



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

375 - 11th Street, Oakland, CA 94607

Office of the Secretary: (510) 287-0440

Notice of Date & Time Change

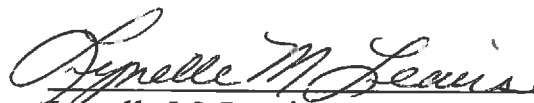
**FINANCE/ADMINISTRATION
COMMITTEE MEETING**

9:00 a.m.

Tuesday, November 12, 2013

Notice is hereby given that the Finance/Administration Committee Meeting of the Board of Directors has been rescheduled from Tuesday, November 26, 2013 to Tuesday, November 12, 2013 at 9:00 a.m. The meeting will be held in the Training Resource Center of the Administration Building, 375 - 11th Street, Oakland, California.

Dated: November 7, 2013


Lynelle M. Lewis
Secretary of the District



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

375 – 11th Street, Oakland, CA 94607

Office of the Secretary: (510) 287-0440

**AGENDA
Finance/Administration Committee
Tuesday, November 12, 2013
9:00 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. Review of Revisions to District Policies (Gardin)
2. Long-Term Financial Stability Update (Sandler)
3. Water and Wastewater Cost of Service Study (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

DATE: November 7, 2013

MEMO TO: Board of Directors

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

FROM: Barry N. Gardin, Internal Audit Supervisor *BNG*

SUBJECT: Review of Revisions to District Policies

BACKGROUND

In order to ensure District policies remain up to date and consistent with Board priorities and objectives, staff periodically reviews each District policy to consider whether any organizational, regulatory, or other changes have occurred that necessitate their modification. Policies are only forwarded to the Board for consideration if modifications are being proposed or if laws require periodic Board review and reaffirmation. Policy reviews occur on an ongoing basis, with each policy scheduled for reconsideration every two years.

These policy changes will be reviewed with the Finance/Administration Committee on November 12, 2013.

DISCUSSION

Four policies reviewed by staff warrant modification to clarify their purpose and accurately reference current procedures and/or operating practices. The four policies are attached for your review and consideration.

Policies Recommended for Revision

1. Policy 4.17 – Risk Management

This policy was modified to eliminate General Manager or designee determination of minimum cash reserve balances and establish Policy 4.02 as the absolute standard for cash reserves. Claims settlement authority was also clarified to establish clear delineation of the authority level up to \$20,000.

2. Policy 7.05 – Sustainability

This policy was revised to include social, environmental, and financial considerations (triple bottom line).

3. Policy 7.07 – Energy

This policy was previously titled Renewable Energy and was modified to broaden the policy focus and establish greenhouse gas emission goals. The proposed modifications were presented to the Sustainability/Energy Committee on July 23, 2013 and October 22, 2013, and discussed with the Finance/Administration Committee on September 24, 2013. Several changes were made including: establishing a carbon-free goal by 2040; utilizing tradable renewable energy credits to support the development of renewable energy and jobs; and stating that the District would choose the least-cost option for meeting the carbon-free goal.

4. Policy 9.03 – Water Supply Availability and Deficiency

This policy was modified to clarify the Demand Management Program Implementation by explaining when this program would be considered and to clarify the definition of allowable maximum level of demand and define the water year.

UNION NOTIFICATION

Policy changes affecting wages, hours and working conditions have been reviewed with the unions. Employee Relations has reviewed all policies to determine the necessity for union review. The revised policies have no union impact.

FISCAL IMPACT

These policy changes have no fiscal impact.

ALTERNATIVE

Do not update these policies. This alternative is not recommended because it would leave policies in place that do not reflect current operating practices, are not consistent with Board directives, and/or are not in compliance with California law.

Attachments



Policy 4.17R

EFFECTIVE ~~09-OCT-07~~
12 NOV 13

SUPERSEDES ~~27-SEP-06~~
09-OCT-07

RISK MANAGEMENT

IT IS THE POLICY OF THE EAST BAY MUNICIPAL UTILITY DISTRICT TO:

Protect the District from catastrophic financial loss resulting from accidental occurrences; identify all exposure to risk in District business including contracts; prevent, reduce, and control losses in the most cost effective manner; purchase liability, property, crime, and workers' compensation insurance as available for catastrophic protection; and administer claims in accordance with the law.

Self-Insured Retention (SIR) and Deductibles

Self-insured retention (SIR) and deductible levels will depend on the District's financial ability to sustain losses as determined annually by the General Manager or designee, but not to exceed 5% of annual operating and capital budget.

Liability, Property, Workers' Compensation, Crime and other risks may be self-funded as deemed cost-efficient.

The ~~General Manager or designee shall determine the~~ minimum cash reserve balances to be maintained to pay unexpected claims shall be, in compliance with Policy No. 4.02, Cash Reserves and Debt Management.

