



*EAST BAY MUNICIPAL UTILITY DISTRICT*

# **DISTRICT BILLING AND COLLECTION SERVICES FOR SEWER AGENCY CHARGES**

**Finance Committee**

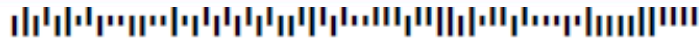
**May 28, 2013**

# BACKGROUND



- Services provided by the District since the 1960's
- Six sewer agencies in service area
- Standard 10-year agreements
  - Since 1997 with cities of Oakland, Berkeley, Emeryville, and Oro Loma and DSRSD
  - Since 2002 with City of San Leandro
- Sewer agency fee is a clearly identified line item on water bill

# SEWER AGENCY FEE ON THE WATER BILL



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

### PREVIOUS CHARGES AND CREDITS

	AMOUNT	TOTAL
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	
SF 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		UNITS	CONSUMPTION INFORMATION		
		Current	Previous		Gallons	Days	Gal/Day
5/8 inch	1	1,479	1,469	10	7,480	61	123
		LAST	YEAR	11	8,228	60	137

# CURRENT EBMUD & SEWER AGENCY CHARGES



## Bi-monthly SFR Customer Bill (10 units)

Agency	EBMUD 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 & SEWER AGENCY CHARGES



## Bi-monthly Commercial Customer Bill (50 units)

Agency	EBMUD Charges	Sewer Agency Fees	Total Bill	Agency Fees as a % of Total Bill
San Leandro	\$191.74*	\$165.00	\$356.74	46%
DSRSD	\$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*

# SEWER AGENCY BILLING & COLLECTION DATA – FY13\*



Agency	No. of Customers	Total No. of Bills	Total Revenues Billed	Total Payments to District
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
DSRSD	40	310	\$300,000	\$2,500
<b>TOTAL</b>			<b>\$66,700,000</b>	<b>\$1,890,500</b>

*\*FY13 July to April – Actual; May to June - Projected*

# SEWER AGENCY FEES BILLING & COLLECTIONS



- Benefit of customer convenience
- Avoids duplication of costs for approximately 152,000 District and sewer agency ratepayers
- District reimbursement from agencies of \$1.9 million in FY13
- Includes meter reading, billing, contact center, payment processing, and collection services



# AMENDMENTS TO EXISTING SERVICES AGREEMENT 1997-2007



- Amendment No. 1 in June 2007
  - Extended term until June 30, 2010
  - Included agencies' agreement to pay proportionate share of District's cost to implement new CIS
- Amendment No. 2 in June 2010
  - Extended term until June 30, 2013
- Notice of Intent to Renew in December 2012
  - New agreement for ten years (2013 to 2023)
  - Calculation of agencies' share of new CIS cost one year prior to assessment



# NEW SERVICES AGREEMENT

## JULY 1, 2013 to JUNE 30, 2023



- Negotiated by District staff from January to May 2013
- Retains same cost formula for reimbursement of District's billing and collection costs
- Includes payment for agencies' proportionate share of new CIS implementation
  - Based on number of customers and types of services charged on the bill
  - Amortized over a maximum of 9.5 years at 2.5% interest or over 1 year at 0% interest

# SEWER AGENCIES' SHARE OF NEW CIS IMPLEMENTATION COST



- EBMUD Cost per Account = \$39.24
- Sewer Agency's Calculated Share:

Agency	Agency Share* of Cost Per Account	Agency Cost Per Account	No. of Accounts	Calculated Share of New CIS Cost
Oakland	33.33%	\$13.08	115,000	\$1,500,000
Berkeley	33.33%	\$13.08	33,000	\$430,000
Oro Loma	50.00%	\$19.62	1,350	\$26,000
San Leandro	50.00%	\$13.08	1,300	\$25,000
Emeryville	33.33%	\$19.62	1,200	\$17,000
DSRSD	50.00%	\$13.08	40	\$1,000

\* Based on no. of services charged to account (1 of 3 = 33.33%; 1 of 2 = 50.00%)

