

**AGENDA**  
**SPECIAL BOARD OF DIRECTORS 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.)**  
**THURSDAY, APRIL 23, 2020**  
**4:30 P.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 Board of Directors 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 Board 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 alphabetically by last name (A-L) and (M-Z) 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 Board 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/board-meetings> approximately one hour prior to the start of the Board meeting.

**How to participate in the meeting via ZOOM (audio only)**

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

**Meeting ID: 923 8063 0336 #**

The District will provide reasonable accommodations for persons with disabilities who plan to participate in Board (or committee) meetings by contacting the Secretary to the Board 24-hours prior to the scheduled meeting at (925) 756-1927. Disclosable public records related to an open session item on a regular meeting agenda and distributed by the District to a majority of members of the Board of Directors less than 72 hours prior to that meeting are available for public inspection on the District website at [www.deltadiablo.org](http://www.deltadiablo.org)

**A. ROLL CALL**

**B. PLEDGE OF ALLEGIANCE**

**C. PUBLIC COMMENTS**

**D. RECOGNITION**

None.

**E. CONSENT CALENDAR**

- 1) **Approve** Minutes of Regular Board of Directors Meeting, April 8, 2020 (Cecelia Nichols-Fritzler)
- 2) **Receive** Notes from the Finance Committee Meeting, April 17, 2020 (Cecelia Nichols-Fritzler)

**F. DELIBERATION ITEMS**

**Review** Proposed Sewer Service Charge Increases; **Set** Public Hearing for June 25, 2020, at 4:30 p.m. to Consider Protests and Adoption of Sewer Service Charge Increases and to Consider Authorizing Collection of Increased Sewer Service Charges on the Tax Roll; and **Authorize** Distribution of Proposition 218 Hearing Notices and Publication of Hearing Notices (Carol Margetich)

**G. PRESENTATIONS AND REPORTS**

**Receive** Update on District Response to Coronavirus (Dean Eckerson)

**H. MANAGER'S COMMENTS**

**I. DIRECTORS' COMMENTS**

**J. CORRESPONDENCE**

None.

**K. CLOSED SESSION**

None.

**L. ADJOURNMENT**

The next Board meeting will be May 13, 2020, at 4:30 p.m.

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April 23, 2020

APPROVE MINUTES OF REGULAR BOARD OF DIRECTORS MEETING, APRIL 8, 2020

RECOMMENDATION

Approve Minutes of the Regular Board of Directors Meeting of April 8, 2020

**DRAFT**

**Minutes of the Regular Board of Directors Meeting  
APRIL 8, 2020**

The meeting was called to order by Chair Banales on Wednesday, April 8, 2020, at 4:30 p.m., via Zoom audio. Present were Chair Juan Banales, and Directors Federal Glover and Sean Wright. Also present on the call were Mary Ann Mason, District Counsel; Vince De Lange, General Manager; Cecelia Nichols-Fritzler, Office Manager/Secretary to the Board; Dean Eckerson, Resource Recovery Services Director; Brian Thomas, Engineering Services Director/District Engineer; and Carol Margetich, Business Services Director.

Chair Banales read the following statement: "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 Board of Directors meeting will be accessible via ZOOM Audio 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."

**PUBLIC COMMENTS**

None.

**RECOGNITION**

None.

**CONSENT CALENDAR**

Director Wright moved approval, seconded by Director Glover and, by a roll call vote (Ayes: *Banales, Glover, and Wright*; Noes: *None*; Absent: *None*), the following consent items were approved according to staff recommendations: Approved Minutes of Regular Board of Directors Meeting, March 11, 2020; Received District Monthly Check Register, February 2020; Authorized Issuance of a Purchase Order in an amount Not to Exceed \$125,000, G3 Engineering, Inc., Pittsburg Flow Equalization Storage and Pumping Facility Sewage Pump Replacement Impellers and Associated Component Parts.

**DELIBERATION ITEMS**

Approve Actions related to District Response to Coronavirus

a. Receive Report on District Response to Coronavirus

Mr. Eckerson highlighted protecting the health, well-being, and safety of its employees as the District's highest priority. He summarized the District's initial response actions, which focused

on prevention through suspending certain services and activities, sharing best practices for personal hygiene, emphasizing social distancing requirements, and increasing cleaning frequency. Mr. Eckerson noted that the presentation would highlight external orders and directives issued by the state and county as he summarized District response actions. Although the District is considered “Essential Infrastructure” and provides “Essential Governmental Functions” under the county shelter-in-place order, he highlighted the District’s efforts to designate a limited number of staff as “non-essential,” while migrating the majority of office workers to “teleworking” status. Mr. Eckerson noted the District redesigned staffing plans to preserve the health and safety of operations and maintenance staff, while continuing contingency planning if staff availability declines. In addition, he stressed that the District is protecting all on-site staff by reinforcing social distancing requirements, reducing exposure between critical workgroups, providing timely communications to staff, and engaging with District contractors and consultants to adhere to social distancing requirements and limit engagement with staff. Mr. Eckerson also confirmed that the District would continue with implementation of most of its capital planning, design, and construction projects necessary to maintain, operate, or repair District essential infrastructure. In closing, he stated that the District would focus on securing additional PPE, develop staffing contingency plans, and monitor impacts of non-flushable wipes.

Director Glover asked Mr. Eckerson if the District is working with the County to determine if the work is defined as essential work. Mr. Eckerson stated that this has been confirmed under the County order. Director Glover thanked staff for their dedicated service. Director Wright thanked staff for their continuing efforts.

Chair Banales asked Mr. Eckerson how the District will secure additional PPE and if the District is working with CalOES for N95 masks. Mr. Eckerson stated the District is closely monitoring its PPE and is investigating multiple sourcing options. Chair Banales thanked staff for providing critical wastewater services for the community.

b. Adopt a Resolution Confirming the Existence of a Local Emergency and Authorizing the General Manager to Respond to the Effects of the Emergency on the District Under Government Code Section 53021.

Ms. Margetich provided an overview of the federal, state, and local COVID-19 emergency declarations, as well as a summary of key actions taken by the General Manager. She highlighted the recommended resolution’s contents, including acknowledging the local emergency declared by the County, and acknowledging General Manager personnel actions, while reaffirming the General Manager as the appointing authority to administer all staffing changes, designations, and personnel actions. Ms. Margetich noted that the resolution also authorizes the General Manager to use up to \$350,000 to contract for materials, supplies, and services, with discretion of purchasing policy application during the emergency, and to use up to \$500,000 for additional contingencies on District public works projects, subject to certain limits referenced in the resolution.

Director Glover moved adoption, seconded by Director Wright, and, by a roll call vote (Ayes: *Banales, Glover, Wright*; Noes: *None*; Absent: *None*), the Board adopted Resolution No. 06/2020 Confirming the Existence of a Local Emergency and Authorizing the General Manager to Respond to the Effects of the Emergency on the District Under Government Code Section 53021.

## **MANAGER'S COMMENTS**

Mr. De Lange acknowledged staff for their adaptability to a tremendous amount of change in their professional and personal lives in a very short timeframe. He noted that the District has established a strong foundation in proactively addressing challenges posed by coronavirus and that the Executive Team would continue to work hard to protect all District employees in the weeks ahead. Mr. De Lange thanked the Board for its support.

## **DIRECTORS' COMMENTS**

None.

## **CORRESPONDENCE**

Receive Monthly Lobbyist Report dated February 2020, Key Advocates, Inc., Western Recycled Water Coalition, Project No. 90024

The Board received and filed the report.

## **CLOSED SESSION**

Conference with Labor Negotiators (Gov. Code, section 54957.6)

Agency Negotiators: Federal Glover, Vince De Lange

Employee Organizations: (Operations and Maintenance Public Employee Union, Local One; Professional & Technical Public Employees Union, Local One; Management Association)

Unrepresented Employees: All unrepresented employees.