Insurance

Insurance will be purchased above the self-funded levels. Limits of coverage and self-funded retention levels depend on the insurance market pricing, and shall be recommended by the Risk Manager annually to the Director of Finance.

The General Manager or designee shall approve placement of insurance by the Broker of Record.

Annual Report

The Risk Manager will provide a report annually on insurance and self-funded levels for liability, property, workers' compensation, and other risks to the General Manager and the Board of Directors.

Claims Settlement

The Risk Manager is authorized and responsible for settling or recommending settlements of tort claims, and workers' compensation claims in accordance with the following:

CLAIMS SETTLEMENT AUTHORITY

AMOUNT	AUTHORITY
under <u>Up to</u> \$20,000	Risk Manager
<u>Over</u> \$20,000 to \$50,000	Claims Settlement Committee (Risk Manager, General Counsel and Director of Finance)
over \$50,000	Board of Directors

Tort Litigation

The General Counsel is responsible for all litigation to which the District is a party or in which it is legally interested. The Risk Manager acts under the direction and authority of the General Counsel in administering tort litigation.

Annual Report ~~The Risk Manager will provide a report annually on insurance and self-funded levels for liability, property, workers' compensation, and other risks to the General Manager and the Board of Directors.~~

Authority Resolution 31210, July 15, 1986
As amended by Resolution No. 33078-98, January 13, 1998
As amended by Resolution No. 33494-05, September 27, 2005
As amended by Resolution No. 33634-07, October 9, 2007
[As amended by Resolution No. XXXXX-13, November 12, 2013](#)

References Policy 4.02 Cash Reserves and Debt Management
Procedure 407 Claims Against the District



Policy 4.17

EFFECTIVE 12 NOV 13

SUPERSEDES 09 OCT 07

RISK MANAGEMENT

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The minimum cash reserve balances to be maintained to pay unexpected claims shall be in compliance with Policy No. 4.02, Cash Reserves and Debt Management.

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References

Policy 4.02 Cash Reserves and Debt Management
Procedure 407 Claims Against the District



Policy 7.05R

EFFECTIVE [27-NOV-12](#)
[12-NOV-13](#)

SUPERSEDES [14-SEP-10](#)
[27-NOV-12](#)

SUSTAINABILITY

IT IS THE POLICY OF THE EAST BAY MUNICIPAL UTILITY DISTRICT TO:

Provide reliable, high-quality drinking water and wastewater service through sustainable operations, maintenance, planning, design, and construction activities that avoid, minimize or mitigate adverse effects to the economy, environment, employees, and the public.

Objective

The District will strive to balance environmental, social, and economic objectives into its decision-making, policies, programs, and work practices.

In doing so, the District will:

- promote an environmental stewardship ethic in its staff and among other drinking water and wastewater treatment agencies;
 - adhere to principles of sustainability and environmental justice;
 - comply with environmental laws and regulations;
 - look for opportunities for continuous improvement of environmental performance including pollution prevention and resource conservation;
 - promote the purchase and use of recycled and recyclable products;
 - move towards zero waste and seek ways to recycle materials that cannot be used in its operations and activities;
 - identify and implement projects and plans that mitigate climate change impacts and reduce greenhouse gas emissions.
 - establish a framework for setting and reviewing incorporate economic, environmental, objectives and social factors into key business decisions; and
 - foster communication with employees, contractors, other water and wastewater agencies, regulators, cities and counties, and the public about the District's environmental efforts. ~~significance of the District's current and future operations and activities.~~
-

Sustainability

Sustainability means using resources (economic, environmental, and human) in a responsible manner to meet the needs of today without compromising the ability of future generations to meet the needs of tomorrow. This triple bottom line approach ~~seeks applies a holistic view and strives to~~ minimize waste; conserve water, energy, and natural resources; promote long-term economic viability; and promote the support safety and well-being of the District's ~~for~~ employees, communities, and customers; ~~and be beneficial to society.~~

Responsibilities

~~To promote environmental stewardship and facilitate compliance with laws and regulations, t~~The District will conduct compliance audits, administer staff training, and ~~assist in the development and implementation of~~ encourage management and operational practices that ~~support~~ facilitate active consideration of environmental, social, and economic impacts considerations while and ensuring compliance with laws and regulations.

The District will support the development of sustainable environmental guidelines for the water and wastewater industry by encouraging an ongoing dialogue maintain strong working relationships with local regulatory agencies and with, industry, and public interest organizations about effective approaches to triple bottom line-focused practices and procedures, ~~including exchanging information on District plans and procedures that support the development of sustainable environmental guidelines for the water and wastewater industry at large.~~

~~The District will continue its To advance~~ environmental leadership by actively communicating its triple bottom line approach to implementing sustainable utility operations and programs, and will advocate this approach through ~~and awareness, the District will~~ participation in water and wastewater organizations and associations, and through interactions with ~~and work cooperatively with and solicit input from~~ employees, the environmental community, and the public ~~on District operations and activities.~~

To promote the use of recycled and recyclable products, the District will purchase ~~has a preference for purchasing~~ materials that include recycled and/or recyclable content without compromising the product's fitness, quality, price, and availability.

