

Mid-Cycle Budget Update

Fiscal Years
2022 & 2023



Water System
Wastewater
System

FY22 & FY23 Mid-Cycle Budget Update

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FY22 & FY23 Mid-Cycle Budget Update

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EXECUTIVE SUMMARY

The Board of Directors adopts a budget appropriation and rates and charges for two consecutive fiscal years in June of odd numbered years. A key feature of the biennial budget process is the mid-cycle update which occurs in May of the first fiscal year. This mid-cycle report includes revenue and expense projections for the first and second fiscal years and any emerging financial issues that may need direction from the Board of Directors. The Board is required to affirm or modify the second year of the adopted biennial budget.

Overview

On June 8, 2021 the Board of Directors adopted a \$2.3 billion biennial budget for Fiscal Years 2022 & 2023 for the Water and the Wastewater Systems. Of this amount, the FY23 budget is \$1.1 billion as shown in the following table.

FY23 APPROPRIATIONS			
(\$ millions)	Water	Wastewater	Total
Operating Budget	328.7	89.7	418.4
Debt Service	222.4	31.9	254.2
Capital Budget	<u>418.4</u>	<u>54.1</u>	<u>472.5</u>
Total	969.4	175.7	1,145.1

This biennial budget prioritized resources to achieve Strategic Plan goals and expand new initiatives while maintain fair and reasonable water and wastewater rates. The biennial budget supports:

- Water affordability through lower average rate increases than previously projected,
- Ongoing critical maintenance activities,
- Key infrastructure investments,
- Racial justice and social equity initiatives,
- K-12 school education program outreach, and
- Customer Support Program enhancements.

Since the development of the biennial budget, the District has continued to face drought conditions. Water Year 2021, which ended September 30, 2021 – at the end of the first quarter of the Fiscal Year 2021 budget – was the second driest year on record in the Mokelumne Basin, and the driest year on record in the East Bay area served by the District's water system. On April 26, 2022, the Board declared a water shortage emergency condition and elevated the District's drought response to a Stage 2 Significant Drought and established a District-wide mandatory water use reduction goal of 10 percent. Then, on May 10, 2022, the Board authorized implementation of the Stage 2 Drought Surcharge at the rate of 8 percent of the Water Flow Charge, for implementation on July 1, 2022. The effects of the drought on revenue and expenses in Fiscal Years 2022 & 2023 is discussed in greater detail in this update.

Additional challenges faced by the District and its employees and ratepayers is in the form of the COVID-19 pandemic. At the start of the pandemic, EBMUD ceased water shutoffs before it was mandated by the State of California, recognizing the health the importance of water and wastewater services to the District's customers. Since that time, the District has sought funding

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to support customers who have fallen behind on their bills, with \$9.9 million received for the Water System and \$3.7 million received for the Wastewater System, in addition to other sources of emergency funding. At the same time, the District continued in Fiscal Year 2022 to support employees and recognize their adaptability and perseverance in the face of the ongoing personal and professional challenges in continuing to perform vital community services through a pandemic. Supporting the health and safety employees has required additional unbudgeted expenses, with at least \$2.5 million expected to be spent by year-end on pandemic-related expenses such as contact tracing and onsite testing.

Budget Performance

If projections hold true for FY22 and FY23, both systems are expected to end each fiscal year in strong financial positions. The details on the projections for revenues, expenditures and year-end strategies are provided in the following pages. Shown below are the highlights for each system.

Water System

Revenues and expenses are expected to end FY22 and FY23 closer to budget than in prior years, due in part to increased expenses from recently settled labor agreements, as well as decreases in System Capacity Charges (SCC) rates adopted in 2021. SCCs are still expected to exceed the budget, but the exceedance is projected to be lower than in prior years as a result of the reduced rate adopted. Additionally, the drought and customer conservation have already reduced water sales revenue in FY22 and are expected to further reduce water sales revenue in FY23. However, the recently approved drought surcharge is projected to increase overall revenue in FY23, which will partially offset the expected impact of the drought on the District's expenses and overall finances.

In FY22, total revenues are expected to exceed the budget by 2 percent or \$16.0 million, with SCC revenues as the primary driver of increased revenue, at 35 percent above budget, or \$8.8 million. This is despite lower SCC rates than in prior years and is the result of continued development in the service area exceeding expectations. Water sales are expected to exceed the budget by less than 0.5 percent, or \$2.8 million including additional projected customer conservation in the last few months of this fiscal year. Total expenses are expected to be 0.5 percent lower than budget, driven primarily by increased drought-related expenses as well as increased labor costs due to recently settled labor agreements. Vacancy savings will offset these increases, though any expected savings compared to budget are expected to be narrow.

In FY23, total revenues are expected to be under budget, by \$0.4 million, or less than 0.1 percent. This is driven primarily by water sales volumes that are expected to be at least 7 percent below budgeted expectations (which had already reflected conservation expectations) decreasing expected water charges by \$31.2 million. Recently approved drought surcharge is expected to increase revenue by \$30.8 million.

As part of the FY23 Mid-Cycle Budget process, the Board will be asked to affirm the existing budgeted categories of Operating, Debt Service and Capital, and additionally add a Drought Contingency Budget for expenses associated with the Drought. The recommended Drought Contingency Budget is \$33.3 million. Note that this is less than the expected revenue from the drought surcharge approved by the Board on May 10, 2022 and reserves will be used to cover shortfalls. The Drought Contingency Budget is the legal appropriation mechanism that is a companion to the drought budget prepared as part of the implementation of the drought surcharges. The Drought Contingency Budget includes the anticipated costs for purchasing,

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transporting, treating and storing supplemental supplies as well as the costs associated with limited-term drought-only positions that will be activated in Fiscal Year 2023 to support the Water Shortage Emergency Action Plan, which was approved by the Board on May 10, 2022. Other baseline expenses in the Water System in FY23 are expected to remain close to budget, driven primarily by increased labor costs as well as continued expected increases in inflation, which is driving increased energy and chemical costs. Budget performance for the drought expenses and revenues will be reported on during FY23.

The capital budget for the Water System in FY22 includes \$404.8 million in appropriation with a planned cash flow of \$341 million. Projected cash flow is estimated to fall below budget by \$40 million or 12 percent. There are no recommended revisions to the FY23 adopted appropriation of \$418.4 million or the planned cash flow of \$377 million.

Wastewater System

Revenues and expenses are expected to end FY22 and FY23 closer to budget than in prior years, due in part to increased expenses from recently settled labor agreements as well as inflationary pressures on chemical and energy costs and other unexpected expense increases.