Chair Banales advised the public that this concluded the public portion of the Board Meeting. At approximately 5:10 p.m., Chair Banales adjourned the meeting to closed session for the item above.

## **ADJOURNMENT**

Chair Banales adjourned the meeting at 5:33 p.m. The next Board meeting will be a special meeting on April 23, 2020 at 4:30 p.m.

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Sean Wright  
Board Secretary

(Recording Secretary:  
Cecelia Nichols-Fritzler)

April 23, 2020

RECEIVE NOTES FROM FINANCE COMMITTEE MEETING, APRIL 17, 2020

RECOMMENDATION

Note receipt and file.

Background Information

The Finance Committee met on April 17, 2020. The meeting was attended by Committee Chair, Sean Wright; Vince De Lange, General Manager; Carol Margetich, Business Services Director; Brian Thomas, Engineering Services Director; Dean Eckerson, Resource Recovery Services Director; and Cecelia Nichols-Fritzler, Office Manager/Secretary to the Board.

The purpose of the meeting was to review and comment on the Preliminary Sewer Service Charge Analysis for Fiscal Year 2020/2021 and the Draft Proposition 218 Notice. Ms. Margetich provided an overview, which is summarized in the meeting notes.

Analysis

Committee Chair Wright recommended the proposed Preliminary Sewer Service Charge Analysis for Fiscal Year 2020/2021 and the Draft Proposition 218 Notice be submitted for consideration to the full Board at the April 23, 2020 meeting. Committee meeting notes are provided as an informational report at regular Board Meetings as part of the Consent Calendar.

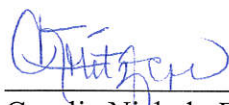
Financial Impact

None

Attachment

Finance Committee Meeting Notes, April 17, 2020

Prepared by:



Cecelia Nichols-Fritzler  
Office Manager/Secretary to the Board

Reviewed by:



Vince De Lange  
General Manager



## DRAFT MEETING NOTES

### 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.)**  
FRIDAY, APRIL 17, 2020  
10:00 A.M.

The meeting was called to order by Committee Chair, Sean Wright, on Friday, April 17, 2020 at 10:06 a.m. via Zoom audio. Present on the call were Vince De Lange, General Manager; Carol Margetich, Business Services Director; Dean Eckerson, Resource Recovery Services Director, Brian Thomas, Engineering Services Director; and Cecelia Nichols-Fritzler, Office Manager/Secretary to the Board.

#### PUBLIC COMMENTS

None.

#### REVIEW AND COMMENT ON PRELIMINARY SEWER SERVICE CHARGE ANALYSIS FOR FISCAL YEAR 2020/2021 AND DRAFT PROPOSITION 218 NOTICE

Ms. Margetich provided an overview of the FY20/21 budget and Sewer Service Charge (SSC) development schedule. She highlighted key guiding principles in developing SSCs, including critically reviewing the operating budget, ensuring effective capital improvement program (CIP) prioritization, utilizing a 5-year financial plan, maximizing cash funding of the CIP (versus debt financing), meeting the District's operating reserve policy, reserving future debt management capacity, and complying with all legal requirements. Ms. Margetich noted the District's five key funds that receive SSC component fund allocations. She summarized key assumptions in the 5-year SSC analysis, including the SSC-funded portion of the preliminary FY20/21 operating budget (\$26.7 million), draft 5-year CIP (\$82 million total, \$71 million funded by SSCs), current and pending debt, suspension of the Advanced Treatment Reserve Fund SSC component, and significant reduction of planned debt financing.

Ms. Margetich provided an overview of the proposed FY20/21 SSC increase for Antioch/Pittsburg (+3.5%) and Bay Point (+3.0%) customers, while noting the total increase in SSC annual revenue is \$1.1 million. She highlighted the SSC component distribution to specific funds, including suspension of the AT fund contribution and a significant increase in allocation to the Capital Asset Replacement (CAR) Fund to support cash funding of critical wastewater conveyance and treatment system infrastructure improvement projects. Ms. Margetich presented a breakdown of the District's SSC-funded expenses, highlighted that the District's SSCs remain below the average of its peer agencies, and noted that the current 5-year SSC increase projection is slightly lower than last year's forecast. She demonstrated financial impacts in the absence of the proposed SSC increases and presented anticipated revenues, expenses, and use of fund balance in the CAR Fund over the next five years. Ms. Margetich summarized key elements of the draft Proposition 218 Notice, the SSC implementation timeline, and recommended actions.

Director Wright noted that the current COVID-19 pandemic has negatively impacted local residents and businesses, and that the justification for an SSC increase needs to be clearly



communicated to the public during this time. After acknowledging the suspension of the AT Reserve Fund SSC component in FY20/21, he requested that staff provide more information to explain the significant increase in the CAR Fund SSC component.

In response, Mr. De Lange stated that the District has a number of major critical wastewater infrastructure projects in progress which, when combined with the emphasis on cash funding versus debt financing and reserving future debt capacity, is driving the significant increase in CAR Fund allocation. Ms. Margetich noted that this year's 5-year SSC analysis eliminates approximately \$20 million in debt financing that was assumed in last year's SSC analysis, because future higher borrowing costs (i.e., 4-5% interest versus historically low State Revolving Fund loans at 2% interest) would essentially double total project costs. Mr. De Lange noted that the CIP includes a new \$8.3 million project to address the Antioch Pump Station force main that failed in December 2019. He also noted that staff would modify the SSC presentation for the full Board meeting on April 23, 2020, to include a clear summary of the key drivers for the CAR Fund SSC increase. Last, Mr. De Lange stated that the District would be providing key fact sheets on its website immediately following issuance of the Proposition 218 Notice, describing "Nutrient Management," "Infrastructure Investment," and the District's "Rate-setting Process."

Director Wright underscored the need to clearly communicate to the public during these uncertain times that the District's approach to rate setting provides long-term benefits, as well as an overall significant reduction in costs to its customers.

#### **ADJOURNMENT**

Chair Wright adjourned the meeting at 10:39 pm.

Recording Secretary: Cecelia Nichols-Fritzler





April 23, 2020

REVIEW PROPOSED SEWER SERVICE CHARGE INCREASES; SET PUBLIC HEARING FOR JUNE 25, 2020 AT 4:30 PM TO CONSIDER PROTESTS AND ADOPTION OF SEWER SERVICE CHARGE INCREASES AND TO CONSIDER AUTHORIZING COLLECTION OF INCREASED SEWER SERVICE CHARGES ON THE TAX ROLL; AND AUTHORIZE DISTRIBUTION OF PROPOSITION 218 HEARING NOTICES AND PUBLICATION OF HEARING NOTICES.

### **RECOMMENDATION**

- 1) Review proposed Sewer Service Charge (SSC) increases for Fiscal Year 2020/2021 (FY20/21).
- 2) Set public hearing for June 25, 2020 at 4:30 pm, at which the Board will do the following: receive public comments; consider all protests received; consider whether to adopt an ordinance establishing increased SSCs effective FY20/21; and consider whether to adopt a resolution authorizing collection of the increased SSCs on the tax roll.
- 3) Authorize distribution of Proposition 218 Hearing Notices addressing proposed SSC increases and notifying property owners of the public hearing on this matter; and authorize publication of hearing notices in accordance with Health and Safety Code Section 5473.1.

### **Summary**

The proposed SSC increases include:

- Applying a 3.5% SSC rate increase for Antioch (District Zone 3) and Pittsburg (District Zone 2) residential and non-residential customers in FY20/21. The proposed rate increase (does not include wastewater collection services, which are provided by the respective cities) equates to an SSC increase of \$13.63 per year or approximately \$1.14 per month for residential customers.
- Applying a 3.0% SSC rate increase to Bay Point (District Zone 1) residential and non-residential customers in FY20/21. The proposed rate increase (includes wastewater collection services provided by the District) equates to an SSC increase of \$16.21 per year or approximately \$1.35 per month for residential customers.

