

EAST BAY MUNICIPAL UTILITY DISTRICT

DATE: March 13, 2025
MEMO TO: Board of Directors
THROUGH: Clifford C. Chan, General Manager *CCC*
FROM: Sophia D. Skoda, Director of Finance *SDS*
SUBJECT: Follow-up to January 28, 2025 Budget Workshop No. 1

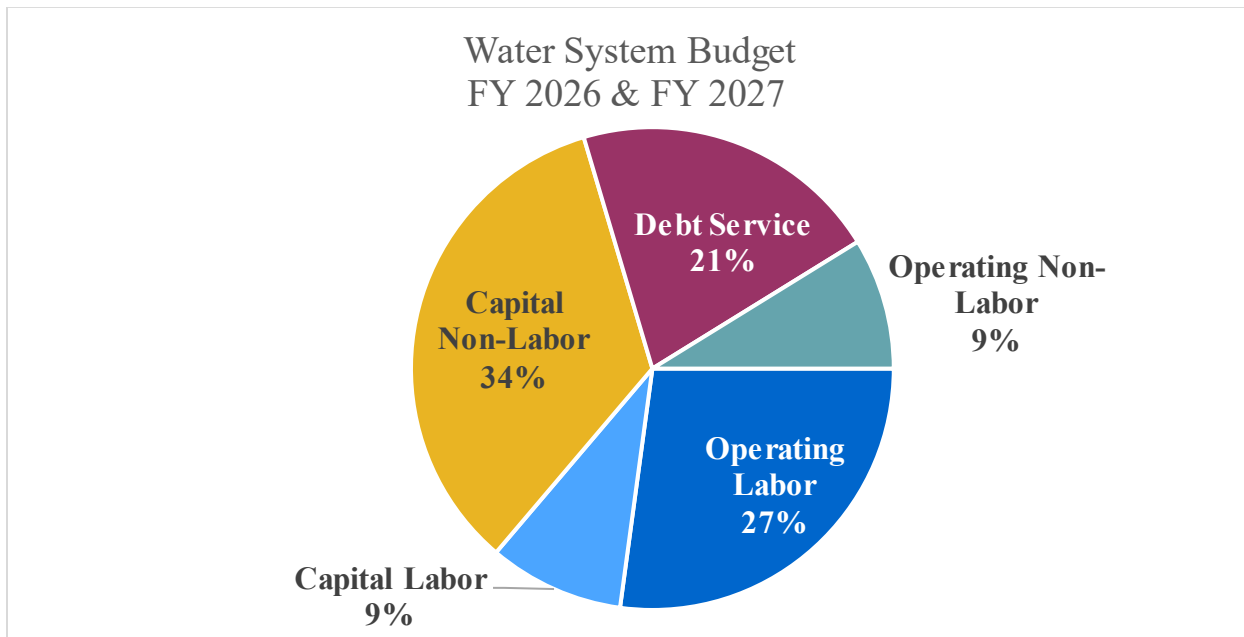
SUMMARY

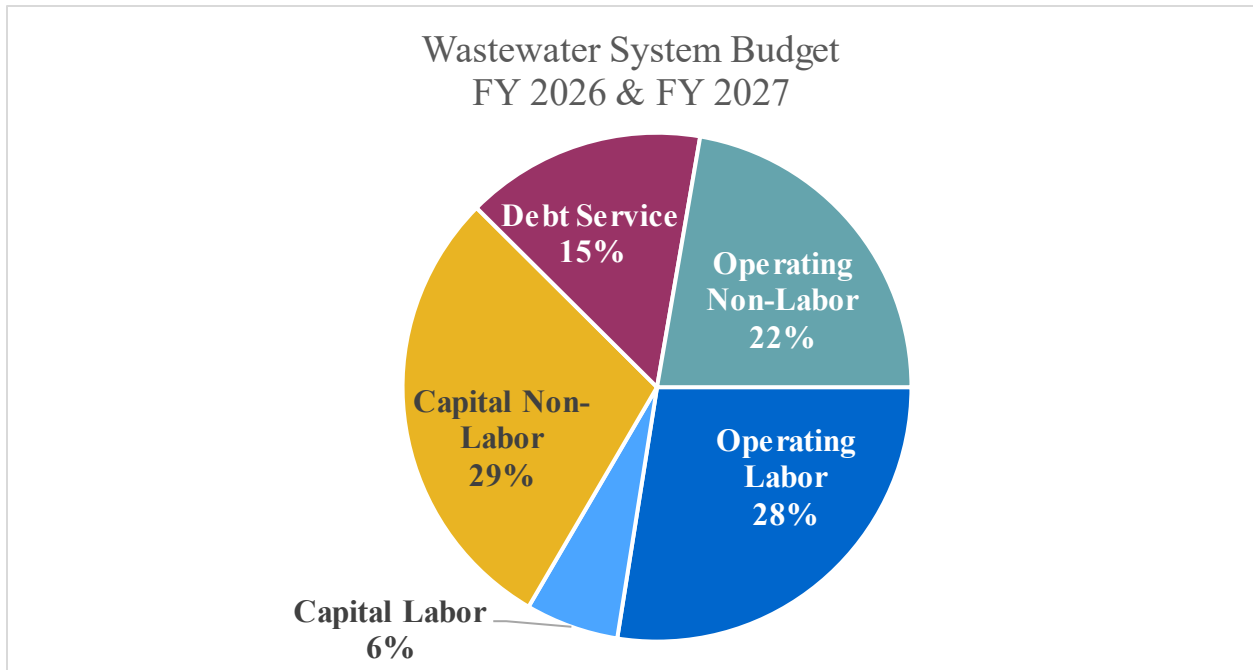
This memo provides additional information requested by the Board at the January 28, 2025 Budget Workshop No. 1.

DISCUSSION

Major Expense Categories

At Budget Workshop No. 1, the Board requested data showing the major expense categories for both fiscal years (FY) with each system shown in a separate pie chart. Below are the requested charts.





These charts use the budget information from Budget Workshop No. 1. Final changes to the proposed budget may slightly change these allocations. Final recommended budgets by category will be presented as part of the proposed budget.

Budget Tracking and Accountability

Starting in 2023, staff initiated efforts to enhance the Capital Improvement Program (CIP) development and implementation process. The primary objectives were to improve the process of prioritizing CIP projects and to increase accountability for project budgets. A new prioritization framework was developed by the Water and Wastewater Capital Steering Committees (CSCs), and over 400 projects were scored based on this framework. This scoring system guided the development of the CIP, and the framework will be continuously refined for future CIPs.

