

MINUTES

Tuesday, March 25, 2014

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

Special Meeting

Vice-President Katy Foulkes called to order the Special Meeting of the Board of Directors at 9:30 a.m. in the Training Resource Center. The Board met in workshop session to receive a presentation on long-term financial stability objectives.

ROLL CALL

Directors John A. Coleman, Doug Linney, Lesa R. McIntosh, Frank Mellon, William B. Patterson, and Vice-President Katy Foulkes were present at roll call. President Andy Katz arrived at 9:43 a.m.

Staff present included General Manager Alexander R. Coate, General Counsel Jylana Collins, Director of Finance Eric L. Sandler, Assistant to the General Manager Rischa Cole, and Secretary of the District Lynelle M. Lewis.

PUBLIC COMMENT

There was no public comment.

DISCUSSION

- Filed with the Board was a slide presentation entitled "Long-Term Financial Stability Workshop 1," dated March 25, 2014.

Director of Finance Eric L. Sandler presented proposed updates to the Strategic Plan along with a comprehensive overview of the District's financial planning model. Proposed changes to the Strategic Plan will be considered with the mid-cycle budget update on May 27, 2014. He highlighted the current and proposed strategies noting that staff proposes consolidating the current five financial strategies to four and include the following: Strategy 1 - Developing a long-range financing plan that sets forth the long-term funding needs of the District; Strategy 2 - Implementing water and wastewater rates and charges that are legal, fair and equitable; Strategy 3 - Ensure integrity, accountability and transparency in financial management; and Strategy 4 - Implement new technologies that improve the efficiency and effectiveness of business processes.

Next, he pointed out that for the FY 2012 and FY 2013 budget, supply shortage and the recession required a focus on short-term cost containment. However, the FY 2014 and FY 2015 budget cycle shifted focus back to long-term financial stability. He highlighted how the

character of EBMUD's challenges has changed over the past decade (i.e. from planning for supply diversification and reliability to investing in existing assets and funding supplemental supplies). He stated that going forward the District's strategic and financial plans should reflect these changes.

The next segment of the presentation focused on the financial planning model. Mr. Sandler explained how the model works and how financial policies drive revenue requirement and model outputs. He reviewed Debt/PAYGO funding of the capital plan (*no more than 65% over 5-year period*), Debt Service Coverage Ratio (DSCR) (*at least 1.60x coverage*), and reserve levels (*various targets for each reserve type (working capital, self-insurance, workers compensation, contingency/rate stabilization)*).


Mr. Sandler reviewed how the current drought could potentially lower DSCR noting that if this happens, meeting a higher DSCR would require higher operating revenues (e.g. rates). He noted that comprehensive discussions on rates and charges will be presented as part of the upcoming budget development process. In concluding, staff proposed the following upcoming workshop topics: Workshop 2 – Capital Plan (July); Workshop 3 – Reserves (September); and Workshop 4 – Rates (November).

The Board commended Mr. Sandler on the presentation and asked staff to provide the following information for future workshops: 1) Provide copies of presentations in advance; 2) At workshop #2, address industry guidelines and institutional policies for capital versus operating expenditure categories and discuss criteria for setting the appropriate period for debt funding of capital; and 3) At workshop #3, address ways to ensure District reserves are available to fund District needs (and not taken to meet state budgetary needs).

ADJOURNMENT

President Katz adjourned the Special Meeting at 9:51 a.m.

SUBMITTED BY:



Lynelle M. Lewis, Secretary of the District

APPROVED: April 8, 2014



Andy Katz, President of the Board