



Wastewater
Treatment



TRANSFORMING
WASTEWATER
TO RESOURCES



Recycled
Water



Energy
Production



Biosolids
Reuse

Major Factors Impacting 5-Year CIP Development and SSC Financial Assumptions

Finance Committee Meeting
March 5, 2025

5-Year CIP Development Overview

Major Cost Impact Drivers



- Significant increase in estimated cost for largest capital project (\$210M to \$261.5M, **+\$51.5M**) over ten years
- Significant unplanned forcemain repair cost (**+\$9.5M**)
- Potential loss of assumed federal tax credits (**+\$6.5M**) under Inflation Reduction Act
- Moderate increase in estimated cost for two large capital projects (**+\$5.0M**)
- Staff has worked to reprioritize projects (moved \$11M to Years 6-10 in 5-year CIP); however, multiple high-priority, large-scale projects are driving cost impacts
- Current 5-year CIP = \$187.1M
Proposed 5-year CIP = \$232.2M (**+\$45.1M, +24%**)

5-Year CIP Development Overview

Major Cost Impact Drivers (cont'd)



Description	Current CIP = \$187.1M	Prelim. CIP = \$232.2M (+\$45.1M)	Key Drivers
Secondary Process Improvements (Phase 1)	\$110M	\$140.5M (+\$30.5M)	<ul style="list-style-type: none"> Cost increase from \$110M to \$140.5M due to design progress; supports regulatory mandate
Secondary Process Improvements (Phase 2)	\$0M	\$4.5M (+\$4.5M)	<ul style="list-style-type: none"> Cost increase from \$100M to \$121M due to design progress; meets regulatory mandate
Shore Acres Forcemain Repair	\$0M	\$9.5M (+\$9.5M)	<ul style="list-style-type: none"> Design and construction for permanent repair of Shore Acres Forcemain failure in Dec 2024
Cogeneration System Improvements	\$13.5M	\$20.0M (+\$6.5M)	<ul style="list-style-type: none"> Project no longer assumes federal IRA tax credits (\$6.5M) due to funding concerns
Antioch Pump Station and Conveyance System Improvements	\$22.0M	\$24.0M (+\$2.0M)	<ul style="list-style-type: none"> Escalated construction cost estimate based on updated completion schedule (FY29/30)
Manhole, Gravity Interceptor, and Easement Road Improvements Phase 2	\$11.0M	\$14.0M (+\$3.0M)	<ul style="list-style-type: none"> Escalated construction cost estimate based on updated completion schedule (FY28/29)

These six critical, high-priority projects comprise 91.5% (\$212.5M of \$232.2M) of the prelim. 5-year CIP

