



## EAST BAY MUNICIPAL UTILITY DISTRICT

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DATE: May 8, 2025

MEMO TO: Board of Directors

THROUGH: Clifford C. Chan, General Manager 

FROM: Sophia D. Skoda, Director of Finance 

SUBJECT: Follow-Up to March 25, 2025 Budget Workshop No. 2

### SUMMARY

This memorandum provides additional information requested by the Board at the March 25, 2025 Budget Workshop No. 2.

### DISCUSSION

#### Edits to Proposition 218 Notice

In response to the Board's comments, the following changes were made to the Proposition 218 Notice that was mailed to all customers and parcel owners within the District's service area.

- Red text near the address label saying "If you are not responsible..." was made bold.
- The QR code on the back of the Notice links to the webpage "Understanding your bill" ([ebmud.com/understanding-your-bill](http://ebmud.com/understanding-your-bill)).
- The QR code on the first page of the notice links to [ebmud.com/rates](http://ebmud.com/rates) where information about the public hearing is provided.

#### More Understandable Budget and Rates Handouts for the Community

Staff created a simple handout to explain the proposed water and wastewater bill changes and have been using the handout at the Budget and Rates Roadshow presentations. The two one-page handouts, one each for water and wastewater, are being used at community meetings to illustrate changes to customer bills and share information about available bill resources. The handouts show impacts for low, typical and high water users for both systems; wet weather charges for the Wastewater System; and includes QR codes for links to how to read your bill, financial assistance, and the June 10, 2025 public hearings. These flyers also clarify for customers that not all Water System customers are customers of the Wastewater System, as staff does not distribute the Wastewater System handout if the meeting is in an area that does not receive wastewater treatment services from the District.

### Handouts for Board Members

Additional information on the Fiscal Year (FY) 2026 and FY 2027 proposed budget is included in Attachment 1 regarding capital improvements, operating investments, and strong financial stewardship that drive the FY 2026 and FY 2027 proposed budget.

### Customer Assistance Program (CAP) Support

CAP enrollment increased by 17 percent during the past 12 months as a result of the District's various outreach efforts. With the creation of the Customer Support Program Office in 2023, the District partnered with local organizations to increase outreach and enrollment for CAP. Most recently, the District partnered with The Unity Council to host on-site enrollment at one of their housing facilities in Oakland's Fruitvale District. Bilingual staff were present to assist customers with completing applications and enrolling into CAP. On May 17, 2025, the District is hosting a Community Resource Fair at RYSE Center in Richmond. The District also has an upcoming on-site enrollment day scheduled for June 12, 2025 with the East Oakland Collective. Staff bilingual in Spanish, Chinese, and Vietnamese attend events based on anticipated community needs.

Additionally, all CAP materials, including applications, flyers, and brochures are available in multiple languages at [ebmud.com/cap](http://ebmud.com/cap). Bilingual staff are also available by phone and through email to assist customers who are not proficient in English.

### Quarterly Report on Capital Transfers

The Board requested additional information on how capital transfers will be detailed in the future. Currently, capital transfers are reported in the General Manager's Monthly Report, which summarizes all capital transfers for each system with subtotals for each month and year-to-date totals. Capital transfers over \$2.5 million are detailed further with independent narratives. Additionally, an annual report detailing all capital transfers for the fiscal year will be provided in August 2025.

Starting in FY 2026, transfers between capital projects will end, except for administrative purposes such as combining projects and organizing staffing resources. Instead, awards needing additional funds will be supported by Unallocated Capital Funds, which are currently referred to as Capital Contingency in the FY 2026 and FY 2027 proposed budget. Funding is appropriated biennially and unspent funds in Unallocated Capital Funds will accumulate over fiscal years. The approval process for these funds is being developed.

As part of the new process, staff are developing a new report that will show all Unallocated Capital Funds transfers and will be reported quarterly instead of annually.

### Projection of Debt Service for Water and Wastewater Systems

At the workshop, the Board requested a projection of debt service for the Water and Wastewater systems over the next 10 years. Debt service projections are provided in Attachment 2.

### Capital Projects FY 2026 to FY 2035

At prior Infrastructure Workshops, staff presented a graph showing major projects over the next 10 years of the Capital Improvement Program (CIP). Attachment 3 provides the equivalent graphics for this CIP. Compared to prior budget cycles, this 10-year capital outlook is leveled for funding availability and long-term financial stability.

