



Wastewater  
Treatment



TRANSFORMING  
WASTEWATER  
TO RESOURCES



Recycled  
Water



Energy  
Production



Biosolids  
Reuse

# Capital Facilities Capacity Charges Development Overview

Finance Committee  
September 30, 2024

# Capital Facilities Capacity Charge (CFCC) Update Schedule



<b>September</b>	● <b>9/30</b> Fin Comm: Review CFCC Development Overview and Key Assumptions ←
<b>October</b>	● <b>10/9</b> Review CFCC Development Overview and Key Assumptions ● <b>TBD</b> Fin Comm: Review Proposed CFCCs
<b>November</b>	● <b>11/6</b> Review Proposed CFCCs, Schedule Public Hearing
<b>December</b>	● <b>12/11</b> Conduct Public Hearing, Consider Approval of Proposed CFCCs

# Overview

## Current District CFCCs



- **Current CFCCs** (approved by Board Ordinance No. 87, July 2006)
  - Bay Point (Zone 1): \$3,940/equivalent residential unit (ERU)
  - Pittsburg (Zone 2): \$4,358/ERU
  - Antioch (Zone 3): \$5,033/ERU
- **Projected FY24/25 CFCC Revenue = \$1.9M**
  - District incorporates recent CFCC revenue and growth in service area in financial planning activities each year
  - 5-year annual average growth = 745 ERUs (1,406 ERUs in 2021)
- **CFCCs are placed in WW Expansion Fund to pay portion of existing debt service, cost of new facilities to serve growth**
  - Current balance = \$15.7M (as of June 30, 2024)
- **Current 5-year CIP = \$187.1M (\$17.0M funded by CFCCs)**

# District Strategic Plan

## Fiscal Responsibility Goal



### Fiscal Responsibility

Manage financial resources effectively to meet funding needs and maintain fair and reasonable rates

**STRATEGY NO. 2** Ensure legal, equitable, and cost-of-service based rates with revenue need allocation to appropriate customer categories

**Key Objective** Ensure equitable collection of SSC revenue from existing customers and CFCCs from new customers (i.e., growth in service area)

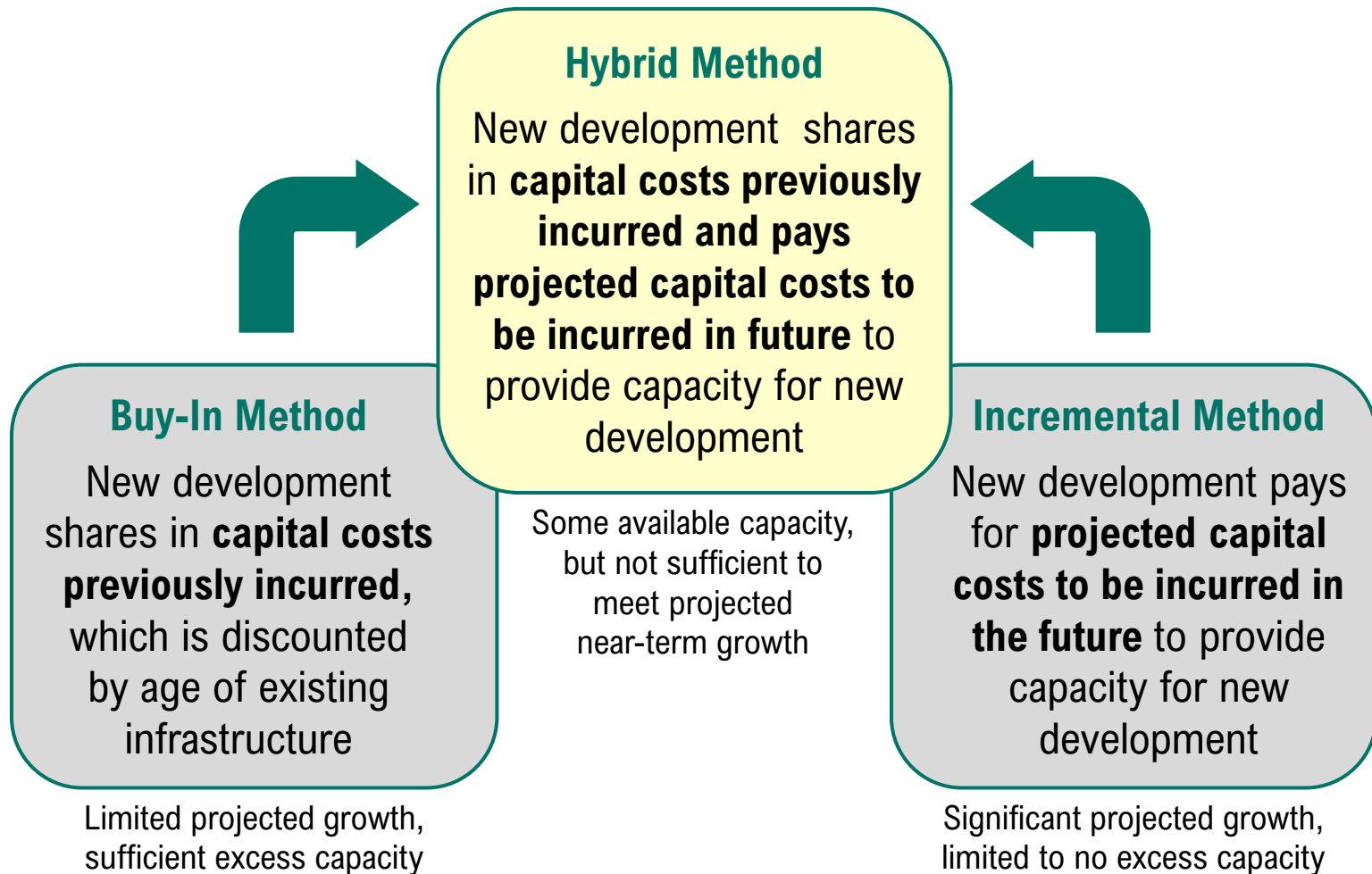
- Completed Resource Recovery Facility Master Plan (November 2022)
  - Projected **future WWTP flow and process loading** conditions
  - Assessed **available WWTP capacity** and **capital expansion needs**
  - Recommended **major capital improvements** to address WWTP capacity with preliminary cost estimates
- Implementing Secondary Process Improvements Phase 1 to **address WWTP capacity needs** with more detailed costs
- Procured consultant to develop **updated CFCC Study and proposed CFCCs**

