | | | | |
| | FY19/20 | 18112 | 1 | ES | \$1,542,130 | | | | | | | | | | | | | | |
| | FY19/20 | | | | | | | | | | \$215,000 | | | | | | | | |
| | FY19/20 | 17140 | 1 | ES | \$1,187,637 | | | | | | | | | | | | | | |
| | FY19/20 | 17120 | 1 | RRS | \$116,320 | | | | | | | | | | | | | | |
| | FY19/20 | 15120 | 1 | RRS | \$99,985 | | | | | | | | | | | | | | |
| | CAR-18 | | | | | | \$400,000 | \$500,000 | \$500,000 | | \$1,400,000 | | \$1,400,000 | | | | | | |
| | CAR-19 | 80008 | 1 | ES | \$9,313,678 | \$3,500,000 | | | | | \$3,500,000 | | \$3,500,000 | | | | | | |
| | CAR-20 | | | | \$100,000 | \$100,000 | \$100,000 | \$100,000 | \$100,000 | \$100,000 | \$500,000 | | \$500,000 | | | | | | |
| | CAR-21 | 18120 | 1 | ES | \$600,000 | \$1,000,000 | | | | | \$1,000,000 | \$350,000 | \$500,000 | \$100,000 | | \$50,000 | | | |
| | CAR-22 | 18114 | 1 | RRS | \$617,585 | | \$253,145 | | | | \$253,145 | | \$227,831 | | \$25,315 | | | | |
| | CAR-23 | | | | | | \$500,000 | | | | \$500,000 | | \$450,000 | | \$50,000 | | | | |
| | CAR-24 | 13105 | 1 | ES | \$506,261 | | | | | | | | | | | | | | |
| | CAR-25 | | | | | | \$550,000 | \$870,000 | | | \$1,420,000 | | \$1,420,000 | | | | | | |
| | CAR-26 | 17117 | 1 | ES | \$2,562,058 | \$750,000 | \$3,000,000 | | | | \$3,750,000 | | \$3,750,000 | | | | | | |
| | CAR-27 | | | | \$129,641 | | | | | \$1,461,028 | \$1,461,028 | | \$1,461,028 | | | | | | |
| | CAR-28 | 19111 | 1 | ES | \$500,000 | | | | | | | | | | | | | | |
| | CAR-29 | 20109 | 1 | ES | \$960,000 | \$200,000 | \$200,000 | \$200,000 | \$200,000 | \$200,000 | \$1,000,000 | | \$1,000,000 | | | | | | |
| | CAR-30 | | | | | | | | \$400,000 | | \$400,000 | | \$400,000 | | | | | | |
| | CAR-31 | | | | | | | \$400,000 | | | \$400,000 | | \$400,000 | | | | | | |
| | CAR-32 | 19110 | 2 | RRS | \$50,000 | | | \$750,000 | | | \$750,000 | | \$750,000 | | | | | | |
| | CAR-33 | | | | | \$80,000 | \$80,000 | \$80,000 | | | \$240,000 | | \$240,000 | | | | | | |
| | CAR-34 | | | | | \$250,000 | | | | | \$250,000 | | \$250,000 | | | | | | |
| | CAR-35 | | | | | | | \$300,000 | | | \$300,000 | | \$300,000 | | | | | | |
| | CAR-36 | 18107 | 2 | IT | \$50,000 | | | | | | | | | | | | | | |
| | CAR-37 | | | | | \$400,000 | \$100,000 | \$100,000 | \$100,000 | \$100,000 | \$800,000 | | \$800,000 | | | | | | |
| New | Remote Sites Connectivity Improvements | | | | | \$300,000 | | | | | \$300,000 | | \$300,000 | | | | | | |
| New | Digester No. 1 Cleaning & Repair | | | | | \$200,000 | \$200,000 | | | | \$400,000 | | \$400,000 | | | | | | |
| New | Digester No. 3 Cleaning & Repair | | | | | \$200,000 | \$200,000 | \$200,000 | | | \$400,000 | | \$400,000 | | | | | | |
| New | Digester Gas Handling and Compressors Replacement | | | | | \$100,000 | \$600,000 | | | | \$700,000 | | \$700,000 | | | | | | |
| New | Cogen System Improvements | | | | | | \$800,000 | \$3,000,000 | \$1,200,000 | | \$5,000,000 | | \$5,000,000 | | | | | | |
| New | Secondary Clarifier Area Improvements | | | | | | | | \$350,000 | \$650,000 | \$1,000,000 | | \$1,000,000 | | | | | | |
| New | Primary Clarifiers Area Control System Upgrade | | | | | | | \$150,000 | | | \$150,000 | | \$150,000 | | | | | | |
| New | Primary Service Water Filter Replacement | | | | | \$100,000 | | | | | \$100,000 | | \$100,000 | | | | | | |
| New | Antioch Pump Station and Conveyance System Improvements | | | | | \$1,000,000 | \$3,000,000 | \$5,000,000 | | | \$8,300,000 | | \$8,300,000 | | | | | | |
| | Wastewater Capital Asset Replacement Fund Total | | | | | \$24,916,534 | \$13,915,000 | \$14,593,145 | \$13,930,000 | \$8,070,000 | \$4,693,865 | \$55,202,010 | \$350,000 | \$53,426,696 | \$100,000 | \$75,315 | \$50,000 | \$1,100,000 | \$100,000 |
| Wastewater Expansion (Fund 140) | | | | | | | | | | | | | | | | | | | |
| | E-3 | 10178 | 3 | ES | | | | | \$700,000 | \$3,300,000 | \$4,000,000 | | \$4,000,000 | | | | | | |
| | Wastewater Expansion Fund Total | | | | | | | | \$700,000 | \$3,300,000 | \$4,000,000 | | \$4,000,000 | | | | | | |

