



WASHINGTON UPDATE

NOVEMBER 12, 2013

POLITICS AND POLICY



ISSUES

- Political Atmosphere
- Budget
- Policy
 - Authorizations
 - Regulatory
- Appointments

POLITICAL ATMOSPHERE

- Record Low Approval
- Balkanization of Parties
- 2014 Elections Drive Debate



"I can do whatever I want—I come from a safe district."

BUDGET

- Short-Term Funding Resolution
 - Funding until January 15, 2014
 - Hinges on Budget Agreement December 13, 2013
- Two Options
 - Omnibus Funding Bill
 - 📖 Modify Sequestration Round 2
 - 📖 Potential Riders
 - Continuing Resolution
 - 📖 Second Sequestration
 - 📖 No Directives on Spending Priorities

LEGISLATING IN UNCERTAIN TIMES

- Water Resources Development
 - Conference Committee Imminent
 - No Earmarks
 - WIFIA and Tax Exempts
 - Emphasis on Local Government Role
- Water Infrastructure
 - SRF Renewal
 - WIFIA
 - Infrastructure Bank
 - Public Private Partnerships
 - Taxable Bonds (BABs)

EXAMPLES

- Plumbing Standards Rule Rollback
- Pesticides and NPDES Permits
- Revise CVPIA

CALIFORNIA WATER AND BAY DELTA

- Codify Water Contract Agreements
- Certainty of Water Deliveries
- Area of Origin
- CEQA ESA NEPA Revamp

TAX REFORM POLICY ISSUES

- Eliminate Tax Exempt Bonds

OTHER ISSUES

- Waters of the U.S.
 - Rule Pending
 - Preserves Waste Treatment Exemption
- BDCP Federal Comments
 - December 13
 - Concern over natural resources issues
- Climate Change
- Appointments
 - Deputy Secretary, Department of the Interior
 - Assistant Administrator for Water, USEPA



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EAST BAY MUNICIPAL UTILITY DISTRICT

Long-Term Financial Stability Update and Cost of Service Study

Board of Directors
November 12, 2013

Purpose

- Road map for financial planning activities over the next year
- Context for Cost of Service consultant contract on consent agenda

District Strategic Plan



Goals

Long-Term Water Supply

Water Quality &
Environmental Protection

Long-Term Infrastructure
Investment

Long-Term Financial
Stability

Customer Service

Workforce Planning &
Development

*Manage the District's
finances to support District
needs and maintain
reasonable water and
wastewater rates*

Long-Term Financial Stability



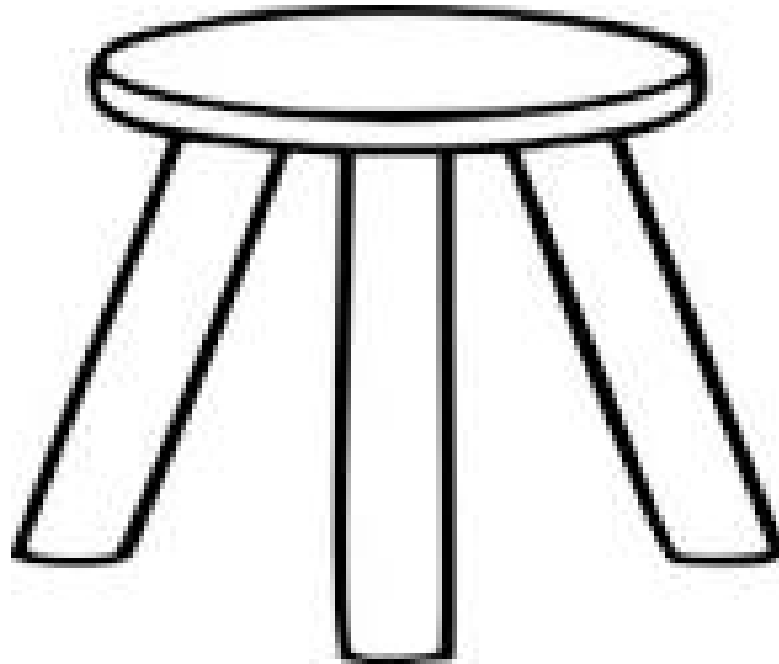
- Drought and recession required a focus on short-term cost containment
- FY 2014 and FY 2015 budget cycle shifted focus back to Long-Term Financial Stability
 - Invest in capital
 - Invest in operations
 - Make conservative assumptions

CY 2014 Focus Areas



- Long-Range Financing Plan
- Cost of Service Study

Long-Term Financial Stability



Revenue Requirement

- O&M costs
- Capital costs
- Debt service
- Financial policies

Cost of Service

- Allocate costs to customer classes based on usage characteristics

Rate Design

- Recovering costs from customers

Long Range Financing Plan (LRFP)



- Incorporate LRFP as strategy with related objectives and KPI's into the Strategic Plan
- Conduct workshops to consider and discuss policy issues
- Findings and recommendations to provide basis for FY 2016 and FY 2017 budget and rates

Long-Range Financing Plan



Proposed Workshop Topics

Workshop 1 (February)	Workshop 2 (June)	Workshop 3 (September)
<ul style="list-style-type: none">• Review workshop topics• Review financial planning model• Underlying assumptions• Key outputs• How policies drive revenue requirement	<ul style="list-style-type: none">• CIP projections• Review/evaluate capital investment policies• CIP funding debt vs. cash• Debt Service Coverage Ratios	<ul style="list-style-type: none">• Demand projections and variability• Funding drought costs• Fixed/variable revenues• Review/evaluate reserve policies• Seismic Improvement Program

Cost of Service Study



- State law requires public utility rates be based on cost of service
- Study allocates costs based on customer class usage characteristics and system design and operations
- Establishes nexus between usage and cost—basis for setting rates and charges
- District policy requires periodic review

Cost of Service Study

- Water and Wastewater enterprises
- Review existing methodologies, assumptions and calculations
- Develop and document updated cost of service financial models
- Raftelis Financial Consultants (RFC) selected to lead study
- Significant undertaking involving multiple departments
- Completed by end of CY 2014 in advance of FY 2016 and FY 2017 budget and rates