

MINUTES

Tuesday, April 23, 2024

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

Special Meeting

President Lesa R. McIntosh called to order the Special Meeting of the Board of Directors at 9:33 a.m. in the Administration Building Boardroom. The Board met in workshop session to receive an overview of the process for preparing the Cost of Service (COS) Study for the District's Water and Wastewater systems' rate structures in advance of the adoption of rates for Fiscal Years 2026 and 2027 in June 2025. The COS Study is part of the District's process for ensuring compliance with Proposition 218 and other legal requirements related to rates and charges. Staff also discussed a review of System Capacity Charges (SCCs), including SCCs for Accessory Dwelling Units.

ROLL CALL

Directors April Chan, Luz Gómez, Andy Katz, Doug A. Linney, Marguerite Young and President Lesa R. McIntosh were present at roll call. Director William B. Patterson arrived at 10:33 a.m.

Staff participants included General Manager Clifford C. Chan, General Counsel Derek T. McDonald, Director of Finance Sophia D. Skoda, Principal Management Analyst Phoebe A. Grow, and Secretary of the District Rischa S. Cole.

Public Comment. None.

Presentations/Documentation. 1) Presentation entitled "2025 Cost of Service Study –Water and Wastewater Workshop," dated April 23, 2024.

General Manager Clifford C. Chan introduced the workshop and said the COS Study is being performed in advance of the adoption of the District's Fiscal Year 2026/2027 budget. Based on feedback received from the Board, staff and the District's rate consultant will continue their study and analysis and will present a draft rate structure to the Board in October 2024.

Principal Management Analyst Phoebe A. Grow reviewed the workshop agenda and objectives including the timeline for completing the COS Study prior to the Fiscal Year 2026/2027 rates, charges, and fees hearing in June 2025. She highlighted the impact of California laws (Propositions 13, 26, and 218) on the COS Study and the District's rate structure and noted potential challenges posed by initiatives proposed for the November 2024 ballot that could alter requirements for implementing taxes, fees, and other charges. Ms. Grow discussed components of Water System Schedule A, the rate schedule for water service, and the Customer Assistance Program which is funded by non-rate revenue and outside the scope of the COS Study. She detailed how the COS Study evaluates revenue requirements, customer class cost allocation, and a rate design to allocate total revenue requirements among District customer classes. Production data from Fiscal Years 2022 and 2023 shows peak and maximum potential demands increase system costs. Single-family residential (SFR) consumption patterns, differing from multi-family residential patterns, demonstrated that SFR customers drive peak system demand. Ms. Grow discussed the District's SFR tiered rate

structure and those used by other agencies, explaining how these tiers can help recover peak demand costs. There was considerable discussion by the Board regarding the District's current SFR tiered rate structure. Ms. Grow and Director of Finance Sophia D. Skoda answered Board questions on the SFR rate structure, data availability for customer class analysis, and whether additional customer classes could be identified. They also responded to questions on whether the information on slide 17 is available by ward; the percentage of District customers paying tier 3 rates and the revenue generated from these rates; the analysis of median and average customer usage; and fixed charges and different rate structures at other agencies.

- President McIntosh left the meeting at 9:34 a.m. and returned at 9:35 a.m.

Director of Finance Sophia D. Skoda reviewed key water rate considerations in the COS Study including revenue stability, rate stability, affordability, customer understanding, administrative ease, conservation, and drought management – all of which are subject to Proposition 218. Staff and the District's consultant are closely examining the balance between fixed and variable rates, SFR tier thresholds, and drought surcharges. She discussed the balance between fixed and variable rates noting that about 30 percent of Water System rate revenues come from the water service charge. Higher fixed fees enhance revenue stability and moderate impacts of drought while lower fixed fees encourage conservation and require increased reserves. Staff is recommending the consultant explore ways to increase the District's fixed revenue while maintaining the current three-tier structure for SFR customers and implementing a Stage 1 drought surcharge. These recommendations are subject to the COS Study results. The Board discussed balancing fixed and variable rates, using "conservation" to describe efficient water use outside of a drought, implementing a baseline credit rate structure to encourage conservation, and reducing revenue from fixed charges. They also discussed the concept of a minimum bill; potential effects of reducing or eliminating fixed charges; requiring higher water users to pay higher fixed costs; addressing infrastructure investments and affordability; ensuring charges meet District needs; quantifying avoided costs from efficient water use; intra-tier inequity; and water use messaging to customers in a low-water, non-drought year. There was Board consensus to support adding a Stage 1 drought surcharge.

Next, Ms. Skoda reviewed the components of Wastewater System Schedule A, (wastewater service rates for SFR customers), Schedule B (the Wet Weather Facilities charge rate schedule), and how the COS Study supports the allocation of the total revenue requirement among wastewater billing constituents. She discussed the Wastewater System rate considerations noting wastewater is currently billed using 36 different rates based on assigned business customer class strength and the current rate structure does not include a separate Wet Weather Facilities charge for condominiums. Staff recommends simplifying commercial/industrial strength billing and assessing the feasibility of a separate Wet Weather Facilities charge for condominiums. Wastewater revenues remain stable year-to-year, even during droughts. While potential future costs related to nutrients and nitrogen are a concern, it is too early to evaluate them thoroughly. She highlighted next steps for the COS Study: a Draft Rate Structure workshop in October, Budget and Rates workshops in January and March 2025, Proposition 218 notices in April 2025, and a public hearing on Fiscal Year 2026/2027 rates, fees, and charges in June 2025. Ms. Skoda concluded with a review of the District's current system capacity charge practices for Accessory Dwelling Units (ADUs) and options being explored to streamline processes for customers constructing ADUs. Staff is scheduled to present the following to the Board: General Manager's rates report on May 9; Fiscal Year 2025 non-Proposition 218 rates on May 14; and a Strategic

Plan and Fiscal Year 2025 Mid-Cycle Budget Board workshop on May 28. A public hearing on Fiscal Year 2025 non-Proposition rates, charges, and fees will be held on June 11.

- Director Chan left the meeting at 10:12 a.m. and returned at 10:13 a.m.

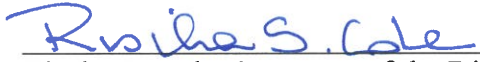
The Board requested the following:

- Provide updates on COS Study topics before the October Draft Rate Structure workshop
- Provide data on water usage by District ward and tiers;
- Conduct a financial sensitivity analysis, including reserve impacts, with varying proportions of fixed and variable charges;
- Explore new tiers based on different user types, such as “efficient water user” tier or tier 1A;
- Consider creating a separate class for low water users among single family residential customers;
- Assess legal implications of implementing having fixed charges based on water usage;
- Evaluate the avoided cost resulting from reduced water consumption by lower water users;
- Review current tier thresholds in light of median and average use, demand hardening, and other influencing factors;
- Provide information on why different tier structures are used by other water agencies; and
- Provide information on fixed charges at other agencies

ADJOURNMENT

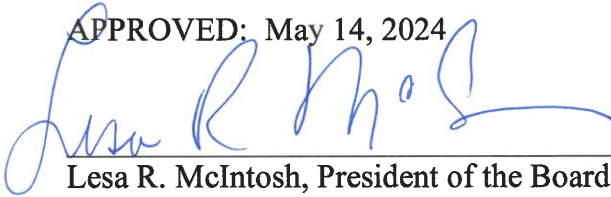
President McIntosh adjourned the Special Meeting at 11:02 a.m.

SUBMITTED BY:



Rischa S. Cole, Secretary of the District

APPROVED: May 14, 2024



Lesla R. McIntosh, President of the Board