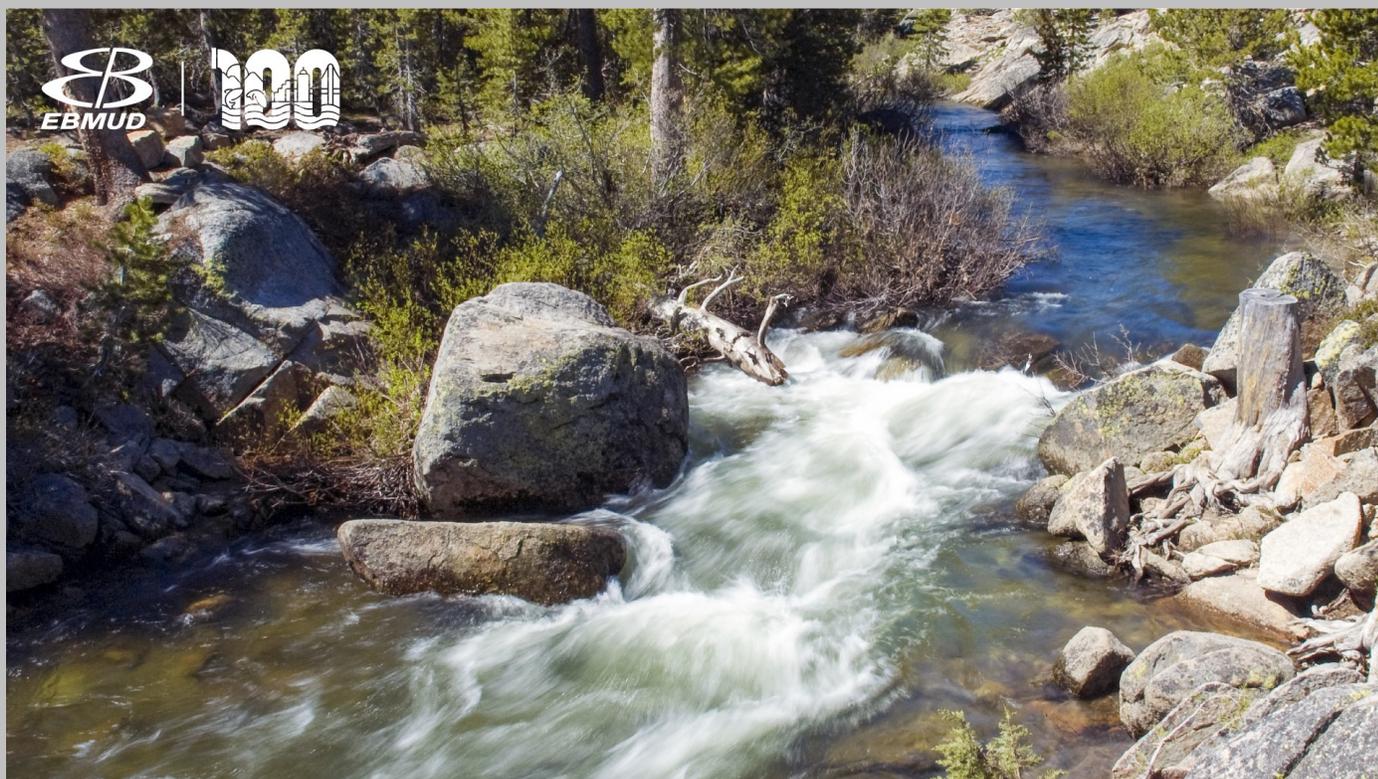


ANNUAL COMPREHENSIVE FINANCIAL REPORT

for the years ended June 30, 2023 and 2022



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Letter of Transmittal

East Bay Municipal Utility District

December 20, 2023

To the Board of Directors and Citizens of the District
East Bay Municipal Utility District
Oakland, California

We are pleased to submit the Annual Comprehensive Financial Report (ACFR) of the East Bay Municipal Utility District (EBMUD) for the fiscal year ended June 30, 2023.

The ACFR has been prepared by the Finance Department in compliance with the principles and standards for financial reporting set forth by the Governmental Accounting Standards Board. Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive internal control framework it established for this purpose. Because the cost of internal control should not surpass its benefits, the objective is to provide reasonable rather than absolute assurance that the financial statements are free of material misstatements.

Lance, Soll & Lunghard, LLP, has issued an unmodified opinion on the East Bay Municipal Utility District's financial statements for the year ended June 30, 2023. The purpose of the independent audit was to provide reasonable assurance that these financial statements for the year ended June 30, 2023, are free of material misstatements. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis immediately follows the independent auditor's report and provides an introduction, overview, and analysis of the basic financial statements. This transmittal letter is designed to complement and be read in conjunction with the management's discussion and analysis.

The ACFR follows the guidelines recommended by the Government Finance Officers Association (GFOA) of the United States and Canada. EBMUD is submitting this ACFR to GFOA for review and certification.

The East Bay Municipal Utility District is a publicly owned utility formed in 1923 under the State of California's Municipal Utility District Act of 1921 (MUD Act) to provide quality water services to parts of Alameda and Contra Costa counties. On May 22, 2023, EBMUD officially marked 100 years of providing safe, reliable, and affordable water service for the people of the East Bay. For a century, EBMUD's staff has worked together to bring to life EBMUD's mission to deliver water and wastewater services to EBMUD customers, manage EBMUD natural resources, and protect the environment for future generations. EBMUD captures snowmelt from 575 square miles of mostly undeveloped watershed lands of the Mokelumne River and collects it at Pardee Reservoir 90 miles east of the Bay Area. EBMUD has water rights for up to 325 million gallons daily from the Mokelumne River watershed to serve Bay Area customers. EBMUD's Camanche Reservoir, downstream of Pardee, stores water to meet the needs of fisheries, riparian habitat, and downstream water rights holders.

The MUD Act was amended in 1941 to enable formation of special districts. In 1944, voters in six East Bay cities elected to form EBMUD's Special District No. 1 to treat wastewater released into the Bay. Wastewater treatment for those cities began in 1951 and was expanded 20 years later to include Kensington, El Cerrito and part of Richmond.

EBMUD Water System collects, transmits, treats, and distributes high quality water to approximately 60 percent of the developed area within Alameda and Contra Costa counties in California. The system serves approximately 1.4 million people in a 332-square-mile area extending from Crockett on the north, southward to San Lorenzo (including Richmond, Emeryville, Oakland, Berkeley, Alameda, San Leandro, and Castro Valley), eastward from San Francisco Bay to Walnut Creek (including Orinda, Moraga, and Lafayette), and south through the San Ramon Valley (including Alamo, Danville, and San Ramon). The EBMUD Wastewater System protects public health and the San Francisco Bay with wastewater treatment and innovative pollution prevention programs. The system intercepts and treats wastewater from residences and industries along the Bay's east shore, from Richmond in the north to San Leandro in the south, including Alameda, Albany, Berkeley, El Cerrito, Emeryville, Kensington, Oakland, Piedmont, and part of Richmond, serving approximately 740,000 customers in an 88-square-mile area of Alameda and Contra Costa counties along the Bay's east shore, extending from Richmond on the north, southward to Oakland.

A seven-member Board of Directors, elected by wards for four-year terms, determines overall policies, which are then implemented under the direction of the General Manager.

BOARD DIRECTORS

Ward 1 – Lesa R. McIntosh

Ward 2 – John A. Coleman (Vice President)

Ward 3 – Marguerite Young

Ward 4 – Andy Katz

Ward 5 – Doug Linney (President)

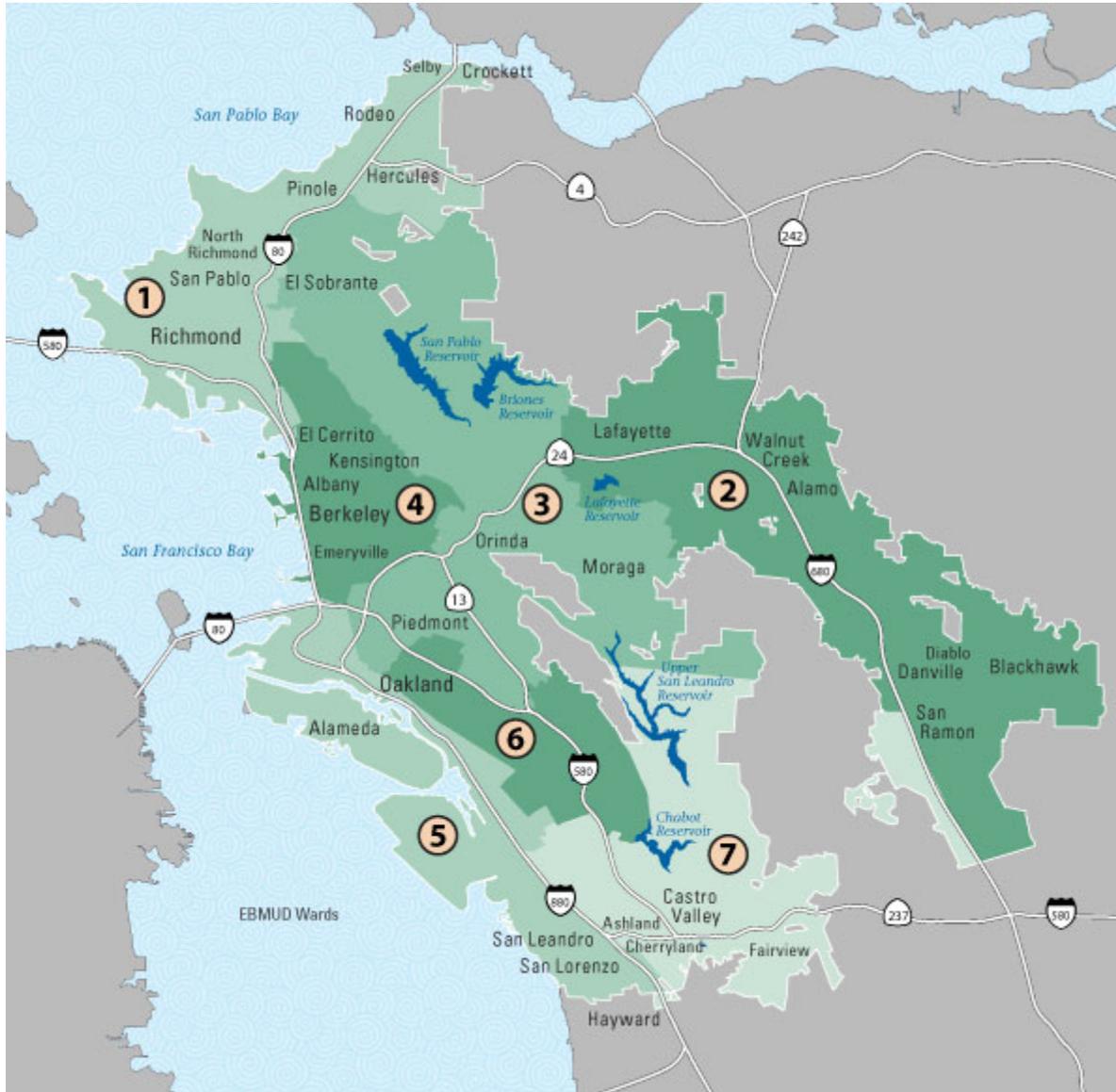
Ward 6 – William B. Patterson

Ward 7 – April Chan

Board meetings are open to the public and held the second and fourth Tuesdays of each month. In addition, workshop sessions, special meetings, and public hearings are occasionally scheduled and noticed. Each Board member serves on one or more standing Board committees. The committees review and make recommendations on matters of major interest before discussion by the full Board at a regular meeting. Standing committees of the Board are Planning, Retirement, Sustainability/Energy, Legislative/Human Resources and Finance/Administration. Board members also represent EBMUD at the Association of California Water Agencies, the Bay Area Water Forum, the Freeport Regional Water Authority, the Upper Mokelumne River Watershed Authority, the Dublin San Ramon Services District/EBMUD Recycled Water Authority (DERWA), EBMUD/East Bay Regional Park District, Bay Area Clean Water Agencies (BACWA), and the Special Districts Associations in Alameda and Contra Costa counties.

EBMUD had approximately 1,994 active full-time employees in fiscal year 2023 under the administrative direction of appointed General Manager Clifford C. Chan and management staff. Employees are represented by the American Federation of State, County and Municipal Employees, Locals 444 and 2019, International Federation of Professional, Technical Engineers Local 21, and International Union of Operating Engineers Local 39. EBMUD is an equal opportunity employer and encourages diversity in contracting and in the workforces of District contractors.

EBMUD has continually pursued an array of solutions to provide a reliable water supply to its service area and protect the San Francisco Bay now and into the future. EBMUD continues to focus on water supply planning and drought protection, water quality, water conservation, infrastructure maintenance and improvements, watershed protection, wastewater treatment, customer service and fiscal integrity and stability.



EBMUD's service area encompasses cities in northern Alameda County and western and central Contra Costa County.

The seven cities EBMUD serves within Alameda County are Alameda, Albany, Berkeley, Emeryville, Oakland, Piedmont, and San Leandro. These cities along the eastern shore of the San Francisco Bay feature pleasant climate and a rich diverse culture. They are host to some of the nation's strongest research, development, and innovation clusters. In addition to excelling in many diversified technical disciplines, the area features leading research institutions and higher education institutions. These include the Lawrence Berkeley National Laboratory and University of California Berkeley, as well as a high concentration of private technology development companies and clean tech innovation centers. The Port of Oakland is also vital to national economic competitiveness, strengthening the national balance of trade, and handling 99 percent of containerized cargo in Northern California. The health care industry provides the largest share of total payroll employment by industry in the East Bay, followed by the government sector, professional scientific and technical services, retail trade and leisure and hospitality, manufacturing, and construction. In addition to the employers mentioned above, other major employers in the East Bay include Kaiser Permanente, Alameda County, City of Oakland, Bay Area Rapid Transit (BART), State of California, Oakland Unified School District, Sutter Health, Tesla, Safeway, Workday, Pandora, East Bay Regional Park District, Clorox, Bayer Healthcare, United Parcel, Federal Express, Southwest Airlines, US Government, IKEA, Novartis, and Pixar.

The West Contra Costa County region includes El Cerrito, El Sobrante, Hercules, Kensington, Pinole, Richmond, Rodeo and San Pablo. This region historically has been one of the Bay Area's significant manufacturing regions. In addition, this region provides favorable weather, excellent Bay, and bridge views, as well as marinas that offer excellent residential values for those seeking to escape higher prices elsewhere in the San Francisco Bay Area. The Craneway Pavilion, a repurposed Ford Factory located on San Francisco Bay, houses several emerging technology companies and includes an attractive event space. The adjacent Rosie the Riveter World War II Home Front National Historical Park documents some of the past industrial history of the area. Nearby, the San Pablo Bay is a favored saltwater fishing destination and a popular wintering stop and migratory staging ground for numerous species of waterfowl. Chevron is the largest employer in the West Contra Costa region and this sub-region, with its cluster of refineries, is a national leader in the petrochemical industry. In addition to Chevron, other major employers include Bio-Rad Laboratories, West Contra Costa Unified School District, and Contra Costa College.

The Central Contra Costa County region, commonly known as “Central County” includes Alamo, Danville, Lafayette, Martinez, Moraga, Orinda, Pleasant Hill, San Ramon, and Walnut Creek. Central County offers a variety of living environments ranging from rural to urban. The area also boasts some of Northern California’s most desirable residential communities along with some of the top public schools in the state. Walnut Creek and Pleasant Hill offer excellent examples of contemporary downtown centers and have become local retail destinations. The Leshner Center for the Arts is an arts destination with several productions and events a year. Higher education institutions such as the Diablo Valley College and John F. Kennedy University and health care providers such as John Muir/Mt. Diablo Regional Medical Centers in Walnut Creek and Concord, Kaiser Hospital and clinics in Walnut Creek and Martinez, along with the Contra Costa Regional Medical Center and Veterans Administration Hospital in Martinez provide over 30,000 jobs in this region. Other significant industries in the area include trade, transportation and utilities, and professional and business services. Concord is home to an emerging biomedical industry cluster and Walnut Creek is the center of a large financial services group. Significant employers include: Diablo Valley College, Kaiser Permanente, AT&T Services, Cellco Partnership, John Muir Health Medical Centers, Sutter Health, California State Automobile Association, Bay Area News Group, and Shell Martinez Refining Co.



According to the Regional Outlook-East Bay by Beacon Economics, the economic outlook for the East Bay area has continued to improve from the downturn in economic activities due to the COVID-19 global pandemic that started in fiscal year 2020. The East Bay closed out 2022 with slower than initially estimated job growth, but the broader economy continues to improve. Accordingly, by February 2023 the East Bay recovered 99.6% of the jobs lost during the pandemic. The unemployment rate is currently hovering around 4%. Beacon Economics is maintaining its slow growth/no recession outlook, both nationally and locally for 2023. There was a noticeable decline in spending during the pandemic lockdowns and various public health mandates in 2020 to 2021 and taxable sales have rebounded substantially over trend. Since the first quarter of 2020, sales and tax receipts for Alameda and Contra Costa County have increased by 26.1% and 23.6%, respectfully. A more detailed breakdown shows that spending has increased in nearly every category. According to Beacon Economics, the housing market has continued to show signs of weakness due to rising interest rates and is forecasting a modest year-over-year price decline in the East Bay's housing market in 2023.



Consistent with Government Finance Officers Association (GFOA) recommendations EBMUD has developed a strategic plan that incorporates the District's mission and principles, and identifies its goals, strategies, objectives and key performance indicators. The strategic plan is a roadmap that will guide the District in ensuring its ability to provide high-quality drinking water to 1.4 million customers and critical wastewater treatment to 740,000 customers. The strategic plan defines actions to be taken in the next three to five years to achieve the District's mission now and well into the future. The strategic planning process is designed to assess the environment in which the District operates, setting priorities and allocating resources, and respond to both near and long-term challenges. These efforts protect public health and the environment and help the East Bay economy thrive.

MISSION

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.

PRINCIPLES

- Exercise responsible financial management
- Ensure fair and reasonable rates and charges
- Provide responsive and high quality customer service
- Promote ethical behavior in the conduct of District business
- Ensure fair and open public processes
- Provide a safe and healthy work environment
- Protect the environment and preserve natural resources
- Minimize waste and conserve energy
- Promote diversity and equality in personnel matters and contracting
- Promote environmental, economic, and social sustainability

GOALS

- Long-term water supply:
Ensure a reliable high quality water supply for the future.

- **Water quality and environmental protection:**
Meet or surpass environmental and public health standards and protect public trust values.
- **Long-term infrastructure investment:**
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.
- **Long-term financial stability:**
Manage the District's finances to meet funding needs and maintain fair and reasonable water and wastewater rates.
- **Customer and community services:**
Build stakeholder trust and long-term relationships through service excellence, proactive communication and education.
- **Workforce planning and development:**
Create an environment that attracts, retains and engages a high performing diverse workforce in support of the District's mission and core values.

Sustainability and resilience are essential principles that guide the District's action in meeting the needs of customers. Sustainability incorporates environmental, social, and economic objectives into the District's decision-making and work practices to meet the needs of today without compromising the ability to meet the needs of future generations. Resilience enables the District to recover from and adapt to unforeseen events.

The Board of Directors is committed to developing policy through an open, public process, guided by the District's Mission Statement. Policies are then implemented under the direction of the General Manager who is appointed by and reports directly to the Board of Directors. Day to day operations are managed and carried out by more than 1,900 dedicated employees.

INTRODUCTION

The District has a comprehensive set of financial policies that set forth comprehensive guidelines to maintain accountability and control over operating revenue and expenditures, ensure proper appropriation of reserves and restricted funds, and maintain a reasonable balance between debt and assets in providing funding for capital projects.

FINANCIAL POLICIES

Investments

Annually, the Board adopts an investment policy that is in compliance with the California Government Code, Sections 53600 et seq. The investment of idle funds is delegated by the Board to the District's Director of Finance as the Treasurer who assumes full responsibility for the transactions of the investment program. The objectives of the investment policy are safety, liquidity, yield and diversity. The District's investments are in compliance with the adopted investment policy. See Note 2 in the Notes to the Financial Statements for detailed investment information.

Rate Stabilization

The District's Rate Stabilization Funds for the Water and Wastewater Systems were established in 1986 to enable the deposit of funds upon determination that there are revenues remaining for such deposits after the District has satisfied the debt service and other requirements set forth in the District's bond documents including the payment of operation and maintenance costs. The funds may be utilized in future years to mitigate lower than expected debt coverage in a given fiscal year.

The District maintains a Contingency and Rate Stabilization Reserve in accordance with District's Fiscal Policy 4.02. The purpose of this fund is to provide an adequate reserve to mitigate overall rate volatility resulting from climatic or economic changes that significantly decrease the District's revenues or increase the District's operating costs. These General Fund Reserves are unrestricted.

In fiscal year 2014, the District combined the Rate Stabilization Fund and the Contingency and Rate Stabilization Reserve into a Single Rate Stabilization Fund Reserve.

Internal Controls

EBMUD management is responsible for establishing and maintaining adequate internal controls to assure that District operations are effective and efficient, that applicable laws and regulations are followed, and financial reports are reliable. Internal controls provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived, and that cost-benefit analyses require estimates and judgments by management.

FINANCIAL HIGHLIGHTS***Financial Position***

The District's overall financial condition continues to be sound as demonstrated by a stable revenue base, effective cost containment, increase in net position and adequate fund reserves.

In fiscal year 2023, EBMUD continued to effectively manage its finances and strengthen its financial position by adopting sufficient water and wastewater rates to fund capital infrastructure improvements and to maintain strong financial performance. The following results of operations indicate a continuing strong and stable fiscal position:

- Net position increased by \$222 million or 8% during the fiscal year.
- Capital assets increased by \$332 million or 6% to \$6.0 billion.
- Operating revenue increased by \$11 million or 1% to \$780 million.
- Operating expense increased by \$105 million or 21% to \$600 million.
- Non-operating net expense decreased by \$17 million or 34% to (\$33) million.
- Capital contributions increased by \$14 million or 24% from the prior fiscal year.

Debt Administration

As of the end of fiscal year 2023, the Water System had total long-term term revenue bonds, commercial paper notes and state loans outstanding of \$2.8 billion. The Wastewater System had total long-term revenue bonds outstanding of \$357.8 million.

Prudent financial management and strong financial performance have resulted in high long-term bond ratings. The Water System's long-term bond ratings are AAA from Standard & Poor's, Aaa from Moody's, and AA+ from Fitch. The Wastewater System's long-term bond ratings are AAA from Standard & Poor's, Aa1 from Moody's, and AA+ from Fitch.

The District did not issue any Water System revenue bonds or Wastewater System revenue bonds in fiscal year 2023.



Budget and Rates

The Board of Directors adopted the first year of the biennial budget for fiscal years 2024 and 2025, which supports EBMUD's mission, values, and strategic plan. The adopted total biennial budget for fiscal years 2024 and 2025 is \$2.7 billion, \$2.2 billion for the Water System, and \$453 million for the Wastewater System. The Water System rate increase was 8.5 percent for fiscal year 2024 and 8.5 percent for fiscal year 2025, and the Wastewater System rate increase was 8.5 percent for fiscal year 2024 and 8.5 percent for fiscal year 2025.

The biennial budget implements and supports the District's mission, values, and strategic plan. The budget makes major investments in key strategic plan goals of reinvesting in aging physical infrastructure (Long-Term Infrastructure Investment), as well as continuing to invest in diversity, equity and inclusion, and in workforce training and management (Workforce Planning and Development). The budget also addressed inflationary pressures for major expense areas, including chemicals, energy, and labor. To provide for long-term financial stability, another strategic plan goal, the budget was based on: prudent assumptions for revenue; meeting the Board's adopted financial policies; and making critical infrastructure and process investments that secure the long-term future of the organization.

Fiscal year 2023 saw the end of a drought that lasted approximately two years. In April 2021, the Board of Directors declared a Stage 1 drought emergency. At Stage 1, no drought surcharge was in effect. Additionally, there was no drought contingency appropriation for fiscal year 2022; the District paid drought-related costs using other available funds. In April 2022, the Board elevated EBMUD's drought stage from a Stage 1 to a Stage 2. In May 2022, the Board voted to impose an 8 percent drought surcharge beginning on July 1, 2022. On June 14, 2022, the Board approved a drought contingency budget of \$33.3 million for fiscal year 2023. This added drought contingency budget is included in the summary totals for the Water System's fiscal year 2023 budget. On March 1, 2023, the Board suspended the Stage 2 drought surcharge and the District moved to a Stage 0 with no water use reduction goals effective April 25, 2023.

The total Water System Board-adopted appropriation is \$1.18 billion in fiscal year 2024, and \$1.03 billion in fiscal year 2025. The Capital Improvement Program (CIP) continues its focus on investments in generational infrastructure improvements as well as repair and replacement of critical assets. Over the five-year period (fiscal years 2024 to 2028), major capital work includes anticipated spending of \$532 million on water treatment plant upgrades; \$434 million on distribution pipelines and large diameter transmission pipelines; \$130 million on reservoir rehabilitation; and, \$127 million on pumping plant rehabilitation.

The total Wastewater System Board-adopted appropriation is \$222.3 million in fiscal year 2024, and \$230.5 million in fiscal year 2025. Over the five-year period (fiscal year 2024 to 2028), major capital work includes anticipated spending of \$140 million to rehabilitate and improve the infrastructure at the wastewater treatment plant including seismic retrofits; \$58 million to rehabilitate sewer interceptors and pump stations; \$40 million to make improvements to various treatment processes including the oxygen production plant, sedimentation tanks, and clarifiers; and, \$27 million to improve the dewatering building and equipment that produce beneficial biosolids.



INTRODUCTION

In fiscal year 2023, EBMUD continued to focus on protecting long-term water supply, safeguarding water quality and the environment, and investing in the District's infrastructure. EBMUD implemented these goals under the guidance of its Water Supply Management Program 2040, which helps EBMUD meet projected water needs in the coming decades. Rate increases and sound fiscal management continued to stabilize and improve EBMUD's financial position. Through cooperative efforts with stakeholders in fiscal year 2023, EBMUD addressed challenges with strength and stability.

LONG-TERM WATER SUPPLY

Secure water supplies

In California, where new water projects take years to develop, long-term planning ensures reliable water supplies for the future. EBMUD continues to develop a resilient and diversified water supply portfolio to meet customers' water needs over the long term. This approach, which includes aggressively conserving water, recycling highly treated wastewater for non-potable reuse, and developing a variety of regional water supply sources, is outlined in the 2020 Urban Water Management Plan and the Water Supply Management Program 2040. The objectives of both plans preserve and protect the environment, adjust to new regulations and water system changes, seek cost-effective collaborative solutions, and prepare for uncertainties including climate change and challenges in the Sacramento-San Joaquin Delta. The District's Water Conservation Strategic Plan is part of the Water Supply Management Program 2040 and directs comprehensive strategies and initiatives to achieve 62 million gallons per day (MGD) of water conservation by the year 2040. In 2021, the District completed an update developed to meet the water conservation target of 70 MGD in the year 2050.

Water Rights

EBMUD's primary water rights are on the Mokelumne River. They include a license and permit that authorize EBMUD to operate and divert water from both Pardee and Camanche reservoirs. On average, the Mokelumne River provides about 90 percent of the water supply for EBMUD's service area. In August 2016, the State Water Board extended the District's primary operating and diversion permit to the year 2040, allowing the District additional time to fully use the water authorized under the permit. The extension was granted following more than 16 years of analysis and collaboration with resource agencies,

stakeholders, and Mokelumne River water rights holders. It resulted in new agreements to embark on future groundwater banking projects.

Water Conservation

EBMUD projects sufficient water supply to meet future demand thanks to strategic water supply plans; continued conservation by customers; natural watershed runoff; and investments in conservation, recycled water and supplemental supplies. Throughout the drought and recent above-normal rainfall years, EBMUD continued to support outreach and engagement with consumers to ensure conservation remains a way of life in California.

The District's comprehensive water conservation and recycled water programs help to ensure that EBMUD will meet requirements of recent California water conservation legislation, including the Water Conservation Act of 2009, which mandated a 20 percent reduction in water use by 2020, and the Long-Term Framework passed in 2018. Ongoing demand reduction by EBMUD customers has positioned the District well to meet the requirements of State legislation.

To further support water conservation efforts, EBMUD is implementing an aggressive leak detection program to save valuable water, reduce repair costs and lessen customer inconveniences resulting from pipe breaks. The District has investigated innovative acoustic, satellite and pressure-sensing technology to detect underground leaks before they fully compromise pipes. The District has committed to significant investments in new leak detection monitors in the coming years.

Water Recycling

EBMUD maintains a Recycled Water Master Plan to plan for and implement recycled water projects. These projects provide a local, reliable, and sustainable water supply for non-potable reuse to offset the use of potable water and lessen the need for severe rationing during droughts. The District currently has the capability to provide an average of 9 million gallons per day (MGD) of recycled water to our customers. In February 2019, EBMUD completed a Recycled Water Master Plan Update to guide future projects and priorities with a goal to recycle 20 MGD by the year 2040. Recycled water is currently provided for industrial processes, landscape irrigation, and commercial non-potable use. EBMUD's current recycled water projects include East Bayshore, San Ramon Valley, North Richmond, Richmond Advanced Recycled Expansion (RARE), and a commercial truck fill station in Oakland.

The East Bayshore project provides recycled water for a variety of non-potable uses in portions of Emeryville and Oakland. The San Ramon Valley project provides recycled water for landscape irrigation to customers in San Ramon and Danville. The North Richmond and RARE projects provide recycled water to the Chevron Richmond Refinery for its cooling towers and boiler feedwater system. Chevron, under contract, continues to pay a volumetric rate for water from the North Richmond Water Recycling Plant and a monthly service charge to cover all capital, operations, and maintenance costs associated with the RARE facility. The recycled water fill station allows commercial trucks to pick up recycled water for non-potable purposes such as construction site dust control. Over the years, EBMUD has secured federal, state, and customer-specific funds to pay for portions of these recycled water facilities. In recent years, state funds were secured to install a segment of the East Bayshore pipeline from Oakland to Emeryville and a portion of the distribution system in San Ramon. EBMUD formed a cost-saving partnership with the City of Albany's bike path project to install another segment of the East Bayshore pipeline. EBMUD is currently collaborating with Caltrans and Alameda County Transit Commission to install a portion of recycled water pipeline in Berkeley as part of a larger construction project.

Regional Water Supply Sources

California water systems were built to serve the populations and geographical areas that invested in them – but seldom were designed to work across different agencies. Since 2014, the Bay Area’s largest water agencies have been working together to develop regional solutions under the Bay Area Regional Reliability project (BARR), seeking to improve water supply reliability for the Bay Area’s more than 6 million residents and thousands of businesses and industries. The Alameda County Water District, Bay Area Water Supply and Conservation Agency, Contra Costa Water District, East Bay Municipal Utility District, Marin Municipal Water District, San Francisco Public Utilities Commission (with the Bay Area Water Supply and Conservation Agency), Santa Clara Valley Water District, and Zone 7 Water Agency have joined forces to leverage existing facilities and, if needed, build new ones to bolster regional water supply reliability. In addition to enhancing reliability, this approach aims to improve emergency preparedness, address climate resilience, leverage existing infrastructure investments, and facilitate water transfers during critical periods of drought or after natural disasters. In 2017, the BARR partner agencies completed a Drought Contingency Plan using a \$200,000 grant from the U.S. Bureau of Reclamation (Reclamation). The Drought Contingency Plan was the first phase of a multiphase effort and summarized how the agencies can respond to droughts, determine drought-related vulnerabilities, and identified potential mitigation measures to help the region better weather future droughts. In March 2023, the BARR partner agencies developed a report documenting the implementation strategy for a Shared Water Access Program (SWAP, formerly called the Regional Water Market Program) under a \$400,000 grant from Reclamation. In addition, in October 2021, EBMUD joined a Joint Powers Authority along with seven other member agencies to evaluate the expansion of Los Vaqueros Reservoir, an off-stream reservoir in Contra Costa County.

On Nov. 29, 2016, the State of California designated EBMUD and the City of Hayward as the Groundwater Sustainability Agencies for the East Bay Plain Subbasin (Subbasin). EBMUD worked with the City of Hayward, with input from Subbasin stakeholders, to complete a Groundwater Sustainability Plan (GSP). The GSP was completed using \$1 million in grant funding from the Department of Water Resources and the State of California in January 2022.

EBMUD is also pursuing groundwater banking projects with partners outside its service area to help store water supplies for use during droughts. In September 2017, EBMUD executed an agreement with San Joaquin County and the North San Joaquin Water Conservation District (NSJWCD) to develop the Demonstration Recharge, Extraction, and Aquifer Management (DREAM) Project. As part of DREAM, EBMUD will supply up to 1,000 acre-feet (AF) of Mokelumne River water in wet years to farmers who will use it for irrigation in place of pumped groundwater. In exchange, EBMUD can then extract up to 500 AF of water from the aquifer during dry years to meet customer demand. In fall 2022, EBMUD and NSJWCD completed construction of necessary facilities to deliver groundwater to EBMUD's Mokelumne Aqueduct. In February 2023, EBMUD and its partners tested the new facilities to deliver water that EBMUD has been banking since 2018. EBMUD and its partners expect to complete the DREAM pilot in March 2024.

During normal rainfall years, EBMUD customers receive 90 percent of their water from the Mokelumne River watershed in the foothills of the Sierra Nevada, when the Mokelumne and local East Bay watersheds provide sufficient water for EBMUD's current and foreseeable needs. However, California has a history of recurrent droughts, and during these times conservation is not enough to meet the shortfall. To ensure additional water supply is available in dry years, EBMUD partnered with Sacramento County Water Agency to build the Freeport Regional Water Project. The Freeport facility allows both Sacramento County and EBMUD to access water supplies from the Sacramento River just south of Sacramento. The project was activated in fiscal years 2014, 2015, 2021, 2022, and 2023 to transfer purchased drought water supply.

In addition, EBMUD continued discussions with numerous agencies regarding future partnership opportunities related to long-term water transfers and groundwater banking.



WATER QUALITY AND ENVIRONMENTAL PROTECTION

New Phase in Bay Protection

San Francisco Bay (SFB) and the Sacramento-San Joaquin River Delta System are profoundly influenced by the roughly 15 million California residents who draw drinking water and discharge waste into the system. This is one of the most highly urbanized estuary and delta systems in the world. Urban and agricultural runoff, legacy and ongoing industrial wastewater pollution, freshwater and groundwater withdrawals, habitat loss, species extinctions, invasion by non-native species, and a host of other influences profoundly impact the Bay-Delta System. Among those many concerns, SFB receives some of the highest nutrient loads among estuaries worldwide yet has not historically experienced the water quality problems typical of other nutrient-enriched estuaries. Most Bay Area wastewater treatment plants were not originally designed to remove nutrients. Effluent discharge from these plants is the major nutrient source, accounting for more than 60 percent of the total nutrient load to the SFB. The unexpected harmful algal bloom (HAB), responsible for a very large fish kill in SFB, that occurred in August 2022 dramatically changed how the Regional Water Board approached determining regulatory nitrogen discharge limits in the next SFB nutrient watershed permit, to be issued to EBMUD and other agencies in the Bay Area Clean Water Agencies (BACWA) on July 1, 2024. EBMUD expects that ongoing efforts to advance the science around nutrient impacts to the SFB, which began in 2014, will continue and be expanded. These efforts include special studies, expanded monitoring funded by BACWA, and grant awards. Activities are reviewed and agreed by the SFB's Nutrient Management Strategy Committee, comprised of regulators (including the SFB Regional Water Board), wastewater agencies (including BACWA and others), local scientists, and other SFB stakeholders. The SFB's response to nutrient loading is influenced by many physical and biological factors, including suspended sediment concentrations, light availability, freshwater inputs, and ocean conditions. These factors themselves vary by SFB sub-embayment and are subject to regional land and water management effects as well as climate oscillations. Therefore, more extensive monitoring and special studies are needed to understand what might happen to SFB water quality as a result of changes in nutrients and other factors.

Due to the significant costs associated with nutrient removal, EBMUD began testing an inhouse biological nitrogen removal (BNR) process using existing plant equipment and facilities in the EBMUD's full-scale reactor decks and clarifiers every year since 2020. In 2023, District staff was confident enough to treat 50 percent of EBMUD's total secondary influent flow with the EBMUD BNR process, resulting in a 30 percent nitrogen reduction from EBMUD's nitrogen discharge. Staff has limited acceptance of animal blood wastes, which was responsible for contributing about eight percent to EBMUD's total inorganic nitrogen (TIN) discharge to SFB. This combined nitrogen reduction of 38 percent resulted in EBMUD's lowest nitrogen discharge to SF Bay since required monitoring of nitrogen discharged started in 2012. If results like these continue over the next two years, EBMUD could avoid a two billion dollar upgrade to build a new BNR process to reliably meet new nitrogen limits.

In 2021, EBMUD completed a comprehensive master plan that not only evaluated a wide range of nutrient reduction strategies, but also integrated and coordinated competing priorities for its wastewater treatment plant. The unexpected 2022 HAB, however, substantially changed how EBMUD would need to proceed to address the Regional Water Board's much more stringent nitrogen limitation in a cost-effective way, from the strategies used in the master plan.

In addition to nutrient reduction efforts, EBMUD provides funding to a Regional Monitoring Program (RMP) led by scientists at the San Francisco Estuary Institute. The RMP conducts extensive sampling throughout the year to monitor water quality and health of the Bay. The RMP also conducts special studies to focus on contaminants of emerging concerns. EBMUD participated in several special studies analyzing the concentration of some of these compounds of interest in wastewater. The list includes per- and polyfluoroalkyl substances (PFAS), a family of man-made, fluorine-rich chemicals used in a wide range of products for consumers and industry with known human health and ecological issues; ethoxylated surfactants, a broad class of chemicals used in many household and industrial products that were identified in past screening studies; and variety of pesticides of interest to the Department of Pesticide Regulation.

Federal regulations require EBMUD to operate and maintain a Pollution Prevention (P2) Program to reduce pollutants from residential, commercial, and non-regulated industrial dischargers at their source. The P2 Program consists of a multi-pronged approach to educate the public about wastewater treatment and demonstrate positive behaviors for reducing pollution. One component is the Main Wastewater Treatment Plant (MWWTP) tour program, which provides students, technical groups, and the general public the opportunity to observe how the MWWTP operates. During the COVID-19 pandemic, EBMUD pivoted from in-person to virtual tours. The virtual tour has been provided in English, Spanish, Chinese, and American Sign Language. In 2023, the virtual tour program has been expanded to also provide a self-guided version using ArcGIS StoryMap technology. It takes viewers on a self-guided tour through the treatment stages and shows how the plant recycles wastewater, biosolids, and generates power. EBMUD restarted in-person public tours in 2023 and now offers all three options: in-person tours, virtual live-tours, and a self-guided virtual tour.

EBMUD held its seventh annual Coastal Cleanup event on September 23, 2023, with over 130 attendees at the Martin Luther King Jr. Regional Shoreline Park. EBMUD employees, retirees, and their friends and families volunteered their time to remove litter ranging from very small bits of plastic to large pieces of trash to prevent this waste from polluting the Bay and shoreline.

In the leadup to the Coastal Cleanup event, EBMUD included a pollution prevention messaging as part of customer water reports to promote regional Coastal Cleanup events, and to provide links to pollution prevention resources and signups for wastewater tours.

EBMUD directly encourages customers to reduce and eliminate pollutants from being disposed in drains. In fiscal year 2023, the District the District supports public collection sites for residential fats, oil and grease (FOG) and reported collection of over 3,500 gallons of residential FOG within the service area. EBMUD also supports a pharmaceutical take-back program to collect and properly dispose of unwanted medications. The District collected and properly disposed of 1,600 pounds of unwanted medications in fiscal year 2023 and over 21 tons since the program inception.

Environmental Stewardship

The Mokelumne River, EBMUD's primary water source, flows into the Sacramento-San Joaquin Delta. Although EBMUD's supplies are not taken directly from the Delta, protection of the Delta and its environmental health are important to EBMUD. The Delta faces many challenges to its sustainability, both as a viable ecosystem and for water conveyance with its vast network of earthen levees. EBMUD, in partnership with the state and local interests, has invested over \$70 million to date to strengthen the levees that protect critical infrastructure, including EBMUD's water lifelines, the Mokelumne Aqueducts. EBMUD has also invested more than \$40 million to date to strengthen the aqueducts to help withstand seismic events. The Delta itself is a dramatically altered ecosystem that presents many challenges to sustainable fisheries.

In addition to restoring and enhancing the salmon fishery in the Mokelumne River, EBMUD continues to work cooperatively with state and federal regulatory agencies to develop and implement a flow and habitat agreement that builds upon the successes achieved with Mokelumne salmon and steelhead trout populations. With the Water Supply Management Plan 2040, EBMUD intensified its commitment to water use efficiency and regional cooperation, thus reducing pressure on demands from the Delta watershed. With the state's continued pursuit of the Delta Conveyance Project (formerly California WaterFix, and prior to that the Bay Delta Conservation Plan), EBMUD has stepped up its advocacy to protect its interests regarding the Freeport Project operations, the Mokelumne Aqueducts, the Mokelumne fishery, and other potential concerns.

EBMUD continued its stewardship efforts on the Mokelumne River in 2023. EBMUD continued investing in salmon and steelhead spawning and juvenile-rearing habitat improvements, conducting telemetry studies through the Delta of out-migrating salmon to better understand migratory path and survival, managing cold water in the reservoirs to ensure it is available to the Mokelumne River when needed for salmon, implementing pulse flows to enhance fish returns, and working with federal water project operators to modify Delta operations to minimize impacts to salmon. One indicator of success for these efforts is an average return rate of approximately 9,600 salmon to the Mokelumne River since 1998.

Water Quality and Safety

Federal and state regulatory agencies continually evaluate and establish new drinking water quality standards to protect public health. EBMUD's staff tests water samples throughout the water system to ensure that water quality meets or surpasses all primary (health related) and secondary (aesthetic) drinking water standards established by federal and state regulatory agencies. Test results are summarized and released annually to the public in our Annual Water Quality Report. As a best management practice, EBMUD has implemented an added quality assurance protocol – internal water quality goals that exceed regulatory standards. In addition, the District has been actively working to reduce the public's exposure to lead in drinking water. In fiscal year 2017, the District initiated a free customer lead sampling program, enabling customers to sample water at their properties. Participation and test results continue to support the high quality of the District's delivered water and confidence in the District. Under new state requirements EBMUD updated the inventory of service line materials. During the early 1940s, some water service lines were made of lead when other materials were in short supply due to WW2. These have all been removed. However, though there are still some short lead fittings in service, data indicate that lead concentrations are very low. Nonetheless, the District plans to remove these remaining lead components as well as inform customers and mitigate lead exposure during the removal work.

EBMUD participates in The Partnership for Safe Water program which is a voluntary effort designed to improve the quality of water delivered to customers by optimizing water system operations. The program includes self-assessment and optimization tools so that operators, managers and administrators can improve performance above and beyond regulatory levels.

Renewable Energy

In an average year, EBMUD can generate about 240,000 megawatts-hours of renewable energy valued at approximately \$12 million via its hydropower, photovoltaic and cogeneration facilities for its own use and sale. This revenue includes the sale of energy, Renewable Energy Credits, and resource adequacy capacity. The Resource Recovery Program, which converts organic waste into biogas fuel for renewable energy generation, at EBMUD's wastewater treatment plant consistently provides more than 100 percent of the electricity needed to power the plant on an annual average basis. This organic material includes food scraps; winery waste; fats, oils, and grease; and other organic waste. This reduces greenhouse gas emissions and provides revenue, which helps to stabilize wastewater rates.

LONG-TERM INFRASTRUCTURE INVESTMENT

EBMUD continually evaluates its complex infrastructure system and adjusts investments to address the most pressing reliability concerns. Keeping infrastructure in good condition protects the environment and public health. EBMUD is increasing investments to refurbish and replace infrastructure and dedicating more resources to replace and renew pipes, often using new and innovative technologies.

EBMUD has ambitious goals to increase the annual pipeline replacement and renewal rate to ensure reliable water service into the future. In this acceleration effort, EBMUD's Pipeline Rebuild Program is looking at everything from hazard-resilient and innovative pipe materials to improved and more sustainable installation methods. As EBMUD approaches its centennial anniversary, the District is working to ensure our pipes best serve today's customers and those 100 years from now.

In fiscal year 2023, EBMUD replaced 23.7 miles of pipeline. In addition to increasing the annual replacement rate in fiscal year 2023, EBMUD made advancements in researching hazard-resilient materials and integrating machine learning analytics to select replacement projects as well as utilizing a risk-based approach. EBMUD completed the first phase of evaluating the rate at which pipelines migrate from one risk category to the next and continues to evaluate satellite leak detection data to inform pipeline replacement selections. EBMUD staff completed final design standards and specifications for implementing ductile iron pipe as a standard material in distribution pipeline replacement and repair projects, and further refined installation methods to improve construction efficiency.

EBMUD staff also continued research on hazard-resilient materials and completed Earthquake Resistant Ductile Iron Pipe (ERDIP) installations in areas with a high risk of ground movement. As part of these ERDIP installations, EBMUD collaborated with staff from U.C. Berkeley as part of research initiatives for the Center for Smart Infrastructure (CSI). Additional plans for the CSI in fiscal year 2023 include ERDIP testing within the four-point bending apparatus and the large-scale fault-rupture basin.

One by one, we are upgrading our water treatment plants to improve performance; increase reliability and resilience against climate change; continue to meet water quality regulations; and ensure safety for staff, neighbors, and the environment. In 2022, EBMUD awarded a contract for construction of the Orinda Water Treatment Plant Disinfection and Chemical Systems Safety Improvements Project. EBMUD will modernize the disinfection process with an ultraviolet disinfection system and a new chlorine contact basin; rehabilitate the chemical feed and storage systems; improve standby power capabilities; construct a new maintenance building; and add electrical reliability. The project is expected to be complete in 2026. EBMUD is also adding new disinfection basins, improving chemical storage and handling facilities, upgrading clarification processes to improve removal of particles from the water, and making electrical improvements at Upper San Leandro and Sobrante Water Treatment Plants.

