

MINUTES

Tuesday, March 25, 2025

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

Special Meeting

President Marguerite Young called to order the Special Meeting of the Board of Directors at 9:07 a.m. in the Administration Building Boardroom. The Board met in workshop session to discuss the Fiscal Year (FY) 2026 and FY 2027 proposed biennial budget, including revenues, operating, debt service, and capital expenses; recommended revisions to the water and wastewater schedule of rates and charges subject to Proposition 218; and information on changes to the proposed budget from the plan presented at Budget Workshop No. 1 on January 28, 2025.

ROLL CALL

Directors April Chan, Luz Gómez, Andy Katz, Valerie D. Lewis, Jim Oddie, Joey D. Smith, and President Marguerite Young were present at roll call.

Staff participants included General Manager Clifford C. Chan, General Counsel Derek T. McDonald, Director of Finance Sophia D. Skoda, Manager of Budget Samuel A. Feldman, Special Assistant to the General Manager Derry L. Moten, Senior Community Affairs Representative Kathryn A. Horn, and Secretary of the District Rischa S. Cole.

Public Comment. Addressing the Board were the following: 1) Eric Larsen, President, AFSCME Local 444, said the union largely supports the budget as presented and commented on trades training programs for Local 444 classifications, funding for staffing to support ongoing trades training, and recruiting permanent staff to address backlog work; and 2) Michael Morgan, AFSCME Local 444, expressed concerns with the budget presentation and the proposed staffing plan to hire Limited-Term positions to address backlog work.

Presentation/Documentation. 1) Presentation entitled "Fiscal Years 2026 & 2027 Biennial Budget Workshop No. 2," dated March 25, 2025.

DISCUSSION

General Manager Clifford C. Chan introduced the workshop and noted staff had incorporated feedback received during Budget Workshop No. 1 on January 28, 2025 into today's presentation. He reported the proposed average rate increase in Fiscal Years 2026 and 2027 for the Water System is 6.5 percent annually and 8.5 percent annually for the Wastewater System. Staff developed a budget with a goal to balance infrastructure investment, rate stability, and long-term financial health.

Manager of Budget Samuel A. Feldman reviewed the agenda. Staff is seeking Board approval to move forward with finalizing and mailing the Proposition 218 notice which they received previously; copies were also provided at their places. Mr. Feldman discussed updates to the proposed budget to address feedback from Budget Workshop No. 1. During the first workshop, the Board expressed support for the 10-year financial plan including investing in critical infrastructure; strengthening the District's financial

stability by balancing rates and debt; and proceeding with the average rate increases announced by the General Manager. In response to feedback received regarding education and field-trip programs, the proposed budget was updated to include funding for two part-time Education and Outreach Specialists and \$175,000 per year for two years to hire an expert to advise on creating the Skilled Trades Employee Progression & Support (STEPS) Program to address workforce development for the trades. He reviewed the District's current workforce development efforts, pathways for Peralta Colleges Foundation interns to obtain District civil service positions, and goals for the STEPS Program. The proposed FY 2026 budget was also updated to include two Limited-Term (LT) positions to address the backlog of concrete paving orders while the proposed FY 2027 budget was updated to include two LT positions to replace contracted support for saw cutting. He clarified a Storekeeper to support materials handling at Oakport was already included in the budget presented during the first workshop. Special Assistant to the General Manager Derry L. Moten responded to questions regarding the correlation between the District's current workforce development efforts and pathways for Peralta Colleges Foundation interns to obtain District civil service positions. Senior Community Affairs Representative Kathryn A. Horn responded to questions about the District's education program. Board members discussed the feasibility of extending or converting LT positions to permanent positions; including test preparation in the STEPS Program; and testing requirements and promotions for LT Utility Laborers for permanent positions. Mr. Feldman reviewed the Capital Improvement Program (CIP) prioritization framework which will guide funding across the Water and Wastewater systems. To address capital budget controls, staff is improving accountability through consistent prioritization, enhanced monitoring of project budget changes, and proactive budget management. Emergency funds will be set aside to cover unexpected cost increases or emergency project needs. Savings from under-budget projects would be reallocated or returned to the Finance Department. There was considerable Board discussion regarding administration and management of the emergency fund. Next, he provided an overview of the proposed budget for the Water and Wastewater systems. Over two years, the total sources of funds for the Water System are projected to be \$2.7 billion, total operating costs \$934.9 million, and total debt service \$559.1 million. Capital spending is projected to be \$1.2 billion from the \$5.6 billion 10-year CIP and the District expects to issue \$700 million in new Water System bonds. Total sources of funds for the Wastewater System are projected to be \$483.7 million, total operating costs \$242.6 million, and total debt service \$73.7 million. Capital spending is projected to be \$170.8 million from the \$1.2 billion Wastewater System 10-year CIP and the District expects to issue \$75 million in new Wastewater System bonds. Mr. Feldman highlighted the sources of funds, categories of operating costs, position changes, details regarding the 10-year CIP budget and projected debt issuance, and the forecast for annual average wastewater rate increases through FY 2035 for both systems. He concluded with a review of the Customer Assistance Program (CAP), which is funded through non-rate revenue, currently serves over 10,800 low-income customers, and provided \$3.7 million in credits for customers in FY 2024.

