

SRF Loan Agreements: South Reservoir Replacement MacArthur Davenport Pipeline

Board of Directors Meeting

September 26, 2017

Agenda



- SRF Background
- Projects Being Financed
- SRF Loan Agreement
- Recommendation

SRF Background



- Low-interest loans from State Water Board for water and wastewater infrastructure projects:
 - Drinking Water State Revolving Fund (DWSRF) – potable water projects
 - Clean Water State Revolving Fund (CWSRF) – wastewater and recycled water projects
- Interest rate set annually at $\frac{1}{2}$ the State's general obligation bond rate
 - 1.7% for 2017
- Loan term up to 30 years (recent increase from 20 years on DWSRF)

SRF Background

(Continuation)



- Loans can have additional requirements that increase costs and/or construction time, e.g.
 - American Iron and Steel requirements
 - Additional federal environmental requirements

SRF Funding as part of District's Long-Range Financing Plan



- District uses four primary capital funding methods:
 - PayGo (Revenue Funded)
 - Municipal Bonds
 - Grants
 - State SRF Loans
- SRF loans decrease both annual and total debt service

Per \$10 Million of Capital	30 year SRF	30 year Revenue Bond	Loans Compared to Bonds
Average Annual Debt Service	\$425K	\$568K	\$143,000 less per year for 30 years
Total Debt Service	\$12.67M	\$17.03M	Long-term savings of \$4.3M = \$2.5M NPV
Rate	1.70%	3.90%	2.2% less

- SRF funds becoming more scarce
 - High demand for SRF loans
 - Most capital improvement projects qualify
 - Disadvantaged communities receive priority

South Reservoir Replacement Project



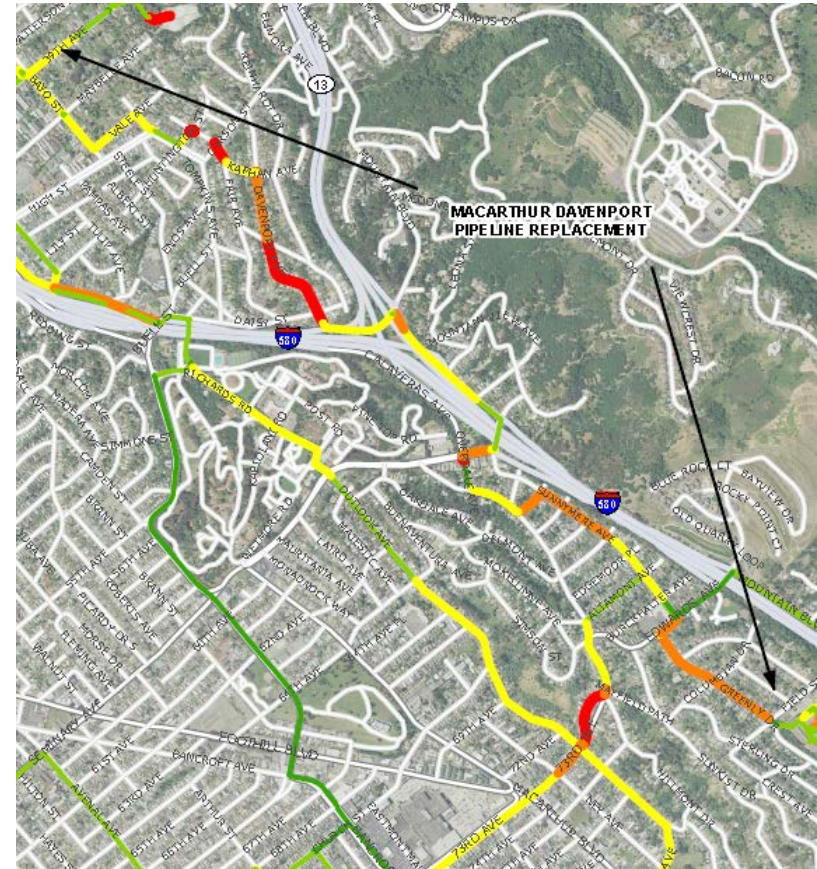
- Up to \$22.2 million loan for replacement of an existing reservoir
- Reduce size of reservoir to remove water quality concerns
- Loan application was submitted on March 1, 2016



Macarthur Davenport Pipeline Replacement Project



- Up to \$18.7 million loan for replacement of an existing pipeline
- 90 year old potable water transmission pipeline
- Pipeline crosses the Hayward fault
- Loan application was submitted on April 25, 2016