At San Pablo Reservoir, a project is underway to improve water quality by adding oxygen to the bottom of the reservoir. This will prevent the release of nutrients and metals from the sediments, improving water quality by discouraging the growth of algae and taste- and odor-causing compounds in the reservoir. A similar oxygenation system has been in place in our Upper San Leandro Reservoir for more than a decade.

The Upper San Leandro water treatment plan project will increase EBMUD's ability to treat supplemental drought supplies and also enhance access to water supplies during emergencies such as fires and earthquakes. These large, multi-year capital projects will modernize the treatment plants, improve worker and environmental safety, and improve our capability to treat challenging source waters.

Infrastructure rehabilitation plans are continuously updated for all water infrastructure systems including aqueducts, pipelines, reservoirs, pumping plants, rate control stations, regulators, and water treatment plants. In fiscal year 2011, EBMUD adopted a key performance indicator (KPI) goal to rehabilitate an average of three steel reservoirs per year, and in fiscal year 2015 a second KPI goal was adopted to rehabilitate an average of two pumping plants per year. Since these two goals were first established, EBMUD has replaced, rehabilitated, or removed from service a total of 41 distribution reservoirs and 23 pumping plants, corresponding to a cumulative annual average of 3.5 reservoirs and 2.8 pumping plants per year, which exceeds EBMUD's KPI goals. In the coming years, EBMUD will continue to invest in infrastructure while ensuring our services remain affordable. We will continue our efforts to earn the trust and satisfaction of our customers by providing high-quality water and services at a reasonable price.

In fall 2021, EBMUD partnered with the University of California Berkeley to launch the new Center for Smart Infrastructure (CSI), an engineering research and innovation facility based at the UC Richmond Field Station with a \$1.5 million investment from EBMUD. Its purpose is to apply cutting-edge technology to address infrastructure challenges our communities face due to climate change, aging systems, and natural hazards.

Researchers at CSI will develop and use remote sensors, data analytics and artificial intelligence tools, as well as other emerging technologies, to better inform decision-making among utilities and government agencies. One of the first research projects at the center involves designing and building four pipeline testing apparatuses, including a large-scale fault rupture setup that was moved here last summer from Cornell University. By testing pipes under stresses that mimic earthquakes, EBMUD hopes to continue to develop more resilient technologies for monitoring and improving the 4,200 miles of distribution pipelines crisscrossing our service area.



Government Finance Officers' Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to EBMUD for its ACFR for the fiscal year ended June 30, 2022. This is the eighteenth consecutive year that EBMUD has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized ACFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current ACFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

In addition, the District received the GFOA's Distinguished Budget Presentation Award for its fiscal year 2022-2023 biennial budget document. To qualify, the District's budget document had to be judged proficient as a policy document, a financial plan, an operations guide and a communications device. The District also received the Operating Budget Excellence Award for fiscal years 2022-2023 from the California Society of Municipal Finance Officers (CSMFO). The award program recognizes agencies with well-presented budget documents, best practices, processes, and procedures.

I would like to thank the Board of Directors for their continued support in achieving excellence in financial management. Additionally, this report could not have been accomplished without the hard work and dedication of the entire Finance Department with recognition to the Accounting Division. Special appreciation is extended to, Robert Hannay, Interim Controller, Melody Wang, Interim Controller and Accounting and Financial Systems Analyst, Winsun Hsieh, Accounting Systems Supervisor, Yenny Coburn, Accountant III, Matthew Houck, Accountant III, and new Controller David Glasser. I would also like to thank staff members of other departments for the efforts they put into the preparation of this report.

Respectfully submitted,



Sophia D. Skoda
Director of Finance



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**East Bay Municipal Utility District
California**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2022

Christopher P. Morill

Executive Director/CEO

EBMUD has a seven-member Board of Directors publicly elected from wards within the EBMUD service area.

[John A. Coleman](#)

Director Coleman represents EBMUD's Ward No. 2 which is comprised of the cities of Alamo, Lafayette and Walnut Creek, Town of Danville, communities of Blackhawk and Diablo, and portions of San Ramon and Pleasant Hill.

[Andy Katz](#)

Director Katz represents EBMUD's Ward No. 4 which is comprised of the cities of Albany, Berkeley, Emeryville, El Cerrito and Kensington as well as a portion of Oakland.

[Doug A. Linney](#)

Director Linney represents EBMUD's Ward No. 5 which is comprised of the cities of Alameda and San Lorenzo as well as West Oakland and the Oakland Airport Area and a portion of San Leandro.

[Lesia R. McIntosh](#)

Director McIntosh represents EBMUD's Ward No. 1 which is comprised of the cities of Crockett, Hercules, Rodeo and San Pablo; the communities of North Richmond and Selby, as well as portions of Richmond and Pinole.

[April Chan](#)

Director Chan represents EBMUD's Ward No. 7 which is comprised of the town of Castro Valley, the communities of Cherryland and Fairview, as well as portions of San Lorenzo, San Leandro, Hayward, and San Ramon.

[William B. Patterson](#)

Director Patterson represents EBMUD's Ward No. 6 which is comprised of portions of Oakland (East Oakland and south of Park Blvd/5th Ave) to the San Leandro boundary.

[Marguerite Young](#)

Director Young represents EBMUD's Ward No. 3 which is comprised of the cities of Piedmont, Orinda and El Sobrante, Town of Moraga, as well as portions of Oakland, Pinole and Richmond.

BOARD OF DIRECTORS

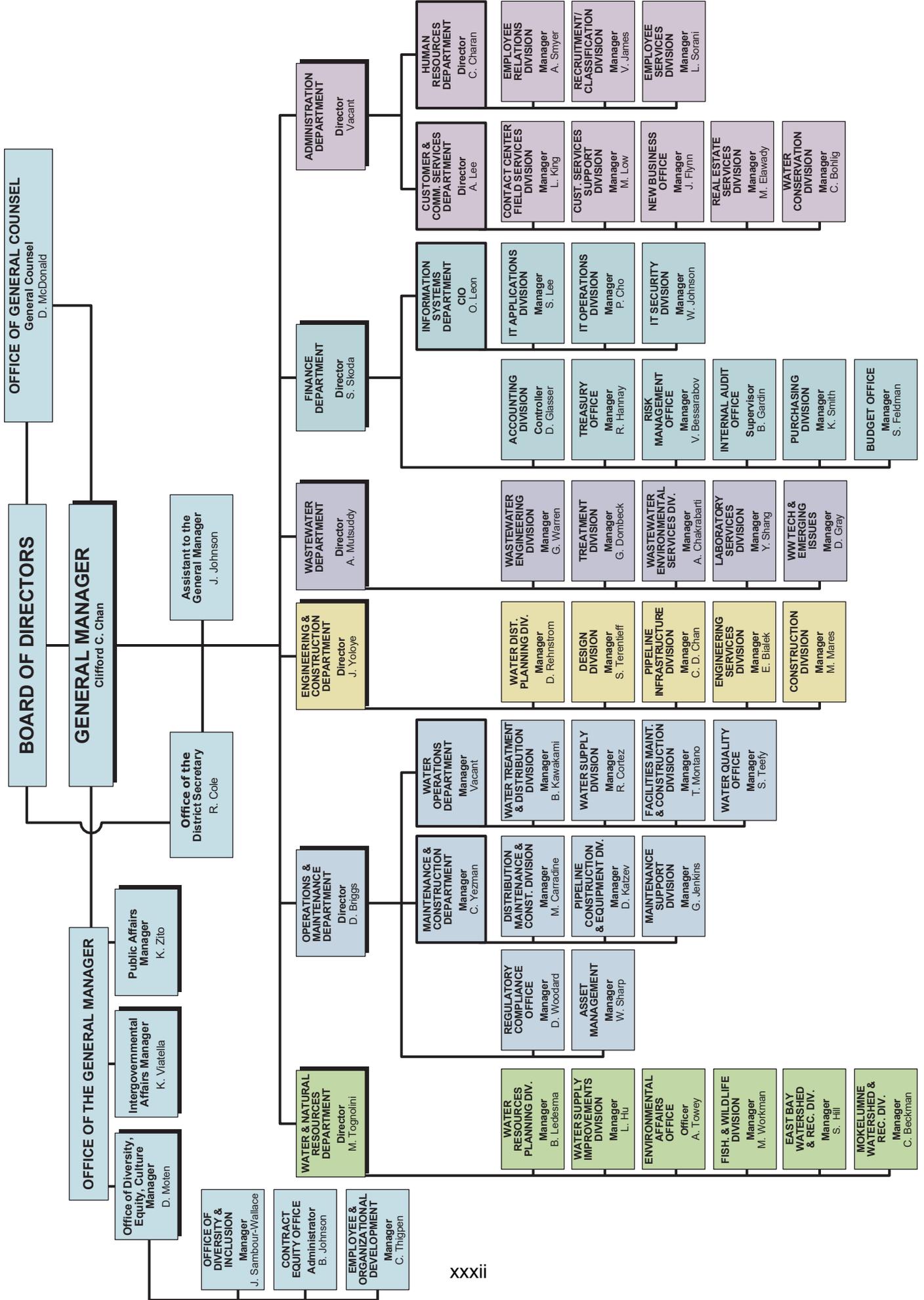
| | |
|---------------------------|----------------|
| Doug A Linney | President |
| John A Coleman | Vice President |
| Andy Katz..... | Director |
| Lesa R. McIntosh..... | Director |
| April Chan | Director |
| William B. Patterson..... | Director |
| Marguerite Young | Director |

GENERAL MANAGER Clifford C. Chan

FINANCE DIRECTOR Sophia D. Skoda

CONTROLLER David Glasser

PREPARED Accounting Division of the
Finance Department





Independent Auditors' Report

Management's Discussion and Analysis

Basic Financial Statements

Required Supplemental Information

Supplemental Information



EAST BAY MUNICIPAL UTILITY DISTRICT

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022 BASIC FINANCIAL STATEMENTS

Focused
on YOU



EAST BAY MUNICIPAL UTILITY DISTRICT

Basic Financial Statements

For the Years Ended June 30, 2023 and 2022

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EAST BAY MUNICIPAL UTILITY DISTRICT

Basic Financial Statements

For the Years Ended June 30, 2023 and 2022

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
East Bay Municipal Utility District
Oakland, California

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of the East Bay Municipal Utility District (the "District"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of the District, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof, as listed in the table of contents, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the State Controller's Minimum Audit Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As described in Note 1 to the financial statements, in 2023, the District adopted new accounting guidance, GASB Statement No. 96, *Subscription Based Information Technology Arrangements*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.



To the Board of Directors
East Bay Municipal Utility District
Oakland, California

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards*, and the State Controller's Minimum Audit Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, and the State Controller's Minimum Audit Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and the required pension and other postemployment benefits schedules, as listed on the table of contents, presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



To the Board of Directors
East Bay Municipal Utility District
Oakland, California

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying combining statements of fiduciary activities (supplementary information) are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Summarized Comparative Information

We have previously audited the financial statements of the District for the year ended June 30, 2022, and expressed an unmodified audit opinion on those financial statements in our report dated September 30, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory, statistical sections and capacity charge funds but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2023, on our consideration of the District's internal control over the financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over the financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over the financial reporting and compliance.

A handwritten signature in black ink that reads "Lance, Solt & Loughard, LLP". The signature is written in a cursive, flowing style.

Sacramento, California
October 25, 2023

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EAST BAY MUNICIPAL UTILITY DISTRICT

Management's Discussion and Analysis

June 30, 2023

This section presents management's analysis of the East Bay Municipal Utility District's (the District) financial condition and activities as of and for the year ended June 30, 2023. Management's Discussion and Analysis (MD&A) is intended to serve as an introduction to the District's basic financial statements.

This information should be read in conjunction with the audited financial statements that follow this section. The District, as the primary governmental entity, includes within the financial statements, the financial position, and activities of the District's Employees' Retirement System (Employees' Retirement System) as a component unit. The Employees' Retirement System issues its own financial statements and MD&A under a separate cover. Significant matters pertaining to the Employees' Retirement System have been included in the notes to the financial statements as deemed appropriate.

The information in this MD&A is presented under the following headings:

- Organization and Business
- Overview of the Basic Financial Statements
- Financial Analysis
- Capital Assets
- Debt Administration
- Request for Information

ORGANIZATION AND BUSINESS

The District provides water and wastewater services to industrial, commercial, residential, and public authority users. The Water System collects, transmits, treats, and distributes high quality water to approximately 60% (332 square miles) of the developed area within Alameda and Contra Costa counties of California and serves a population of about 1.4 million. The Wastewater System intercepts and treats wastewater from residences and industries within an 88-square-mile service area including the communities of Alameda, Albany, Berkeley, El Cerrito, Emeryville, Kensington, Oakland, Piedmont, and parts of Richmond serving a population of about 740,000. The District recovers costs of service primarily through user fees.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

The District's basic financial statements are comprised of two components: (1) Fund Financial Statements and (2) Notes to Basic Financial Statements. The report also contains other required supplementary information in addition to the basic financial statements.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other special purpose governments, uses fund accounting to ensure and demonstrate compliance with financial-related legal requirements.

Proprietary Funds. The District's proprietary funds consist of two enterprise funds, the Water System, and the Wastewater System. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

The District's proprietary fund statements include:

The *Statement of Net Position* presents information on the District's assets and deferred outflows, and liabilities and deferred inflows, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

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While the Statement of Net Position provides information about the nature and amount of resources and obligations at year-end, the *Statement of Revenues, Expenses, and Changes in Net Position* presents the results of the District's operations over the course of the fiscal year and information as to how the net position changed during the year. This statement can be used as an indicator of the extent to which the District has successfully recovered its costs through user fees and other charges. All changes in net position are reported during the period in which the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods, such as delayed collection of operating revenues and the expense of employee earned but unused vacation leave.

The *Statement of Cash Flows* presents changes in cash and cash equivalents resulting from operational, capital, noncapital, and investing activities. This statement summarizes the annual flow of cash receipts and cash payments, without consideration of the timing of the event giving rise to the obligation or receipt and excludes noncash accounting measures of depreciation or amortization of assets.

Fiduciary Fund. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The District's fiduciary fund consists of the Pension and Other Employee Benefit Trust fund and the Custodial fund. The Pension and Other Employee Benefit Trust is maintained to account for assets held by the Employees' Retirement in a trustee capacity for vested and retired employees. The Custodial fund is used to account for monies held for Dublin San Ramon Services District (DSRSD)/EBMUD Recycled Water Authority (DERWA) and Freeport Regional Water Authority (FRWA), joint power authorities the District provides accounting and investing services for; and monies held in external investment pools. The accounting used for fiduciary funds is much like that used for the proprietary funds.

Notes to Basic Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to basic financial statements can be found on pages 31 to 89 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents *certain required supplementary information* concerning the District's progress in funding its obligation to provide pension and other post-employment healthcare benefits to its employees. Such required supplementary information can be found on pages 92 to 98 of this report.

FINANCIAL ANALYSIS

Financial Highlights

In fiscal year 2023, EBMUD continued to effectively manage its finances and strengthen its financial position by adopting sufficient water and wastewater rates to fund capital infrastructure improvements and to maintain strong financial performance. The following results of operations indicate a continuing strong and stable fiscal position.

The total assets and deferred outflows of the District exceeded the total liabilities and deferred inflows by \$2.9 billion (*net position*).

Net position increased by \$222 million or 8% during the fiscal year.

Capital assets increased by \$332 million or 6% to \$6.0 billion.

Operating revenue increased by \$11 million or 1% to \$780 million.

Operating expense increased by \$105 million or 21% to \$600 million.

Non-operating net expense decreased by \$17 million or 34% to (\$33) million.

Capital contributions increased by \$14 million or 24% from the prior fiscal year.

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Financial Position

In the current year, the District's total net position increased by \$222 million or 8% during the fiscal year. The Water System's net position increased by \$208 million or 9% and the Wastewater System's net position increased by \$14 million or 3%. Current and other assets decreased by \$243 million or 21%. Capital assets increased by \$332 million or 6%. By far the largest portion of the District's net position, 107% or \$3.1 billion, represents its investment in capital assets necessary to provide services.

In the previous fiscal year, the District's total net position increased by \$285 million or 12% during the fiscal year. The Water System's net position increased by \$244 million or 12% and the Wastewater System's net position increased by \$41 million or 10%. Current and other assets increased by \$174 million or 18%. Capital assets increased by \$202 million or 4%. By far the largest portion of the District's net position, 89% or \$2.4 billion, represents its investment in capital assets necessary to provide services.

Table 1 shows the District's net position for the fiscal years ended June 30, 2023, 2022, and 2021:

Table 1
Net Position
Water and Wastewater
June 30, 2023 and 2022
(In thousands)

| | <u>2023</u> | <u>2022</u> | <u>Variance</u> | <u>%</u> |
|---------------------------------------|---------------------|---------------------|-------------------|----------|
| Current and other assets | \$ 914,597 | \$ 1,157,740 | \$ (243,143) | (21)% |
| Capital assets | 5,999,925 | 5,667,819 | 332,106 | 6% |
| Total assets | <u>6,914,522</u> | <u>6,825,559</u> | <u>88,963</u> | 1% |
| Deferred outflow of resources | 453,008 | 231,655 | 221,353 | 96% |
| Total assets and deferred outflow | <u>7,367,530</u> | <u>7,057,214</u> | <u>310,316</u> | 4% |
| Current and other liabilities | 1,322,960 | 841,853 | 481,107 | 57% |
| Long-term liabilities | <u>3,061,677</u> | <u>3,223,739</u> | <u>(162,062)</u> | (5)% |
| Total liabilities | <u>4,384,637</u> | <u>4,065,592</u> | <u>319,045</u> | 8% |
| Deferred inflow of resources | 101,019 | 331,947 | (230,928) | (70)% |
| Total liabilities and deferred inflow | <u>4,485,656</u> | <u>4,397,539</u> | <u>88,117</u> | 2% |
| Net position: | | | | |
| Net investment in capital assets | 3,076,094 | 2,365,584 | 710,510 | 30% |
| Restricted | 217,654 | 219,473 | (1,819) | (1)% |
| Unrestricted | <u>(411,874)</u> | <u>74,618</u> | <u>(486,492)</u> | (652)% |
| Total net position | <u>\$ 2,881,874</u> | <u>\$ 2,659,675</u> | <u>\$ 222,199</u> | 8% |

EAST BAY MUNICIPAL UTILITY DISTRICT

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Table 1
Net Position
Water and Wastewater
June 30, 2022 and 2021
(In thousands)

| | <u>2022</u> | <u>2021</u> | <u>Variance</u> | <u>%</u> |
|---------------------------------------|---------------------|---------------------|-------------------|----------|
| Current and other assets | \$ 1,157,740 | \$ 984,044 | \$ 173,696 | 18% |
| Capital assets | <u>5,667,819</u> | <u>5,466,263</u> | <u>201,556</u> | 4% |
| Total assets | <u>6,825,559</u> | <u>6,450,307</u> | <u>375,252</u> | 6% |
| Deferred outflow of resources | 231,655 | 327,956 | (96,301) | (29)% |
| Total assets and deferred outflow | <u>7,057,214</u> | <u>6,778,263</u> | <u>278,951</u> | 4% |
| Current and other liabilities | 841,853 | 1,168,602 | (326,749) | (28)% |
| Long-term liabilities | <u>3,223,739</u> | <u>3,186,996</u> | <u>36,743</u> | 1% |
| Total liabilities | <u>4,065,592</u> | <u>4,355,598</u> | <u>(290,006)</u> | (7)% |
| Deferred inflow of resources | 331,947 | 47,733 | 284,214 | 595% |
| Total liabilities and deferred inflow | <u>4,397,539</u> | <u>4,403,331</u> | <u>(5,792)</u> | (0)% |
| Net position: | | | | |
| Net investment in capital assets | 2,365,584 | 2,198,902 | 166,682 | 8% |
| Restricted | 219,473 | 246,257 | (26,784) | (11)% |
| Unrestricted | <u>74,618</u> | <u>(70,227)</u> | <u>144,845</u> | (206)% |
| Total net position | <u>\$ 2,659,675</u> | <u>\$ 2,374,932</u> | <u>\$ 284,743</u> | 12% |

Results of Operations

In the current fiscal year, the District's total operating revenue of \$780 million for the year increased by \$11 million and total operating expense of \$600 million for the year increased by \$105 million. The change in net position (including capital contributions) decreased from \$285 million in the previous fiscal year to \$222 million in the current fiscal year. The District's total net position increased from \$2,660 million to \$2,882 million during the current fiscal year.

The major components of the District's results of operations in the current fiscal year were:

- Water revenue decreased by \$10 million or 2% due to a 7% decrease in billed water consumption offset by a 4% water rate increase and an imposed drought surcharge at the beginning of fiscal year 2023.
- Wastewater revenue increased by \$6 million or 6% due to a 4% wastewater rate increase at the beginning of fiscal year 2023 and higher resource recovery revenues.
- Power revenue increased by \$13 million or 171% due to higher hydropower prices and sales in the current year.
- Wet weather facilities charges increased by \$1 million or 4% due to a 4% rate increase at the beginning of fiscal year 2023.
- Total operating expense increased by \$105 million, primarily reflecting increases of \$90 million in pension expense due to a lower return on the market value of pension plan assets versus the assumption rate used in the actuarial valuation. Other major increases in operating expense were increases of \$18 million in raw water, \$8 million in water treatment and distribution, and \$7 million in sewer treatment plant operations. Offsetting these increases was decrease of \$35 million in general and administration due to higher overhead recovery.

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- Net nonoperating expense decreased by \$17 million, primarily due to \$27 million increase in investment income resulting from higher interest rates earned offset by a \$11 million decrease in other income. Included in non-operating net expense is investment income (loss) and the net change in the fair value of investments which were \$16 million and \$6 million respectively in the current fiscal year, and \$3 million and (\$8) million respectively in the prior fiscal year.
- Capital contributions increased by \$14 million, primarily due to an increase in earned standard service installments. Grants and other reimbursements decreased by \$1 million due to a Proposition 1 passthrough grant to be reimbursed from the State. Page 17 contains additional capital contributions information.

In the previous fiscal year, the District's total operating revenue of \$769 million for the year increased by \$22 million and total operating expense of \$495 million for the year decreased by \$47 million. The change in net position (including capital contributions) increased from \$242 million in fiscal year 2021 to \$285 million in the fiscal year 2022. The District's total net position increased from \$2,375 million to \$2,660 million during the fiscal year 2022.

The major components of the District's results of operations in fiscal year 2022 were:

- Water revenue increased by \$13 million or 2% due to a 4% water rate increase at the beginning of fiscal year 2022, offset by reduced water consumption.
- Wastewater revenue increased by \$5 million or 5% due to a 4% wastewater rate increase at the beginning of fiscal year 2022.
- Power revenue increased by \$3 million or 51% due to more hydropower generated during fiscal year 2022.
- Wet weather facilities charges increased by \$1 million or 4% due to a 4% rate increase at the beginning of fiscal year 2022.
- Total operating expense decreased by \$47 million, primarily reflecting decreases of \$98 million in pension expense mainly due to a higher return on the market value of pension plan assets versus the assumption rate used in the actuarial valuation. Offsetting this decrease were increases of \$34 million in general administration, \$6 million in water treatment and distribution, \$5 million in raw water, and \$4 million in sewer treatment plant operations.
- Net nonoperating expense increased by \$4 million, primarily due to \$7 million increase in bond interest expense and amortization and \$3 million increase in investment loss resulting from the fair market value fluctuation of investments offset by a \$5 million increase in taxes and subventions income. Included in non-operating net expense is investment income (loss) and the net change in the fair value of investments which were \$3 million and (\$8) million respectively in fiscal year 2022, and \$2 million and (\$4) million respectively in fiscal year 2021.
- Capital contributions decreased by \$21 million primarily reflecting a \$11 million decrease in System Capacity Charges (SCC) and a \$1 million decrease in Wastewater Capacity Fees (WCF) reflecting changes made from a SCC study in fiscal year 2021 and adoption of reduced SCC & WCF rates in fiscal year 2022. Construction service installments decreased by \$11 million due to the cyclical nature of construction phases throughout the service area. Grants and other reimbursements increased by \$1 million due to additional monies received from Federal and State grants in fiscal year 2022. Page 17 contains additional capital contributions information.

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Table 2 shows changes in the District's net position for the fiscal years ended June 30, 2023, 2022, and 2021:

Table 2

Changes in Net Position

Water and Wastewater

June 30, 2023 and 2022

(In thousands)

| | <u>2023</u> | <u>2022</u> | <u>Variance</u> | <u>%</u> |
|--|---------------------|---------------------|-------------------|----------|
| Operating Revenue: | | | | |
| Water | \$ 623,929 | \$ 633,840 | \$ (9,911) | (2)% |
| Sewer | 104,385 | 98,345 | 6,040 | 6% |
| Power | 21,368 | 7,898 | 13,470 | 171% |
| Wet weather facilities charges | 30,745 | 29,435 | 1,310 | 4% |
| Total operating revenue | <u>780,427</u> | <u>769,518</u> | <u>10,909</u> | 1% |
| Operating Expense: | | | | |
| Raw water | 80,046 | 62,214 | 17,832 | 29% |
| Water treatment & distribution | 147,854 | 140,309 | 7,545 | 5% |
| Recreation areas, net | 5,170 | 5,268 | (98) | (2)% |
| Sewer lines & pumps | 22,877 | 18,273 | 4,604 | 25% |
| Sewer treatment plant operations | 53,714 | 47,053 | 6,661 | 14% |
| Customer accounting & collecting | 24,031 | 21,906 | 2,125 | 10% |
| Financial and risk management | 26,100 | 22,700 | 3,400 | 15% |
| Facilities management | 6,400 | 4,146 | 2,254 | 54% |
| General administration | 38,398 | 72,902 | (34,504) | (47)% |
| Pension expense | 36,874 | (53,417) | 90,291 | (169)% |
| OPEB expense | (4,005) | (1,234) | (2,771) | 225% |
| Depreciation (excluding amounts reported within the Water and Wastewater operations) | 150,705 | 145,723 | 4,982 | 3% |
| Amortization | 11,022 | 8,710 | 2,312 | 27% |
| Total operating expense | <u>599,186</u> | <u>494,553</u> | <u>104,633</u> | 21% |
| Net operating income (expense) | <u>181,241</u> | <u>274,965</u> | <u>(93,724)</u> | (34)% |
| Nonoperating income (expense): | | | | |
| Investment income (loss) | 22,226 | (5,006) | 27,232 | (544)% |
| Taxes & subventions | 54,837 | 52,881 | 1,956 | 4% |
| Interest & amortization of bond expenses | (115,567) | (113,075) | (2,492) | 2% |
| Interest income of Leases | 175 | - | 175 | |
| Interest income of SBITAs | 780 | - | 780 | |
| Increase (decrease) of Equity in JPA partnership fund | (4,011) | (4,125) | 114 | (3)% |
| Other income | 8,573 | 19,648 | (11,075) | (56)% |
| Total nonoperating income (expense), net | <u>(32,987)</u> | <u>(49,677)</u> | <u>16,690</u> | (34)% |
| Income (loss) before contributions | 148,254 | 225,288 | (77,034) | (34)% |
| Capital contributions and grant activity | 73,945 | 59,455 | 14,490 | 24% |
| Change in net position | 222,199 | 284,743 | (62,544) | (22)% |
| Total net position – beginning | <u>2,659,675</u> | <u>2,374,932</u> | <u>284,743</u> | 12% |
| Total net position – ending | <u>\$ 2,881,874</u> | <u>\$ 2,659,675</u> | <u>\$ 222,199</u> | 8% |

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Table 2

Changes in Net Position

Water and Wastewater

June 30, 2022 and 2021

(In thousands)

| | <u>2022</u> | <u>2021</u> | <u>Variance</u> | <u>%</u> |
|--|---------------------|---------------------|-------------------|----------|
| Operating Revenue: | | | | |
| Water | \$ 633,840 | \$ 620,471 | \$ 13,369 | 2% |
| Sewer | 98,345 | 93,394 | 4,951 | 5% |
| Power | 7,898 | 5,236 | 2,662 | 51% |
| Wet weather facilities charges | 29,435 | 28,316 | 1,119 | 4% |
| Total operating revenue | <u>769,518</u> | <u>747,417</u> | <u>22,101</u> | 3% |
| Operating Expense: | | | | |
| Raw water | 62,214 | 57,448 | 4,766 | 8% |
| Water treatment & distribution | 140,309 | 134,022 | 6,287 | 5% |
| Recreation areas, net | 5,268 | 6,878 | (1,610) | (23)% |
| Sewer lines & pumps | 18,273 | 16,713 | 1,560 | 9% |
| Sewer treatment plant operations | 47,053 | 42,956 | 4,097 | 10% |
| Customer accounting & collecting | 21,906 | 20,010 | 1,896 | 9% |
| Financial and risk management | 22,700 | 22,504 | 196 | 1% |
| Facilities management | 4,146 | 3,882 | 264 | 7% |
| General administration | 72,902 | 39,406 | 33,496 | 85% |
| Pension expense | (53,417) | 44,130 | (97,547) | (221)% |
| OPEB expense | (1,234) | (714) | (520) | 73% |
| Depreciation (excluding amounts reported within the Water and Wastewater operations) | 145,723 | 144,161 | 1,562 | 1% |
| Amortization | 8,710 | 10,163 | (1,453) | (14)% |
| Total operating expense | <u>494,553</u> | <u>541,559</u> | <u>(47,006)</u> | (9)% |
| Net operating income (expense) | <u>274,965</u> | <u>205,858</u> | <u>69,107</u> | 34% |
| Nonoperating income (expense): | | | | |
| Investment income (loss) | (5,006) | (1,545) | (3,461) | 224% |
| Taxes & subventions | 52,881 | 47,435 | 5,446 | 11% |
| Interest & amortization of bond expenses, net | (113,075) | (106,157) | (6,918) | 7% |
| Increase (decrease) of Equity in JPA partnership fund | (4,125) | (3,783) | (342) | 9% |
| Other income | 19,648 | 18,771 | 877 | 5% |
| Total nonoperating income (expense), net | <u>(49,677)</u> | <u>(45,279)</u> | <u>(4,398)</u> | 10% |
| Income (loss) before contributions | 225,288 | 160,579 | 64,709 | 40% |
| Capital contributions | 59,455 | 80,946 | (21,491) | (27)% |
| Change in net position | 284,743 | 241,525 | 43,218 | 18% |
| Total net position – beginning | <u>2,374,932</u> | <u>2,133,407</u> | <u>241,525</u> | 11% |
| Total net position – ending | <u>\$ 2,659,675</u> | <u>\$ 2,374,932</u> | <u>\$ 284,743</u> | 12% |

EAST BAY MUNICIPAL UTILITY DISTRICT

Management's Discussion and Analysis

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Liquidity

The District had \$521 million in combined current and noncurrent District Cash and Investments as of June 30, 2023, a decrease of \$255 million compared to \$776 million as of June 30, 2022. Components of cash and investments for the year ended June 30, 2023 were:

- Water System total combined current and noncurrent cash and investments decreased by \$214 million compared to the same date of the previous fiscal year. Cash and cash equivalents increased by a net \$173 million compared to the prior year. This was primarily due to an increase of \$493 million from the net proceeds of securities in investing activities and an increase of \$16 million in noncapital financing activities, offset by an increase of \$297 million spending from capital and related financing activities and a decrease of \$39 million from operating activities. Noncurrent investments decreased by a net \$179 million primarily due to reallocation of investments between short-term and long-term.
- Wastewater System total combined current and noncurrent cash and investments decreased by \$41 million compared to the same date in the previous fiscal year. Cash and cash equivalents increased by a net \$30 million compared to the prior year. This was primarily due to an increase of \$99 million from the net proceeds of securities in investing activities offset by an increase of \$43 million spending from capital and related financing activities, a decrease of \$14 million in noncapital financing activities, a decrease of \$12 million from operating activities. Noncurrent investments decreased by a net \$29 million also primarily due to reallocation of investments between short-term and long-term.

Table 3 shows the District's cash flow for the fiscal years ended June 30, 2023, 2022, and 2021:

Table 3
Cash Flows
Water and Wastewater System
June 30, 2023 and 2022
(In thousands)

| | <u>2023</u> | <u>2022</u> | <u>Variance</u> | <u>%</u> |
|---|-------------------|-------------------|---------------------|----------|
| Cash and cash equivalents: | | | | |
| Beginning of year | \$ 176,824 | \$ 426,405 | \$ (249,581) | (59)% |
| Net cash provided by operating activities | 353,009 | 404,496 | (51,487) | (13)% |
| Net cash provided by noncapital financing activities | 74,839 | 73,593 | 1,246 | 2% |
| Net cash provided by (used in) capital and related financing activities | (697,995) | (358,524) | (339,471) | 95% |
| Net cash provided by (used in) investing activities | <u>222,829</u> | <u>(369,146)</u> | <u>591,975</u> | (160)% |
| Net increase (decrease) in cash and cash equivalents | <u>(47,318)</u> | <u>(249,581)</u> | <u>202,263</u> | (81)% |
| End of period | <u>129,506</u> | <u>176,824</u> | <u>(47,318)</u> | (27)% |
| Investments: | | | | |
| Beginning of year | 599,706 | 235,894 | 363,812 | 154% |
| Net increase (decrease) in investments | <u>(207,875)</u> | <u>363,812</u> | <u>(571,687)</u> | (157)% |
| End of period | <u>391,831</u> | <u>599,706</u> | <u>(207,875)</u> | (35)% |
| Total District Cash and Investments | <u>\$ 521,337</u> | <u>\$ 776,530</u> | <u>\$ (255,193)</u> | (33)% |

EAST BAY MUNICIPAL UTILITY DISTRICT

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June 30, 2023

Table 3
Cash Flows
Water and Wastewater System
June 30, 2022 and 2021
(In thousands)

| | <u>2022</u> | <u>2021</u> | <u>Variance</u> | <u>%</u> |
|---|--------------------------|--------------------------|--------------------------|----------|
| Cash and cash equivalents: | | | | |
| Beginning of year | \$ 426,405 | \$ 489,723 | \$ (63,318) | (13)% |
| Net cash provided by operating activities | 404,496 | 399,256 | 5,240 | 1% |
| Net cash provided by noncapital financing activities | 73,593 | 65,380 | 8,213 | 13% |
| Net cash provided by (used in) capital and related financing activities | (358,524) | (535,939) | 177,415 | (33)% |
| Net cash provided by (used in) investing activities | <u>(369,146)</u> | <u>7,985</u> | <u>(377,131)</u> | (4,723)% |
| Net increase (decrease) in cash and cash equivalents | <u>(249,581)</u> | <u>(63,318)</u> | <u>(186,263)</u> | 294% |
| End of period | <u><u>176,824</u></u> | <u><u>426,405</u></u> | <u><u>(249,581)</u></u> | (59)% |
| Investments: | | | | |
| Beginning of year | 235,894 | 242,970 | (7,076) | (3)% |
| Net increase (decrease) in investments | <u>363,812</u> | <u>(7,076)</u> | <u>370,888</u> | (5,241)% |
| End of period | <u><u>599,706</u></u> | <u><u>235,894</u></u> | <u><u>363,812</u></u> | 154% |
| Total District Cash and Investments | <u><u>\$ 776,530</u></u> | <u><u>\$ 662,299</u></u> | <u><u>\$ 114,231</u></u> | 17% |

Cash and Investments by Fund

In fiscal years 2023 and 2022, total cash and investments available for operating and capital activities are reported in current and noncurrent assets as unrestricted and restricted funds. Significant activities in the current fiscal year were as follows: Water System increased \$4 million in working capital and spent \$232 million in capital reserve to maintain infrastructures. Wastewater System increased \$1 million in working capital and spent \$42 million in capital reserves to maintain capital projects and equipment replacements.

In the previous fiscal year, significant activities were as follows: Water System increased \$102 million in capital reserves to fund capital projects. Wastewater System increased \$24 million in capital reserves to fund capital projects and equipment replacements.

Operating and Capital Reserves are components of Unrestricted Cash and Investments. Individual funds within Operating and Capital Reserves are funded pursuant to Board policy but are unrestricted as to use. The Unrestricted Reserve Balances indicate the District's ability to meet unanticipated revenue declines or expenditure increases. Unrestricted reserves are committed by the Board of Directors. This is distinct from restricted reserves which are legally constrained by law or by third party. For additional information, see Note 1H to the financial statements.

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Table 4 shows the District's cash and investment by fund for the fiscal years ended June 30, 2023, 2022, and 2021:

Table 4
Cash and Investment by Fund
Water and Wastewater
June 30, 2023 and 2022
(In thousands)

| | Water System | | Wastewater System | | Total | | Increase (decrease) | |
|--|-------------------|------------------|-------------------|------------------|------------------|------------------|---------------------|--------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | Amount | % |
| Unrestricted cash and investment | | | | | | | | |
| Operating reserves: | | | | | | | | |
| Rate stabilization fund | \$ 150,000 | \$150,000 | \$ 32,000 | \$ 32,000 | \$182,000 | \$182,000 | \$ - | 0% |
| Working capital reserve | 82,200 | 78,700 | 22,400 | 21,300 | 104,600 | 100,000 | 4,600 | 5% |
| Self-insurance | 8,271 | 7,822 | 1,141 | 1,036 | 9,412 | 8,858 | 554 | 6% |
| Workers compensation | 7,192 | 6,631 | 992 | 879 | 8,184 | 7,510 | 674 | 9% |
| Total operating reserves | <u>247,663</u> | <u>243,153</u> | <u>56,533</u> | <u>55,215</u> | <u>304,196</u> | <u>298,368</u> | <u>5,828</u> | <u>2%</u> |
| Capital reserves: | | | | | | | | |
| Reserved for capital projects | 109,571 | 351,614 | (1,533) | 41,110 | 108,038 | 392,724 | (284,686) | (72)% |
| Reserve funded CIP - Wastewater | - | - | 15,480 | 15,397 | 15,480 | 15,397 | 83 | 1% |
| Vehicle replacements | 27,011 | 17,251 | - | - | 27,011 | 17,251 | 9,760 | 57% |
| Equipment replacements | - | - | 24,693 | 24,174 | 24,693 | 24,174 | 519 | 2% |
| Total capital reserves | <u>136,582</u> | <u>368,865</u> | <u>38,640</u> | <u>80,681</u> | <u>175,222</u> | <u>449,546</u> | <u>(274,324)</u> | <u>(61)%</u> |
| Total Unrestricted cash and investment | <u>384,245</u> | <u>612,018</u> | <u>95,173</u> | <u>135,896</u> | <u>479,418</u> | <u>747,914</u> | <u>(268,496)</u> | <u>(36)%</u> |
| Restricted Cash and Investments | | | | | | | | |
| Bond interest and redemption fund | - | 886 | - | 261 | - | 1,147 | (1,147) | N/A |
| Debt service reserve fund | 1,136 | 2 | - | - | 1,136 | 2 | 1,134 | 56,700% |
| Funds received for construction | 37,493 | 24,242 | - | - | 37,493 | 24,242 | 13,251 | 55% |
| FERC partnership fund | 2,186 | 2,163 | - | - | 2,186 | 2,163 | 23 | 1% |
| Monetary reserve | 104 | 396 | 1,000 | 666 | 1,104 | 1,062 | 42 | 4% |
| Total restricted cash and investments | <u>40,919</u> | <u>27,689</u> | <u>1,000</u> | <u>927</u> | <u>41,919</u> | <u>28,616</u> | <u>13,303</u> | <u>46%</u> |
| Total District Cash and Investments | <u>\$ 425,164</u> | <u>\$639,707</u> | <u>\$ 96,173</u> | <u>\$136,823</u> | <u>\$521,337</u> | <u>\$776,530</u> | <u>\$ (255,193)</u> | <u>(33)%</u> |

EAST BAY MUNICIPAL UTILITY DISTRICT

Management's Discussion and Analysis

June 30, 2023

Table 4
Cash and Investment by Fund
Water and Wastewater
June 30, 2022 and 2021
(In thousands)

| | Water System | | Wastewater System | | Total | | Increase (decrease) | |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|---------------------|--------------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | Amount | % |
| Unrestricted cash and investment | | | | | | | | |
| Operating reserves: | | | | | | | | |
| Rate stabilization fund | \$ 150,000 | \$ 150,000 | \$ 32,000 | \$ 32,000 | \$ 182,000 | \$ 182,000 | \$ - | 0% |
| Working capital reserve | 78,700 | 78,800 | 21,300 | 19,600 | 100,000 | 98,400 | 1,600 | 2% |
| Self-insurance | 7,822 | 7,818 | 1,036 | 1,227 | 8,858 | 9,045 | (187) | (2)% |
| Workers compensation | 6,631 | 6,032 | 879 | 947 | 7,510 | 6,979 | 531 | 8% |
| Total operating reserves | <u>243,153</u> | <u>242,650</u> | <u>55,215</u> | <u>53,774</u> | <u>298,368</u> | <u>296,424</u> | <u>1,944</u> | <u>1%</u> |
| Capital reserves: | | | | | | | | |
| Reserved for capital projects | 351,614 | 250,091 | 41,110 | 23,862 | 392,724 | 273,953 | 118,771 | 43% |
| Reserve funded CIP - Wastewater | - | - | 15,397 | 15,377 | 15,397 | 15,377 | 20 | 0% |
| Vehicle replacements | 17,251 | 16,334 | - | - | 17,251 | 16,334 | 917 | 6% |
| Equipment replacements | - | - | 24,174 | 17,816 | 24,174 | 17,816 | 6,358 | 36% |
| Total capital reserves | <u>368,865</u> | <u>266,425</u> | <u>80,681</u> | <u>57,055</u> | <u>449,546</u> | <u>323,480</u> | <u>126,066</u> | <u>39%</u> |
| Total Unrestricted cash and investment | <u>612,018</u> | <u>509,075</u> | <u>135,896</u> | <u>110,829</u> | <u>747,914</u> | <u>619,904</u> | <u>128,010</u> | <u>21%</u> |
| Restricted Cash and Investments | | | | | | | | |
| Bond interest and redemption fund | 886 | - | 261 | - | 1,147 | - | 1,147 | N/A |
| Debt service reserve fund | 2 | 3,763 | - | - | 2 | 3,763 | (3,761) | (100)% |
| Funds received for construction | 24,242 | 35,715 | - | - | 24,242 | 35,715 | (11,473) | (32)% |
| FERC partnership fund | 2,163 | 2,188 | - | - | 2,163 | 2,188 | (25) | (1)% |
| Monetary reserve | 396 | 396 | 666 | 333 | 1,062 | 729 | 333 | 46% |
| Total restricted cash and investments | <u>27,689</u> | <u>42,062</u> | <u>927</u> | <u>333</u> | <u>28,616</u> | <u>42,395</u> | <u>(13,779)</u> | <u>(33)%</u> |
| Total District Cash and Investments | <u>\$ 639,707</u> | <u>\$ 551,137</u> | <u>\$ 136,823</u> | <u>\$ 111,162</u> | <u>\$ 776,530</u> | <u>\$ 662,299</u> | <u>\$ 114,231</u> | <u>17%</u> |

Capital Contributions

Capital contributions primarily consist of System Capacity Charges (SCCs) and Wastewater Capacity Fees (WCFs). In addition, the District collects fees and charges from applicants when the District's facilities need to be relocated during construction projects. The District also receives state and federal grants to fund capital projects.

The Water System's SCCs consist of charges collected from all applicants who request a new water service connection or a larger water meter size. These charges vary depending on geographic region. The SCC pays for the applicant's share of District capital facilities, including those that serve the entire water system such as the aqueducts and raw water facilities, regional facilities such as treatment plants and distribution facilities, and future water supply upgrades needed to meet long-term increases in water demand created by new customers. The portion of the SCC that pays for the future water supply is restricted and the remainder is unrestricted.

The Wastewater System's WCFs are treated as unrestricted funds and pay for the applicant's share of Wastewater facilities including the main wastewater treatment plant, interceptors, and wet weather facilities.

Capital contributions increased by \$14 million, primarily due to an increase in earned standard service installments. Grants and other reimbursements decreased by \$1 million due to a Proposition 1 passthrough grant to be reimbursed from the State.

EAST BAY MUNICIPAL UTILITY DISTRICT

Management's Discussion and Analysis

June 30, 2023

Table 5 shows the District's capital contributions received for the fiscal years ended June 30, 2023, 2022, and 2021:

Table 5

Capital Contributions
Water and Wastewater
June 30, 2023 and 2022
(In thousands)

| | Water System | | Wastewater System | | Total | | Increase (decrease) | |
|--------------------------------------|------------------|------------------|-------------------|-----------------|------------------|------------------|---------------------|------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | Amount | % |
| System capacity charges | \$ 40,760 | \$ 39,690 | \$ - | \$ - | \$ 40,760 | \$ 39,690 | \$ 1,070 | 3% |
| Wastewater capacity fees | - | - | 7,066 | 6,443 | 7,066 | 6,443 | 623 | 10% |
| Earned contributions on construction | 23,986 | 9,836 | - | - | 23,986 | 9,836 | 14,150 | 144% |
| Grants and other reimbursements* | 3,783 | 3,486 | - | - | 3,783 | 3,486 | 297 | 9% |
| Passthrough grant reimbursement | (1,650) | - | - | - | (1,650) | - | (1,650) | 100% |
| Totals | <u>\$ 66,879</u> | <u>\$ 53,012</u> | <u>\$ 7,066</u> | <u>\$ 6,443</u> | <u>\$ 73,945</u> | <u>\$ 59,455</u> | <u>\$ 14,490</u> | 24% |

Table 5

Capital Contributions
Water and Wastewater
June 30, 2022 and 2021
(In thousands)

| | Water System | | Wastewater System | | Total | | Increase (decrease) | |
|--------------------------------------|------------------|------------------|-------------------|-----------------|------------------|------------------|---------------------|-------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | Amount | % |
| System capacity charges | \$ 39,690 | \$ 50,378 | \$ - | \$ - | \$ 39,690 | \$ 50,378 | \$ (10,688) | (21)% |
| Wastewater capacity fees | - | - | 6,443 | 7,203 | 6,443 | 7,203 | (760) | (11)% |
| Earned contributions on construction | 9,836 | 21,315 | - | (4) | 9,836 | 21,311 | (11,475) | (54)% |
| Grants and other reimbursements* | 3,486 | 1,754 | - | 300 | 3,486 | 2,054 | 1,432 | 70% |
| Totals | <u>\$ 53,012</u> | <u>\$ 73,447</u> | <u>\$ 6,443</u> | <u>\$ 7,499</u> | <u>\$ 59,455</u> | <u>\$ 80,946</u> | <u>\$ (21,491)</u> | (27)% |

* The District also received a total of \$14 million for the California Water and Wastewater Arrearage Payment Program (CWWAPP) from the State Water Resources Control Board in fiscal year 2022 and included in the current liabilities on the statements of net position.