The District will ~~establish a framework consider economic, environmental, and social objectives in decision-making. for setting, reviewing, and reporting on long-term sustainability performance objectives and outcomes.~~ Staff will ~~periodically~~ annually report to the Board of Directors, management, and staff ~~on~~ summarizing the status of the District's sustainability efforts (both challenges as well as positive impacts) and application of the triple bottom line approach to meet the District's goals and objectives for ~~which include~~ regulatory compliance, environmental impacts, resources use consumption, ~~stewardship activities~~, waste reduction, etc.

Environmental Justice

The District will accord the highest respect and value to every individual and community, by developing and conducting business in a manner that promotes equity and affords fair treatment, accessibility, and protection for all people, regardless of race, age, culture, income, or geographic location.

Authority

Resolution No. 32881-94, September 13, 1994
Amended by Board Resolution No. 33120-98, September 22, 1998
Amended by Board Resolution No. 33684-08, September 10, 2008
Amended by Board Resolution No. 33780-10, September 14, 2010
Amended by Board Resolution No. 33904-12, November 27, 2012
Amended by Board Resolution No. XXXXX-13, November 12, 2013

Reference

Policy 3.02 - California Environmental Quality Act Implementation
Policy 4.12 – Purchasing and Materials Management
Policy 7.07 – ~~Renewable~~ Energy
Policy 7.09 – Workplace Safety and Health
Policy 9.05 – Non-Potable Water
Policy 8.02 – Biosolids Management
Policy 9.04 – Watershed Management and Use
Policy 9.06 – Bay/Delta Protection
Procedure 900 – Water Supply Accounting and Reporting



Policy 7.05

EFFECTIVE 12 NOV 13

SUPERSEDES 27 NOV 12

SUSTAINABILITY

IT IS THE POLICY OF THE EAST BAY MUNICIPAL UTILITY DISTRICT TO:

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Objective

The District will strive to balance environmental, social, and economic objectives into its decision-making, policies, programs, and work practices.

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 - adhere to principles of sustainability and environmental justice;
 - comply with environmental laws and regulations;
 - look for opportunities for continuous improvement of environmental performance including pollution prevention and resource conservation;
 - promote the purchase and use of recycled and recyclable products;
 - move towards zero waste and seek ways to recycle materials that cannot be used in its operations and activities;
 - identify projects and plans that mitigate climate change impacts and reduce greenhouse gas emissions,
 - incorporate economic, environmental, and social factors into key business decisions; and
 - foster communication with employees, contractors, other water and wastewater agencies, regulators, cities and counties, and the public about the District's environmental efforts.
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Sustainability

Sustainability means using resources (economic, environmental, and human) in a responsible manner to meet the needs of today without compromising the ability of future generations to meet the needs of tomorrow. This triple bottom line approach seeks to minimize waste; conserve water, energy, and natural resources; promote long-term economic viability; and promote the safety and well-being of the District's employees, communities, and customers.

Responsibilities

The District will conduct compliance audits, administer staff training, and encourage management and operational practices that facilitate active consideration of environmental, social, and economic impacts while ensuring compliance with laws and regulations.

The District will support the development of sustainable environmental guidelines for the water and wastewater industry by encouraging an ongoing dialogue with local regulatory agencies and with industry, and public interest organizations about effective approaches to triple bottom line-focused practices and procedures.

The District will continue its environmental leadership by actively communicating its triple bottom line approach to implementing sustainable utility operations and programs, and will advocate this approach through participation in water and wastewater organizations and associations, and through interactions with employees, the environmental community, and the public.

To promote the use of recycled and recyclable products, the District will purchase materials that include recycled and/or recyclable content without compromising the product's fitness, quality, price, and availability.

The District will consider economic, environmental, and social objectives in decision-making. Staff will annually report to the Board of Directors, management, and staff summarizing the status of the District's sustainability efforts (both challenges as well as positive impacts) and application of the triple bottom line approach to meet the District's goals and objectives for regulatory compliance, environmental impacts, resources consumption, waste reduction, etc.

**Environmental
Justice**

The District will accord the highest respect and value to every individual and community, by developing and conducting business in a manner that promotes equity and affords fair treatment, accessibility, and protection for all people, regardless of race, age, culture, income, or geographic location.

