



Wastewater
Treatment



TRANSFORMING
WASTEWATER
TO RESOURCES



Recycled
Water



Energy
Production



Biosolids
Reuse

Proposed Capital Facilities Capacity Charge Adjustments

Finance Committee
October 30, 2024

Capital Facilities Capacity Charge (CFCC) Update Schedule



September	● 9/30 Fin Comm: Review CFCC Development Overview and Key Assumptions
October	● 10/9 Review CFCC Development Overview and Key Assumptions ● 10/30 Fin Comm: Review Proposed CFCCs
November	● 11/6 Review Proposed CFCCs, Schedule Public Hearing
December	● 12/11 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)

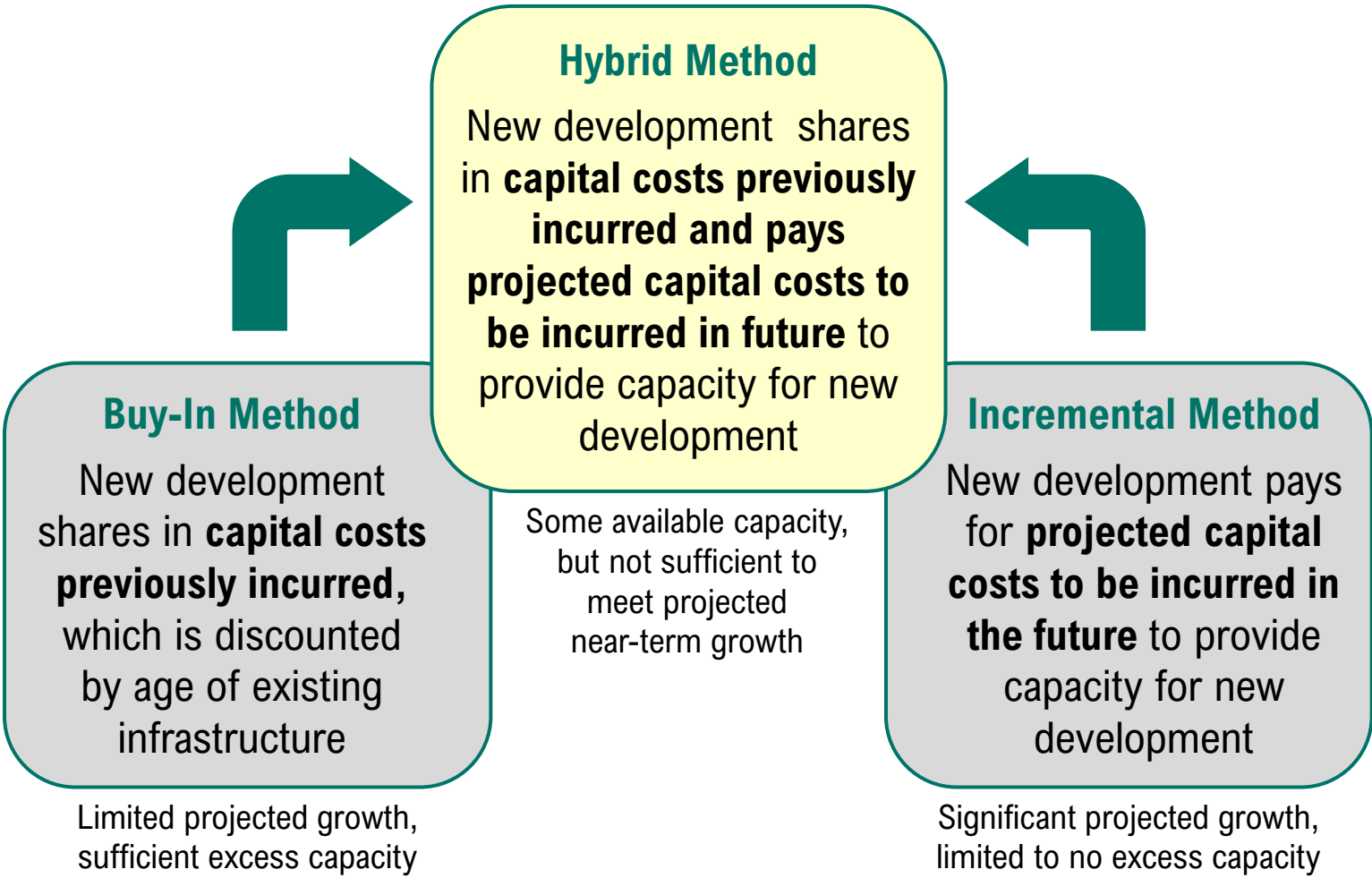
- Completed Resource Recovery Facility Master Plan (November 2022)
 - Projected **future WWTP flow and process loading** conditions
 - Assessed **available WWTP capacity** and **capital expansion needs**
 - Recommended **major capital improvements** to address WWTP capacity with preliminary cost estimates
- 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

