

MINUTES

Tuesday, March 24, 2015

**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 8:31 a.m. in the Training Resource Center. The Board met in workshop session to receive an update on the Proposed Biennial Budget and Rates and Charges for Fiscal Years (FY) 2016 and 2017.

ROLL CALL

Directors Doug Linney, Lesa R. McIntosh, Marguerite Young, and President Frank Mellon were present at roll call. Directors William B. Patterson, John A. Coleman, and Andy Katz arrived at 8:33a.m., 8:37 a.m., and 9:05 a.m., respectively.

Staff present included General Manager Alexander R. Coate, General Counsel Craig S. Spencer, Director of Finance Eric L. Sandler, Director of Engineering and Construction Xavier J. Irias, Director of Water and Natural Resources Richard G. Sykes, Director of Wastewater Bennett K. Horenstein, Manager of Information Systems Nicholas J. Irias, Manager of Customer and Community Services Sherri A. Hong, Assistant to the General Manager Rischa S. Cole, and Secretary of the District Lynelle M. Lewis.

PUBLIC COMMENT

There was no public comment.

DISCUSSION

- Filed with the Board were the following documents: 1) Proposed Biennial Budget, Fiscal Years 2016-2017 (District Overview, Water System Budget, Wastewater System Budget); 2) Proposed Biennial Budget, Fiscal Years 2016-2017 (Supplement Material, Capital Project Summaries); 3) Draft Notice of Public Hearing, Proposed Rate Increases to Water and Wastewater Fees; and 4) Presentation entitled "General Manager's Proposed Budget & Rates, FY 2016 and FY 2017," dated March 24, 2015.

General Manager Alexander R. Coate highlighted key priorities in the proposed FY16 and FY17 budget which includes: sustained reinvestments in aging physical infrastructure, investment in critical information technology infrastructure, managing impacts of the extended drought, and providing for long-term financial stability. The FY16-17 District-wide total appropriation is \$1.83 billion. Of that amount, \$1.71 billion is for Water and Wastewater Systems operations, debt service, and capital appropriations. In addition, the budget appropriates an additional \$126.3 million for drought contingency. Mr. Coate announced that the recommended rate increases for FY16 are 8 percent for the Water System and 5 percent for the Wastewater System, and for FY17 are 7 percent for the Water System and 5 percent for the Wastewater System.

Director of Engineering and Construction Xavier J. Irias presented an overview of key budget priorities for the Capital Improvement Program which address safety, regulatory compliance, critical reliability, and cost effectiveness. Key Water System projects include raw water system improvements to the Chabot Dam and tower, Mokelumne aqueduct rehabilitation, reservoir rehabilitation, pumping and treatment plant improvements, and pipeline replacement. Director of Water and Natural Resources Richard G. Sykes presented an overview of key budget implications for replacing aging pipes throughout the service area. A significant share of funds is earmarked for increasing the annual replacement rate of water distribution pipelines to 15 miles per year versus the 10 miles in the previous budget. Director of Wastewater Bennett K. Horenstein presented an overview of key budget implications for the Wastewater System. These included activities related to the Wet Weather Consent Decree implementation, operating and capital costs for the food waste program, and investment in odor control infrastructure.

Manager of Information Systems Nicholas J. Irias presented an overview of key budget implications for investment in information technology infrastructure. The cost drivers reflect investment in major business systems (purchasing, finance, human resources, and work management), network and server hardware, desktops and laptops, mobile phones and tablets, along with communications service plans and associated hardware. Additionally, business network security and disaster recovery improvements are needed. Manager of Customer and Community Services Sherri A. Hong presented an overview of key budget implications for managing the extended drought. These drought related costs include increased customer support, community outreach, programs, services and rebates, enforcement of regulations, and leak detection and repair. Additional cost drivers include supplemental supply purchases and delivery, treatment costs, staffing, and conservation program related activities.

Director of Finance Eric L. Sandler presented an overview of the Proposed Biennial Budget for FY2016-2017. He presented highlights of the Water and Wastewater Systems budget comparisons for FY15, FY16 and FY17, Capital Improvement Program cash flows, major projects, and authorized positions for FY16 and FY17. Next, Mr. Sandler presented the recommended rates and charges and corresponding rate drivers, cost of service adjustments, customer bill impacts, and an overview of the staged system of drought rates. He pointed out that rates for FY16 and FY17 are based on an average consumption of 151 million gallons per day (MGD), which is lower than the average consumption in the FY14-15 budget.

- Addressing the Board was Henrik Albert, representing San Francisco Bay Sierra Club, Water Committee, who commented that the proposed rates and charges are not steep enough to drive up conversation, and suggested consideration of household size in water allocations.

There was Board discussion and Board members requested additional information as follows:

- Provide additional information on cost effectiveness of replacing a pipe that has met District replacement criteria as soon as practically possible versus deferral for up to 60 years and continuing to repair it as needed.
- Confirm the appropriateness of the replacement key performance indicators for different asset classes.
- What is the sensitivity to different base rate and charge increases or decreases for infrastructure investment? What projects would be added or deferred?
- What is the financial impact of going from 15% to 20% water use reductions?
- What is the anatomy of a water waste report? How does the process play out from beginning to end?
- How does the level of water conservation outreach compare to outreach during the past droughts?
- What's involved in considering water budget based rates and charges?
- Provide average indoor/winter and outdoor/summer water use for each System Capacity Charge (SCC) zone.
- How much outdoor irrigation can be supported at various water use levels in the various SCC zones?
- Consider expanding the conservation rebate program to include artificial turf?
- How does our rebate programs address the needs of low-income customers?
- Provide a review of our rebate programs including graywater.
- Provide an update on Kensington leak detection project.
- Provide update on Alameda County Grand Jury.

There was consensus by the Board to schedule a second budget workshop on April 14 and for staff to provide a written response to the questions raised.

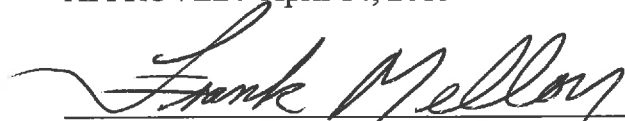
ADJOURNMENT

President Mellon adjourned the Special Meeting at 12:09 p.m.

SUBMITTED BY:


Lynelle M. Lewis, Secretary of the District

APPROVED: April 14, 2015


Frank Mellon, President of the Board