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Resolution No. 32881-94, September 13, 1994
Amended by Board Resolution No. 33120-98, September 22, 1998
Amended by Board Resolution No. 33684-08, September 10, 2008
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Reference

Policy 3.02 – California Environmental Quality Act Implementation
Policy 4.12 – Purchasing and Materials Management
Policy 7.07 – Energy
Policy 7.09 – Workplace Safety and Health
Policy 9.05 – Non-Potable Water
Policy 8.02 – Biosolids Management
Policy 9.04 – Watershed Management and Use
Policy 9.06 – Bay/Delta Protection
Procedure 900 – Water Supply Accounting and Reporting



Policy 7.07R

RENEWABLE ENERGY

EFFECTIVE [27 NOV 12](#)
[12 NOV 13](#)

SUPERSEDES [23 NOV 10](#)
[27 NOV 12](#)

IT IS THE POLICY OF EAST BAY MUNICIPAL UTILITY DISTRICT TO:

Encourage and promote ~~the cost-effective use~~ energy management and ~~generation of renewable energy~~ efficient practices within the District's water and wastewater system operations, service area, and watersheds, ~~to reduce greenhouse gas (GHG) emissions, minimize reliance on fossil fuels, provide reliable energy sources, and reduce energy costs, and support the District's goal to be carbon free for indirect emissions and achieve a 50 percent reduction in direct emissions compared to 2000 levels by 2040,~~ in accordance with the District's environmental principles and sustainability policy.

Objectives

~~The~~ To support this policy, the District will ~~increase~~:

- Efficiently use energy including electricity, petroleum-based fuels, and natural gas to reduce costs, conserve natural resources, and minimize impacts on the environment.
- Increase its use and generation of renewable energy to preserve ~~its~~ natural resources, reduce environmental pollution, and support the District's mission to protect and preserve the environment for future generations. ~~The District will focus on the use and generation of renewable energy in support of the State of California's renewable goal. The District will pursue cost-effective renewable energy projects that result in no net long-term cost increase to its customers. The District will promote the results of its renewable commitment to the public to encourage the use of renewable energy by others.~~
- Secure reliable energy supplies at the most advantageous rates and implement economical projects to protect operations from interruptions and minimize future costs.
- Support the State of California's renewable energy goals.
- Promote its energy policy to inform the public of its efforts to use energy efficiently and increase generation of renewable energy.

Method

To ~~increase the use of renewable energy~~ meet these objectives, the District will:

- Review new and existing facilities and capital improvement projects ~~for the feasibility of including renewable on-site energy generation to provide all or a portion of the power needs for opportunities to include energy conservation features.~~
- Consider, ~~when practicable and available, the purchasing of~~ electrical energy from renewable energy projects for its own use, community choice aggregators, electric utilities or other sources to reduce the District's cost of power or GHG emissions.
- ~~Inform the public of the benefits realized from its experiences in purchasing and operating renewable energy generation equipment.~~
- Review and evaluate opportunities ~~improvement projects~~ to increase hydropower generation and revenue.
- ~~Consider alternative energy sources for operating vehicles and equipment.~~
- ~~Continue to cost-effectively expand the sourcing and digestion of organic material for producing renewable energy from biogas.~~
- Consider, ~~when feasible and beneficial to the District, entering into~~ establishing public-private partnerships that would ~~to cost-effectively increase its~~ renewable energy generation capacity when economically feasible and beneficial to the District.
- Purchase Renewable Energy Credits (RECs), when economically feasible, to meet the District's GHG emissions goal.
- Identify and implement projects to offset GHG emissions through sequestration of carbon.
- Consider reducing vehicle miles traveled, changing operational behaviors, and using

-
- alternative energy sources for operating vehicles and equipment.
- Invest in equipment, develop programs, and support industry efforts to increase overall District vehicle fuel economy and efficiency.
 - Continue to cost-effectively expand the sourcing and digestion of organic material for producing energy from biogas.
 - Inform the public of the benefits realized from experiences in energy efficiency and purchasing and operating renewable energy generation equipment.

The District's energy management strategy focuses on reducing energy use, increasing energy generation, diversifying energy supplies, improving energy efficiency, and pursuing economical projects that offset/reduce emissions. Energy use (including conservation, efficiency, optimization and purchase) and generation projects and programs must provide an economic benefit to the District or support the District's 2040 GHG goal to be carbon free for indirect emissions and reduce direct emissions by 50 percent compared to 2000 levels.

To support the ~~S~~state of California's renewable energy goal, the District will increase its use and generation of renewable energy from a range of ~~all~~ sustainable renewable sources while continuing to generate renewable energy from its existing generation facilities, including hydropower, photovoltaic systems, and anaerobic digestion/biogas facilities.

