



**BOARD OF DIRECTORS  
EAST BAY MUNICIPAL UTILITY DISTRICT**

375 – 11<sup>th</sup> Street, Oakland, CA 94607

Office of the Secretary: (510) 287-0440

**AGENDA  
Finance/Administration Committee  
Tuesday, May 28, 2013  
10:00 a.m.  
Training Resource Center**

**(Committee Members: Directors Coleman {Chair}, Linney, and Patterson)**

**ROLL CALL:**

**PUBLIC COMMENT:** The Board of Directors is limited by State law to providing a brief response, asking questions for clarification, or referring a matter to staff when responding to items that are not listed on the agenda.

**DETERMINATION AND DISCUSSION:**

1. Sewer Agency Billing and Collection Services (Nishita)
2. Extendable Municipal Commercial Paper (Sandler)
3. Investment Management (Sandler)

**ADJOURNMENT:**

**Disability Notice**

*If you require a disability-related modification or accommodation to participate in an EBMUD public meeting please call the Office of the Secretary (510) 287-0404. We will make reasonable arrangements to ensure accessibility. Some special equipment arrangements may require 48 hours advance notice.*

**Document Availability**

*Materials related to an item on this Agenda that have been submitted to the EBMUD Board of Directors within 72 hours prior to this meeting are available for public inspection in EBMUD's Office of the Secretary at 375 11th Street, Oakland, California, during normal business hours.*



## EAST BAY MUNICIPAL UTILITY DISTRICT

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DATE: May 23, 2013

MEMO TO: Board of Directors

THROUGH: Alexander R. Coate, General Manager *ARC*

FROM: Carol Nishita, Director of Administration *CN*

SUBJECT: Sewer Agency Billing and Collection Services

### INTRODUCTION

The District bills sewer service charges for six sewer agencies (the cities of Oakland, Emeryville, Berkeley, San Leandro, and Oro Loma Sanitary District and Dublin-San Ramon Services District). The agreements between the District and all six agencies for these services will expire on June 30, 2013. The agreements require the sewer agencies to pay the District for billing and collection services based on a formula that incorporates the District's costs. Staff has negotiated a new ten-year contract with each of the six agencies that includes an additional formula for the agency's proportionate share of the cost of the new Customer Information System installed in September 2011. The agencies are currently in the process of obtaining approval from their respective governing bodies to enter into these agreements with the District.

Board consideration of the agreements with the six sewer agencies is scheduled for June 11, 2013. This item will be discussed at the May 28, 2013 Finance/Administration Committee meeting.

### DISCUSSION

For more than twenty years, the District has been providing billing and collection services to sewer agencies within the service area. The District has been providing these services to the cities of Oakland, Emeryville, Berkeley, San Leandro, the Oro Loma Sanitary District, and Dublin San Ramon Services District. Each sewer agency charge appears as a separate line item on the water bill, outlined and shaded distinctly from the rest of the bill's background color. Examples of how the sewer agencies' fees impact customers' water bills are shown on the tables exhibited on Attachment 1. Table 1.1 illustrates the impact to residential customers that also receive sewer services from the cities of Oakland, Berkeley, and Emeryville. Table 1.2 shows the impact to commercial customers that are also served by one of the six sewer agencies. A sample bill for a typical single-family residential customer with water, wastewater and sewer agency services is also attached (Attachment 2).

The District receives approximately \$1.9 million in revenues annually from all six sewer agencies while providing the billing and collection services without incurring additional operating expenses. In return, the ratepayers common to both the District and sewer agencies benefit from receiving services without duplicating the costs associated with billing, collection, and related customer service activities.

The existing ten-year agreements with the six sewer agencies will expire on June 30, 2013. District staff has been working with the agencies to negotiate new ten-year agreements that will allow us to continue to provide the services as we have in the past. Attachment 3 shows the total amount of revenue collected for each agency in FY13 and the amount each agency paid to the District for billing and collection services. In addition to paying for the billing and collection services under the new agreements, the six sewer agencies will also reimburse the District a total of approximately \$2.2 million over the next ten years for their proportionate share of the cost of the new Customer Information System installed in September 2011.

Staff will recommend that the Board approve the new ten-year agreements on June 11, 2013 in order for the District to continue providing billing and collection services to the sewer agencies from July 1, 2013 to June 30, 2023.

