



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

375 - 11th Street, Oakland, CA 94607

Office of the Secretary: (510) 287-0440

Notice of Special Meeting

**Long-Term
Financial Stability--Workshop #3
(Drought Financial Management/Drought Rates)**

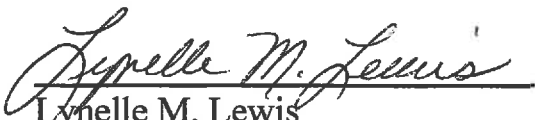
**Tuesday, August 12, 2014
9:00 a.m.**

**Training Resource Center
375 Eleventh Street
Oakland, California**

At the call of President Andy Katz, the Board of Directors has scheduled a special meeting for 9:00 a.m. on Tuesday, August 12, 2014, at 375 Eleventh Street, Training Resource Center, Oakland, California.

The Board will meet in workshop session for a presentation on Long-Term Financial Stability focusing on Drought Financial Management/Drought Rates.

Dated: August 7, 2014


Lynelle M. Lewis
Secretary of the District



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AGENDA
Special Meeting
Long-Term
Financial Stability--Workshop #3
(Drought Financial Management/Drought Rates)
9:00 a.m.
Tuesday, August 12, 2014
Training Resource Center
375 Eleventh Street
Oakland, California

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.

DISCUSSION:

1. Long-Term Financial Stability--Workshop #3 (Drought Financial Management/Drought Rates)
(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

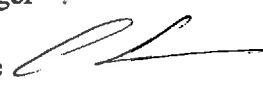
Materials related to an item on this Agenda that have been submitted to the EBMUD Board of Directors within 72 hours prior to this meeting are available for public inspection in EBMUD's Office of the Secretary at 375 11th Street, Oakland, California, during normal business hours.

EAST BAY MUNICIPAL UTILITY DISTRICT

DATE: August 7, 2014

MEMO TO: Board of Directors

THROUGH: Alexander R. Coate, General Manager 

FROM: Eric L. Sandler, Director of Finance 

SUBJECT: Long-Term Financial Stability—Workshop #3 (Drought Financial Management/Drought Rates)

SUMMARY

One of the District's six Strategic Plan goals is Long-Term Financial Stability. At the Finance/Administration Committee meeting on November 12, 2013 staff identified a series of workshops to support this Strategic Plan goal and to prepare for the development of the subsequent two-year budget. This memo provides an overview and timeline for the proposed work effort and describes the material to be discussed in Workshop #3 (Drought Financial Management/Drought Rates).

DISCUSSION

On November 12, 2013 staff identified certain activities throughout the following year to support long-range financial planning and development of the upcoming biennial budget/rates package. These projects included a series of workshops on key financial policy issues and the completion of a third-party cost of service (COS) study for the water and wastewater enterprises. The workshops are concerned with policies impacting the long-term funding needs of the District and the COS study is concerned with allocating those costs to customer classes and establishes a legal basis and administrative record for the District's rates and charges.

On March 25, 2014 staff conducted the first Long-Term Financial Stability workshop, and earlier this year began working on the COS study. Continued drought conditions have brought a renewed focus on drought-related financial management issues. In response the content and schedule of workshop topics have been revised to reflect this focus.

- Workshop #1 (March 25, 2014): *Introduction*. At this workshop, staff provided a review of workshop topics for the coming year, proposed revisions to the Strategic Plan goal of Long-Term Financial Stability, the District's financial planning model, a detailed account of how financial policies (e.g. capital financing, debt service coverage, and reserves) drive revenue requirements and rates, and the various financial model outputs.

- Workshop #2 (July 22, 2014): *Reserves*. At this workshop, staff reviewed findings from Workshop #1 and provided information regarding the use of reserves to manage financial risk. This workshop focused on drought-related financial risks and an assessment of the various tools to manage those impacts—e.g. reserves, Supplemental Supply Surcharge, and drought rates. In the workshop staff addressed the adequacy of these tools to manage drought related risks in both the short and long-term.
- Workshop #3 (August 12, 2014): *Drought Financial Management/Drought Rates*. At this workshop, staff will review some of the findings from Workshop #2, including the financial impact of drought and the various tools used to mitigate these impacts. This workshop will focus on the development of a system of drought rates that could be adopted as part of the FY16 and FY17 rate package that would be flexible enough to be deployed in stages depending on the severity of drought conditions. Workshop content will include a review of the history of previous District drought rates, a description of the existing water rate structure, a review of the policy objectives of drought rates, a survey of potential drought rate structure enhancements, and a review of the drought response of other regional water agencies.
- Workshop #4 (September): *Capital Plan*. 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 #5 (November): *Financial Forecast and Cost of Service Study Findings*. Over a series of two workshops in November, staff will bring together the work of the prior four workshops in the form of a long-term financial forecast, and will also review findings from the COS study.

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