In FY22, total revenues are projected to be \$4.9 million, or 3 percent, greater than budget primarily due to higher than budgeted non-rate revenue sources associated with Capacity Charges and Resource Recovery. Wastewater treatment revenue is less variable compared to water sales revenue, which is influenced by outdoor watering and consumption trends. However, the drought is expected to reduce Treatment Charges and Permits revenue by \$0.9 million, or 1 percent less than budget. Operating expenses are projected to be just under budget in FY22, for savings of just \$0.2 million as of current projections. The narrow savings is due to previously mentioned increased labor costs and inflation in resource and supply costs. These cost increases are offset by vacancy savings.

In FY23, total revenues are projected to be \$3 million less than budget due to lower Treatment Charges and Permits, due to the ongoing drought conditions. FY23 expenses are anticipated to be essentially flat compared to budget, with increased labor costs and continued inflationary supply costs driving higher costs, while vacancy savings will offset these expected overages.

The FY22 capital budget includes \$57.9 million in appropriations with a planned cash flow expenditure of \$46 million. Projected FY22 capital cash flow expenditures are estimated to be \$37 million or 81 percent of the planned cash flow. There are no recommended revisions to the FY23 appropriation of \$54.1 million, or the planned cash flow of \$50 million.

Staffing

The adopted FY22 and FY23 budget authorized the addition of one Full-time Equivalent (FTE) in FY22 and the removal of one FTE in FY23, both changes in the Water System. Recommended changes for FY23 include the net increase of 0.5 regular FTEs in FY23, as well as the addition of 3.0 FTEs as Limited-Term Drought Positions, which can only be filled during a declared District drought. All of these staffing changes are recommended for the Water System and will be discussed in further detail below.

Water and Wastewater Rates

No change is recommended to the adopted FY22 rate increases of four percent for the Water System and four percent for the Wastewater System.

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WATER SYSTEM

Fiscal Year 2022

Summary

Revenues and expenses are expected to end FY22 closer to budget than in prior years, due in part to increased expenses from recently settled labor agreements, as well as decreases in System Capacity Charges (SCC) in the rates set in 2021, which in prior years has boosted revenue above budgeted projections. SCCs are still expected to exceed the budget, but the exceedance is lower than in prior years. Additionally, the drought and customer conservation has already reduced revenue in FY22.

FY22 Water System Revenues and Expenses				
(\$ Millions)	Amended Budget	Year-End Projection	Over/(Under) Budget	% of Budget
Operating Revenues:				
Water Charges	610.2	613.0	2.8	100%
Property Taxes	40.0	41.0	1.0	103%
Power Sales	5.0	6.0	1.0	120%
Interest Income	1.2	1.2	-	100%
SCC Revenues	25.0	33.8	8.8	135%
Reimbursements	13.0	14.0	1.0	108%
All Other Revenue	18.6	20.0	1.4	108%
Total Revenues	713.0	729.0	16.0	102%
Operating Expenses:				
Operations (Baseline)	374.6	366.5	(8.2)	98%
Operations (Drought)	0.0	8.4	8.4	-
Debt Service	211.9	211.4	(0.5)	100%
Capital Support	(51.0)	(53.4)	(2.4)	105%
Total Operating Expenses	535.6	532.9	(2.7)	99%

Revenues

In FY22, total revenues are expected to exceed the budget by 2 percent or \$16 million, with SCC revenues the primary driver of increased revenue, at 35 percent above budget, or \$8.8 million. This is despite lower SCC rates than in prior years and is the result of continued development in the service area exceeding expectations.

Water sales are expected to exceed the budget by less than 0.5 percent, or \$2.8 million, after further customer conservation is projected in the last few months of the fiscal year. Budgeted consumption was 144.3 million gallons per day (mgd), but is currently anticipated to be 142.0 mgd by year-end.

Water Sales Volume (mgd)		
	Budget	Projected
Sales Volume FY22	144.3	142.0

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Expense

Total expenses are expected to be 0.5 percent lower than budget. Major variances in spending are attributable to:

- Operations (Baseline): While recently settled labor agreements have increased costs compared to budgeted expectations, vacancy savings are expected to largely offset these increases. Other expense savings are expected in Finance and the Maintenance and Construction Departments, driven by careful expense management.
- Operations (Drought): Drought expenses are driven by costs associated with supplemental supplies, and nearly all Drought expenses in FY22 are directly related to supplemental water purchases. As of March 31, 2022, total Drought expenses are \$6.3 million. The projection for \$8.4 million in costs by year-end includes the potential costs associated with supplemental water purchases by June 30, 2022.
- Debt Service: Debt service is expected to meet the planned budget, as in recent years the District has been paying down commercial paper using any remaining savings from the Debt Service budget. The District expects to reduce commercial paper principal by about \$15 million to \$18 million by year-end, with the final amount determined closer to the end of the fiscal year.

Year-End Strategies

If the projection holds true, revenues available after operating expenses will approximate budgeted expectations. In order to stay under budget, the District is encouraging cautious expenditure controls at year-end with staff, though no extraordinary measures are expected at this time.

Capital Budget

The Board approved the Water System FY22 through FY26 Capital Improvement Program (CIP) and adopted capital appropriations for the first two years of the CIP. Adopted appropriations are used to fund expenditures over a multi-year period for each capital project, while cash flows reflect the amount estimated to be spent in a given year. Water System rates are based in part on estimated cash flow expenditures.

The capital budget for the Water System in FY22 includes \$404.8 million in appropriation with a planned cash flow of \$341 million. Projected cash flow is estimated to fall below budget by \$40 million or 12 percent.

FY22 & FY23 Mid-Cycle Budget Update

Fiscal Year 2023

Summary

Revenues and expenses are expected to be approximately even with budgeted expectations, including the estimated \$30.8 million in revenue from the recently approved drought surcharge as well as the recommended Drought Contingency Budget of \$33.3 million. The increased revenue does not require a change to recommended appropriations, however the Drought Contingency Budget will have the effect of increasing total appropriations in FY23, if adopted by the Board at the regularly scheduled Board meeting on June 14, 2022.

FY23 Water System Revenues and Expenses				
(\$ Millions)	Amended Budget	Year-end Projection	Over/(Under) Budget	% of Budget
Operating Revenues:				
Water Charges	640.0	608.8	(31.2)	95%
Property Taxes	40.0	40.0	-	100%
Power Sales	5.0	5.0	-	100%
Interest Income	2.5	2.5	-	100%
SCC Revenues	25.7	25.7	-	100%
Reimbursements	13.4	13.4	-	100%
All Other Revenue	18.8	18.8	-	100%
Drought Surcharge*	N/A	30.8	30.8	N/A
Total Revenues	745.4	745.0	(0.4)	99.9%
Operating Expenses:				
Operations (Baseline)	380.7	380.7	-	100%
Operations (Drought)**	33.3	33.3	-	100%
Debt Service	222.4	222.1	(0.3)	100%
Capital Support	(52.0)	(52.6)	(0.6)	101%
Total Operating Expenses	584.4	583.5	(0.9)	99.9%

*Drought Surcharge of 8 percent was approved by the Board on May 10, 2022.