### **No Proposed Street Sweeping Charge Increase**

- Annual street sweeping charges, which vary by community, are not proposed to increase.
  - Annual single-family residential: \$4.58 for Bay Point, \$10.26 for Pittsburg, \$5.60 for Antioch
  - Annual non-residential unit: \$45.80 for Bay Point, \$51.35 for Pittsburg, \$56.00 for Antioch

### **Background Information**

Delta Diablo is a California special district that provides wastewater conveyance and treatment, recycled water production and distribution, renewable energy production, pollution prevention, street sweeping, and household hazardous waste (HHW) collection services to over 213,000 customers in Antioch, Pittsburg, and Bay Point. As a progressive “Utility of the Future,” the District embraces innovative approaches, sustainable solutions, and community engagement in achieving its core mission of protecting public health and the environment, while maintaining reasonable rates and serving as responsible stewards of the public’s resources and trust. For Bay Point, the District also provides wastewater collection services, and only Bay Point customers are charged for those additional services through a separate SSC component to recover wastewater collection system operating, maintenance, and rehabilitation costs (Bay Point Collections). SSC revenues are not used to pay for any capital costs related to growth, which is funded through the District’s Capital Facilities Capacity Charges (CFCCs).



The District's SSC revenue is allocated to several key funds to support ongoing operations, as well as capital investment in existing and future infrastructure, as described below.

1. Regional Treatment and Conveyance: Funds facility operation and maintenance (O&M) costs associated with regional wastewater conveyance and treatment, as well as the District's share of the Delta HHW facility expenses.
2. Capital Asset: Funds new wastewater capital projects that are not related to new growth (the District charges separate CFCCs for growth-related capital costs).
3. Capital Asset Replacement: Funds capital infrastructure renewal and replacement projects.
4. Advanced Treatment Reserve: This fund is designed to minimize significant future rate increases by providing dedicated funding to meet a future, more stringent regulatory requirement for advanced wastewater treatment (i.e., removal of nutrients from treated wastewater prior to discharge).
5. Bay Point Collections: This SSC rate component is only collected for Bay Point customers and funds operation and maintenance/rehabilitation of the Bay Point collection system.

Each year, the District submits required information to Contra Costa County to place SSCs on the property tax roll for most customers. The wastewater sector is heavily regulated with new and emerging issues competing with aging infrastructure needs, operating budget challenges (e.g., chemical, energy, hauling costs) regulatory compliance obligations, and limited state and federal funding support. Staff endeavors to meet these challenges while ensuring the District's SSCs are amongst the lowest when compared to its peer agencies in the Bay Area region.

Staff presented the proposed SSC analyses to the Finance Committee on April 17, 2020, and the Committee recommended that the SSC increases for FY20/21, proposed public hearing date, and draft Proposition 218 Notice be presented to the Board for consideration at its April 23, 2020 meeting. Staff will incorporate comments received from the Finance Committee (refer to Attachment 1) in the presentation to the full Board on April 23, 2020.

### **Analysis**

In order to determine annual revenue requirements to meet operating cost and capital investment needs, the District utilizes a long-term financial plan model that considers a 10-year planning horizon while focusing on balancing revenues and costs by fund over the next 5 years through application of SSC adjustments, operating cost reductions, prioritization of capital investment needs, and financing assumptions (i.e., cash funding versus debt financing). Key model inputs include the preliminary FY20/21 operating budget with estimated increases in subsequent years and the draft FY20/21-FY24/25 Capital Improvement Program (CIP), which will be presented to the Board for consideration in draft and final form in May and June 2020, respectively. In developing the proposed FY20/21 SSCs, staff worked with an experienced financial planning consultant to refine the District's rate modeling approach to effectively support dynamic scenario planning and sensitivity analyses across a range of operating cost, capital investment, existing fund balance use, and financing assumptions, while meeting the District's fiscal policy requirements. This financial planning approach ensures the District is charging rates that are appropriate to recover costs of providing service and in compliance with California law, including Proposition 218. Staff has determined that the proposed FY20/21 SSCs are necessary and meet the following requirements:

- Collects sufficient revenue to meet current and long-term projected costs of operations and maintenance, fund capital investment in aging infrastructure necessary to maintain effective and reliable services, and maintain overall financial stability



- Complies with state-mandated regulatory requirements
- Meets and complies with annual debt service requirements
- Avoids generating operational deficits and depleting reserves
- Complies with California Constitution Article XIII D, Section 6, which includes the following requirements:
  - An agency cannot collect revenue beyond what is necessary to provide service
  - No charge may be imposed for a service unless that service is actually used or immediately available to the owner of the property
  - Revenues derived from the charge shall not be used for any other purpose other than that for which the charge was imposed
  - The amount of the charge must be proportional to the cost of the service, and the apportionment of total costs of service amongst ratepayer classes must be reasonable (e.g., avoidance of subsidization within the rates)
- Meets District fiscal policy to maintain a minimum reserve balance of 40 percent of annual budgeted operating expenditures in the Regional Treatment and Conveyance (Wastewater O&M) Fund
- Meets commitments made in loan agreements

In June 2019, the Board adopted an FY19/20 SSC increase of 4.5% for Antioch/Pittsburg customers and 3.5% for Bay Point customers. At that time, staff projected a future FY20/21 SSC increase of 4.5% for Antioch/Pittsburg customers (current proposed SSC increase = 3.5%) and 3.5% for Bay Point customers (current proposed SSC increase = 3.0%). The proposed FY20/21 SSC increase is presented in Table 1 below (refer to attached draft Proposition 218 Notice for increases to non-residential customers).

**Table 1 – Example Annual Single-Family Residential SSC on Property Tax Bills for FY20/21**

| Residential Service  | Current FY19/20 | Proposed FY20/21 | Annual Change |
|--|-----------------|------------------|---------------|
| 3.5% SSC Increase for Customers in Antioch (Zone 3*) and Pittsburg (Zone 2*)                     | \$389.47        | \$403.10         | \$13.63       |
| 3.0% SSC Increase for Customers in Bay Point (Zone 1*) (includes wastewater collection services) | \$540.26        | \$556.47         | \$16.21       |

\*As shown on Map of Zones 1, 2, and 3 on file with the Board Clerk.

The following key considerations and assumptions were used in completing the SSC analysis:

- Growth: Although the current rate of growth in the District’s service area is relatively low (i.e., 5-year average of 400 equivalent residential units per year), the District factors in this growth in calculating SSCs each year to ensure equitable cost allocation across all District customers.
- Operating Expenses. The District continues to experience progressive increases in annual operating costs over time due to escalations in chemical, energy, materials, supplies, equipment, hauling, and services costs, as well as increasingly more stringent regulatory requirements. When specific cost forecasts were not available, an annual operating expense increase of 3.1% was assumed based on the Bureau of Labor Statistics Consumer Price Index 5-year average for the San Francisco Bay Area region.
- Salaries and Benefits. The labor cost assumption was based on budgeted salaries and benefits based on positions included in existing labor agreements. Total salary and benefits costs were increased by 3.2% annually.
- Wastewater Infrastructure Investment Costs. As presented to the Board on March 11, 2020, the District continues to implement major capital improvements to ensure the continued reliability of its wastewater conveyance, collection, and treatment infrastructure. The draft FY20/21-FY24/25



Capital Improvement Program (CIP) totals \$82 million and includes approximately \$71 million of prioritized wastewater conveyance and treatment system infrastructure investment needs to be funded by SSCs. In addition, a facility condition assessment effort at the District's Wastewater Treatment Plant will be conducted later this year as part of the current Resource Recovery Facility Master Plan (RRFMP) scope, which will likely identify additional capital needs for future prioritization. It should be noted that the draft CIP also includes \$8.3 million for the new Antioch Pump Station and Conveyance System Improvements Project, which was not included in the current FY19/20-FY23/24 CIP. This project was initiated following Board approval on January 15, 2020, and was developed in response to failure of Antioch Force Main 102 on December 3, 2019.