CAPITAL ASSETS

The District had \$6.0 billion (net of accumulated depreciation) invested in a broad range of utility capital assets as of June 30, 2023. Total capital assets were \$5.7 billion as of June 30, 2022. The investment in capital assets includes land, buildings, improvements, water treatment plants, filter plants, aqueducts, water transmission and distribution mains, water storage facilities, pump stations, water reclamation facilities, wastewater and wet weather treatment facilities, machinery and equipment. In the current fiscal year, capital assets increased by \$332 million or 6% over the prior fiscal year. In fiscal year 2022, capital assets increased by \$201 million or 4% over fiscal year 2021. Annual changes are consistent with the District's capital improvement program.

The Water System had \$5.2 billion (net of accumulated depreciation) invested in a broad range of utility capital assets as of June 30, 2023. The investment in capital assets includes land, buildings, improvements, water treatment plants, filter plants, aqueducts, water transmission and distribution mains, water storage facilities, power generation, pump stations, water reclamation facilities, machinery and equipment.

The Wastewater System had \$821 million (net of accumulated depreciation) invested in a broad range of utility capital assets as of June 30, 2023. The investment in capital assets includes land, buildings, improvements, power generation, wastewater and wet weather treatment facilities, machinery and equipment.

EAST BAY MUNICIPAL UTILITY DISTRICT

Management's Discussion and Analysis

June 30, 2023

Table 6 shows the District's capital assets for the fiscal years ended June 30, 2023, 2022, and 2021:

Table 6

Capital Assets, Net of Depreciation
Water and Wastewater
June 30, 2023 and 2022
(In thousands)

| | Water System | | Wastewater System | | Total | | Increase/(decrease) | |
|---|---------------------|--------------------|--------------------------|-------------------|--------------------|--------------------|----------------------------|-------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | Amount | % |
| Structures, buildings, and equipment | \$4,102,878 | \$4,022,726 | \$ 640,920 | \$ 635,637 | \$4,743,798 | \$4,658,363 | \$ 85,435 | 1.8% |
| Intangible assets | 38,895 | 55,914 | 7,006 | 7,720 | 45,901 | 63,634 | (17,733) | (27.9)% |
| Lease-right to use assets | 741 | 1,993 | - | - | 741 | 1,993 | (1,252) | (62.8)% |
| SBITAs-right to use assets | 18,653 | - | - | - | 18,653 | - | 18,653 | |
| Land and rights of way | 73,767 | 73,790 | 21,552 | 21,409 | 95,319 | 95,199 | 120 | 0.1% |
| Construction work in progress | 943,573 | 722,935 | 151,940 | 125,695 | 1,095,513 | 848,630 | 246,883 | 29.1% |
| Totals | \$5,178,507 | \$4,877,358 | \$ 821,418 | \$ 790,461 | \$5,999,925 | \$5,667,819 | \$ 332,106 | 5.9% |

Table 6

Capital Assets, Net of Depreciation
Water and Wastewater
June 30, 2022 and 2021
(In thousands)

| | Water System | | Wastewater System | | Total | | Increase/(decrease) | |
|---|---------------------|--------------------|--------------------------|-------------------|--------------------|--------------------|----------------------------|-------------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | Amount | % |
| Structures, buildings, and equipment | \$4,022,726 | \$3,935,701 | \$ 635,637 | \$ 626,111 | \$4,658,363 | \$4,561,812 | \$ 96,551 | 2.1% |
| Intangible assets | 55,914 | 48,371 | 7,720 | 8,942 | 63,634 | 57,313 | 6,321 | 11.0% |
| Lease-right to use assets | 1,993 | - | - | - | 1,993 | - | 1,993 | 100.0% |
| Land and rights of way | 73,790 | 73,790 | 21,409 | 21,409 | 95,199 | 95,199 | - | 0.0% |
| Construction work in progress | 722,935 | 635,447 | 125,695 | 116,492 | 848,630 | 751,939 | 96,691 | 12.9% |
| Totals | \$4,877,358 | \$4,693,309 | \$ 790,461 | \$ 772,954 | \$5,667,819 | \$5,466,263 | \$ 201,556 | 3.7% |

The District's net revenue, long-term debt, and contributions from customers are used to finance capital investments. More detailed information about the District's capital assets is presented in Note 3 to the basic financial statements.

EAST BAY MUNICIPAL UTILITY DISTRICT

Management's Discussion and Analysis

June 30, 2023

This year's major capital expenditures included:

Water System:

| | | |
|--|----|---------|
| Treatment plant upgrades | \$ | 170,640 |
| Pipeline rebuild | | 81,682 |
| Open cut reservoir program | | 70,327 |
| Large diameter pipelines | | 67,625 |
| Maloney pumping plant & water treatment plant improvements | | 60,579 |
| Reservoir rehab/maintenance | | 49,099 |
| Service lateral replacements | | 48,349 |
| Trench soils management | | 47,852 |
| Pumping plant rehabilitation | | 30,031 |
| Mokelumne aqueduct 2 & 3 relining | | 24,218 |
| Reservoir tower modifications | | 16,339 |
| Dam operational upgrades | | 15,923 |
| Pressure zone improvements | | 15,224 |
| Fuel facility improvements | | 14,352 |
| Pipeline system improvements | | 13,386 |
| Raw water infrastructure | | 12,766 |
| West of hills master plan | | 12,025 |
| Pipeline relocations | | 9,844 |
| Water loss control | | 8,970 |
| Building facilities improvements | | 8,688 |

Wastewater System:

| | | |
|--------------------------------|----|--------|
| Interceptors and pump stations | \$ | 42,957 |
| Digesters | | 29,824 |
| General wastewater | | 25,037 |
| Utilities and sitework | | 10,139 |
| Power generation and biogas | | 9,808 |
| Effluent discharge | | 7,165 |
| Wet weather facilities | | 5,046 |
| Resource recovery | | 4,357 |
| Electricals and controls | | 3,922 |
| Secondary | | 2,753 |
| Preliminary treatment | | 2,335 |
| Digester upgrades phase 2 | | 784 |
| Dewatering | | 475 |
| Nutrients | | 344 |

DEBT ADMINISTRATION

The District had total long-term debt outstanding of \$3.2 billion as of June 30, 2023, a 5% decrease from June 30, 2022. Total long-term debt outstanding was \$3.3 billion as of June 30, 2022, a 1% increase from June 30, 2021. Components of the District's long-term debt portfolio as of June 30, 2022 are:

- The Water System had total long-term debt outstanding of \$2.8 billion.
- The Wastewater System had total long-term debt outstanding of \$358 million.

EAST BAY MUNICIPAL UTILITY DISTRICT

Management's Discussion and Analysis

June 30, 2023

Table 7 shows the District's long-term debt outstanding for the fiscal years ended June 30, 2023, 2022, and 2021:

Table 7
Long -Term Debt
(Net of Unamortized Costs)
Water and Wastewater
June 30, 2023 and 2022
(In thousands)

| | Water System | | Wastewater System | | Total | | Increase (decrease) | |
|------------------|---------------------|---------------------|-------------------|-------------------|---------------------|---------------------|---------------------|-------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | Amount | % |
| Revenue bonds** | \$ 2,489,158 | \$ 2,606,497 | \$ 357,837 | \$ 374,755 | \$ 2,846,995 | \$ 2,981,252 | \$ (134,257) | (5)% |
| Commercial paper | 281,000 | 295,000 | - | 8,000 | 281,000 | 303,000 | (22,000) | (7)% |
| Loans | 29,252 | 31,073 | - | - | 29,252 | 31,073 | (1,821) | (6)% |
| Totals | \$ 2,799,410 | \$ 2,932,570 | \$ 357,837 | \$ 382,755 | \$ 3,157,247 | \$ 3,315,325 | \$ (158,078) | (5)% |

Table 7
Long -Term Debt
(Net of Unamortized Costs)
Water and Wastewater
June 30, 2022 and 2021
(In thousands)

| | Water System | | Wastewater System | | Total | | Increase (decrease) | |
|------------------|---------------------|---------------------|-------------------|-------------------|---------------------|---------------------|---------------------|-----------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | Amount | % |
| Revenue bonds** | \$ 2,606,497 | \$ 2,546,127 | \$ 374,755 | \$ 369,455 | \$ 2,981,252 | \$ 2,915,582 | \$ 65,670 | 2% |
| Commercial paper | 295,000 | 312,800 | 8,000 | 9,300 | 303,000 | 322,100 | (19,100) | (6)% |
| Loans | 31,073 | 32,857 | - | - | 31,073 | 32,857 | (1,784) | (5)% |
| Totals | \$ 2,932,570 | \$ 2,891,784 | \$ 382,755 | \$ 378,755 | \$ 3,315,325 | \$ 3,270,539 | \$ 44,786 | 1% |

**Includes unamortized bond premium and discount. For Water System, the unamortized bond premium was \$198 million, \$225 million, and \$217 million as of June 30, 2023, 2022 and 2021, respectively. For Wastewater System, the net of unamortized bond premium and discount was \$20 million, \$23 million, and \$22 million as of June 30, 2023, 2022 and 2021, respectively.

It is the policy of the District to maintain a reasonable balance between debt and current revenue financing of capital projects. The following targets provide the framework for financing capital projects:

Debt Service Coverage Ratio: Maintain an annual revenue bond debt service coverage ratio of at least 1.6 times. As of June 30, 2023, the coverage ratio for Water was 2.25 and for Wastewater was 1.92; the overall District ratio was 2.21.

Debt-Funded Capital Spending: Limit debt-funded capital to no more than 65% of the total capital program over each five-year planning period. As of June 30, 2023, the percentage of debt-funded capital spending for Water was 21% and for Wastewater was 9%; the overall District percentage was 19%.

Extendable Commercial Paper and Un-hedged Variable Rate Debt: Maintain an annual limit of 25% of outstanding long-term debt. As of June 30, 2023, the percentage of extended commercial paper and un-hedged variable rate debt compared to total outstanding long-term debt for Water was 11% and for Wastewater was 0%; the overall District percentage was 11%.

Revenue-supported debt authorization for the District can be approved by the District's Board of Directors, subject to a referendum process. At June 30, 2023, the Water System had \$468 million and the Wastewater System had \$168 million in authorized but unissued revenue bonds.

EAST BAY MUNICIPAL UTILITY DISTRICT

Management's Discussion and Analysis

June 30, 2023

The District's credit ratings are outlined in Table 8.

Table 8
Credit Ratings
Water and Wastewater
June 30, 2023

| District debt by type | Rating by | | |
|--------------------------|-------------------|---------------------------|-------|
| | Standard & Poor's | Moody's Investors Service | Fitch |
| Water system: | | | |
| Fixed Rate Revenue Bonds | AAA | Aaa | AA+ |
| Commercial Paper Notes | A-1+ | P-1 | - |
| Wastewater system: | | | |
| Fixed Rate Revenue Bonds | AAA | Aa1 | AA+ |

For detailed credit rating by bond issue, please visit our website at <http://www.ebmud.com>.

Additional information on the District's long-term debt can be found in Note 7 to the financial statements.

REQUEST FOR INFORMATION

This financial report is designed to provide ratepayers and creditors with a general overview of the District's finances and demonstrate the District's accountability for the monies it receives. If you have any questions about this report or need additional information, please contact: the Controller, Accounting Division, P.O. Box 24055, Oakland, California 94623-1055 or visit our website at <http://www.ebmud.com>.

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EAST BAY MUNICIPAL UTILITY DISTRICT
STATEMENTS OF NET POSITION
JUNE 30, 2023 and 2022
(DOLLARS IN THOUSANDS)

| | Water System | | Wastewater System | | Total | |
|--|---------------------|---------------------|---------------------|-------------------|---------------------|---------------------|
| | June 30, 2023 | June 30, 2022 | June 30, 2023 | June 30, 2022 | June 30, 2023 | June 30, 2022 |
| Assets | | | | | | |
| Current assets: | | | | | | |
| Cash and cash equivalents (Note 2) | \$ 82,716 | \$ 121,818 | \$ 34,256 | \$ 45,826 | \$ 116,972 | \$ 167,644 |
| Investments | 301,529 | 490,200 | 60,917 | 90,070 | 362,446 | 580,270 |
| Receivables: | | | | | | |
| Customer | 75,488 | 70,463 | 10,184 | 10,166 | 85,672 | 80,629 |
| Lease | 25,075 | 29,483 | 12,693 | 13,924 | 37,768 | 43,407 |
| Interest and other | 12,915 | 4,228 | 5,300 | 3,781 | 18,215 | 8,009 |
| Materials and supplies | 25,890 | 22,241 | 7,397 | 7,094 | 33,287 | 29,335 |
| Prepaid insurance | 6,612 | 3,945 | 519 | 472 | 7,131 | 4,417 |
| Total current assets | 530,225 | 742,378 | 131,266 | 171,333 | 661,491 | 913,711 |
| Noncurrent assets: | | | | | | |
| Restricted assets (Note 2): | | | | | | |
| Cash and cash equivalents | 11,534 | 8,253 | 1,000 | 927 | 12,534 | 9,180 |
| Investments | 29,385 | 19,436 | - | - | 29,385 | 19,436 |
| Total restricted cash and investments | 40,919 | 27,689 | 1,000 | 927 | 41,919 | 28,616 |
| Other assets: | | | | | | |
| Equity in JPA partnership fund | 211,088 | 215,099 | - | - | 211,088 | 215,099 |
| Other | 94 | 46 | 5 | 268 | 99 | 314 |
| Total other assets | 211,182 | 215,145 | 5 | 268 | 211,187 | 215,413 |
| Capital assets (Note 3): | | | | | | |
| Structures, buildings, and equipment | 6,559,169 | 6,361,919 | 1,223,488 | 1,193,659 | 7,782,657 | 7,555,578 |
| Intangible Assets | 377,448 | 389,174 | 40,719 | 40,223 | 418,167 | 429,397 |
| Lease assets | 1,543 | 2,370 | - | - | 1,543 | 2,370 |
| Subscription assets | 21,894 | - | - | - | 21,894 | - |
| Less accumulated depreciation/amortization | (2,798,887) | (2,672,830) | (616,281) | (590,525) | (3,415,168) | (3,283,355) |
| Subtotal | 4,161,167 | 4,080,633 | 647,926 | 643,357 | 4,809,093 | 4,723,990 |
| Land and rights-of-way | 73,767 | 73,790 | 21,552 | 21,409 | 95,319 | 95,199 |
| Construction in progress | 943,573 | 722,935 | 151,940 | 125,695 | 1,095,513 | 848,630 |
| Total capital assets, net | 5,178,507 | 4,877,358 | 821,418 | 790,461 | 5,999,925 | 5,667,819 |
| Total noncurrent assets | 5,430,608 | 5,120,192 | 822,423 | 791,656 | 6,253,031 | 5,911,848 |
| Total assets | 5,960,833 | 5,862,570 | 953,689 | 962,989 | 6,914,522 | 6,825,559 |
| Deferred outflow of resources | | | | | | |
| Debt refundings related (Note 7) | 13,818 | 15,084 | - | - | 13,818 | 15,084 |
| Pension related | 348,457 | 158,471 | 56,475 | 25,691 | 404,932 | 184,162 |
| OPEB related | 29,447 | 27,866 | 4,811 | 4,543 | 34,258 | 32,409 |
| Total deferred outflows | 391,722 | 201,421 | 61,286 | 30,234 | 453,008 | 231,655 |
| Total assets and deferred outflows | \$ 6,352,555 | \$ 6,063,991 | \$ 1,014,975 | \$ 993,223 | \$ 7,367,530 | \$ 7,057,214 |

EAST BAY MUNICIPAL UTILITY DISTRICT
STATEMENTS OF NET POSITION (Continued)
JUNE 30, 2023 and 2022
(DOLLARS IN THOUSANDS)

| Liabilities and Net Position | Water System | | Wastewater System | | Total | |
|--|---------------------|---------------------|---------------------|-------------------|---------------------|---------------------|
| | June 30, 2023 | June 30, 2022 | June 30, 2023 | June 30, 2022 | June 30, 2023 | June 30, 2022 |
| Current liabilities: | | | | | | |
| Current maturities of long-term debt and commercial paper (Note 6 and 7) | \$ 81,260 | \$ 77,992 | \$ 14,310 | \$ 13,595 | \$ 95,570 | \$ 91,587 |
| Accounts payable and accrued expenses (Note 4) | 81,409 | 87,328 | 14,843 | 16,233 | 96,252 | 103,561 |
| Compensated absences (Note 5) | 42,858 | 41,839 | 6,881 | 6,671 | 49,739 | 48,510 |
| Current reserve for claims | 11,161 | 10,388 | 831 | 707 | 11,992 | 11,095 |
| Accrued interest | 10,685 | 10,304 | 1,409 | 1,472 | 12,094 | 11,776 |
| Total current liabilities | 227,373 | 227,851 | 38,274 | 38,678 | 265,647 | 266,529 |
| Noncurrent liabilities: | | | | | | |
| Other liabilities: | | | | | | |
| Advances for construction | 35,352 | 25,788 | - | - | 35,352 | 25,788 |
| Reserve for claims (Note 12) | 36,745 | 48,716 | 3,670 | 3,307 | 40,415 | 52,023 |
| Net pension liability (Note 11) | 714,351 | 287,513 | 116,068 | 47,338 | 830,419 | 334,851 |
| Net OPEB liability (Note 11) | 109,632 | 122,843 | 18,026 | 20,333 | 127,658 | 143,176 |
| Lease payable (Note 8) | 1,581 | 1,993 | - | - | 1,581 | 1,993 |
| SBITAs payable (Note 9) | 4,333 | - | - | - | 4,333 | - |
| Other liabilities | 9,984 | 9,797 | 7,571 | 7,696 | 17,555 | 17,493 |
| Total other liabilities | 911,978 | 496,650 | 145,335 | 78,674 | 1,057,313 | 575,324 |
| Long-term liabilities, net of current maturities (Note 7) | 2,718,150 | 2,854,579 | 343,527 | 369,160 | 3,061,677 | 3,223,739 |
| Total noncurrent liabilities | 3,630,128 | 3,351,229 | 488,862 | 447,834 | 4,118,990 | 3,799,063 |
| Total liabilities | 3,857,501 | 3,579,080 | 527,136 | 486,512 | 4,384,637 | 4,065,592 |
| Deferred inflow of resources: | | | | | | |
| Debt refunding related (Note 7) | 7,076 | 7,585 | 581 | 623 | 7,657 | 8,208 |
| Lease related (Note 1R & 8) | 24,945 | 29,483 | 12,648 | 13,924 | 37,593 | 43,407 |
| Pension related (Note 11) | 22,930 | 227,318 | 5,319 | 38,855 | 28,249 | 266,173 |
| OPEB related (Note 11) | 23,360 | 11,843 | 4,160 | 2,316 | 27,520 | 14,159 |
| Total deferred inflows | 78,311 | 276,229 | 22,708 | 55,718 | 101,019 | 331,947 |
| Total liabilities and deferred inflows | 3,935,812 | 3,855,309 | 549,844 | 542,230 | 4,485,656 | 4,397,539 |
| Net position (Note 10): | | | | | | |
| Net investment in capital assets | 2,623,736 | 1,957,878 | 452,358 | 407,706 | 3,076,094 | 2,365,584 |
| Restricted for construction | 2,141 | - | 1,000 | 667 | 3,141 | 667 |
| Restricted for debt service | 1,135 | 887 | - | 261 | 1,135 | 1,148 |
| Restricted for JPA | 211,088 | 215,099 | - | - | 211,088 | 215,099 |
| Restricted - other | 2,290 | 2,559 | - | - | 2,290 | 2,559 |
| Unrestricted | (423,647) | 32,259 | 11,773 | 42,359 | (411,874) | 74,618 |
| Total net position | 2,416,743 | 2,208,682 | 465,131 | 450,993 | 2,881,874 | 2,659,675 |
| Total liabilities and net position | \$ 6,352,555 | \$ 6,063,991 | \$ 1,014,975 | \$ 993,223 | \$ 7,367,530 | \$ 7,057,214 |

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EAST BAY MUNICIPAL UTILITY DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022
(DOLLARS IN THOUSANDS)

| | Water System | | Wastewater System | | Total | |
|---|---------------------|---------------------|-------------------|-------------------|---------------------|---------------------|
| | June 30, 2023 | June 30, 2022 | June 30, 2023 | June 30, 2022 | June 30, 2023 | June 30, 2022 |
| Operating revenue: | | | | | | |
| Water | \$ 623,929 | \$ 633,840 | \$ - | \$ - | \$ 623,929 | \$ 633,840 |
| Sewer | - | - | 104,385 | 98,345 | 104,385 | 98,345 |
| Power | 20,403 | 7,232 | 965 | 666 | 21,368 | 7,898 |
| Wet weather facilities charges | - | - | 30,745 | 29,435 | 30,745 | 29,435 |
| Total operating revenue | 644,332 | 641,072 | 136,095 | 128,446 | 780,427 | 769,518 |
| Operating expense: | | | | | | |
| Raw water | 80,046 | 62,214 | - | - | 80,046 | 62,214 |
| Water treatment and distribution | 147,854 | 140,309 | - | - | 147,854 | 140,309 |
| Recreation areas, net | 5,170 | 5,268 | - | - | 5,170 | 5,268 |
| Sewer lines and pumping | - | - | 22,877 | 18,273 | 22,877 | 18,273 |
| Sewer treatment plant operations | - | - | 53,714 | 47,053 | 53,714 | 47,053 |
| Customer accounting and collecting | 21,461 | 19,554 | 2,570 | 2,352 | 24,031 | 21,906 |
| Financial and risk management | 24,578 | 21,368 | 1,522 | 1,332 | 26,100 | 22,700 |
| Facilities management | 6,400 | 4,146 | - | - | 6,400 | 4,146 |
| General administration | 31,414 | 66,274 | 6,984 | 6,628 | 38,398 | 72,902 |
| Pension expense | 32,465 | (45,343) | 4,409 | (6,074) | 36,874 | (53,417) |
| OPER expense (credit) | (3,274) | (919) | (731) | (315) | (4,005) | (1,234) |
| Depreciation on utility plant and vehicle | 126,159 | 121,809 | 24,546 | 23,914 | 150,705 | 145,723 |
| Amortization | 9,885 | 7,561 | 1,137 | 1,149 | 11,022 | 8,710 |
| Total operating expense | 482,158 | 402,241 | 117,028 | 92,312 | 599,186 | 494,553 |
| Net operating income (loss) | 162,174 | 238,831 | 19,067 | 36,134 | 181,241 | 274,965 |
| Other income (expense): | | | | | | |
| Investment income | 18,689 | (4,254) | 3,537 | (752) | 22,226 | (5,006) |
| Taxes and subventions | 46,758 | 45,499 | 8,079 | 7,382 | 54,837 | 52,881 |
| Interest and amortization of bond expenses | (101,146) | (98,432) | (14,421) | (14,643) | (115,567) | (113,075) |
| Interest income (expense) of leases | 130 | - | 45 | - | 175 | - |
| Interest income (expense) of SBITAs | 780 | - | - | - | 780 | - |
| Increase (decrease) of equity in JPA partnership fund | (4,011) | (4,125) | - | - | (4,011) | (4,125) |
| Other income (expense) | 17,808 | 13,841 | (9,235) | 5,807 | 8,573 | 19,648 |
| Total other income (expense), net | (20,992) | (47,471) | (11,995) | (2,206) | (32,987) | (49,677) |
| Income before capital contributions | 141,182 | 191,360 | 7,072 | 33,928 | 148,254 | 225,288 |
| Capital contributions and grant revenue | 68,530 | 53,012 | 7,066 | 6,443 | 75,596 | 59,455 |
| Passthrough grant reimbursement | (1,651) | - | - | - | (1,651) | - |
| Total capital contributions and grant activity | 66,879 | 53,012 | 7,066 | 6,443 | 73,945 | 59,455 |
| Change in net position | 208,061 | 244,372 | 14,138 | 40,371 | 222,199 | 284,743 |
| Total net position - beginning | 2,208,682 | 1,964,310 | 450,993 | 410,622 | 2,659,675 | 2,374,932 |
| Total net position - ending | \$ 2,416,743 | \$ 2,208,682 | \$ 465,131 | \$ 450,993 | \$ 2,881,874 | \$ 2,659,675 |

EAST BAY MUNICIPAL UTILITY DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022
(DOLLARS IN THOUSANDS)

| | Water System | | Wastewater System | | Total | |
|---|------------------|-------------------|-------------------|------------------|-------------------|-------------------|
| | June 30, 2023 | June 30, 2022 | June 30, 2023 | June 30, 2022 | June 30, 2023 | June 30, 2022 |
| Cash flows from operating activities | | | | | | |
| Cash received from customers | \$ 639,307 | \$ 636,434 | \$ 136,077 | \$ 126,347 | \$ 775,384 | \$ 762,781 |
| Cash payments for judgments and claims | (7,808) | (8,009) | (167) | (162) | (7,975) | (8,171) |
| Cash payments to suppliers for goods and services | (92,837) | (61,295) | (49,632) | (30,089) | (142,469) | (91,384) |
| Cash payments to employees for services | (232,856) | (221,883) | (39,075) | (36,847) | (271,931) | (258,730) |
| Net cash provided by (used for) operating activities | 305,806 | 345,247 | 47,203 | 59,249 | 353,009 | 404,496 |
| Cash flows from noncapital financing activities: | | | | | | |
| Tax receipts | 46,758 | 45,499 | 8,079 | 7,382 | 54,837 | 52,881 |
| Cash received (paid) from other income | 29,166 | 14,905 | (9,164) | 5,807 | 20,002 | 20,712 |
| Net cash provided by (used for) financing activities | 75,924 | 60,404 | (1,085) | 13,189 | 74,839 | 73,593 |
| Capital and related financing activities: | | | | | | |
| Capital contributions | 66,879 | 53,012 | 7,066 | 6,443 | 73,945 | 59,455 |
| Proceeds from advances for construction | 9,564 | 10,426 | - | - | 9,564 | 10,426 |
| Proceeds from sale of capital assets | 4,250 | 642 | - | - | 4,250 | 642 |
| Net proceeds and premiums from sale of bonds | - | 369,749 | - | 40,858 | - | 410,607 |
| Acquisition and construction of capital assets | (456,832) | (315,491) | (56,713) | (42,570) | (513,545) | (358,061) |
| Principal retirement on long-term debt and commercial paper | (132,404) | (324,494) | (24,960) | (36,450) | (157,364) | (360,944) |
| Amount paid to refunding bond escrow agent | - | (15,417) | - | - | - | (15,417) |
| Costs and discounts from issuance on long-term debt | - | (958) | - | (408) | - | (1,366) |
| Interest received (paid) on Leases | 130 | - | 45 | - | 175 | - |
| Interest received (paid) on SBITAs | 780 | - | - | - | 780 | - |
| Interest paid on long-term debt | (101,274) | (89,869) | (14,526) | (13,997) | (115,800) | (103,866) |
| Net cash provided by (used for) capital and related financing activities | (608,907) | (312,400) | (89,088) | (46,124) | (697,995) | (358,524) |
| Cash flows from investing activities: | | | | | | |
| Proceeds from securities | 285,781 | 342,562 | 54,139 | 51,524 | 339,920 | 394,086 |
| Expenditures from purchases of securities | (107,059) | (639,477) | (24,986) | (118,420) | (132,045) | (757,897) |
| Interest received on investments | 12,634 | (4,682) | 2,320 | (653) | 14,954 | (5,335) |
| Net cash provided by (used for) investing activities | 191,356 | (301,597) | 31,473 | (67,549) | 222,829 | (369,146) |
| Net increase (decrease) in cash and cash equivalents | (35,821) | (208,346) | (11,497) | (41,235) | (47,318) | (249,581) |
| Cash and cash equivalents: | | | | | | |
| Beginning of year | 130,071 | 338,417 | 46,753 | 87,988 | 176,824 | 426,405 |
| End of year | \$ 94,250 | \$ 130,071 | \$ 35,256 | \$ 46,753 | \$ 129,506 | \$ 176,824 |

**EAST BAY MUNICIPAL UTILITY DISTRICT
STATEMENTS OF CASH FLOWS (Continued)
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022
(DOLLARS IN THOUSANDS)**

| | Water System | | Wastewater System | | Total | |
|---|---------------|---------------|-------------------|---------------|---------------|---------------|
| | June 30, 2023 | June 30, 2022 | June 30, 2023 | June 30, 2022 | June 30, 2023 | June 30, 2022 |
| Reconciliation of net operating (loss) income to net cash provided by operating activities: | | | | | | |
| Net operating income (loss) | \$ 162,174 | \$ 238,831 | \$ 19,067 | \$ 36,134 | \$ 181,241 | \$ 274,965 |
| Adjustments to reconcile net operating income to net cash provided by operating activities: | | | | | | |
| Pension expense | 32,465 | (45,343) | 4,409 | (8,074) | 36,874 | (53,417) |
| OPEB expense | (3,274) | (919) | (731) | (315) | (4,005) | (1,234) |
| Depreciation on utility plant and vehicle | 126,159 | 121,323 | 24,546 | 23,914 | 150,705 | 145,237 |
| Depreciation within Recreation Area | - | 486 | - | - | - | 486 |
| Amortization on intangible assets | 9,885 | 7,561 | 1,137 | 1,149 | 11,022 | 8,710 |
| Changes in assets/liabilities: | | | | | | |
| Materials and supplies | (3,649) | (7,356) | (303) | (993) | (3,952) | (8,349) |
| Prepaid insurance | (2,667) | (1,691) | (47) | (65) | (2,714) | (1,756) |
| Customer receivables | (5,025) | (4,638) | (18) | (2,099) | (5,043) | (6,737) |
| Lease receivable | 4,408 | - | - | 4,408 | 4,408 | - |
| Other assets | (2,680) | (3,089) | (39) | 78 | (2,719) | (3,011) |
| Reserve for claims | (11,198) | 10,152 | 487 | (946) | (10,711) | 9,206 |
| Accounts payable and accrued expenses | (5,732) | 25,775 | (1,515) | 10,219 | (7,247) | 35,994 |
| Accrued compensated absences | 1,019 | 2,162 | 210 | 247 | 1,229 | 2,409 |
| Lease payable | (412) | 1,993 | - | - | (412) | 1,993 |
| SBITAs payable | 4,333 | - | - | - | 4,333 | - |
| Net cash provided by operating activities | \$ 305,806 | \$ 345,247 | \$ 47,203 | \$ 59,249 | \$ 353,009 | \$ 404,496 |
| Schedule of Non-cash Activities | | | | | | |
| Change in Fair Market Value | \$ (2,687) | \$ (7,636) | \$ (343) | \$ (1,134) | \$ (3,030) | \$ (8,770) |
| Amortization of bond premiums and discounts | (26,894) | 7,745 | (3,323) | 1,295 | (30,217) | 9,040 |
| Debt refunding related | (509) | (4,321) | (42) | 623 | (551) | (3,698) |
| Decrease of JPA investment | (4,011) | (4,125) | - | - | (4,011) | (4,125) |
| Gain (loss) on sale of capital assets | (11,358) | (1,064) | - | - | (11,358) | (1,064) |

EAST BAY MUNICIPAL UTILITY DISTRICT
STATEMENTS OF FIDUCIARY NET POSITION
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022
(DOLLARS IN THOUSANDS)

| | Retirement System Trust Funds | | Custodial Funds | | Total | |
|--|-------------------------------|---------------------|-------------------|-------------------|---------------------|---------------------|
| | June 30, 2023 | June 30, 2022 | June 30, 2023 | June 30, 2022 | June 30, 2023 | June 30, 2022 |
| Assets: | | | | | | |
| Cash and cash equivalents, at fair value (Note 2) | \$ 27,677 | \$ 25,336 | \$ 8,536 | \$ 8,015 | \$ 36,213 | \$ 33,351 |
| Invested securities lending collateral | 77,906 | 101,249 | - | - | 77,906 | 101,249 |
| Prepaid expenses | 575 | 568 | - | - | 575 | 568 |
| Receivables: | | | | | | |
| Brokers, securities sold | 2,854 | 923 | - | - | 2,854 | 923 |
| Employer | 3,705 | 3,176 | - | - | 3,705 | 3,176 |
| Plan members | 788 | 664 | - | - | 788 | 664 |
| Custodial fund receivables | - | - | 3,004 | 3,152 | 3,004 | 3,152 |
| Interest, dividends, and recoverable taxes | 4,833 | 4,700 | 32 | 8 | 4,865 | 4,708 |
| Total Receivables | 12,180 | 9,463 | 3,036 | 3,160 | 15,216 | 12,623 |
| Investments, at fair value (Note 2): | | | | | | |
| U.S. government obligations | 316,624 | 268,062 | - | - | 316,624 | 268,062 |
| Domestic corporate bonds | 180,262 | 197,497 | - | - | 180,262 | 197,497 |
| International bonds | 18,808 | 21,677 | - | - | 18,808 | 21,677 |
| Domestic stocks | 1,033,791 | 930,723 | - | - | 1,033,791 | 930,723 |
| International stocks | 547,519 | 483,198 | - | - | 547,519 | 483,198 |
| Real estate | 122,000 | 125,557 | - | - | 122,000 | 125,557 |
| Total Investments | 2,219,004 | 2,026,714 | - | - | 2,219,004 | 2,026,714 |
| Capital assets: | | | | | | |
| Subscription Asset In-Progress | 1,692 | - | - | - | 1,692 | - |
| Capital assets not being depreciated | - | - | 13,743 | 13,690 | 13,743 | 13,690 |
| Capital assets, net of accumulated depreciation | - | - | 384,586 | 393,745 | 384,586 | 393,745 |
| Total capital assets, net of accumulated depreciation | 1,692 | - | 398,329 | 407,435 | 400,021 | 407,435 |
| Total Assets | 2,339,034 | 2,163,330 | 409,901 | 418,610 | 2,748,935 | 2,581,940 |
| Liabilities: | | | | | | |
| Accounts payable and accrued expenses | 3,224 | 2,447 | 1,055 | 1,339 | 4,279 | 3,786 |
| Accrued liabilities | - | - | - | - | - | - |
| Payables to brokers, securities purchased | 2,597 | 711 | - | - | 2,597 | 711 |
| Securities lending collateral (Note 2B) | 77,906 | 101,249 | - | - | 77,906 | 101,249 |
| Long-term liabilities: | | | | | | |
| Due in one year | - | - | 2,223 | 1,513 | 2,223 | 1,513 |
| Due in more than one year | - | - | 1,551 | 3,774 | 1,551 | 3,774 |
| Total Liabilities | 83,727 | 104,407 | 4,829 | 6,626 | 88,556 | 111,033 |
| Net Position: | | | | | | |
| Restricted for pension benefits | 2,194,142 | 2,005,352 | - | - | 2,194,142 | 2,005,352 |
| Restricted for post-employment healthcare benefits | 61,165 | 53,571 | - | - | 61,165 | 53,571 |
| Net investment in capital assets | - | - | 394,555 | 66,146 | 394,555 | 66,146 |
| Restricted for specified purpose | - | - | 10,517 | 345,838 | 10,517 | 345,838 |
| Total Net Position | \$ 2,255,307 | \$ 2,058,923 | \$ 405,072 | \$ 411,984 | \$ 2,660,379 | \$ 2,470,907 |

EAST BAY MUNICIPAL UTILITY DISTRICT
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022
(DOLLARS IN THOUSANDS)

| | Retirement System Trust Funds | | Custodial Funds | | Total | |
|--|-------------------------------|---------------------|-------------------|-------------------|---------------------|---------------------|
| | June 30, 2023 | June 30, 2022 | June 30, 2023 | June 30, 2022 | June 30, 2023 | June 30, 2022 |
| Additions: | | | | | | |
| Contributions: | | | | | | |
| Plan members | \$ 106,523 | \$ 102,285 | \$ - | \$ - | \$ 106,523 | \$ 102,285 |
| Employers | 22,088 | 21,127 | - | - | 22,088 | 21,127 |
| Joint Power Authority members | - | - | 9,432 | 9,823 | 9,432 | 9,823 |
| Grants and other receipts | - | - | 3,701 | 4,814 | 3,701 | 4,814 |
| Total Contributions | 128,611 | 123,412 | 13,133 | 14,637 | 141,744 | 138,049 |
| Investment Income: | | | | | | |
| From Investment Activities | | | | | | |
| Net appreciation (depreciation) | | | | | | |
| in fair value investments: | | | | | | |
| Traded securities | 193,008 | (289,735) | - | - | 193,008 | (289,735) |
| Real estate | (5,111) | 13,051 | - | - | (5,111) | 13,051 |
| Interest | 21,206 | 14,434 | 101 | 15 | 21,307 | 14,449 |
| Dividends | 11,243 | 11,282 | - | - | 11,243 | 11,282 |
| Real estate operating income, net | 2,909 | 2,322 | - | - | 2,909 | 2,322 |
| Total Investment Income | 223,255 | (248,646) | 101 | 15 | 223,356 | (248,631) |
| Less: | | | | | | |
| Investment expense | (3,549) | (3,533) | - | - | (3,549) | (3,533) |
| Net Income from Investment Activities | 219,706 | (252,179) | 101 | 15 | 219,807 | (252,164) |
| From Security Lending Activities | | | | | | |
| Security lending income | 3,195 | 348 | - | - | 3,195 | 348 |
| Borrowers' rebates and other agent fees | (3,069) | (178) | - | - | (3,069) | (178) |
| Security Lending Activities | 126 | 170 | - | - | 126 | 170 |
| Net Investment Income | 219,832 | (252,009) | 101 | 15 | 219,933 | (251,994) |
| Total Additions, net | 348,443 | (128,597) | 13,234 | 14,652 | 361,677 | (113,945) |
| Deductions: | | | | | | |
| Benefits paid (Notes 1C & 1D) | 149,102 | 138,582 | - | - | 149,102 | 138,582 |
| Refunds of contributions (Note 4) | 684 | 699 | - | - | 684 | 699 |
| General and administrative expenses | 2,273 | 1,921 | 3,825 | 6,549 | 6,098 | 8,470 |
| Professional services expense | - | - | 2,653 | 2,783 | 2,653 | 2,783 |
| Operation and maintenance expense | - | - | 3,285 | 3,567 | 3,285 | 3,567 |
| Grants and other expenses | - | - | 654 | 1,004 | 654 | 1,004 |
| Interest expense | - | - | 132 | 169 | 132 | 169 |
| Depreciation expense | - | - | 9,597 | 9,514 | 9,597 | 9,514 |
| Total Deductions | 152,059 | 141,202 | 20,146 | 23,586 | 172,205 | 164,788 |
| Changes in Net Position | 196,384 | (269,799) | (6,912) | (8,934) | 189,472 | (278,733) |
| Net Position - Beginning of the Year | 2,058,923 | 2,328,722 | 411,984 | 420,918 | 2,470,907 | 2,749,640 |
| Net Position - End of the Year | \$ 2,255,307 | \$ 2,058,923 | \$ 405,072 | \$ 411,984 | \$ 2,660,379 | \$ 2,470,907 |

See accompanying notes to basic financial statements.

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EAST BAY MUNICIPAL UTILITY DISTRICT
Notes to Basic Financial Statements
For the Years Ended June 30, 2023 and 2022
(Dollars in Thousands)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Primary Government

The East Bay Municipal Utility District (the District) was formed in May 1923 under the provisions of the Municipal Utility District Act of 1921. The District is comprised of two financially independent entities: the Water System and the Wastewater System. These two entities are governed by the same elected seven-member Board of Directors who determines such matters as rates and charges for services, approval of contracts, and District policies. The Water System provides administrative and other support services to the Wastewater System. These costs are charged to the Wastewater System.

B. Description of the Component Unit

The District's Employees' Retirement System (the Employees' Retirement System or the Plan) has been reported as a Pension and Other Employee Benefit Trust fund (a fiduciary fund) in the accompanying basic financial statements and is discretely presented. The System provides retirement, disability, survivorship, and post-employment health insurance benefits for eligible directors, officers, and employees of the District. The System is administered by a Retirement Board composed of three members appointed by the Board of Directors of the District, two members elected by and from the active membership, and one (nonvoting) member elected by and from the retired membership of the System. Retirement Ordinance No. 40 (Ordinance) assigns the authority to establish Plan benefit provisions to the District's Board of Directors.

Copies of the audited financial statements of the Employees' Retirement System may be obtained by writing to the Controller, P.O. Box 24055, Oakland, CA 94623 or by visiting our website at <http://www.ebmud.com>.

C. Basis of Presentation

The accounts of the District are organized and operated on a fund basis. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows, liabilities, deferred inflows, net position, revenues, and expenses.

The basic financial statements include prior year comparative information. A complete presentation of the prior year information can be found in the District's financial statements for the year ended June 30, 2022.

The District reports the following major proprietary (enterprise) funds:

The **Water System** is engaged in the collection, transmission, and distribution of water to communities within Alameda and Contra Costa counties of California.

The **Wastewater System** is engaged in the interception and treatment of wastewater from residences and industries in the California communities of Alameda, Albany, Berkeley, Emeryville, Oakland, Piedmont, and the Stege Sanitary District.

Additionally, the District reports the following fiduciary fund:

The **Pension and Other Employee Benefit Trust** is used to account for the resources held by the Employees' Retirement System which provides retirement, disability, and survivorship benefits for eligible directors, officers, and employees of the District.

EAST BAY MUNICIPAL UTILITY DISTRICT
Notes to Basic Financial Statements
For the Years Ended June 30, 2023 and 2022
(Dollars in Thousands)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The **Custodial Funds** are used to account for monies held for Bay Area Clean Water Agencies (BACWA), Dublin San Ramon Services District (DSRSD)/EBMUD Recycled Water Authority (DERWA), Freeport Regional Water Authority (FRWA) and Upper Mokelumne River Watershed Authority (UMRWA), joint power authorities the District provides accounting and investing services for; and monies held in external investment pools. See Note 2.K for additional information.

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The Pension and Other Employee Benefit Trust fund is maintained to account for assets held by the Employees' Retirement System in a trustee capacity.

D. Basis of Accounting

Proprietary funds and the Pension and Other Employee Benefit Trust fund are accounted for on a flow of economic resources measurement focus, using the accrual basis of accounting. Under this method, all assets, deferred outflows, liabilities, and deferred inflows associated with operations are included on the statement of net position, and revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District are charges to customers for sales and services. The District also recognizes wet weather facilities charges as operating revenue. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

In addition, the accounting policies of the District conform to accounting policies generally accepted in the United States of America for water utilities. The accounts are maintained substantially in accordance with the Uniform System of Accounts for Water Utilities followed by investor-owned and major municipally owned water utilities.

Statement of Net Position – The statement of net position is designed to display the financial position of the District. The District's fund equity is reported as net position, which is broken down into three categories defined as follows:

- Net investment in capital assets – This component of net position consists of capital assets, net of accumulated depreciation/amortization and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets and related deferred inflows and outflows.
- Restricted – This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or law or regulations of other governments. It also pertains to constraints imposed by law or constitutional provisions or enabling legislation.
- Unrestricted – This component of net position consists of net assets that do not meet the definition of "restricted" or "net investment in capital assets."

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Statement of Revenues, Expenses, and Changes in Net Position – The statement of revenues, expenses, and changes in net position is the operating statement for proprietary funds. Revenues are reported by major source. This statement distinguishes between operating and non-operating revenues and expenses and presents a separate subtotal for operating revenues, operating expenses, and other income.

E. Use of Estimates and Assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

F. Capital Assets

Utility Plant – at Original Cost

The cost of additions to utility plant and replacement of retired units of property are capitalized. Cost includes material, direct labor and fringe benefits, transportation, and such indirect items as engineering, supervision, and interest during construction based on the interest rate on outstanding debt of the system in the prior fiscal year as allowed by GASB 76. Repairs, maintenance, and minor purchases of equipment are charged to expenses as incurred.

The depreciated cost of capital assets, plus removal costs, less salvage, is charged to expense upon retirement.

Water Supply Management Program

Costs incurred in this program are debt funded and capitalized in construction in progress. These costs are transferred to utility plant upon completion of the project and depreciated over their useful life. Debt service costs on the debt used to finance the program are recovered in future through connection fees and rates and charges for service to those benefiting from the program.

Preliminary Survey and Investigation Costs

The District capitalizes initial costs incurred to study and evaluate certain potential long-term capital projects. These costs are transferred to property, plant and equipment upon completion of the project and are depreciated over the life of the asset. In the event the project is abandoned, these costs are expensed.

Contract Water Rights

The District has contracted with the U.S. Bureau of Reclamation for water deliveries from the Central Valley Project (CVP) and shall continue so long as EBMUD pays applicable rates and charges consistent with applicable law. Payments under the contract include reimbursement for operation and maintenance costs based on the amounts of water delivered to EBMUD, the Operation & Maintenance Deficit (EBMUD's current balance is \$5,003), and prepayment of allocated capital costs for CVP storage and conveyance facilities (EBMUD's current estimated allocation is \$1,123). The Water Enterprise Fund capitalized the two components.

G. Depreciation and Amortization

Depreciation and amortization of capital assets is computed on a straight-line basis using the estimated service lives of the related assets (5 to 100 years).

EAST BAY MUNICIPAL UTILITY DISTRICT
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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Restricted Assets

The District segregates cash and investments into funds that are “Restricted” and “Unrestricted.” Funds are “restricted” when limitations on use of the resources are imposed by creditors, grantors, contributors, laws or regulations of other governments, or imposed by law through constitutional provision or by enabling legislation. “Unrestricted” resources are committed by the Board of Directors through the passage of a resolution, or constrained for a specific purpose by committees or officials with authority delegated by the Board. The exception is the Reserve for Capital Projects which is anticipated but not committed or constrained to be used for the District’s capital improvement program.