**Proposed modification to the FY23 budget.

Revenues

Revenues are expected to be slightly under budget, by \$0.4 million, or less than 0.1 percent. This is driven primarily by water sales volumes that are expected to be at least 7 percent below budgeted expectations (which had already reflected conservation expectations), decreasing expected water charges by \$31.2 million. For comparison of budgeted and projected water sales volumes for both FY22 and FY23, see the below table.

Water Sales Volume (mgd)		
	Budget	Projected
Sales Volume FY22	144.3	142.0
Sales Volume FY23	145.8	135.6

The recently approved drought surcharge is expected to increase revenue by \$30.8 million if it continues to June 30, 2023, leading to total revenue that is expected to fall just below budgeted expectations.

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Baseline Operating Expenses

- Operations (Baseline) – Baseline operations expenses, including contingency, is expected to meet budgeted expectations. This is driven by the same trends that are affecting FY22, including the increased labor costs as a result of recently settled labor agreements. Additionally, energy and chemical costs, as well as other supply costs, will continue to exceed budgeted expectations due to ongoing inflationary pressures. Offsetting these costs are vacancy savings.
- Debt Service – Expenses for debt are expected to meet budgeted expectations. Recent increases in interest rates are increasing the interest costs for commercial paper and this trend is expected to continue through the next fiscal year. This may require the District to reduce the paydown of commercial paper below budgeted expectations, though the District continues to examine opportunities to reduce debt costs.

Proposed FY23 Drought Contingency Budget

As part of the FY23 Mid-Cycle Budget, the Board will be asked to affirm the existing budgeted categories for the Water System of Operating, Debt Service and Capital, and add a Drought Contingency Budget for expenses associated with the drought. The recommended Drought Contingency Budget is \$33.3 million, less than the expected revenue from the drought surcharge if it continues at least to the end of FY23.

Proposed FY23 Drought Contingency Budget (\$ millions)	
Supplemental Supply - Purchase, Transmission, Delivery	21.9
Supplemental Supply - Storage and Treatment	4.0
Supplemental Supply - Additional Potential Sources	5.5
Total Supplemental Supply	31.4
Customer Support Limited-Term Staffing	0.9
Public Affairs Limited-Term Staffing	0.4
Customer Outreach	0.3
Advertising and Media Outreach	0.2
Printing Contingency Due to Supply Chain	0.2
Customer Support and Outreach	1.9
Total Drought Contingency Budget	33.3

The Drought Contingency Budget is the legal appropriation mechanism that is a companion to the drought budget prepared as part of the implementation of the drought surcharges. The Drought Contingency Budget includes the anticipated costs for purchasing, transporting, treating and storing supplemental supplies as well as the costs associated with limited-term drought-only positions that will be activated in Fiscal Year 2023 to support the Water Shortage Emergency Action Plan, which was approved by the Board on May 10, 2022.

Year-End Strategies

If projections hold true, revenues available after operating expenses would roughly equal budget expectations. Given the added costs of recently settled labor agreements, inflationary pressures, supply chain concerns and uncertain economic conditions, the Budget Office will be working with Departments to develop plans to ensure expenses remain within budget by year-end.

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Capital Budget

There are no recommended revisions to the FY23 adopted appropriations of \$418.4 million or the planned cash flow of \$377 million.

Staffing

The FY23 adopted budget authorized the deletion of one position in the Water System as shown in the below table. Positions are expressed in terms of Full-Time Equivalent (FTE) positions.

Existing Staffing Changes in FY23 Budget		
Project/Program	Job Class	FTE
Human Resources	Human Resources Technician (LT)	(1.0)

The position was a limited-term (LT) position and the status will have expired by year-end FY23.

In addition to the existing staffing change in the FY23 budget, there are several recommended changes for FY23.

New Proposed Staffing Changes for FY23		
Project / Purpose	Job Class	FTE
Administering Public Records Requests	Senior Administrative Clerk, Confidential	0.5
End of Lead Tap Project	Administrative Clerk (TC)	(2.0)
Office of Diversity, Equity and Culture	Senior Human Resources Analyst (Convert to REG, no FTE change)	-
	Community Affairs Representative I/II*	-
	Senior Human Resources Analyst	1.0
	Executive Assistant I	1.0
Net FTE Change - Excluding Drought		0.5
Limited-Term Drought Positions	Public Information Representative I/II (LT)	2.0
	Community Affairs Representative I/II (LT)	1.0
Net FTE Change - Including LT Drought Positions		3.5

*Reallocating and transferring an existing position from the Budget Office to the Office of Diversity, Equity and Culture; no board approval required.

Excluding the Limited-Term Drought Positions, the net change in FTEs is to add 0.5. All of these positions are expected to be paid using existing budgets and no additional funding is requested. The Community Affairs Representative I/II position is noted here as it is one element of the District's strategy to increase resources to the Office of Diversity, Equity and Culture (ODEC) in

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order to support implementation of the Diversity, Equity and Inclusion Strategic Plan. That position change it does not require Board approval and is expected to be implemented in June 2022.

The recommended Limited-Term Drought Positions are to provide the Public Affairs Office (PAO) with positions that can be activated only during declared water shortage emergencies. These positions add to the 12 existing approved LT Drought Positions that can be activated only during times of declared droughts. As of FY22, none of the positions have been formally activated, though seven of the existing 12 are expected to be activated with an effective date of July 4, 2022. If approved by the Board, two of the three new LT Drought Positions will be activated at the same time, to support community and media outreach, including presentations to community groups, social media marketing, coordinating with cities and other local governments, and customer and media inquiries and response that are routed through PAO.

Bargaining Unit Changes

The following table shows the net change in bargaining unit status from the adopted FY22 with the net change of 3.5 FTEs.

Department / Division	Local 2019	Local 444	Local 21	Local 39	Mgmt. / Conf.	Non-Rep	Civil Service Exempt
GM / Office of the Secretary					0.5		
MCD / Maintenance Support	(2.0)						
OGM / Office of Diversity, Equity and Culture					2.0		
DRT / Drought Public Affairs			3.0				
Total Net Change	(2.0)	0.0	3.0	0.0	2.5	0.0	0.0

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WASTEWATER SYSTEM

Fiscal Year 2022

Summary

Revenues and expenses are expected to end FY22 closer to budget than in prior years. Revenue will exceed budget by 3 percent and expenses are expected to use the full budget, due to increased expenses from recently settled labor agreements as well as inflationary pressures on chemical and energy costs and other unexpected expense increases.