# SEWER AGENCY PAYMENTS 2013 TO 2023



Agency	No. of Customers	Total Payments to District Per Year	Share of New CIS Cost per Year	Period Amortized (Years)	Total Share of New CIS Cost
Oakland	115,000	\$1,400,000	\$178,000	9.5	\$1,691,000*
Berkeley	33,000	\$404,000	\$50,000	9.5	\$475,000*
Oro Loma	1,350	\$32,000	\$26,000	1	\$26,000
San Leandro	1,300	\$34,000	\$25,000	1	\$25,000
Emeryville	1,200	\$18,000	\$17,000	1	\$17,000
DSRSD	40	\$2,500	\$1,000	N/A	\$1,000
<b>TOTAL</b>		<b>\$1,890,500</b>	<b>\$297,000</b>		<b>\$2,235,000</b>

*\*2.5% interest compounded monthly*

# NEXT STEPS



- Approval of new ten year agreements by agencies' governing bodies
  - Oro Loma Sanitary District on April 1
  - City of Emeryville on May 8
  - City of Oakland on May 28
  - City of San Leandro on June 3
  - City of Berkley on June 4
  - Dublin-San Ramon Services District on June 6
- District Board approval on June 11
- New agreements effective July 1

# **Extendable Municipal Commercial Paper**

Finance/Administration Committee

May 28, 2013

# Agenda



- Financing Calendar
- Upcoming Transaction
  - Extendable Municipal Commercial Paper Program: Addition of New Dealer and Updated Offering Memorandum—*for consideration today*

# Proposed Financings for FY13



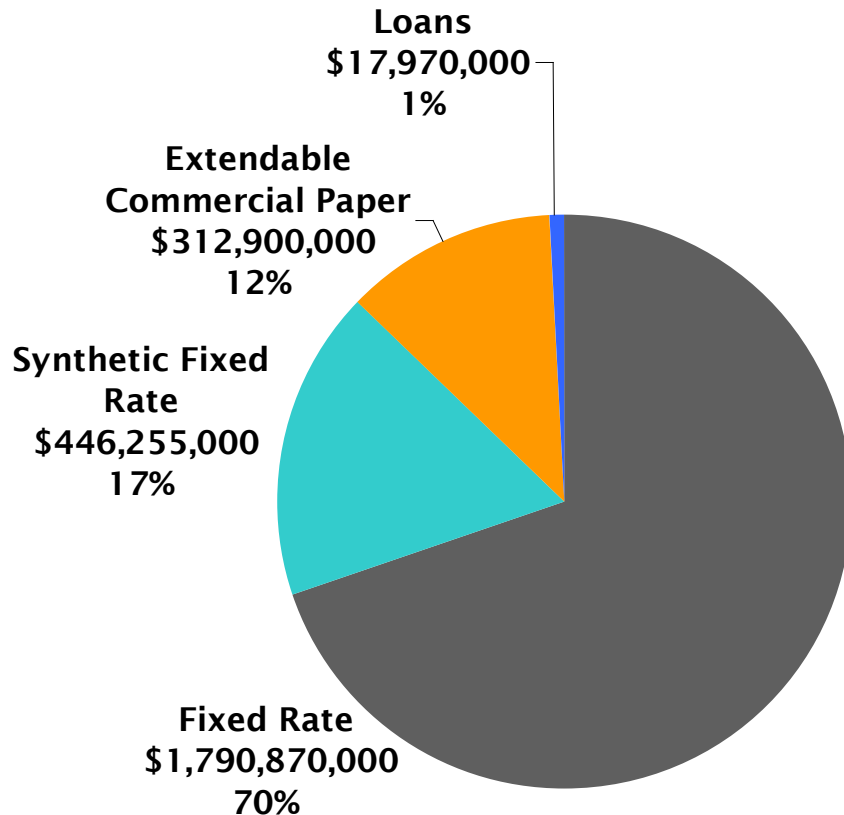
Description	Issue/Approximate Size (\$ millions)	Date of Board Action	Pricing or Issuance Date
(Water/Wastewater Series 2012A) Call Modification Exchange Refunding	Water 2005A: \$71.8 Water 2007A: \$120.0 WW 2007A: \$20.0	9/25/12	10/10/12 (closed)
(Water Series 2013A) Water 2003 Forward Refunding	2013A: \$48.7	9/25/12	11/13/12 (closed)
(Water Series 2012B) Water 2008A, 2008B3, 2009A Restructuring	2012B \$358.6	9/25/12	11/13/12 (closed)
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	10/23/12	11/15/12 (priced) 12/3/12 (closed)
Replace liquidity providers for Water Series 2008A-1, A-2 and A-3 Bonds and extend term	2008A-1: \$61.7 2008A-2: \$46.3 2008A-3: \$46.3	11/27/12	12/2012 (closed)
Remarket the Series 2011A Wastewater SIFMA Index Bonds to establish a new interest rate period and remarket bonds	2011A: \$62.6	12/11/12	1/3/13 (priced) 2/1/13 (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: \$41.0	1/8/13	1/31/13 (priced) 3/1/13 (closed)
Issue additional Water Series Extendable Municipal Commercial Paper (EMCP)	\$50 - \$60	5/28/13	June 10, 2013