### Elevation Surcharges

The Elevation Surcharge is calculated to recover the cost of power and facility costs required to pump water to higher elevations. Elevation Surcharges are added to each billed unit of water (one unit is 748 gallons) in applicable elevation zones. The percentage of Single-Family Residential in each Elevation Band is provided in the table below by Ward.

Ward	Elevation Band 1	Elevation Band 2	Elevation Band 3
<b>District-Wide</b>	57%	34%	9%
<b>1</b>	84%	16%	-
<b>2</b>	17%	69%	13%
<b>3</b>	25%	48%	27%
<b>4</b>	65%	25%	10%
<b>5</b>	100%	-	-
<b>6</b>	78%	19%	3%
<b>7</b>	52%	42%	6%

Proposed charges for each Elevation Band are provided below for reference.

Elevation Band 1	Elevation Band 2 (>200 feet)			Elevation Band 3 (>600 feet)		
No Change	Current	FY 2026	FY 2027	Current	FY 2026	FY 2027
\$0	\$1.10	\$1.25	\$1.33	\$2.27	\$2.67	\$2.84

### Recycled Water Charge Cost Increases

The Board requested additional information on the reasons for changes to recycled water charges. The proposed FY 2026 and FY 2027 recycled water rates are based on the 2025 Cost of Service Study (see Section 4.3.5, page 24) and the District's memo dated March 20, 2025, "Fiscal Years 2026 and 2027 Recommended Revisions to the Water and Wastewater Schedules

of Rates and Charges Subject to Proposition 218,” which contains the recommendations for the FY 2026 and FY 2027 rates based on the parameters of the District’s biennial budget.

#### Ward-Specific Changes to Water Bills

Additional ward-level detail on changes to water bills is provided in Attachment 4.

#### Test Preparation in the STEPS Program

The Skilled Trades Employee Progression & Support (STEPS) Program focuses on skill enhancement to bridge the gap between entry-level and advanced trades positions. It includes hands-on training, mentorship, and educational opportunities tailored to specific trades, aiming to address immediate development needs and build a foundation for employee satisfaction and staffing sustainability. The Board requested that test preparation be included as part of this program, and this will be explored as part of the contract to develop the program. This addition aims to enhance participants' readiness and ensure they are well-prepared for the skill enhancement and hands-on training components of the program and are prepared for future career advancement at the District.

#### Detail on Limited-Term Positions for Concrete Paving and Saw Cutting

The FY 2026 and FY 2027 proposed budget includes four positions related to reducing fully maintained and operated (FM&O) contracting. The positions are limited-term (L/T), meaning they expire after two years unless renewed by the General Manager for an additional two years, after which time they must be renewed by the Board.

Two of the positions are related to concrete finishing – a Paving Crew Foreman and a Concrete Finisher I/II. These roles are recommended as L/T positions due to the backlog in paving concrete orders, which is expected to be addressed within two to four years. Currently, there are six concrete crews, with each crew completing approximately 150 orders annually based on a five-year average. As of December 2024, the backlog stands at approximately 1,200 paving orders. This backlog has increased from stable levels since 2021 and is partly driven by both short and long-term absences on paving crews.

The L/T Paving Crew Foreman and Concrete Finisher I/II positions will fill in for absentees of the regular crews, enabling up to two additional crews per day to work on reducing the backlog. If all crew members are present, these floaters can form their own crew and complete additional backlog orders, potentially increasing the total number of active crews to seven. With two to three more crews the backlog should reduce rapidly. Despite retirements, promotions, and other reasons for staff transitions, L/T positions are still recommended due to the uncertainty regarding when the backlog will be sufficiently diminished to permit a return to normal staffing levels.

The additional two positions for saw cutting – two L/T Utility Laborers – are proposed for FY 2027, when the Pipeline mileage goal increases to 27.5 miles, up from 25 miles in FY 2026. Saw

cutting involves using a specialized saw to cut concrete or asphalt surfaces. These positions will help reduce contracting out. The L/T positions will be used to evaluate whether permanent staff can reduce FM&O usage.

#### Process for L/T Utility Laborers to Apply for Permanent Positions

L/T Utility Laborers are eligible to apply during recruitment for permanent positions. They must undergo the complete Civil Service process to ensure fairness in hiring. However, their current work experience significantly enhances their applications.