FY22 Wastewater System Revenues and Expenses				
(\$ Millions)	Amended Budget	Year-End Projection	Over / (Under)	% of Budget
Operating Revenues:				
Treatment Charges and Permits	86.5	85.6	(0.9)	99%
Taxes & Bond Levy	6.3	6.5	0.2	103%
Wet Weather	29.7	29.7	0.0	100%
Resource Recovery	9.0	12.0	3.0	133%
Interest Income	0.3	0.1	(0.2)	40%
Lab Services	4.6	4.7	0.1	101%
Reimbursements	1.7	1.8	0.1	106%
Capacity Charges	3.0	6.3	3.3	208%
All Other	6.7	6.0	(0.7)	90%
Total Revenues	147.7	152.7	4.9	103%
Operating Expenses:				
Operations	89.7	89.6	(0.1)	100%
Debt Service	30.7	30.4	(0.3)	99%
Capital Support	(3.8)	(3.6)	0.2	96%
Total Operating Expenses	116.6	116.4	(0.2)	99.8%

Revenues

In FY22, total revenues are projected to be \$4.9 million, or 3 percent, greater than budget primarily due to higher than budgeted non-rate revenue sources associated with Wastewater Capacity Charges and Resource Recovery. Wastewater treatment revenue is less variable compared to water sales revenue, which is influenced by outdoor watering and consumption trends. However, the drought is expected to reduce Treatment Charges and Permits revenue by \$0.9 million, or 1 percent less than budget.

Expenses

Total operating expenses are expected to meet the budget.

- Operations – Operating expenses are projected to meet the budget in FY22, for savings of \$0.2 million as of current projections. Recently settled labor agreements have increased projected labor costs, offsetting vacancy savings. Meanwhile, energy costs are expected to exceed budgeted expectations due to unexpected downtime in energy generation at the Main Wastewater Treatment Plant, as well as inflationary increase in energy costs. Additionally, chemical costs are exceeding the budget due to inflation

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pressures as well, driven in part by supply chain issues. Despite this, the District is working to control costs in other areas and is expecting to end the year under budget for the Wastewater System.

- Debt Service – Costs are expected to meet the budget for debt costs as any potential savings in this area has been used to reduce the size of the Extendible Commercial Paper (ECP) program to \$8 million. This effort reduces variable rate debt costs and is a proactive way to reduce FY23 debt expenses in the rising interest-rate environment.

Year-End Strategies

If projections hold true, revenues available after operating expenses will approximate budgeted expectations. In order to stay under budget, the District is encouraging cautious expenditure controls at year-end with staff, though no extraordinary measures are expected at this time.

Capital Budget

The Board approved the Wastewater System FY22 through FY26 Capital Improvement Program (CIP) and adopted capital appropriations for the first two years of the CIP. Adopted appropriations are used to fund expenditures over a multi-year period for each capital project, while cash flows reflect the amount estimated to be spent in a given year. Wastewater System rates are based in part on estimated cash flow expenditures.

The FY22 capital budget includes \$57.9 million in appropriations with a planned cash flow expenditure of \$46 million. Projected FY22 capital cash flow expenditures are estimated to be \$37 million or 81 percent of the planned cash flow.

FY22 & FY23 Mid-Cycle Budget Update

Fiscal Year 2023

Summary

In FY23, total revenues are projected to be \$3 million less than budget due to lower Treatment Charges and Permits, which is expected to be below budget due to ongoing drought conditions. FY23 expenses are anticipated to be essentially flat compared to budget, with increased labor costs and continued inflationary supply costs driving higher costs, while vacancy savings will offset these expected overages.

FY23 Wastewater System Revenues and Expenses				
(\$ Millions)	Amended Budget	Year-end Projection	Over/(Under) Budget	% of Budget
Operating Revenues:				
Treatment Charges and Permits	90.1	87.1	(3.0)	97%
Taxes	6.3	6.3	0.0	100%
Wet Weather	30.9	30.9	0.0	100%
Resource Recovery	8.0	8.0	0.0	100%
Interest Income	0.5	0.5	0.0	100%
Lab Services	4.8	4.8	0.0	100%
Reimbursements	1.8	1.8	0.0	100%
Capacity Charges	3.1	3.1	0.0	100%
All Other	6.4	6.4	0.0	100%
Total Revenues	152.0	148.9	(3.0)	98%
Operating Expenses:				
Operations	93.6	93.6	0.0	100%
Debt Service	31.9	31.7	(0.2)	99%
Capital Support	(3.9)	(3.9)	0.0	100%
Total Operating Expenses	121.6	121.4	(0.2)	100%

Revenues

Total revenues are projected to be \$3.0 million less than budget, attributable to lower Treatment Charges and Permits revenue, which is driven by volume and strength-based charges, the volumetric piece of which is affected by water usage. Wastewater Capacity Charges revenue is projected to meet the budget, despite recent increases compared to budget, as higher interest rates may lead to slower new development projects.

Expenses

Total operating expenses are projected to meet the budget, with limited savings. The major variances in spending are attributable to:

- Operations – Operations expenses are expected to meet the budget due to the recently settled labor agreements, which offsets vacancy savings, as well as inflationary pressures on energy and chemical costs. Chemicals, in particular, appear to have been affected by supply chain issues and are seeing significant cost increases.

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- Debt Service – Only limited savings is currently anticipated for debt costs. This is due in part to the larger-than-budgeted debt issuance in FY22, which will slightly increase fixed-rate debt service compared to budget. Additionally, interest rates are increasing and the Wastewater System's exposure to variable rate debt through its Extendible Commercial Paper (ECP) program will increase interest costs. Staff is weighing options for reducing long-term interest costs and variable rate risk through opportunistic paydown of the commercial paper program. The proposal, if it supports the Strategic Plan goal of Long-Term Financial Stability, will be brought to the Board in FY23.

Year-End Strategies

If projections hold true, revenues available after operating expenses would roughly equal budgeted expectations. Given the added costs of recently settled labor agreements, inflationary pressures, supply chain concerns and uncertain economic conditions, the Budget Office will be working with the Wastewater Department to develop plans to ensure expenses remain within budget by year-end.

Capital Budget

There are no recommended revisions to the FY23 appropriation of \$54.1 million, or the planned cash flow of \$50 million, which is sufficient to meet CIP funding needs.

Staffing

There are no staffing changes for Wastewater in FY23.