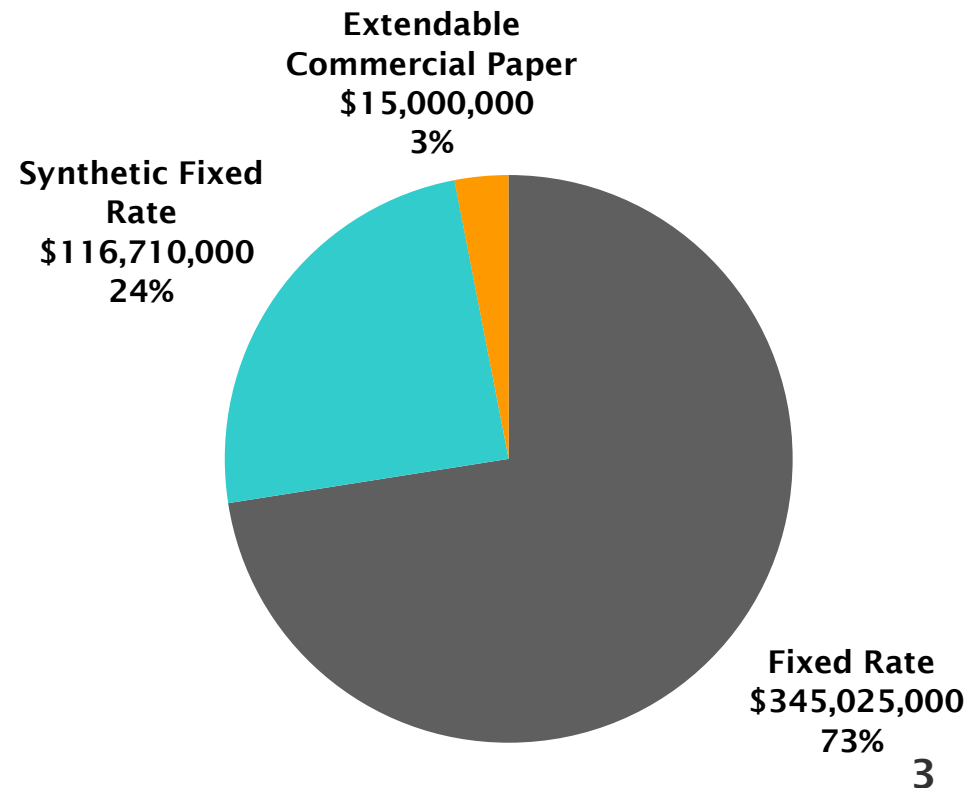
# District Debt Portfolio



**Water System**  
**Total Outstanding Debt**  
**\$2,567,995,000**



**Wastewater System**  
**Total Outstanding Debt**  
**\$476,375,000**



# Extendable Municipal Commercial Paper



- Response to high cost of bank liquidity facilities—self-liquidity product
- Established in 2009 to refund District's outstanding commercial paper
  - \$477 million authorized, \$327 million outstanding
  - Three EMCP dealers--Merrill Lynch, Morgan Stanley, Goldman Sachs
  - Current interest rate of 0.15%
- Issue \$50-\$60 million to reimburse District for water system CIP by end of fiscal year
  - Add JP Morgan as an additional EMCP dealer
  - Update offering memorandum

# Requested Board Action



## Authorize Financing & Approve Documentation

- Approve the appointment of an additional dealer and the execution and delivery of an additional Dealer Agreement for the District's Extendable Municipal Commercial Paper (EMCP) program and authorize the execution and delivery of an updated Commercial Paper Offering Memorandum and related actions.