ARC:CN:RC

Attachments

## ATTACHMENT 1

### Current EBMUD and Sewer Agency Charges Bimonthly Single-Family Residential Customer Bill (10 Units)

Table 1.1

Agency	EBMUD Water & WW Charges	Sewer Agency Fees	Total Bill	Agency Fees as a % of Total Bill
Oakland	\$84.85	\$59.86	\$144.71	41%
Berkeley	\$84.85	\$31.10	\$115.95	27%
Emeryville	\$84.85	\$16.00	\$100.85	16%

### Current EBMUD and Sewer Agency Charges Bimonthly Commercial Customer Bill (50 Units)

Table 1.2

Agency	EBMUD Water & WW Charges	Sewer Agency Fees	Total Bill	Agency Fees as a % of Total Bill
San Leandro	\$191.74*	\$165.00	\$356.74	46%
Dublin-San Ramon	\$191.74*	\$146.50	\$338.24	43%
Oro Loma	\$191.74*	\$140.30	\$332.04	42%
Berkeley	\$ 294.08	\$169.50	\$463.50	37%
Oakland	\$294.08	\$102.00	\$396.08	26%
Emeryville	\$294.08	\$62.50	\$356.58	18%

*\* EBMUD Wastewater charges do not apply.*



# EAST BAY MUNICIPAL UTILITY DISTRICT

Attachment 2

EBMUD 1-866-40-EBMUD

YOUR ACCOUNT NO. IS:

00000000000

H

Next Read Date is 07/10/2013

Your Payment is Due by 06/03/2013



Customer Name

0000 ADDRESS

OAKLAND, CA 94608-1213

Bill Date: 05/21/13

Billing Period

From

To

3/13/13

5/13/13

For: 0000 Address  
Private Residence

AMOUNT

TOTAL

## PREVIOUS CHARGES AND CREDITS

PREVIOUS AMOUNT DUE

150.88

FULL PAYMENT - 03/29/13

-150.88

0.00

## WATER CHARGES - EBMUD

WATER SERVICE CHARGE

24.46

WATER FLOW CHARGE 10 UNITS @ 2.42

24.20

SEISMIC IMPROVEMENT PROGRAM SURCHARGE

4.56

53.22

## WASTEWATER CHARGES - EBMUD

WASTEWATER TREATMENT CHARGE

31.23

SE BAY POLLUTION PREVENTION FEE

0.40

31.63

CITY OF OAKLAND SEWER SERVICE

59.86

PLEASE SEE REVERSE SIDE  
FOR BILLING EXPLANATION

Please Pay This Amount Now Due

144.71

METER SIZE	ELEV. Band	METER READINGS Current	Previous	UNITS	CONSUMPTION INFORMATION Gallons	Days	Gal/Day
5/8 inch	1	1,479	1,469	10	7,480	61	123
		LAST	YEAR	11	8,228	60	137

PLEASE DETACH AND RETURN THIS PAYMENT STUB WITH CHECK OR MONEY ORDER PAYABLE TO EBMUD

0000 Address, Oakland, CA 946081213

3/13/13

5/13/13 ACCOUNT NO.: 00000000000

Pay by credit/ATM/e-check for a fee.

Call 1-800-690-4798

Mail payment to:

TOTAL PREVIOUS  
TOTAL CURRENT

0.00  
144.71

EBMUD PAYMENT CENTER  
PO BOX 1000  
OAKLAND CA 94649-0001

Please Pay This Amount Now Due

144.71

000000000000000000144710000000000000

## ATTACHMENT 3

### FY13 Sewer Agency Billing and Collections Data

Agency	No. of Customers	No. of Bills in FY13 <sup>(1)</sup>	Total Revenues Billed in FY13 <sup>(1)</sup>	Total Payments to District in FY13
Oakland	115,000	720,000	\$49,000,000	\$1,400,000
Berkeley	33,000	197,000	\$13,000,000	\$404,000
Oro Loma	1,350	8,100	\$1,800,000	\$32,000
San Leandro	1,300	8,200	\$1,700,000	\$34,000
Emeryville	1,200	7,800	\$900,000	\$18,000
Dublin-San Ramon	40 <sup>(2)</sup>	310	\$300,000	\$2,500
<b>TOTAL</b>			<b>\$66,700,000</b>	<b>\$1,890,500</b>

<sup>(1)</sup> *July to April - Actual; May to June – Projected*

<sup>(2)</sup> *Commercial customers with both EBMUD water and DSRSD wastewater services*





## **EAST BAY MUNICIPAL UTILITY DISTRICT**

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DATE: May 23, 2012

MEMO TO: Board of Directors

THROUGH: Alexander R. Coate, General Manager *ARC*

FROM: Eric L. Sandler, Director of Finance *[Signature]*

SUBJECT: Extendable Municipal Commercial Paper

### **BACKGROUND**

The Water and Wastewater Systems have \$2.3 billion and \$440 million, respectively, of revenue bonds outstanding, and \$313 million and \$15 million, respectively, of extendable municipal commercial paper (EMCP) outstanding. In addition, the Water System has approximately \$18 million in outstanding state loans. Both systems carry bond ratings of AAA from S&P, Aa1/Aa2 from Moody's and AA+ from Fitch, and the highest short-term ratings from all three rating agencies.