#### A Historical Perspective on UAAL for EBMUD's Pension and Health Insurance Benefit (HIB) Plans

The Board requested information on the history of the District's unfunded actuarial accrued liability (UAAL), which is the portion of a retirement plan's liabilities that are not yet covered by assets, based on the valuation value of assets. The UAAL is the amount that must be funded over time to ensure full payment of earned benefits. The Retirement System develops a UAAL when the value of the future benefits earned by employees exceeds the growth in assets. The mismatch between assets and liabilities can arise for many reasons though the main causes are:

- Assumptions that don't match actual experience
- Policy decisions to implement more conservative funding policies and assumptions
- External factors such as investment returns, demographic shifts and changes in payroll

The Pension and HIB have different assumptions and funding policies that lead to a different UAAL for each plan. The Pension and HIB portfolios are invested as one singular portfolio with amounts allocated to the different programs.

#### UAAL for EBMUD Retirement Plans (Valuation Basis, \$ Millions)

	<b>Pension UAAL</b>	<b>HIB UAAL</b>	<b>Combined UAAL</b>
<b>FY 2020</b>	666.3	74.2	740.5
<b>FY 2021</b>	560.1	69.0	629.1
<b>FY 2022</b>	677.3	70.8	748.1
<b>FY 2023</b>	742.7	68.9	811.6
<b>FY 2024</b>	752.3	64.9	817.2

*Source: Segal's actuarial valuation reports using the valuation value of assets.*

Over the past five fiscal years, the UAAL for EBMUD's Pension and HIB plans has been shaped by a mix of investment performance, actuarial assumption changes, payroll growth above expectations, and funding policy design. The Pension Plan UAAL has fluctuated more significantly due to sensitivity to market volatility and demographic shifts. In contrast, the HIB Plan's UAAL has followed a more predictable and steadily declining path, due to dollar-capped

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benefits and structured amortization. These dynamics reflect thoughtful plan design and disciplined funding policy that, over time, aim to strengthen both plans' financial standing.

Benefits and Savings of Purchasing Water in Stage 1 Drought

Additional information on this will be presented at a future Urban Water Management Plan Board Workshop.

CCC:SDS:saf

Attachments:      1. FY 2026 & FY 2027 Biennial Budget Community Investments & Benefits  
                         2. Projected Debt Service Over Next 10 Years  
                         3. 10-Year Major Infrastructure Projects  
                         4. Water Bill Impacts by Ward

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# FY 2026 & FY 2027 Biennial Budget

## Community Investments & Benefits

### Capital Improvements

- **Replacing Aging Pipelines:** Replace 25 miles of aging pipelines in FY 2026, increasing to 27.5 miles in FY 2027, reducing leaks and water main breaks.
- **Upgraded Water Treatment Plants:** Completing major work at the Lafayette, Orinda and Upper San Leandro Water Treatment Plants, and starting work at Walnut Creek, to maintain our high-quality water and improve climate resiliency.
- **Wastewater Facility Upgrades:** Renovations at the Main Wastewater Treatment Plant, including new digesters and oxygen systems, protecting the San Francisco Bay.
- **Climate Change Resilience:** Relining Sierra aqueducts, maintaining and upgrading recycled water systems, and enhancing groundwater storage.
- **Recreation Improvements:** Sewer system and facility upgrades at community recreation areas for cleaner water and safer parks.

### Operating Investments

- **Skilled Trades Employee Progression & Support (STEPS) Program:** New training and development programs focused on skills enhancement for trades workers to create advancement opportunities through internal promotions.
- **Education and Outreach:** Adding two part-time Education and Outreach Specialists to expand 5th-grade field trips and education programs, and increased transportation funding for school field trips.
- **Enhanced Recreation Safety:** Increased ranger staffing to improve security at Mokelumne watershed recreation areas.
- **Environmental Health and Safety:** Strengthened worker and environmental safety across District facilities.
- **Data Science Investments:** Adding Data Scientists to enhance data analytics capabilities, enabling us to optimize system operations, advance our infrastructure management strategies, and improve efficiency.

### Strong Financial Stewardship

- **10-Year Financial Plan:** Balanced financial planning, supporting long-term infrastructure needs and reducing long-term reliance on debt funding for capital.
- **Reasonable Rates:** Median single-family residential water bill to increase by about 12¢/day in FY 2026 and 14¢/day in FY 2027; wastewater bill to increase about 8¢/day each year.
- **Expanded Customer Assistance:** Increased funding for the Customer Assistance Program to support vulnerable customers with bill discounts.
- **Reducing Debt Burden:** Majority of capital improvements funded with cash rather than new debt, keeping debt funding below policy limits.
- **Financial Resilience:** Maintaining healthy reserve funds and strong credit ratings to protect against future uncertainties.