Unrestricted cash and investments are further categorized into Operating and Capital Reserves:

Operating Reserves:

- Rate Stabilization Fund (RSF) reserve is established by Policy 4.02, as adopted by the Board of Directors in the biennial budget, to maintain at least 20% of projected annual water volume revenues for Water and at least 5% of annual operating and maintenance expenses for Wastewater. Funding of the RSF is consistent with the District’s Bond indentures. In fiscal year 2014, the District combined the Rate Stabilization Fund referenced in the Bond indentures and the Contingency and Rate Stabilization Reserve referenced in Policy 4.02 into a single Rate Stabilization Fund reserve to enhance transparency.
- Working Capital reserve is established by Policy 4.02, as adopted by the Board of Directors in the biennial budget, to maintain at least three times the District’s monthly net operating and maintenance expenses.
- Self-insurance reserve is established by Policy 4.02, as adopted by the Board of Directors in the biennial budget, to maintain a level based on the Actuarial Self-Insured Retention (SIR) funding recommendation for the following year’s discounted loss and allocated loss adjustment expenses (ALAE) funding guidelines. Reserve amount should be calculated at a high (85%) confidence level. If an actuarial study is not available before close of the prior fiscal year end, the reserve shall equal 1.15 times the prior year reserve.
- Workers’ compensation reserve is established by Policy 4.02, as adopted by the Board of Directors in the biennial budget, to maintain a level based on the Actuarial SIR funding recommendation for the following year’s discounted loss and ALAE funding guidelines. Reserve amount should be calculated at a high (85%) confidence level. If an actuarial study is not available before close of the prior fiscal year end, the reserve shall equal 1.15 times the prior year reserve.

Capital Reserves:

- Reserve for Capital Projects comprises the resources available for cash funding of the District’s capital improvement program as projected in conjunction with the biennial budget.
- Reserve Funded CIP (Wastewater) balance is a specific designation [Board Motion No. 029-94] used to fund wet and dry weather eligible construction projects.
- Vehicle Replacement Fund [Board Motion No. 030-94] is financed by deposits based on internal user rate charges, and used to reimburse operational expenditures and vehicle replacement purchases.
- Equipment Replacement Fund was established by the District with the implementation of the Wastewater Capacity Fees effective July 1, 1984. The balance in this account represents funds set aside for future wastewater department equipment replacements.

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted funds include the following:

- Debt funded construction funds are the proceeds of bond or commercial paper issues that are restricted for use on eligible projects in the District's capital program.
- Capitalized Interest fund is restricted by the District's bond indenture for the purpose of defraying that bond issue's debt service payments for a specified period.
- Bond Interest and Redemption fund is utilized, in order for the District to transfer funds to the Trustee for the payment of principal and interest on the outstanding bonds one business day prior to the date such payment is due as required under the District's bond indentures. The District uses the Bond Interest and Redemption Fund to segregate funds accumulated for such payments. In addition, under certain of the interest rate swap agreements related to the District's outstanding bonds, the District is required to post collateral to the swap counterparty to the extent that the District's total exposure for termination payments under the swap agreement exceeds the threshold amount specified in the applicable swap agreement. The District also uses the Bond Interest and Redemption Fund to segregate District funds held by the applicable custodian to satisfy this collateral posting obligation.
- Debt Service Reserve fund is created and required to be maintained at a specified level in connection with certain series of the District's outstanding bonds. Amounts in a Bond Reserve Fund may only be used (a) for the payment of principal and interest on the related series of bonds in the event the District fails to transfer the required payment from the related system Revenue Fund (the respective designated part of the General Fund) (b) for the payment or redemption of all of the related series of bonds then outstanding or (c) for the payment of the final principal and interest payments on the related series of bonds.
- Funds received for construction reflect advances received from applicants for work to be performed by the District and the unspent future water supply component of system capacity charges. This fund is used for the construction of major facilities, applicant requested services, and the design and construction of water supply improvement program projects.
- FERC partnership fund of \$2 million was established January 11, 1999, in compliance with Federal Energy Regulatory Commission (FERC) order which brought resolution to its Mokelumne River Proceeding. The District manages the fund and income derived from investing the funds to provide operating support to the Joint Settlement Agreement with US Fish and Wildlife and California Fish and Game to protect the Mokelumne River Ecosystem from Pardee Reservoir to the Delta. The principal and any unused earnings shall remain the property of the District and will revert to the District upon expiration of the agreement in March 2031 or upon withdrawal of any party to the agreement.

Monetary Reserve represents money on deposit in the name of the District with the Automated Power Exchange Inc. (APX) in accordance with the terms and conditions of the Automated Power Exchange Inc. California Master Service Agreement of July 15, 1999, entered between the District and APX for the sale and purchase of electric power. The funds held on deposit shall be withdrawn by the Depository and Clearing Agent in the event that sufficient funds are not deposited in the District settlement account to cover power exchange transactions.

I. Deferred Amount on Bond Refunding

Gains and losses incurred in connection with debt refunding transactions are deferred and amortized over the shorter of the life of the refunded debt or the new debt.

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Notes to Basic Financial Statements
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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers all highly liquid investments with original maturities of three months or less at the date of purchase to be cash equivalents.

K. District Investments

Investments are stated at fair value. Included in investment income (loss) is the net change in the fair value of investments, which consists of the realized gains or losses and the unrealized appreciation (depreciation) of those investments.

Measurement of the fair value of investments is based upon quoted market prices, if available. The estimated fair value of investments that have no quoted market price is determined based on equivalent yields for such securities or for securities of comparable maturity, quality, and type as obtained from market makers.

Each of the financial instruments invested in by the District represents a potential concentration of credit risk. However, as the portfolio and the components of the various instruments are diversified, and issuers of securities are dispersed throughout many industries and geographic locations, the concentrations of credit risk are limited.

L. Retirement System Investments

Investments are reported at fair value. Securities and bonds traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that have no quoted market price are reported at estimated fair value, which is determined based on yields equivalent for such securities or for securities of comparable maturity, quality, and type as obtained from market makers. Measurement of the fair value of real estate investments is estimated by the investment managers and reflects both internal and independent appraisals of real estate properties.

The System presents in the Statements of Changes in Fiduciary Net Position the net change in the fair value of its investments, which consists of the realized gains or losses and the unrealized appreciation (depreciation) on those investments. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Each of the financial instruments invested in by the System represents a potential concentration of credit risk. However, as the portfolio and the components of the various instruments are diversified and issuers of securities are dispersed throughout many industries and geographical locations, the concentrations of credit risk are limited.

The System invests in a combination of stocks, bonds, fixed income securities, real estate, and other investment securities. These investments are exposed to various risks, such as interest rate and market risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and those such changes could materially affect the amounts reported in the Statement of Fiduciary Net Position.

Retirement Board policies permit the System to use investments of the Plan to enter into securities lending transactions, which are loans of securities to broker-dealers and other entities for collateral with a simultaneous agreement to return collateral for the same securities in the future. The Plan's securities custodian is an agent in lending the Plan's securities for cash collateral, U.S. government securities, and irrevocable letters of credit of 102% for domestic securities and 105% for international securities lent.

As of June 30, 2023, the System had no credit risk exposure to borrowers because the amounts the System owed the borrowers exceeded the amounts the borrowers owed the System. Contracts with the lending agent require them to indemnify the System under certain circumstances if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent) or fail to pay the System for income distributions by the securities issuers

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

while the securities are on loan. The risk of any loss of collateral or investment of cash collateral (including a loss of income or principal, or loss of market value thereon) lies with the System, except for losses resulting from negligence or intentional misconduct of the agent in performing the duties allocated under the securities lending agreement with respect to collateral. During the year ended June 30, 2023, there were no violations of legal or contractual provisions, and no borrower or lending agent default losses known to the securities lending agent.

In lending securities, cash collateral is invested in the lending agent's short-term investment pool, which as of June 30, 2023, had a weighted average maturity of 13 days. The relationship between the maturities of the investment pool and the Plan's loans is affected by the maturities of the securities loans made by other entities that use the agent's pool, which the System cannot determine. Cash collateral may also be invested separately in term loans, in which case the maturity of the collateral investment generally matches the term of the loan. Noncash collateral cannot be pledged or sold unless the borrower defaults. All securities loans can be terminated on demand by either the lender or the borrower, although the average term of overall loans for the System was approximately 74 days. There are no dividends or coupon payments owing on the securities lent. Cash received as collateral on securities lending transactions is reported as an asset of the System with a corresponding liability.

As of June 30, 2023, the fair value of securities on loan was \$76,592. The total cash and noncash collateral held by the Plan's custodian to secure these securities on loan was valued at \$77,906 (all cash collateral).

M. Material and Supplies

Material and supplies inventories are valued at cost, which approximates market, using the average-cost method.

N. Revenue

Water billings include charges for water flow, elevation, and a monthly meter charge. Customer water meters are read on a cyclical basis throughout a monthly or bimonthly period. Bills are rendered and revenue is recognized in the period that meters are read.

Wastewater treatment billings are a combination of flow, strength charges, and a monthly service charge. Customer bills are rendered on a cyclical basis throughout a monthly or bimonthly period, and revenue is recognized in the period in which bills are rendered.

Wet weather facilities charges are designed to finance the operating and capital costs related to wet weather sewage flows and are billed annually on the property tax bill.

O. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

P. Implementation of Governmental Accounting Standards Board (GASB) Pronouncements

GASB Statement No. 94 – *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

GASB Statement No. 96 – *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. See additional information in Note 9.

Q. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs are inputs – other than quoted prices included within level 1 – that are observable for an asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for an asset or liability.

If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

R. Leases

Lessee: The District is a lessee primarily in land and buildings. The District recognizes a lease liability and an intangible right-to-use lease asset in the proprietary fund financial statements.

At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently,

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

the lease asset is amortized on a straight-line basis over its useful life. Key estimates and judgments related to leases include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed and purchase option payments that the District is reasonably certain to exercise.

The District monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with other liabilities on the statement of net position.

Lessor: The District is a lessor in real estate used for billboard, telecom, and land purchases. The District recognizes a lease receivable and a deferred inflow of resources in the proprietary fund financial statements.

At the commencement of a lease, the District initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the District determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The District uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The District monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

S. Subscription-Based Information Technology Arrangements

The District is a subscriber for a noncancellable subscription of information technology services. The District recognizes a subscription liability and an intangible right-to-use subscription asset (subscription asset) in the proprietary fund financial statements.

At the commencement of a subscription, the District initially measures the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made. The subscription asset is initially measured as the initial amount of the subscription liability, adjusted for subscription payments made at or before the subscription commencement date, plus certain initial direct costs. Subsequently, the subscription asset is amortized on a straight-line basis over its useful life. Key estimates and judgments related to subscriptions include how the District

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

determines (1) the discount rate it uses to discount the expected subscription payments to present value, (2) lease term, and (3) subscription payments.

- The District uses the interest rate charged by the vendor as the discount rate. When the interest rate charged by the vendor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for subscriptions.
- The subscription term includes the noncancellable period of the subscription. Subscription payments included in the measurement of the subscription liability are composed of fixed payments that the District is reasonably certain to exercise.

Subscription assets are reported with other capital assets and subscription liabilities are reported with other liabilities on the statement of net position.

NOTE 2: CASH AND INVESTMENTS

A. Classification

Reconciliations of cash and investments reported on the financial statements as of June 30, 2023, are as follows:

| | Water System | Wastewater System | Total |
|---|--------------------------|--|--------------|
| <i>District Enterprise Funds:</i> | | | |
| Cash and investments included in current assets | \$ 384,245 | \$ 95,173 | \$ 479,418 |
| Cash and investments included in restricted investments | 40,919 | 1,000 | 41,919 |
| Total District cash and investments | 425,164 | 96,173 | 521,337 |
| Less investments | (330,914) | (60,917) | (391,831) |
| Cash and cash equivalents | \$ 94,250 | \$ 35,256 | \$ 129,506 |
| | | | |
| | Pension Plan Benefits | Post-employment Healthcare Benefits | Total |
| <i>System Pension Trust Funds:</i> | | | |
| Cash and cash equivalents | \$ 26,937 | \$ 740 | \$ 27,677 |
| Invested securities lending collateral | 75,822 | 2,084 | 77,906 |
| Retirement system investments | 2,159,656 | 59,348 | 2,219,004 |
| Total System cash and investments | \$ 2,262,415 | \$ 62,172 | \$ 2,324,587 |

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NOTE 2: CASH AND INVESTMENTS (CONTINUED)

Reconciliations of cash and investments reported on the financial statements as of June 30, 2022, are as follows:

| <i>District Enterprise Funds:</i> | Water System | Wastewater System | Total |
|---|-----------------|----------------------|------------|
| Cash and investments included in current assets | \$ 612,018 | \$ 135,896 | \$ 747,914 |
| Cash and investments included in restricted investments | 27,689 | 927 | 28,616 |
| Total District cash and investments | 639,707 | 136,823 | 776,530 |
| Less investments | (509,636) | (90,070) | (599,706) |
| Cash and cash equivalents | \$ 130,071 | \$ 46,753 | \$ 176,824 |

| <i>System Pension Trust Funds:</i> | Pension Plan Benefits | Post-employment Healthcare Benefits | Total |
|---|--------------------------|--|--------------|
| Cash and cash equivalents | \$ 24,687 | \$ 649 | \$ 25,336 |
| Invested securities lending collateral | 98,654 | 2,595 | 101,249 |
| Retirement system investments | 1,974,769 | 51,945 | 2,026,714 |
| Total System cash and investments | \$ 2,098,110 | \$ 55,189 | \$ 2,153,299 |

B. District Enterprise Fund Investments Authorized by the California Government Code and the District's Investment Policy

The District's Investment Policy and the California Government Code allow the District to invest in the following, provided the credit ratings of the issuers are acceptable to the District; and approved percentages and maturities are not exceeded. The table below also identifies certain provisions of the California Government Code, or the District's Investment Policy where the District's Investment Policy is more restrictive and provides information as to the limitations as they relate to interest rate risk, credit risk and concentration risk.

| Authorized Investment Type | Maximum Maturity | Minimum Credit Quality | Maximum in Portfolio | Maximum Investment in One Issuer/Fund |
|--|---------------------|------------------------------|------------------------------|---|
| U.S. Treasury Bonds, Notes and Bills | 5 Years | N/A | up to 100% | N/A |
| U.S. Government Agency and U.S. Government-Sponsored Enterprise Obligation | 5 Years | N/A | up to 100% | 40% in each Agency |
| State of California Local Agency Investment Fund (LAIF Pool) | N/A | N/A | per Sec. 16429.1 \$75,000 | N/A |
| California Asset Management Program (CAMP) | N/A | AAAm/AA-f | 40% | 20% |
| Investment Trust of California (CalTRUST) | N/A | AAAm/AA-f | 40% | 20% |
| Money Market Mutual Funds | N/A | AAAm | 20% | 5% |
| Certificates of Time Deposit | 1 Year | AA- | 20% | \$250 |
| Negotiable Certificates of Deposit | 5 Years | AA- | 20% | \$250 |
| Commercial Paper | 270 Days | A-1+ and A | 20% | 5% of portfolio or 10% |
| Medium Term Corporate Notes | 5 Years | AA- and A | 20% | 5% |
| Repurchase Agreements | 270 Days | N/A | 20% | N/A |
| Municipal Bonds | 5 Years | AA- and A | 20% | 5% |
| Municipal Notes | N/A | SP-1+ | 20% | 5% |

The District does not enter into reverse repurchase agreements.

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NOTE 2: CASH AND INVESTMENTS (CONTINUED)

C. District Enterprise Fund Investments Authorized by Debt Agreements

The District must maintain required amounts of cash and investments with trustees or fiscal agents under the terms of certain debt issues. These funds are unexpended bond proceeds or are pledged reserves to be used if the District fails to meet its obligations under these debt issues. The California Government Code requires these funds to be invested in accordance with District resolutions, bond indentures or State statutes. The table below identifies the investment types that are authorized for investments held by fiscal agents. The table also identifies certain provisions of these debt agreements:

| Authorized Investment Type | Minimum Credit Quality |
|--|---|
| Repurchase Agreements | Top Four Short Term Rating Category |
| U.S. Treasury Bonds, Notes and Bills | N/A |
| U.S. Government Agency and U.S. Government-Sponsored Enterprise Obligation | N/A |
| State Obligations | Not lower than the District's bond rating |
| Commercial Paper | Top Rating Category |
| Negotiable Certificates of Deposit | FDIC insured or collateralised |
| Time Certificates of Deposits - Banks or Savings and Loans | FDIC insured or collateralised |
| Corporate Notes (up to 3 years) | Top Short-Term Rating Category |
| Corporate Bonds (longer than 3 years) | Not lower than District's bond rating |
| Variable Rate Obligations | Top Short-Term Rating Category |
| Cash Sweep Agreements | Top Rating Category |
| Guaranteed Investment Contract | Not lower than District's bond rating |
| Shares of Beneficial Interest | Top Rating Category |

D. Employees Retirement System Authorized Investment Strategy

The Plan's Statement of Investment Policy and Procedures authorize the Plan to invest in financial instruments in four broad investment categories: equity, fixed income, real estate, and covered calls. These financial instruments can include, but are not limited to, corporate bonds, commercial paper, U.S. government securities, common and preferred stock, real estate investment trusts, and mutual funds. Fixed income investments may include futures and options contracts in order to provide added flexibility in managing the fixed income portfolio. The following is a summary of the Plan's Statement of Investment Policy and Procedures adopted by the System on March 21, 2019.

The Retirement Board is authorized to designate multiple investment managers to manage the assets under their supervision subject to the laws of the State of California and the Investment Guidelines established by the Retirement Board. Allocation of assets to the investment managers are determined by the Retirement Board to accommodate changing conditions and laws.

In March 15, 2018, the System adopted an updated asset allocation, which is shown in the table below.

| | |
|-----------------------|-----|
| US Equity | 25% |
| Non-US Equity | 25% |
| Core Fixed-Income | 20% |
| Non-Core Fixed Income | 5% |
| Covered Calls | 20% |
| Real Estate | 5% |

EAST BAY MUNICIPAL UTILITY DISTRICT
Notes to Basic Financial Statements
For the Years Ended June 30, 2023 and 2022
(Dollars in Thousands)

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

The Director of Finance is authorized to transfer assets as provided in the Plan's Statement of Investment Policy and Procedures. The Director of Finance is further authorized to withdraw assets from assigned managers as necessary to efficiently meet operating needs.

The core fixed income target allocation (20% of the total portfolio) will primarily consist of U.S. denominated fixed income securities.

The non-core fixed income target allocation (5% of the total portfolio) will primarily consist of U.S. denominated fixed income securities. It is expected that this allocation may have a material allocation to below investment grade securities.

The domestic equity allocation target (25% of the total portfolio) will consist of the allocation to securities that corresponds to the weight of securities within the Russell 3000 Index.

The covered calls target allocation (20% of the total portfolio) may consist of a combination of Chicago Board Options Exchange S&P 500 BuyWrite Index (the "BXM Index") replication strategy and/or active non-replication strategies and their underlying domestic equity portfolios.

The international equity target allocation (25% of the total portfolio) will consist of an allocation to non-US equity securities benchmarked to the MSCI ACWI xUS Index.

The real estate target allocation (5% of the total portfolio) will consist of either equity (ownership) and/or fixed income participation in commercial, industrial, or residential properties. Investments may include interests in mortgages pools secured by loans of underlying properties.

The asset allocation does allow for the fact that at any time equity and fixed income managers may have transactional cash on hand and the District will maintain enough cash as working capital to effectively meet cash flow demands on the system. However, there is no specific allocation for cash as all investable cash is allocated to specific investment mandates.

E. Fair Value Hierarchy

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The California Local Agency Investment Fund is exempt from classification for fair value hierarchy.

The following is a summary of the fair value hierarchy of the fair value of investments of the District as of June 30, 2023 and 2022:

EAST BAY MUNICIPAL UTILITY DISTRICT
Notes to Basic Financial Statements
For the Years Ended June 30, 2023 and 2022
(Dollars in Thousands)

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

District Enterprise Funds:

The following is a summary of the fair value hierarchy of the fair value of investments of the District as of June 30, 2023:

| Investment Type | Level 1 | Level 2 | Total |
|---|-------------------|------------------|-------------------|
| Investments by Fair Value Level: | | | |
| U.S. Government-Sponsored Enterprise Agencies: | | | |
| Non-callable | \$ - | \$ 7,843 | \$ 7,843 |
| Callable | - | 5,748 | 5,748 |
| U.S. Treasury Bills | <u>378,239</u> | <u>-</u> | <u>378,239</u> |
| Total Investments at Fair Value | <u>\$ 378,239</u> | <u>\$ 13,591</u> | 391,830 |
| Investments Measured at Net Asset Value Per Share: | | | |
| California Asset Management Program | | | 38,609 |
| Investments Measured at Amortized Cost: | | | |
| California Local Agency Investment Fund | | | 23,773 |
| Mutual Funds (U.S. Securities) | | | <u>23,890</u> |
| Total Investments | | | 478,102 |
| Cash in banks | | | <u>43,235</u> |
| Total District Cash and Investments | | | <u>\$ 521,337</u> |

In fiscal year 2023, U.S. Treasury Bills totaling \$378,239, is classified in Level 1 of the fair value hierarchy, and is valued using quoted prices in active markets. The U.S. Government-Sponsored Enterprise Agency securities totaled \$13,591 is classified in Level 2 of the fair value hierarchy, and is valued using matrix pricing techniques maintained by various pricing vendors. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

The following is a summary of the fair value hierarchy of the fair value of investments of the District as of June 30, 2022:

| Investment Type | Level 1 | Level 2 | Total |
|---|-------------------|------------------|-------------------|
| Investments by Fair Value Level: | | | |
| U.S. Treasury Bills | \$ 589,467 | \$ - | \$ 589,467 |
| Corporate Securities | - | 9,873 | 9,873 |
| Municipal Bonds | <u>-</u> | <u>365</u> | <u>365</u> |
| Total Investments at Fair Value | <u>\$ 589,467</u> | <u>\$ 10,238</u> | 599,705 |
| Investments Measured at Net Asset Value Per Share: | | | |
| California Asset Management Program | | | 37,122 |
| Investments Measured at Amortized Cost: | | | |
| California Local Agency Investment Fund | | | 38,498 |
| Mutual Funds (U.S. Securities) | | | <u>76,060</u> |
| Total Investments | | | 751,385 |
| Cash in banks | | | <u>25,145</u> |
| Total District Cash and Investments | | | <u>\$ 776,530</u> |

EAST BAY MUNICIPAL UTILITY DISTRICT
Notes to Basic Financial Statements
For the Years Ended June 30, 2023 and 2022
(Dollars in Thousands)

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

In fiscal year 2022, U.S. Treasury Bills totaling \$589,467, is classified in Level 1 of the fair value hierarchy, and is valued using quoted prices in active markets. The Corporate securities totaled \$9,873, and Municipal Bonds totaled \$365, are classified in Level 2 of the fair value hierarchy, and are valued using matrix pricing techniques maintained by various pricing vendors. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

System Pension Trust Fund:

The following is a summary of the fair value hierarchy of investments held by the System as of June 30, 2023:

| Investment Type | Level 1 | Level 2 | Level 3 | Total |
|---|------------|------------|-----------|--------------|
| Investments by Fair Value: | | | | |
| Asset Backed Securities | \$ - | \$ 8,799 | \$ - | \$ 8,799 |
| Equities | 503,545 | 37 | 74 | 503,656 |
| Bank Loans | - | 7,729 | - | 7,729 |
| Commercial Mortgage-Backed | - | 8,260 | - | 8,260 |
| Corporate Bonds | - | 125,061 | - | 125,061 |
| Corporate Convertible Bonds | - | 614 | - | 614 |
| Govt Agencies | - | 68,331 | - | 68,331 |
| Govt Bonds | - | 84,199 | - | 84,199 |
| Govt Mortgage Backed Securities | - | 166,356 | - | 166,356 |
| Non-Govt Backed CMO's | - | 610 | - | 610 |
| Other Fixed Income | - | 11,281 | - | 11,281 |
| Real Estate-Partnerships | - | - | 63,224 | 63,224 |
| Total Investments at Fair Value | \$ 503,545 | \$ 481,277 | \$ 63,298 | 1,048,120 |
| Investments Not Subject to Fair Value Hierarchy: | | | | |
| Comingled Funds and Other | | | | 1,170,884 |
| Total Investments at Fair Value | | | | 2,219,004 |
| Invested Securities Lending Collateral | | | | 77,906 |
| Cash and Cash Equivalents: | | | | |
| California Local Agency Investment Fund | | | | 4,302 |
| Cash & Short-term Investments | | | | 23,375 |
| Total System Cash and Investments | | | | \$ 2,324,587 |

Investments classified in Level 1 of the fair value hierarchy, valued at \$503,545 are valued using quoted prices in active markets. \$481,277 of investments classified in Level 2 of the fair value hierarchy, are valued using matrix pricing techniques maintained by various pricing vendors. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Investments totaling \$63,298 classified in Level 3 of the fair value hierarchy are valued using appraisals and estimates by investment managers. Fair value is defined as the quoted market value on the last trading day of the period. These prices are obtained from various pricing sources by our custodian bank.

EAST BAY MUNICIPAL UTILITY DISTRICT
Notes to Basic Financial Statements
For the Years Ended June 30, 2023 and 2022
(Dollars in Thousands)

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

The following is a summary of the fair value hierarchy of the fair value of investments of the Pension Trust Fund as of June 30, 2022:

| Investment Type | Level 1 | Level 2 | Level 3 | Total |
|---|------------|------------|-----------|--------------|
| Investments by Fair Value: | | | | |
| Asset Backed Securities | \$ - | \$ 11,806 | \$ - | \$ 11,806 |
| Equities | 484,450 | 170 | 74 | 484,694 |
| Bank Loans | - | 6,992 | - | 6,992 |
| Commercial Mortgage-Backed | - | 9,289 | - | 9,289 |
| Corporate Bonds | - | 145,345 | - | 145,345 |
| Corporate Convertible Bonds | - | 484 | - | 484 |
| Govt Agencies | - | 57,478 | - | 57,478 |
| Govt Bonds | - | 131,584 | - | 131,584 |
| Govt Mortgage Backed Securities | - | 81,467 | - | 81,467 |
| Other Fixed Income | - | 5,121 | - | 5,121 |
| Real Estate-Partnerships | - | - | 66,407 | 66,407 |
| Total Investments at Fair Value | \$ 484,450 | \$ 449,736 | \$ 66,481 | 1,000,667 |
| Investments Not Subject to Fair Value Hierarchy: | | | | |
| Comingled Funds and Other | | | | 1,026,047 |
| Total System Investments | | | | 2,026,714 |
| Invested Securities Lending Collateral | | | | 101,249 |
| Cash and Cash Equivalents: | | | | |
| California Local Agency Investment Fund | | | | 6,596 |
| Cash & Short-term Investments | | | | 18,740 |
| Total System Cash and Investments | | | | \$ 2,153,299 |

Investments classified in Level 1 of the fair value hierarchy, valued at \$484,450, are valued using quoted prices in active markets. \$449,736 of investments classified in Level 2 of the fair value hierarchy, are valued using matrix pricing techniques maintained by various pricing vendors. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Investments totaling \$66,481 classified in Level 3 of the fair value hierarchy are valued using appraisals and estimates by investment managers. Fair value is defined as the quoted market value on the last trading day of the period. These prices are obtained from various pricing sources by our custodian bank.

F. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the market value of an investment. Normally, the longer the maturity of an investment, the greater the sensitivity of its market value to changes in market interest rates. The District generally manages its interest rate risk by holding investments to maturity.

Information about the sensitivity of the market values of the District's and System's investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity or earliest call date.

EAST BAY MUNICIPAL UTILITY DISTRICT
Notes to Basic Financial Statements
For the Years Ended June 30, 2023 and 2022
(Dollars in Thousands)

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

District Enterprise Funds:

Information about the sensitivity of the fair value of the District's investments to market interest rate fluctuations is provided in the following table that shows the distribution of the District's investments by maturity or earliest call date for June 30, 2023:

| Investment Type | 12 Months or less | 13 to 24 Months | 25 to 60 Months | Total |
|---|----------------------|--------------------|--------------------|-------------------|
| U.S. Government-Sponsored Enterprise Agencies | | | | |
| Non-callable | \$ 7,843 | \$ - | \$ - | \$ 7,843 |
| Callable | 5,748 | - | - | 5,748 |
| U.S. Treasury Bills | 238,324 | 131,522 | 8,393 | 378,239 |
| Mutual Funds (U.S. Securities) | 23,890 | - | - | 23,890 |
| California Asset Management Program | 38,609 | - | - | 38,609 |
| California Local Agency Investment Fund | 23,773 | - | - | 23,773 |
| | <u>\$ 338,187</u> | <u>\$ 131,522</u> | <u>\$ 8,393</u> | 478,102 |
| <i>Cash in banks</i> | | | | <u>43,235</u> |
| Total District Cash and Investments | | | | <u>\$ 521,337</u> |

Information about the sensitivity of the fair value of the District's investments to market interest rate fluctuations is provided in the following table that shows the distribution of the District's investments by maturity or earliest call date for June 30, 2022:

| Investment Type | 12 Months or less | 13 to 24 Months | 25 to 60 Months | Total |
|---|----------------------|--------------------|--------------------|-------------------|
| U.S. Treasury Bills | \$ 288,462 | \$ 178,760 | \$ 122,245 | \$ 589,467 |
| Corporate Securities | 9,873 | - | - | 9,873 |
| Municipal Bonds | 365 | - | - | 365 |
| Mutual Funds (U.S. Securities) | 76,060 | - | - | 76,060 |
| California Asset Management Program | 37,122 | - | - | 37,122 |
| California Local Agency Investment Fund | 38,498 | - | - | 38,498 |
| | <u>\$ 450,380</u> | <u>\$ 178,760</u> | <u>\$ 122,245</u> | 751,385 |
| <i>Cash in banks</i> | | | | <u>25,145</u> |
| Total District Cash and Investments | | | | <u>\$ 776,530</u> |

EAST BAY MUNICIPAL UTILITY DISTRICT
Notes to Basic Financial Statements
For the Years Ended June 30, 2023 and 2022
(Dollars in Thousands)

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

System Pension Trust Fund:

Information about the sensitivity of the fair values of the Plan's investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following table that shows the distribution of the Plan's investments by maturity or earliest call date:

| Investment Type | Less than 12 Months | 12 to 72 Months | 72 to 120 Months | More than 120 Months | Maturity not Determined | Total |
|---------------------------------|------------------------|-------------------|---------------------|-------------------------|----------------------------|---------------------|
| Asset Backed securities | \$ 146 | \$ 6,273 | \$ 624 | \$ 1,756 | \$ - | \$ 8,799 |
| Equity Securities | 503,656 | - | - | - | - | 503,656 |
| Bank Loans | - | 6,659 | 1,070 | - | - | 7,729 |
| Commercial Mortgage-Backed | 240 | 744 | - | 7,276 | - | 8,260 |
| Corporate Bonds | 3,061 | 74,522 | 26,921 | 20,557 | - | 125,061 |
| Corporate Convertible Bonds | 532 | 82 | - | - | - | 614 |
| Govt Agencies | - | 16,644 | 11,870 | 39,817 | - | 68,331 |
| Govt Bonds | - | 10,032 | 42,844 | 31,323 | - | 84,199 |
| Govt Mortgage Backed Securities | - | 417 | 1,033 | 164,906 | - | 166,356 |
| Non-Government Backed C.M.O. | - | - | - | 610 | - | 610 |
| Other Fixed Income | 2,070 | 9,211 | - | - | - | 11,281 |
| Real Estate-Partnerships | - | - | - | - | 63,224 | 63,224 |
| Comingled Funds and Other | - | - | - | - | 1,170,884 | 1,170,884 |
| Total System Investments | \$ 509,705 | \$ 124,584 | \$ 84,362 | \$ 266,245 | \$ 1,234,108 | \$ 2,219,004 |

Information about the sensitivity of the fair value of the Pension Trust Fund's investments to market interest rate fluctuations is date provided in the following table that shows the distribution of the District's investments by maturity or earliest call for June 30, 2022:

| Investment Type | Less than 12 Months | 12 to 72 Months | 72 to 120 Months | More than 120 Months | Maturity not Determined | Total |
|---------------------------------|------------------------|-------------------|---------------------|-------------------------|----------------------------|---------------------|
| Asset Backed securities | \$ - | \$ 4,783 | \$ 1,900 | \$ 5,123 | \$ - | \$ 11,806 |
| Equity Securities | 484,694 | - | - | - | - | 484,694 |
| Bank Loans | - | 6,654 | 338 | - | - | 6,992 |
| Commercial Mortgage-Backed | 753 | 735 | 670 | 7,131 | - | 9,289 |
| Corporate Bonds | 3,832 | 78,140 | 43,577 | 19,985 | - | 145,534 |
| Corporate Convertible Bonds | - | 484 | - | - | - | 484 |
| Govt Agencies | - | 13,313 | 14,302 | 29,863 | - | 57,478 |
| Govt Bonds | 27,697 | 65,415 | 35,656 | 2,816 | - | 131,584 |
| Govt Mortgage Backed Securities | - | - | 836 | 80,631 | - | 81,467 |
| Other Fixed Income | 992 | 4,129 | - | - | - | 5,121 |
| Real Estate-Partnerships | - | - | - | - | 66,407 | 66,407 |
| Comingled Funds and Other | - | - | - | - | 1,025,858 | 1,025,858 |
| Total System Investments | \$ 517,968 | \$ 173,653 | \$ 97,279 | \$ 145,549 | \$ 1,092,265 | \$ 2,026,714 |

EAST BAY MUNICIPAL UTILITY DISTRICT
Notes to Basic Financial Statements
For the Years Ended June 30, 2023 and 2022
(Dollars in Thousands)

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

The District and System are participants in the Local Agency Investment Fund (LAIF), which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The value of the pool shares in LAIF is determined on an amortized cost basis, which is different from the fair value of its position in the pool. The District and System's investments with LAIF at June 30, 2023 and 2022 included a portion of the pool funds invested in Structured Notes and Asset-Backed Securities. These investments included the following:

- Structured Notes are debt securities (other than asset-backed securities) whose cash-flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.
- Asset-Backed Securities, the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from a pool of assets, such as principal and interest repayments from a pool of mortgages (such as Collateralized Mortgage Obligations) or credit card receivables.

As of June 30, 2023 and 2022, the District had investments of \$23,773 and \$38,498, respectively, and System had investments of \$4,302 and \$6,596, respectively, invested in LAIF, which had invested 2.78% and 1.88% of the pooled investment funds in Structured Notes and Asset-Backed Securities. The LAIF fair value factor of 0.984828499 and 0.987125414 as of June 30, 2023 and 2022, respectively was used to calculate the fair value of the investments in LAIF.

The Plan's investments include the following investments that are highly sensitive to interest rate fluctuations to a greater degree than already indicated above as of June 30, 2023 and 2022:

| Highly Sensitive Investments | Fair Value at Year End |
|---|---------------------------|
| Government Mortgage - Backed Securities | \$ 166,356 |
| Commercial Mortgage - Backed Securities | 8,260 |
| Highly Sensitive Investments | Fair Value at Year End |
| Government Mortgage - Backed Securities | \$ 81,467 |
| Commercial Mortgage - Backed Securities | 9,289 |

G. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical credit rating organization.

EAST BAY MUNICIPAL UTILITY DISTRICT
Notes to Basic Financial Statements
For the Years Ended June 30, 2023 and 2022
(Dollars in Thousands)

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

District Enterprise Funds:

Presented below is the actual rating as of June 30, 2023 for each investment type as provided by Moody's.

| Investment Type | Aaa | Aa1 | Aa2 | Aa3 | Total |
|---|-------------------|-------------|-------------|-------------|-------------------|
| U.S. Government-Sponsored | | | | | |
| Non-Callable | \$ 7,843 | \$ - | \$ - | \$ - | \$ 7,843 |
| Callable | 5,748 | - | - | - | 5,748 |
| U.S. Treasury Bills | 378,239 | - | - | - | 378,239 |
| Mutual Funds (U.S. Securities) | 23,890 | - | - | - | 23,890 |
| California Local Agency Investment Fund | 23,773 | - | - | - | 23,773 |
| Totals | <u>\$ 439,493</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>439,493</u> |
| <i>Not rated by Moody's:</i> | | | | | |
| California Asset Management Program | | | | | 38,609 |
| Cash in Banks | | | | | <u>43,235</u> |
| Total District Cash and Investments | | | | | <u>\$ 521,337</u> |

Presented below is the actual rating as of June 30, 2022 for each investment type as provided by Moody's.

| Investment Type | Aaa | Aa1 | Aa2 | Aa3 | Total |
|---|-------------------|-----------------|-------------|-------------|-------------------|
| U.S. Treasury Bills | \$ 589,467 | \$ - | \$ - | \$ - | \$ 589,467 |
| Corporate Securities | 4,902 | 4,971 | - | - | 9,873 |
| Mutual Funds (U.S. Securities) | 76,060 | - | - | - | 76,060 |
| Totals | <u>\$ 670,429</u> | <u>\$ 4,971</u> | <u>\$ -</u> | <u>\$ -</u> | <u>675,400</u> |
| <i>Not rated by Moody's:</i> | | | | | |
| Municipal Bonds | | | | | 365 |
| California Local Agency Investment Fund | | | | | 38,498 |
| California Asset Management Program | | | | | 37,122 |
| Cash in Banks | | | | | <u>25,145</u> |
| Total District Cash and Investments | | | | | <u>\$ 776,530</u> |

EAST BAY MUNICIPAL UTILITY DISTRICT
Notes to Basic Financial Statements
For the Years Ended June 30, 2023 and 2022
(Dollars in Thousands)

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

System Pension Trust Fund:

Presented below is the actual rating as of June 30, 2023, for each investment type as provided by Moody's or Standard and Poor's, displayed by using Moody's ratings scale.

| Investment Type | Aaa | Aa | A | Baa | Ba | B | Caa | U.S. Government | | Total |
|---|-------------------|-----------------|------------------|------------------|------------------|------------------|-----------------|-------------------|---------------------|---------------------|
| | | | | | | | | Guaranteed | Not Rated | |
| Asset Backed Securities | \$ 4,081 | \$ - | \$ - | \$ 242 | \$ - | \$ - | \$ - | \$ - | \$ 4,476 | \$ 8,799 |
| Equity Securities | - | - | - | - | - | - | - | - | 503,656 | 503,656 |
| Bank Loans | - | - | - | 633 | 3,294 | 3,661 | - | - | 141 | 7,729 |
| Commercial Mortgage - Backed Securities | 3,899 | - | - | 371 | - | - | - | - | 3,990 | 8,260 |
| Corporate Bonds | 1,575 | 9,056 | 53,322 | 18,050 | 19,214 | 20,168 | 2,181 | - | 1,495 | 125,061 |
| Corporate Convertible Bonds | - | - | - | - | - | 532 | - | - | 82 | 614 |
| Government Agencies | 67,190 | - | - | - | - | - | - | 1,141 | - | 68,331 |
| Government Bonds | 84,199 | - | - | - | - | - | - | - | - | 84,199 |
| Government Mortgage - Backed Securities | - | - | - | - | - | - | - | 166,238 | 118 | 166,356 |
| Non-Government Backed CMO's | - | - | - | - | - | - | - | - | 610 | 610 |
| Other Fixed Income | - | - | - | - | - | - | - | - | 11,281 | 11,281 |
| Real Estate - Partnerships | - | - | - | - | - | - | - | - | 63,224 | 63,224 |
| Comingled Funds and Other | - | - | - | - | - | - | - | - | 1,170,884 | 1,170,884 |
| Total System Investments | \$ 160,944 | \$ 9,056 | \$ 53,322 | \$ 19,296 | \$ 22,508 | \$ 24,361 | \$ 2,181 | \$ 167,379 | \$ 1,759,957 | \$ 2,219,004 |

Presented below is the actual rating as of June 30, 2022 for each investment type as provided by Moody's.

| Investment Type | Aaa | Aa | A | Baa | Ba | B | Caa | U.S. Government | | Total |
|---|-------------------|------------------|------------------|------------------|------------------|------------------|-----------------|------------------|---------------------|---------------------|
| | | | | | | | | Guaranteed | Not Rated | |
| Asset Backed Securities | \$ 3,075 | \$ - | \$ - | \$ 1,628 | \$ - | \$ - | \$ - | \$ - | \$ 7,103 | \$ 11,806 |
| Equity Securities | - | - | - | - | - | - | - | - | 484,694 | 484,694 |
| Bank Loans | - | - | - | 632 | 2,732 | 3,082 | - | - | 546 | 6,992 |
| Commercial Mortgage - Backed Securities | 3,859 | - | - | 434 | - | - | - | - | 4,996 | 9,289 |
| Corporate Bonds | 2,772 | 10,396 | 69,818 | 20,057 | 19,578 | 18,347 | 2,260 | - | 2,306 | 145,534 |
| Corporate Convertible Bonds | - | - | - | - | - | 484 | - | - | - | 484 |
| Government Agencies | 56,586 | - | - | - | - | - | - | 892 | - | 57,478 |
| Government Bonds | 131,584 | - | - | - | - | - | - | - | - | 131,584 |
| Government Mortgage - Backed Securities | - | - | - | - | - | - | - | 81,325 | 142 | 81,467 |
| Other Fixed Income | - | - | - | - | - | - | - | - | 5,121 | 5,121 |
| Real Estate - Partnerships | - | - | - | - | - | - | - | - | 66,407 | 66,407 |
| Comingled Funds and Other | - | - | - | - | - | - | - | - | 1,025,858 | 1,025,858 |
| Total System Investments | \$ 197,876 | \$ 10,396 | \$ 69,818 | \$ 22,751 | \$ 22,310 | \$ 21,913 | \$ 2,260 | \$ 82,217 | \$ 1,597,173 | \$ 2,026,714 |

H. Concentration Risk

The District has no significant investments in the securities of any individual issuers, other than U.S. Treasury securities and California Asset Management Program as of June 30, 2023.

The District has no significant investments in the securities of any individual issuers, other than U. S. Treasury securities, LAIF, and mutual funds as of June 30, 2022.

System Pension Trust Fund:

As of June 30, 2023, and June 30, 2023, the District did not have investments in any one organization exceeding 5% of the System's investments.

The District held demand deposits (overdrafts) amounting to \$3,681 and \$2,456 on behalf of the System as of June 30, 2023 and 2022, respectively. The financial institution which holds these deposits is required by state law to maintain collateral pools against all public deposits they hold.

EAST BAY MUNICIPAL UTILITY DISTRICT
Notes to Basic Financial Statements
For the Years Ended June 30, 2023 and 2022
(Dollars in Thousands)

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

I. Foreign Currency Risk

System Pension Trust Fund:

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair values of an investment or deposit. Presented below in US dollars is the fair market value of the System's foreign investments at June 30, 2023:

| Foreign Currency | Market Value |
|------------------|--------------|
| Euro | \$ 1 |

The Fund's investment policy permits investments in Non-US Equity of up to 25%. The Fund's current position is 0.00005%.

Presented below in US dollars is the fair market value of the Plan's foreign investments at June 30, 2022:

| Foreign Currency | Market Value |
|------------------|--------------|
| Euro | \$ 5 |

The Fund's investment policy permits investments in Non-US Equity up to 25%. The Fund's current position is 0.0005%.

J. Custodial Credit Risk

Custodial credit risk for *cash on deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, the District or System will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

California Law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of the District's cash on deposit, or first trust deed mortgage notes with a market value of 150% of the deposit, as collateral for these deposits. Under California Law this collateral is held in a separate investment pool by another institution in the District's name and places the District ahead of general creditors of the institution.

The District and System invest in individual investments and in investment pools. Individual investments are evidenced by specific identifiable *securities instruments*, or by an electronic entry registering the owner in the records of the institution issuing the security, called the *book entry* system. In order to increase security, the District and System employ the Trust Department of a bank or trustee as the custodian of certain District and System managed investments, regardless of their form.

As of June 30, 2023 and 2022, the Plan's brokers/dealers held \$0 in cash exposed to custodial credit risk.

K. Partnership Funds

California Asset Management Program (CAMP) – the District is a participant in the CAMP. CAMP is an investment pool offered by the California Asset Management Trust (the Trust). The Trust is a joint powers authority and public agency created by the Declaration of Trust and established under the provisions of the California Joint Exercise of Powers Act (California Government Code Sections 6500 et seq., or the "Act") for the purpose of exercising the common power of CAMP participants to invest certain proceeds of debt issues and surplus funds. CAMP investments are limited to investments permitted by subdivisions (a) to (n), inclusive, of Section 53601 of the California Government Code. The District reports its investments in CAMP at the fair value amounts provided by

EAST BAY MUNICIPAL UTILITY DISTRICT
Notes to Basic Financial Statements
For the Years Ended June 30, 2023 and 2022
(Dollars in Thousands)

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

CAMP, which is the same as the value of the pool share in accordance with GASB 72 requirements. At June 30, 2023, the fair value was approximate to the District's cost. As of June 30, 2023, the District investment in CAMP is \$38,609.

Investment Trust of California (CalTRUST) – the District is a voluntary participant in the CalTRUST, which is a Joint Powers Authority governed by a Board of Trustees including local treasurers and investment officers. The Board of Trustees sets overall policy for CalTRUST and selects and supervises the activities of the investment managers and other agents. As of June 30, 2023, the District investment in CalTRUST is \$0.

L. Joint Powers Authority

DSRSD/EBMUD Recycled Water Authority - On June 28, 1995, the Dublin San Ramon Services District (DSRSD) and East Bay Municipal Utility District (District) entered into a Joint Powers Agreement (JPA) and established the DSRSD/EBMUD Recycled Water Authority (DERWA) with the purpose of creating a recycled water program in the San Ramon and Livermore-Amador Valleys. The JPA governing body is not substantially the same as the District and its independent Board consists of two directors each from the DSRSD and District. The JPA books and records are being maintained separately from DSRSD and the District. The DSRSD and District made member contributions to fund the JPA start-up and continue to fund capital projects at the request of the JPA on an as needed basis. Although DERWA has a significant relationship with the District, DERWA does not provide services solely to the District, and therefore is not considered a component unit of the District.

Freeport Regional Water Authority - The Freeport Regional Water Project (FRWP) is a regional water supply project undertaken by the District in partnership with the Sacramento County Water Agency (SCWA). In February 2002, with the support of the United States Bureau of Reclamation, the District and SCWA formed the Freeport Regional Water Authority (FRWA) under a joint powers agreement to develop the FRWP. The FRWP provides the permanent infrastructure to allow the District to receive water deliveries pursuant to the Long-Term Renewal Central Valley Project Contract at a new point of diversion along the Sacramento River. In addition to providing the District up to 100 MGD of supplemental water in dry years, the FRWP can provide up to 85 MGD to SCWA in all years. The District's share of the facilities is recorded as Investment in JPA and is presented on the statement of net position.