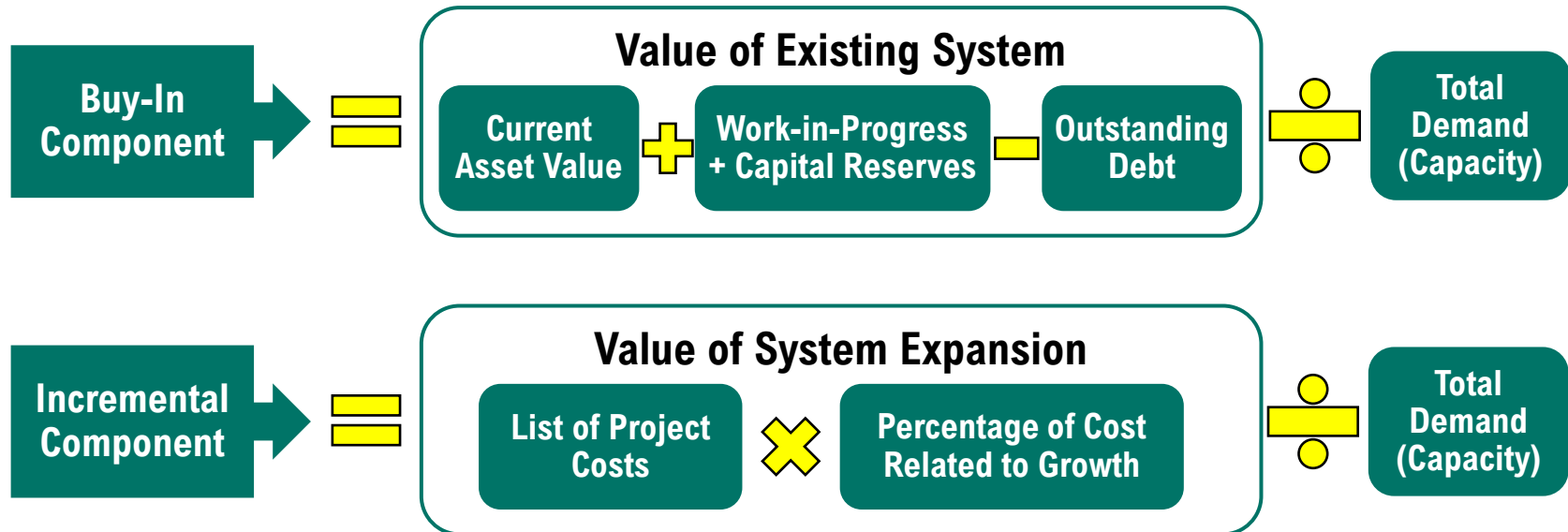
- Ensure fair, equitable, and cost-of-service based CFCCs with revenue need allocation to appropriate customers
- Assess CFCCs to ensure growth pays the full share of costs to provide facilities that serve growth
- Comply with regulatory and legal requirements for collection of connection fees



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-Related Reserves = \$52M
- Outstanding Debt (Principal) = \$27.9M
- Interest Secured by CFCCs = \$0.44M (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 Recommendations



- ① **Proposed CFCC Adjustments:** Assess **same CFCC (\$4,888 per ERU) for Wastewater Treatment/Conveyance** for all three District zones with **additional CFCC component for Bay Point (Zone 1) only (\$586 per ERU) for Wastewater Collection 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

District Zones	Current District CFCC (per ERU)	CFCC Component (per ERU)			Total Effective CFCC per ERU (District + City)	
		District Treatment & Conveyance (Proposed)	District Collection (Proposed)	City Collection (Current)	Current	Proposed
Bay Point (Zone 1)	\$3,940	\$4,888	\$586	N/A	\$3,940	\$5,474
Pittsburg (Zone 2)	\$4,358	\$4,888	N/A	\$2,956	\$7,314	\$7,844
Antioch (Zone 3)	\$5,033	\$4,888	N/A	\$2,671	\$7,704	\$7,559

CFCC Study

Recommendations (cont'd)