The criteria developed for prioritizing projects are based on the Board-approved Strategic Plan and include operational reliability, health and safety, water supply, and community equity. While all projects evaluated are important to the District, some have more flexibility in the timeline for scheduling, and others have less flexibility in their expected completion, for example, due to regulatory requirements or critical health and safety issues. Urgency criteria are used to assess the criticality of the project, ranging from not urgent to critical, based on their probability and consequence of failure and the time frame within which they are needed.

As part of enhancing accountability, staff worked to consistently prioritize projects by having all projects evaluated by the same group of decision-makers. Additionally, a new CIP process will be implemented by the Water and Wastewater CSCs to track budget changes and develop cost-

control methods. Budget management will involve early monitoring of project budgets and support for project managers. Emergency funds will be set aside to cover unexpected cost increases or emergency project needs, and any remaining funds from under-budget projects will be returned to the Finance Department.

Historical Rate Increases

The following table provides the history of rate increases for the last 20 years for each system.

| Fiscal Year | Water | Wastewater |
|--------------------|--------------|-------------------|
| 2006 | 3.75% | 3.75% |
| 2007 | 3.75% | 3.75% |
| 2008 | 5.00% | 4.00% |
| 2009 | 5.00% | 3.75% |
| 2010 | 7.50% | 5.00% |
| 2011 | 7.50% | 5.00% |
| 2012 | 6.00% | 6.00% |
| 2013 | 6.00% | 6.00% |
| 2014 | 9.75% | 9.00% |
| 2015 | 9.50% | 8.50% |
| 2016 | 8.00% | 5.00% |
| 2017 | 7.00% | 5.00% |
| 2018 | 9.25% | 5.00% |
| 2019 | 9.00% | 5.00% |
| 2020 | 6.50% | 4.00% |
| 2021 | 6.25% | 4.00% |
| 2022 | 4.00% | 4.00% |
| 2023 | 4.00% | 4.00% |
| 2024 | 8.50% | 8.50% |
| 2025 | 8.50% | 8.50% |