Strategic Plan

Key Performance Indicators

Fiscal Years 2023 & 2024

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Downtown Oakland

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Overview

The purpose of the strategic planning process is to define the actions that need to be taken in the next three to five years to achieve the District's mission now and well into the future. The Strategic Plan incorporates the District's mission and principles, and identifies its goals, strategies, objectives and key performance indicators. The Plan guides staff in setting priorities and allocating resources.

- Our **Mission** is to manage the natural resources with which the District is entrusted; to provide reliable, high quality water and wastewater services at fair and reasonable rates for the people of the East Bay; and to preserve and protect the environment for future generations.
- Our **Principles** provide the foundation of the Strategic Plan and form the basis of our business practices.
- Our **Goals** define in broad terms the high-level achievements the District will pursue; they explain 'what' not 'how', and tell where we are going rather than how we will get there.
- Our **Strategies** define the actions that are necessary to achieve each goal, and may take several years to implement.
- Our **Objectives** reflect what we need to accomplish in the near term.
- Our **Key Performance Indicators** (KPIs) measure how well we are doing in achieving our goals.



Pardee Reservoir



Recycled Water

This Key Performance Indicators publication focuses solely on the KPIs for Fiscal Years ~~2021~~2023 and ~~2022~~2024. Please see the Strategic Plan document for further details on the Plan including goals, strategies and objectives.

Key Performance Indicators

Key Performance Indicators (KPIs) measure the progress we are making in achieving the Strategic Plan goals. An effective KPI serves as an important measure of progress. KPIs can track efficiency, effectiveness, quality, timeliness, compliance, behaviors, economics, project performance, personnel performance or resource utilization. The KPIs and targets are evaluated and revised as part of the Strategic Plan update process. Performance is reported annually to the Board of Directors. The current set of KPIs is part of the Strategic Plan adopted by the Board of Directors in June 2020.

The following page details all six goals and associated strategies on a single page.



Main Wastewater Treatment Plant

Strategic Plan | Goals and Strategies

East Bay Municipal Utility District | July 2020

Long-Term Water Supply

Goal: We ensure a reliable high quality water supply for the future.

- Strategy 1** Preserve current water rights and entitlements and augment the District's successful water supply projects by obtaining supplemental supplies to meet customer demands.
- Strategy 2** Reduce potable water demand through water efficiency and conservation and build on past water savings success to help ensure a reliable water supply.
- Strategy 3** Reduce potable water demand through water recycling and build on past success to achieve a diversified and reliable water supply.
- Strategy 4** Consider the impacts of climate change and take appropriate action to understand and balance mitigation and adaptation responses to those impacts through sustainable activities.

Water Quality and Environmental Protection

Goal: We meet or surpass environmental and public health standards and protect public trust values.

- Strategy 1** Manage the Mokelumne and East Bay watersheds to ensure a high quality water supply and protect natural resources while providing appropriate public access.
- Strategy 2** Operate and maintain District facilities to surpass federal and state drinking water regulations.
- Strategy 3** Operate and maintain District facilities to anticipate and meet all water discharge, air emission, and land disposal requirements to protect and enhance the environment.
- Strategy 4** Minimize impacts to the environment by reducing, recycling, reusing and reclaiming waste, and by conserving natural resources.
- Strategy 5** Ensure protection and stewardship of San Francisco Bay.
- Strategy 6** Operate Pardee and Camanche Reservoirs and facilities as an integrated system to achieve multiple objectives including municipal water supply, stream flow regulation, environmental protection, flood control, hydropower, and releases for downstream requirements.

Long-Term Infrastructure Investment

Goal: We maintain and improve the District's infrastructure in a cost-effective manner to ensure sustainable delivery of reliable, high quality service now and in the future, addressing economic, environmental, and social concerns.

- Strategy 1** Maintain coordinated master plans for all facilities and assets.
- Strategy 2** Meet operational needs and reliability goals by effectively maintaining the infrastructure.
- Strategy 3** Implement the master plans and set priorities in the operating and capital budget process to reflect the needs identified in those plans.

Long-Term Financial Stability

Goal: We manage the District's finances to meet funding needs and maintain fair and reasonable water and wastewater rates.

- Strategy 1** Maintain a long-range financing plan that sets forth the long-term funding needs of the District.
- Strategy 2** Implement water and wastewater rates and charges that are legal, fair, reasonable, and equitable.
- Strategy 3** Ensure integrity, accountability and transparency in financial management.
- Strategy 4** Implement technologies that improve the efficiency and effectiveness of business processes.

Customer and Community Services

Goal: We build stakeholder trust and long-term relationships through service excellence, proactive communication and education.

- Strategy 1** Build public awareness of the District's priorities, initiatives, systems and services.
- Strategy 2** Continue to build trust by providing quality service, timely information, and resolution of customer and community inquiries.
- Strategy 3** Build long-term partnerships in the community, regionally and nationally, in areas of shared interest and in support of the District's mission.
- Strategy 4** Maintain active Emergency Preparedness and business continuity Programs to plan for, minimize interruptions, and manage the District's essential functions during an emergency and allow for an efficient and effective recovery.

Workforce Planning and Development

Goal: We create an environment that attracts, retains and engages a high performing diverse and inclusive workforce in support of the District's mission and core values.

- Strategy 1** Coordinate workforce planning activities to determine future needs, identify gaps and implement actions to close the gaps.
- Strategy 2** Continue to develop employees to meet evolving workforce demands and implement actions to close gaps.
- Strategy 3** Support District values, recognize employee contributions, and establish clear performance measures to achieve a high performance culture.
- Strategy 4** Enhance the District's ability to recruit a highly qualified, diverse staff that exhibits the District's values.

For the complete Strategic Plan, go to
www.ebmud.com/about-us/who-we-are



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Long-Term Water Supply

Goal: We ensure a reliable high quality water supply for the future.

- Strategy 1:** Preserve current water rights and entitlements and augment the District's successful water supply projects by obtaining supplemental supplies to meet customer demands.
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The Freeport Regional Water Project is a supplemental water supply source during dry years.