- Financing Assumptions: Because the Clean Water State Revolving Fund is oversubscribed, the District will likely have significantly less access to low-interest loans (i.e., ~2.0% for wastewater projects, ~1.0% for recycled water projects). In response, the District will prioritize cash funding the majority of its CIP to provide the lowest cost of capital to its customers, while maintaining future debt capacity for secondary process capacity expansion and long-term nutrient removal (Advanced Treatment) projects, as described below.
- Advanced Treatment (AT) Reserve Fund: The District continues to modify its original approach to collecting revenues for the AT Fund, which was proactively established in 2011 to avoid sharp rate increases to customers due to implementation of nutrient removal upgrades at the District's Wastewater Treatment Plant. In recent years, the District has successfully collaborated with regulators, the scientific community, and other Bay Area Clean Water Agencies members to focus on nutrient impact analyses and water quality modeling in San Francisco Bay rather than the future imposition of regional nutrient removal permit limits. The key outcome of this collaborative effort has been an approximate 10-year extension in the originally-anticipated implementation timeline. In response to the implementation timeline extension, the Board has taken actions to reduce and eliminate planned AT Fund SSC component increases in June 2018 and June 2019, respectively. As presented at the Board Meeting on March 11, 2020, in addition to the timeline extension, staff has estimated that the initial capital cost for nutrient management is lower than originally anticipated and will most likely be combined with a secondary treatment capacity plant expansion. Based on this new information and the anticipated timeline for using these funds, staff has suspended the SSC rate component contribution in the 5-year rate model analysis. Suspension of the AT Fund SSC component has allowed staff to increase revenue to the CAR Fund, which has eliminated approximately \$20 million in assumed debt financing from last year's 5-year rate analysis. Staff anticipates a future inter-fund loan from the AT Fund to the CAR Fund (see discussion below) to further support cash funding infrastructure improvement projects. The inter-fund loan term will be consistent with the new timeline for planned use of AT Reserve Fund monies. The timing of this loan will correspond with the current RRFMP analysis to identify additional priority capital improvements not included in the current CIP (based on facility condition assessment findings) and refined timelines and schedules associated with nutrient management needs.
- Regulatory Requirements. Because the wastewater sector is highly regulated, the District is subject to new requirements, such as unfunded mandated programs, increasingly stringent process monitoring and reporting requirements, and/or compliance with updated testing standards.
- Economic Reserves. Maintaining sufficient economic reserves is an essential part of the District's ability to ensure reliable and cost-effective services now and in the future. As referenced above, the District has established a policy to maintain a minimum reserve balance of 40 percent of annual budgeted operating expenditures in the Regional Treatment and Conveyance (Wastewater O&M) Fund. In addition, all fund balances are considered in the 5-year financial plan that resulted in the proposed SSC increases. A number of these funds are designated to support multiple District



services (beyond wastewater operations) and are constrained as to their use, applicability, and consideration as “available cash.” Maintaining economic reserves supports the District’s efforts to meet unanticipated operating costs, continue services during unforeseen economic events and emergencies, and address other urgent and/or unusual items. Future capital planning is a cost of current service, because current service does not just include providing wastewater conveyance and treatment service today, but also ensuring ongoing, reliable service into the future.

- Debt Service Coverage. The District is obligated to meet debt service coverage requirements related to long-term debt as part of various loan agreements. On November 13, 2019, the Board adopted a Debt Management and Continuing Disclosure Policy, which included a minimum debt service coverage ratio (ratio of net revenues to debt service) of 1.80, which helps maintaining the District’s good credit rating, reduce future borrowing costs, and ensure long-term financial sustainability.

In FY20/21, the SSC component for the CAR Fund has been increased to support cash funding (versus debt financing) of critical wastewater infrastructure projects. This approach provides the highest overall value to District ratepayers, because it eliminates approximately \$20 million in new debt issuances that would have doubled the total project cost when accounting for interest payment over the debt term and the lack of available Clean Water State Revolving Fund low-interest loans. Cash funding current infrastructure improvements also preserves future debt management capacity for long-term treatment process upgrade and expansion improvements.

In addition, a facility condition assessment will be completed for the District’s Wastewater Treatment Plant later this year. It is anticipated that this assessment will likely identify additional priority wastewater infrastructure investment needs not included in the current CIP. Staff would then consider the extent to which any needed improvements could be funded with contributions to the CAR Fund component of the SSCs rather than through long-term debt financing.

#### Inter-fund Loans

Inter-fund loan repayments are also planned from the Capital Expansion Fund to the CAR Fund to repay funds previously borrowed to cover anticipated shortfalls in CFCC revenue and CFCC-funded debt service. Because the Capital Expansion Fund is funded by new development through CFCCs, the loan payments include interest based on Local Agency Investment Fund interest rates. The first repayments to the CAR Fund and Regional Treatment and Conveyance System (Wastewater O&M) Fund began in FY17/18, because the existing bonded debt was retired in FY16/17. Inter-fund load repayments of \$0.9 million to the CAR fund are planned in FY20/21.

Although no additional inter-fund loans are planned for FY20/21, the 5-year SSC analysis anticipates a significant loan from (e.g., \$4-5 million) from the AT Reserve Fund to the CAR Fund largely in FY22/23 to further support cash funding of major capital improvement projects in the near term. Based on the extended timeline for AT Reserve Fund use, no loan repayment was included within the 5-year SSC analysis period.

#### Street Sweeping Services

Street sweeping service charges are not proposed to increase next year, as they are sufficient to cover the costs of providing these services.

#### **Public Communication and Outreach**

In compliance with Article XIII D, Section 6 of the California Constitution, and Government Code Section 53750, *et seq.*, notices on proposed rate increases are planned to be sent to all utility customer



accounts by May 1, 2020 (a minimum of 45 days prior to the public hearing in June) (refer to attachment). The Notice includes the information required under Proposition 218, and outlines the process for protesting the proposed rate increases. Written protests can be mailed or hand delivered to the District on or before the public hearing date, or in person at the public hearing in June. In addition, notices of the public hearing will be published twice in the East County Times, in accordance with Health and Safety Code Section 5473.1 to provide notice of the proposed collection of the SSCs on the tax roll. At the close of the public hearing, the Secretary to the Board will announce the total number of protest responses. If written protests against the proposed rate increases are presented by a majority of the parcel owners in the District's service area, the District cannot implement the SSC rate adjustments.

If the state and local COVID-19 emergencies remain in effect in June, the meeting agenda posted prior to the June Board meeting 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 then in effect.

#### Fiscal Impact

If the Board approves the proposed SSC increases after the June 25, 2020 public hearing, Pittsburg and Antioch residential customers would see an estimated increase of \$13.63 per year or approximately \$1.14 per month, an approximate increase of 3.5%. Bay Point residential customers would see an estimated annual increase of \$16.21 or approximately \$1.35 per month, an approximate increase of 3.0%. The proposed SSC increases for Pittsburg, Antioch, and Bay Point customers in FY20/21 would result in additional annual SSC revenue of approximately \$1.09 million to recover increased costs of providing wastewater service in FY20/21.

Following implementation of the proposed SSC increase, the District's cost for providing wastewater conveyance and treatment services would remain amongst the lowest when compared to peer agencies in the San Francisco Bay Area region. A comparison of total rates for wastewater collection and treatment services, including District SSCs and wastewater collection rates for Antioch and Pittsburg, to regional peer agencies will be included in the presentation.