Attachment 1
Delta Diablo Five Year Capital Improvement Program
FY2020/2021 - FY2024/2025

| Page | Project Name | Project No. | Priority | Lead Dept.* | Available Budget through FY19/20 | Anticipated Budgets | | | | | | Anticipated Budget By Fund | | | | | | | | |
|--|--|-------------|----------|-------------|----------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|----------------------------|---------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|------------------|
| | | | | | | FY20/21 | FY21/22 | FY22/23 | FY23/24 | FY24/25 | 5-Year Total | WW CA | WW CAR | WW Exp | AT | RW CA | RW CAR | RW Exp | BP Coll. | HHW |
| Advanced Treatment (Fund 125) | | | | | | | | | | | | | | | | | | | | |
| AT-3 | Nutrient Technology Research and Innovation | 17123 | 1 | ES | \$82,000 | | | | \$250,000 | \$250,000 | \$500,000 | | | \$500,000 | | | | | | |
| AT-4 | Capacity Expansion with Nutrient Management | TBA | 1 | ES | | | | | \$2,000,000 | \$4,000,000 | \$6,000,000 | | \$3,000,000 | | \$3,000,000 | | | | | |
| Advanced Treatment Fund Total | | | | | \$82,000 | | | | \$2,250,000 | \$4,250,000 | \$6,500,000 | | \$3,000,000 | \$500,000 | \$3,000,000 | | | | | |
| Recycled Water Capital Asset (Fund 220) | | | | | | | | | | | | | | | | | | | | |
| RWA-3 | RWF IPS, Process Line Modification, and Blowdown | TBA | 3 | ES | | | | \$250,000 | \$850,000 | | \$1,100,000 | | | | \$1,100,000 | | | | | |
| RWA-4 | Recycled Water Master Plan Update | TBA | 3 | ES | | | | | \$300,000 | | \$300,000 | | \$150,000 | | \$150,000 | | | | | |
| RWA-5 | Small Recycled Water Facility Capital Asset Project | 19103 | 3 | ES | \$50,000 | \$50,000 | \$50,000 | \$50,000 | \$50,000 | \$50,000 | \$250,000 | | | | \$250,000 | | | | | |
| RWA-6 | Treatment Plant Flow Equalization Improvements - Emergency Storage Basin | TBA | 3 | ES | | | | | \$125,000 | | \$125,000 | | | | \$125,000 | | | | | |
| Recycled Water Capital Asset Fund Total | | | | | \$50,000 | \$50,000 | \$50,000 | \$300,000 | \$1,325,000 | \$50,000 | \$1,775,000 | | | | \$150,000 | \$1,625,000 | | | | |
| Recycled Water Capital Asset Replacement (Fund 230) | | | | | | | | | | | | | | | | | | | | |
| RWR-3 | DEC and CCT Vavles Replacement | TBA | 1 | ES | | | | \$225,000 | \$375,000 | | \$600,000 | | | | \$600,000 | | | | | |
| RWR-4 | DEC Storage Tank Rehabilitation | TBA | 2 | ES | | | | | \$250,000 | \$750,000 | \$1,000,000 | | | | \$1,000,000 | | | | | |
| RWR-5 | Sand Filter and Filter Cover Improvements | TBA | 2 | RRS | \$75,000 | | | \$500,000 | \$582,000 | | \$1,082,000 | | | | \$1,082,000 | | | | | |
| RWR-6 | Recycled Water Distribution System Improvements | 19114 | 3 | ES | | | | | \$500,000 | | \$500,000 | | | | \$500,000 | | | | | |
| RWR-6 | Unanticipated Recycled Water Infrastructure Repairs | 19114 | 3 | ES | \$100,000 | \$100,000 | \$100,000 | \$100,000 | \$100,000 | \$100,000 | \$500,000 | | | | \$500,000 | | | | | |