Direct emissions are emissions from sources controlled by the District, including the burning of fossil fuels. To meet the District's direct emissions GHG goal, the District will develop programs to reduce vehicle miles traveled, investigate alternative energy sources for operating vehicles, and work with the industry to increase overall fuel economy and efficiency. In addition, the District will investigate projects to offset GHG emissions through sequestration of carbon.

Indirect emissions are emissions from the District's purchase of electricity and the transmission and distribution losses associated with some of these purchases. To meet the District's indirect emissions GHG goal, the District will focus on energy conservation, development of economical renewable energy projects, GHG offset projects, and the purchase of RECs. Renewable energy programs or projects will be evaluated against the cost of purchasing RECs with the goal to encourage the local development of renewable energy and jobs. RECs purchased to meet the District's GHG goal will only be used to offset GHG emissions in the prior calendar year or the calendar year in which the REC is produced.

To promote projects that are cost neutral over their life, the District will pursue low-cost public financing, grants, and favorable electric rate structures. Project cost evaluations will include consideration of public financing and will be evaluated over the useful life of the project with consideration given to the avoided cost of traditional power supply and distribution, as well as the operational reliability of on-site generation. The District will choose the least cost option to meet its GHG reduction goals.

~~To ensure that no significant short-term cost increases or rate impacts result from renewable energy projects, the District will limit the net annual cost increase associated with all new Water System renewable energy projects to \$200,000 per year, indexed to inflation from the effective date of the 2007 revision of this policy, of hydropower revenue contingent on the District retaining its renewable energy status for its hydropower. The renewable energy projects will be subsidized by cost savings realized from energy conservation projects. All Wastewater System renewable energy projects will be cost-neutral or better.~~

Authority

Resolution No. 33369-03, August 12, 2003
As amended by Resolution No. 33465-05, March 8, 2005
As amended by Resolution No. 33594-07, April 10, 2007
As amended by Resolution No. 33703-09, February 24, 2009
As amended by Resolution No. 33793-10, November 23, 2010
As amended by Resolution No. 33904-12, November 27, 2012
[As amended by Resolution No. XXXXX-13, November 12, 2013](#)

Reference

Policy 7.05 – Sustainability

IT IS THE POLICY OF EAST BAY MUNICIPAL UTILITY DISTRICT TO:

Encourage and promote energy management and energy efficient practices within the District's water and wastewater system operations, service area, and watersheds, reduce greenhouse gas (GHG) emissions, minimize reliance on fossil fuels, provide reliable energy sources, reduce energy costs, and support the District's goal to be carbon free for indirect emissions and achieve a 50 percent reduction in direct emissions compared to 2000 levels by 2040, in accordance with the District's environmental principles and sustainability policy.

Objectives

To support this policy, the District will:

- Efficiently use energy including electricity, petroleum-based fuels, and natural gas to reduce costs, conserve natural resources, and minimize impacts on the environment.
 - Increase its use and generation of renewable energy to preserve natural resources, reduce environmental pollution, and support the District's mission to protect and preserve the environment for future generations.
 - Secure reliable energy supplies at the most advantageous rates and implement economical projects to protect operations from interruptions and minimize future costs.
 - Support the State of California's renewable energy goals.
 - Promote its energy policy to inform the public of its efforts to use energy efficiently and increase generation of renewable energy.
-

Method

To meet these objectives, the District will:

- Review new and existing facilities and capital improvement projects for opportunities to include energy conservation features.
- Consider purchasing electrical energy from renewable energy projects, community choice aggregators, electric utilities or other sources to reduce the District's cost of power or GHG emissions.
- Review and evaluate opportunities to increase hydropower generation and revenue.
- Consider establishing public-private partnerships that would increase renewable energy generation capacity when economically feasible and beneficial to the District.
- Purchase Renewable Energy Credits (RECs), when economically feasible, to meet the District's GHG emissions goal.
- Identify and implement projects to offset GHG emissions through sequestration of carbon.
- Consider reducing vehicle miles traveled, changing operational behaviors, and using alternative energy sources for operating vehicles and equipment.
- Invest in equipment, develop programs, and support industry efforts to increase overall District vehicle fuel economy and efficiency.
- Continue to cost-effectively expand the sourcing and digestion of organic material for producing energy from biogas.
- Inform the public of the benefits realized from experiences in energy efficiency and purchasing and operating renewable energy generation equipment.

The District's energy management strategy focuses on reducing energy use, increasing energy generation, diversifying energy supplies, improving energy efficiency, and pursuing economical projects that offset/reduce emissions. Energy use (including conservation, efficiency, optimization and purchase) and generation projects and programs must provide

an economic benefit to the District or support the District's 2040 GHG goal to be carbon free for indirect emissions and reduce direct emissions by 50 percent compared to 2000 levels. To support the state of California's renewable energy goal, the District will increase its use and generation of renewable energy from a range of sustainable renewable sources while continuing to generate renewable energy from its existing generation facilities, including hydropower, photovoltaic systems, and anaerobic digestion/biogas facilities.