NOTE 3: CAPITAL ASSETS

A. Summary

The District capitalizes all assets with a historical cost of at least five thousand dollars and a useful life of at least three years. Contributed capital assets are valued at their estimated acquisition value on the date contributed.

The purpose of depreciation is to spread the cost of capital assets equitably among all customers over the life of these assets, so that each customer's bill includes a pro rata share of the cost of these assets. The amount charged to depreciation expense each year represents that year's pro rata share of depreciable capital assets.

Depreciation of all capital assets in service, excluding land, is charged as an expense against operations each year and the total amount of depreciation taken over the years, called accumulated depreciation, is reported on the statement of net position as a reduction in the book value of the capital assets.

EAST BAY MUNICIPAL UTILITY DISTRICT
Notes to Basic Financial Statements
For the Years Ended June 30, 2023 and 2022
(Dollars in Thousands)

NOTE 3: CAPITAL ASSETS (CONTINUED)

Capital assets are depreciated using the straight – line method of depreciation, which means the cost of the asset is divided by its expected useful life in years and the result is charged to expense each year until the asset is fully depreciated. The District has assigned the useful lives listed below to capital assets:

| Utility plant: | Years |
|------------------------------------|--------|
| Source of supply | 25-100 |
| Raw water transmission and storage | 20-100 |
| Interception and outfall | 60-75 |
| Pumping | 25-75 |
| Treatment | 20-75 |
| Distribution | 25-75 |
| Power generation | 25-75 |
| Equipment | 5-20 |
| Plant structures | 25-75 |
| Other | 5-40 |

EAST BAY MUNICIPAL UTILITY DISTRICT
Notes to Basic Financial Statements
For the Years Ended June 30, 2023 and 2022
(Dollars in Thousands)

NOTE 3: CAPITAL ASSETS (CONTINUED)

B. Additions and Retirements

Capital assets activity for all business-type activities for the year ended June 30, 2023 was as follows:

| | Balance at June 30, 2022 | Additions and Transfers, net | Retirements and Transfers, net | Balance at June 30, 2023 |
|--|-----------------------------|---------------------------------|-----------------------------------|-----------------------------|
| Water System: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 70,747 | \$ - | \$ (23) | \$ 70,724 |
| Rights-of-way | 3,043 | - | - | 3,043 |
| Construction in progress - land/rights of way | 216 | - | - | 216 |
| Construction in progress | 722,719 | 434,959 | (214,321) | 943,357 |
| Total capital assets, not being depreciated | 796,725 | 434,959 | (214,344) | 1,017,340 |
| Capital assets, being depreciated/amortized: | | | | |
| Buildings and improvements | 281,261 | 459 | (30) | 281,690 |
| System and improvements | 5,943,162 | 201,694 | (9,324) | 6,135,532 |
| Machinery and equipment | 137,496 | 6,247 | (1,796) | 141,947 |
| Intangible assets | 389,174 | 5,923 | (17,649) | 377,448 |
| Lease assets | 2,370 | - | (827) | 1,543 |
| Subscription assets | - | 21,894 | - | 21,894 |
| Total capital assets, being depreciated/amortized: | 6,753,463 | 236,217 | (29,626) | 6,960,054 |
| Less accumulated depreciation/amortization for: | | | | |
| Buildings and improvements | (133,913) | (5,522) | 29 | (139,406) |
| System and improvements | (2,121,306) | (111,872) | 6,963 | (2,226,215) |
| Machinery and equipment | (83,974) | (8,409) | 1,713 | (90,670) |
| Intangible assets | (333,260) | (6,161) | 868 | (338,553) |
| Lease assets | (377) | (425) | - | (802) |
| Subscription assets | - | (3,241) | - | (3,241) |
| Total accumulated depreciation/amortization | (2,672,830) | (135,630) | 9,573 | (2,798,887) |
| Total capital assets, being depreciated/amortized, net | 4,080,633 | 100,587 | (20,053) | 4,161,167 |
| Water System capital assets, net | <u>\$ 4,877,358</u> | <u>\$ 535,546</u> | <u>\$ (234,397)</u> | <u>\$ 5,178,507</u> |
| Wastewater System: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 21,218 | \$ 143 | \$ - | \$ 21,361 |
| Rights-of-way | 191 | - | - | 191 |
| Construction in progress - land/rights of way | 329 | - | (139) | 190 |
| Construction in progress | 125,366 | 56,712 | (30,328) | 151,750 |
| Total capital assets, not being depreciated | 147,104 | 56,855 | (30,467) | 173,492 |
| Capital assets, being depreciated/amortized: | | | | |
| Buildings and improvements | 91,194 | 1,835 | - | 93,029 |
| System and improvements | 1,084,828 | 27,789 | - | 1,112,617 |
| Machinery and equipment | 17,637 | 205 | - | 17,842 |
| Intangible assets | 40,223 | 496 | - | 40,719 |
| Total capital assets, being depreciated/amortized: | 1,233,882 | 30,325 | - | 1,264,207 |
| Less accumulated depreciation/amortization for: | | | | |
| Buildings and improvements | (46,293) | (1,665) | - | (47,958) |
| System and improvements | (498,388) | (22,047) | - | (520,435) |
| Machinery and equipment | (13,341) | (834) | - | (14,175) |
| Intangible assets | (32,503) | (1,210) | - | (33,713) |
| Total accumulated depreciation/amortization | (590,525) | (25,756) | - | (616,281) |
| Total capital assets, being depreciated/amortized, net | 643,357 | 4,569 | - | 647,926 |
| Wastewater System capital assets, net | <u>\$ 790,461</u> | <u>\$ 61,424</u> | <u>\$ (30,467)</u> | <u>\$ 821,418</u> |
| Business-type activities capital assets, net | <u>\$ 5,667,819</u> | <u>\$ 596,970</u> | <u>\$ (264,864)</u> | <u>\$ 5,999,925</u> |

EAST BAY MUNICIPAL UTILITY DISTRICT
Notes to Basic Financial Statements
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(Dollars in Thousands)

NOTE 3: CAPITAL ASSETS (CONTINUED)

Capital assets activity for all business-type activities for the year ended June 30, 2022 was as follows:

| | Balance at June 30, 2021 | Additions and Transfers, net | Retirements and Transfers, net | Balance at June 30, 2022 |
|--|-----------------------------|---------------------------------|-----------------------------------|-----------------------------|
| Water System: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 70,747 | \$ - | \$ - | \$ 70,747 |
| Rights-of-way | 3,043 | - | - | 3,043 |
| Construction in progress - land/rights of way | 201 | 15 | - | 216 |
| Construction in progress | 635,246 | 315,712 | (228,239) | 722,719 |
| Total capital assets, not being depreciated | <u>709,237</u> | <u>315,727</u> | <u>(228,239)</u> | <u>796,725</u> |
| Capital assets, being depreciated/amortized: | | | | |
| Buildings and improvements | 252,987 | 28,274 | - | 281,261 |
| System and improvements | 5,773,457 | 175,602 | (5,897) | 5,943,162 |
| Machinery and equipment | 131,324 | 6,680 | (508) | 137,496 |
| Intangible assets | 374,097 | 15,077 | - | 389,174 |
| Lease assets | - | 2,370 | - | 2,370 |
| Total capital assets, being depreciated/amortized: | <u>6,531,865</u> | <u>228,003</u> | <u>(6,405)</u> | <u>6,753,463</u> |
| Less accumulated depreciation/amortization for: | | | | |
| Buildings and improvements | (128,664) | (5,249) | - | (133,913) |
| System and improvements | (2,017,032) | (108,486) | 4,212 | (2,121,306) |
| Machinery and equipment | (76,371) | (8,061) | 458 | (83,974) |
| Intangible assets | (325,726) | (7,574) | 40 | (333,260) |
| Lease assets | - | (377) | - | (377) |
| Total accumulated depreciation/amortization | <u>(2,547,793)</u> | <u>(129,747)</u> | <u>4,710</u> | <u>(2,672,830)</u> |
| Total capital assets, being depreciated/amortized, net | <u>3,984,072</u> | <u>98,256</u> | <u>(1,695)</u> | <u>4,080,633</u> |
| Water System capital assets, net | <u>\$ 4,693,309</u> | <u>\$ 413,983</u> | <u>\$ (229,934)</u> | <u>\$ 4,877,358</u> |
| Wastewater System: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 21,218 | \$ - | \$ - | \$ 21,218 |
| Rights-of-way | 191 | - | - | 191 |
| Construction in progress - land/rights of way | 301 | 28 | - | 329 |
| Construction in progress | 116,191 | 42,597 | (33,422) | 125,366 |
| Total capital assets, not being depreciated | <u>137,901</u> | <u>42,625</u> | <u>(33,422)</u> | <u>147,104</u> |
| Capital assets, being depreciated/amortized: | | | | |
| Buildings and improvements | 91,194 | - | - | 91,194 |
| System and improvements | 1,051,406 | 33,422 | - | 1,084,828 |
| Machinery and equipment | 17,619 | 18 | - | 17,637 |
| Intangible assets | 40,223 | - | - | 40,223 |
| Total capital assets, being depreciated/amortized: | <u>1,200,442</u> | <u>33,440</u> | <u>-</u> | <u>1,233,882</u> |
| Less accumulated depreciation/amortization for: | | | | |
| Buildings and improvements | (44,682) | (1,611) | - | (46,293) |
| System and improvements | (476,991) | (21,397) | - | (498,388) |
| Machinery and equipment | (12,435) | (906) | - | (13,341) |
| Intangible assets | (31,281) | (1,222) | - | (32,503) |
| Total accumulated depreciation/amortization | <u>(565,389)</u> | <u>(25,136)</u> | <u>-</u> | <u>(590,525)</u> |
| Total capital assets, being depreciated/amortized, net | <u>635,053</u> | <u>8,304</u> | <u>-</u> | <u>643,357</u> |
| Wastewater System capital assets, net | <u>\$ 772,954</u> | <u>\$ 50,929</u> | <u>\$ (33,422)</u> | <u>\$ 790,461</u> |
| Business-type activities capital assets, net | <u>\$ 5,466,263</u> | <u>\$ 464,912</u> | <u>\$ (263,356)</u> | <u>\$ 5,667,819</u> |

EAST BAY MUNICIPAL UTILITY DISTRICT
Notes to Basic Financial Statements
For the Years Ended June 30, 2023 and 2022
(Dollars in Thousands)

NOTE 3: CAPITAL ASSETS (CONTINUED)

C. Construction in Progress

Construction in Progress in fiscal 2022-2023 comprises:

| | Expended to Date |
|--|---------------------|
| Water System: | |
| Treatment plant upgrades | \$ 170,640 |
| Pipeline rebuild | 81,682 |
| Open cut reservoir program | 70,327 |
| Large diameter pipelines | 67,625 |
| Maloney pumping plant & water treatment plant improvements | 60,579 |
| Reservoir rehab/maintenance | 49,099 |
| Service lateral replacements | 48,349 |
| Trench soils management | 47,852 |
| Pumping plant rehabilitation | 30,031 |
| Mokelumne aqueduct 2 & 3 relining | 24,218 |
| Reservoir tower modifications | 16,339 |
| Dam operational upgrades | 15,923 |
| Pressure zone improvements | 15,224 |
| Fuel facility improvements | 14,352 |
| Pipeline system improvements | 13,386 |
| Raw water infrastructure | 12,766 |
| West of hills master plan | 12,025 |
| Pipeline relocations | 9,844 |
| Water loss control | 8,970 |
| Building facilities improvements | 8,688 |
| Other construction projects | 165,654 |
| | 943,573 |
| Wastewater System: | |
| Interceptors and pump stations | 42,957 |
| Digesters | 29,824 |
| General wastewater | 25,037 |
| Utilities and sitework | 10,139 |
| Power generation and biogas | 9,808 |
| Effluent discharge | 7,165 |
| Wet weather facilities | 5,046 |
| Resource recovery | 4,357 |
| Electricals and controls | 3,922 |
| Secondary | 2,753 |
| Preliminary treatment | 2,335 |
| Digester upgrades phase 2 | 784 |
| Dewatering | 475 |
| Nutrients | 344 |
| Pump station master plan update | 300 |
| Other construction projects | 6,694 |
| | 151,940 |
| Total District construction in progress | \$ 1,095,513 |

EAST BAY MUNICIPAL UTILITY DISTRICT
Notes to Basic Financial Statements
For the Years Ended June 30, 2023 and 2022
(Dollars in Thousands)

NOTE 3: CAPITAL ASSETS (CONTINUED)

At June 30, 2023, the District's remaining current major project commitments are estimated to be \$598,240 for the Water System and \$45,874 for the Wastewater System.

Construction in Progress in fiscal 2021-2022 comprises:

| | Expended to Date |
|--|---------------------|
| Water System: | |
| Treatment plant upgrades | \$ 105,232 |
| Pipeline rebuild | 73,830 |
| Open cut reservoir program | 63,467 |
| Maloney pumping plant & water treatment plant improvements | 57,555 |
| Large diameter pipelines | 50,074 |
| Pumping plant rehabilitation | 40,227 |
| Trench soils management | 35,776 |
| Service lateral replacements | 33,416 |
| Reservoir rehab/maintenance | 33,114 |
| Pressure zone improvements | 13,542 |
| Pipeline system improvements | 13,181 |
| Raw water infrastructure | 12,971 |
| Mokelumne aqueduct 2 & 3 relining | 12,025 |
| Pipeline relocations | 11,298 |
| Dam operational upgrades | 10,565 |
| West of hills master plan | 10,377 |
| Water transfers | 7,663 |
| Reservoir tower modifications | 7,413 |
| Pipeline system extensions | 7,285 |
| Raw water aqueduct improvements | 7,224 |
| Other construction projects | 116,700 |
| | 722,935 |
| Wastewater System: | |
| Digesters | 25,357 |
| General wastewater | 25,219 |
| Utilities and sitework | 23,259 |
| Interceptors and pump stations | 10,196 |
| Secondary | 8,536 |
| Power generation and biogas | 6,288 |
| Effluent discharge | 4,354 |
| Resource recovery | 3,652 |
| Wet weather facilities | 2,728 |
| Electricals and controls | 2,705 |
| Nutrients | 2,496 |
| Preliminary treatment | 1,832 |
| Digester upgrades phase 2 | 852 |
| Dewatering | 540 |
| Pump station master plan update | 529 |
| Other construction projects | 7,152 |
| | 125,695 |
| Total District construction in progress | \$ 848,630 |

EAST BAY MUNICIPAL UTILITY DISTRICT
Notes to Basic Financial Statements
For the Years Ended June 30, 2023 and 2022
(Dollars in Thousands)

NOTE 3: CAPITAL ASSETS (CONTINUED)

At June 30, 2022, the District's remaining current major project commitments are estimated to be \$404,666 for the Water System and \$37,309 for the Wastewater System.

NOTE 4: ACCOUNTS PAYABLE & ACCRUED EXPENSES

Accounts payable and accrued expenses at June 30, 2023 and 2022 consist of:

| | Water System | | Wastewater System | | Total | |
|------------------|------------------|------------------|-------------------|------------------|------------------|-------------------|
| | June 30, 2023 | June 30, 2022 | June 30, 2023 | June 30, 2022 | June 30, 2023 | June 30, 2022 |
| Accounts payable | \$ 44,266 | \$ 51,853 | \$ 11,223 | \$ 9,891 | \$ 55,489 | \$ 61,744 |
| Accrued salaries | 958 | 6,687 | 1,411 | 1,065 | 2,369 | 7,752 |
| Other | 36,185 | 28,788 | 2,209 | 5,277 | 38,394 | 34,065 |
| Total | <u>\$ 81,409</u> | <u>\$ 87,328</u> | <u>\$ 14,843</u> | <u>\$ 16,233</u> | <u>\$ 96,252</u> | <u>\$ 103,561</u> |

NOTE 5: COMPENSATED ABSENCES

Compensated absences as of June 30, 2023 and 2022, are included on the statement of net position separately from accounts payable and accrued expenses. In previous years, trends have shown that the District employees utilize the accruals annually, therefore, amounts payable are accrued and reported as a current liability on the financial statements.

The changes in compensated absences were as follows:

| | Water System | | Wastewater System | | Total | |
|-------------------|------------------|------------------|-------------------|------------------|------------------|------------------|
| | June 30, 2023 | June 30, 2022 | June 30, 2023 | June 30, 2022 | June 30, 2023 | June 30, 2022 |
| Beginning Balance | \$ 41,839 | \$ 39,677 | \$ 6,671 | \$ 6,424 | \$ 48,510 | \$ 46,101 |
| Additions | 40,757 | 39,607 | 6,575 | 6,003 | 47,332 | 45,610 |
| Payments | <u>(39,738)</u> | <u>(37,445)</u> | <u>(6,365)</u> | <u>(5,756)</u> | <u>(46,103)</u> | <u>(43,201)</u> |
| Ending Balance | <u>\$ 42,858</u> | <u>\$ 41,839</u> | <u>\$ 6,881</u> | <u>\$ 6,671</u> | <u>\$ 49,739</u> | <u>\$ 48,510</u> |

NOTE 6: COMMERCIAL PAPER NOTES

The District's Board of Directors has authorized the issuance of short-term indebtedness of the District in a maximum principal amount of up to the lesser of either the average of the total annual revenue for the three preceding years or 25% of the District's total outstanding bonds. Under this authority the District has established two commercial paper programs: an extendable commercial paper program and a traditional commercial paper program. The proceeds from the issuance of commercial paper under these programs are restricted as to use. Under the programs, which must be authorized by the Board of Directors every seven years by resolution subject to the right of referendum, the Water System or the Wastewater System may issue commercial paper and bank notes at prevailing interest rates for periods of not more than 270 days from the date of issuance. The program were last authorized on April 27, 2021.

EAST BAY MUNICIPAL UTILITY DISTRICT
Notes to Basic Financial Statements
For the Years Ended June 30, 2023 and 2022
(Dollars in Thousands)

NOTE 6: COMMERCIAL PAPER NOTES (CONTINUED)

The District initially established its extendable commercial paper program in March 2009. Under the extendable commercial paper program, no liquidity support agreement with a commercial bank is needed. Instead, the District limits the term of the extendable commercial paper to 120 days, and the investor agrees to extend the maturity of their investment by 150 days at a higher interest rate in the event of a failure to place new commercial paper notes to pay maturing notes, which is expected to provide the District sufficient time to find a replacement investor or refund the extendable commercial paper with a different form of debt to repay the investor.

In December 2022, the District paid off \$8.0 million in extendable commercial paper for the Wastewater System. As of June 30, 2023, there are no outstanding balances in Water and Wastewater Series extendable commercial paper notes under this program.

The District established its current traditional commercial paper program in December 2015. As of June 30, 2023, \$281 million in Water Series and \$0 in Wastewater Series commercial paper notes were outstanding under this program. The Water Series commercial paper notes included the terms of 58 to 96 days and interest rates ranging from 2.80% to 3.25% as of June 30, 2023, and the terms of 28 to 93 days and interest rates ranging from 0.80% to 1.29% as of June 30, 2022.

To provide liquidity for the Water Series notes issued under the traditional commercial paper program, the District maintains two liquidity support facilities with commercial banks: a standby letter of credit in the amount of \$158 million and a revolving credit agreement in the amount of \$137 million. Borrowings by the Water System for commercial paper notes and bank notes under the traditional commercial paper program cannot exceed the aggregate amount available under these agreements. Draws under the liquidity support facilities are restricted to pay principal on maturing Water Series commercial paper notes. There were no borrowings under the liquidity support facilities as of June 30, 2023. The liquidity support facilities expire on May 6, 2024, and June 28, 2024, respectively, and are subject to extension at the request of the District upon agreement by the issuing bank.

There were no unused proceeds of commercial paper notes as of June 30, 2023. It is the District's practice to use the commercial paper programs as a portion of the District's long-term variable rate debt exposure.

EAST BAY MUNICIPAL UTILITY DISTRICT
Notes to Basic Financial Statements
For the Years Ended June 30, 2023 and 2022
(Dollars in Thousands)

NOTE 7: LONG-TERM DEBT

A. Composition and Changes

The District generally incurs long-term debt to finance projects or purchase assets which will have useful lives equal to or greater than the related debt. The District's debt issues and transactions are summarized below and discussed in detail thereafter.

The District's debt issues and transactions during fiscal year 2022-2023 are summarized below.

| | Original Issue Amount | Balance June 30, 2022 | Additions | Retirements | Balance June 30, 2023 | Amount due within one year |
|------------------------------------|--------------------------|-----------------------------|-------------|------------------|-----------------------------|----------------------------------|
| Water System Revenue Bonds: | | | | | | |
| Subordinated Series 2010 B | | | | | | |
| 5.87%, due 6/1/40 | \$ 400,000 | \$ 400,000 | \$ - | \$ - | \$ 400,000 | \$ - |
| Series 2012 B | | | | | | |
| 1.00 - 5.00%, due 6/1/26 | 358,620 | 41,160 | - | 41,160 | - | - |
| Series 2014 A | | | | | | |
| 3.00 - 5.00%, due 6/1/35 | 128,315 | 128,315 | - | - | 128,315 | - |
| Series 2014 B | | | | | | |
| 2.00 - 5.00%, due 6/1/30 | 242,730 | 176,825 | - | 23,160 | 153,665 | 45,630 |
| Series 2014 C | | | | | | |
| 5.00%, due 6/1/44 | 75,000 | 75,000 | - | - | 75,000 | - |
| Series 2015 A | | | | | | |
| 4.00 - 5.00%, due 6/1/37 | 429,360 | 429,360 | - | 18,515 | 410,845 | 19,390 |
| Series 2015 B | | | | | | |
| 4.00 - 5.00%, due 6/1/45 | 74,335 | 74,335 | - | 2,325 | 72,010 | 1,945 |
| Series 2015 C | | | | | | |
| 4.00 - 5.00%, due 6/1/45 | 110,715 | 110,715 | - | - | 110,715 | 2,500 |
| Series 2017 A | | | | | | |
| 3.00 - 5.00%, due 6/1/45 | 185,355 | 185,355 | - | - | 185,355 | - |
| Series 2017 B | | | | | | |
| 3.00 - 5.00%, due 6/1/37 | 309,665 | 296,160 | - | - | 296,160 | - |
| Series 2019 A | | | | | | |
| 5.00%, due 6/1/49 | 161,820 | 154,300 | - | 2,825 | 151,475 | 2,965 |
| Series 2022 A | | | | | | |
| 5.00% - 5.25%, due 6/1/52 | 133,950 | 133,950 | - | - | 133,950 | 305 |
| Series 2022 B-1 | | | | | | |
| 5.00%, due 6/1/37 | 72,105 | 72,105 | - | 190 | 71,915 | - |
| Series 2022 B-2 | | | | | | |
| 5.00%, due 6/1/34 | 103,850 | 103,850 | - | 2,270 | 101,580 | 6,665 |
| Total water long-term bonds | | <u>\$ 2,381,430</u> | <u>\$ -</u> | <u>\$ 90,445</u> | <u>\$ 2,290,985</u> | <u>\$ 79,400</u> |

EAST BAY MUNICIPAL UTILITY DISTRICT
Notes to Basic Financial Statements
For the Years Ended June 30, 2023 and 2022
(Dollars in Thousands)

NOTE 7: LONG-TERM DEBT (CONTINUED)

| | Original Issue Amount | Balance June 30, 2022 | Additions | Retirements | Balance June 30, 2023 | Amount due within one year |
|--|--------------------------|-----------------------------|---------------------|---------------------|-----------------------------|----------------------------------|
| Wastewater System Revenue Bonds: | | | | | | |
| Subordinated Series 2010 B | | | | | | |
| 5.03 - 5.18%, due 6/1/40 | \$ 150,000 | \$ 150,000 | \$ - | \$ - | \$ 150,000 | \$ - |
| Series 2014 A | | | | | | |
| 2.00 - 5.00%, due 6/1/31 | 82,150 | 43,610 | - | 7,095 | 36,515 | 7,415 |
| Series 2015 A-1 | | | | | | |
| 5.00%, due 6/1/37 | 54,805 | 54,805 | - | - | 54,805 | - |
| Series 2015 A-2 | | | | | | |
| 5.00%, due 6/1/38 | 13,565 | 13,565 | - | - | 13,565 | - |
| Series 2015 B | | | | | | |
| 2.10 - 3.35% , due 6/1/30 | 2,795 | 1,620 | - | 180 | 1,440 | 185 |
| Series 2017 A | | | | | | |
| 4.00 - 5.00%, due 6/1/45 | 69,420 | 52,810 | - | 4,735 | 48,075 | 4,975 |
| Series 2022 A | | | | | | |
| 5.00%, due 6/1/45 | 18,140 | 18,140 | - | 1,585 | 16,555 | 1,735 |
| Series 2022 B | | | | | | |
| 5.00%, due 6/1/37 | 17,345 | 17,345 | - | - | 17,345 | - |
| Total wastewater long-term bonds | | 351,895 | - | 13,595 | 338,300 | 14,310 |
| Total long-term bonds | | 2,733,325 | - | 104,040 | 2,629,285 | 93,710 |
| Water Loans: | | | | | | |
| State Water Resources Control Board | | | | | | |
| 2008 East Bayshore, Recycled | | | | | | |
| Water Project | | | | | | |
| 2.40%, due 4/1/28 | 20,100 | 6,965 | - | 1,093 | 5,872 | 1,119 |
| 2018 South Reservoir | | | | | | |
| Replacement Project | | | | | | |
| 1.70%, due 7/1/48 | 13,998 | 12,937 | - | 400 | 12,537 | 406 |
| 2018 MacArthur Davenport | | | | | | |
| Pipeline Replacement Project | | | | | | |
| 1.70%, due 7/1/49 | 12,045 | 11,171 | - | 329 | 10,842 | 335 |
| Total water loans | | 31,073 | - | 1,822 | 29,251 | 1,860 |
| Total long-term loans | | 31,073 | - | 1,822 | 29,251 | 1,860 |
| Commercial Paper (see Note 6) | | | | | | |
| Water System Commercial Paper | | 295,000 | 1,798,220 | 1,812,220 | 281,000 | |
| Wastewater System Commercial | | 8,000 | 16,000 | 24,000 | - | |
| Total commercial paper | | 303,000 | 1,814,220 | 1,836,220 | 281,000 | |
| Amount due within one year | | (91,587) | (3,983) | - | (95,570) | |
| Add: Unamortized premium, net | | 247,928 | - | 30,217 | 217,711 | |
| Total long-term liabilities, net | | \$ 3,223,739 | \$ 1,810,237 | \$ 1,972,299 | \$ 3,061,677 | \$ 95,570 |

EAST BAY MUNICIPAL UTILITY DISTRICT
Notes to Basic Financial Statements
For the Years Ended June 30, 2023 and 2022
(Dollars in Thousands)

NOTE 7: LONG-TERM DEBT (CONTINUED)

The District's debt issues and transactions during fiscal year 2021-2022 are summarized below.

| | Original Issue Amount | Balance June 30, 2021 | Additions | Retirements | Balance June 30, 2022 | Amount due within one year |
|--|--------------------------|-----------------------------|-------------------|-------------------|-----------------------------|----------------------------------|
| Water System Revenue Bonds: | | | | | | |
| Subordinated Series 2008 A | | | | | | |
| 0.59% variable rate, due 6/1/38 | \$ 322,525 | \$ 105,250 | \$ - | \$ 105,250 | \$ - | \$ - |
| Subordinated Series 2010 B | | | | | | |
| 5.87%, due 6/1/40 | 400,000 | 400,000 | - | - | 400,000 | - |
| Series 2012 A (Private Placement) | | | | | | |
| 5.00%, due 6/1/37 | 191,750 | 81,750 | - | 81,750 | - | - |
| Series 2012 B | | | | | | |
| 1.00 - 5.00%, due 6/1/26 | 358,620 | 86,390 | - | 45,230 | 41,160 | 26,885 |
| Series 2014 A | | | | | | |
| 3.00 - 5.00%, due 6/1/35 | 128,315 | 128,315 | - | - | 128,315 | - |
| Series 2014 B | | | | | | |
| 2.00 - 5.00%, due 6/1/30 | 242,730 | 199,185 | - | 22,360 | 176,825 | 23,160 |
| Series 2014 C | | | | | | |
| 5.00%, due 6/1/44 | 75,000 | 75,000 | - | - | 75,000 | - |
| Series 2015 A | | | | | | |
| 4.00 - 5.00%, due 6/1/37 | 429,360 | 429,360 | - | - | 429,360 | 18,515 |
| Series 2015 B | | | | | | |
| 4.00 - 5.00%, due 6/1/45 | 74,335 | 74,335 | - | - | 74,335 | 2,325 |
| Series 2015 C | | | | | | |
| 4.00 - 5.00%, due 6/1/45 | 110,715 | 110,715 | - | - | 110,715 | - |
| Series 2017 A | | | | | | |
| 3.00 - 5.00%, due 6/1/45 | 185,355 | 185,355 | - | - | 185,355 | - |
| Series 2017 B | | | | | | |
| 3.00 - 5.00%, due 6/1/37 | 309,665 | 296,160 | - | - | 296,160 | - |
| Series 2019 A | | | | | | |
| 5.00%, due 6/1/49 | 161,820 | 156,990 | - | 2,690 | 154,300 | 2,825 |
| Series 2022 A | | | | | | |
| 5.00% - 5.25%, due 6/1/52 | 133,950 | - | 133,950 | - | 133,950 | - |
| Series 2022 B-1 | | | | | | |
| 5.00%, due 6/1/37 | 72,105 | - | 72,105 | - | 72,105 | 190 |
| Series 2022 B-2 | | | | | | |
| 5.00%, due 6/1/34 | 103,850 | - | 103,850 | - | 103,850 | 2,270 |
| Total water long-term bonds | | <u>\$ 2,328,805</u> | <u>\$ 309,905</u> | <u>\$ 257,280</u> | <u>\$ 2,381,430</u> | <u>\$ 76,170</u> |

EAST BAY MUNICIPAL UTILITY DISTRICT
Notes to Basic Financial Statements
For the Years Ended June 30, 2023 and 2022
(Dollars in Thousands)

NOTE 7: LONG-TERM DEBT (CONTINUED)

| | Original Issue Amount | Balance June 30, 2021 | Additions | Retirements | Balance June 30, 2022 | Amount due within one year |
|--|--------------------------|-----------------------------|---------------------|---------------------|-----------------------------|----------------------------------|
| Wastewater System Revenue Bonds: | | | | | | |
| Subordinated Series 2010 B | | | | | | |
| 5.03 - 5.18%, due 6/1/40 | \$ 150,000 | \$ 150,000 | \$ - | \$ - | \$ 150,000 | \$ - |
| Series 2012 A (Private) | | | | | | |
| 5.00% , due 6/1/37 | 20,000 | 20,000 | - | 20,000 | - | - |
| Series 2014 A | | | | | | |
| 2.00 - 5.00%, due 6/1/31 | 82,150 | 50,415 | - | 6,805 | 43,610 | 7,095 |
| Series 2015 A-1 | | | | | | |
| 5.00%, due 6/1/37 | 54,805 | 54,805 | - | - | 54,805 | - |
| Series 2015 A-2 | | | | | | |
| 5.00%, due 6/1/38 | 13,565 | 13,565 | - | - | 13,565 | - |
| Series 2015 B | | | | | | |
| 2.10 - 3.35% , due 6/1/30 | 2,795 | 1,800 | - | 180 | 1,620 | 180 |
| Series 2017 A | | | | | | |
| 4.00 - 5.00%, due 6/1/45 | 69,420 | 57,305 | - | 4,495 | 52,810 | 4,735 |
| Series 2022 A | | | | | | |
| 5.00%, due 6/1/45 | 18,140 | - | 18,140 | - | 18,140 | 1,585 |
| Series 2022 B | | | | | | |
| 5.00%, due 6/1/37 | 17,345 | - | 17,345 | - | 17,345 | - |
| Total wastewater long-term bonds | | 347,890 | 35,485 | 31,480 | 351,895 | 13,595 |
| Total long-term bonds | | 2,676,695 | 345,390 | 288,760 | 2,733,325 | 89,765 |
| Water Loans: | | | | | | |
| State Water Resources Control Board | | | | | | |
| 2008 East Bayshore, Recycled | | | | | | |
| Water Project | | | | | | |
| 2.40%, due 4/1/28 | 20,100 | 8,032 | - | 1,067 | 6,965 | 1,093 |
| 2018 South Reservoir | | | | | | |
| Replacement Project | | | | | | |
| 1.70%, due 7/1/48 | 13,998 | 13,330 | - | 393 | 12,937 | 400 |
| 2018 MacArthur Davenport | | | | | | |
| Pipeline Replacement Project | | | | | | |
| 1.70%, due 7/1/49 | 12,045 | 11,495 | - | 324 | 11,171 | 329 |
| Total water loans | | 32,857 | - | 1,784 | 31,073 | 1,822 |
| Total long-term loans | | 32,857 | - | 1,784 | 31,073 | 1,822 |
| Commercial Paper (see Note 6) | | | | | | |
| Water System Commercial Paper | | 312,800 | 1,695,105 | 1,712,905 | 295,000 | |
| Wastewater System Commercial | | 9,300 | 55,800 | 57,100 | 8,000 | |
| Total commercial paper | | 322,100 | 1,750,905 | 1,770,005 | 303,000 | |
| Amount due within one year | | (83,544) | (8,043) | - | (91,587) | |
| Add: Unamortized premium, net | | 238,888 | 45,024 | 35,984 | 247,928 | |
| Total long-term liabilities, net | | \$ 3,186,996 | \$ 2,133,276 | \$ 2,096,533 | \$ 3,223,739 | \$ 91,587 |

EAST BAY MUNICIPAL UTILITY DISTRICT
Notes to Basic Financial Statements
For the Years Ended June 30, 2023 and 2022
(Dollars in Thousands)

NOTE 7: LONG-TERM DEBT (CONTINUED)

B. Description of the District's Long-Term Debt Issues

Revenue-supported debt can be authorized by the District's Board of Directors, subject to a referendum process.

The net revenues of the Water System are pledged toward the repayment of the Water Revenue Bonds and the State Water Resources Control Board (SWRCB) Parity Loans of the Water System. The net revenues of the Wastewater System are pledged toward the repayment of the Wastewater Revenue Bonds of the Wastewater System.

The District is subject to certain revenue bond covenants on outstanding debt which require the setting of rates and charges to yield net revenues of the respective Water System or Wastewater System, as applicable, equal to at least 110% of the current annual debt service requirements for all revenue bonds and other parity obligations of the respective Water System or Wastewater System. The District has designated \$182 million (\$150 million for the Water System and \$32 million for the Wastewater System) of operating reserves as a rate stabilization fund, which is available to satisfy the coverage requirements for debt service in future years. There have never been any draws for this purpose.

Upon the occurrence and continuation of an event of default under the Water System Revenue Bond Indenture or Wastewater System Revenue Bond indenture, the principal amounts of (and accrued interest on) the respective system's revenue bonds can be accelerated and declared immediately due and payable by the registered bondholders of a majority in aggregate principal amount of the then outstanding bonds upon written notice delivered to the District. Failure to pay debt service when due and the occurrence of certain insolvency or bankruptcy-related events are events of default. Failure to observe or perform the covenants and agreements under the Indenture for a period of 60 days after written notice of such failure is given to the District is also an event of default unless the District has taken all action reasonably possible to remedy such failure within 60 days and the District diligently proceeds to remedy the failure. A default by the District under any agreement governing Parity Debt which continues after the applicable grace period, if any, is also an event of default.

In December 2022, the District refunded \$14.3 million of the District's Water System Subordinated Revenue Bond Series 2012B maturing on and after June 1, 2024.

C. Debt Service Requirements

Annual debt service requirements for fiscal year 2022-2023 are shown below for the above debt issues:

| For the Year Ending June 30 | Water System | | Wastewater System | | Total | |
|-----------------------------------|---------------------|---------------------|-------------------|-------------------|---------------------|---------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2024 | \$ 81,260 | \$ 115,892 | \$ 14,310 | \$ 16,853 | \$ 95,570 | \$ 132,745 |
| 2025 | 85,190 | 111,950 | 14,975 | 16,140 | 100,165 | 128,090 |
| 2026 | 89,320 | 107,806 | 15,670 | 15,392 | 104,990 | 123,198 |
| 2027 | 93,722 | 103,369 | 14,030 | 14,616 | 107,752 | 117,985 |
| 2028 | 98,304 | 98,768 | 14,730 | 13,915 | 113,034 | 112,683 |
| 2029 - 2033 | 569,607 | 415,778 | 72,685 | 60,120 | 642,292 | 475,898 |
| 2034 - 2038 | 723,762 | 261,017 | 100,725 | 35,972 | 824,487 | 296,989 |
| 2039 - 2043 | 415,962 | 87,583 | 84,255 | 11,135 | 500,217 | 98,718 |
| 2044 - 2048 | 149,088 | 16,605 | 6,920 | 483 | 156,008 | 17,088 |
| 2049 - 2052 | 14,021 | 934 | - | - | 14,021 | 934 |
| Totals | <u>\$ 2,320,236</u> | <u>\$ 1,319,703</u> | <u>\$ 338,300</u> | <u>\$ 184,626</u> | <u>\$ 2,658,536</u> | <u>\$ 1,504,329</u> |

EAST BAY MUNICIPAL UTILITY DISTRICT
Notes to Basic Financial Statements
For the Years Ended June 30, 2023 and 2022
(Dollars in Thousands)

NOTE 7: LONG-TERM DEBT (CONTINUED)

Annual debt service requirements for fiscal year 2021-2022, including the swap payments are shown below for the above debt issues:

| For the Year Ending June 30 | Water System | | Wastewater System | | Total | |
|-----------------------------------|--------------|--------------|-------------------|------------|--------------|--------------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2023 | \$ 77,992 | \$ 119,405 | \$ 13,595 | \$ 17,458 | \$ 91,587 | \$ 136,863 |
| 2024 | 85,835 | 116,497 | 14,310 | 16,853 | 100,145 | 133,350 |
| 2025 | 89,945 | 112,371 | 14,975 | 16,140 | 104,920 | 128,511 |
| 2026 | 94,265 | 108,033 | 15,670 | 15,392 | 109,935 | 123,425 |
| 2027 | 93,722 | 103,370 | 14,030 | 14,616 | 107,752 | 117,986 |
| 2028 - 2032 | 542,673 | 442,699 | 69,280 | 63,554 | 611,953 | 506,253 |
| 2033 - 2037 | 689,511 | 295,539 | 110,815 | 41,437 | 800,326 | 336,976 |
| 2038 - 2042 | 511,264 | 114,632 | 89,070 | 15,679 | 600,334 | 130,311 |
| 2043 - 2047 | 201,840 | 25,697 | 10,150 | 955 | 211,990 | 26,652 |
| 2048 - 2052 | 25,456 | 2,119 | - | - | 25,456 | 2,119 |
| Totals | \$ 2,412,503 | \$ 1,440,362 | \$ 351,895 | \$ 202,084 | \$ 2,764,398 | \$ 1,642,446 |

NOTE 8: LEASES

The District implemented GASB Statement No. 87 in the fiscal year ended June 30, 2023, which establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset.

A. Leases Right of Use Assets/Leases Payable

Lessee

Under GASB Statement No. 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset.

The District is a lessee primarily in three general categories: land, office, and wells. All of these leases are on the Water System. The District recognizes its obligations for various agreements in accordance within GASB Statement No. 87, which measures right to use leased assets, associated accumulated amortization, and the result of which are leases payable. The District is reporting lease right of use assets of \$1,543, accumulated amortization \$802, and leases payable \$1,581 at June 30, 2023.

Right-to-Use Leased Assets:

Land and building leases - The District has seventeen real property lease agreements with various lessors with lease terms ranging from 1 year to 32 years including options for renewal. There are multiple purposes for these leases including:

- Operations of monitoring wells and a pumping station
- Access and installation of utilities service equipment
- Laboratory research to conduct biological tests
- Warehousing equipment

EAST BAY MUNICIPAL UTILITY DISTRICT
Notes to Basic Financial Statements
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NOTE 8: LEASES (CONTINUED)

- Office space for administration and operations
- Maintenance of groundwater monitoring wells
- Water sampling and testing

The District makes monthly payments for the respective leases with ending term dates ranging from year 2024 to 2055.

Right-to-use leased assets include the following as of June 30, 2023:

| Lease Type | Major Class of Underlying Assets | Amount of Leased Capital Assets | Accumulated Amortization |
|-------------|----------------------------------|---------------------------------------|-----------------------------|
| Real Estate | Land and buildings | \$ 1,543 | \$ 802 |

Principal and Interest Payment Requirements:

Future principal and interest requirements to maturity for each lease liability as of June 30, 2023 are as follows:

| Fiscal Year | Land and Building Leases | | |
|-------------|--------------------------|----------|----------|
| | Principal | Interest | Total |
| 2024 | \$ 420 | \$ 13 | \$ 433 |
| 2025 | 354 | 16 | 370 |
| 2026 | 349 | 20 | 369 |
| 2027 | 70 | 7 | 77 |
| 2028 | 52 | 6 | 58 |
| 2029-2033 | 178 | 26 | 204 |
| 2034-2038 | 34 | 8 | 42 |
| 2039-2043 | 44 | 12 | 56 |
| 2044-2048 | 28 | 9 | 37 |
| 2049-2053 | 10 | 4 | 14 |
| 2054-2058 | 4 | 2 | 6 |
| Total | \$ 1,543 | \$ 123 | \$ 1,666 |

B. Leases Receivable/Deferred Inflows of Resources

Lessor

Under GASB Statement No. 87, a lessor is required to recognize a lease receivable and a deferred inflow of resources.

The District functions as a landlord or lessor to tenants for the right-to-use real estate for the varied purposes including farming, parking, parks and recreation, and for the right to place cellular towers for communications. The District is reporting leases receivable of \$37,768 and deferred inflow of resources of \$37,593 at June 30, 2023.

EAST BAY MUNICIPAL UTILITY DISTRICT
Notes to Basic Financial Statements
For the Years Ended June 30, 2023 and 2022
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NOTE 8: LEASES (CONTINUED)

Inflows of Resources

Inflows of resources recognized as of June 30, 2023 consisted of the following:

| Inflows of Resources | Water System | Wastewater System | Total |
|----------------------|-----------------|----------------------|-----------------|
| Lease Revenue | \$ 3,086 | \$ 1,424 | \$ 4,510 |
| Interest Revenue | 92 | 23 | 115 |
| Total | <u>\$ 3,178</u> | <u>\$ 1,447</u> | <u>\$ 4,625</u> |

A description of the general types of lessor leases follows:

Land Leases – the District oversees and manages thirty properties ranging from 1 year to 25-year agreements with each lease entered with different lessees. The purpose of these leases include granting rights for the purposes of parking, parks and recreation, livestock grazing, access to limited septic systems, storage of shipping containers, and creation of a vehicle refueling station. Based on these agreements, the District is receiving annual or monthly payments from the respective leases with ending term dates ranging from 2024 through 2043. Renewal options are present for several, but not all, of the leases typically ranging in increments of 5 years either once or twice for respective leases.

Billboard Leases – on March 23, 2010, the District entered into a twenty-year lease agreement with Clear Channel Outdoor Inc. for the lease of billboard space at the main wastewater treatment plant. Based on this agreement, the District is receiving monthly payments through 2030. There are no renewal options included in this lease agreement.

Telecom Leases – the District oversees and manages 43 telecom leases, with all but one residing on the Water Side. The leases range from 1 year to 10-year agreements, with most of them being 5-year terms with 5-year renewal options. There are various lessees, all of which are for the purpose of communications and include AT&T, Verizon, T-Mobile, Sprint, and related sector entities. Based on these agreements, the District is receiving monthly payments through 2033.