| New | Sand Filter Intermittent Backwash System | TBA | | RRS | | \$750,000 | | | | | \$750,000 | | | | \$750,000 | | | | | |
| New | DEC Tank Isolation Valves Replacement | TBA | | RRS | | | \$100,000 | | | | \$100,000 | | | | \$100,000 | | | | | |
| New | Sand Filter Air Compressor Replacement | TBA | | RRS | | \$90,000 | | | | | \$90,000 | | | | \$90,000 | | | | | |
| New | RWF Clarifier Liner Rehabilitation | TBA | | RRS | | | \$50,000 | | | | \$50,000 | | | | \$50,000 | | | | | |
| Recycled Water Capital Asset Replacement Fund Total | | | | | \$175,000 | \$940,000 | \$200,000 | \$875,000 | \$1,807,000 | \$850,000 | \$4,672,000 | | | | | \$4,672,000 | | | | |
| Recycled Water Expansion (Fund 240) | | | | | | | | | | | | | | | | | | | | |
| RWE-3 | Recycled Water Distribution System Expansion | 18110 | 3 | ES | | | | | | \$150,000 | \$150,000 | | | | | | | \$150,000 | | |
| Recycled Water Expansion Fund Total | | | | | | | | | | \$150,000 | \$150,000 | | | | | | | \$150,000 | | |
| Bay Point Collection (Fund 520) | | | | | | | | | | | | | | | | | | | | |
| BP-3 | Bay Point Overlay Manhole Adjustments | TBA | 1 | ES | \$250,000 | | | | | | | | | | | | | | | |
| FY19/20 | Bay Point Rehabilitation Phase 4 | 18119 | 1 | ES | \$4,422,117 | | | | | | | | | | | | | | | |
| FY19/20 | Facility Condition Assessment | 18121 | 1 | ES | \$682,952 | | | | | | | | | | | | | | | |
| BP-5 | River Watch Settlement Compliance | TBA | 1 | ES | \$670,000 | \$720,000 | | | | | \$720,000 | | | | | | | \$720,000 | | |
| BP-7 | Unanticipated Bay Point Repairs | TBA | 1 | ES | \$100,000 | \$100,000 | \$100,000 | \$100,000 | \$100,000 | \$100,000 | \$500,000 | | | | \$500,000 | | | \$500,000 | | |
| New | Bay Point Sewer Repairs - Phase 5 | 18119 | 1 | ES | | | | | | \$3,000,000 | \$3,000,000 | | | | | | | \$3,000,000 | | |
| Bay Point Collections Fund Total | | | | | \$6,125,069 | \$820,000 | \$100,000 | \$100,000 | \$100,000 | \$3,100,000 | \$4,220,000 | | | | | | | \$4,220,000 | | |
| Household Hazardous Waste (Fund 310) | | | | | | | | | | | | | | | | | | | | |
| HHW-3 | Household Hazardous Waste Improvements | 18105 | 3 | ES | \$25,000 | \$25,000 | \$25,000 | \$25,000 | \$300,000 | \$25,000 | \$400,000 | | | | | | | \$400,000 | | |
| Household Hazardous Waste Fund Total | | | | | \$25,000 | \$25,000 | \$25,000 | \$25,000 | \$300,000 | \$25,000 | \$400,000 | | | | | | | \$400,000 | | |
| Total | | | | | \$37,156,764 | \$16,650,000 | \$15,468,145 | \$15,730,000 | \$15,452,000 | \$18,018,865 | \$81,319,010 | \$3,525,000 | \$56,801,696 | \$4,500,000 | \$3,250,000 | \$2,475,000 | \$4,747,315 | \$200,000 | \$5,320,000 | \$500,000 |



MEMORANDUM

Date: April 29, 2020

To: Sean Wright, Chair, Finance Committee

From: Carol Margetich, Business Services Director

SUBJECT: REVIEW KEY ASSUMPTIONS FOR PROPOSED FISCAL YEAR 2020/2021 OPERATING BUDGET

RECOMMENDATION

Review and comment on key assumptions for the proposed Fiscal Year 2020/2021 (FY20/21) Operating Budget.