At the November 12, 2012 Finance/Administration Committee meeting, staff provided a status update on the FY 2013 Financing Calendar, which appears below. The final transaction of the fiscal year involves the Issuance of Additional Water Series – EMCP. At the May 28, 2013 Finance/Administration Committee, staff will provide a description of the EMCP program and recommended actions proposed for the full Board's consideration at the Board meeting of May 28, 2013.

### **FY 2013 Financing Calendar**

<b>Description</b>	<b>Issue/Approximate Size</b>	<b>Date of Board Action</b>	<b>Pricing or Issuance Date</b>
(Water/Wastewater Series 2012A) Call Modification Exchange Refunding	Water 2005A: \$71.8 million Water 2007A: \$120.0 million Wastewater 2007A: \$20.0 million	9/25/12	10/10/12 (closed)
(Water Series 2013A) Water 2003 Forward Refunding	2013A: \$48.7 million	9/25/12	11/13/12 (closed)
(Water Series 2012B) Water 2008A, 2008B3, 2009A Restructuring	2012B: \$358.6 million	9/25/12	11/13/12 (closed)

Description	Issue/Approximate Size	Date of Board Action	Pricing or Issuance Date
Remarket the Series 2009A-1 Water Security Industry Financial Markets Association (SIFMA) Index Bonds to establish a new interest rate period and remarket the bonds (after restructuring)	2009A-1: \$41.0 million	10/23/12	11/15/12 (priced) 12/03/12 (closed)
Replace liquidity providers for Water Series 2008A-1, A-2 and A-3 Bonds and extend term	2008A-1: \$61.7 million 2008A-2: \$46.3 million 2008A-3: \$46.3 million	11/27/12	12/2012
Remarket the Series 2011A Wastewater SIFMA Index Bonds to establish a new interest rate period and remarket bonds	2011A: \$62.57 million	12/11/2012	1/03/13 (priced) 2/01/13 (closed)
Remarket the Series 2009A-2 Water SIFMA Index Bonds to establish a new interest rate period and remarket the bonds (after restructuring)	2009A-2: \$41.035 million	1/8/2013	1/31/13 (priced) 3/01/13 (closed)
Issue additional Water Series - EMCP	\$50.0-\$60.0 million	5/28/2013	June 10, 2013

## SUMMARY

The purpose of the issuance of approximately \$50-\$60 million of new money EMCP (Water Series) is to reimburse the District's general fund for certain capital expenditures made for the Water System. Prior Board authorization permits this additional issuance. However, in connection with the issuance of additional Extendable Municipal Commercial Paper the Board is requested to approve an authorizing resolution, which takes the following actions:

1. Appoints J.P. Morgan Securities LLC as an additional dealer to the District EMCP and approves the execution and delivery of a Dealer Agreement;
2. Approves an updated Offering Memorandum for the EMCP (Water Series);
3. Authorizes additional actions necessary to complete the transaction including the transfer of issuing and paying agent responsibilities to US Bank as a result of a recent acquisition.

The District currently has two dealers for its EMCP – Water Series, Morgan Stanley and Merrill Lynch. Because of the additional size, staff is recommending the addition of another dealer to the program. Pursuant to a competitive solicitation of the existing underwriting pool, staff selected J.P. Morgan based on its experience in the market for commercial paper.

Under the EMCP program, the District is obligated to provide, from time to time, updated offering materials in order to assist the dealers in marketing the District's EMCP to investors. An updated Commercial Paper Offering Memorandum is presented for consideration and approval.

## **DISCUSSION**

Pursuant to Resolution No. 33693-08 adopted on December 9, 2008 and Resolution No. 33705-09 adopted on March 10, 2009 (the Note Resolution), the Board has previously authorized the establishment of the District's EMCP program. In March 2009, the EMCP program was implemented in order to replace the District's prior commercial paper (CP) Program. The EMCP is a low-cost source of financing for the District's capital program. Interest rates on the EMCP are typically 2-3 percent lower than fixed rate debt, resulting in lower annual interest costs of \$6.6 million to \$9.9 million based on the current program size (\$327.9 million). The current interest rate on EMCP is 0.15 percent.