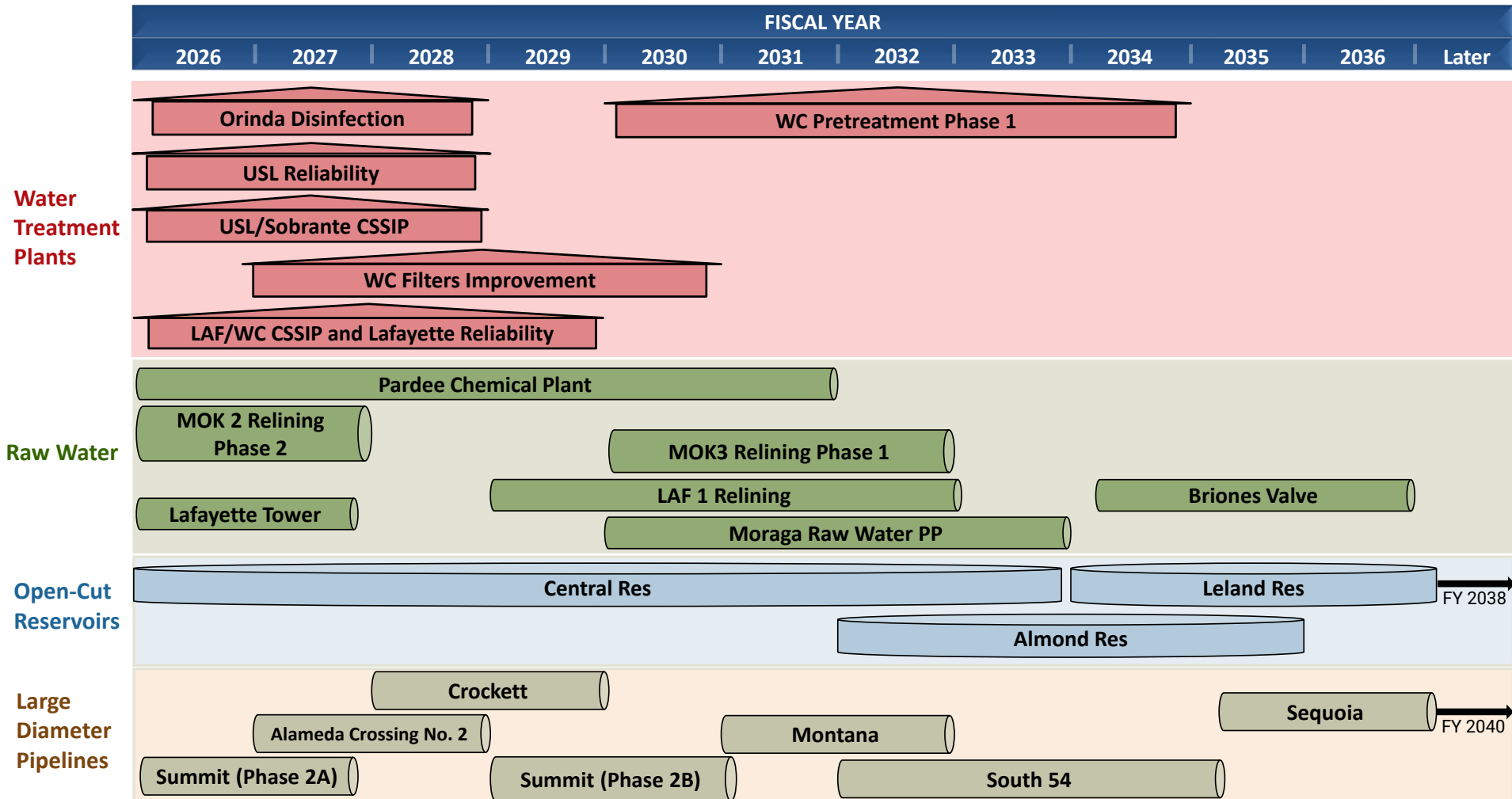
**Projected Debt Service Over Next 10 Years**  
(\$ Millions)

Fiscal Year	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Water System Debt Service	249.4	269.6	287.2	300.8	313.5	328.1	339.2	348.6	348.3	347.9
Wastewater System Debt Service	34.4	34.2	37.5	40.7	45.0	49.9	54.4	59.6	64.5	69.0

*Note: projections include existing debt service and debt service related to future bond issues projected over the 10 year period. Projections do not include pay down of principal on commercial paper.*