Major Impacts to Prior Financial Planning Assumptions

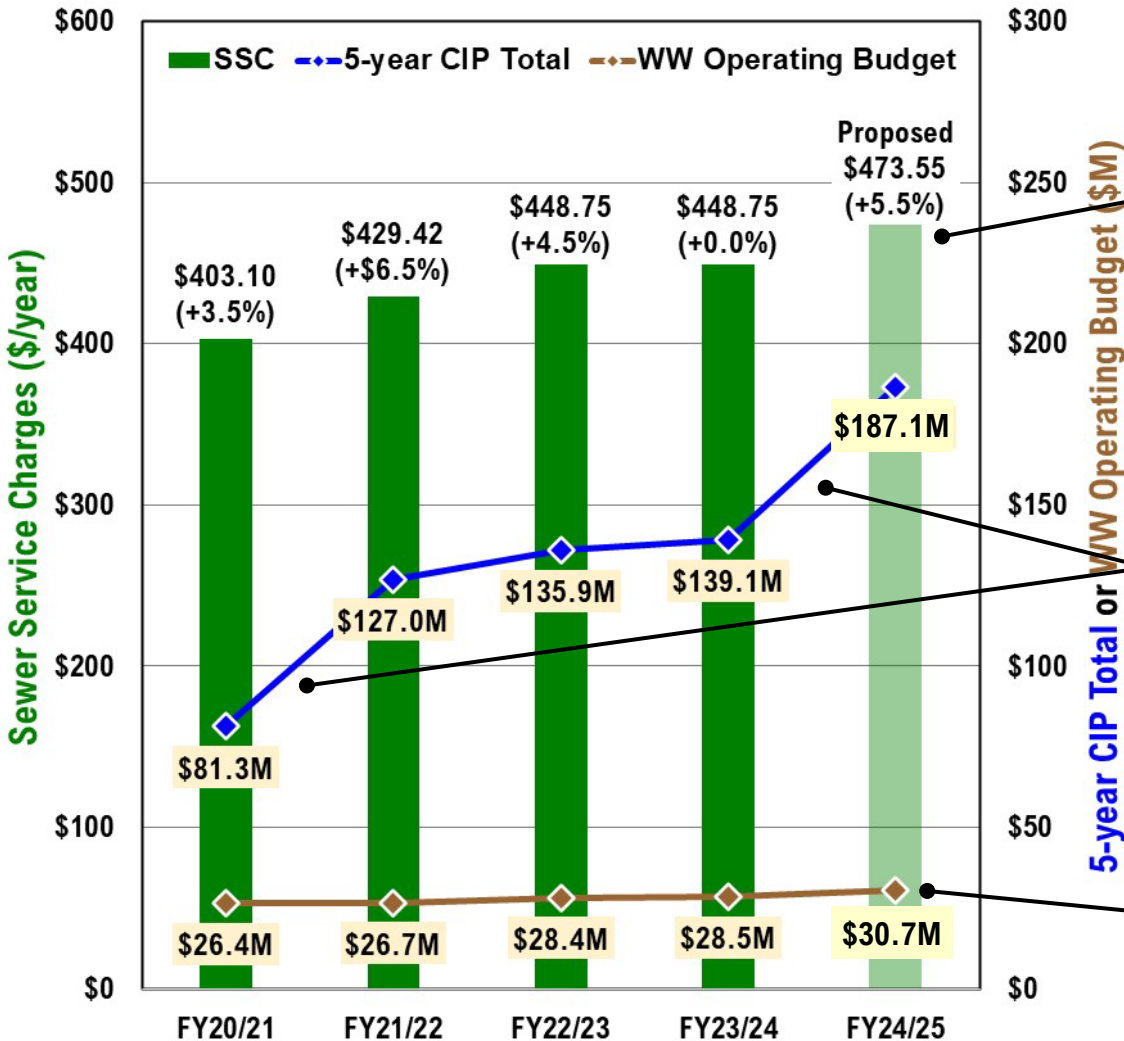


- Significant increases to prior SSC projection are required

Prior Projection (June 2024)	FY24/25	FY25/26	FY26/27	FY27/28	FY28/29
SSC Increase – Antioch/Pittsburg	5.5%	5.5%	3.5%	3.5%	3.5%
SSC Increase – Bay Point	5.4%	5.5%	3.5%	3.5%	3.5%

- Significant increase in debt funding of 5-year CIP is recommended to mitigate near-term SSC impacts
 - Current 5-year CIP = 71% cash (\$133M)/29% debt (\$54M) funding
 - Ensure SSCs generate sufficient revenue to meet debt service needs
- Staff expects operating budget pressure on SSCs as significant cost reductions have already been implemented

Historical Trends for WW Operating Budget, SSCs, CIP (from June 2024)



Effective SSC control with annualized average increase = 4.1% over last four years

- No SSC increase in FY23/24 due to schedule delay for several major capital projects

Significant growth in 5-year CIP to address aging infrastructure needs, nutrient removal requirements, and growth in service area

- Added \$60M Secondary Process Improvements in FY21/22
- Revised scope and updated cost (\$110M) for Secondary Process Improvements Phase 1 Project in FY24/25
- Significant increase in CIP debt financing assumptions over time

Effective operating budget control with annualized average increase = 3.8% over last four years despite inflationary pressure