*EAST BAY MUNICIPAL UTILITY DISTRICT*

# **Investment Portfolio Management**

Finance/Administration Committee

May 28, 2013

# Agenda

- Investment Policy
- Investment Management

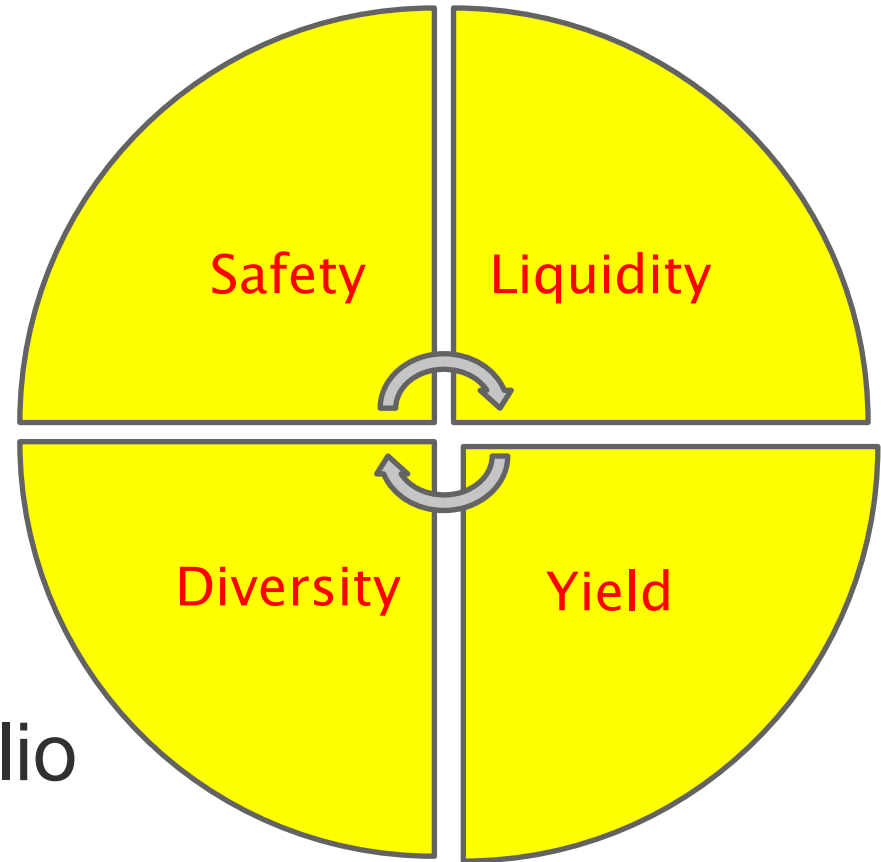
# Investment Policy 4.07



- MUD Act authorizes the Treasurer/Director of Finance to invest funds of the District
- Investment Policy
  - Conforms with the California Government Code
  - Defines investment criteria
  - Identifies allowable investment options
  - Sets internal controls and reporting requirements
- Updated annually by the Board

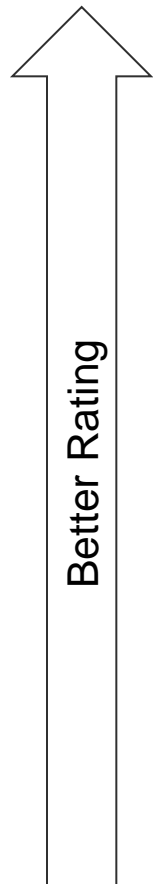
# Investment Criteria

- Safety—preservation of principal and interest
- Liquidity—availability of funds to meet financial obligations
- Yield—maximum return given other constraints
- Diversity—diverse portfolio mitigates risk





# Investment Grade Ratings



Moody's	S&P	Fitch
Aaa	AAA	AAA
Aa1	AA+	AA+
Aa2	AA	AA
Aa3	AA-	AA-
A1	A+	A+
A2	A	A
A3	A-	A-
Baa1	BBB+	BBB+
Baa2	BBB	BBB
Baa3	BBB-	BBB-

10-year default rates  
for AA credits are:

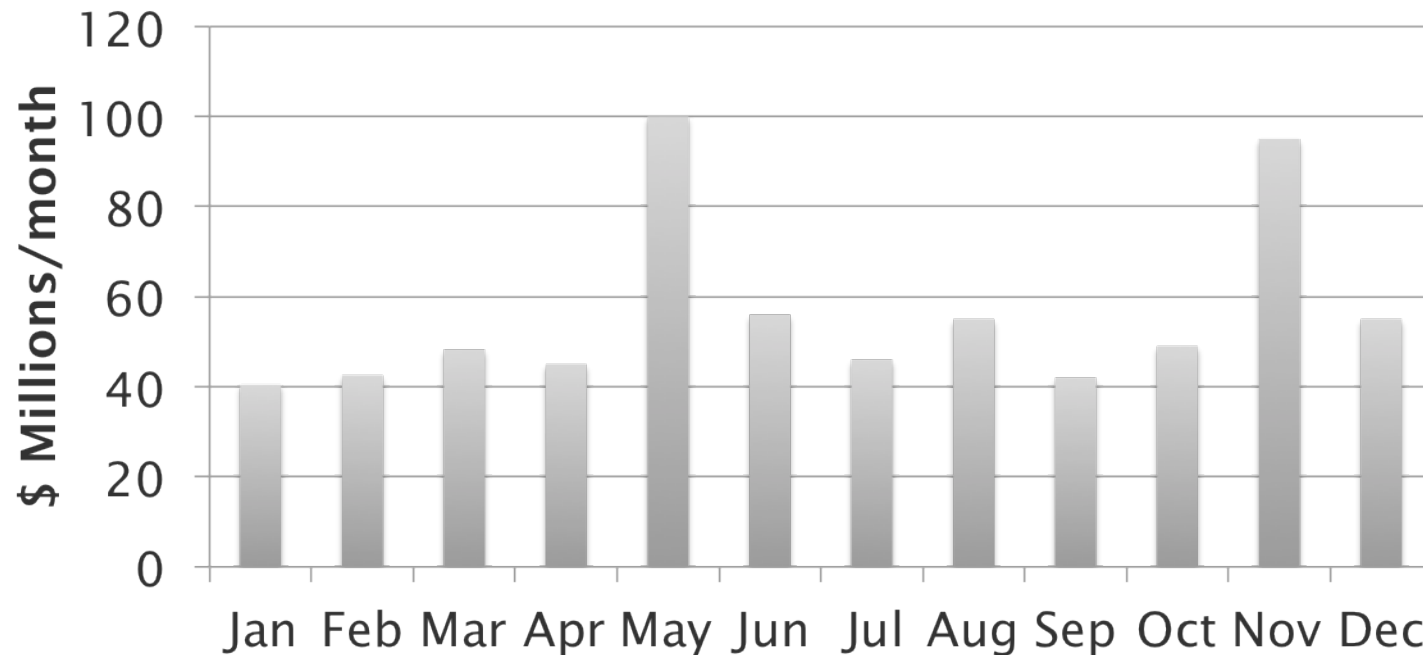
- Corporate—0.92%
- Municipal—0.01%

# Criteria#1—Safety

Investment Type	Min Rating	Max Maturity	Max Percent
U.S. Treasuries	-	5 Years	40%
Local Agency Investment Fund (LAIF)	-	-	\$50 Million
U.S. Agencies	-	5 Years	40%
Banker's Acceptances	A1, P1 or F1	180 Days	40%
Commercial Paper	A1, P1 or F1	270 Days	40%
Medium Term Corporate Notes	Aa3 or AA-	5 Years	30%
Repurchase Agreements	Collateral	270 Days	40%
Bank Certificates of Time Deposits	FDIC or Collateral	5 Years	30%
Negotiable Certificates of Deposits	AA	5 Years	30%
Money Market Mutual Funds	AAAm	-	40%
California Municipal Bonds	Aa3, AA-, MIG1 or SP1	5 Years	40%
CA Asset management Program (CAMP)	AAAm	-	10%