- Director Oddie left the meeting at 10:25 a.m. and returned at 10:28 a.m.

Director of Finance Sophia D. Skoda discussed the Water System Cost of Service (COS) Study which is for Proposition 218 rates and was completed with support from an independent rate consultant. The study proposes updating the following rates in the District's Schedule A – Rate Schedule for Water Service: fixed monthly service charges, volumetric rates, elevation surcharge, recycled water rate, and private fire service charge. She reviewed substantive and procedural requirements for Proposition 218 and reported the water rates presented in the draft Proposition 218 notice represent study results and average 6.5 percent rate increases in FY 2026 and FY 2027. In Schedule L – Drought Surcharge, the study proposes implementing a 5 percent maximum surcharge for a Stage one drought. Surcharges for Stage 2, 3, and 4 droughts would increase to 10 percent, 20 percent, and 30 percent respectively. These

adjustments are designed to recover revenue and offset costs during drought periods. She highlighted the Proposition 218 protest and objection process and requirements in Assembly Bill 2257; the proposed water and wastewater rate increase impacts to single-family residential, multi-family residential, and non-residential monthly water bills; proposed increases to the elevation surcharge and recycled water rate; rate increase impacts from the District's annual Wet Weather Facilities Charge which is collected on the property tax bill; the District's average water charges and wastewater bills compared to other agencies; and community outreach and scheduled events between March and June 2025 to discuss the budget and rates. The Proposition 218 notice is scheduled to begin mailing in the next few weeks and media engagement will kick off in April. Information will be disseminated in the *Customer Pipeline* newsletter, during Water Wednesday webinars, and on social media; The General Manager's report and recommendation on revisions to rates and charges will be presented to the Board on May 13; and the public hearing on rates and charges is scheduled for the Board's Regular meeting on June 10.

There was considerable Board discussion about the layout, content, and distribution of the Proposition 218 notice; including the proposed rate increases in the Proposition 218 notice; whether the companies mailing the Proposition 218 notice are union shops; expanding outreach for the education program; including a test preparation component for the STEPS Program; the STEPS Program role in supporting long-term workforce development; testing requirements for LT Utility Laborers for permanent Utility Laborer positions; CIP emergency fund administration and management; increasing transparency and providing regular updates to the Board on the Capital Steering Committee process; the correlation between capital transfers and the CIP emergency fund; remaining mindful about the long-term stability of the District when considering adding more staff; continued use of LT positions and interest in converting some positions to permanent to address operational backlogs; understanding ward-specific customer impacts from the proposed rate increases and their connection to infrastructure investments; the projected debt issuance for capital in the 10-year plans for both systems; additional revenue sources and expanding the Customer Assistance Program; whether customers are benefiting from reservoirs that are located at higher elevations; when the Water System COS Study would be available; whether the median for wastewater use has changed; and planning for long-term capital needs for the Wastewater System. Board members thanked staff for their work and expressed overall support for the proposed budget and rate increases.

The Board requested the following:

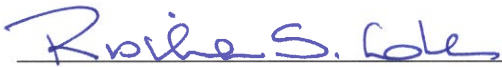
- Additional reporting on capital transfers, transfers to and from the CIP emergency fund, and Capital Steering Committee activities
- Debt service projections for the Water and Wastewater systems over the next 10 years
- Graphics showing a timeline of major water and wastewater projects over the next 10+ years
- Explore additional funding resources and ideas to increase Customer Assistance Program participation, including support for customers with limited English proficiency
- The number of Ward 6 customers that pay an elevation surcharge
- Additional information on the factors that increased the recycled water charge
- Additional information on unfunded liability costs for the Retirement System
- Proposed edits to the Proposition 218 notice: QR code linking to the public hearing information; hyperlink to eb mud.com webpage on how to read your bill; information on typical single-family residence meter size; bold the red text on the front of the notice; translate the notice into multiple languages; and ensure language accessibility
- Ward-specific rate impact factsheets
- A handout for Board members that illustrates how the proposed budget benefits customers

- Prepare a simple handout that can be shared during the budget and rates presentations
- Consider how to message that not all water customers receive EBMUD wastewater services
- Information on the analysis for the LT Concrete Paving staff and Utility Laborers. Include retirement data for these classifications, an analysis of the concrete order backlog, and actions to address the backlog
- Information on the process for LT Utility Laborers to apply for permanent positions
- Include a test preparation component in the STEPS Program
- Information on the benefits and estimated savings from purchasing water during Stage 1 of the last drought
- During the next Wastewater System COS Study, analyze if the nine-unit median for wastewater customers is still accurate
- A copy of the final Water System COS Study

ADJOURNMENT

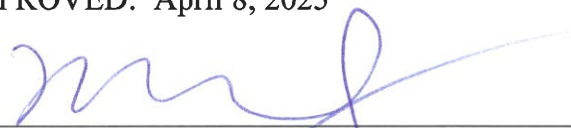
President Young adjourned the Special Meeting at 11:18 a.m.

SUBMITTED BY:



Rischa S. Cole, Secretary of the District

APPROVED: April 8, 2025



Marguerite Young, President of the Board