The tables below summarize the total remaining lease receivables/deferred lease receivables/deferred lease inflows and lease interest receivable at estimated discount rates, based on generic credit spreads for AA rated tax-exempt entities for each respective lease as of June 30, 2023:

Annualized Payment Schedule: (Water System)

| Fiscal Year | Land | | Total |
|-------------|-----------------|---------------|-----------------|
| | Principal | Interest | |
| 2024 | \$ 830 | \$ 39 | \$ 869 |
| 2025 | 839 | 53 | 892 |
| 2026 | 868 | 71 | 939 |
| 2027 | 706 | 78 | 784 |
| 2028 | 661 | 87 | 748 |
| 2029-2033 | 822 | 122 | 944 |
| 2034-2038 | 258 | 59 | 317 |
| 2039-2043 | 125 | 32 | 157 |
| Total | <u>\$ 5,109</u> | <u>\$ 541</u> | <u>\$ 5,650</u> |

EAST BAY MUNICIPAL UTILITY DISTRICT
Notes to Basic Financial Statements
For the Years Ended June 30, 2023 and 2022
(Dollars in Thousands)

NOTE 8: LEASES (CONTINUED)

| Telecom | | | |
|-------------|------------------|-----------------|------------------|
| Fiscal Year | Principal | Interest | Total |
| 2024 | \$ 2,194 | \$ 100 | \$ 2,294 |
| 2025 | 2,071 | 133 | 2,204 |
| 2026 | 1,862 | 161 | 2,023 |
| 2027 | 1,709 | 188 | 1,897 |
| 2028 | 1,665 | 219 | 1,884 |
| 2029-2033 | 8,180 | 1,256 | 9,436 |
| 2034-2038 | 2,285 | 423 | 2,708 |
| Total | <u>\$ 19,966</u> | <u>\$ 2,480</u> | <u>\$ 22,446</u> |

| Water System Total | | | |
|--------------------|------------------|-----------------|------------------|
| Fiscal Year | Principal | Interest | Total |
| 2024 | \$ 3,025 | \$ 139 | \$ 3,164 |
| 2025 | 2,909 | 187 | 3,096 |
| 2026 | 2,730 | 232 | 2,962 |
| 2027 | 2,415 | 265 | 2,680 |
| 2028 | 2,326 | 306 | 2,632 |
| 2029-2033 | 9,002 | 1,379 | 10,381 |
| 2034-2038 | 2,543 | 481 | 3,024 |
| 2039-2043 | 125 | 32 | 157 |
| Total | <u>\$ 25,075</u> | <u>\$ 3,021</u> | <u>\$ 28,096</u> |

Annualized Payment Schedule: (Wastewater System)

| Billboard | | | |
|-------------|-----------------|--------------|-----------------|
| Fiscal Year | Principal | Interest | Total |
| 2024 | \$ 358 | \$ 5 | \$ 363 |
| 2025 | 358 | 5 | 363 |
| 2026 | 378 | 6 | 384 |
| 2027 | 393 | 6 | 399 |
| 2028 | 393 | 6 | 399 |
| 2029-2033 | 950 | 15 | 965 |
| Total | <u>\$ 2,830</u> | <u>\$ 43</u> | <u>\$ 2,873</u> |

| Land | | | |
|-------------|-----------------|---------------|-----------------|
| Fiscal Year | Principal | Interest | Total |
| 2024 | \$ 1,041 | \$ 17 | \$ 1,058 |
| 2025 | 1,107 | 18 | 1,125 |
| 2026 | 1,139 | 20 | 1,159 |
| 2027 | 1,138 | 19 | 1,157 |
| 2028 | 1,148 | 18 | 1,166 |
| 2029-2033 | 2,469 | 44 | 2,513 |
| 2034-2038 | 1,217 | 23 | 1,240 |
| Total | <u>\$ 9,259</u> | <u>\$ 159</u> | <u>\$ 9,418</u> |

EAST BAY MUNICIPAL UTILITY DISTRICT
Notes to Basic Financial Statements
For the Years Ended June 30, 2023 and 2022
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NOTE 8: LEASES (CONTINUED)

| Telecom | | | |
|-------------|---------------|--------------|---------------|
| Fiscal Year | Principal | Interest | Total |
| 2024 | \$ 65 | \$ 3 | \$ 68 |
| 2025 | 66 | 4 | 70 |
| 2026 | 67 | 6 | 73 |
| 2027 | 74 | 7 | 81 |
| 2028 | 77 | 9 | 86 |
| 2029-2033 | 255 | 35 | 290 |
| Total | <u>\$ 604</u> | <u>\$ 64</u> | <u>\$ 668</u> |

| Wastewater System Total | | | |
|-------------------------|------------------|---------------|------------------|
| Fiscal Year | Principal | Interest | Total |
| 2024 | \$ 1,464 | \$ 26 | \$ 1,490 |
| 2025 | 1,530 | 28 | 1,558 |
| 2026 | 1,584 | 31 | 1,615 |
| 2027 | 1,606 | 32 | 1,638 |
| 2028 | 1,618 | 33 | 1,651 |
| 2029-2033 | 3,674 | 93 | 3,767 |
| 2034-2038 | 1,217 | 23 | 1,240 |
| Total | <u>\$ 12,693</u> | <u>\$ 266</u> | <u>\$ 12,959</u> |

In addition to the leases, the District has some operating agreements that are defined as leases due to the nature of the agreements. These are contracts with vendors that provide a service to the public in exchange for consideration to the District, including maintenance and capital improvements to the leased EBMUD owned facilities. The consideration received by the District is primarily variable based on a percentage of gross receipts by the lessees. Further detail is described herein:

Concession Contracts/Leases - The District oversees and manages four concessionaire leases on the Water Side. The leases operate at the Camanche, Pardee, and San Pablo reservoirs. The use of the EBMUD premises conveys rights and privileges for the following activities:

Camanche Area (2 concessionaires)

- a. Marinas Moorage, Docks, Slips and Service Stations
- b. Food Service and Store Facilities
- c. Entrance Gates, Parking Lots, Picnic Areas, Staging Areas, and Trails.
- d. Hunting for waterfowl and upland game birds (Separate Concessionaire)

Pardee Area

- e. Marinas Moorage, Docks, Slips and Service Station
- f. Food Service and Store Facilities
- g. Entrance Gates, Parking Lots, Day Use Picnic Areas, and Trails.
- h. Overnight Camping and Recreational Vehicle (RV) Facilities

San Pablo Area

- i. Boating and Fishing
- j. Boat Rental Marina
- k. Visitor Center Building and Café/Retail Facilities
- l. Alcoholic Beverages
- m. Entrance Gates, Parking, Picnic Areas, and Trails
- n. Miscellaneous facilities

EAST BAY MUNICIPAL UTILITY DISTRICT
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NOTE 8: LEASES (CONTINUED)

In addition to these three recreational areas, the Lafayette Area, is managed by the District itself and does not rely upon a concessionaire. The Lafayette Recreation Area is a year-round, day-use park used for hiking, jogging, fishing, boating, and picnicking.

The concession agreements for Camanche, Pardee, and San Pablo areas vary in length and have been in existence for years. Currently the various agreements have expiration dates ranging from years 2026 to 2031. The agreements have had amendments in the past, typically with options to extend the leases an additional five to ten years and it is probable that these amendments will continue to be in place with further options to extend in multi-year increments. Based on these current agreements, the District is receiving monthly payments through 2031. Each of the concession agreements have variable inflows often depending on gross receipts by the concessionaire. The only fixed portion relates to the Camanche Area concessionaire, who starting in FY2023 agreed to pay the District \$250,000 per annum through the remaining term of the contract in addition to its variable portion.

Camanche and Pardee have contract agreements have franchise fees that are paid to the District, which are variable based on gross receipts.

Camanche, Pardee, and San Pablo also pay into Fishing Access Funds and Maintenance Capital Improvement Funds, which are held in custodianship by the District and audited regularly by the District's internal audit function to ensure compliance with contract agreements. These funds are funded by the concessionaires to ensure that infrastructure at recreational areas will continue at an acceptable level. Funding is not estimable for future years as it is variable depending on gross receipts.

NOTE 9: SBITAS

The District implemented GASB Statement No. 96 in the fiscal year ended June 30, 2023. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. The District recognizes its obligations for various agreements in accordance within GASB Statement No. 96, which measures SBITAs – right of use assets of \$21,894, accumulated amortization – SBITAs of \$3,241, and SBITAs payable of \$4,333 at June 30, 2023.

On August 13, 2019, the District entered into an information technology subscription agreement with DLT Solutions to obtain Oracle Fusion Cloud Financial, Procurement, Inventory and Budgeting services for 5 years with an option to renewal for an addition five-year period. The total cost of the initial 5 years plus the 1 five-year extension is \$3,568. The agreement with the extension option ends on August 12, 2029. The remaining summarized debt service schedule on the subscription agreement as of June 30, 2023, is as follows (in thousand):

| DLT Solutions | | | |
|---------------|-----------------|---------------|-----------------|
| Fiscal Year | Principal | Interest | Total |
| 2024 | \$ 306 | \$ 47 | \$ 353 |
| 2025 | 328 | 40 | 368 |
| 2026 | 339 | 32 | 371 |
| 2027 | 347 | 23 | 370 |
| 2028 | 356 | 15 | 371 |
| 2029-2033 | 427 | 6 | 433 |
| Total | <u>\$ 2,103</u> | <u>\$ 163</u> | <u>\$ 2,266</u> |

EAST BAY MUNICIPAL UTILITY DISTRICT
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NOTE 9: SBITAS (CONTINUED)

On March 13, 2018, the District commenced services in an information technology subscription agreement entered with ConvergeOne to obtain Cloud based data-voice hosting, application and support services for 5 years with an option to renewal for 2 additions one-year period. The total cost of the initial 5 years plus the 2 one-year extensions is \$385. The agreement with the extension options ends on March 12, 2025. The remaining summarized debt service schedule on the subscription agreement as of June 30, 2023, is as follows (in thousand):

| Converge One | | | |
|--------------|-----------|----------|--------|
| Fiscal Year | Principal | Interest | Total |
| 2024 | \$ 202 | \$ 6 | \$ 208 |
| 2025 | 155 | 2 | 157 |
| Total | \$ 357 | \$ 8 | \$ 365 |

On January 24, 2023, the District commenced services in an information technology subscription agreement entered with Crayon Software Experts LLC for supplying Microsoft Enterprise Agreement for Microsoft Office 365, Enterprise Mobility and Security, Endpoint Operating Systems, and management software required to manage the District's workstation fleet for three years, beginning on February 1, 2023 for a total cost, after the addition of taxes, not to exceed \$2,235. The agreement ends on January 31, 2026. The remaining summarized debt service schedule on the subscription agreement as of June 30, 2023, is as follows (in thousand):

| Crayon Software Experts, LLC | | | |
|------------------------------|-----------|----------|----------|
| Fiscal Year | Principal | Interest | Total |
| 2024 | \$ 698 | \$ 37 | \$ 735 |
| 2025 | 737 | 20 | 757 |
| 2026 | 438 | 4 | 442 |
| Total | \$ 1,873 | \$ 61 | \$ 1,934 |

NOTE 10: NET POSITION

Net Position is the excess of all the District's assets and deferred outflows over all its liabilities and deferred inflows, regardless of fund. Net Position is divided into three captions. These captions apply only to Net Position and are described below:

Net Investment in Capital Assets describes the portion of Net Position which is represented by the current net book value of the District's capital assets, less the outstanding balance of any debt issued to finance these assets and any related deferred outflows and inflows.

Restricted describes the portion of Net Position which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the District cannot unilaterally alter. These principally include developer fees received for use on capital projects, debt service requirements, and fees charged for the provision of future water resources.

Unrestricted describes the portion of Net Position which is not restricted to use.

EAST BAY MUNICIPAL UTILITY DISTRICT
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NOTE 11: EMPLOYEES' RETIREMENT PLAN

A. Description

The Employees' Retirement System is a single-employer, contributory, defined benefit pension plan (the Plan) which provides retirement, disability, survivorship, and post-employment healthcare benefits for eligible directors, officers, and employees of the District. The Plan is administered by a Retirement Board composed of three members appointed by the District's Board of Directors and two members elected by and from the active membership of the Plan, and a nonvoting member elected by the retirees of the Plan. Retirement Ordinance No. 40 assigns the authority to establish Plan benefit provisions to the District's Board of Directors. A stand-alone financial report of the Employees' Retirement System is available. Please send request to the Controller, Accounting Division, P.O. Box 24055, Oakland, CA 94623-1055 or visit the District website at <http://www.ebmud.com>.

All regular full-time employees of the District are members of the Plan in addition to certain job share and intermittent employees. In accordance with the ordinance governing the System, eligible employees become members on the first day they are physically on the job. Members become vested in the Plan after five years of continuous full-time employment. Vested members who terminate employment may elect a refund of their contributions or leave them in the Plan until eligible to receive benefits.

The Plan is funded by contributions from its members and from the District. District contribution percentages are recommended by the Retirement Board; employee contribution rates are established by the Board of Directors pursuant to the Ordinance, giving consideration to actuarial recommendations and prospective changes in factors which affect funding.

B. Retirement Benefits and Allowances

Within the Pension Plan, there are two tiers in effect currently, the 1980 Plan and the 2013 Plan. Employees who became Members of the Retirement System prior to January 1, 2013, or who have reciprocal membership prior to January 1, 2013, are in the 1980 Plan (1980 Plan Members). Employees who became Members on or after January 1, 2013, or who have reciprocal membership after January 1, 2013 are in the 2013 Plan (2013 Plan Members).

1980 Plan Members may elect voluntary reduced service retirement upon attaining the age of 54 and completing 5 years of continuous full-time employment. Members may elect voluntary unreduced service retirement upon attaining the age of 62 and completing 5 years of continuous full-time employment or age 65 without restriction. Members who continue to work upon attaining the normal retirement age of 65 continue to contribute to the Plan, and at the time they retire, computation of their retirement allowance is based upon their compensation and length of service as of the date of retirement. Service retirement allowances are computed by formulas specified in the Ordinance and are based on date of employment, length of employment, age at date of retirement, and compensation earned during employment.

2013 Plan Members may elect voluntary reduced service upon attaining the age of 52 and completing 5 years of continuous full-time employment. Members may elect voluntary unreduced service retirement upon attaining the age of 67 and completing 5 years of continuous full-time employment. Members who continue to work upon attaining the normal retirement age of 67 continue to contribute to the Plan, and at the time they retire, computation of their allowance is based upon their compensation and length of service as of the date of retirement. Service retirement allowances are computed by formulas specified in the Ordinance and are based on length of service, age at retirement, and compensation earned during employment.

C. Post-employment Healthcare Cost

In addition to retirement benefits, the District provides post-employment health benefits assistance (administered by the Employees' Retirement System) for employees who retire from the District or their surviving spouses. As of June 30, 2022 (date of latest actuarial valuation), there were 1,806 participants receiving these health care benefits.

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Notes to Basic Financial Statements
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NOTE 11: EMPLOYEES' RETIREMENT PLAN (CONTINUED)

Effective July 1, 1996, a 20-year vesting schedule for full benefits was implemented for all new participants. Eligible participants are reimbursed up to \$450 per month for service members and up to \$550 for members with a spouse or registered domestic partner for any combined health, dental, or long-term care insurance premiums paid by the participant or his/her surviving spouse. Effective July 1, 1999, retirees may be reimbursed up to the designated maximum for the combined health insurance premiums for themselves, their current spouses, or registered domestic partners. The benefits were funded entirely by the District on an actuarial basis up until June 17, 2002. Effective June 18, 2002, a portion of the post-employment healthcare benefit costs is recovered through employee contributions. The actual benefits paid in cash to retirees were \$9,705 and \$9,341 for the years ended June 30, 2023 and 2022, respectively.

Membership in the OPEB Plan consisted of the following as of June 30, 2022, the measurement date of the latest actuarial valuation:

| | |
|---|--------------|
| Retirees and beneficiaries receiving benefits | 1,806 |
| Terminated plan members entitled to but not yet receiving benefits | 360 |
| Active plan members | 1,895 |
| Total | <u>4,061</u> |

D. Actuarial Assumptions and Funding Policy

The Plan's funding policy provides for periodic District contributions at actuarially determined amounts sufficient to accumulate the necessary assets to pay benefits when due as specified by ordinance. The individual entry age normal method is used to determine the normal cost for other post-employment benefits (OPEB) and service cost for pension, and the OPEB unfunded actuarial accrued liability (past service liability) is amortized as a level percentage of future payroll over 30 years open period.

District adopted contribution rates for the year ended June 30, 2023 are as follows:

1980 Plan:

| | |
|-----------------------------------|--------|
| Pension plan: | |
| Employer service cost | 18.42% |
| Toward unfunded pension liability | 23.95% |

Other post-employment benefits:

| | |
|--------------------------------------|-------|
| Employer normal cost | 1.05% |
| Unfunded actuarial accrued liability | 3.74% |

2013 Plan:

| | |
|-----------------------------------|--------|
| Pension plan: | |
| Employer service cost | 9.72% |
| Toward unfunded pension liability | 23.60% |

Other post-employment benefits:

| | |
|--------------------------------------|-------|
| Employer normal cost | 0.75% |
| Unfunded actuarial accrued liability | 3.77% |

EAST BAY MUNICIPAL UTILITY DISTRICT
Notes to Basic Financial Statements
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NOTE 11: EMPLOYEES' RETIREMENT PLAN (CONTINUED)

District adopted contribution rates for fiscal year 2023-2024 are as follows:

1980 Plan:

| | |
|--------------------------------------|--------|
| Pension plan: | |
| Employer service cost | 19.24% |
| Toward unfunded pension liability | 24.49% |
| Other post-employment benefits: | |
| Employer normal cost | 0.99% |
| Unfunded actuarial accrued liability | 3.76% |

2013 Plan:

| | |
|--------------------------------------|--------|
| Pension plan: | |
| Employer service cost | 10.20% |
| Toward unfunded pension liability | 24.49% |
| Other post-employment benefits: | |
| Employer normal cost | 0.76% |
| Unfunded actuarial accrued liability | 3.76% |

EAST BAY MUNICIPAL UTILITY DISTRICT
Notes to Basic Financial Statements
For the Years Ended June 30, 2023 and 2022
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NOTE 11: EMPLOYEES' RETIREMENT PLAN (CONTINUED)

Significant assumptions used to compute contribution requirements from the latest unaudited actuarial are as follows:

| | |
|-------------------------------|------------------------------|
| Valuation date | June 30, 2022 |
| Actuarial cost method | Entry Age Normal Cost Method |
| Amortization method | Level percent of payroll |
| Remaining amortization period | |

Plan changes, assumption changes, and experience gains/losses prior to July 1, 2011 are amortized over separate decreasing 30-year amortization periods. On or after July 1, 2011, plan changes are amortized over separate decreasing 15-year periods; assumption changes are amortized over separate decreasing 25 year periods; experience gains/losses are amortized over separate decreasing 20 year periods. On or after July 1, 2021, assumption or method changes are amortized over separate decreasing 20-year periods.

| | |
|-------------------------|---|
| Assets valuation method | Market value of assets less unrecognized returns in each last five years. Unrecognized return is equal to the difference between the actual market return and the expected return on the market value, and is recognized over a five year period, further adjusted, if necessary, to be within 30% of the market value. |
|-------------------------|---|

| | |
|-------------------------------------|---|
| Actuarial assumptions: | |
| Net Investment Return | 6.75%, net of Pension Plan investment expense, including inflation |
| Average projected salary increases* | Ranges from 3.75% to 9.25% based on years of service |
| Inflation rate | 2.50% |
| Cost-of-living adjustments | 2.75% per annum |
| Mortality | Pre-retirement: Pub-2010 General Employee Amount-Weighted Above-Median Mortality Tables, projected generationally with the two-dimensional mortality improvement scale MP-2020. |

Post-retirement:

Healthy Members- Pub-2010 General Healthy Retiree Amount-Weighted Above-Median Mortality Tables with rates increased by 5% for males, projected generationally with the two-dimensional mortality improvement scale MP-2020.

Disabled Members- Pub-2010 Non-Safety Disabled Retiree Amount-Weighted Mortality Tables with rates increased by 5% for males, projected generationally with the two-dimensional mortality improvement scale MP-2020.

Beneficiaries- Pub-2010 Contingent Survivor Amount-Weighted Above-Median Mortality Tables with rates increased by 5% for males and females, projected generationally with the two-dimensional mortality improvement scale MP-2020.

*Includes inflation of 2.50% plus across the board salary increase of 0.50% plus merit and promotional increases.

EAST BAY MUNICIPAL UTILITY DISTRICT
Notes to Basic Financial Statements
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NOTE 11: EMPLOYEES' RETIREMENT PLAN (CONTINUED)

E. Contributions Required and Contributions Made

Contributions for the years ended June 30, 2023, and June 30, 2022, based on the June 30, 2022, actuarial valuation (latest available and includes amounts for post-employment healthcare benefits), were as follows:

| | 2023 | | | 2022 |
|------------------------|------------|----------------------------|------------|------------|
| | Pension | Healthcare Benefit Plan | Total | |
| Regular contributions: | | | | |
| District contributions | \$ 95,103 | \$ 11,420 | \$ 106,523 | \$ 102,285 |
| Member contributions | 21,794 | 223 | 22,017 | 21,014 |
| | 116,897 | 11,643 | 128,540 | 123,299 |
| Other contributions: | | | | |
| Member buybacks | 71 | - | 71 | 113 |
| | \$ 116,968 | \$ 11,643 | \$ 128,611 | \$ 123,412 |

Regular District and member contributions in fiscal year 2023 represent an aggregate of 43.03% and 8.89% of covered payroll, respectively. The District's contributions include amounts for post-employment healthcare benefits at a rate of 4.70% of covered payroll. The actual payroll for the District employees covered by the Plan for the year ended June 30, 2023, was \$247,569 which was 89.73% of the total District payroll of \$275,899.

The total District contributions of \$106,523 is comprised of the normal cost of \$40,734 and the unfunded actuarial accrued liability of \$65,789.

Regular District and member contributions in fiscal year 2022 represent an aggregate of 43.50% and 8.94% of covered payroll, respectively. The District's contributions include amounts for post-employment healthcare benefits at a rate of 4.63% of covered payroll, determined by the actuarial valuation dated June 30, 2021. The actual payroll for the District employees covered by the Plan for the year ended June 30, 2022, was \$235,151 which was 89.37% of the total District payroll of \$263,110.

The total District contributions of \$102,285 is comprised of the normal cost of \$39,553 and the unfunded actuarial accrued liability of \$62,732.

Member buyback contributions relate to prior years' service credits for Plan participants. The Plan was amended in 1998 for limited temporary construction workers and in 2003 for intermittent employees to allow current members, who previously worked for the District in a status which did not qualify for membership in the System, to establish retirement service credit for prior service with payments over a period of two to eight years.

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Notes to Basic Financial Statements
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NOTE 11: EMPLOYEES' RETIREMENT PLAN (CONTINUED)

F. Net Pension Liability

The net pension liability (the Plan's liability determined in accordance with GASB 68 less the fiduciary net position) as of June 30, is as shown below:

| | 2023 | 2022 |
|--------------------------------|-------------------|-------------------|
| Total Pension Liability | \$ 2,835,771 | \$ 2,605,614 |
| Plan Fiduciary Net Position | (2,005,352) | (2,270,763) |
| Employer Net Pension Liability | <u>\$ 830,419</u> | <u>\$ 334,851</u> |

| | | |
|--|------------|------------|
| Plan Fiduciary Net Position as a Percentage of Total Pension Liability | 70.72% | 87.15% |
| Covered Payroll | \$ 233,940 | \$ 221,809 |
| Liability as a Percentage of Covered Payroll | 354.97% | 150.96% |

The actuarial assumptions used in the June 30, 2022 valuation were based on the July 1, 2016 through June 30, 2020 Actuarial Experience Study report dated November 12, 2020 and the June 30, 2022 Economic Assumptions Review report dated November 8, 2022. Actuarial valuation of the ongoing System involves estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment mortality and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Employers' net pension liability presents multi-year trend information about whether the plan fiduciary net positions are increasing or decreasing over time relative to the total pension liability. These schedules are presented in the Required Supplementary Information section. The net pension liability was measured as of June 30, 2022 and 2021, while the total pension liability was determined based upon the results of the actuarial valuations as of June 30, 2022 and 2021, respectively.

For the year ended June 30, 2023, the District recognized pension expense as follows:

| | <u>Water</u> | <u>Wastewater</u> | <u>Total</u> |
|--|------------------|-------------------|------------------|
| Contributions made after measurement date | \$ (81,712) | \$ (13,392) | \$ (95,104) |
| Current year changes in the net pension liability: | | | |
| Service cost | 44,479 | 7,227 | 51,706 |
| Interest on total pension liability | 156,101 | 25,363 | 181,464 |
| Member contributions | (17,992) | (2,923) | (20,915) |
| Projected earnings on investments | (136,149) | (22,121) | (158,270) |
| Difference in expected and actual earnings | 69,537 | 11,298 | 80,835 |
| Other | (1,799) | (1,043) | (2,842) |
| Total current year activity | <u>114,177</u> | <u>17,801</u> | <u>131,978</u> |
| Total pension expense | <u>\$ 32,465</u> | <u>\$ 4,409</u> | <u>\$ 36,874</u> |

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Notes to Basic Financial Statements
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NOTE 11: EMPLOYEES' RETIREMENT PLAN (CONTINUED)

At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | | Deferred Inflows of Resources | |
|---|--------------------------------|------------------|-------------------------------|-----------------|
| | Water | Wastewater | Water | Wastewater |
| Pension contributions subsequent to measurement date | \$ 81,712 | \$ 13,392 | \$ - | \$ - |
| Differences between expected and actual experiences | 46,209 | 7,508 | 22,929 | - |
| Changes of assumption | 90,374 | 14,684 | - | - |
| Change in proportion and difference between employer contributions and proportionate share of contributions | 1,593 | 1 | 1 | 1,593 |
| Net difference between projected and actual earnings on pension plan investments | 128,569 | 20,890 | - | 3,726 |
| Total | \$ 348,457 | \$ 56,475 | \$ 22,930 | \$ 5,319 |

A total of \$95,103 was reported as deferred outflows of resources related to contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

| Year Ended | Water | Wastewater |
|------------|-------------------|------------------|
| June 30 | | |
| 2024 | \$ 65,609 | \$ 9,952 |
| 2025 | 54,839 | 8,370 |
| 2026 | 27,578 | 4,170 |
| 2027 | 86,523 | 13,846 |
| Thereafter | 9,266 | 1,426 |
| | <u>\$ 243,815</u> | <u>\$ 37,764</u> |

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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NOTE 11: EMPLOYEES' RETIREMENT PLAN (CONTINUED)

The target allocation and projected arithmetic real rates of return, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumption for each major asset class are summarized below:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Arithmetic Expected Real Rate of Return</u> |
|---|--------------------------|--|
| Domestic Large Cap Equity | 21.75% | 5.60% |
| Domestic Small Cap Equity | 3.25% | 6.63% |
| Developed International Large Cap Equity | 17.50% | 6.39% |
| Emerging Market Equity | 7.50% | 8.34% |
| Core Bond | 20.00% | 0.59% |
| High-Yield Bond | 2.50% | 3.22% |
| Bank Loan | 2.50% | 2.76% |
| Real Estate | 5.00% | 5.00% |
| Covered Calls | 20.00% | 5.07% |
| Total | <u>100.00%</u> | |

The discount rates used to measure the total pension liability was 6.75% and 7.00% as of June 30, 2022, and June 30, 2021 respectively. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on Pension Plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of both June 30, 2022 and June 30, 2021.

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NOTE 11: EMPLOYEES' RETIREMENT PLAN (CONTINUED)

Changes in net pension liability for fiscal year ended June 30, 2023 were as follows:

| | Increase (Decrease) | | |
|---|-----------------------------------|---------------------------------------|---|
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (c) = (a) - (b) |
| Beginning Balance | \$ 2,605,614 | \$ 2,270,763 | \$ 334,851 |
| Changes Recognized during the Measurement Period: | | | |
| Service cost | 51,706 | - | 51,706 |
| Interest on total pension liability | 181,464 | - | 181,464 |
| Difference between expected and actual experience | 54,808 | - | 54,808 |
| Changes of assumptions | 72,119 | - | 72,119 |
| Contributions from the employer | - | 91,393 | (91,393) |
| Contributions from the employee | - | 20,915 | (20,915) |
| Net investment income | - | (245,904) | 245,904 |
| Benefit payments, including refunds of employee contributions | (129,940) | (129,940) | - |
| Administrative expenses | - | (1,875) | 1,875 |
| Net Changes during the Measurement Period | 230,157 | (265,411) | 495,568 |
| Ending Balance | \$ 2,835,771 | \$ 2,005,352 | \$ 830,419 |

In accordance with GASB 67 regarding the disclosure of the sensitivity of the net pension liability to changes in the discount rate, the following table presents the net pension liability of the Plan as of June 30, 2022, calculated using the discount rate of 6.75% as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1- percentage-point higher (7.75%) than the current rate:

| | 1% Decrease (5.75%) | Current Discount (6.75%) | 1% Increase (7.75%) |
|-----------------------|------------------------|-----------------------------|------------------------|
| Net Pension Liability | \$ 1,202,025 | \$ 830,419 | \$ 523,303 |

G. Net OPEB Liability

The net OPEB liability (The Plan's liability determined according to GASB 74) as of June 30, is shown below:

| | 2022 | 2021 |
|-----------------------------|------------|------------|
| Total OPEB Liability | \$ 181,229 | \$ 201,135 |
| Plan Fiduciary Net Position | (53,571) | (57,959) |
| Employer Net OPEB Liability | \$ 127,658 | \$ 143,176 |

| | | |
|--|--------|--------|
| Plan Fiduciary Net Position as a Percentage of Total OPEB Liability | 29.56% | 28.82% |
|--|--------|--------|

The actuarial assumptions used in the June 30, 2022 valuation were based on the July 1, 2016 through June 30, 2020 Actuarial Experience Study report dated November 12, 2020, the June 30, 2022 Economic Assumptions Review report dated November 8, 2022, and the Retiree Health assumptions letter dated January 12, 2023. They are the same as the assumptions used in the June 30, 2022, funding actuarial valuation except the discount rate is calculated as a blend of the investment return on plan assets and municipal bond rate in

EAST BAY MUNICIPAL UTILITY DISTRICT
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NOTE 11: EMPLOYEES' RETIREMENT PLAN (CONTINUED)

accordance with GASB 74, and implicit subsidy benefit payments are based on the age-based costs. The net OPEB liability is measured as of June 30, 2022 and 2021 and is not adjusted or rolled forward to the June 30, 2023 and 2022 reporting dates.

A summary of the actuarial assumptions as of the latest actuarial valuation is shown below:

| | |
|-------------------------------------|--|
| Valuation date | June 30, 2022 |
| Actuarial cost method | Entry Age Normal Cost Method |
| Amortization method | Level percent of payroll |
| Remaining amortization period | Plan changes, assumption changes, and experience gains/losses prior to July 1, 2011 are amortized over separate decreasing 30-year amortization periods. On or after July 1, 2011, plan changes are amortized over separate decreasing 15-year periods; assumption changes are amortized over separate decreasing 25-year periods; and experience gains/losses and retiree health assumption changes are amortized over separate decreasing 20-year periods. The amortization methodology described above correspond to that used in the June 30, 2020 valuation, which determined the ADC for the fiscal year ending June 30, 2022. |
| Assets valuation method | Market value of assets less unrecognized returns in each of the last five years. Unrecognized return is equal to the difference between the actual market return and the expected return on the market value, and is recognized over a five year period, further adjusted, if necessary, to be within 30% of the market value. |
| Actuarial assumptions: | |
| Net Investment Return | 5.35%, net of OPEB Plan investment expense, including inflation |
| Average projected salary increases* | Ranges from 3.75% to 9.25% based on years of service |
| Inflation rate | 2.50% |
| Health Care Trend | Non-Medicare: 7.125% graded down to 4.50% over 11 years Medicare: 6.125% graded down to 4.50% over 7 years |
| HIB increases | 0.00% |
| Mortality | <i>Pre-Retirement- Pub-2010 General Employee Headcount-Weighted Above-Median Mortality Tables, projected generationally with the two-dimensional mortality improvement scale MP-2020.</i> <i>Post-Retirement Healthy Members- Pub-2010 General Healthy Retiree Headcount-Weighted Above-Median Mortality Tables with rates increased by 5% for males, projected generationally with the two-dimensional mortality improvement scale MP-2020.</i> <i>Post-Retirement Disabled Members- Pub-2010 Non-Safety Disabled Retiree Headcount-Weighted Mortality Tables with rates increased by 5% for males, projected generationally with the two-dimensional mortality improvement scale MP-2020.</i> <i>Beneficiaries - Pub-2010 Contingent Survivor Headcount-Weighted Above-Median Mortality Tables with rates increased by 5% for males and females, projected generationally with the two-dimensional mortality improvement scale MP-2020.</i> |

*Includes inflation of 2.50% plus across the board salary increase of 0.50% plus merit and promotional increases.

EAST BAY MUNICIPAL UTILITY DISTRICT
Notes to Basic Financial Statements
For the Years Ended June 30, 2023 and 2022
(Dollars in Thousands)

NOTE 11: EMPLOYEES' RETIREMENT PLAN (CONTINUED)

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and subtracting expected investment expenses and a risk margin.

The target allocation and projected arithmetic real rates of return, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumption for each major asset class are summarized below:

| Asset Class | Target Allocation | Long-Term Expected Arithmetic Real Rate of Return |
|---|-------------------|--|
| Domestic Large Cap Equity | 21.75% | 5.60% |
| Domestic Small Cap Equity | 3.25% | 6.63% |
| Developed International Large Cap Equity | 17.50% | 6.39% |
| Emerging Market Equity | 7.50% | 8.34% |
| Core Bond | 20.00% | 0.59% |
| High-Yield Bonds | 2.50% | 3.22% |
| Bank Loans | 2.50% | 2.76% |
| Real Estate | 5.00% | 5.00% |
| Covered Calls | 20.00% | 5.07% |
| Total | <u>100.00%</u> | |

The municipal bond rates used to determine the blended discount rate, as discussed below, were 3.54% and 2.16% which are based on the 20-year municipal bond rate for the Bond Buyer 20-Bond GO Index as of June 30, 2022 and June 30, 2021, respectively.

The discount rates used to measure the total OPEB liability were 5.35% and 3.99% as of June 30, 2022 and June 30, 2021, respectively. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates for the \$450/\$550 HIB Subsidy excluding the implicit subsidy that will continue to be paid on a pay-as-you-go basis. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Only the implicit subsidies for current members were included as employer contributions since the employer is funding the implicit subsidy on a pay-as-you-go basis.

Based on those assumptions, the OPEB Plan's fiduciary net position was projected to be available to make projected future benefit payments for current plan members through June 30, 2049. Therefore, the long-term expected rate of return on OPEB Plan investments (6.75%) was applied to periods of projected benefit payments through June 30, 2049, and the 20-year municipal bond rate (3.54%) was applied to periods after June 30, 2049, to determine the total OPEB liability.

EAST BAY MUNICIPAL UTILITY DISTRICT
Notes to Basic Financial Statements
For the Years Ended June 30, 2023 and 2022
(Dollars in Thousands)

NOTE 11: EMPLOYEES' RETIREMENT PLAN (CONTINUED)

Change in Net OPEB liability for fiscal year ended June 30, 2023 were as follows:

| | Increase (Decrease) | | |
|---|--------------------------------|---------------------------------------|--|
| | Total OPEB Liability (a) | Plan Fiduciary Net Position (b) | Net OPEB Liability (c) = (a) - (b) |
| Beginning Balance | \$ 201,135 | \$ 57,959 | \$ 143,176 |
| Changes Recognized during the Measurement Period: | | | |
| Service cost | 6,725 | - | 6,725 |
| Interest on total OPEB liability | 8,061 | - | 8,061 |
| Changes in benefit terms | - | - | - |
| Difference between expected and actual experience | 5,102 | - | 5,102 |
| Changes of assumptions | (28,016) | - | (28,016) |
| Contributions from the employer | - | 10,892 | (10,892) |
| Contributions from the employee | - | 212 | (212) |
| Net investment income | - | (6,105) | 6,105 |
| Administrative expenses | - | (46) | 46 |
| Benefit payments, including implicit subsidies* | (11,778) | (11,778) | - |
| Other** | - | 2,437 | (2,437) |
| Net Changes during the Measurement Period | (19,906) | (4,388) | (15,518) |
| Ending Balance | \$ 181,229 | \$ 53,571 | \$ 127,658 |

* Sum of cash benefit payments (\$9,341) and estimated implicit subsidy benefit payments (\$2,436) for 2022.
Sum of cash benefit payments (\$9,223) and estimated implicit subsidy benefit payments (\$2,421) for 2021.

** The total employer contributions for estimated implicit subsidy

In accordance with GASB 74 regarding the disclosure of the sensitivity of the net OPEB liability to changes in the discount rate, the following table presents the net OPEB liability of the Plan as of June 30, 2022, calculated using the discount rate of 5.35% as well as what the Plan's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.35%) or 1-percentage-point higher (6.35%) than the current rate:

| | 1% Decrease (4.35%) | Current Discount (5.35%) | 1% Increase (6.35%) |
|--------------------|------------------------|-----------------------------|------------------------|
| Net OPEB Liability | \$ 146,500 | \$ 127,658 | \$ 111,603 |

Additionally, in accordance with GASB 74 regarding disclosure of the sensitivity of the net OPEB liability to changes in the trend rate (only applied to implicit subsidy and not the \$450/\$550 cash subsidy), the following table presents the net OPEB liability of the Plan as of June 30, 2022, calculated using the current trend rates as well as what the Plan's net OPEB liability would be if it were calculated using a trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

| | 1% Decrease | Current Trend | 1% Increase |
|--------------------|-------------|---------------|-------------|
| Net OPEB Liability | \$ 124,586 | \$ 127,658 | \$ 131,129 |

EAST BAY MUNICIPAL UTILITY DISTRICT
Notes to Basic Financial Statements
For the Years Ended June 30, 2023 and 2022
(Dollars in Thousands)

NOTE 11: EMPLOYEES' RETIREMENT PLAN (CONTINUED)

For the year ended June 30, 2023, the District recognized OPEB expense as follows:

| | <u>Water</u> | <u>Wastewater</u> | <u>Total</u> |
|---|-------------------|-------------------|-------------------|
| Contributions made after measurement date | \$ (9,789) | \$ (1,631) | \$ (11,420) |
| Current year changes in the net OPEB liability: | | | |
| Service cost | 5,775 | 950 | 6,725 |
| Interest on total OPEB liability | 6,923 | 1,138 | 8,061 |
| Member contributions | (182) | (30) | (212) |
| Projected earnings on investments | (3,536) | (581) | (4,117) |
| Difference in expected and actual earnings | 1,756 | 289 | 2,045 |
| Other | (4,221) | (866) | (5,087) |
| Total current year activity | <u>6,515</u> | <u>900</u> | <u>7,415</u> |
| Total OPEB Expense | <u>\$ (3,274)</u> | <u>\$ (731)</u> | <u>\$ (4,005)</u> |

Components of deferred outflows of resources and deferred inflows of resources related to OPEB at June 30, 2023 were as follows:

| | <u>Deferred Outflows of Resources</u> | | <u>Deferred Inflows of Resources</u> | |
|---|---------------------------------------|-------------------|--------------------------------------|-------------------|
| | <u>Water</u> | <u>Wastewater</u> | <u>Water</u> | <u>Wastewater</u> |
| OPEB contributions subsequent to measurement date | \$ 9,789 | \$ 1,631 | \$ - | \$ - |
| Differences between expected and actual experiences | 3,903 | 642 | 3,413 | 561 |
| Changes of assumption | 12,928 | 2,126 | 19,947 | 3,280 |
| Change in proportion and difference between employer contributions and proportionate share of contributions | 319 | - | - | 319 |
| Net difference between projected and actual earnings on OPEB plan investments | 2,508 | 412 | - | - |
| Total | <u>\$ 29,447</u> | <u>\$ 4,811</u> | <u>\$ 23,360</u> | <u>\$ 4,160</u> |

\$11,420 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended June 30, 2024. Amounts reported as deferred outflows and resources and deferred inflows of resources related to OPEB will be recognized as future OPEB expense as follows:

| Year Ended June 30 | <u>Water</u> | <u>Wastewater</u> |
|-----------------------|-------------------|-------------------|
| 2024 | \$ 641 | \$ (41) |
| 2025 | 719 | 1 |
| 2026 | (1,116) | (243) |
| 2027 | (1,276) | (241) |
| Thereafter | (2,670) | (456) |
| | <u>\$ (3,702)</u> | <u>\$ (980)</u> |

EAST BAY MUNICIPAL UTILITY DISTRICT
Notes to Basic Financial Statements
For the Years Ended June 30, 2023 and 2022
(Dollars in Thousands)

NOTE 11: EMPLOYEES' RETIREMENT PLAN (CONTINUED)

H. Public Employees' Pension Reform Act (PEPRA)

Assembly Bill 340 (AB 340) created the Public Employees' Pension Reform Act (PEPRA) that implemented new benefit formulas and final compensation periods. PEPRA also implemented new contribution requirements for employees hired on or after January 1, 2013, who meet the definition of a new member under PEPRA. In the System, Members covered under PEPRA are 2013 Plan Members.

The table below provides the details of the 2013 Plan provisions in accordance with PEPRA.

| | |
|---|----------------------------------|
| Benefit Formula | 2.5% at Age 67 |
| Final Compensation Period | Average of last 3 years |
| Employer Normal Cost Contribution Rate as a percentage payroll | 9.72% of Reportable Compensation |
| Member Normal Cost Contribution Rate as a percentage of payroll | 9.41% of Reportable Compensation |

The employer contribution rate listed above was in effect as of June 30, 2023. In accordance with the provisions of PEPRA, the member contribution rate shown above was originally set at 50 percent of the expected total normal cost rate for the benefits that will apply to new members on January 1, 2013. Under PEPRA, the member contributions rate is adjusted when the normal cost deviates by 1% or more from the original PEPRA valuation in 2013. The member contribution rate was last adjusted on July 1, 2021. The total normal cost rate for 2013 Plan Members for fiscal year 2023 is 19.13% of payroll.

NOTE 12: RISK MANAGEMENT

The District has purchased commercial insurance for general, property, public officials' liability and workers' compensation. During the fiscal year ended June 30, 2023, the District paid \$2,916 for current year coverage.

The District's liability, property, and workers' compensation risks are insured by commercial insurance carriers, all of which are subject to the District's self-insurance retentions, which vary by type of coverage.

Selected other coverages are:

| Coverage | Policy Limit | Self-insurance retention |
|----------------------------------|-----------------|------------------------------------|
| Workers' Compensation | Statutory Limit | \$5,000 |
| All risk property (except flood) | \$200,000 | 500 |
| Flood | 25,000 | 1,500 |
| Liability | 90,000 | 10,000 Water/ 10,000 Wastewater |
| Crime | 10,000 | 25 |
| Boiler and Machinery | 25,000 | 25 |
| Pardee and Camanche Dams | 25,000 | 25 |
| Main Wastewater Treatment Plant | 25,000 | 25 |

EAST BAY MUNICIPAL UTILITY DISTRICT
Notes to Basic Financial Statements
For the Years Ended June 30, 2023 and 2022
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NOTE 12: RISK MANAGEMENT (CONTINUED)

Settled claims have not exceeded the District's policy limits in any of the past five fiscal years.

Claim expenses and liabilities are recorded when it is probable that a loss has occurred, and the amount of that loss can be reasonably estimated. As of June 30, 2023, the amount of these liabilities was \$52,407. This amount (which has not been discounted) has been actuarially determined and includes an estimate of incurred but not reported losses. Changes in the reported liability are as follows:

| | <u>2023</u> | <u>2022</u> |
|--|------------------|------------------|
| Liability at beginning of year | \$ 63,118 | \$ 53,912 |
| Current year claims and changes in estimates | (2,736) | 17,377 |
| Payments of claims | <u>(7,975)</u> | <u>(8,171)</u> |
| Liability at end of year | <u>\$ 52,407</u> | <u>\$ 63,118</u> |
| Estimated liability: | | |
| Due within one year | \$ 11,992 | \$ 11,095 |
| Due in more than one year | 40,415 | 52,023 |
| | <u>\$ 52,407</u> | <u>\$ 63,118</u> |

NOTE 13: KNOWN ENVIRONMENTAL LIABILITIES

GASB Statement No. 49, Accounting and Financial Reporting for Pollution Remediation Obligations, provides guidance on accounting and financial reporting for pollution remediation obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities. Pollution remediation activities include: pre-cleanup activities, cleanup activities, external government oversight and enforcement, and operation and maintenance of the remedy. The following is a summary of the District's known environmental liabilities as of August 17, 2023, that may meet the requirements of GASB Statement No. 49:

- Under a National Pollutant Discharge Elimination System (NPDES) permit issued by the San Francisco Regional Water Quality Control Board, discharges from the District's wet weather facilities are prohibited. In 2014, the District signed a Consent Decree on this matter that focuses on the excess wet weather flow entering the District's system and allows discharges to continue while work to reduce them is performed. The Consent Decree requires the District and its seven satellite agencies to do a range of work to reduce flows, including working with property owners to address leaks in their private sewer laterals. In 2022, the District achieved interim compliance by exceeding the required benchmarks for reductions in discharge volumes from the wet weather facilities. The Consent Decree is expected to be in place until 2036. The District's cost to meet the requirements in the Consent Decree is approximately \$5 million/year.
- In summer 2016, the Central Valley Regional Water Quality Control Board (CVRWQCB) requested that the District produce a technical report to reexamine the groundwater network at the Camanche North Shore (CANS) and Camanche South Shore (CASS) Wastewater Treatment Plants including the effectiveness of existing monitoring wells and hydraulic connections between the wastewater ponds and the aquifers. The technical report for CANS was provided in March 2017. The CVRWQCB stated in its winter 2018 response that it agreed with the CANS recommendations in the technical report and subsequently required the District to submit a work plan for new well installations as well as conduct additional monitoring. In May 2018, the District submitted its response to the CVRWQCB, including the work plan for the new CANS wells.

EAST BAY MUNICIPAL UTILITY DISTRICT
Notes to Basic Financial Statements
For the Years Ended June 30, 2023 and 2022
(Dollars in Thousands)

NOTE 13: KNOWN ENVIRONMENTAL LIABILITIES (CONTINUED)

The District never received formal approval on the CANS workplan. In March 2022, the District submitted a proposal to the CVRWQCB for an updated CANS groundwater monitoring well network that would enhance the groundwater quality monitoring. The proposal requests that the CVRWQCB's review of the on-file 2018 workplan for new well installations be put on hold until the new network was considered. Once the new proposal is approved, it will result in the installation of five new wells better strategically located, in addition to reducing the network from the current nine wells to a total of six. The District is awaiting a response from CVRWQCB. In August 2018, the District submitted a required technical memorandum for CASS. In September 2018, the District submitted an assessment report for the cap on the closed CASS landfill also required by the CVRWQCB. The CVRWQCB has not responded to either submittal. The CVRWQCB requested additional analysis for the CASS facility which is ongoing. It is possible that the CVRWQCB could mandate the District to construct wastewater treatment pond upgrades. At this preliminary planning stage, it is estimated that the cost would be approximately \$6.6 million to upgrade the existing facilities or, alternatively, approximately \$7.8 million to construct a joint wastewater project with Amador County. Earlier this year, the District conducted a condition assessment of the CASS wastewater treatment plant's groundwater monitoring well network. The existing wells are ending their life span, so the District took a proactive approach to determine if network improvements are available for better groundwater quality monitoring. The District is reviewing the assessment findings and respective recommendations to determine next steps.