# Criteria #2—Liquidity

## Calendar Year 2012 Expenditures

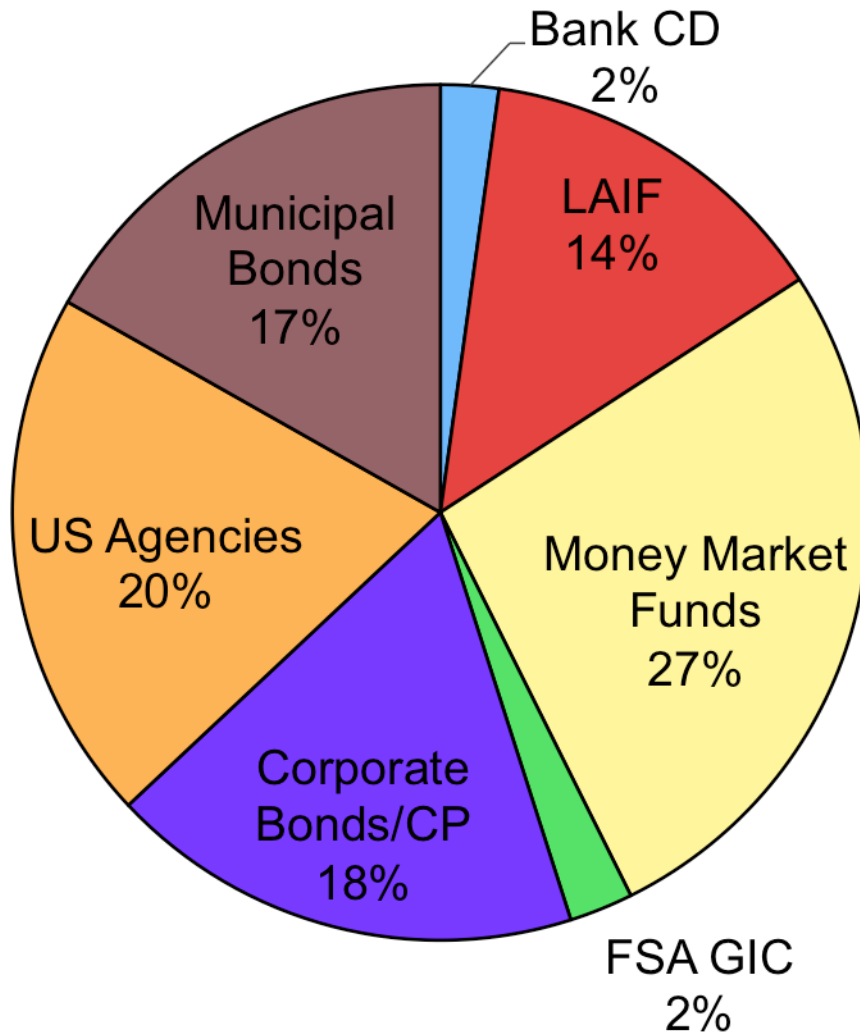


- May and November peaks relate to semi-annual debt service
- Liquidity provided by short-term money market instruments—LAIF, CAMP, Money Market funds

# Criteria #3—Yield

- Safety and liquidity considerations are more important than yield
- Portfolio yield will reflect
  - High credit quality of investments
  - High level of liquidity

# Criteria #4—Diversification



- No more than 40% in any one type
- No more than 10% in any one issuer (except federal government)

# Investment Management— Credit Review



- Review credit before making investments
- Require at least one rating at or above AA-
- Municipal bond credits are more complex than corporates
  - Nature of revenue pledge
  - Bond insurance
  - Bank guarantee
  - Debt service reserve fund

# Investment Management— Monitoring & Reporting



- Regularly monitor investments for
  - Headlines and other risks
  - Credit events—watch, upgrade, or downgrade
  - Sell if no longer meet investment criteria
- Monthly portfolio review
- Quarterly reporting to Board



# Credit Review Example



## Los Angeles County Schools Pooled Financing Program—Purchase date 2/28/13

- Conduit issuer for small Districts
- Tax/Revenue Anticipation Notes TRANs
- Highest short term rating SP1+
- Obligation of specific districts
  - Santa Monica Community College District
  - Redondo Beach Unified School District
- 7 month and 10 month maturities

## Contra Costa County Pension Obligation Bonds—Purchase date 4/29/11

- 2 year maturity
- Insured by Assured Guaranty
- Underlying bond ratings
  - Aa3/AA- Purchase date
  - AA-/A1 February, 2013
- Bond insurer ratings
  - Aa3/AA- Purchase date
  - AA-/A2 January, 2013

# Investment Management— Internal Controls



- For each purchase, solicit three bids from dealers and check pricing on Bloomberg
- Original trade confirmations received directly by someone other than originator and reviewed for conformity
- District requires delivery prior to payment
- Investments held in trust accounts for safekeeping

- Investment policy criteria—safety, liquidity, yield and diversity
- Tradeoffs among criteria—portfolio yield reflects high credit quality and low duration
- Regular review, monitoring, reporting and internal controls help manage risk