Historical Connection Fee Revenue

At Budget Workshop No. 1, the Board requested a history of revenues received from System Capacity Charges (SCCs) and Wastewater Capacity Fees (WCFs). A 10-year history is shown below. SCCs are fees assessed on new connections to cover the cost of existing infrastructure and future water supply projects needed to service additional demand. Similarly, WCFs are imposed to support wastewater treatment facilities and infrastructure. Revenue from SCCs and WCFs can vary significantly year-to-year based on development activity. In addition, a review of the SCC charges was completed in FY 2021, and the Board adopted significantly lower SCCs that went into effect in FY 2022.

| Fiscal Year | Water System Capacity Charges | Wastewater Capacity Fees |
|--------------------|--------------------------------------|---------------------------------|
| 2015 | \$29.7 million | \$2.8 million |
| 2016 | \$39.3 million | \$3.1 million |
| 2017 | \$51.5 million | \$8.0 million |
| 2018 | \$69.3 million | \$11.4 million |
| 2019 | \$73.5 million | \$13.3 million |
| 2020 | \$53.3 million | \$5.7 million |
| 2021 | \$53.8 million | \$7.2 million |
| 2022 | \$39.7 million | \$6.4 million |
| 2023 | \$40.8 million | \$7.1 million |
| 2024 | \$25.9 million | \$3.5 million |

External Auditor

Independent audits are conducted annually for EBMUD and the joint power authorities (JPAs). EBMUD is a part of including the Bay Area Clean Water Agencies (BACWA), Dublin San Ramon Services District-EBMUD Recycled Water Authority (DERWA), Freeport Regional Water Authority (FRWA), and Upper Mokelumne River Water Authority (UMWRA). Additionally, the District provides a separate single audit for any agency receiving Federal grants in excess of \$1 million. The Government Finance Officers Association (GFOA) recommends contracting for auditing services every five years. In following best practice, the District will issue a request for proposals (RFP) for outside auditing services this year. The District’s current auditors Lance, Soll & Lunghard (LSL) have provided audit services starting with FY 2020 audits and will conclude the contracted services with FY 2025 audits.

Staff expects to issue a final RFP in July 2025 with responses due in early September 2025. Interviews are planned for November and the Board will consider approval before February 2026. Staff will follow Policy 6.04 – Ethics of the EBMUD Board Of Directors and will discuss details of the process with the Finance/Administration Committee.

Pathways for Skilled-Trades Jobs

The Diversity and Inclusion Office (DIO) implements the District’s long-term workforce development strategy with the goal of creating and sustaining a diverse and qualified talent pool. The four-prong strategy (generate, unlock, link, foster) is designed to strengthen ties between the District and local communities and address the District’s current and future workforce needs.

- generate interest in water and wastewater utility careers
- unlock untapped talent by cultivating partnerships with community organizations and educational institutions
- link people to resources that prepare them to enter the labor market and compete for District employment

- foster connections with the community using enhanced outreach to develop a pipeline of diverse, qualified candidates

In accordance with this long-term strategy, the District:

- Conducts enhanced outreach on mission critical, high volume, entry level, and difficult-to-fill recruitments, as well as for job groups where the Equal Employment Opportunity Program (EEO) report indicates there is a placement goal.
- Maintains ongoing partnerships with community-based organizations (CBOs), local community colleges, and pre-apprenticeship programs to attract qualified, diverse applicants (including females, minorities, veterans and individuals with disabilities) for EBMUD internships and jobs.
- Works with a variety of community partners to share information and pool resources.
- Offers a variety of paid internship and training programs as part of its long-term workforce development strategy to attract, recruit, and retain a diverse, qualified workforce.
- Encourages managers/supervisors to forecast/plan ahead for anticipated vacancies, develop internal candidates for promotional opportunities, hire at the worker II level rather than the journey-level, and host interns to develop skills in the current workforce.

Staff is developing a comprehensive plan to create more pathways for blue-collar jobs. Central to this initiative is the addition of a \$350,000 contract, spread over two years, dedicated to the development of a newly named Skilled Trades Employee Progression and Support (STEPS) Program. This innovative program is designed to enhance internal skill development and facilitate career progression for employees in blue-collar positions. By focusing on skill enhancement, the STEPS Program aims to bridge the gap between entry-level roles and more advanced positions, ensuring that employees have the resources and training necessary to advance within the organization.