- The Alameda County Department of Environmental Health (ACDEH) requested that the District conduct site investigations at the Adeline Maintenance Center (AMC) Shops to define the extent of petroleum hydrocarbons in soil and groundwater associated with former underground storage tanks (USTs). The District completed site investigations in accordance with an approved work plan in 2009. The results indicated that elevated concentrations of petroleum hydrocarbons remain in soil and groundwater in localized areas near the former USTs. In June 2016, the ACDEH then requested that the District conduct a Sensitive Receptor Survey for the AMC Shops parcel and that all environmental data collected during previous investigations be posted to the State's GeoTracker website, after which a meeting would be scheduled to agree upon final actions necessary to obtain regulatory closure of the site under the State Water Resource Control Board's (SWRCB) Low Threat Closure Policy. The ACDEH met with the District in July 2018 to discuss next steps towards site closure. In 2021, the ACDEH requested a Site Conceptual Model and Workplan to help address data gaps for the site. Both were delivered to the ACDEH. The work was conducted, and sampling results delivered to the ACDEH in the summer of 2023. The ACDEH will review the results and potentially recommend further site characterization based on the results that indicate the groundwater plume has not been completely delineated.
- In April 2023 the CVRWQCB requested that the District submit a workplan to address potential non-compliant discharges from watershed lands into Camanche Reservoir. The Lancha Plana Historic Area (Lancha Plana) is located in the north-east portion of Camanche Reservoir. The Lancha Plana pond, which has formed behind an earthen embankment, holds low-pH water from presumed historic mine workings upstream from the site. It is unknown who originally constructed the historic embankment or when. The pond is approximately a half-acre in size and has an average depth of approximately 6 to 8 feet which fluctuates based on precipitation. The earthen embankment has a spillway and has been observed to spill periodically during extreme rainfall events but, dries up relatively quickly after rainfall ceases. The earthen embankment was flagged as a watch area by the District when it incurred minor damage that was discovered during extreme rainfall events in 2017 and in 2023. Actions have been taken to protect the embankment including installation of exclusion fencing to keep cattle away from the embankment to prevent any further degradation.

A plan for temporary repairs was submitted to the CVRWQCB and will be implemented over several months. Once the site is stable, the CVRWQCB may require a permanent remediation solution for the site. Ongoing work at the location may cost up to \$1 million.

- In November 2022 the District removed a 12,000-gallon diesel Underground Storage Tank (UST) from its Fleet East Facility located in the City of Walnut Creek in accordance with regulatory requirements. The tank removal was part of an upgrade project at the vehicle maintenance facility. Required soils monitoring was performed in association with the UST removal and results indicated that in a few locations the soil exceeded Environmental Screening Levels for Total Extractable Petroleum Hydrocarbons (TPH-d). At their request,

EAST BAY MUNICIPAL UTILITY DISTRICT
Notes to Basic Financial Statements
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(Dollars in Thousands)

NOTE 13: KNOWN ENVIRONMENTAL LIABILITIES (CONTINUED)

the San Francisco Regional Water Quality Control Board (SFRWQCB) has provided a detailed history of tank removals at the site. After review they may require additional monitoring and/or remediation at the facility to obtain site closure under their SWRCB Low Threat Closure Policy. Ongoing sampling, monitoring and potential remediation work may cost up to \$100,000 depending on the agreed upon scope.

- The District operates many facilities throughout Northern California that have NPDES permits, waste discharge requirements, and air permits. The total estimated liability for all known violations, excluding the items detailed above, is less than \$350,000.

NOTE 14: CONTINGENT LIABILITIES

In the normal course of operations, the District is a party to various claims, legal actions and complaints, including challenges over certain rates and charges. The ultimate outcome of these matters is not presently determinable. In the opinion of the District, these actions when finally adjudicated will not have a material adverse effect on the financial position of the District.

NOTE 15: COMMITMENTS AND CONTINGENCIES

Central Valley Project

In December 1970, the District entered into a contract with the US Bureau of Reclamation for access to up to 150,000 acre feet per year of Central Valley Project (CVP) water from a diversion point on the American River. The successor contract, the Long Term Renewal Contract, was executed in in April 2006 with a 40 year term. The Long Term Renewal Contract provides for delivery of up to 133,000 acre feet per year of CVP water in dry years to supplement the District's surface water supplies. Deliveries to the District are limited to a 165,000 acre foot total over any three successive dry years. In years in which the District takes delivery of CVP water, the District's allocated CVP capital cost and the District's operations and maintenance deficit balance will be paid down commensurately with the quantity of water delivered. For example, if the District had to take delivery of 80,000 acre feet in fiscal year 2015, the District's CVP capital and deficit balances would each be reduced by approximately 20%. The balances must be paid off by 2030.

NOTE 16: SETTLEMENT PAYMENT

Pursuant to Board Resolution No. 35337-23, the Board of Directors approved an agreement to settle the matter of Waste Management of Alameda County, Inc. versus EBMUD, Alameda County Superior Court, Case No. RG21094336, for \$15 million to be paid to the plaintiff from the Wastewater System fund. The payment was made on March 20, 2023, and is included in other income (expense) in the statements of revenues, expenses, and changes in net position.

NOTE 17: SUBSEQUENT EVENTS

The District evaluated subsequent events for recognition and disclosure through October 25, 2023, the date on which these financial statements were available to be issued. Management concluded that no material subsequent events have occurred since June 30, 2023, that required recognition or disclosure in these financial statements.

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REQUIRED SUPPLEMENTAL INFORMATION

EAST BAY MUNICIPAL UTILITY DISTRICT
Required Supplementary Information
For the Year Ended June 30, 2023
(Dollars in thousands)

(1) Pension Plan

Schedule of Changes in Employer's Net Pension Liability:

| Reporting Date Measurement Date | 2023 2022 | 2022 2021 | 2021 2020 | 2020 2019 | 2019 2018 | 2018 2017 | 2017 2016 | 2016 2015 | 2015 2014 |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Total Pension Liability | | | | | | | | | |
| Service cost | \$ 51,706 | \$ 52,212 | \$ 46,124 | \$ 44,710 | \$ 40,636 | \$ 41,106 | \$ 37,828 | \$ 36,791 | \$ 34,987 |
| Interest | 181,464 | 176,878 | 163,114 | 154,896 | 149,324 | 144,392 | 138,135 | 131,595 | 127,558 |
| Differences between expected and actual experience | 54,807 | (37,465) | (6,199) | 25,974 | 48,581 | (22,641) | 5,278 | (1,390) | 438 |
| Changes of assumptions | 72,120 | - | 104,814 | - | 12,484 | - | 52,596 | - | 18,421 |
| Benefit payments, including refunds of employee contributions | (129,940) | (121,249) | (113,388) | (105,785) | (98,062) | (90,705) | (83,886) | (77,790) | (71,232) |
| Net change in total pension liability | 230,157 | 70,376 | 194,465 | 119,795 | 152,963 | 72,152 | 149,951 | 89,206 | 110,172 |
| Total pension liability - beginning | 2,605,614 | 2,535,238 | 2,340,773 | 2,220,978 | 2,068,015 | 1,995,863 | 1,845,912 | 1,756,706 | 1,646,534 |
| Total pension liability - ending (a) | \$ 2,835,771 | \$ 2,605,614 | \$ 2,535,238 | \$ 2,340,773 | \$ 2,220,978 | \$ 2,068,015 | \$ 1,995,863 | \$ 1,845,912 | \$ 1,756,706 |
| Plan fiduciary net position | | | | | | | | | |
| Contributions - employer | \$ 91,393 | \$ 79,252 | \$ 77,645 | \$ 74,033 | \$ 71,221 | \$ 67,096 | \$ 65,218 | \$ 64,177 | \$ 61,660 |
| Contributions - employee | 20,915 | 19,136 | 18,690 | 17,681 | 16,860 | 15,820 | 14,741 | 13,260 | 11,963 |
| Net investment income | (245,904) | 481,909 | 39,973 | 91,194 | 147,424 | 197,977 | 13,934 | 59,288 | 216,601 |
| Benefit payments, including refunds of employee contributions | (129,940) | (121,249) | (113,388) | (105,785) | (98,062) | (90,705) | (83,886) | (77,790) | (71,232) |
| Administrative expense | (1,875) | (1,876) | (1,453) | (1,477) | (1,521) | (1,403) | (1,289) | (1,269) | (1,233) |
| Net change in plan fiduciary net position | (265,411) | 457,172 | 21,467 | 75,646 | 135,922 | 188,785 | 8,718 | 57,666 | 217,759 |
| Plan fiduciary net position - beginning | 2,270,763 | 1,813,591 | 1,792,124 | 1,716,478 | 1,580,556 | 1,391,771 | 1,383,053 | 1,325,387 | 1,107,628 |
| Plan fiduciary net position - ending (b) | \$ 2,005,352 | \$ 2,270,763 | \$ 1,813,591 | \$ 1,792,124 | \$ 1,716,478 | \$ 1,580,556 | \$ 1,391,771 | \$ 1,383,053 | \$ 1,325,387 |
| Plan's net pension liability - ending (a) - (b) | \$ 830,419 | \$ 334,851 | \$ 721,647 | \$ 548,649 | \$ 504,500 | \$ 487,459 | \$ 604,092 | \$ 462,859 | \$ 431,319 |

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

EAST BAY MUNICIPAL UTILITY DISTRICT
Required Supplementary Information
For the Year Ended June 30, 2023
(Dollars in thousands)

(2) Pension Plan

Schedule of Employer's Net Pension Liability:

| Reporting Date | 2023 | 2022 | 2021 | 2020 | 2019 |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|
| <i>Measurement Date</i> | <i>2022</i> | <i>2021</i> | <i>2020</i> | <i>2019</i> | <i>2018</i> |
| Total Pension Liability | \$ 2,835,771 | \$ 2,605,614 | \$ 2,535,238 | \$ 2,340,773 | \$ 2,220,978 |
| Plan fiduciary net position | <u>(2,005,352)</u> | <u>(2,270,763)</u> | <u>(1,813,591)</u> | <u>(1,792,124)</u> | <u>(1,716,478)</u> |
| Net pension liability | <u>\$ 830,419</u> | <u>\$ 334,851</u> | <u>\$ 721,647</u> | <u>\$ 548,649</u> | <u>\$ 504,500</u> |
| Plan fiduciary net position as a percentage of total pension liability | 70.72% | 87.15% | 71.54% | 76.56% | 77.28% |
| Covered payroll* | \$ 233,940 | \$ 221,809 | \$ 215,110 | \$ 203,541 | \$ 193,717 |
| Plan net pension liability as a percentage of covered payroll | 354.97% | 150.96% | 335.48% | 269.55% | 260.43% |
| | | | | | |
| Reporting Date | 2018 | 2017 | 2016 | 2015 | 2014 |
| <i>Measurement Date</i> | <i>2017</i> | <i>2016</i> | <i>2015</i> | <i>2014</i> | <i>2013</i> |
| Total Pension Liability | \$ 2,068,015 | \$ 1,995,863 | \$ 1,845,912 | \$ 1,756,706 | \$ 1,646,534 |
| Plan fiduciary net position | <u>(1,580,556)</u> | <u>(1,391,771)</u> | <u>(1,383,053)</u> | <u>(1,325,387)</u> | <u>(1,107,628)</u> |
| Net pension liability | <u>\$ 487,459</u> | <u>\$ 604,092</u> | <u>\$ 462,859</u> | <u>\$ 431,319</u> | <u>\$ 538,906</u> |
| Plan fiduciary net position as a percentage of total pension liability | 76.43% | 69.73% | 74.93% | 75.45% | 67.27% |
| Covered payroll* | \$ 182,032 | \$ 174,586 | \$ 166,886 | \$ 159,513 | \$ 153,707 |
| Plan net pension liability as a percentage of covered payroll | 267.79% | 346.01% | 277.35% | 270.40% | 350.61% |

*In accordance with GASB 82, the covered payroll amounts are defined as the payroll on which contributions to a pension plan are based. The covered payroll amounts for fiscal year 2014 through fiscal year 2016, were updated to adopt the provisions of GASB 82.

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

EAST BAY MUNICIPAL UTILITY DISTRICT
Required Supplementary Information
For the Year Ended June 30, 2023
(Dollars in thousands)

(3) Pension Plan

Schedule of Employer's Contributions:

| Year ended June 30 | Actuarially determined contributions | Contributions in relation to the actuarially determined contributions | Contributions deficiency (excess) | Covered payroll* | Contributions as a percentage of covered payroll |
|-----------------------|--|---|---|---------------------|--|
| 2014 | \$ 61,600 | \$ 61,600 | - | \$ 159,513 | 38.66% |
| 2015 | 64,177 | 64,177 | - | 166,886 | 38.46% |
| 2016 | 65,218 | 65,218 | - | 174,586 | 37.36% |
| 2017 | 67,096 | 67,096 | - | 182,032 | 36.86% |
| 2018 | 71,221 | 71,221 | - | 193,717 | 36.77% |
| 2019 | 74,033 | 74,033 | - | 203,541 | 36.37% |
| 2020 | 77,645 | 77,645 | - | 215,110 | 36.10% |
| 2021 | 79,252 | 79,252 | - | 221,809 | 35.73% |
| 2022 | 91,393 | 91,393 | - | 233,940 | 39.07% |
| 2023 | 95,103 | 95,103 | - | 247,569 | 38.41% |

*Derived by dividing the contributions in relation to the actuarial determined contributions by the contributions as a percentage of covered employee payroll. These amounts may be different from the actual payroll of the District. In accordance with GASB 82, the covered payroll is defined as the payroll on which contributions to the pension plan are based. These amounts may be different from the actual payroll of the District. The actuarially determined contributions for the fiscal year ended June 30, 2023 are based on the reporting date. Years preceding fiscal year ended June 30, 2023 are based on the measurement date.

EAST BAY MUNICIPAL UTILITY DISTRICT
Required Supplementary Information
For the Year Ended June 30, 2023
(Dollars in thousands)

(4) Pension Plan

Schedule of Investment Returns:

| Reporting Date | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|--------|---------|--------|-------|-------|-------|--------|-------|-------|--------|
| Annual money weighted rate of return, net of investment expense | 10.96% | -10.81% | 26.85% | 2.27% | 5.37% | 9.29% | 14.46% | 0.91% | 4.40% | 19.42% |

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

(5) Post-Employment Healthcare Plan

Schedule of Changes in Employer's Net OPEB Liability:

| Reporting Date | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Measurement Date | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
| Total OPEB Liability | | | | | | | | |
| Service cost | \$ 6,725 | \$ 5,538 | \$ 4,864 | \$ 4,692 | \$ 4,827 | \$ 5,276 | \$ 4,514 | \$ 4,460 |
| Interest | 8,061 | 8,608 | 9,042 | 9,332 | 9,265 | 8,797 | 9,374 | 9,159 |
| Differences between expected and actual experience | 5,102 | (4,383) | 704 | (2,783) | (3,299) | (1,711) | (3,286) | (309) |
| Changes of assumptions | (28,016) | 7,163 | 18,913 | 5,753 | (527) | (6,107) | 12,471 | - |
| Benefity payments - cash* | - | - | - | - | - | - | (7,685) | (7,394) |
| Benefit payments- estimated implicit subsidy | (11,778) | (11,644) | (11,382) | (11,052) | (10,390) | (9,804) | (2,164) | (2,241) |
| Net change in total OPEB liability | (19,906) | 5,282 | 22,141 | 5,942 | (124) | (3,549) | 13,224 | 3,675 |
| Total OPEB liability - beginning | 201,135 | 195,853 | 173,712 | 167,770 | 167,894 | 171,443 | 158,219 | 154,544 |
| Total OPEB liability - ending (a) | \$ 181,229 | \$ 201,135 | \$ 195,853 | \$ 173,712 | \$ 167,770 | \$ 167,894 | \$ 171,443 | \$ 158,219 |
| Plan fiduciary net position | | | | | | | | |
| Employer Contributions - cash | \$ 10,892 | \$ 11,372 | \$ 11,089 | \$ 10,518 | \$ 9,875 | \$ 9,764 | \$ 9,454 | \$ 8,964 |
| Employer Contributions - estimated implicit subsidy | - | - | - | - | - | - | 2,164 | 2,241 |
| Employee Contributions - total | 10,892 | 11,372 | 11,089 | 10,518 | 9,875 | 9,764 | 11,618 | 11,205 |
| Employee Contributions | 212 | 200 | 195 | 184 | 219 | 198 | 184 | 167 |
| Net investment income | (6,105) | 11,638 | 890 | 2,060 | 2,925 | 3,706 | 271 | 938 |
| Benefity payments - cash* | - | - | - | - | - | - | (7,685) | (7,394) |
| Benefit payments- estimated implicit subsidy | (11,778) | (11,644) | (11,382) | (11,052) | (10,390) | (9,804) | (2,164) | (2,241) |
| Administrative expense | (46) | (46) | (34) | (33) | (30) | (26) | (22) | (20) |
| Other | 2,437 | 2,421 | 2,419 | 2,402 | 2,075 | 1,892 | - | - |
| Net change in plan fiduciary net position | (4,388) | 13,941 | 3,177 | 4,079 | 4,674 | 5,730 | 2,202 | 2,655 |
| Plan fiduciary net position - beginning | 57,959 | 44,018 | 40,841 | 36,762 | 32,088 | 26,358 | 24,156 | 21,501 |
| Plan fiduciary net position - ending (b) | \$ 53,571 | \$ 57,959 | \$ 44,018 | \$ 40,841 | \$ 36,762 | \$ 32,088 | \$ 26,358 | \$ 24,156 |
| Plan's net OPEB liability - ending (a) - (b) | \$ 127,658 | \$ 143,176 | \$ 151,835 | \$ 132,871 | \$ 131,008 | \$ 135,806 | \$ 145,085 | \$ 134,063 |

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

*Benefit Payments and Employer Contributions - cash and estimated implicit subsidy report together starting fiscal year 2018.

EAST BAY MUNICIPAL UTILITY DISTRICT
Required Supplementary Information
For the Year Ended June 30, 2023
(Dollars in thousands)

(6) Post-Employment Healthcare Plan

Schedule of Employer's Net OPEB Liability:

| Reporting Date <i>Measurement Date</i> | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | <i>2022</i> | <i>2021</i> | <i>2020</i> | <i>2019</i> | <i>2018</i> | <i>2017</i> | <i>2016</i> | <i>2015</i> |
| Total OPEB Liability | \$ 181,229 | \$ 201,135 | \$ 195,853 | \$ 173,712 | \$ 167,770 | \$ 167,894 | \$ 171,443 | \$ 158,219 |
| Plan fiduciary net position | (53,571) | (57,959) | (44,018) | (40,841) | (36,762) | (32,088) | (26,358) | (24,156) |
| Net OPEB liability | <u>\$ 127,658</u> | <u>\$ 143,176</u> | <u>\$ 151,835</u> | <u>\$ 132,871</u> | <u>\$ 131,008</u> | <u>\$ 135,806</u> | <u>\$ 145,085</u> | <u>\$ 134,063</u> |
| Plan fiduciary net position as a percentage of total OPEB liability | 29.56% | 28.82% | 22.48% | 23.51% | 21.91% | 19.11% | 15.37% | 15.27% |
| Covered-employee payroll | \$ 233,940 | \$ 221,809 | \$ 215,110 | \$ 203,541 | \$ 193,717 | \$ 182,032 | \$ 174,586 | \$ 166,886 |
| Plan net OPEB liability as a percentage of covered-employee payroll | 54.57% | 64.55% | 70.58% | 65.28% | 67.63% | 74.61% | 83.10% | 80.33% |

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

(7) Post-Employment Healthcare Plan

Schedule of Employer's Contributions:

| Year ended June 30 | Actuarially determined contributions | Contributions in relation to the actuarially determined contributions | Contributions deficiency (excess) | Covered payroll* | Contributions as a percentage of covered payroll |
|-----------------------|--|---|---|---------------------|--|
| 2014 | \$ 8,457 | \$ 8,457 | \$ - | \$ 159,513 | 5.30% |
| 2015 | 8,964 | 8,964 | - | 166,886 | 5.37% |
| 2016 | 9,454 | 9,454 | - | 174,586 | 5.42% |
| 2017 | 9,764 | 9,764 | - | 182,032 | 5.36% |
| 2018 | 9,875 | 9,875 | - | 193,717 | 5.10% |
| 2019 | 10,518 | 10,518 | - | 203,541 | 5.17% |
| 2020 | 11,089 | 11,089 | - | 215,110 | 5.16% |
| 2021 | 11,372 | 11,372 | - | 221,809 | 5.13% |
| 2022 | 10,892 | 10,892 | - | 233,940 | 4.66% |
| 2023 | 11,420 | 11,420 | - | 247,569 | 4.61% |

*Derived by dividing the contributions in relation to the actuarial determined contributions by the contributions as a percentage of covered payroll. These amounts may be different from the actual payroll of the District. In accordance with GASB 82, the covered payroll is defined as the payroll on which contributions to the pension plan are based. These amounts may be different from the actual payroll of the District. The actuarially determined contributions for the fiscal year ended June 30, 2023 are based on the reporting date. Years preceding fiscal year ended June 30, 2023 are based on the measurement date.

EAST BAY MUNICIPAL UTILITY DISTRICT
Required Supplementary Information
For the Year Ended June 30, 2023
(Dollars in thousands)

(8) Notes to Required Supplementary Information

The pension-related information presented in the required supplementary schedules was determined as part of the Pension actuarial valuation at the date indicated. Additional information as of the latest Pension actuarial valuation is as follows:

| | |
|-------------------------------------|---|
| Valuation date | June 30, 2020 |
| Actuarial cost method | Entry Age Normal Cost Method |
| Amortization method | Level percent of payroll |
| Remaining amortization period | Plan changes, assumption changes, and experience gains/losses prior to July 1, 2011 are amortized over separate decreasing 30-year amortization periods. On or after July 1, 2011, plan changes are amortized over separate decreasing 15-year periods; assumptions changes are amortized over separate decreasing 25 year periods (prior to July 1, 2021); and experience gains/losses are amortized over separate decreasing 20 year periods. On or after July 1, 2021, assumption or method changes are amortized over separate decreasing 20-year periods. |
| Assets valuation method | Market value of assets less unrecognized returns in each last five years. Unrecognized return is equal to the difference between the actual market return and the expected return on the market value, and is recognized over a five year period, further adjusted, if necessary, to be within 30% of the market value. |
| Actuarial assumptions: | |
| Investment Rate of Return | 7.00%, net of Pension Plan investment expense, including inflation |
| Average projected salary increases* | Ranges from 4.00% to 9.50% based on years of service |
| Inflation rate | 2.75% |
| Cost-of-living adjustments | 2.75% per annum |
| Mortality | <i>Pre-retirement:</i> Pub-2010 General Employee Amount-Weighted Above-Median Mortality Tables, projected generationally with the two-dimensional mortality improvement scale MP-2020. <i>Post-retirement:</i> <i>Healthy Members</i> - Pub-2010 General Healthy Retiree Amount-Weighted Above-Median Mortality Tables with rates increased by 5% for males, projected generationally with the two-dimensional mortality improvement scale MP-2020. <i>Disabled Members</i> - Pub-2010 Non-Safety Disabled Retiree Amount-Weighted Mortality Tables with rates increased by 5% for males, projected generationally with the two-dimensional mortality improvement scale MP-2020. <i>Beneficiaries</i> - Pub-2010 Contingent Survivor Amount-Weighted Above-Median Mortality Tables with rates increased by 5% for males and females, projected generationally with the two-dimensional mortality improvement scale MP-2020. |

*Includes inflation of 2.75% plus across the board salary increases of 0.50% plus merit and promotional increases.

**EAST BAY MUNICIPAL UTILITY DISTRICT
Required Supplementary Information
For the Year Ended June 30, 2023
(Dollars in thousands)**

(8) Notes to Required Supplementary Information (Continued)

The OPEB-related information presented in the required supplementary schedules was determined as part of the OPEB actuarial valuation at the date indicated. Additional information as of the latest OPEB actuarial valuation is as follows:

| | |
|-------------------------------------|--|
| Valuation date | June 30, 2020 |
| Actuarial cost method | Entry Age Normal Cost Method |
| Amortization method | Level percent of payroll |
| Remaining amortization period | Plan changes, assumption changes, and experience gains/losses prior to July 1, 2011 are amortized over separate decreasing 30-year amortization periods. On or after July 1, 2011, plan changes are amortized over separate decreasing 15-year periods; assumption changes are amortized over separate decreasing 25-year periods; and experience gains/losses and retiree health assumption changes are amortized over separate decreasing 20-year periods. The amortization methodology described above corresponds to that used in the June 30, 2020 valuation, which determined the ADC for the fiscal year ending June 30, 2022. |
| Assets valuation method | Market value of assets less unrecognized returns in each of the last five years. Unrecognized return is equal to the difference between the actual market return and the expected return on the market value, and is recognized over a five year period, further adjusted, if necessary, to be within 30% of the market value. |
| Actuarial assumptions: | |
| Investment Rate of Return | 7.00%, net of OPEB Plan investment expense, including inflation |
| Average projected salary increases* | Ranges from 4.00% to 9.50% based on years of service |
| Inflation rate | 2.75% |
| Health care trend | Non-Medicare: 6.625% graded down to 4.50% over 9 years Medicare: 6.125% graded down to 4.50% over 7 years |
| HIB increases | 0.00% |
| Mortality | <i>Pre-retirement:</i> Pub-2010 General Employee Headcount-Weighted Above-Median Mortality Tables, projected generationally with the two-dimensional mortality improvement scale MP-2020. <i>Post-Retirement Healthy Members</i> - Pub-2010 General Healthy Retiree Headcount-Weighted Above-Median Mortality Tables with rates increased by 5% for males, projected generationally with the two-dimensional mortality improvement scale MP-2020. <i>Post-Retirement Disabled Members</i> - Pub-2010 Non-Safety Disabled Retiree Headcount-Weighted Mortality Tables with rates increased by 5% for males, projected generationally with the two-dimensional mortality improvement scale MP-2020. <i>Beneficiaries</i> - Pub-2010 Contingent Survivor Headcount-Weighted Above-Median Mortality Tables with rates increased by 5% for males and females, projected generationally with the two-dimensional mortality improvement scale MP-2020. |

*Includes inflation of 2.75% plus across the board salary increases of 0.50% plus merit and promotional increases.

SUPPLEMENTAL INFORMATION

EAST BAY MUNICIPAL UTILITY DISTRICT
COMBINING STATEMENT OF NET POSITION - EMPLOYEES' RETIREMENT SYSTEM TRUST FUND
FOR THE YEAR ENDED JUNE 30, 2023
(With summarized comparative financial information as of June 30, 2022)
(DOLLARS IN THOUSANDS)

| | 2023 | | | 2022 Total |
|--|--------------------------|---|---------------------|---------------------|
| | Pension plan benefits | Post- employment healthcare benefits | Total | |
| Assets: | | | | |
| Cash and cash equivalents, at fair value (Note 5) | \$ 26,937 | \$ 740 | \$ 27,677 | \$ 25,336 |
| Invested securities lending collateral | 75,822 | 2,084 | 77,906 | 101,249 |
| Prepaid expenses | - | 575 | 575 | 568 |
| Receivables: | | | | |
| Brokers, securities sold | 2,777 | 77 | 2,854 | 923 |
| Employer | 3,299 | 406 | 3,705 | 3,176 |
| Plan members | 788 | - | 788 | 664 |
| Interest, dividends, and recoverable taxes | 4,704 | 129 | 4,833 | 4,700 |
| Total Receivables | 11,568 | 612 | 12,180 | 9,463 |
| Investments, at fair value (Note 5): | | | | |
| U.S. government obligations | 308,156 | 8,468 | 316,624 | 268,062 |
| Domestic corporate bonds | 175,441 | 4,821 | 180,262 | 197,497 |
| International bonds | 18,305 | 503 | 18,808 | 21,677 |
| Domestic stocks | 1,006,142 | 27,649 | 1,033,791 | 930,723 |
| International stocks | 532,875 | 14,644 | 547,519 | 483,198 |
| Real estate | 118,737 | 3,263 | 122,000 | 125,557 |
| Total Investments | 2,159,656 | 59,348 | 2,219,004 | 2,026,714 |
| Capital assets: | | | | |
| Subscription Asset In-Progress | 1,647 | 45 | 1,692 | - |
| Total Assets | 2,275,630 | 63,404 | 2,339,034 | 2,163,330 |
| Liabilities: | | | | |
| Accounts payable and accrued expenses | 3,138 | 86 | 3,224 | 2,447 |
| Payables to brokers, securities purchased | 2,528 | 69 | 2,597 | 711 |
| Securities lending collateral (Note 2B) | 75,822 | 2,084 | 77,906 | 101,249 |
| Total Liabilities | 81,488 | 2,239 | 83,727 | 104,407 |
| Net position restricted for pension benefits and post-employment healthcare benefits | | | | |
| | | 61,165 | 2,255,307 | 2,058,923 |
| Total Net Position | \$ 2,194,142 | \$ 61,165 | \$ 2,255,307 | \$ 2,058,923 |

See accompanying notes to basic financial statements.

**EAST BAY MUNICIPAL UTILITY DISTRICT
COMBINING STATEMENT OF CHANGES IN NET POSITION - EMPLOYEES' RETIREMENT SYSTEM TRUST FUND
FOR THE YEAR ENDED JUNE 30, 2023**
(With summarized comparative financial information as of June 30, 2022)
(DOLLARS IN THOUSANDS)

| | 2023 | | 2022 | |
|---|--------------------------|---|---------------------|---------------------|
| | Pension plan benefits | Post- employment healthcare benefits | Total | Total |
| Additions: | | | | |
| Contributions: | | | | |
| Employers | 95,103 | 11,420 | \$ 106,523 | \$ 102,285 |
| Plan members | 21,865 | 223 | 22,088 | 21,127 |
| Total Contributions | 116,968 | 11,643 | 128,611 | 123,412 |
| Investment Income: | | | | |
| From Investment Activities | | | | |
| Net appreciation (depreciation) in fair value investments: | | | | |
| Traded securities | 187,991 | 5,017 | 193,008 | (289,735) |
| Real estate | (4,979) | (132) | (5,111) | 13,051 |
| Interest | 20,665 | 551 | 21,206 | 14,434 |
| Dividends | 10,951 | 292 | 11,243 | 11,282 |
| Real estate operating income, net | 2,833 | 76 | 2,909 | 2,322 |
| Total Investment Income | 217,451 | 5,804 | 223,255 | (248,646) |
| Less: | | | | |
| Investment expense | (3,457) | (92) | (3,549) | (3,533) |
| Net Income from Investment Activities | 213,994 | 5,712 | 219,706 | (252,179) |
| From Security Lending Activities | | | | |
| Security lending income | 3,112 | 83 | 3,195 | 348 |
| Borrowers' rebates and other agent fees on securities lending transactions | (2,989) | (80) | (3,069) | (178) |
| Security Lending Activities | 123 | 3 | 126 | 170 |
| Net Investment Income | 214,117 | 5,715 | 219,832 | (252,009) |
| Total Additions, net | 331,085 | 17,358 | 348,443 | (128,597) |
| Deductions: | | | | |
| Benefits paid (Notes 1C & 1D) | 139,397 | 9,705 | 149,102 | 138,582 |
| Refunds of contributions (Note 4) | 684 | - | 684 | 699 |
| Administrative expenses | 2,214 | 59 | 2,273 | 1,921 |
| Total Deductions | 142,295 | 9,764 | 152,059 | 141,202 |
| Changes in Net Position | 188,790 | 7,594 | 196,384 | (269,799) |
| Net Position - Beginning of the Year | 2,005,352 | 53,571 | 2,058,923 | 2,328,722 |
| Net Position - End of the Year | \$ 2,194,142 | \$ 61,165 | \$ 2,255,307 | \$ 2,058,923 |

See accompanying notes to basic financial statements.

EAST BAY MUNICIPAL UTILITY DISTRICT
COMBINING STATEMENT OF NET POSITION - CUSTODIAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023
(With summarized comparative financial information as of June 30, 2022)
(DOLLARS IN THOUSANDS)

| | 2023 | | | | | |
|--|----------------------------------|--|---|--|----------------------------------|-------------------|
| | Dublin San | | | | | |
| | Bay Area Clean Water Agencies | Ramon Services District/East Bay Municipal Utility District Recycled Water Authority | Freeport Regional Water Authority | Mokelumne River Watershed Authority* | Upper Watershed Authority* | Total |
| | | | | | | 2022 Total* |
| Assets: | | | | | | |
| Cash and cash equivalents, at fair value (Note 2) | \$ 3,375 | \$ 1,393 | \$ 2,983 | \$ 785 | \$ 8,536 | \$ 8,015 |
| Accounts receivable: | | | | | | |
| Miscellaneous receivables | 2 | 2,379 | 411 | 212 | 3,004 | 3,152 |
| Interest receivable | 17 | 8 | 7 | - | 32 | 8 |
| Total Receivables | 19 | 2,387 | 418 | 212 | 3,036 | 3,160 |
| Capital assets: | | | | | | |
| Capital assets not being depreciated | - | 2,041 | 11,702 | - | 13,743 | 13,690 |
| Capital assets, net of accumulated depreciation | - | 67,298 | 317,288 | - | 384,586 | 393,745 |
| Total capital assets, net of accumulated depreciation | - | 69,339 | 328,990 | - | 398,329 | 407,435 |
| Total Assets | 3,394 | 73,119 | 332,391 | 997 | 409,901 | 418,610 |
| Liabilities: | | | | | | |
| Accounts payable and accrued expenses | 97 | 615 | 79 | 264 | 1,055 | 1,339 |
| Long-term liabilities: | | | | | | |
| Due in one year | - | 2,223 | - | - | 2,223 | 1,513 |
| Due in more than one year | - | 1,551 | - | - | 1,551 | 3,774 |
| Total Liabilities | 97 | 4,389 | 79 | 264 | 4,829 | 6,626 |
| Net Position: | | | | | | |
| Net investment in capital assets | - | 65,565 | 328,990 | - | 394,555 | 66,146 |
| Restricted for specified purpose | 3,297 | 3,165 | 3,322 | 733 | 10,517 | 345,838 |
| Total Net Position | \$ 3,297 | \$ 68,730 | \$ 332,312 | \$ 733 | \$ 405,072 | \$ 411,984 |

* Upper Mokelumne River Watershed Authority is presented using the most recent fiscal year-end. Therefore, 2023 and 2022 information are as of September 30, 2022 and September 30, 2021, respectively.

EAST BAY MUNICIPAL UTILITY DISTRICT
COMBINING STATEMENT OF CHANGES IN NET POSITION - EMPLOYEES' RETIREMENT SYSTEM TRUST FUND
FOR THE YEAR ENDED JUNE 30, 2023
 (With summarized comparative financial information as of June 30, 2022)
 (DOLLARS IN THOUSANDS)

| | 2023 | | | | | |
|---|----------------------------------|--|--|---|-------------------|-------------------|
| | Bay Area Clean Water Agencies | Dublin San Ramon Services District/East Bay Municipal Utility District Recycled Water Authority | Freepoint Regional Water Authority | Upper Mokelumne River Watershed Authority* | Total | 2022 Total* |
| Additions: | | | | | | |
| Contributions - members | \$ 1,456 | \$ 5,949 | \$ 1,789 | \$ 238 | \$ 9,432 | \$ 9,823 |
| Grants and other receipts | 1,624 | - | 1,269 | 808 | 3,701 | 4,814 |
| Total Contributions | 3,080 | 5,949 | 3,058 | 1,046 | 13,133 | 14,637 |
| Investment Income: | | | | | | |
| Interest | 53 | 23 | 24 | 1 | 101 | 15 |
| Total Investment Income | 53 | 23 | 24 | 1 | 101 | 15 |
| Total Additions, net | 3,133 | 5,972 | 3,082 | 1,047 | 13,234 | 14,652 |
| Deductions: | | | | | | |
| General and administrative expenses | 491 | 430 | 2,776 | 128 | 3,825 | 6,549 |
| Professional services expense | 2,648 | 5 | - | - | 2,653 | 2,783 |
| Operation and maintenance expense | - | 3,158 | - | 127 | 3,285 | 3,567 |
| Grants and other expenses | - | - | - | 654 | 654 | 1,004 |
| Interest expense | - | 132 | - | - | 132 | 169 |
| Depreciation expense | - | 2,301 | 7,296 | - | 9,597 | 9,514 |
| Total Deductions | 3,139 | 6,026 | 10,072 | 909 | 20,146 | 23,586 |
| Changes in Net Position | (6) | (54) | (6,990) | 138 | (6,912) | (8,934) |
| Net Position - Beginning of the Year | 3,303 | 68,784 | 339,302 | 595 | 411,984 | 420,918 |
| Net Position - End of the Year | \$ 3,297 | \$ 68,730 | \$ 332,312 | \$ 733 | \$ 405,072 | \$ 411,984 |

* Upper Mokelumne River Watershed Authority is presented using the most recent fiscal yearend. Therefore, 2023 and 2022 information are as of September 30, 2022 and September 30, 2021, respectively.

See accompanying notes to basic financial statements.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
East Bay Municipal Utility District
Oakland, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of each major fund, and the aggregate remaining fund information of East Bay Municipal Utility District (the "District"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 25, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as item 2023-001 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses as item 2023-002 to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



To the Board of Directors
East Bay Municipal Utility District
Oakland, California

District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Lance, Solt & Loughard, LLP

Sacramento, California
October 25, 2023



To the Board of Directors
East Bay Municipal Utility District
Oakland, California

SCHEDULE OF FINDINGS AND RESPONSES

Reference Number

2023-001

Evaluation of Finding

Material Weakness over Financial Reporting

Condition

The District improperly excluded construction payments from accounts payable and construction-in-progress amounting to \$18 million in total activity that occurred during the 2023 fiscal year, from the Water System and Wastewater funds.

Criteria

Per Generally Accepted Accounting Principles, an expense must be recognized as soon as a liability is incurred within the applicable accounting period, for services rendered or goods received. Additionally, activity related to construction-in-progress should be capitalized in the year an associated expense and liability are recognized.

Cause of Condition

During audit test work performed to ensure the completeness of accounts payable, we identified activity that was improperly excluded from accounts payable at June 30, 2023. Through discussions with the District, this was excluded in error, and was not identified during the yearend closing review process over accounts payable and capital asset activity.

Effect or Potential Effect of Condition

If uncorrected, this misstatement would have resulted in a material understatement of accounts payable and capital assets for construction-in-progress activity.

Recommendation

We recommend the District perform a thorough review of invoices that are received subsequent to yearend, including beyond the District's internal cutoff date, in conjunction with their year-end closing, to ensure that items are properly accrued and reflected in the correct fiscal year.

Client Response

The District will enhance its pre-audit review of invoices that are received subsequent to year-end closing to ensure that activity is properly accrued and reflected in the correct fiscal year. The District is also implementing other process improvements in accounts payable to increase efficiency and accuracy.



To the Board of Directors
East Bay Municipal Utility District
Oakland, California

SCHEDULE OF FINDINGS AND RESPONSES
(continued)

Reference Number

2023-002

Evaluation of Finding

Significant Deficiency over Inventory Valuation

Condition

The inventory balance reported within the inventory module does not reconcile to the inventory balance reported within the general ledger.

Criteria

Per Generally Accepted Accounting Principles, financial accounting and reporting should be consistent from one period to the next to ensure financial comparability between periods, which includes a current valuation of assets.

Cause of Condition

During audit test work of the reported inventory balance, we identified a variance between the inventory module and the general ledger detail. Through discussions with the District, this variance is a combination of data entry errors, timing differences and system integration issues.

Effect or Potential Effect of Condition

A variance between the inventory module, a sub-ledger of the general ledger, can result in an overstatement or understatement of the inventory balance, causing inaccurate representation of the inventory balance.

Recommendation

We recommend the District complete a detailed review of the physical inventory count reports and monitoring process. Additionally, we recommend a reconciliation between the physical inventory count reports, inventory module and the general ledger, at minimum twice a year, to ensure the accounting for inventory is accurate.

Client Response

The District will conduct a detailed analysis of all inventory transactions recorded in both the inventory subledger and general ledger through fiscal year 2024 to identify specific discrepancies. Additionally, the District will perform a physical inventory count to verify the actual quantities of items on hand. Based on the findings from the analysis and physical inventory count, the District will make necessary adjustments to both the inventory subledger and the general ledger to align the records.

Financial Trends

These schedules contain trend information to help understand how the District's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the District's revenue sources and rate structures.

Debt Capacity

These schedules contain information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic, economic and District indicators to help the reader understand the environment within which the District financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.

Financial Trends Section

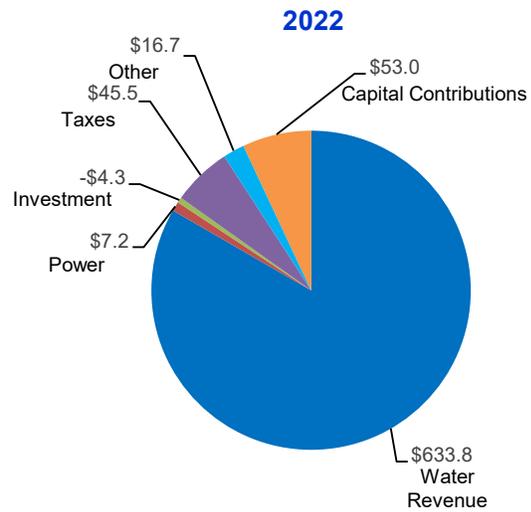
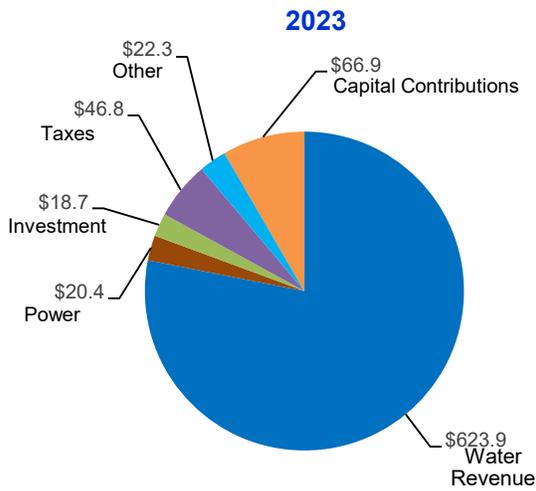
- Comparative Highlights
- Ten-Year Summary of Financial Data
- Changes in Net Position
- Net Position by Component

**Financial Trends
Comparative Highlights**

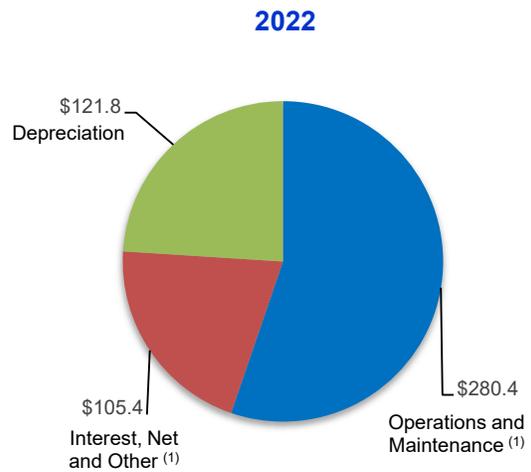
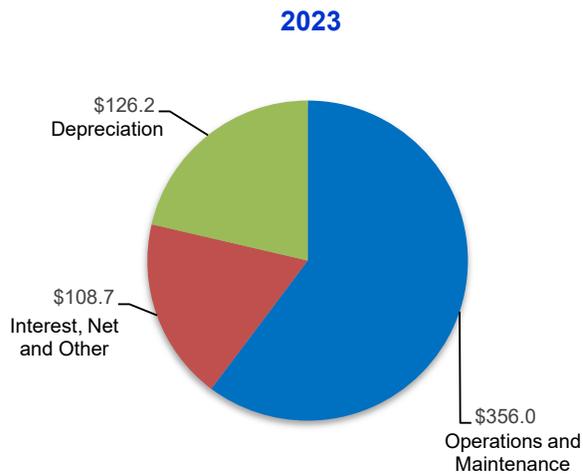
Fiscal Years 2023 and 2022
(in Millions)

Water System

What We Received:



How It Was Used:



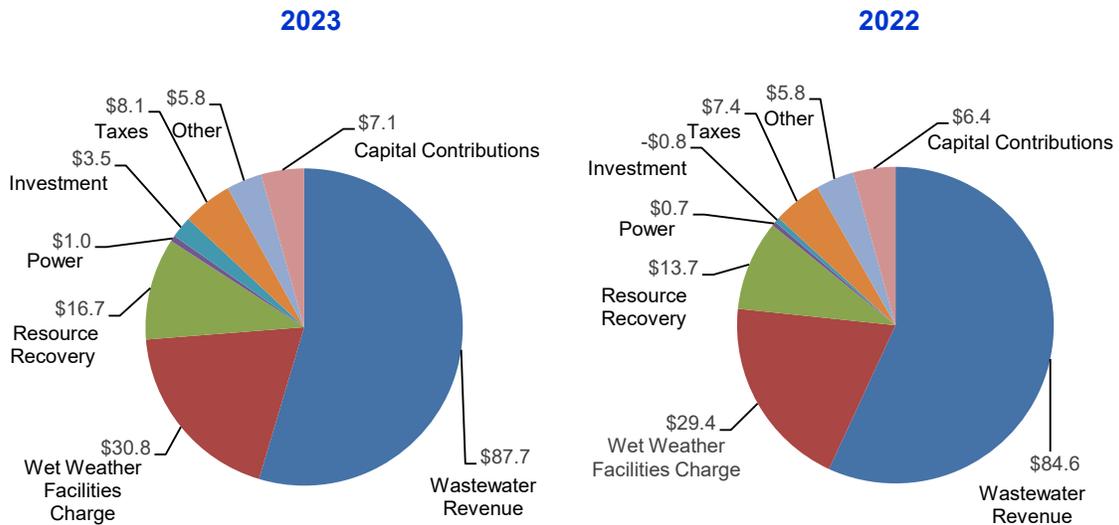
Source: Financial Statements

Financial Trends
Comparative Highlights(continued)

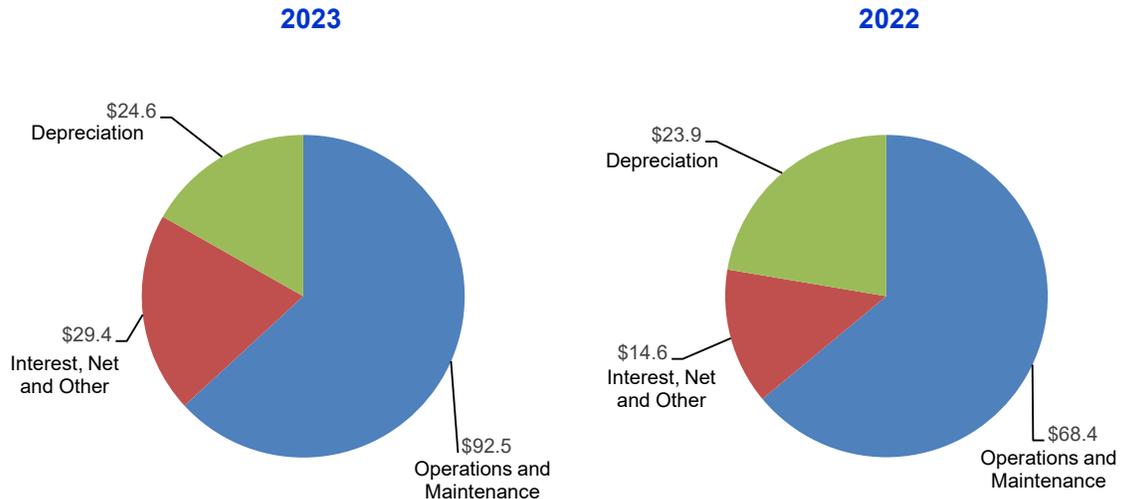
Fiscal Years 2023 and 2022
 (in Millions)

Wastewater System

What We Received:



How It Was Used:



Source: Financial Statements

Financial Trends
Ten-Year Summary of Financial Data

Fiscal Years 2014 to 2023
(in Millions)

| | Fiscal Year Ended June 30 | | | | | | | | | |
|---|---------------------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
| Water System | | | | | | | | | | |
| Revenues | | | | | | | | | | |
| Water Revenue ⁽³⁾ | \$ 623.9 | \$ 633.8 | \$ 620.5 | \$ 567.4 | \$ 520.3 | \$ 480.8 | \$ 420.3 | \$ 421.2 | \$ 362.1 | \$ 367.6 |
| Taxes | 46.8 | 45.5 | 40.6 | 40.3 | 35.7 | 34.7 | 32.0 | 29.9 | 27.9 | 25.5 |
| Investment Power ⁽⁴⁾ | 18.7 | (4.2) | (1.5) | 13.1 | 15.2 | 6.1 | 2.1 | 2.2 | 3.6 | 2.2 |
| Capital Contributions | 20.4 | 7.2 | 4.6 | 6.3 | 10.7 | 6.4 | 7.8 | 3.5 | 2.2 | 1.4 |
| Other | 66.9 | 53.0 | 73.5 | 71.9 | 98.1 | 87.6 | 75.9 | 60.8 | 71.5 | 49.0 |
| Total Revenues | 22.3 | 16.7 | 16.2 | 14.4 | 14.3 | 14.8 | 14.9 | 14.0 | 15.3 | 19.9 |
| Expenses | 798.9 | 752.0 | 753.8 | 713.4 | 694.4 | 630.3 | 552.9 | 531.6 | 482.6 | 465.6 |
| Operations and Maintenance ^(1,2) | 356.0 | 280.4 | 321.9 | 280.4 | 239.8 | 240.4 | 243.9 | 242.0 | 211.6 | 237.3 |
| Depreciation ⁽¹⁾ | 126.2 | 121.8 | 120.6 | 114.5 | 108.9 | 105.4 | 102.6 | 97.3 | 94.1 | 90.4 |
| Interest, Net and Other ⁽²⁾ | 108.7 | 105.4 | 98.4 | 104.5 | 109.1 | 110.6 | 98.8 | 98.3 | 101.2 | 116.3 |
| Total Expenses | 590.9 | 507.6 | 540.9 | 499.4 | 457.9 | 456.4 | 445.2 | 437.6 | 406.9 | 444.0 |
| Changes in Net Position | \$ 208.1 | \$ 244.3 | \$ 212.8 | \$ 214.0 | \$ 236.5 | \$ 173.9 | \$ 107.8 | \$ 94.0 | \$ 75.7 | \$ 21.6 |

⁽¹⁾ The District reclassified certain expenses within operating expenses for fiscal years 2020 and 2021. This reclassification had no effect on the reported results of operations.