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As amended by Resolution No. 33793-10, November 23, 2010
As amended by Resolution No. 33904-12, November 27, 2012
As amended by Resolution No. XXXXX-13, November 12, 2013

Reference

Policy 7.05 – Sustainability



Policy 9.03R

EFFECTIVE [14 JUN 11](#)
[12 NOV 13](#)

SUPERSEDES [13 APR 10](#)
[14 JUN 11](#)

WATER SUPPLY AVAILABILITY AND DEFICIENCY

IT IS THE POLICY OF THE EAST BAY MUNICIPAL UTILITY DISTRICT TO:

Evaluate the availability of the District's water supplies and determine the acceptable maximum level of annual customer demand for the District's service area based on limiting rationing up to a maximum of 15 percent of District-wide annual demand and implementation of current and proposed District conservation programs, recycled water programs and supplemental supply projects.

Annual Water Supplies Report

A review and report to the Board of Directors shall be made on the current and long-term adequacy of the District's water supplies ~~before~~ by May 1st of each year. -The report shall include an evaluation of the adequacy of the District's water supplies to satisfy customer demand for the current water year, based on the District's Drought Management Program Guidelines, and a projection through the year 2040, based on the determination of the Allowable Maximum Level of Demand (AMLD).

Long-Term Water Supply Reliability

An assessment of long-term water supply reliability through the year 2040 shall be made assuming:

- Water service will be provided in accordance with the District's Regulations Governing Water Service to Customers.
- Water conservation and water recycling programs will be implemented as provided in the District's current Urban Water Management Plan (UWMP).

Supplemental Supplies

The District shall pursue supplemental supplies if existing supplies are found to be inadequate either for the current year or through the year 2040 as ~~provided~~ outlined in the District's current UWMP.

~~Rationing~~ Demand Management Program Implementation

When a determination of deficient water supply is made for the current water year, the District will consider the implementation of a Demand Management Program.

The District shall have a goal of limiting customer rationing to a maximum of 15% of District-wide annual demand and will implement this policy consistent with the District's Drought Management Program Guidelines, as outlined in the District's current UWMP.

~~Notification~~ Surplus Water Notification

In accordance with the 1998 Joint Settlement Agreement when a determination of the availability of Mokelumne River water is made, the District will notify the Resources Agencies, specifically the United States Fish and Wildlife Services and the California Department of Fish and ~~Game~~ Wildlife, of the availability of the additional water.

Definitions

Allowable Maximum Level of Demand (AMLD) – The allowable maximum level of customer demand, expressed in MGD as an annual average, that the existing water supply system can sustain under the Drought Planning Sequence (DPS).

Drought Planning Sequence (DPS) – Three year hydrology sequence representing a worst case drought scenario derived from historical record.

~~Allowable Maximum Level of Demand (AMLD) — The allowable maximum level of customer demand, in MGD as an annual average, that the system can sustain under the DPS.~~

Water Year – The term defined as the 12-month period from October 1 through September 30, of the following year. The water year is designated by the calendar year in which it ends and which includes 9 of the 12 months. Thus, the year ending September 30, 2013 is called the "2013" water year.

Authority

Amended by Resolution 31,246, May 14, 1985
Amended by Resolution No. 32,204, May 9, 1989
Amended by Resolution No. 33175-99, November 9, 1999
Amended by Resolution No. 33759-10, April 13, 2010
Amended by Resolution No. 33821-11, June 14, 2011
Amended by Resolution No. XXXXX-13, November 12, 2013

References

Policy 3.01 - Annexations
Policy 3.05 - Effects of Extension of Water Beyond the Ultimate Service Boundary
Policy 3.07 - Responsibility to Serve Water Customers
Procedure 900 – Water Supply Accounting and Reporting
Procedure 901 – Recycled Water Accounting and Reporting
Procedure 902 – Water Conservation Accounting and Reporting

EBMUD's Urban Water Management Plan



Policy 9.03

EFFECTIVE

12 NOV 13

SUPERSEDES

14 JUN 11

WATER SUPPLY AVAILABILITY AND DEFICIENCY

IT IS THE POLICY OF THE EAST BAY MUNICIPAL UTILITY DISTRICT TO:

Evaluate the availability of the District's water supplies and determine the acceptable maximum level of annual customer demand for the District's service area based on limiting rationing up to a maximum of 15 percent of District-wide annual demand and implementation of current and proposed District conservation programs, recycled water programs and supplemental supply projects.