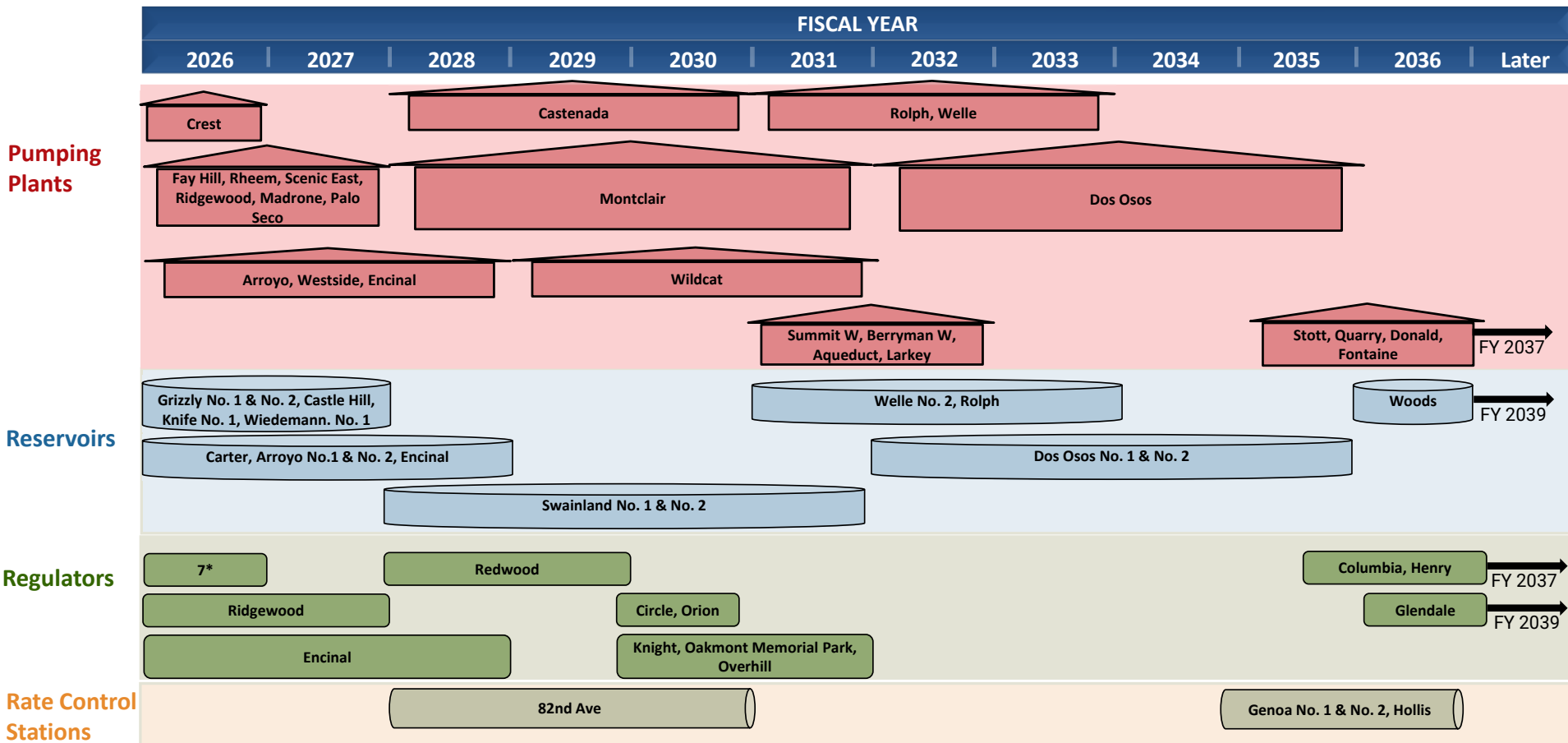


# 10-Year CIP Project Sequencing (Water)



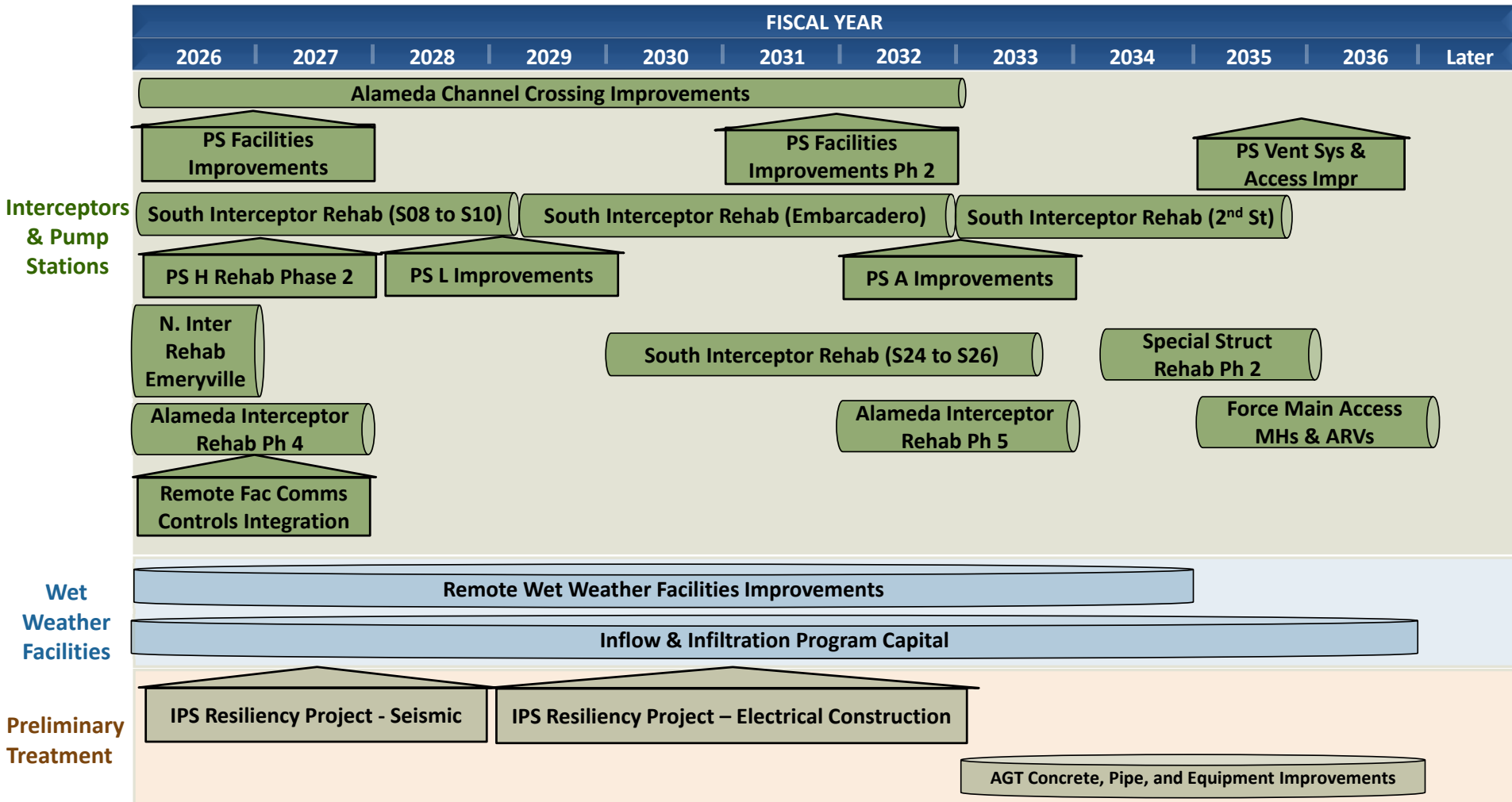
1 CSSIP: Chemical System Safety Improvements Program, WC: Walnut Creek, LAF: Lafayette, USL: Upper San Leandro, MOK: Mokelumne Aqueduct, RWPP: Pumping Plant