#### Attachments

- 1) Finance Committee Staff Report Memorandum dated April 17, 2020 (w/o attachment)
- 2) Draft Proposition 218 Notice

Prepared by:   
Carol S. Margetich  
Business Services Director

Reviewed by:   
Vince De Lange  
General Manager

cc: District File CORP.07-CORRES



**AGENDA  
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.)**  
**FRIDAY, APRIL 17, 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.

**How to participate in the meeting via ZOOM (audio only)**

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

**Meeting ID: 994 3572 6785 #**

**A. PUBLIC COMMENTS**

**B. REVIEW AND COMMENT ON PRELIMINARY SEWER SERVICE CHARGE ANALYSIS FOR FISCAL YEAR 2020/2021 AND DRAFT PROPOSITION 218 NOTICE**

**C. ADJOURNMENT**

The District will provide reasonable accommodations for persons with disabilities who plan to participate in Board (or committee) meetings by contacting the Secretary to the Board 24-hours prior to the scheduled meeting at (925) 756-1927. Disclosable public records related to an open session item on a regular meeting agenda and distributed by the District to a majority of members of the Board of Directors less than 72 hours prior to that meeting are available for public inspection on the District website at [www.deltadiablo.org](http://www.deltadiablo.org)

**ITEM B**



**MEMORANDUM**

Date: April 17, 2020

To: Sean Wright, Chair, Finance Committee

From: Carol S. Margetich, Business Services Director *CM*

SUBJECT: REVIEW AND COMMENT ON PRELIMINARY SEWER SERVICE CHARGE ANALYSIS FOR FISCAL YEAR 2020/2021 AND DRAFT PROPOSITION 218 NOTICE

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**RECOMMENDATION**

- 1) Review and comment on proposed Sewer Service Charge (SSC) increases for Fiscal Year 2020/2021 (FY20/21).
- 2) Review and comment on draft Proposition 218 Notice addressing proposed SSC increases and notifying property owners of the public hearing on this matter.
- 3) Approve submitting the proposed FY20/21 SSC, draft Proposition 218 Notice, and public hearing date for consideration at the April 23, 2020 Board meeting.

**Summary**

The proposed rate increases include:

- Applying a 3.5% SSC rate increase for Antioch (District Zone 3) and Pittsburg (District Zone 2) residential and non-residential customers in FY20/21. The proposed rate increase (does not include wastewater collection services, which are provided by the respective cities) equates to an SSC increase of \$13.63 per year or approximately \$1.14 per month for residential customers.
- Applying a 3.0% SSC rate increase to Bay Point (District Zone 1) residential and non-residential customers in FY20/21. The proposed rate increase (includes wastewater collection services provided by the District) equates to an SSC increase of \$16.21 per year or approximately \$1.35 per month for residential customers.

**No Proposed Street Sweeping Charge Increase**

- Annual street sweeping charges, which vary by community, are not proposed to increase.
  - Annual single-family residential: \$4.58 for Bay Point, \$10.26 for Pittsburg, \$5.60 for Antioch
  - Annual non-residential unit: \$45.80 for Bay Point, \$51.35 for Pittsburg, \$56.00 for Antioch

**Background Information**

Delta Diablo is a California special district that provides wastewater conveyance and treatment, recycled water production and distribution, renewable energy production, pollution prevention, street sweeping, and household hazardous waste (HHW) collection services to over 213,000 customers in Antioch, Pittsburg, and Bay Point. As a progressive “Utility of the Future,” the District embraces innovative approaches, sustainable solutions, and community engagement in achieving its core mission of



protecting public health and the environment, while maintaining reasonable rates and serving as responsible stewards of the public's resources and trust. For Bay Point, the District also provides wastewater collection services, and only Bay Point customers are charged for those additional services through a separate SSC component to recover wastewater collection system operating, maintenance, and rehabilitation costs (Bay Point Collections). SSC revenues are not used to pay for any capital costs related to growth, which is funded through the District's Capital Facilities Capacity Charges (CFCCs). The District's SSC revenue is allocated to several key funds to support ongoing operations, as well as capital investment in existing and future infrastructure, as described below.

1. Regional Treatment and Conveyance: Funds facility operation and maintenance (O&M) costs associated with regional wastewater conveyance and treatment, as well as the District's share of the Delta HHW facility expenses.
2. Capital Asset: Funds new wastewater capital projects that are not related to new growth (the District charges separate CFCCs for growth-related capital costs).
3. Capital Asset Replacement: Funds capital infrastructure renewal and replacement projects.
4. Advanced Treatment Reserve: This fund is designed to minimize significant future rate increases by providing dedicated funding to meet a future, more stringent regulatory requirement for advanced wastewater treatment (i.e., removal of nutrients from treated wastewater prior to discharge).
5. Bay Point Collections: This SSC rate component is only collected for Bay Point customers and funds operation and maintenance/rehabilitation of the Bay Point collection system.

Each year, the District submits required information to Contra Costa County to place SSCs on the property tax roll for most customers. The wastewater sector is heavily regulated with new and emerging issues competing with aging infrastructure needs, operating budget challenges (e.g., chemical, energy, hauling costs) regulatory compliance obligations, and limited state and federal funding support. Staff endeavors to meet these challenges while ensuring the District's SSCs are amongst the lowest when compared to its peer agencies in the Bay Area region.

### **Analysis**

In order to determine annual revenue requirements to meet operating cost and capital investment needs, the District utilizes a long-term financial rate model that considers a 10-year planning horizon while focusing on balancing revenues and costs by fund over the next 5 years through application of SSC increases, operating cost reductions, prioritization of capital investment needs, and financing assumptions (i.e., cash funding versus debt financing). Key model inputs include the preliminary FY20/21 operating budget with estimated increases in subsequent years and the draft FY20/21-FY24/25 Capital Improvement Program (CIP), which will be presented to the Board for consideration in draft and final form in May and June 2020, respectively. In developing the proposed FY20/21 SSCs, staff worked with an experienced financial planning consultant to refine the District's rate modeling approach to effectively support dynamic scenario planning and sensitivity analyses across a range of operating cost, capital investment, existing fund balance use, and financing assumptions, while meeting the District's fiscal policy requirements. This approach ensures the District is charging rates that are appropriate to cover costs of providing service and in compliance with California law, including Proposition 218.

April 17, 2020

REVIEW AND COMMENT ON PRELIMINARY SEWER SERVICE CHARGE ANALYSIS FOR FISCAL YEAR 2020/2021 AND DRAFT PROPOSITION 218 NOTICE

Page 3

Following completion of the rate modeling analysis, staff has determined that the proposed FY20/21 SSC increase is required and meets the following requirements:

- Collect sufficient revenue to meet current and long-term projected costs of operations and maintenance, fund capital investment in aging infrastructure necessary to maintain effective and reliable services, and maintain overall financial stability
- Comply with state-mandated regulatory requirements
- Meet and comply with annual debt service requirements
- Avoid generating operational deficits and depleting reserves
- Comply with California Constitution Article XIII D, Section 6, which includes the following requirements:
  - An agency cannot collect revenue beyond what is necessary to provide service
  - No charge may be imposed for a service unless that service is actually used or immediately available to the owner of the property
  - Revenues derived from the charge shall not be used for any other purpose other than that for which the charge was imposed
  - The amount of the charge must be proportional to the cost of the service, and the apportionment of total costs of service amongst ratepayer classes must be reasonable (e.g., avoidance of subsidization within the rates)
- Meet District fiscal policy to maintain a minimum reserve balance of 40 percent of annual budgeted operating expenditures in the Regional Treatment and Conveyance (Wastewater O&M) Fund
- Meet commitments made in loan agreements

In June 2019, the Board adopted an FY19/20 SSC increase of 4.5% for Antioch/Pittsburg customers and 3.5% for Bay Point customers. At that time, staff projected a future FY20/21 SSC increase of 4.5% for Antioch/Pittsburg customers (current proposed SSC increase = 3.5%) and 3.5% for Bay Point customers (current proposed SSC increase = 3.0%). The proposed FY20/21 SSC increase is presented in Table 1 below (refer to attached draft Proposition 218 Notice for increases to non-residential customers).