Annual Water Supplies Report

A review and report to the Board of Directors shall be made on the current and long-term adequacy of the District's water supplies by May 1st of each year. The report shall include an evaluation of the adequacy of the District's water supplies to satisfy customer demand for the current water year, based on the District's Drought Management Program Guidelines, and a projection through the year 2040, based on the determination of the Allowable Maximum Level of Demand (AMLD).

Long-Term Water Supply Reliability

An assessment of long-term water supply reliability through the year 2040 shall be made assuming:

- Water service will be provided in accordance with the District's Regulations Governing Water Service to Customers.
 - Water conservation and water recycling programs will be implemented as provided in the District's current Urban Water Management Plan (UWMP).
-

Supplemental Supplies

The District shall pursue supplemental supplies if existing supplies are found to be inadequate either for the current year or through the year 2040 as outlined in the District's current UWMP.

Demand Management Program Implementation

When a determination of deficient water supply is made for the current water year, the District will consider the implementation of a Demand Management Program.

The District shall have a goal of limiting customer rationing to a maximum of 15% of District-wide annual demand and will implement this policy consistent with the District's Drought Management Program Guidelines, as outlined in the District's current UWMP.

Surplus Water Notification

In accordance with the 1998 Joint Settlement Agreement when a determination of the availability of Mokelumne River water is made, the District will notify the Resources Agencies, specifically the United States Fish and Wildlife Services and the California Department of Fish and Wildlife, of the availability of the additional water.

Definitions

Allowable Maximum Level of Demand (AMLD) – The allowable maximum level of customer demand, expressed in MGD as an annual average, that the existing water supply system can sustain under the Drought Planning Sequence (DPS).

Drought Planning Sequence (DPS) – Three year hydrology sequence representing a worst case drought scenario derived from historical record.

Water Year – The term defined as the 12-month period from October 1 through September 30, of the following year. The water year is designated by the calendar year in which it ends and which includes 9 of the 12 months. Thus, the year ending September 30, 2013 is called the "2013" water year.

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EBMUD's Urban Water Management Plan

EAST BAY MUNICIPAL UTILITY DISTRICT

DATE: November 7, 2013

MEMO TO: Board of Directors

THROUGH: Alexander R. Coate, General Manager 

FROM: Eric L. Sandler, Director of Finance 

SUBJECT: Long-Term Financial Stability Update

SUMMARY

One of the District's six Strategic Plan goals is long-term financial stability. Various strategies, objectives and key performance indicators (KPIs) support this goal. In the course of last year's budget workshops staff identified certain work within this goal to prepare for the development of the subsequent two-year budget. This memo provides an overview and timeline for the proposed work effort. This item will be reviewed with the Finance/Administration Committee on November 12, 2013.

DISCUSSION

The District's Strategic Plan both establishes goals and outlines strategies and objectives to achieve them. One of the six Strategic Plan goals is long-term financial stability. Starting in 2007, a drought and subsequent national economic recession drove the District to focus on short-term fiscal crisis management—aggressively containing costs to address reductions in water sales and non-commodity revenues. The adopted budget and rates package for FY2014 and FY2015 represented a return to a longer-term planning horizon. Based on conservative assumptions the approved budget and rates package provided for staffing the organization to reduce maintenance backlogs, bringing revenues in line with expenditures, increasing capital investment, and reducing reliance on debt to fund capital investment.

In the course of the most recent budget workshops, staff identified certain projects related to long-term financial stability, which will be incorporated in the next Strategic Plan update. These projects include the development of a long-range financing plan (LRFP) and the completion of a third-party cost of service (COS) study for the water and wastewater enterprises. Whereas the LRFP is concerned with establishing the long-term funding needs of the District—operating costs, capital costs, debt service and financial policy requirements, the COS study is concerned with allocating those costs to customer classes.¹

¹ The COS study is described in the subsequent Finance/Administration Committee memo titled "Water and Wastewater Cost of Service Study."

The LRFP will build on existing District planning efforts to establish the long-term funding needs of the District including the Capital Facilities Master Plans, Urban Water Management Plan, Water Conservation Master Plan, Water Supply Management Plan 2040 and the Wastewater Inflow and Infiltration Plan. The funding needs contained in these plans, when combined with the funding needs to meet policy objectives, like debt service coverage and reserves, form the basis of long-term revenue requirements for the water and wastewater enterprises. Ultimately, the LRFP provides long-term visibility into District rates and charge levels and an understanding of sources of variability.

During CY 2014, staff is planning a series of Board workshops to consider and discuss elements of the LRFP and COS study including underlying assumptions, financial risks, and financial policies aimed at mitigating risks. The results of these efforts will lay the groundwork for development of the FY 2016 and 2017 budget and rates. Detailed below is the proposed content and schedule of the various workshops.