The District's EMCP program, the first such program in California, works in a similar fashion to traditional CP programs, except that no line of credit or other liquidity support is required. The EMCP is issued with variable maturity dates ranging initially from 1 day to 120 days. At each maturity date, the EMCP is remarketed by the dealer to new investors out to a new maturity date. In the event the dealer is unable to remarket the EMCP with new investors, the current investor would agree to extend the maturity of the EMCP for up to 150 days at a higher interest rate set by a formula depending on the credit rating on the EMCP. This extension period provides time for the District to work with the dealer to get the EMCP placed with other investors or replace the EMCP with another form of debt. In the four years that the EMCP program has been in place, the District has never had a dealer fail to remarket the commercial paper so the prospect of the extension period being used is considered fairly remote.

Under the EMCP program, the District is authorized to issue EMCP in an amount up to the statutory limit set by the Municipal Utility District Act (MUD Act). The limit under the MUD Act is an amount not to exceed the lesser of either (1) the annual average of the District's total revenue for the three preceding years or (2) 25 percent of the District's total outstanding bonds issued pursuant to Chapters 6, 7 and 8 of the MUD Act. The current operative limit is approximately \$477 million. This limit is determined by averaging the previous three years of annual revenues for the water and wastewater systems.

The following paragraphs describe the additional issuance of EMCP (Water Series) and provide background on the recommended Board actions.

Issuance of Additional EMCP. As described above, the maximum amount of the District's EMCP program is \$477 million. The District currently has outstanding \$327.9 million of EMCP, consisting of \$312.9 million of EMCP (Water Series) and \$15.0 million of EMCP (Wastewater Series). As noted above, prior to the end of FY 2013, the District will issue approximately \$50-\$60 million of EMCP in order to reimburse the District's general fund for certain capital

expenditures made for the Water System. The addition of the approximately \$50-\$60 million new money EMCP (Water Series) will bring the total outstanding EMCP balance to approximately \$377.9 - \$387.9 million

Appointment of an Additional Dealer. In connection with this new money draw, staff is recommending the appointment of an additional dealer to handle the increased size of the program, broaden the base of investors and increase competition among the dealers. The District currently has two dealers for its EMCP – Water Series, Morgan Stanley and Merrill Lynch. Pursuant to a competitive solicitation of the existing underwriting pool, staff selected J.P. Morgan based on its experience in marketing commercial paper. The terms of the agreement are similar to those of the existing dealer agreements, including the fee of 14 basis points.

Approval of Updated Offering Memorandum. Under the EMCP program, the District is obligated to provide, from time to time, updated offering materials in order to assist the dealers in marketing the District's EMCP to investors. The last Commercial Paper Offering Memorandum for the EMCP was prepared at the initial inception of the program in 2009. Although investors have access to more current information about the District through its continuing disclosure filings and its other offering documents, in light of the upcoming new money draw and the proposed addition of a new dealer, it is appropriate that the District provide to the EMCP dealers an updated Commercial Paper Offering Memorandum for distribution to existing and potential investors in the EMCP program.

Authorization of Additional Actions. The resolution authorizes staff to take the required actions necessary to complete the transaction, including the transfer of issuing and paying agent responsibilities. The current issuing and paying agent for the District's EMCP program is Deutsche Bank Trust Company Americas. U.S. Bank National Association has entered into an agreement to acquire the municipal bond trustee business of Deutsche Bank. The transfer to U.S. Bank is expected to occur later in 2013.

## **FISCAL IMPACT**

Funds are available in the FY13 budget (as well as the amended proposed budget for FY14 and FY15) for the additional interest payment and dealer fees on the approximately \$50-\$60 million of new money EMCP that will be issued through J.P. Morgan Securities LLC as the new dealer.

**EAST BAY MUNICIPAL UTILITY DISTRICT**

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DATE: May 23, 2013

MEMO TO: Board of Directors

THROUGH: Alexander R. Coate, General Manager *ARC*

FROM: Eric L. Sandler, Director of Finance *ES*

SUBJECT: Investment Management

**SUMMARY**

At the May 9, 2013 Finance/Administration Committee meeting, the quarterly investment reports were presented which included the investment transactions for the period January 1 through March 31, 2013. The committee requested staff to provide an overview of the process that is utilized for selecting the investments in the investment portfolio at a future meeting.

Staff will make a presentation at the May 28, 2013 Finance/Administration Committee meeting to review the investment process which will include a summary of Investment Policy 4.07, risk management of the portfolio and the day-to-day investment portfolio management.

ARC:ES:WH

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