**Table 1 – Example Annual Single-Family Residential SSC on Property Tax Bills for FY20/21**

| Residential Service  | Current FY19/20 | Proposed FY20/21 | Annual Change |
|--|-----------------|------------------|---------------|
| 3.5% SSC Increase for Customers in Antioch (Zone 3*) and Pittsburg (Zone 2*)                     | \$389.47        | \$403.10         | \$13.63       |
| 3.0% SSC Increase for Customers in Bay Point (Zone 1*) (includes wastewater collection services) | \$540.26        | \$556.47         | \$16.21       |

\*As shown on Map of Zones 1, 2, and 3 on file with the Board Clerk.

The following key considerations and assumptions were used in completing the SSC analysis:

- Growth: Although the current rate of growth in the District’s service area is relatively low (i.e., 5-year average of 400 equivalent residential units per year), the District factors in this growth in calculating SSCs each year to ensure equitable cost allocation across all District customers.
- Operating Expenses. The District continues to experience progressive increases in annual operating costs over time due to escalations in chemical, energy, materials, supplies, equipment, hauling, and services costs, as well as increasingly more stringent regulatory requirements. When specific cost

forecasts were not available, an annual operating expense increase of 3.1% was assumed in the rate model forecast based on the Bureau of Labor Statistics Consumer Price Index 5-year average for the San Francisco Bay Area region.

- Salaries and Benefits. The labor cost assumption was based on budgeted salaries and benefits based on positions included in existing labor agreements. Total salary and benefits costs were increased by 3.2% annually.
- Wastewater Infrastructure Investment Costs. As presented to the Board on March 11, 2020, the District continues to implement major capital improvements to ensure the continued reliability of its wastewater conveyance, collection, and treatment infrastructure. The draft FY20/21-FY24/25 Capital Improvement Program (CIP) includes approximately \$71 million of prioritized wastewater conveyance and treatment system infrastructure investment needs; in addition, staff intends to conduct a detailed facility condition assessment effort at the District's Wastewater Treatment Plant later this year as part of the current Resource Recovery Facility Master Plan scope, which will likely identify additional capital needs for future prioritization. It should be noted that the draft CIP also includes \$8.3 million for the new Antioch Pump Station and Conveyance System Improvements Project, which was not included in the current FY19/20-FY23/24 CIP. This project was initiated following Board approval on January 15, 2020 and was developed in response to failure of Antioch Force Main 102 on December 3, 2019.
- Financing Assumptions: Because the Clean Water State Revolving Fund is oversubscribed, the District will likely have significantly less access to low-interest loans (i.e., ~2.0% for wastewater projects, ~1.0% for recycled water projects). In response, the District continues to maintain a focus on cash funding the majority of its CIP to provide the lowest cost of capital to its customers, while maintaining future debt capacity for secondary process capacity expansion and long-term nutrient removal (Advanced Treatment), as described below.
- Advanced Treatment (AT) Reserve Fund: The District continues to modify its original approach to collecting revenues for the AT Fund, which was proactively established in 2011 to avoid sharp rate increases to customers due to implementation of nutrient removal upgrades at the District's Wastewater Treatment Plant. In recent years, the District has successfully collaborated with regulators, the scientific community, and other Bay Area Clean Water Agencies members to focus on nutrient impact analyses and water quality modeling in San Francisco Bay rather than the future imposition of regional nutrient removal permit limits. The key outcome of this collaborative effort has been an approximate 10-year extension in the originally-anticipated implementation timeline. In response to the implementation timeline extension, the Board has taken actions to reduce and eliminate planned AT Fund SSC component increases in June 2018 and June 2019, respectively. As presented at the Board Meeting on March 11, 2020, in addition to the timeline extension, staff has estimated that the initial capital cost for nutrient management is lower than originally anticipated and will most likely be combined with a secondary treatment capacity plant expansion. Based on this new information and the anticipated timeline for using these funds, staff has eliminated the SSC rate component contribution in the 5-year rate model analysis. Furthermore, staff has included a \$5 million inter-fund loan from the AT Fund to the Capital Asset Replacement (CAR) Fund in FY20/21 to support cash funding major infrastructure improvement projects. The inter-fund load term will be consistent with the new timeline for planned use of AT Reserve Fund monies. Elimination of the AT

Fund SSC component has allowed staff to increase revenue to the CAR Fund, which has eliminated approximately \$20 million in assumed debt financing from last year's 5-year rate analysis.

- Regulatory Requirements. Because the wastewater sector is highly regulated, the District is subject to new requirements, such as unfunded mandated programs, increasingly stringent process monitoring and reporting requirements, and/or compliance with updated testing standards.
- Economic Reserves. Maintaining sufficient economic reserves is an essential part of the District's ability to ensure reliable and cost-effective services now and in the future. As referenced above, the District has established a policy to maintain a minimum reserve balance of 40 percent of annual budgeted operating expenditures in the Regional Treatment and Conveyance (Wastewater O&M) Fund. In addition, all fund balances are considered in the 5-year rate model analysis that resulted in the proposed SSC increases. A number of these funds are designated to support multiple District services (beyond wastewater operations) and are constrained as to their use, applicability, and consideration as "available cash." Maintaining economic reserves supports the District's efforts to meet unanticipated operating costs, continue services during unforeseen economic events and emergencies, and address other urgent and/or unusual items. Future capital planning is a cost of current service, because current service does not just include providing wastewater conveyance and treatment service today, but also ensuring ongoing, reliable service into the future.
- Debt Service Coverage. The District is obligated to meet debt service coverage requirements related to long-term debt as part of various loan agreements. On November 13, 2019, the Board adopted a Debt Management and Continuing Disclosure Policy, which included a minimum debt service coverage ratio (ratio of net revenues to debt service) of 1.80, which helps maintaining the District's good credit rating, reduce future borrowing costs, and ensure long-term financial sustainability.

#### Inter-fund Loans

Inter-fund loan repayments are also planned from the Capital Expansion fund to the CAR fund to repay funds previously borrowed to cover anticipated shortfalls in CFCC revenue and CFCC-funded debt service. Because the Capital Expansion fund is funded by new development through CFCCs, the loan payments include interest based on Local Agency Investment Fund interest rates. The first repayments to the CAR fund and Regional Treatment and Conveyance System (Wastewater O&M) fund began in FY17/18, because the existing bonded debt was retired in FY16/17. Inter-fund load repayments of \$0.9 million to the CAR fund are planned in FY20/21.

As referenced above, the 5-year SSC analysis includes a loan of \$5 million from the AT Reserve Fund to the CAR fund to support cash funding of major capital improvement projects (i.e., Headworks Improvement Project) in the near term. Based on the extended timeline for AT Fund use, no loan repayment is included in the 5-year rate model analysis.

#### Street Sweeping Services

Street sweeping service charges are not proposed to increase next year, as they are sufficient to cover the costs of providing these services.

#### **Public Communication and Outreach**

In compliance with Article XIII D, Section 6 of the California Constitution, and Government Code Section 53750, *et seq.*, notices on proposed rate increases are planned to be sent to all utility customer

Sean Wright, Chair, Finance Committee

April 17, 2020

REVIEW AND COMMENT ON PRELIMINARY SEWER SERVICE CHARGE ANALYSIS FOR  
FISCAL YEAR 2020/2021 AND DRAFT PROPOSITION 218 NOTICE

Page 6

accounts by May 1, 2020 (a minimum of 45 days prior to the public hearing in June) (refer to attachment). The Notice outlines the process for protesting the proposed rate increases. Protest ballots can be mailed or hand delivered to the District on or before the public hearing date, or in person at the public hearing in June. In addition, pursuant to Government Code requirements, notices of the public hearing will be published twice in the East County Times. At the close of the public hearing, the Secretary to the Board will announce the total number of protest responses. If written protests against the proposed rate increases are presented by a majority of the parcel owners in the District's service area, the District cannot implement the SSC rate adjustments.