Background

Following critical review of operating budget adjustment needs and opportunities, staff has developed a proposed FY20/21 Operating Budget, which served as the baseline for calculation of the proposed Sewer Service Charges (SSCs) presented to the Board on April 23, 2020. This critical review directly supports the District's long-term financial sustainability and effective stewardship of limited ratepayer funds in operating the District's wastewater collection, conveyance, and treatment systems; recycled water system; household hazardous waste collection facility; and street sweeping services program. Following review of key assumptions for the FY20/21 Operating Budget by the Finance Committee on April 29, 2020, staff would present these assumptions to the Board on May 13, 2020. Staff would subsequently present the single-year FY20/21 Budget, which will include revenues, operating expenses, and capital expenditures, for consideration and approval at the Board meeting on June 25, 2020.

Analysis

The District continues to experience progressive increases in annual operating costs over time due to escalations in labor, chemical, energy, materials, supplies, equipment, hauling, and services costs, as well as increasingly more stringent regulatory requirements. The proposed FY20/21 Operating Budget totals \$29.6 million, which represents a \$0.9 million increase (3.0%) relative to FY19/20 (\$28.7 million). This section highlights major cost categories in the FY20/21 Operating Budget, including salaries and benefits, chemicals, utilities, office and operating, and outside services.

Salaries and Benefits: This category represents approximately 59% of the District's FY20/21 operating budget.

- Cost-of-Living Adjustment: (COLA). An annual COLA is specified in the memoranda of understanding (MOUs) for each of the District's three bargaining units. The MOUs specify that the District will adjust salaries for the first full pay period after July 1 each

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year, from a minimum of 2% up to 5% based on the April to April change in the Consumer Price Index (CPI), San Francisco/Bay Area Wage Earners. The percentage will be available in May and COLAs will be included in the FY20/21 Salaries and Benefits budget for the Board's consideration in June.

- Unfunded Positions: A total of 79.0 full-time equivalent (FTE) positions will be budgeted in FY19/20. Based on an assessment of resource needs, staff estimates that three positions will remain unfilled and unfunded in FY20/21, which results in an annual savings of \$0.9 million.
- Position Changes: No new positions are recommended, but two vacant positions will be flexibly staffed in FY20/21 following the retirements of two incumbents in the Engineering Technician and Associate Engineer positions. The District intends to fill these positions at the Junior and/or Assistant Engineer level in FY20/21. In addition, a Maintenance Intern position is included, which adds 0.5 FTEs to the FY20/21 Operating Budget at an annual cost of \$50,000.
- Medical Insurance: Annual medical insurance premium costs have been increased by 7.25%, while most other health benefits (e.g., vision, Employee Assistance Program, dental, and life insurance) are not expected to increase.
- California Public Employees' Retirement System (CalPERS) Funding: In November 2011, the Board adopted CalPERS Tier 2 (2.0% at age 55), which applies to employees hired between July 1, 2012 and December 31, 2012, or hired on or after January 1, 2013, as a member of a qualified public pension plan (e.g., CalPERS, Contra Costa County Employee Retirement Plan, etc.). Prior to July 1, 2012, 100% of all employees were enrolled in CalPERS Tier 1 (2.7% at age 55). Furthermore, the Public Employees' Pension Reform Act of 2013 (PEPRA), effective January 1, 2013, established Tier 3 (2.0% at age 62), which applied to employees hired on or after January 1, 2013, who are not members of a qualified public pension plan. As of FY19/20, 49% of all employees are in either Tier 2 or Tier 3 and since new hires are no longer eligible to become members of Tier 1, there are ongoing savings as employees leave the District and vacant positions are filled at Tiers 2 and 3. The District assumes that new journey level, professional, and management hires will be Tier 2, because it is likely that they would have been a member in CalPERS or a reciprocal plan. The District assumes that new entry level hires will be Tier 3, because it is unlikely that these hires would have been members in CalPERS or a reciprocal plan. In addition to the lower employer-paid contributions into CalPERS, all new hires pay their full employee contributions into CalPERS, as well as contributions into the Other Post-employment Benefits (OPEB) trust, which is at 3% of base salary.
- CalPERS Pension Unfunded Liability Contribution: This cost is budgeted at \$1.1 million, which is an increase of approximately \$0.1 million from FY19/20.
- Succession Planning: There was no change from FY19/20 in the \$0.1 million budget for overlap of new hires and incumbents in critical positions.
- Contra Costa County Retirees' Association (CCCERA) Funding: In July 2014, the Board established Contributed Benefit Savings (CBS) funding levels of 3.75% of salaries to

maintain the integrity of the CCCERA plan for District retirees and employees who remained in the CCCERA system after the District transitioned from the CCCERA pension plan to CalPERS in July 2014.