# CFCC Development Guiding Principles

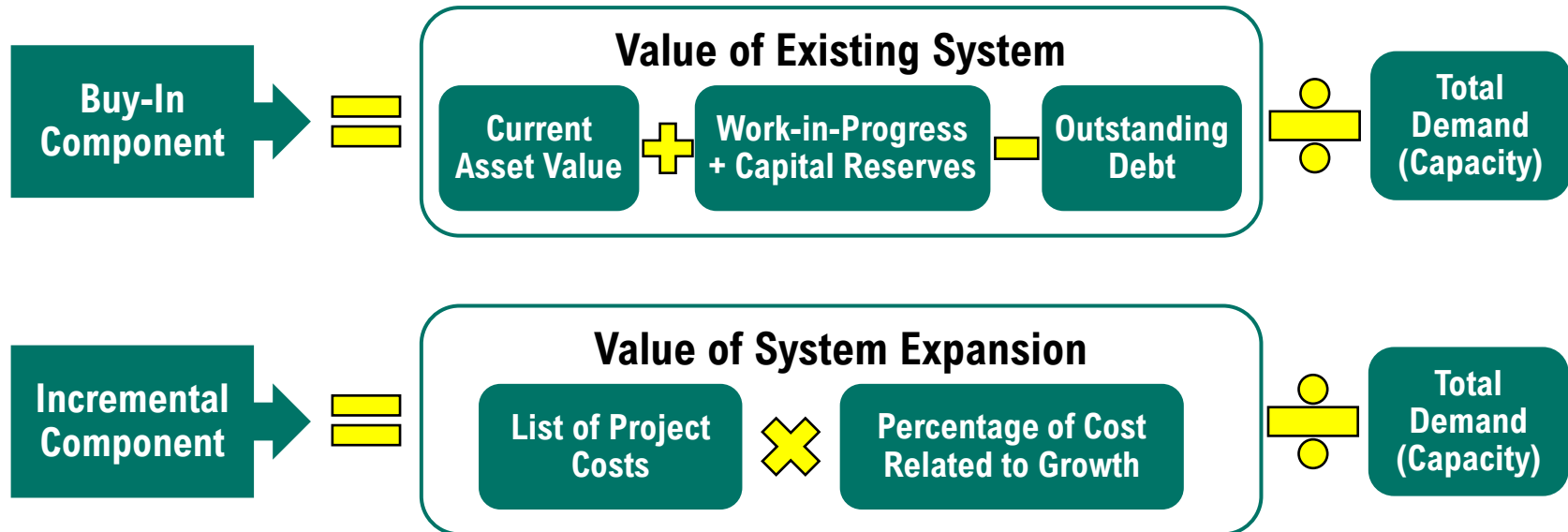
- Ensure fair, equitable, and cost-of-service based CFCCs with revenue need allocation to appropriate customers
- Assess CFCCs to ensure growth pays the full share of costs to provide facilities that serve growth
- Comply with regulatory and legal requirements for collection of connection fees



# CFCC Development Cost Allocation Methodology Options



# Hybrid Method CFCC Calculation Methodology



- Preliminary CFCC calculation indicates **Buy-In Component = 45%** and **Incremental Component = 55%** (validates use of Hybrid Method)

# CFCC Development Key Assumptions



## Buy-In Component (Existing Assets)

- Utilize “Replacement Cost Less Depreciation” approach (versus “Book Value” or “Market Value”) to determine Existing System Value
- Existing System Value = \$161M
- Capital Work-in-Progress = \$21M
- Capital-Related Reserves = \$50M
- Outstanding Debt (Principal) = \$27.9M
- Interest Secured by CFCCs = \$0.53M (net present value)

## Incremental Component (Future Asset Needs)

- Major WW Projects for New Growth
  - Secondary Process Improvements (15.5% of total) = \$32.6M
  - Antioch Pump Station and Conveyance System Improvements (18% of total) = \$4.1M
  - Assume costs will be recovered via CFCCs over next ~15-20 years



# CFCC Study

## Preliminary Recommendations



- ① Apply “Hybrid Method” for cost allocation that includes “Buy-in Method” combined with “Incremental Cost Method”
- ② Assess CFCC for WW Treatment for all three District zones (Bay Point, Pittsburg, Antioch) with additional CFCC component for Bay Point only for WW Collection System costs
  - CFCCs in Bay Point will be higher due to District-owned collection system, Pittsburg/Antioch own their respective systems
  - Similar to District Sewer Service Charges (SSCs), which include surcharge for Bay Point collection system
- ③ Implement changes to CFCC assessment for ADUs consistent with recent regulatory and legal requirements
- ④ Establish CFCC adjustment factor(s) for multi-family residential developments
- ⑤ Index CFCCs to ENR-CCI to provide for annual CFCC adjustments for each zone

# Next Steps

- Provide comments on CFCC development overview and key assumptions
- Recommend presentation at 10/9 Board Meeting
- Staff to conduct outreach to local Chambers of Commerce, development community, Building Industry Association (BIA)

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