If the state and local COVID-19 emergencies remain in effect in June, the meeting agenda posted prior to the June Board meeting 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 then in effect.

Fiscal Impact

With the proposed rate increase, Pittsburg and Antioch residential customers would see an estimated increase of \$13.63 per year or approximately \$1.14 per month, an increase of 3.5%. Bay Point residential customers would see an estimated annual increase of \$16.21 or approximately \$1.35 per month, an increase of 3.0%. The proposed SSC increases for Pittsburg, Antioch, and Bay Point customers in FY20/21 will result in additional annual SSC revenue of approximately \$1.09 million.

Following implementation of the proposed SSC increase, the District's cost for providing wastewater conveyance and treatment services would remain amongst the lowest when compared to peer agencies in the San Francisco Bay Area region. A comparison of total rates for wastewater collection and treatment services, including District SSCs and wastewater collection rates for Antioch and Pittsburg, to regional peer agencies will be included in the presentation to the Finance Committee.

Attachment

Draft Proposition 218 Notice

CSM/rcm

cc: District File CORP.07-CORRES-XXX

Chron File

**DRAFT**

## Notice of Proposed Sewer Service Charge Rate Increases for Fiscal Year 2020/2021

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 **Thursday, June 25, 2020 at 4:30 p.m. in the Board Room at 2500 Pittsburg-Antioch Highway, Antioch, California**, to consider adoption of proposed rate adjustments for wastewater utility services. A summary of the proposed rates, key financial drivers, and instructions for protesting the rate increases (if desired) are provided below.

If the state and local COVID-19 emergencies remain in effect in June, the meeting agenda posted prior to the June 25, 2020 Board meeting 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 then in effect.

### WHAT IS DELTA DIABLO?

Delta Diablo ("District") provides wastewater conveyance and treatment services for over 70,000 customer accounts (residential and non-residential), representing approximately 213,000 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 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 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 2020/2021 SEWER SERVICE CHARGES

For Fiscal Year 2020/2021 (FY20/21) (July 1, 2020 – June 30, 2021), the District is proposing Sewer Service Charge (SSC) increases of approximately 3.5% for residential customers in Antioch and Pittsburg, and 3.0% for residential customers in Bay Point. Non-residential customer rates have also been adjusted and vary based on customer class. The District collects SSCs from its customers each year to provide the primary revenue source needed to fund labor, energy, chemicals, regulatory compliance requirements, plant maintenance, capital infrastructure renewal and rehabilitation, and Delta HHW facility operation.

Because the District's costs in these categories will increase in the next fiscal year, SSC adjustments are required to recover the District's costs, maintain financial integrity, and ensure long-term fiscal sustainability. The SSCs are calculated based on the cost to provide service with customers typically billed on a fiscal-year basis via annual property tax bills.

**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** below. 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 number of units.

**Table 1 – Example Annual Single-Family Residential SSC on Property Tax Bills for FY20/21**

| Residential Service Customers | Proposed SSC Increase* | Current FY19/20 | Proposed FY20/21 | Annual Change |
|-------------------------------|------------------------|-----------------|------------------|---------------|
| Antioch/Pittsburg             | 3.5%                   | \$389.47        | \$403.10         | \$13.63       |
| Bay Point**                   | 3.0%                   | \$540.26        | \$556.47         | \$16.21       |

Note: \* Percentage increases are approximate.

\*\* Delta Diablo provides wastewater collection services for Bay Point customers only, while the respective cities provide these services for Antioch and Pittsburg customers.

The property tax bills will also include an annual street sweeping service charge (no increase) that varies by community based on frequency of service.

**Non-residential Customers:** The District is proposing increased SSCs for commercial and industrial customers based on annual potable water consumption (i.e., SSC is per hundred cubic feet per year [HCF/y]) as presented in **Table 2** below by business class and city/community. If annual potable water consumption is less than 90 HCF/y, a minimum annual charge will be applied. The property tax bills will also include an annual street sweeping service charge (no increase) that varies by community based on frequency of service.

**Table 2 – Non-residential Proposed User Charges: Total SSC per Hundred Cubic Feet per year**

| Business Class<br>(Commercial/<br>Industrial) | Zone 1 – Bay Point |                  | Zone 2 – Pittsburg |                  | Zone 3 – Antioch |                  |
|---|--------------------|------------------|--------------------|------------------|------------------|------------------|
|   | Current FY19/20    | Proposed FY20/21 | Current FY19/20    | Proposed FY20/21 | Current FY19/20  | Proposed FY20/21 |
| Bakeries/<br>Restaurants                      | \$9.19             | \$9.47           | \$7.74             | \$8.01           | \$7.67           | \$7.94           |
| Light Industrial                              | \$6.33             | \$6.52           | \$4.72             | \$4.89           | \$4.69           | \$4.85           |
| Hotels/Motels                                 | N/A                | N/A              | \$4.13             | \$4.27           | \$4.48           | \$4.64           |
| Institutional                                 | \$6.33             | \$6.52           | \$4.72             | \$4.89           | \$4.69           | \$4.85           |
| Marinas                                       | N/A                | N/A              | \$6.09             | \$6.30           | \$6.13           | \$6.34           |
| Misc. Commercial                              | \$6.33             | \$6.52           | \$4.72             | \$4.89           | \$4.63           | \$4.79           |
| Mortuaries                                    | N/A                | N/A              | \$5.34             | \$5.53           | \$5.36           | \$5.55           |
| Annual Minimum                                | \$540.26           | \$556.47         | \$389.47           | \$403.10         | \$389.47         | \$403.10         |

## WHAT DO SEWER SERVICE CHARGES FUND?

The District's SSC revenue is allocated to several key funds to support ongoing operations, as well as capital investment in existing and future infrastructure, as shown in **Table 3** below.

- Regional Treatment and Conveyance:** Funds facility operation and maintenance costs associated with regional wastewater conveyance and treatment, as well as the Delta HHW facility.
- Capital Asset:** Funds new wastewater capital projects that are not related to new growth (the District charges separate Capital Facilities Capacity Charges for growth-related capital costs).
- Capital Asset Replacement:** Funds capital infrastructure renewal and replacement projects.
- Advanced Treatment Reserve:** This SSC rate component has been suspended for FY20/21 based on a revised implementation schedule and capital cost estimate. This fund is designed to minimize significant future rate increases by providing dedicated funding to meet a future, more stringent regulatory requirement for advanced wastewater treatment.
- Bay Point Collections:** This SSC rate component is only collected for Bay Point customers and funds operation, maintenance, and rehabilitation of the Bay Point collection system.

Table 3 – Example Annual Single-Family Residential SSC by Component for FY20/21

| Sewer Service Charge (SSC) Component             | Antioch/Pittsburg |                  | Bay Point       |                  |
|--|-------------------|------------------|-----------------|------------------|
|  | Current FY19/20   | Proposed FY20/21 | Current FY19/20 | Proposed FY20/21 |
| Regional Treatment/Conveyance                    | \$280.58          | \$286.03         | \$280.58        | \$286.03         |
| Capital Asset                                    | \$18.47           | \$4.18           | \$18.47         | \$4.18           |
| Capital Asset Replacement                        | \$33.37*          | \$112.89         | \$33.37*        | \$112.89         |
| Advanced Treatment Reserve Fund                  | \$57.05*          | \$0.00           | \$57.05*        | \$0.00           |
| Bay Point Collections                            | N/A               | N/A              | \$150.79        | \$153.37         |
| <b>Total SSC per Equivalent Residential Unit</b> | \$389.47          | \$403.10         | \$540.26        | \$556.47         |
| Estimated Monthly Charge                         | \$32.46           | \$33.59          | \$45.02         | \$46.37          |

\* A \$4 million loan to the Capital Asset Replacement (CAR) Fund from the Advanced Treatment (AT) Reserve Fund was executed, which yielded effective SSC components for CAR and AT Funds of \$86.37 and \$4.05, respectively, for FY19/20.