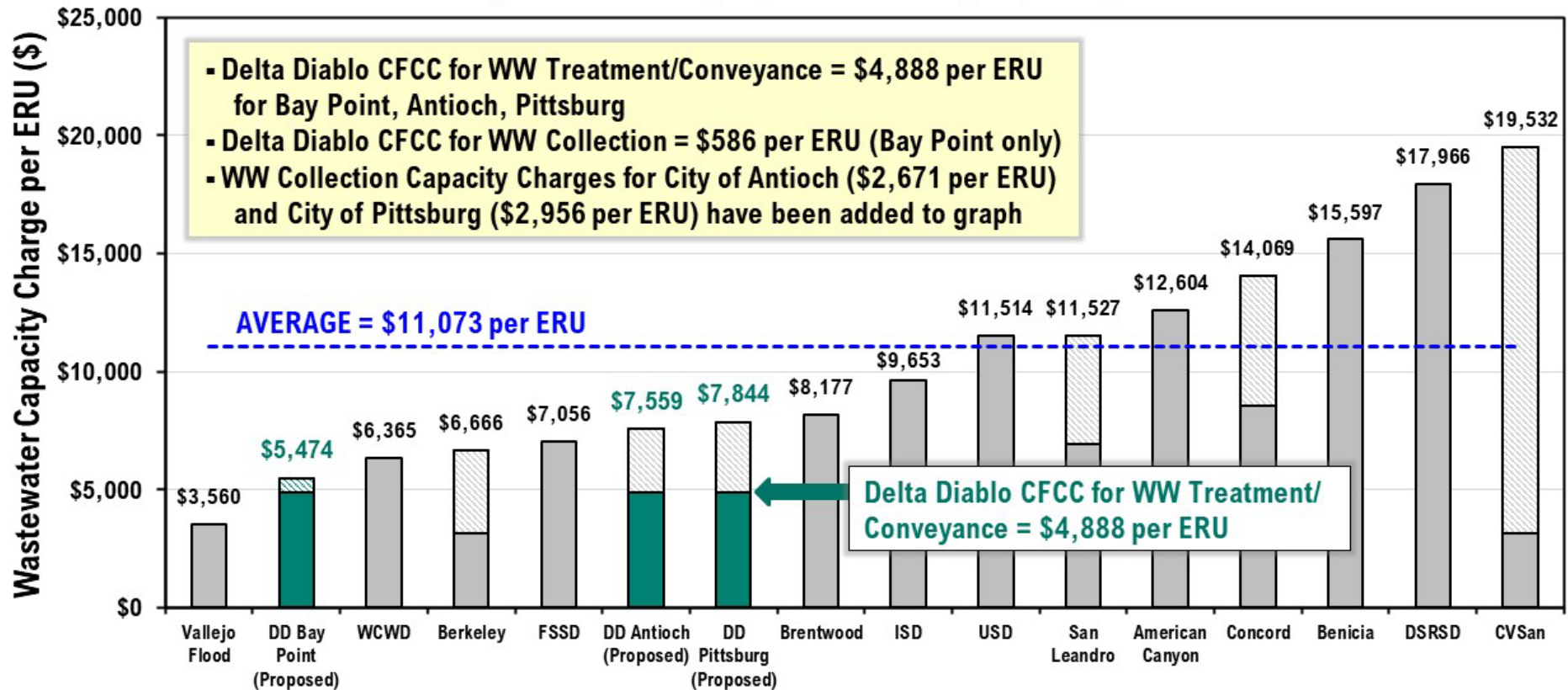
- ② Non-residential Customer ERU Calculation: No proposed changes to current methodology for commercial, industrial customers
 - ERU calculation is based on development type and associated impact (e.g., wastewater strength, flow) on District's Wastewater Treatment, Conveyance, and Collection systems
- ③ Accessory Dwelling Unit (ADU) CFCC Factors: Implement a proportionate fee structure consistent with regulatory/legal requirements

Dwelling Type	CFCC Factor
Single Family Residential – Each Unit	1.00 ERU
Multiple Dwelling Structure – Each Unit	1.00 ERU
Multiple Dwelling Structure – Each Unit	1.00 ERU
Accessory Dwelling Unit and Junior Accessory Dwelling Unit Exception: Conversion of space within an existing structure, may include an expansion of not more than 150 sf to facilitate ingress and egress	0.54 ERU per 1,000 sf 0.00 ERU
Commercial Trailer (Mobile Home) Parks – Each Trailer Space	1.00 ERU
Lodging Facilities – Each Lodging Unit	0.65 ERU

- ④ Index-based Annual CFCC Adjustments: Index CFCCs to ENR-CCI to provide for annual CFCC adjustments for each zone

Proposed CFCC Adjustments Peer Agency Comparison

Comparison of Peer Agency Wastewater Capacity Charges



Outreach Efforts



- Conduct outreach to development community via in-person and virtual meetings
 - Inform and solicit input regarding CFCC adjustments
 - Post Notice of Public Hearing and publish in Contra Costa Times and on District website
 - Distribute ~300 notices to developers, engineers, contractors, local chambers of commerce, Building Industry Association (BIA)

Next Steps

- Provide comments on proposed CFCC adjustments
- Recommend presentation at 11/6 Board Meeting
- Staff to conduct outreach to development community

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