Long-Term Water Supply

Key Performance Indicator	FY23 Target	FY24 Target
Strategy 1: Supplemental Supply		
Additional supply by 2040 to provide 85% <u>percent</u> reliability under design drought conditions and diversify through regional partnerships	<p>Negotiate a Warren Act contract with the Bureau of Reclamation for a long-term water transfer with Placer County Water Agency</p> <p><u>Work with Placer County Water Agency to publish a draft environmental document for a long-term water transfer</u></p>	<p>Work with Placer County Water Agency to publish a draft<u>complete</u> environmental document for a long-term water transfer</p>
	<p>Complete technical and environmental studies to support a long-term water transfer project with Yuba Water Agency (YWA), or another transfer partner. If needed, complete short-term water transfers to supplement water supplies</p>	<p>Develop an agreement for a long-term water transfer with YWA or another transfer partner. If needed, complete short-term water transfers to supplement water supplies</p>
	<p>Construct<u>Operate the DREAM project facilities</u><u>Pilot Project</u> in San Joaquin County and initiate operation<u>compile lessons learned</u></p>	<p>Operate the DREAM <u>Pilot Project</u> in San Joaquin County <u>and compile lessons learned</u></p>
	<p>Continue working with Bay Area Regional Reliability (BARR) partners to develop the Shared Water Access Program (SWAP)</p>	<p>Complete the BARR SWAP study and pilot test</p>
	<p>Evaluate project yield, costs, governance, and other factors<u>Negotiate key agreements necessary</u> to determine degree of participation in the Los Vaqueros Expansion</p>	<p><u>Determine level of participation in Los Vaqueros, assist JPA with securing grant funding, initiate water rights permits, and complete negotiation of all required agreements</u></p>
	<p>Complete the 2020 Urban Water Management Plan</p> <p>Continue development<u>implementation</u> of <u>the</u> Groundwater Sustainability plan for East Bay Plain</p>	<p>Finalize<u>Continue implementation of</u> the Groundwater Sustainability plan for the East Bay Plain Basin and submit to the</p>

		Department of Water Resources for review
Strategy 2: Water Conservation		
70 MGD savings from conservation programs / natural replacement by 2050 (baseline yr. 1995)	Lock Implement Water Conservation Strategic Plan measures that are expected to result in a minimum of 48.450 MGD of water conservation savings	Lock Implement Water Conservation Strategic Plan measures that are expected to result in a minimum of 49.250.8 MGD of water conservation savings
Meet state long-term framework target by achieving established residential indoor per capita water use	55 gpcd	55 gpcd
	Update Water Conservation Master Plan	Implement Water Conservation Master Plan

Long-Term Water Supply (continued)

Key Performance Indicator	FY23 Target	FY24 Target
Strategy 2: Water Conservation (continued)		
	Implement Water Conservation Strategic Plan	Implement Water Conservation Strategic Plan
Strategy 3: Water Recycling		
20 MGD of recycled water capability by 2040	Construct Implement strategies from the DERWA groundwater supplemental supply pilot projectSide Agreement for demand management Construct the DERWA/Central San summer flow diversion project Complete hydraulic analysis and preliminary design of the future Emeryville to Albany pipeline, and begin environmental documentation	Operate Continue to implement strategies in the DERWA groundwater supplemental supply pilot projectSide Agreement Operate the DERWA/Central San summer flow diversion project Complete environmental documentation of the future Emeryville to Albany pipeline and begin final design
	Implement Complete the East Bayshore water quality improvement pilot project	Operate Begin implementing recommendations from the East Bayshore water quality improvement pilot project
Strategy 4: Climate Change		
Update the Climate Change Monitoring and Response Plan. Explore approaches for how to adapt to potential future conditions and identify "no regrets" infrastructure investment decisions	Update the Climate Change Monitoring & Response Plan to account for new information	Develop planning and design standards that incorporate climate change adaptation and mitigation principles

	Complete annual greenhouse gas emission inventory	Complete annual greenhouse gas emission inventory
Continue District leadership in climate change by participating in climate change studies, workshops, or education events	3	3

Water Quality and Environmental Protection

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Water travels from the Mokelumne River Watershed into Pardee Reservoir.

Water Quality and Environmental Protection

Key Performance Indicator	FY23 Target	FY24 Target
Strategy 1: Watershed Protection and Management		
Mokelumne River fall-run Chinook salmon returns (long-term average)	4,734	4,734
Strategy 2: Drinking Water Regulations Compliance		
% Percent of water quality regulations met	100% percent	100% percent
% Percent of water quality goals met	100% percent	100% percent
Strategy 3: Environmental Regulations Compliance		
Number of NPDES and Waste Discharge Permit Notices of violation received	0	0
Strategy 4: Reduce, Recycle, Reuse, Reclaim		
Reduce indirect Water System: Eliminate GHG emissions to zero by 2040 for indirect and direct emissions by 2030 Wastewater System: Eliminate GHG emissions for indirect emissions and reduce direct GHG emissions by 50% by 2040 percent compared to the 2000 baseline levels by 2040	≤ 30,816 31,141 MT CO2 CO2e	≤ 29,476 28,348 MT CO2 CO2e
Capture biogas sufficient to produce on-site energy to meet electric power demands of the Main Wastewater Treatment Plant and evaluate the best uses of excess biogas	100% percent of plant power demand	100% percent of plant power demand
Pursue large-scale photovoltaic project at the Duffel property located in Orinda	Complete permitting and design	Begin construction
Strategy 5: San Francisco Bay Protection		
Implement Private Sewer Lateral Program to reduce wet weather flows and achieve a high compliance rate at point of sales	90% 90 percent compliance with program requirements following a title transfer	90% 90 percent compliance with program requirements following a title transfer
Strategy 6: Operate Pardee and Camanche Reservoirs and Facilities		
Meet JSA Mokelumne River minimum flow releases 100% percent of the time	100% percent	100% percent
Review operations with lower Mokelumne stakeholders every two years	Conduct stakeholder meeting	N/A

Long-Term Infrastructure Investment

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Strategy 3: Implement the master plans and set priorities in the operating and capital budget process to reflect the needs identified in those plans.



EBMUD work crew installing pipeline in the community.