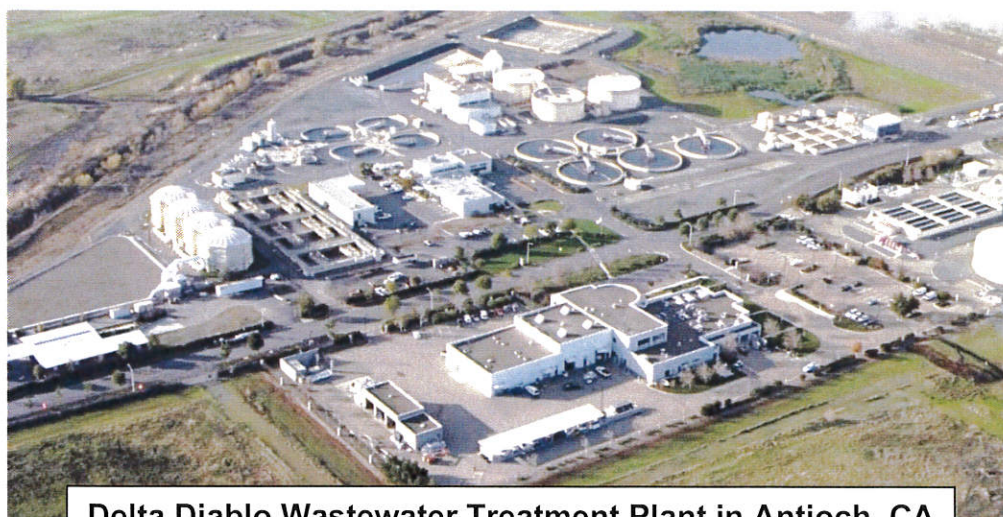
In FY20/21, the SSC component for the Capital Asset Replacement Fund has been increased to support cash funding (versus debt financing) of critical wastewater infrastructure projects. This approach provides the highest overall value to District ratepayers, because it eliminates approximately \$20 million in new debt that would have increased total project cost when accounting for interest payments over the debt term. Cash funding current infrastructure needs also preserves debt management capacity for future long-term treatment process upgrades and expansion.

More information on the District's costs can be found in 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 Thursday, June 25, 2020, at 4:30 p.m., in the Board Room at 2500 Pittsburg-Antioch Highway, Antioch, California, 94509. If the state and local COVID-19 emergencies remain in effect in June, the meeting agenda posted prior to the June 25, 2020 Board meeting 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 then in effect. 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 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 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



**Delta Diablo Wastewater Treatment Plant in Antioch, CA**

responses, including any received at 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 increase.





2500 Pittsburg-Antioch Highway  
Antioch, CA 94509

**NOTICE OF PUBLIC HEARING  
PROPOSED SEWER SERVICE CHARGE  
RATE INCREASES**

**4:30 PM  
THURSDAY, JUNE 25, 2020  
2500 PITTSBURG-ANTIOCH HIGHWAY  
ANTIOCH, CA 94509**



Delta Diablo provides wastewater conveyance and treatment services to approximately 213,000 customers in Pittsburg, Antioch, and Bay Point.

*Our core mission is to protect public health and the environment in our communities by providing wastewater resource recovery services of exceptional quality and value.*

**Environmental  
Stewardship**

In treating 13 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](http://www.deltadiablo.org) or call (925) 756-1900.

April 23, 2020

RECEIVE UPDATE ON DISTRICT RESPONSE TO CORONAVIRUSRECOMMENDATION

Receive an update on the District's response to the coronavirus (COVID-19) pandemic.

Background Information

In accordance with the COVID-19 County Health Orders, the District is considered "Essential Infrastructure" in providing "Essential Governmental Functions" to protect public health and the environment. As reported to the Board on April 8, 2020, the District has implemented a suite of preventive measures to protect the safety, health, and well-being of employees who continue to provide essential wastewater collection and treatment services during the shelter-in-place order. Staff continues to monitor federal, state, and local level health directives and recommendations, while implementing appropriate measures to further reduce the potential for spreading of COVID-19 in the workplace. Staff will provide a summary of recent preventive measures and response actions.

Analysis

*Current Status:* As of April 20, 2020, no District employees have tested positive for COVID-19 and 85% of non-O&M/Lab staff have been transitioned off site via designation as non-essential or teleworking status. The District is continuing to reinforce social distancing practices, minimize direct contact between critical workgroup members, provide informational updates to staff, and reduce direct staff contact with contractors and consultants. After the initial development and implementation of modified staffing plans and shift schedules for the Operations Division and Maintenance Division, these staffing plans were recently optimized to further safeguard these essential field personnel, as follows:

- Operations Division: Two independent teams alternating 7 days ON/7 days OFF, mix of 12-hour and 8-hour shifts (prior schedule included 12-hour shifts only) with weekend standby and planned overtime necessary to provide full time coverage. The schedule optimization reduced overtime costs by 45%, lowered the potential for staff fatigue, and minimized direct contact between teams at shift turnover.
- Maintenance Division: Three independent teams alternating Monday through Friday, 8-hour shifts, with 7 days per week standby, and emergency standby to cover maintenance response needs. The schedule optimization lowered the potential for staff fatigue, minimized the use of paid administrative leave to balance work hours, and further reduced direct contact between critical staff.

In the unfortunate event an employee contracts coronavirus, the District will immediately conduct a thorough cleaning of the affected work areas, notify staff, and identify close contacts who may have had a higher risk of exposure. The infected employee will be required to self-isolate until they are deemed healthy for return to work. Consistent with interim guidance issued by the Centers for Disease Control and Prevention (CDC), close contacts would likely be



allowed to continue working to ensure continuity of essential functions, while following additional protective measures, rather than self-isolate at home.

If the District experiences a significant reduction in O&M staff, contingency plans have been established for staff augmentation through a variety of methods including temporary use of contract personnel and/or retirees, as well as temporary out-of-class assignments. These contingency plans include provisions for reducing workload and the number of staff on shift, while still meeting regulatory and permit requirements.

On April 17, 2020, Contra Costa Health Services issued a public health emergency order requiring anyone working or visiting an essential business to wear face coverings to help reduce the spread of COVID-19, effective April 23, 2020. This order requires District staff, consultants, and contractors to wear face coverings when interacting with the public, working in any public spaces, working together in common areas or enclosed spaces, and wherever food is prepared. In response to this order, the District has procured face coverings for issuance to staff and has informed contractors and consultants of this new requirement.

*Construction Projects:* There are seven capital improvement projects that have been determined to be necessary for the operation and maintenance of essential infrastructure and remain active. Associated contractors and consultants are required to follow social distancing protocols and develop social distancing guidelines for procedures that require direct engagement with District staff. A District Operations Division staff member has been designated to work independently from other operators to provide capital project support for facility access, system outage requests, and construction coordination.

#### Financial Impacts

As of April 20, 2020, the District has incurred a total of \$61,000 in regular and overtime staff labor costs in response to COVID-19. The District has paid \$2,100 to date for additional day shift building janitorial cleaning and disinfecting services, and purchased additional cleaning and sanitizing supplies, and personal protective equipment totaling \$2,800. Sufficient funding is available in the approved Fiscal Year 2019/2020 Operating Budget to cover these costs.

#### Attachment

None

Prepared by:

  
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Resource Recovery Services Director

