

## EAST BAY MUNICIPAL UTILITY DISTRICT

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DATE: March 26, 2026

MEMO TO: Board of Directors

THROUGH: Clifford C. Chan, General Manager *CCC*

FROM: Sophia D. Skoda, Director of Finance *SDS*

SUBJECT: Follow-Up to Mid-Year Budget and Finance Workshop

### SUMMARY

This memorandum provides additional information requested by the Board at the February 24, 2026 Mid-Year Budget and Finance Workshop (Workshop).

### DISCUSSION

The following sections summarize the items raised during the Workshop for staff follow up.

#### Inform the Board of budget variances that are typical and atypical

During the budget performance reports roughly every 6 months, staff provide variances of the actual expenses compared to the budget. Some of those variances are typical, meaning they are within the range of historical experience or are expected; other variances are atypical, meaning they are outside of expectations or could be large enough to affect decisions regarding discretionary spending.

Future reports will call attention to typical and atypical budget variances to ensure the Board has sufficient transparency around areas of concern related to revenues and expenses.

#### Provide messaging on the rationale for changes to the capacity charges that can be communicated to rate payers

The District uses the System Capacity Charges (SCC) and the Wastewater Capacity Fee (WCF) to recover a proportional share of existing system infrastructure from new development or customers requiring additional capacity. These charges have been in place since 1983 (SCC) and 1984 (WCF) and are periodically reviewed through independent capacity charge studies. The most recent studies were completed in 2021 (SCC) and 2019 (WCF).

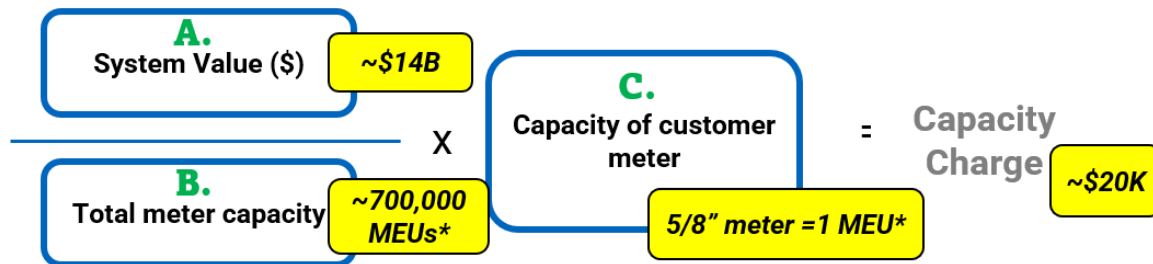
In 2025, the District initiated new capacity charge studies with an independent rate consultant. Preliminary findings from the consultant indicate that allocating capacity based on meter size

(meter equivalents) provides a simpler and more administratively efficient approach than the current approach based on estimated annual water use. The meter-based approach is well suited to mature systems focused primarily on reinvestment in existing infrastructure rather than system expansion.

As will be detailed in the pending SCC and WCF studies, the consultant’s work supports that the SCC and WCF reflect the reasonable costs for the District to provide capacity in each system. The proposed update complies with California law, reflects the District’s understanding of development patterns<sup>1</sup>, and results in charges that are more predictable for applicants while maintaining the principle that new development pays its fair share of system capacity.

Provide calculation for capacity charges for meter sizes up to 1-inch

Below is the calculation for the capacity charge. Yellow text boxes show the estimated numbers involved in the proposed capacity charges for the smallest meter size (5/8” meter). Each component of the calculations is explained below (see **A, B, & C**).



\* MEU = meter equivalent unit

- A.** System value represents the District’s existing investment. It is estimated as the sum of the costs of the District’s capital assets after accounting for depreciation and adjusting to today’s dollars minus debt outstanding. Fourteen billion is a preliminary number that will be updated and presented in the *Report and Recommendation of the General Manager for Revisions to the Water and Wastewater Schedules of Rates and Charges, Capacity Charges, and Other Fees Not Subject to Proposition 218 for Fiscal Year 2027 (FY 2027 Rate Report)*.
- B.** Under the proposed framework for capacity charges, the total capacity that the District’s water system is capable of serving is expressed as the number of “meter equivalent units” (MEUs). The number of MEUs is effectively the number of connections if every connection were the “base” size (in this case the smallest meter size – the 5/8” meter). Meters larger than 5/8”, which can discharge more water than 5/8” meters, are equal to more than one MEU. For example, a 1½” meter has a “safe maximum operating capacity” that is 5 times that of a 5/8” meter. As such, a 1½” meter is equal to 5 MEUs.