- Workshop 1 (February): *District Financial Forecast*. At this workshop, staff will review the mechanics of the financial planning model including how operating, capital and debt expenses and District policies drive the revenue requirement and rates.
- Workshop 2 (June): *Capital Improvement Program (CIP)*. A major driver of the District's long-term financial picture is future capital investment. At this workshop, staff will provide information on long-term capital investment requirements and capital financing strategies. This information will include a review of District policies regarding CIP funding (cash vs. debt) and debt service coverage ratios. Staff will also discuss the District's Seismic Improvement Program and the status of the Seismic Charge.
- Workshop 3 (September): *Financial Risks and Reserves*. At this workshop, staff will provide information on certain sources of financial risk including water sales and wastewater treatment projections as well as drought and associated expenses. This workshop will address risk management through the use of reserves, surcharges, and composition of revenues (fixed/variable). This will include a discussion of drought-related risks/expenses and a review of District reserve policies.
- Workshop 4 (November): *Financial Forecast and Cost of Service Study Findings*. At this workshop, staff will bring together the work of the prior three workshops in the form of a long-term financial forecast. Staff will also review findings from the COS study.

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EAST BAY MUNICIPAL UTILITY DISTRICT

DATE: November 7, 2013

MEMO TO: Board of Directors

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

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

SUBJECT: Water and Wastewater Cost of Service Study

SUMMARY

State law mandates public utility rates and charges to be based on cost of service. District policy requires cost of service based rates and charges. Industry best practice involves the periodic engagement of third-party experts to conduct cost of service studies. Fundamentally, these studies are concerned with the allocation of operating and capital costs to customer classes based on both customer class usage characteristics and facility design and operations. This nexus between usage and cost forms the financial and legal basis for setting utility rates and charges.

The scope of this study includes both the water and wastewater enterprises, and will review existing cost of service methodologies, assumptions and calculations including the allocation of fixed and variable costs, develop and document updated cost of service models, and incorporate findings from the long-range financing plan being developed in support of the Strategic Plan goal of Long-Term Financial Stability.

This item will be reviewed with the Finance/Administration Committee on November 12, 2013.

DISCUSSION

In the course of various Board workshops to consider the budget and rate proposals for FY14 and FY15, staff identified certain financial planning initiatives that would lay the foundation for the subsequent biennial budget and rate proposals—a long range financing plan and third-party cost of service studies for the water and wastewater enterprises. State law requires that rates be based on cost of service. District policy further directs that cost of service for the water system should follow the guidelines established by the American Water Works Association, and that cost of service for the wastewater system should follow the revenue program guidelines issued by the Environmental Protection Agency and the State Water Resources Control Board. To ensure ongoing relevance of the data, both state law (Assembly Bill 2951 – Capital Facility Fees, passed in 2006) and District policy (Policy 4.13 – Establishing Water Rates, passed in 2010) require a cost of service study be conducted at least every ten years.

The District has regularly conducted third-party studies for the water and wastewater systems. In 1995 the District engaged a consultant to conduct a comprehensive water cost of service and rate study, which formed the basis of the existing water rate structure. In 2009, a consultant was hired to update the 1995 water rate study. In 2000, the District engaged a consultant to develop a wastewater cost of service model. The calculations from the 2000 wastewater cost of service model are updated biennially. Given changes in water demand since 2008, completion of supplemental water supply facilities in 2011, and recent court rulings, staff recommends conducting a comprehensive cost of service studies for both the water and wastewater systems.

Though related, cost of service is a separate concept from rate design. While it is not the purpose of this project to develop a series of alternative rate structures for customer classes, the results of the study may indicate the need for modifications to the existing structure to ensure that future rate adjustments continue to conform to the legal requirements of Propositions 218 and 26. Proposition 218 which was approved by the voters in 1996 constrains the authority of local governments to raise revenue by requiring compliance with mandatory procedural and substantive requirements on new and increased taxes, assessments, and property-related fees and charges. Proposition 26 which was approved by the voters in November 2010 further restricts the ability of the state and public agencies to raise revenues to fund government services, facilities, and programs.

Specialized technical knowledge and third-party objectivity indicate the need for an outside consultant. After reviewing responses and conducting in-person interviews, staff recommends the engagement of Raftelis Financial Consultants (RFC) to conduct this study. RFC is a recognized leader in the provision of such studies for public utilities, having performed over 350 cost of service/rate and financial studies in the past year alone.

FISCAL IMPACT

Funds are available for this work in the FY14/15 operating budget.

NEXT STEPS

The Board will consider authorizing an agreement with Raftelis Financial Consultants, Inc. at their November 12, 2013 meeting. The cost of service study will be completed by the end of CY2014 prior to development of the next biennial budget and rate package. During CY2014, staff will be conducting a series of workshops on the District's Long-Range Financing Plan and Cost of Service study.

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