



# Financial Impact of Secondary Process Improvements Project

Finance Committee  
March 17, 2021



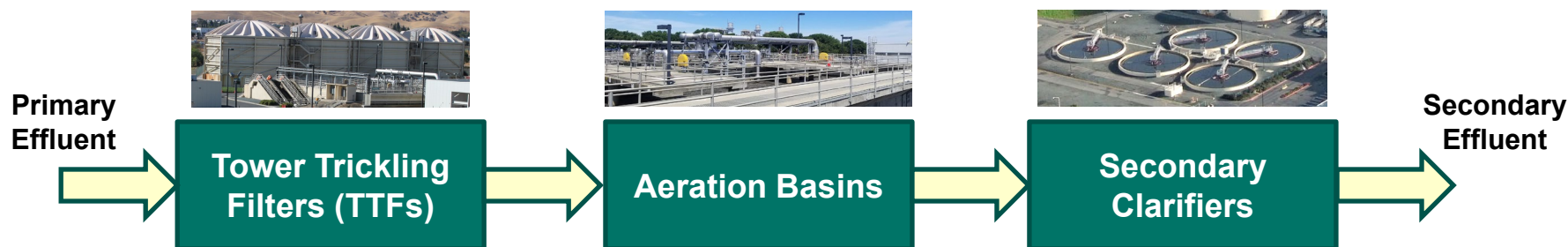
# Goals

- Highlight key infrastructure needs associated with Secondary Process Improvements Project
- Review capital cost impacts on 5-year SSC increase projection for various financing scenarios



# Infrastructure Needs Existing Secondary Process

## Two-Stage Biological Secondary Treatment Process



- Historical “workhorse” of treatment process; designed for industrial wastewater strength
  - Aging infrastructure, end of useful life
  - Significant regulatory compliance risk if failure occurs – violations, fines
  - Continued investment in TTFs does not support compliance with future nutrient removal requirements
- Expansion of existing aeration basin volume is required to replace loss of TTF treatment capacity and meet service area growth needs
- Addition of a sixth secondary clarifier is required to address loss of TTFs

# Infrastructure Investment Secondary Process Improvements



- Continue operating TTFs until performance degrades
- Completely bypass TTFs over time
- Expand existing aeration basin volume (1.9 million gallons [MG]):
  - +0.8 MG for TTF replacement
  - +0.4 MG for future growth in service area through 2040
- Rehabilitate secondary influent pumping station
- Build deeper aeration basins for compatibility with future nutrient removal
- Add a sixth secondary clarifier (0.7 MG)

# Secondary Process Improvements Cost Estimate, Cost Allocation



- Estimated capital cost = \$60.0 million
  - Aeration basin expansion, pumping station upgrades, new clarifier, power distribution system upgrades
- Because project includes replacement of infrastructure (TTFs), creation of new assets (aeration basins), and additional treatment capacity for growth (2040), proposed cost allocation is as follows:
  - WW Capital Asset/WW Capital Asset Replacement = 78%
  - WW Expansion = 16% (funded by CFCCs)
  - Advanced Treatment = 6% (deeper tanks)
- Staff is currently developing an analysis of financial impacts associated with various financing assumptions

# Financial Sustainability Guiding Principles



- Ensure effective prioritization of a 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

# Secondary Process Improvements Project

## Financial Impacts



- Updated Sewer Service Charge (SSC) increase projection for various financing assumptions
  - Preliminary FY21/22 Operating Budget, new 5-year CIP (\$67M w/o Secondary Process Improvements; current 5-year CIP = \$81M)

### Preliminary Wastewater SSC Increase 5-year Projection\*

	FY21/22	FY22/23	FY23/24	FY24/25	FY25/26
100% Cash	16%	16%	15%	0%	0%
50% Cash/50% Debt	8.0%	8.0%	7.5%	7.5%	7.5%
25% Cash/75% Debt	6.0%	6.0%	6.0%	6.0%	6.0%
100% Debt	5.5%	5.5%	5.0%	3.0%	3.0%

\*Preliminary values for financial planning purposes only and subject to change

- 100% cash and 50%/50% funding is likely not feasible
- SSC increase of 5.5-6.0% provides debt-funding flexibility

# Recommendations

- Provide comments on presentation and key assumptions, findings
- Recommend presentation to Board of Directors on March 25, 2021