# 10-Year CIP Project Sequencing (Water)

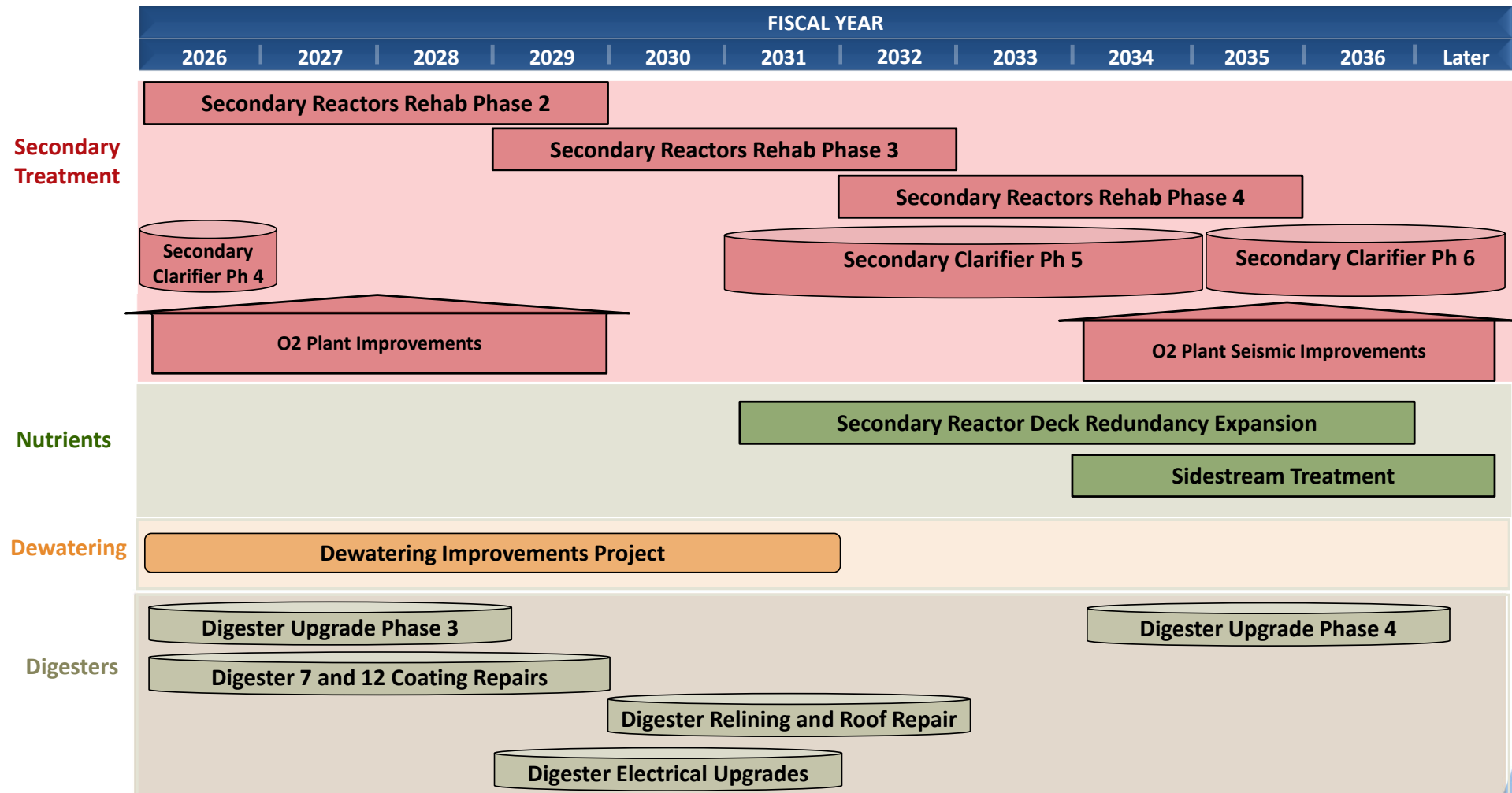


\* 7 regulators include : Castle Hill, Painted Pony, Cull Creek, Campus, Keller, Gramercy, Villareal

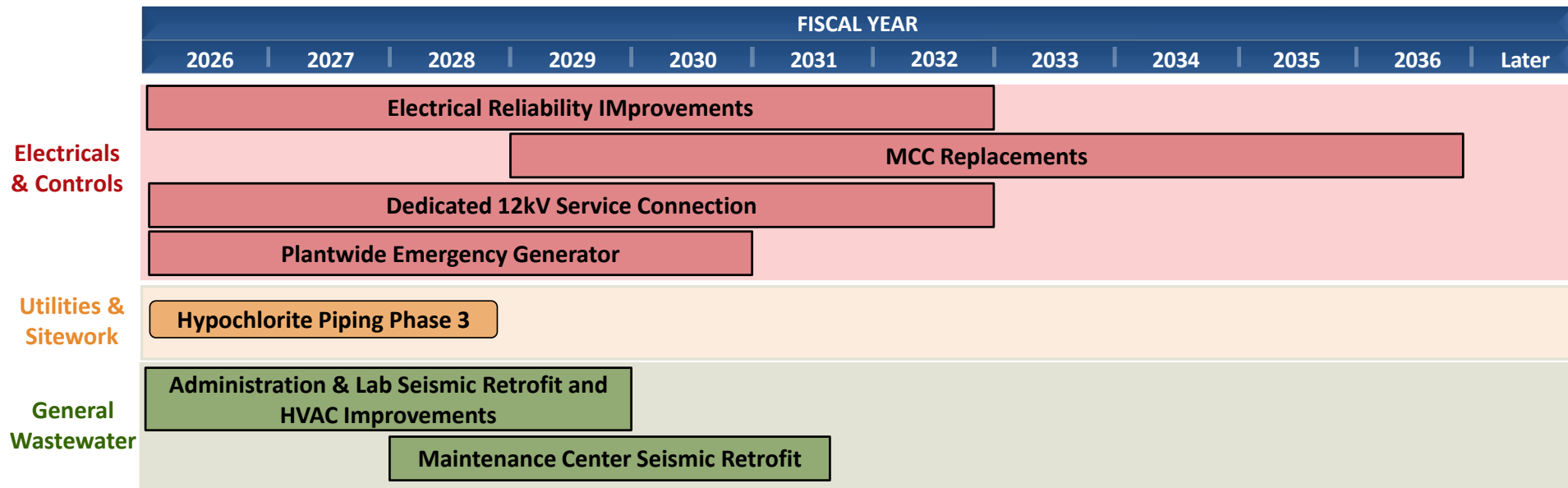
# 10-Year CIP Project Sequencing (Wastewater)