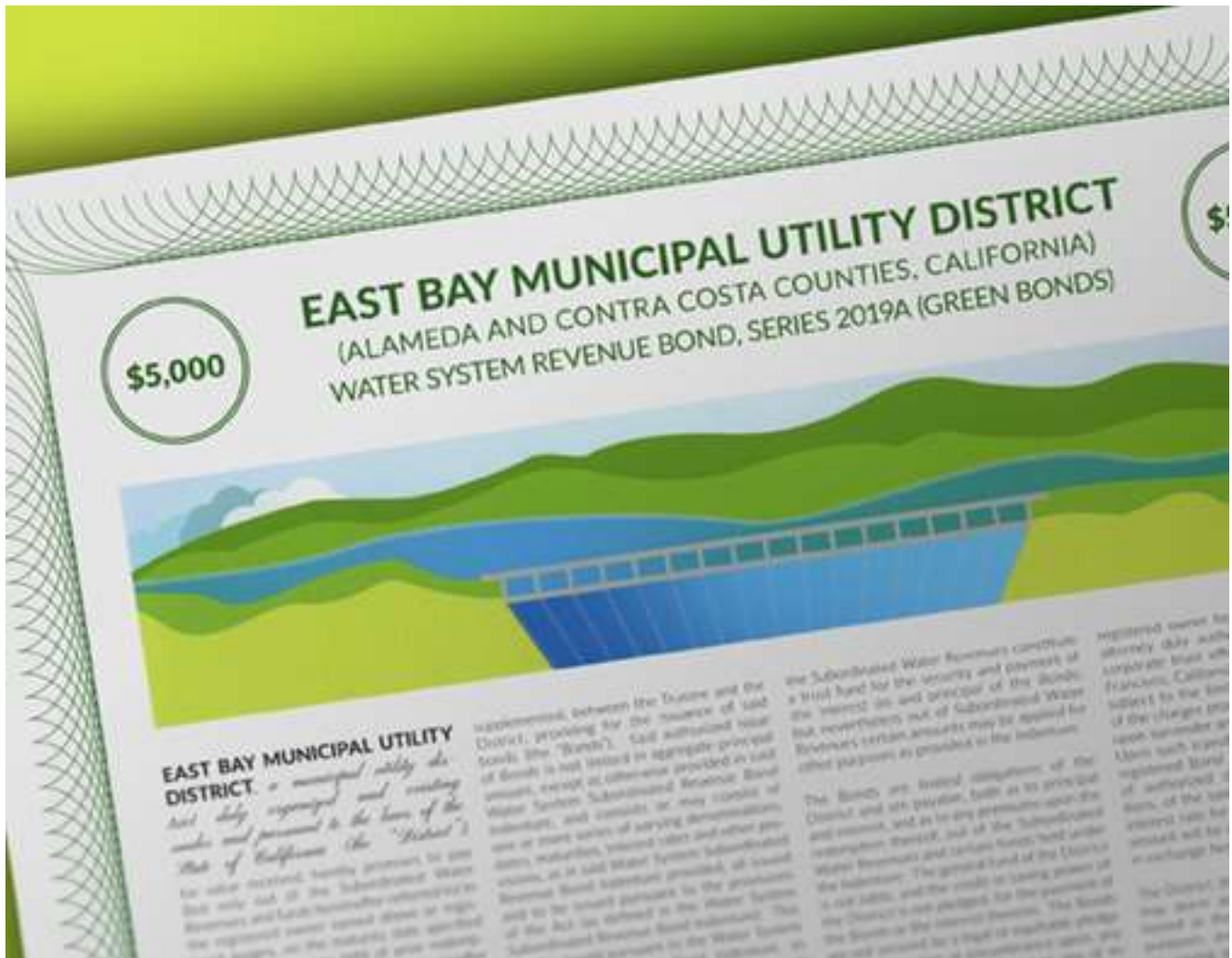
Long-Term Infrastructure Investment

Key Performance Indicator	FY23 Target	FY24 Target
Strategy 1: Master Plans		
Complete the Wastewater Treatment Plant <u>Interceptor</u> Master Plan	Complete draft plan <u>Develop Interceptor Inspection Master Plan</u>	Complete final <u>inspections and prepare Draft Wastewater Interceptor Master Plan</u>
Strategy 2: Effective Infrastructure Maintenance		
Number of water system pipeline breaks per 100 miles of pipe	≤ 20	≤ 20
<u>%Percent</u> of water system corrective work order hours classified high priority	≤ 10% <u>percent</u>	≤ 10% <u>percent</u>
Miles of pipe surveyed for leaks	≥ 800	≥ 800
<u>%Percent</u> of water system valves exercised	≥ 10% <u>percent</u>	≥ 10% <u>percent</u>
Real water losses in gallons per connection per day	The State Water Resources Control Board is developing a water loss performance standard for each urban retail water supplier in California under Senate Bill 555. The District's performance standard has not been finalized.	The State Water Resources Control Board is developing a water loss performance standard for each urban retail water supplier in California under Senate Bill 555. The District's performance standard has not been finalized.
<u>%Percent</u> of high priority meter repair orders completed in 60 days	≥ 90% <u>percent</u>	≥ 90% <u>percent</u>
Strategy 3: Capital Budget Priorities		
Miles of distribution pipe replaced	≥ 20 <u>22.5</u>	≥ 20 <u>22.5</u>
District directed non-discretionary change orders on construction contracts	≤ 5% <u>≤ 4 percent</u>	≤ 4% <u>percent</u>
Number of concrete digesters and concrete aerated grit tanks rehabilitated <u>MWWTP Administrative Facilities Seismic Retrofits</u>	2 <u>Complete design</u>	2 <u>Complete construction</u>
Implement the Orinda Water Treatment Plant Disinfection Improvements (UV/CCB)	Complete design <u>Continue construction and report annually in Fall</u>	Begin <u>Continue</u> construction and report annually in Fall
Cumulative annual average number of steel water tanks rehabilitated	2	2
Cumulative annual average number of pumping plants rehabilitated	2	2

Long-Term Financial Stability

Goal: We manage the District's finances to meet funding needs and maintain fair and reasonable water and wastewater rates.

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Green bonds finance infrastructure projects that promote environmental sustainability.

Long-Term Financial Stability

Key Performance Indicator		FY23 Target	FY24 Target
Strategy 1: Long-Range Financing Plan			
%Percent of capital program funded from debt over five-year period		≤ 65% percent	≤ 65% percent
Debt service coverage		≥ 1.6 times coverage	≥ 1.6 times coverage
Actual reserves as %percent of target		≥ 100% percent	≥ 100% percent
Strategy 2: Rates and Charges			
Water rates as compared to other Bay Area Agencies		At or below median	At or below median
Wastewater treatment charge as a share of the total bill when compared to other Bay Area agencies		At or below median %percent	At or below median %percent
Strategy 3: Integrity, Accountability and Transparency			
%Percent of planned audits completed		100% percent	100% percent
%Percent of audit findings resolved within 90 days		100% percent	100% percent
Operating expenditures as a percentage of operating budget		≤ 100% percent	≤ 100% percent
Capital expenditures as a percentage of capital budgeted cash flow		Between 90% percent and 110% percent of a two-year rolling average	Between 90% percent and 110% percent of a two year rolling average
Strategy 4: Technology			
<u>Cyber Security Operational Readiness</u>	<u>Planned patch cycles met</u>	<u>> 90 percent</u>	<u>> 90 percent</u>
	<u>Business recovery exercises</u>	<u>2 per year</u>	<u>2 per year</u>
	<u>Cyber Security awareness events</u>	<u>4 per year</u>	<u>4 per year</u>
	Cyber Security Operational Readiness ——Planned patch cycles met—— ——Business recovery exercises—— ——Security awareness events—— ——Biennial IT security controls assessment	>90% 2-per year 4-per year Complete ISD staff led security and control assessment <u>Implement Critical Security Controls 20 IG2 Improvement Plan</u>	>90% 2-per year 4-per year Complete independent internal control, security, and vulnerability assessment <u>Implement Critical Security Controls 20 IG3 Improvement Plan</u>

Customer and Community Services

Goal: We build stakeholder trust and long-term relationships through service excellence, proactive communication and education.