<sup>1</sup> The pending SCC Study references growth projections detailed in the District’s *2050 Demand Study Mid-Cycle Update* in order to delineate total system capacity.

The 700,000 is a preliminary number that will be updated and presented in the FY 2027 Rate Report.

- C. The capacity for each customer/connection is represented by the number of MEUs associated with the size of the water meter. Under the proposed capacity charge framework, all residential meters 1” or smaller would be considered to represent 1 MEU because the domestic demands of most of these residences could be served by a 5/8” meter but a 1” meter is often used to provide sufficient capacity for fire sprinklers.<sup>2</sup>

Provide historical Region 1 single-family developments by city.

The table below summarizes the single-family developments that completed applications for new water service between FY 2023 and FY 2025 in the Region 1 SCC area (see map included as Attachment A for current SCC Region boundaries). Much of the single-family residential development in Region 1 represents redevelopment or remodeling on parcels that have existing single-family homes. Such parcels have pre-existing meters and associated SCC credits that offset or, in many cases, eliminate the SCC charges. During this period, 92 homes paid no SCC, 21 paid partial SCCs due to credits, and 166 paid the full single-family SCC. Large single-family housing tracts in Richmond (95 homes) and San Pablo (20 homes) accounted for over half the applications paying the full SCC.

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<sup>2</sup> Removing the capacity needed to serve fire protection systems from consideration in the SCC is consistent with existing District practices. The District does not charge SCCs for separate private fire service and the District’s existing *Schedule J – System Capacity Charge* specifies: “Where a meter is installed to provide both standard service and a supply to a private fire protection system, at other than multi-family premises, the applicable System Capacity Charge shall be based on the meter size required for standard service exclusive of the capacity for supplying the fire protection system as determined by the District based on plumbing code, fire protection code and water industry standards.”

**Region 1 Single-Family Residential SCCs (FY 2023 to FY 2025)<sup>1</sup>**

City	\$0 in SCC Paid (Credit = SCC Owed)	Partial SCC Paid (Credit < SCC Owed) <sup>2</sup>	Full SCC Paid (No Credit Available)
Alameda	3	1	2
Albany	5	0	1
Berkeley	7	1	2
El Cerrito	3	2	0
El Sobrante	1	0	1
Hayward	9	3	8
Kensington	1	0	0
Oakland	39	5	23
Pinole	2	0	2
Richmond	4	3	102 <sup>3</sup>
Rodeo	1	0	0
San Leandro	10	4	2
San Lorenzo	3	0	0
San Pablo	4	2	23 <sup>4</sup>
<b>Total</b>	<b>92</b>	<b>21</b>	<b>166</b>

1. The table shows the number of single-family residences that were part of applications in FY 2023 – FY 2025. The total number of applications in FY 2023 – FY 2025 is lower than the total number of single-family residences because multiple residences (or properties) may be included in one application.

2. A “partial” SCC is paid when a SCC credit is available, but the credit is less than the applicable SCC. Under the current SCCs, the most common circumstance for this to occur is when redevelopment at an existing home increases the domestic demands to above that which can be satisfied with the existing 5/8” or 3/4” meter and a 1” meter is required to meet domestic demands.

3. 95 of the 102 single-family residences in Richmond for which the full SCC was paid were in one new development.

4. 20 of the 23 single-family residences in San Pablo for which the full SCC was paid were in one new development.

For the single-family residences shown above, applicants that paid no SCC under the current framework (primarily remodels and ADU additions) would generally continue to pay no SCC under the proposed framework. Applicants that currently pay a partial SCC (also typically remodels and ADU additions) would generally pay no SCC under the proposed framework. New development that currently pays the full SCC would generally continue to pay the full charge.

Provide information on plan for service laterals following a catastrophic fire

The District owns and maintains service laterals and meters and generally bears the cost of repairing or replacing them when they are damaged or worn out. In the event of a catastrophic fire, the likelihood of damage to the service lateral and meter are relatively low due to the materials (e.g., metal, concrete) used and their location, typically beneath pavement and/or concrete. Customers who may have lost their homes and plan to rebuild would need to submit an application to the New Business Office to determine if the existing service lateral and meter are adequate to serve the new home. Determination of any potential SCC and/or installation charges would be based on the District’s Regulations Governing Water Service in effect at the time of the

Follow-Up to Mid-Year Budget and Finance Workshop  
Board Information Memo  
March 26, 2026  
Page 5

application. Generally, SCCs or installation charges would only apply if the redevelopment requires greater capacity than the existing meter (for example, redevelopment of a single-family home to a multi-unit apartment building).

CCC:SDS

Attachment: Current SCC Regions Map

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Attachment - Current SCC Regions



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