

MINUTES

Tuesday, May 24, 2016

**East Bay Municipal Utility District
Board of Directors
375 Eleventh Street
Oakland, California**

Special Meeting

President Frank Mellon called to order the Special Meeting of the Board of Directors at 9:02 a.m. in the Training Resource Center. The Board met in workshop session to receive updates on the Fiscal Year (FY) 16 and 17 Strategic Plan and the mid-cycle budget and rates.

ROLL CALL

Directors John A. Coleman, Andy Katz (via teleconference), Doug Linney, Lesa R. McIntosh, William B. Patterson, Marguerite Young, and President Frank Mellon were present at roll call.

Staff present included General Manager Alexander R. Coate, General Counsel Craig S. Spencer, Director of Water and Natural Resources Richard G. Sykes, Director of Operations and Maintenance Michael J. Wallis, Director of Engineering and Construction Xavier J. Irias, Director of Finance Sophia D. Skoda, Special Assistant to the General Manager Alison A. Kastama, Assistant to the General Manager Rischa S. Cole, and Secretary of the District Lynelle M. Lewis.

DISCUSSION

- Filed with the Board was the following: 1) Presentation entitled "FY16 & FY17 Strategic Plan Update and Mid-Cycle Budget Workshop," dated May 24, 2016; and 2) Document presented by Kenneth Gibson entitled "Effective Monthly Cost of Household Water Use at Different Volumes for Customers of Select Bay Area Agencies."

General Manager Alexander R. Coate presented an overview on the development of modifications to the strategies, objectives, and key performance indicators in the Strategic Plan. He noted that, for the first time, the 2016 Strategic Plan represents input received from over 700 employees across the District who provided comments and suggestions. The 2016 Plan includes updates and new key performance indicators to measure progress.

Director of Water and Natural Resources Richard G. Sykes presented an update on proposed modifications to Long-term Water Supply strategies, objectives, and key performance indicators. The Board asked about the planned elimination of the residential toilet rebate program and staff explained that in January 2017 California law will require that all homes be retrofitted with low-flow plumbing fixtures, so there is no incentive to provide rebates. Staff also explained that the District will be conducting customer outreach about the change. The Board also asked about efforts to coordinate "blackwater" (non-potable reuse) projects with other cities. Staff said that this could be included as an area of focus in the Urban Water Master Plan update process.

Director of Operations and Maintenance Michael J. Wallis presented an update on proposed modifications to Water Quality and Environmental Protection strategies, objectives, and key performance indicators. The Board asked about addressing water quality complaints and staff commented on future plans to update ozone system to address odor issues. The Board also asked about a strategy to address micro plastics in the water system, and staff said that it would add "and other constituents" as an objective in Strategy 5 (Protection and Stewardship of the San Francisco Bay). Director of Engineering and Construction Xavier J. Irias presented proposed modifications to Long-Term Infrastructure Investment strategies, objectives, and key performance indicators. The Board recommended that the District pursue state and federal funding sources for some of the needed infrastructure investments.

Director of Finance Sophia D. Skoda presented an update on modifications to Long-Term Financial Stability strategies, objectives, and key performance indicators. There was considerable discussion about the proposed goal language of "fair" versus "reasonable" water and wastewater rates. Following discussion, there was consensus to change the goal language to "fair and reasonable" rates. Manager of Customer and Community Services Sherri A. Hong presented an update on modifications to the Customer and Community Services strategies, objectives, and key performance indicators. The Board suggested that the customer experience should be broadened to include social media, and staff said this would be included as an objective under Strategy 2 (Enhance the Customer Experience). Manager of Human Resource Laura A. Brunson presented an update on modifications to the Workforce Planning and Development and strategies, objectives, and key performance indicators. The Board requested that future updates on the workforce planning and development include diversity numbers for hires and promotions. Additionally, as part of the Workforce Planning & Development strategy, the Board requested that staff add local regional occupational institutions to our resource list for recruiting new talent. On the Recruitment key performance indicator, the Board recommended changing the percentage of exams resulting in hiring lists to "60 days or less."

Director of Finance Sophia D. Skoda concluded with an update on the FY17 mid-cycle budget. She also presented an overview of the budget trends for FY16 and pointed out that there was: higher than anticipated conservation, water sales below budget, supplemental supplies used, drought surcharge revenue, increased system capacity charge revenue recovery revenue, and use of rate stabilization funds. In FY17 the projected trends are for: slow rebound anticipated, water sales below budget, adequate water supply anticipated, no supplemental supplies/drought surcharge, state and district water restrictions and messaging, expenditures less than budget, and increased use of rate stabilization funds. Ms. Skoda reported that the last decade has been challenging as a result of recession, drought, and pressures on rates. She summarized proposed staffing changes, FY17 non-Proposition 218 rates, charges and fees. Next steps include a public hearing on rates and charges and Board consideration on June 14, 2016.

There was discussion about seeking alternative revenue and funding sources in the FY 18/19 budget (including maximizing the Laboratory services), the rate stabilization fund, and ways to solicit the Board's input early in the process of updating the Strategic Plan (i.e. Board retreats, workshops, committee meetings). The Board requested a memorandum showing consumption rebound analysis as part of the FY 18/19 budget process.

PUBLIC COMMENT

- Addressing the Board was Kenneth Gibson, representing the Sierra Club, who suggested that tiers should be simpler to help customers understand how their water use affects their bill. He distributed a document entitled "Effective Monthly Cost of Household Water Use at Different Volumes for Customers of Select Bay Area Agencies" (undated).

The Board members commended staff on the presentation and expressed appreciation that employee input had been considered in the 2016 Strategic Plan update.


ADJOURNMENT

President Mellon adjourned the Special Meeting at 12:04 p.m.

SUBMITTED BY:


Lynelle M. Lewis, Secretary of the District

APPROVED: June 14, 2016


Frank Mellon, President of the Board

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