- OPEB Trust Fund Annual Funding: The Board's adopted OPEB Funding Policy states the intent to fully fund the District's Actuarially Determined Contribution (ADC), which the Board has done each year since the trust fund was established in February 2010. District employees pay 3% of base salaries into the trust and the District budgets the required 3% match, as well as actual retiree medical costs which are deposited into the OPEB trust fund. The FY20/21 Operating Budget includes an ADC of \$0.9 million.
- Public Agency Retirement Services (PARS) Funding: The FY20/21 Operating Budget includes a one-time payment of \$0.1 million to PARS. The PARS trust account was established to pre-fund both CalPERS pension obligations and/or OPEB obligations. The additional funds in PARS will provide funding to mitigate future rate revenue required for projected sharp increases in pension or OPEB costs due to decreases in discount rates, an accelerated amortization schedule, and/or investment losses.

Chemicals: This cost is approximately 6% of the FY20/21 Operating Budget. The District normally participates in the Bay Area Chemical Consortium (BACC), which administers an annual bidding process for water and wastewater treatment chemicals, to leverage purchasing power among the members and receive cost-effective bids. As external factors (e.g., tariffs) cause chemical prices to rise, this approach allows the District to benefit from the most competitive market prices. However, because BACC eliminated the bidding process this year due to the COVID-19 pandemic, the District secured one-year contract extensions at no additional cost. Staff has conducted a comprehensive review of chemical unit costs, estimated quantities, and associated contingencies. The FY20/21 chemical budget totals \$1.7 million, including \$1.1 million for wastewater and \$0.6 million for recycled water, which represents a \$0.2 million annual decrease due to more efficient chemical dosing at the Recycled Water Facility.

Utilities: This category represents approximately 7% of the FY20/21 Operating Budget.

- Energy Costs: Staff continues to identify opportunities to reduce on-site energy demand and increase renewable energy production. Staff has identified and implemented changes to operating strategies based on variable energy cost schedules to reduce energy costs, including: 1) operating high-electricity demand solids dewatering centrifuges in a batch dewatering mode during off-peak hours; 2) retrofitting the centrifuges with recovery vanes to capture rotational energy from discharged water (6% improvement in energy use); and 3) improving the aeration blower filtration system to decrease the pressure drop and improve energy performance. The budget assumes a 90% uptime for the on-site cogeneration engine, which is expected to meet over 55% of plant power demand, while providing waste heat for the anaerobic digesters.

Sean Wright, Chair, Finance Committee

April 29, 2020

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Office and Operating: This category represents approximately 11% of the FY20/21 Operating Budget. Permit and regulatory fees are expected to increase by 8% in FY20/21 for a total budget of \$0.3 million. As presented to the Board on March 11, 2020, the District expects a significant increase in annual biosolids management costs following receipt of bids in early May 2020 and expiration of the current long-term biosolids management services agreement with an outside contractor.

Outside Services: This category represents approximately 15% of the FY20/21 Operating Budget and includes items such as temporary, legal, and professional services. Professional services is the largest item in the Outside Services category and is budgeted in the amount of \$1.2 million. This represents a 33% increase over last year or a \$0.29 million increase and is representative of planned organizational improvement initiatives, including Munis Enterprise Resource Planning enhancements, as well as cost-of-service (SSC, Recycled Water, Capital Facilities Capacity Charges), fee schedule, and total compensation studies planned for FY20/21.

Financial Impact

The key operating budget assumptions provided herein are geared toward assisting the District in recovering its operating expenses, while also highlighting the District's efforts to implement budget adjustment strategies that support long-term financial sustainability and responsible stewardship of limited ratepayer funds. Staff has included these assumptions in the District's long-term 5-year SSC analysis, which was presented to the Board for review on April 23, 2020.

Attachments

None

cc: District File

CM/VPD