Key Financial Planning Strategies



- Maximize cash funding to ensure lowest cost of capital for customers, maintain sufficient reserves for unplanned needs
- Cash fund majority of CIP projects, except for significant debt funding of Secondary Process Improvements Project
 - Align long-term debt funding approach with extended completion timeline (10-12 years) to meet regulatory mandate
 - Stagger public bond issuances to align with major construction phases
- Shift debt funding source from WIFIA to public bond offering
 - Bond issuance is expected to offer 0.5-1.0% lower borrowing rate
 - Monitor potential loss of tax-exempt status for municipal bonds
- Develop multi-year Proposition 218 Notice (two years, minimum) to support anticipated public bond offering (i.e., provides increased revenue collection certainty)

Key Financial Planning Strategies (cont'd)



- Ensure appropriate CIP project cost allocation to Wastewater Expansion Fund (funded by CFCCs)
 - District updated CFCCs in FY24/25 and expects to recommend CFCC adjustments in FY25/26 based on increased costs for projects that directly support growth in service area
- Update Street Sweeping Service Charge to address increased labor costs due to prevailing wages and expanded scope of services (i.e., avoids temporary inter-fund loan)
- Continue advocating for increased federal and state grants and low-interest loans—unlikely based on current conditions
- Staff has developed multiple SSC projection scenarios at various cash vs. debt CIP funding ratios for consideration
 - Includes estimated percentage of available debt capacity consumed

Preliminary SSC Projections for Various CIP Funding Approaches



CIP Funding Scenario	CIP Debt Funding (\$M)	CIP Cash Funding (\$M)	Debt Capacity Used (%)	FY 25/26	FY 26/27	FY 27/28	FY 28/29	FY 29/30	Additional 5-year SSC Revenue
29% Debt/71% Cash (Jun 2024)*	53.9*	133.2*	49%	5.5%	3.5%	3.5%	3.5%	6.5%	\$39.5M (Base)
0% Debt/100% Cash	0	232.2	0	25%	25%	20%	5%	5%	+\$119M
14% Debt/86% Cash	33.5	198.7	29%	15%	15%	15%	12%	10%	+\$71M
23% Debt/77% Cash	53.9	178.3	46%	10%	10%	15%	17%	19%	+\$59M
29% Debt/71% Cash	67.0	165.2	57%	8%	8%	12%	12%	12%	+\$38M
35% Debt/65% Cash	80.4	151.8	69%	10%	10%	10%	8%	8%	+\$36.7M
35% Debt/65% Cash	80.4	151.8	69%	8.5%	8.5%	8.5	11%	11%	+\$32.9M
43% Debt/57% Cash	100.5	131.7	87%	6.5%	6.5%	6.5%	7.5%	7.5%	+\$16M
50% Debt/50% Cash (Max Debt)	116	116.2	100%	5.5%	5.5%	5.5%	5.5%	8.5%	+\$9M

* Does not include significant increase in 5-Year CIP (\$187.1M to \$232.2M)

Upcoming Board Meetings SSC, CIP, and Budget Development



March 2025	<ul style="list-style-type: none">● 3/5 Fin Comm: Major Factors Impacting 5-Year CIP Development and SSC Financial Assumptions● 3/12 Review Major Factors Impacting 5-year CIP Development and SSC Financial Assumptions	
April 2025	<ul style="list-style-type: none">● 4/16 Fin Comm: Review Proposed SSCs/Prop. 218 Notice● 4/23 Review Proposed SSCs, Set Public Hearing, Approve Prop. 218 Notice	
May 2025	<ul style="list-style-type: none">● 5/X Fin Comm: Review Draft 5-Year CIP, FY25/26-26/27 Operating Budget Assumptions● 5/14 Review Draft 5-year CIP, Set Public Hearing Review FY25/26-26/27 Operating Budget Assumptions	
June 2025	<ul style="list-style-type: none">● 6/26 Conduct 5-year CIP Public Hearing, Consider Approval Conduct SSC Public Hearing, Consider Approval, Authorize Collection Consider FY25/26-26/27 Budget Approval	

Recommendations

- Provide comments on presentation
- Recommend presentation to Board of Directors on March 12, 2025