SRF Loan Agreement



- Board approved resolutions allowing staff to pursue SRF loans funding South Reservoir and MacArthur Davenport projects
- Staff has negotiated with the State on terms of both agreements, now in final form
- SRF agreement requires certain financial covenants that differ from District's bond indenture
- SRF requirements are stricter and will effectively override indenture requirements as long as SRF loan is outstanding

SRF Loan Covenants



Terms	SRF	Revenue Bond
Lien	Parity	Parity
Coverage requirement	1.1x <i>maximum</i> annual debt service on <i>parity + subordinate</i> debt	1.1x annual debt service on parity debt
Prepayment	Any time, no penalty	At call dates, may be premium
Project reporting	Upon award of contract Upon initiation of construction Quarterly during construction Final completion report -- Completion required by deadline -- Extensions must be requested Specified events	None

- SRF loans focus on specific project requirements vs. revenue bonds which provide complete spending flexibility
- SRF loans require stricter coverage calculation and resulting lower coverage will need to be disclosed
- SRF requirement also applies to additional debt test that is done prior to issuance
 - Use of maximum annual debt service in calculation limits District's ability to use certain debt structures

Recommendation



- Approve SRF loan agreements despite somewhat more restrictive requirements as compared with revenue bond debt
- Lower interest rate could save the District roughly \$9 million on the two projects' financings compared to revenue bond financing
- District can refinance SRF loan with revenue bonds at any time if SRF loan requirements prove too restrictive
- Next Step:
 - Loan Agreements Finalized (October/November)



EAST BAY MUNICIPAL UTILITY DISTRICT

Amendment to Water Theft Penalty Ordinance Second Reading

**Board Meeting
September 26, 2017**

Agenda

- Background
- Ordinance Modifications
- Water Theft Action Timeline
- Water Theft Multiple Violations
- Other Charges
- Next Steps

Water Theft Penalty Ordinance #365-15

- Board adoption April 28, 2015
- Discourage and prevent water theft
- District authority to impose administrative penalties on any person who performs water theft
- Consistent with California Penal Code which defines water theft as a misdemeanor

WARNING!

DO NOT RESTORE YOUR WATER SERVICE!

WATER THEFT IS A CRIME and under EBMUD's Water Theft Ordinance #365-15, you could be subject to financial penalties!

DO NOT open, or tamper with any residential water meter that has been turned off.

DO NOT have any unauthorized connections to EBMUD's water system.

DO NOT attempt to take water illegally from a public fire hydrant.

ALL of these actions constitute **water theft**, and could subject you to criminal and/or financial penalties.

EBMUD's **WATER THEFT ORDINANCE** can be found in its entirety on EBMUD's website at www.ebmud.com/water-theft

Under the Water Theft Ordinance, the following penalties apply:

\$1,000 First Violation

\$2,000 Second Violation within 12 months of the prior violation date

\$3,000 Each additional violation within 12 months of the prior violation date

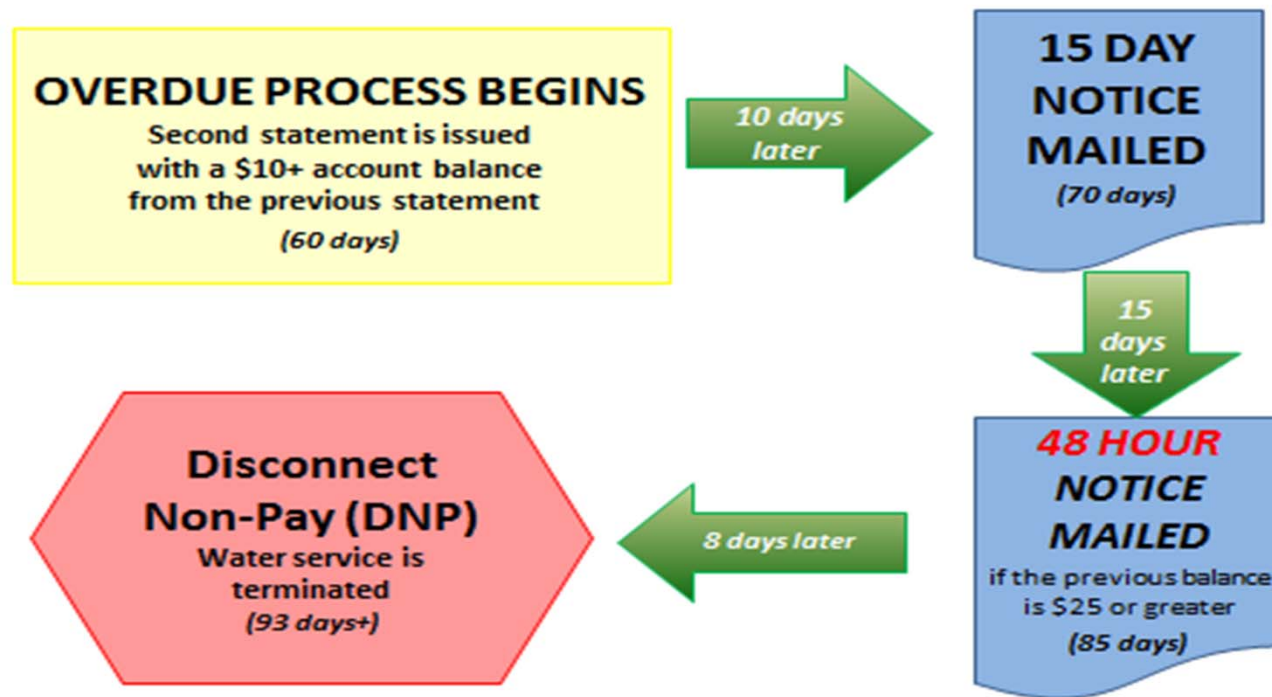
Water Theft Penalty Ordinance #365-15

- 1) Continue with a second reading of the Ordinance
 - First reading conducted August 8, 2017
 - Second reading conducted September 12, 2017
- 2) Amendment to the Water Theft Penalty Ordinance
 - ✓ Reduce the applicable penalties for water theft via meter tampering from \$1,000, \$2,000, \$3,000 to \$0, \$200, \$400 for first, second, and third offenses respectively

Option D2

Meter Tampering	Lateral Diversion	Unauthorized Hydrant Use
\$0/\$200/\$400	\$1000/\$2000/\$3000	\$1000/\$2000/3000
Less volume loss	Public health and safety	Public health and safety
Existing standard service	Water Quality	Water Quality
	Damage to facilities	Large volume loss
		Resale of water

Overdue Process Timeline



(e.g. Jan /Feb service = billed March 1 due March 16, double bill May 1, disconnect June 3)

Verbiage used in 15 day notices:

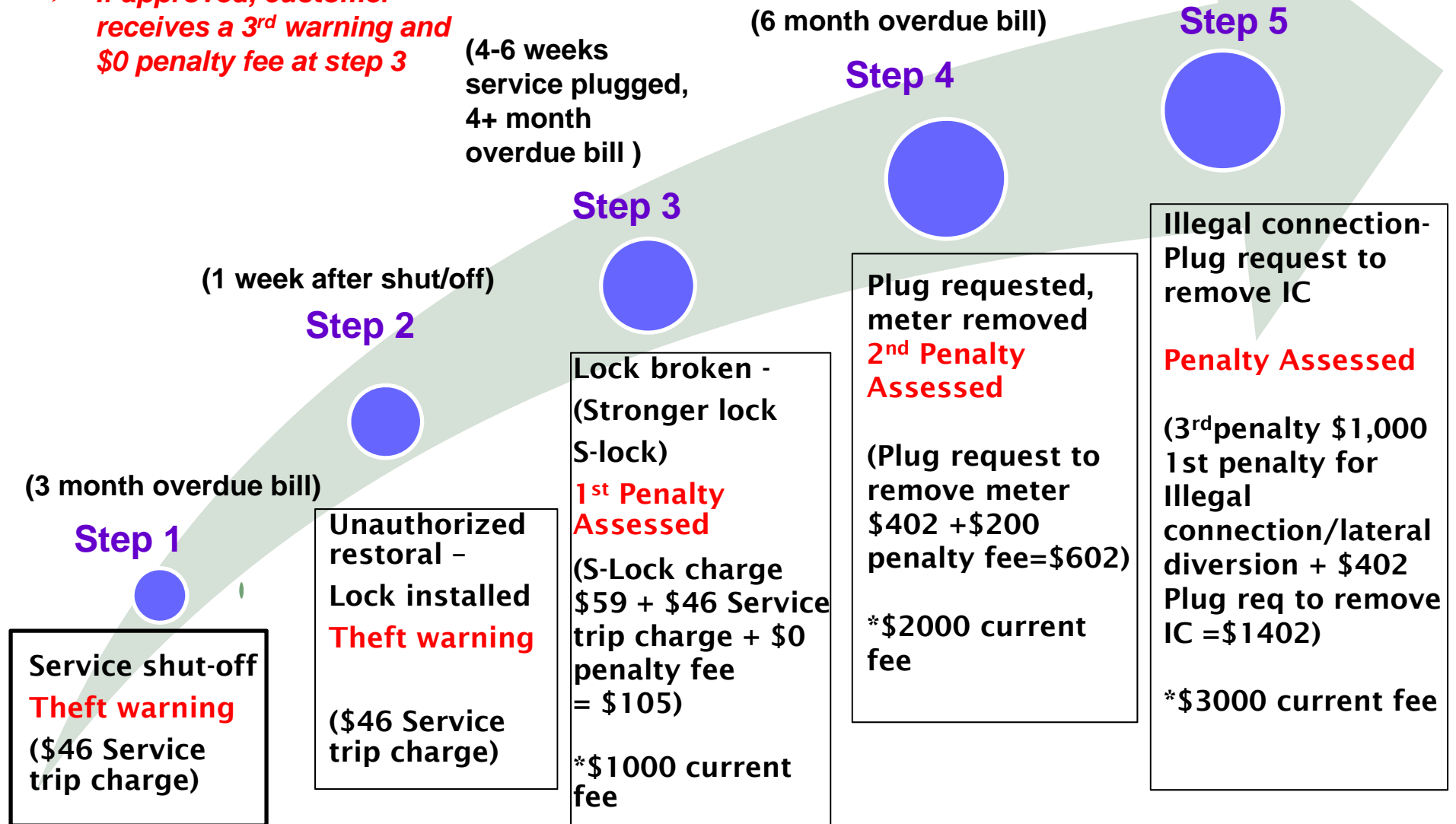
If you have questions regarding the amount owing, want to establish a payment plan or need financial assistance, you may telephone a Customer Service Representative at the office listed below. If our service is not satisfactory or you need further help, please ask for a supervisor.