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A Field Services Representative performing an inspection of a water meter with a customer.

Customer and Community Services

Key Performance Indicator		FY23 Target	FY24 Target
Strategy 1: Communications			
Consolidate District education resources		Complete	Review
Conduct media/advertising campaigns		3	3
Conduct customer opinion research		Complete	N/A
Publish external digital/print publications		8	8
Participate in community engagement events		100	100
Strategy 2: Customer Satisfaction			
% <u>Percent</u> of customers rating the District's services as "Good" or "Excellent": Field Services, New Business, Water Quality, and Recreation		≥ 90% <u>percent</u>	≥ 90% <u>percent</u>
% <u>Percent</u> of customers rating "Overall Job" as "Good" or "Excellent" from the customer opinion survey		N/A <u>Conduct research and evaluate outreach methods</u>	Establish baseline <u>N/A</u>
Contact Center service level			
<u>Contact Center service level</u>	Average speed of answer to calls coming into the Contact Center	≤ 60 seconds	≤ 60 seconds
	—% <u>Percent</u> of calls answered within the target of ≤60 seconds	≥ 80% <u>percent</u>	≥ 80% <u>percent</u>
	—% <u>Percent</u> of customers rating Call Center as "Good" or "Excellent" — base based on first call resolution, staff knowledge, promptness, courtesy, and overall quality	≥ 80% <u>percent</u>	≥ 80% <u>percent</u>
	Abandonment rate	≤ 3% <u>percent</u>	≤ 3% <u>percent</u>
Timely billing of customer statements as scheduled		≥ 99% <u>percent</u>	≥ 99% <u>percent</u>
Notify customers in advance of shut-off for non-payment and provide information on options to avoid service interruption for non-payment of bills per District Regulations—Section 15		100%	100%
% <u>Percent</u> of time customer dependent systems are available		≥ 99.9% <u>percent</u>	≥ 99.9% <u>percent</u>
Unplanned water service interruptions per 1,000 active accounts	<u>< 4 hrs.</u>	<u>≤ 10</u>	<u>≤ 10</u>
	< 4 hrs.	≤ 10	≤ 10
	4-12 hrs.	≤ 5	≤ 5
	> 12 hrs.	≤ 2	≤ 2
Odor complaints near the MWWTP		≤ 30 complaints	≤ 30 complaints

Customer and Community Services

Key Performance Indicator <u>Notify customers in advance of service interruption for non-payment and provide information on options to avoid service interruption for non-payment of bills per District Regulations – Sections 15 and 15A</u>	FY23 Target <u>100 percent</u>	FY24 Target <u>100 percent</u>
Strategy 3: Partnerships and Programs		
Reduce shut-offs for CAP participants by 10% over two years while increasing CAP enrollment	Performance Measure Only	Performance Measure Only
Proactively review and update <u>alternative to shut-off guidelines</u> <u>program</u> and Customer Assistance Program (CAP)	<u>Complete review and with Board guidance Continue to address COVID impacts with Board guidance and implement alternative to shut-off program after the health emergency order is rescinded</u>	Annual review and adjustment based on experience
<u>Increase CAP enrollments</u>	<u>Performance Measure Only</u>	<u>Performance Measure Only</u>
<u>Reduce service interruptions for CAP participants</u>	<u>Performance Measure Only</u>	<u>Performance Measure Only</u>
Participate in targeted outreach events in disadvantaged communities to increase CAP enrollment	3	3

Customer and Community Services (continued)

Key Performance Indicator	FY23 Target	FY24 Target
Strategy 4: Emergency Preparedness		
Update the District's Emergency Operation Plan every five years	Complete update	N/A
Conduct the District's Emergency Operations Team exercise annually	Complete annual exercise	Complete annual exercise
Update all Business Continuity plans every two years	Complete updates	N/A
Conduct Business Continuity exercises annually	100% <u>percent</u>	100% <u>percent</u>
Update the District's Risk and Resilience assessment every five years	Complete update	N/A
Conduct annual exercises or meetings with mutual assistance partners and stakeholders	3	3

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Workforce Planning and Development

Goal: We create an environment that attracts, retains and engages a high performing diverse and inclusive workforce in support of the District's mission and core values.

- Strategy 1:** Coordinate workforce planning activities to determine future needs, identify gaps and implement actions to close the gaps.
- Strategy 2:** Continue to develop employees to meet evolving workforce demands and implement actions to close gaps.
- Strategy 3:** Support District values, recognize employee contributions, and establish clear performance measures to achieve a high performance culture.
- Strategy 4:** Enhance the District's ability to recruit a highly qualified, diverse staff that exhibits the District's values.



Employees receive hands-on training in treatment plant operations.

Workforce Planning and Development

Key Performance Indicator	FY23 Target	FY24 Target
Strategy 1: Workforce Plans		
Number of injury & illness incidents resulting in time away from work per 100 employees	≤ 3.0	≤ 3.0
Injury and Illness Investigations (PE-020 forms) completed within 10 working days	>99% percent	>99% percent
Complete departmental workforce plans	Complete	Review
Diversity & , Equity, and Inclusion Master Strategic Plan	Complete draft Complete and report on all first-year actions in the Two-Year Action Plan	Finalize and implement Complete and report on all second-year actions in the Two-Year Action Plan
Annually implement outreach campaigns on wellbeing themes	4	4
Strategy 2: Employee Development		
Annual average training hours -per employee	30 hours	30 hours
Ensure employees complete all required training	Develop tracking process and standards	Implement tracking system and begin pilot
Number of employees in development programs (academies, rotations, internships, mentorships)	Performance Measure Only	Performance Measure Only
Strategy 3: District Values		
%Percent of performance plans completed on time	> 99% percent	> 99% percent
%Percent of performance appraisals completed on time	> 99% percent	> 99% percent
Strategy 4: Recruitment		
%Percent of exams resulting in hiring lists within 60 days -or less	80% percent	80% percent
%Percent of minorities and % of women candidates on District hiring eligibility lists (including both employees and external applicants) who identify as minority and/or female	Performance Measure Only	Performance Measure Only
Number of interns	Performance Measure Only	Performance Measure Only
%Percent of interns who identify as minority and % of/or female interns	Performance Measure Only	Performance Measure Only

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**EAST BAY
MUNICIPAL UTILITY DISTRICT**

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