# 10-Year CIP Project Sequencing (Wastewater)



## 10-Year CIP Project Sequencing (Wastewater)



### Ward-Specific Single-Family Residential Typical and Mean Water Usage & Bill Impacts

Ward	Usage Type	Use Units / GPD*	FY 2025 Bill	FY 2026			FY 2027		
				Proposed Bill	\$ Change	% Change	Proposed Bill	\$ Change	% Change
District-Wide	Typical (Median) Usage	5 (125 GPD)	\$ 62.53	\$ 66.30	\$ 3.77	6.0%	\$ 70.60	\$ 4.30	6.5%
	Mean Usage	7 (175 GPD)	\$ 73.35	\$ 82.08	\$ 8.73	11.9%	\$ 87.40	\$ 5.32	6.5%
1	Typical (Median) Usage	5 (125 GPD)	\$ 62.53	\$ 66.30	\$ 3.77	6.0%	\$ 70.60	\$ 4.30	6.5%
	Mean Usage	6 (145 GPD)	\$ 67.94	\$ 74.19	\$ 6.25	9.2%	\$ 79.00	\$ 4.81	6.5%
2	Typical (Median) Usage	9 (220 GPD)	\$ 88.23	\$ 100.38	\$ 12.15	13.8%	\$ 106.88	\$ 6.50	6.5%
	Mean Usage	13 (320 GPD)	\$ 117.99	\$ 136.98	\$ 18.99	16.1%	\$ 145.84	\$ 8.86	6.5%
3	Typical (Median) Usage	5 (125 GPD)	\$ 62.53	\$ 66.30	\$ 3.77	6.0%	\$ 70.60	\$ 4.30	6.5%
	Mean Usage	7 (175 GPD)	\$ 73.35	\$ 82.08	\$ 8.73	11.9%	\$ 87.40	\$ 5.32	6.5%
4	Typical (Median) Usage	4 (100 GPD)	\$ 57.12	\$ 58.41	\$ 1.29	2.3%	\$ 62.20	\$ 3.79	6.5%
	Mean Usage	5 (125 GPD)	\$ 62.53	\$ 66.30	\$ 3.77	6.0%	\$ 70.60	\$ 4.30	6.5%
5	Typical (Median) Usage	5 (125 GPD)	\$ 62.53	\$ 66.30	\$ 3.77	6.0%	\$ 70.60	\$ 4.30	6.5%
	Mean Usage	6 (145 GPD)	\$ 67.94	\$ 74.19	\$ 6.25	9.2%	\$ 79.00	\$ 4.81	6.5%
6	Typical (Median) Usage	4 (100 GPD)	\$ 57.12	\$ 58.41	\$ 1.29	2.3%	\$ 62.20	\$ 3.79	6.5%
	Mean Usage	5 (125 GPD)	\$ 62.53	\$ 66.30	\$ 3.77	6.0%	\$ 70.60	\$ 4.30	6.5%
7	Typical (Median) Usage	5 (125 GPD)	\$ 62.53	\$ 66.30	\$ 3.77	6.0%	\$ 70.60	\$ 4.30	6.5%
	Mean Usage	6 (145 GPD)	\$ 67.94	\$ 74.19	\$ 6.25	9.2%	\$ 79.00	\$ 4.81	6.5%

Using 5/8" or 3/4" water meter, which is typical for single-family residential homes. EBMUD bills most of its customers bimonthly (once every two months).

\*1 CCF = 748 Gallons = 1 Unit

Bills are presented without elevation surcharges.