Service Disconnections

- Bill over 2 million statements annually
 - Approximately 6% of sf customers receive 48 hour notices
 - Approximately 3% turn-off orders generated
- After payment plans and customer contact, an estimated 2.7% are actually turned-off
- Represents approximately 49 (.01%) per day out of 328,000 customers, CAP = 2.8%
- 74% turned back on in less than two weeks
- FY2017 turn-offs reduced by 10%

Sample Water Theft Action Timeline

➤ *If approved, customer receives a 3rd warning and \$0 penalty fee at step 3*



Example of Multiple Water Theft Violations within 12 months

- Jan. 2017 – 1st violation = (\$0 penalty)
- Jun. 2017 – 2nd violation = (\$200 penalty)
- Nov. 2017– 3rd violation = (\$400 penalty)

Water theft could happen once a year without a penalty fee assessed.

Water Theft Occurrences

422 total occurrences
(May 2015 - August 2017)

- 94% of water thefts are from Meter tampering.
- 64 accounts had multiple occurrences
- Oakland majority of theft

Financial Impacts to Water Theft

- Ordinance reduced the number of meter locks broken by over 40 percent and over 11 percent reduction in field action follow-up, saving operational expenses estimated at over \$75,000.
- Administrative and follow-up field action costs are not recovered for Steps 4 & 5 estimated at \$425/incident.
- Field service expense is partially recovered under Rates and Charges through Step 3.

Next Steps

- Effective 31st day after adoption
- Update Ordinance
- Update Schedule of Rates & Charges
- Revise warning notices

State Low-Income Rate Assistance Program

Board of Directors

September 26, 2017

Presentation Summary



- Background on AB 401
- State Board actions and outreach
- LIRA program elements & issues
- Emerging recommendations
- Next steps

AB 401 (Dodd)



- Chaptered in 2015, builds on Human Right to Water statute, AB 685 (2012)
- Requires State Water Board to:
 - Develop a plan to fund and implement a Low-Income Water Rate Assistance (LIRA) program
 - Prepare findings on feasibility, financial stability, and proposed program structure
- Report due to Legislature by February 1, 2018

State Water Board Actions



- Identified significant gap in water rate assistance to low income residents, compared to other utilities
- Held public meetings statewide to receive comments, plus targeted stakeholder meetings
- Requested data from water purveyors on existing LIRA programs and shut-off practices
- Academic studies prepared on eligibility criteria, assistance levels

Issues of Concern



- Source of funding: public goods charge, income-based tax, bottled water tax
- Delivery of benefits: customers of record vs. renters, others
- Criteria for eligibility and level of subsidy, identifying eligible households
- Role of existing LIRA programs
- Shut-off policy

Emerging Recommendations



- CARE program delivers rebate via energy bill, reaching most renters as well as homeowners
- Funding source and subsidy structure to be determined
- Statewide program replaces all existing CAPs
- Shut-offs allowed only after extensive customer outreach, support

Next Steps



- Concluding stakeholder meeting, late October
- Release of public review draft report, November
- State Board meeting for public comments, December 5
- Submittal of report to Legislature, February 1, 2018
- Introduction of authorizing legislation, 2018?