The STEPS Program will offer a structured approach to skill development, incorporating hands-on training, mentorship, and educational opportunities. Participants will have access to training that addresses the specific needs and demands of their respective trades. Additionally, the program will foster a supportive environment where employees can receive guidance and encouragement from experienced mentors. The STEPS Program will create a robust pipeline of skilled workers, ultimately contributing to the overall growth and success of the District. The program will also address immediate staffing needs and build a foundation for long-term sustainability and employee satisfaction.

Internships

The District offers a variety of paid internship and training programs as part of its long-term workforce development strategy to attract, recruit, and retain a diverse, qualified workforce. EBMUD internships, managed by the DIO, offer valuable hands-on experience/training to individuals pursuing/exploring careers in water and wastewater services. Internships help interns compete for future regular employment opportunities at EBMUD. District internships are classified as either Sponsored or Direct Internships.

In direct internships, individuals are hired directly by EBMUD into part-time (PT) or limited-term (LT) classifications. Sponsored internships are opportunities for individuals to gain hands-on training and experience at EBMUD while being employed by a community-based organization. The chart below shows a summary of funded internship positions by type (direct and sponsored internships, and skilled trades and other internships).

| | Skilled Trades Internship Positions | Other Internship Positions |
|-----------------------|--|--|
| Direct Internships | 2 LT Ranger/Naturalist Is 2 PT Ranger/Naturalist Is 9 LT Special Employment Program Trainees | 17 PT Engineering Aides 3 LT Junior Engineers 4 PT Human Resources Interns 2 PT IT Interns 2 LT IT Interns 3 PT Student Interns |
| Sponsored Internships | 5 PT BAYWORK Stackable Interns | 2 PT Toolworks Interns ~30 PT High School Interns |
| Total | 18 positions (11 LT, 7 PT) | ~63 positions (5 LT, 58 PT) |

Of note, the District has hundreds of entry-level, skilled trades positions that do not require prior experience and offer on-the-job training (OJT), such as:

- Water Distribution Plumber (WDP) I
- Water Treatment/Distribution Operator Trainee
- Wastewater Plant Operator Trainee

These positions are not included in the District’s internship programs above but offer many similar benefits to participants.

Field Trip Requests

In the 2024-2025 school year, the District began offering 5th-grade water education field trips, which include an outdoor watershed education tour, hands-on science, technology, engineering and mathematics (STEM) activities, as well as a tour of a water treatment plant. In the first year,

staff were able to support about one field trip per week during the fall and spring semesters, for 29 total field trips, exceeding the originally planned number by four.

Given the success in the first year, demand is expected to grow as more schools learn about the program. However, staff cannot accommodate more field trip requests than about one per week. Currently, the field trips are coordinated and led by both the Community Affairs Representative III, a position added in the FY 2024 budget, and a Senior Community Affairs Representative.

The proposed budget includes funding for two additional PT positions under a new classification: Outreach and Education Specialist. These new positions will expand the District's capacity to lead field trips and support other educational initiatives such as water walks, community events, in-classroom presentations, and science and career fairs. By allocating funds to staff these PT positions, the District will increase the number of educational opportunities, including field trips, supported by the education program.

Staff expect to be able to double the number of field trips offered per year. As discussed during Budget Workshop No. 1, Title I schools receive full reimbursement for transportation costs, while other public schools receive a 50 percent reimbursement. The FY 2026 and FY 2027 budgets include additional funding for transportation, which should be sufficient to meet the growing demand and capacity for field trips.

Outreach on Delayed Projects

Maintaining transparent communication with community stakeholders is important, especially when projects may have impacts on local streets or businesses. As discussed during the Workshop, the 10-year CIP includes several projects that have been rescheduled or phased to accommodate higher-priority initiatives. Despite the deferral of these projects, it is crucial to keep the community informed about the changes.

As part of the CIP, staff will reach out to the affected communities on major projects that have been deferred five years or more between completion of California Environmental Quality Act reviews and start of construction. The outreach plan will involve updating stakeholders on the new timelines and status of the deferred projects, as well as explaining the reasons for the adjustments. The District aims to maintain trust and transparency, ensuring that residents are aware of the ongoing efforts to prioritize projects that best serve the overall needs of the service area.

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