⁽²⁾ Reclassified the water interception expense between operating expenses and non-operating income (expenses) in FY2021.

This reclassification has no effect on the reported results of operations.

⁽³⁾ Water Revenue decreased by \$9.9 million due to a 7% decrease in billed water consumption offset by a 4% water rate increase and an imposed drought surcharge at the beginning of FY2023.

⁽⁴⁾ Power Revenue increased by \$13.2 million due to higher hydropower prices and sales in the FY2023.

Financial Trends Ten-Year Summary of Financial Data

Fiscal Years 2014 to 2023
(in Millions)

| | Fiscal Year Ended June 30 | | | | | | | | | |
|-----------------------------------|---------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
| Wastewater System | | | | | | | | | | |
| Revenues | | | | | | | | | | |
| Wastewater Revenue ⁽¹⁾ | \$ 87.7 | \$ 84.6 | \$ 81.1 | \$ 79.9 | \$ 78.1 | \$ 74.7 | \$ 70.0 | \$ 65.9 | \$ 65.1 | \$ 61.7 |
| Wet Weather | | | | | | | | | | |
| Facilities Charges | 30.8 | 29.4 | 28.3 | 27.1 | 25.1 | 24.3 | 23.1 | 21.9 | 21.8 | 19.4 |
| Resource Recovery | 16.7 | 13.7 | 12.3 | 12.1 | 12.2 | 11.8 | 11.9 | 11.6 | 11.3 | 10.6 |
| Power | 1.0 | 0.7 | 0.7 | 0.9 | 0.5 | 1.1 | 0.9 | 1.3 | 1.1 | 1.1 |
| Taxes | 8.1 | 7.4 | 6.9 | 6.3 | 5.9 | 6.8 | 7.8 | 7.9 | 8.5 | 9.9 |
| Investment | 3.5 | (0.7) | (0.0) | 1.9 | 2.9 | 1.0 | 0.4 | 0.5 | 0.2 | 0.3 |
| Capital Contributions | 7.1 | 6.4 | 7.5 | 5.7 | 13.2 | 11.4 | 8.9 | 4.2 | 3.1 | 1.2 |
| Other | 5.8 | 5.8 | 5.1 | 4.4 | 4.1 | 5.9 | 4.4 | 3.9 | 4.5 | 5.2 |
| Total Revenues | 160.6 | 147.3 | 141.8 | 138.2 | 142.1 | 137.0 | 127.3 | 117.2 | 115.6 | 109.4 |
| Expenses | | | | | | | | | | |
| Operations and Maintenance | 92.5 | 68.4 | 75.4 | 69.5 | 60.4 | 61.8 | 59.3 | 53.1 | 54.8 | 56.0 |
| Depreciation | 24.6 | 23.9 | 23.6 | 23.6 | 23.1 | 22.7 | 22.7 | 22.5 | 24.2 | 22.2 |
| Interest, Net and Other | 29.4 | 14.7 | 14.1 | 14.9 | 16.4 | 16.7 | 17.1 | 16.9 | 25.1 | 17.6 |
| Total Expenses | 146.5 | 107.0 | 113.1 | 108.0 | 99.9 | 101.2 | 99.0 | 92.5 | 104.1 | 95.8 |
| Changes in Net Position | \$ 14.1 | \$ 40.4 | \$ 28.7 | \$ 30.2 | \$ 42.3 | \$ 35.8 | \$ 28.3 | \$ 24.7 | \$ 11.5 | \$ 13.6 |

⁽¹⁾ Wastewater Revenue increased by \$3.1 million due to a 4% wastewater rate increase at the beginning of FY2023.

Financial Trends
Changes in Net Position

Fiscal Years 2014 to 2023
(in Millions)

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| Fiscal Year Ended June 30 | | | | | | | | | | |
| Operating Revenues | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| Water ⁽²⁾ | \$ 623.9 | \$ 633.8 | \$ 620.5 | \$ 567.4 | \$ 520.3 | \$ 480.8 | \$ 420.3 | \$ 421.2 | \$ 362.1 | \$ 367.6 |
| Wastewater ⁽³⁾ | 135.1 | 127.8 | 121.7 | 119.0 | 115.4 | 110.8 | 105.0 | 99.4 | 98.2 | 91.7 |
| Power ⁽⁴⁾ | 21.4 | 7.9 | 5.2 | 7.2 | 11.3 | 7.6 | 8.7 | 4.8 | 3.3 | 2.5 |
| Total Operating Revenues | 780.4 | 769.5 | 747.4 | 693.7 | 647.1 | 599.1 | 534.0 | 525.4 | 463.6 | 461.8 |
| Operating Expenses | | | | | | | | | | |
| Water ⁽¹⁾ | 482.2 | 402.2 | 442.6 | 395.0 | 348.8 | 345.8 | 346.4 | 339.3 | 305.7 | 327.8 |
| Wastewater | 117.0 | 92.3 | 99.0 | 93.1 | 83.4 | 84.5 | 81.9 | 75.6 | 79.0 | 78.3 |
| Total Operating Expenses ⁽¹⁾ | 599.2 | 494.5 | 541.6 | 488.0 | 432.2 | 430.3 | 428.3 | 414.9 | 384.7 | 406.1 |
| Operating Activities ⁽¹⁾ | 181.2 | 275.0 | 206.0 | 205.7 | 214.9 | 168.8 | 105.7 | 110.5 | 78.9 | 55.7 |

⁽¹⁾ Reclassified the water interception expense between operating expenses and non-operating income (expenses) in FY2021.

This reclassification has no effect on the reported results of operations.

⁽²⁾ Water Revenue decreased by \$9.9 million due to a 7% decrease in billed water consumption offset by a 4% water rate increase and an imposed drought surcharge at the beginning of FY2023.

⁽³⁾ Wastewater Revenue increased by \$3.1 million due to a 4% wastewater rate increase at the beginning of FY2023.

⁽⁴⁾ Power Revenue increased by \$13.2 million due to higher hydropower prices and sales in the FY2023.

Financial Trends

Changes in Net Position (continued)

Fiscal Years 2014 to 2023
(in Millions)

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|----------|----------|----------|----------|----------|----------|----------|----------|---------|---------|
| Fiscal Year Ended June 30 | | | | | | | | | | |
| General Revenues and Other Changes in Net Position | | | | | | | | | | |
| Non-Operating Activities | | | | | | | | | | |
| Investment income | \$ 22.2 | \$ (5.0) | \$ (1.5) | \$ 14.9 | \$ 18.1 | \$ 7.1 | \$ 2.5 | \$ 2.7 | \$ 3.8 | \$ 2.5 |
| Taxes and subventions | 54.8 | 52.9 | 47.4 | 46.6 | 41.6 | 41.5 | 39.8 | 37.8 | 36.4 | 35.4 |
| Interest and amortization of bond expenses | (115.6) | (113.1) | (106.2) | (113.5) | (119.6) | (120.7) | (109.7) | (109.3) | (124.3) | (121.1) |
| Other income (expense) | 5.5 | 15.5 | 14.9 | 12.9 | 12.4 | 14.0 | 13.0 | 12.0 | 17.8 | 12.4 |
| Capital grants and contributions | 74.0 | 59.5 | 80.9 | 77.6 | 111.4 | 99.0 | 84.8 | 65.0 | 74.6 | 50.2 |
| Total Non-Operating Activities | 41.0 | 9.8 | 35.5 | 38.5 | 63.9 | 40.9 | 30.4 | 8.1 | 8.3 | (20.6) |
| Changes in Net Position⁽¹⁾ | \$ 222.2 | \$ 284.7 | \$ 241.5 | \$ 244.2 | \$ 278.7 | \$ 209.7 | \$ 136.1 | \$ 118.6 | \$ 87.2 | \$ 35.1 |

⁽¹⁾ Rounding issue was found in the fiscal year 2020 and the figure has been adjusted by (\$0.1).

Fiscal year 2015 of \$87.2 is for operating items only and does not include the GASB 68 adjustment. Refer to fiscal year 2015 Financial Statements Note 8 for details.

Source: Financial Statements

Financial Trends
Net Position by Component

Fiscal Years 2014 to 2023
(in Millions)

| | Fiscal Year Ended June 30 | | | | | | | | | |
|---|---------------------------|------------|------------|------------|------------|---------------------|------------|------------|---------------------|------------|
| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 ⁽²⁾ | 2017 | 2016 | 2015 ⁽¹⁾ | 2014 |
| Business-type activities | | | | | | | | | | |
| Net investment in capital assets | \$ 3,076.1 | \$ 2,365.6 | \$ 2,198.9 | \$ 1,840.2 | \$ 1,549.6 | \$ 1,494.4 | \$ 1,204.4 | \$ 1,249.6 | \$ 1,047.3 | \$ 1,083.4 |
| Restricted for construction ⁽³⁾ | 3.1 | 0.7 | 20.7 | 20.3 | 20.0 | 20.0 | 19.8 | 19.7 | 19.6 | 21.8 |
| Restricted for debt service | 1.1 | 1.1 | 3.8 | 4.2 | 4.6 | 3.8 | 4.2 | 12.7 | 13.6 | 32.8 |
| Restricted-other ⁽³⁾ | 213.4 | 217.7 | 221.8 | 225.9 | 229.0 | 232.5 | 235.9 | 239.7 | 242.9 | 243.0 |
| Unrestricted | (411.8) | 74.6 | (70.2) | 42.8 | 86.1 | (120.8) | 64.1 | (129.4) | (49.7) | 282.7 |
| Total business-type activities net position | \$ 2,881.9 | \$ 2,659.7 | \$ 2,375.0 | \$ 2,133.4 | \$ 1,889.3 | \$ 1,629.9 | \$ 1,528.4 | \$ 1,392.3 | \$ 1,273.7 | \$ 1,663.7 |

⁽¹⁾ Implementation of GASB 68 in 2015.

⁽²⁾ Implementation of GASB 75 in 2018.

⁽³⁾ Reclassified the water interception expense between operating expenses and non-operating income (expenses) in FY2021. This reclassification has no effect on the reported results of operations.

Revenue Capacity Section

- Ten-Year Summary of Revenue by Source
- Rate History
- Ten-Year Summary of Net Revenue and Debt Service Coverage

**Revenue Capacity
Ten-Year Summary of Revenue by Source**

Fiscal Years 2014 to 2023
(in Millions)

Water System

| | Fiscal Year Ended June 30 | | | | | | | | | |
|-------------------------------|---------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
| Water ⁽²⁾ | \$623.9 | \$633.8 | \$620.5 | \$567.4 | \$520.3 | \$480.8 | \$420.3 | \$421.2 | \$362.1 | \$367.6 |
| Taxes | 46.8 | 45.5 | 40.6 | 40.3 | 35.7 | 34.7 | 32.0 | 29.9 | 27.9 | 25.5 |
| Interest | 18.7 | (4.2) | (1.5) | 13.1 | 15.2 | 6.1 | 2.1 | 2.2 | 3.5 | 1.7 |
| Power ⁽³⁾ | 20.4 | 7.2 | 4.6 | 6.3 | 10.7 | 6.4 | 7.8 | 3.5 | 2.2 | 1.4 |
| Rental & Other ⁽¹⁾ | 22.3 | 16.7 | 16.2 | 14.4 | 14.3 | 14.8 | 14.9 | 14.0 | 15.4 | 20.4 |
| Total | \$732.0 | \$699.1 | \$680.3 | \$641.5 | \$596.2 | \$542.8 | \$477.0 | \$470.8 | \$411.1 | \$416.6 |

⁽¹⁾ Includes revenue of \$6 million from the sale of land in 2014.

⁽²⁾ Water Revenue decreased by \$9.9 million due to a 7% decrease in billed water consumption offset by a 4% water rate increase and an imposed drought surcharge at the beginning of FY2023.

⁽³⁾ Power Revenue increased by \$13.2 million due to higher hydropower prices and sales in the FY2023.

Note: Interest is exclusive of the change in fair value of investments in the year, which is included in Rental & Other on this page.

Source: Financial Statements

**Revenue Capacity
Ten-Year Summary of Revenue by Source**

Fiscal Years 2014 to 2023
(in Millions)

Wastewater System

| | Fiscal Year Ended June 30 | | | | | | | | | |
|---------------------------|---------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
| Wastewater ⁽¹⁾ | \$ 87.7 | \$ 84.6 | \$ 81.1 | \$ 79.9 | \$ 78.1 | \$ 74.7 | \$ 70.0 | \$ 65.9 | \$ 65.1 | \$ 61.7 |
| Wet Weather Facilities | 30.8 | 29.4 | 28.3 | 27.1 | 25.1 | 24.3 | 23.1 | 21.9 | 21.8 | 19.4 |
| Resource Recovery | 16.7 | 13.7 | 12.3 | 12.1 | 12.2 | 11.8 | 11.9 | 11.6 | 11.3 | 10.6 |
| Power | 1.0 | 0.7 | 0.7 | 0.9 | 0.5 | 1.1 | 0.9 | 1.3 | 1.1 | 1.1 |
| Taxes | 8.1 | 7.4 | 6.9 | 6.3 | 5.9 | 6.8 | 7.8 | 7.9 | 8.5 | 9.9 |
| Interest | 3.5 | (0.7) | (0.0) | 1.9 | 2.9 | 1.0 | 0.4 | 0.5 | 0.3 | 0.2 |
| Other | 5.8 | 5.8 | 5.1 | 4.4 | 4.1 | 5.9 | 4.4 | 3.9 | 4.4 | 5.3 |
| Total | \$ 153.5 | \$ 141.0 | \$ 134.3 | \$ 132.5 | \$ 128.9 | \$ 125.6 | \$ 118.5 | \$ 113.0 | \$ 112.5 | \$ 108.2 |

⁽¹⁾ Wastewater Revenue increased by \$3.1 million due to a 4% wastewater rate increase at the beginning of FY2023.

Note: Interest is exclusive of the change in fair value of investments in the year, which is included in Other on this page.

Source: Financial Statements

Statistical Section (continued) *East Bay Municipal Utility District*

Revenue Capacity Rate History

Fiscal Years 2014 to 2023

| Fiscal Year | Water | | Wastewater | |
|-------------|-------------------------|-----------------------------------|-------------------------|-----------------------------------|
| | Monthly Base Rate | Rate per 748 (1ccf) Gallons | Monthly Base Rate | Rate per 748 (1ccf) Gallons |
| 2014 | 13.42 | 2.66 | 13.18 | 0.73 |
| 2015 | 14.69 | 2.91 | 14.33 | 0.79 |
| 2016 | 19.34 | 2.95 | 12.57 | 1.04 |
| 2017 | 20.69 | 3.16 | 13.19 | 1.09 |
| 2018 | 22.60 | 3.45 | 13.85 | 1.14 |
| 2019 | 24.63 | 3.76 | 14.55 | 1.20 |
| 2020 | 26.23 | 4.00 | 14.33 | 1.27 |
| 2021 | 27.87 | 4.25 | 14.90 | 1.32 |
| 2022 | 28.98 | 4.42 | 15.49 | 1.37 |
| 2023 | 30.14 | 4.60 | 16.11 | 1.43 |

Notes: Rates are based on a 5/8" meter, which is the standard household meter size.

Source: Customer Information System

Statistical Section (continued) *East Bay Municipal Utility District*

Revenue Capacity

Ten-Year Summary of Net Revenue and Debt Service Coverage

Fiscal Years 2014 to 2023
(in Millions)

Water System

| Fiscal Year | Total Revenue⁽¹⁾ | Operations & Maintenance Expense⁽²⁾ | Net Revenue Available for Debt Service | Debt Service | Coverage Ratio |
|---------------------|------------------------------------|---|---|---------------------|-----------------------|
| 2014 | 398.6 | 188.2 | 210.4 | 126.4 | 1.66 |
| 2015 | 425.1 | 182.9 | 242.2 | 145.7 | 1.66 |
| 2016 | 480.3 | 208.8 | 271.5 | 164.2 | 1.65 |
| 2017 | 497.8 | 187.9 | 309.9 | 165.6 | 1.87 |
| 2018 | 579.2 | 198.3 | 380.9 | 177.2 | 2.15 |
| 2019 | 629.3 | 210.9 | 418.4 | 178.1 | 2.35 |
| 2020 | 653.6 | 223.9 | 429.7 | 188.6 | 2.28 |
| 2021 ⁽³⁾ | 638.7 | 230.2 | 408.5 | 189.0 | 2.16 |
| 2022 | 692.0 | 266.3 | 425.7 | 180.9 | 2.35 |
| 2023 | 712.3 | 284.9 | 427.4 | 189.6 | 2.25 |

⁽¹⁾ Gross Revenue includes operating revenue, investment earnings, facilities reserve charges, grant revenue, rent and other revenue, and rate stabilization fund transfers.

⁽²⁾ Operating & Maintenance Costs include operating expenses and before depreciation, amortization, debt service, pension expenses and expenses paid with property tax revenues.

⁽³⁾ The total revenue and coverage ratio for fiscal year 2021 have been corrected to match the audited financial statements.

Source: Financial Statements and Official Statements

Statistical Section (continued) *East Bay Municipal Utility District*

Revenue Capacity

Ten-Year Summary of Net Revenue and Debt Service Coverage

Fiscal Years 2014 to 2023
(in Millions)

Wastewater System

| Fiscal Year | Total Revenue ⁽¹⁾ | Operations & Maintenance Expense ⁽²⁾ | Net Revenue Available for Debt Service | Debt Service | Coverage Ratio |
|---------------------|-------------------------------------|--|---|---------------------|-----------------------|
| 2014 | 96.5 | 50.8 | 45.7 | 28.6 | 1.60 |
| 2015 | 100.3 | 51.4 | 48.9 | 28.0 | 1.75 |
| 2016 | 108.1 | 50.7 | 57.4 | 29.1 | 1.98 |
| 2017 | 118.9 | 53.6 | 65.3 | 29.1 | 2.24 |
| 2018 ⁽³⁾ | 127.9 | 57.2 | 70.7 | 26.7 | 2.65 |
| 2019 | 133.2 | 57.6 | 75.6 | 26.7 | 2.83 |
| 2020 | 129.4 | 60.2 | 69.2 | 26.7 | 2.59 |
| 2021 | 124.5 | 62.1 | 62.4 | 26.3 | 2.37 |
| 2022 | 138.5 | 69.2 | 69.3 | 26.4 | 2.63 |
| 2023 ⁽⁴⁾ | 149.1 | 94.1 | 55.0 | 28.5 | 1.93 |

⁽¹⁾ Gross Revenue includes operating revenue, investment earnings, facilities reserve charges, capacity fees grant revenue, rent and other revenue, and rate stabilization fund transfers.

⁽²⁾ Operating & Maintenance Costs include operating expenses and before depreciation, amortization, debt service, pension expenses and expenses paid with property tax revenues.

⁽³⁾ In accordance with amendments to the bond indenture, commencing in fiscal year 2018 the BABs interest subsidy payments received by the District are treated as an offset to interest paid by the District on the Series 2010B revenue bonds. The MD&A section cites a preliminary coverage ratio for fiscal year 2018 that applies the previous methodology under which the BABs subsidy is treated as revenue.

⁽⁴⁾ FY2023 coverage ratio was revised from 1.92 to 1.93 after the FY2023 Audited Financial Statements was finalized.

Source: Financial Statements and Official Statements

Debt Capacity Section

- Debt Ratings
- Outstanding Debt by Type and per Account
- Authorized but Unissued Revenue Bonds and Outstanding Short-Term Debt
- Ratio of Net General Obligation Bonded Debt to Annual Billings and Net General Bonded Debt per Account
- Summary of Debt Outstanding

**Debt Capacity
Debt Ratings**

June 30, 2023

| District Debt by Type | Rating by | | |
|--------------------------|-------------------|---------------------------|-------|
| | Standard & Poor's | Moody's Investors Service | Fitch |
| Water System | | | |
| Fixed Rate Revenue Bonds | AAA | Aaa | AA+ |
| Commercial Paper Notes | A-1+ | P-1 | - |
| Wastewater System | | | |
| Fixed Rate Revenue Bonds | AAA | Aa1 | AA+ |

Source: Financial Statements

**Debt Capacity
Outstanding Debt by Type and per Account**

Fiscal Years 2014 to 2023
(In Thousands)

| Water System | | | | | | | | Total Outstanding Debt Per Account ⁽⁴⁾ |
|------------------------|--|---|---|--|--|--|------------------------------------|--|
| Fiscal Year | General Obligation Bonds ⁽¹⁾ | Revenue Bonds ⁽¹⁾ | Loans Payable ⁽¹⁾ | Commercial Paper Notes ⁽¹⁾ | Unamortized Premiums & Discounts ⁽¹⁾ | Total Outstanding Debt ⁽³⁾ | Accounts ⁽²⁾ | |
| 2014 | - | 2,235,960 | 16,011 | 359,800 | 94,490 | 2,706,261 | 381 | 7.10 |
| 2015 | - | 2,319,730 | 14,996 | 359,800 | 177,809 | 2,872,335 | 382 | 7.52 |
| 2016 | - | 2,271,510 | 13,956 | 359,800 | 163,491 | 2,808,757 | 382 | 7.35 |
| 2017 | - | 2,417,730 | 12,891 | 359,800 | 254,265 | 3,044,686 | 383 | 7.95 |
| 2018 | - | 2,359,895 | 14,060 | 359,800 | 232,243 | 2,965,998 | 383 | 7.74 |
| 2019 | - | 2,461,625 | 12,885 | 359,800 | 272,240 | 3,106,550 | 383 | 8.11 |
| 2020 | - | 2,396,190 | 35,068 | 335,800 | 243,452 | 3,010,510 | 385 | 7.82 |
| 2021 | - | 2,328,805 | 32,857 | 312,800 | 217,323 | 2,891,785 | 386 | 7.49 |
| 2022 | - | 2,381,430 | 31,073 | 295,000 | 225,067 | 2,932,570 | 387 | 7.58 |
| 2023 | - | 2,290,985 | 29,251 | 281,000 | 198,173 | 2,799,409 | 388 | 7.21 |

| Wastewater System | | | | | | | | Total Outstanding Debt Per Account ⁽⁴⁾ |
|--------------------------|--|---|---|--|--|--|------------------------------------|--|
| Fiscal Year | General Obligation Bonds ⁽¹⁾ | Revenue Bonds ⁽¹⁾ | Loans Payable ⁽¹⁾ | Commercial Paper Notes ⁽¹⁾ | Unamortized Premiums & Discounts ⁽¹⁾ | Total Outstanding Debt ⁽³⁾ | Accounts ⁽²⁾ | |
| 2014 | 14,160 | 419,880 | - | 15,000 | 5,933 | 454,973 | 176 | 2.59 |
| 2015 | 10,910 | 397,965 | - | 15,000 | 22,509 | 446,384 | 176 | 2.54 |
| 2016 | 7,345 | 388,530 | - | 15,000 | 20,520 | 431,395 | 176 | 2.45 |
| 2017 | 3,515 | 390,110 | - | 15,000 | 31,802 | 440,427 | 177 | 2.49 |
| 2018 | - | 380,075 | - | 15,000 | 27,862 | 422,937 | 177 | 2.39 |
| 2019 | - | 369,705 | - | 15,000 | 28,900 | 413,605 | 177 | 2.34 |
| 2020 | - | 358,845 | - | 10,000 | 24,936 | 393,781 | 179 | 2.20 |
| 2021 | - | 347,890 | - | 9,300 | 21,565 | 378,755 | 180 | 2.10 |
| 2022 | - | 351,895 | - | 8,000 | 22,860 | 382,755 | 181 | 2.11 |
| 2023 | - | 338,300 | - | - | 19,537 | 357,837 | 182 | 1.97 |

⁽¹⁾ Source: Financial Summary

⁽²⁾ Source: Customer Information System

⁽³⁾ Total Outstanding Debt has been modified by adding "Unamortized Premiums & Discounts" figure.

⁽⁴⁾ Total Outstanding Debt Per Account has been adjusted due to the addition of the "Unamortized Premiums & Discounts" figure.

Source: Financial Statements

Debt Capacity
Outstanding Debt by Type and per Account

Fiscal Years 2014 to 2023
(In Thousands)

| Water System | | | | | | | | | Total Outstanding Debt Per Account ⁽⁴⁾ |
|------------------------|--|---|---|--|--|---|--|------------------------------------|--|
| Fiscal Year | General Obligation Bonds ⁽¹⁾ | Revenue Bonds ⁽¹⁾ | Loans Payable ⁽¹⁾ | Commercial Paper Notes ⁽¹⁾ | Unamortized Premiums & Discounts ⁽¹⁾ | Lease Payable ⁽⁵⁾ | Total Outstanding Debt ⁽³⁾ | Accounts ⁽²⁾ | |
| 2014 | - | 2,235,960 | 16,011 | 359,800 | 94,490 | - | 2,706,261 | 381 | 7.10 |
| 2015 | - | 2,319,730 | 14,996 | 359,800 | 177,809 | - | 2,872,335 | 382 | 7.52 |
| 2016 | - | 2,271,510 | 13,956 | 359,800 | 163,491 | - | 2,808,757 | 382 | 7.35 |
| 2017 | - | 2,417,730 | 12,891 | 359,800 | 254,265 | - | 3,044,686 | 383 | 7.95 |
| 2018 | - | 2,359,895 | 14,060 | 359,800 | 232,243 | - | 2,965,998 | 383 | 7.74 |
| 2019 | - | 2,461,625 | 12,885 | 359,800 | 272,240 | - | 3,106,550 | 383 | 8.11 |
| 2020 | - | 2,396,190 | 35,068 | 335,800 | 243,452 | - | 3,010,510 | 385 | 7.82 |
| 2021 | - | 2,328,805 | 32,857 | 312,800 | 217,323 | - | 2,891,785 | 386 | 7.49 |
| 2022 | - | 2,381,430 | 31,073 | 295,000 | 225,067 | 1,993 | 2,934,563 | 387 | 7.58 |
| 2023 | - | 2,290,985 | 29,251 | 281,000 | 198,173 | 1,581 | 2,800,990 | 388 | 7.22 |

| Wastewater System | | | | | | | | | Total Outstanding Debt Per Account ⁽⁴⁾ |
|--------------------------|--|---|---|--|--|---|--|------------------------------------|--|
| Fiscal Year | General Obligation Bonds ⁽¹⁾ | Revenue Bonds ⁽¹⁾ | Loans Payable ⁽¹⁾ | Commercial Paper Notes ⁽¹⁾ | Unamortized Premiums & Discounts ⁽¹⁾ | Lease Payable ⁽⁵⁾ | Total Outstanding Debt ⁽³⁾ | Accounts ⁽²⁾ | |
| 2014 | 14,160 | 419,880 | - | 15,000 | 5,933 | - | 454,973 | 176 | 2.59 |
| 2015 | 10,910 | 397,965 | - | 15,000 | 22,509 | - | 446,384 | 176 | 2.54 |
| 2016 | 7,345 | 388,530 | - | 15,000 | 20,520 | - | 431,395 | 176 | 2.45 |
| 2017 | 3,515 | 390,110 | - | 15,000 | 31,802 | - | 440,427 | 177 | 2.49 |
| 2018 | - | 380,075 | - | 15,000 | 27,862 | - | 422,937 | 177 | 2.39 |
| 2019 | - | 369,705 | - | 15,000 | 28,900 | - | 413,605 | 177 | 2.34 |
| 2020 | - | 358,845 | - | 10,000 | 24,936 | - | 393,781 | 179 | 2.20 |
| 2021 | - | 347,890 | - | 9,300 | 21,565 | - | 378,755 | 180 | 2.10 |
| 2022 | - | 351,895 | - | 8,000 | 22,860 | - | 382,755 | 181 | 2.11 |
| 2023 | - | 338,300 | - | - | 19,537 | - | 357,837 | 182 | 1.97 |

⁽¹⁾ Source: Financial Summary

⁽²⁾ Source: Customer Information System

⁽³⁾ Total Outstanding Debt has been modified by adding "Unamortized Premiums & Discounts" figure.

⁽⁴⁾ Total Outstanding Debt Per Account has been adjusted due to the addition of the "Unamortized Premiums & Discounts" figure.

⁽⁵⁾ Implementation of GASB 87 in FY2022.

Source: Financial Statements

**Debt Capacity
Authorized but Unissued Revenue Bonds
and Outstanding Short-Term Debt**

As of June 30, 2023
(in Thousands)

Water System

| | | |
|---|----|---------|
| Authorized but unissued revenue bonds | \$ | 468,460 |
| Outstanding short-term debt (due within one year) | \$ | 81,260 |

Wastewater System

| | | |
|---|----|---------|
| Authorized but unissued revenue bonds | \$ | 167,885 |
| Outstanding short-term debt (due within one year) | \$ | 14,310 |

Source: Financial Statements

Debt Capacity
**Ratio of Net General Obligation Bonded Debt to Annual Billings
and Net General Bonded Debt per Account**

 Fiscal Years 2014 to 2023
(in Thousands)

Water System

| Fiscal Year | Accounts ⁽¹⁾ | General Obligation Bonded Debt ⁽²⁾ | General Bonded Debt Per Account | Annual Billings ⁽²⁾ | Percentage of General Bonded Debt To Annual Billings |
|--------------------|--------------------------------|--|--|---------------------------------------|---|
| 2014 | 381 | - | - | 367,547 | 0.00% |
| 2015 | 382 | - | - | 362,136 | 0.00% |
| 2016 | 382 | - | - | 421,240 | 0.00% |
| 2017 | 383 | - | - | 420,293 | 0.00% |
| 2018 | 383 | - | - | 480,745 | 0.00% |
| 2019 | 384 | - | - | 520,344 | 0.00% |
| 2020 | 385 | - | - | 567,394 | 0.00% |
| 2021 | 386 | - | - | 620,471 | 0.00% |
| 2022 | 387 | - | - | 633,840 | 0.00% |
| 2023 | 388 | - | - | 623,929 | 0.00% |

Wastewater System

| Fiscal Year | Accounts ⁽¹⁾ | General Obligation Bonded Debt ⁽²⁾ | General Bonded Debt Per Account | Annual Billings ⁽²⁾ | Percentage of General Bonded Debt To Annual Billings |
|--------------------|--------------------------------|--|--|---------------------------------------|---|
| 2014 | 176 | 14,160 | 0.08 | 61,775 | 22.92% |
| 2015 | 176 | 10,910 | 0.06 | 65,108 | 16.76% |
| 2016 | 176 | 7,345 | 0.04 | 65,916 | 11.14% |
| 2017 | 177 | 3,515 | 0.02 | 69,999 | 5.02% |
| 2018 | 177 | - | - | 74,727 | 0.00% |
| 2019 | 177 | - | - | 78,108 | 0.00% |
| 2020 | 179 | - | - | 79,882 | 0.00% |
| 2021 | 180 | - | - | 81,078 | 0.00% |
| 2022 | 181 | - | - | 84,636 | 0.00% |
| 2023 | 182 | - | - | 87,683 | 0.00% |

 Source: ⁽¹⁾ Financial Summary

⁽²⁾ Customer Information System.

**Debt Capacity
Summary of Debt Outstanding ⁽¹⁾**

As of June 30, 2023
(in Thousands)

Water System

Revenue Bonds

| | | |
|--------------|----|---------|
| Series 2010B | \$ | 400,000 |
| Series 2014A | | 128,315 |
| Series 2014B | | 153,665 |
| Series 2014C | | 75,000 |
| Series 2015A | | 410,845 |
| Series 2015B | | 72,010 |
| Series 2015C | | 110,715 |
| Series 2017A | | 185,355 |
| Series 2017B | | 296,160 |
| Series 2019A | | 151,475 |
| Series 2022A | | 133,950 |
| Series 2022B | | 173,495 |

| | | |
|--|-----------|------------------|
| Total Water System Debt Outstanding | \$ | 2,290,985 |
|--|-----------|------------------|

Wastewater System

Revenue Bonds

| | | |
|--------------|----|---------|
| Series 2010B | \$ | 150,000 |
| Series 2014A | | 36,515 |
| Series 2015A | | 68,370 |
| Series 2015B | | 1,440 |
| Series 2017A | | 48,075 |
| Series 2022A | | 16,555 |
| Series 2022B | | 17,345 |

| | | |
|---|-----------|----------------|
| Total Wastewater System Debt Outstanding | \$ | 338,300 |
|---|-----------|----------------|

⁽¹⁾ Debt outstanding does not include State low interest loans, commercial paper or outstanding refunded but not yet called debt.

Source: Financial Statements

Demographic and Economic Information Section

- District Information
- Principal Water Rate Payers by Type of Customer
- Billed Water Consumption by Type of Customer
- Consumption and Account Comparative Highlights
- Area Employment Information

**Demographic and Economic Information
District Information**

Fiscal Year 2023

| | | <u>Water System</u> | <u>Wastewater System</u> |
|---|----------------------|---------------------|--------------------------|
| Established | | 1923 | 1944 |
| Service Area | (square miles) | 332 | 88 |
| Population Served | (in thousands) | 1,400 | 740 |
| Unemployment Rate | (Alameda County - %) | 4.2 | 4.2 |
| Facilities: | | | |
| Miles of aqueducts | | 126.46 | - |
| Miles of pipeline | | 4,165 | - |
| Miles of tunnels | | 17.94 | - |
| Miles of interceptors | | - | 37 |
| Number of treatment plants ⁽¹⁾ | | 10 | - |
| Number of pumping stations | | 128 | 15 |
| Number of treated water reservoirs | | 164 | - |
| Number of reservoirs | | 171 | - |
| Total District untreated water reservoir capacity | (acre feet) | 756,695 | - |
| Water demand per fiscal year | | | |
| District-provided water | (acre feet) | 164,483 | - |
| Water recycling per day | (in million gallons) | - | 6.29 |
| Wastewater treatment capacity | | | |
| Primary treatment | | - | 320 |
| Secondary treatment | | - | 168 |
| Energy Recovery | (%) | - | 116 |
| Number of active employees | | 1,719 | 275 |
| Average years of service of employees | | 11 | 9 |

⁽¹⁾ Includes one standby treatment plant

Source: State of California, Environmental Compliance, Urban Water Management Plan, Engineering, Finance, Water Consumption Report and Human Resources

**Demographic and Economic Information
Principal Water Rate Payers by Type of Customer**

Fiscal Years 2014 to 2023
(in Thousands)

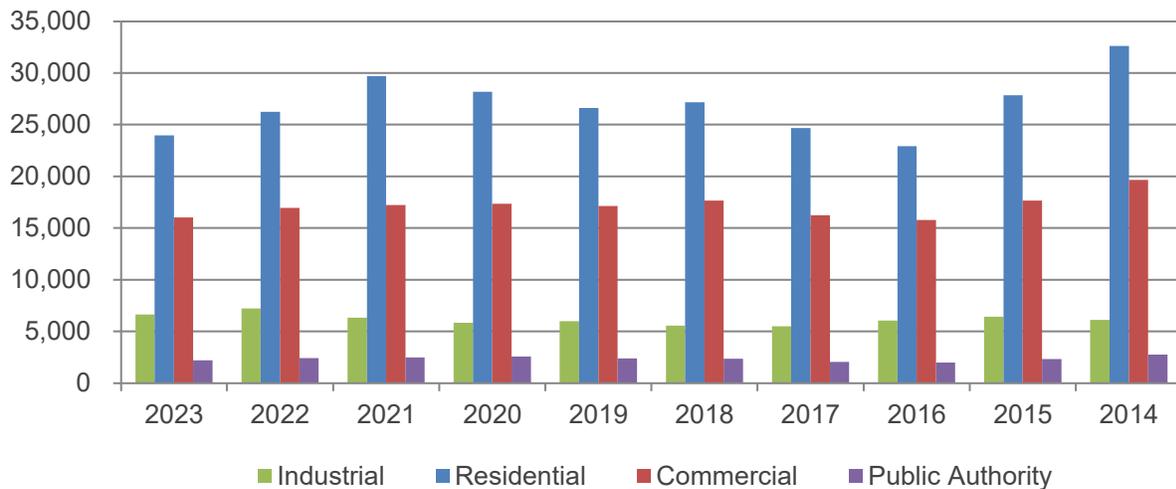
| | 2023 | 2022 | 2021 | 2020 ⁽¹⁾ | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|------------------------------|------------|------------|------------|---------------------|------------|------------|------------|------------|------------|------------|
| | Billings | Billings | Billings | Billings | Billings | Billings | Billings | Billings | Billings | Billings |
| | % | % | % | % | % | % | % | % | % | % |
| Residential | \$ 337,600 | \$ 339,794 | \$ 354,269 | \$ 320,889 | \$ 288,399 | \$ 268,281 | \$ 233,141 | \$ 225,648 | \$ 200,426 | \$ 209,212 |
| | 54.11% | 53.61% | 57.10% | 56.55% | 55.42% | 55.81% | 55.47% | 53.57% | 55.35% | 56.92% |
| Commercial | 200,824 | 194,453 | 188,686 | 177,566 | 163,065 | 151,596 | 132,882 | 137,572 | 114,837 | 113,723 |
| | 32.19% | 30.68% | 30.41% | 31.30% | 31.34% | 31.53% | 31.62% | 32.66% | 31.71% | 30.94% |
| Industrial | 58,946 | 72,975 | 51,406 | 43,556 | 44,941 | 38,354 | 35,287 | 38,598 | 30,144 | 26,815 |
| | 9.45% | 11.51% | 8.28% | 7.68% | 8.64% | 7.98% | 8.40% | 9.16% | 8.32% | 7.30% |
| Public Authority & Other | 26,559 | 26,618 | 26,110 | 25,383 | 23,939 | 22,514 | 18,983 | 19,422 | 16,729 | 17,797 |
| | 4.26% | 4.20% | 4.21% | 4.47% | 4.60% | 4.68% | 4.52% | 4.61% | 4.62% | 4.84% |
| Total annual billings | \$ 623,929 | \$ 633,840 | \$ 620,471 | \$ 567,394 | \$ 520,344 | \$ 480,745 | \$ 420,293 | \$ 421,240 | \$ 362,136 | \$ 367,547 |
| | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |
| Top 1 Rate Payer | \$ 25,400 | \$ 40,964 | \$ 23,641 | \$ 17,587 | \$ 20,428 | \$ 17,550 | \$ 16,139 | \$ 18,023 | \$ 13,709 | \$ 12,638 |
| | 4.07% | 6.46% | 3.81% | 3.10% | 3.93% | 3.65% | 3.84% | 4.28% | 3.79% | 3.44% |
| Top 10 Rate Payers | 66,824 | 81,797 | 60,757 | 52,631 | 52,820 | 46,613 | 41,967 | 46,702 | 37,498 | 35,760 |
| | 10.71% | 12.90% | 9.79% | 9.28% | 10.15% | 9.70% | 9.99% | 11.09% | 10.35% | 9.73% |

⁽¹⁾ The commercial billings figure for fiscal year 2020 is corrected to \$177,566 from \$174,566 to match with the total billings reported in other section.

Source: Customer Information System

Demographic and Economic Information
Billed Water Consumption by Type of Customer

Fiscal Years 2014 to 2023
 (in Millions of Gallons)



Type of Customer

| Fiscal Year | Residential | Commercial | Industrial | Public Authority | Total |
|--------------------|--------------------|-------------------|-------------------|-------------------------|--------------|
| 2014 | 32,604 | 19,666 | 6,120 | 2,752 | 61,142 |
| 2015 | 27,827 | 17,657 | 6,402 | 2,314 | 54,200 |
| 2016 | 22,925 | 15,786 | 6,048 | 1,977 | 46,736 |
| 2017 | 24,656 | 16,226 | 5,496 | 2,056 | 48,434 |
| 2018 | 27,175 | 17,636 | 5,568 | 2,366 | 52,745 |
| 2019 | 26,601 | 17,134 | 5,972 | 2,377 | 52,084 |
| 2020 | 28,184 | 17,350 | 5,833 | 2,563 | 53,930 |
| 2021 | 29,696 | 17,229 | 6,317 | 2,475 | 55,717 |
| 2022 | 26,238 | 16,946 | 7,222 | 2,414 | 52,820 |
| 2023 | 23,960 | 16,009 | 6,631 | 2,190 | 48,790 |

Source: Customer Information System

**Demographic and Economic Information
Consumption and Account Comparative Highlights**

Fiscal Years 2023 and 2022

| Water System | 2023 | 2022 |
|--|-------------|-------------|
| During the Year: | | |
| Total Water Production, millions of gallons | 53,597 | 57,006 |
| Average Daily Water Production, MGD ⁽¹⁾ | 147 | 156 |
| Maximum Daily Water Production, MGD ⁽¹⁾ | 199 | 209 |
| Minimum Daily Water Production, MGD ⁽¹⁾ | 107 | 109 |
| At Year End: | | |
| Number of Accounts | 387,537 | 387,083 |
| Number of Active Employees | 1,719 | 1,696 |
| Miles of Water Distribution Pipe | 4,165 | 4,161 |
| Operating Distribution Storage Capacity, millions of gallons | 688 | 604 |
| Wastewater System | | |
| During the Year: | | |
| Average Daily Wastewater Flow, MGD ⁽¹⁾ | 64 | 51 |
| At Year End: | | |
| Number of Accounts | 181,942 | 181,458 |
| Number of Active Employees | 275 | 259 |

⁽¹⁾ Millions of gallons per day

**Demographic and Economic Information
Area Employment Information**

Fiscal Years 2022 to 2023

| Rank | Company | Estimated Total Employees | Percentage of Total County Employment |
|-------------|--------------------------------------|----------------------------------|--|
| 1 | Kaiser Permanente Medical Group Inc. | 44,716 | 3.36% |
| 2 | Chevron Corporation | 14,750 | 1.11% |
| 3 | Tesla | 13,000 | 0.98% |
| 4 | Safeway Inc. | 9,731 | 0.73% |
| 5 | County of Alameda | 9,548 | 0.72% |
| 6 | Sutter Health | 9,377 | 0.71% |
| 7 | John Muir Health | 9,275 | 0.70% |
| 8 | PG&E Corporation | 5,100 | 0.38% |
| 9 | Workday | 5,098 | 0.38% |
| 10 | Wells Fargo Bank | 4,354 | 0.33% |

Source: County of Alameda and County of Contra Costa Area Employment, FY2022 Annual Comprehensive Financial Report.

Operating Information Section

- Full-Time Equivalent District Positions by Function/Program
- Assessed Valuation of Taxable Property
- Ten-Year Summary of Property, Plant and Equipment
- Capital Asset Statistics by Function/Program
- Operating Indicators by Function/Program
- Ten-Year Summary of Expense by Source

Operating Information

Full Time Equivalent District Positions by Function/Program

Fiscal Years 2014 to 2023

| <u>Function/Program</u> | <u>Fiscal Year Ended June 30</u> | | | | | | | | | |
|----------------------------------|----------------------------------|----------------|----------------|---------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020⁽¹⁾</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
| Maintenance and Construction | 606.5 | 668.5 | 670.5 | 670.5 | 796.5 | 792.0 | 764.0 | 760.0 | 732.5 | 732.5 |
| Water Operations and Maintenance | 392.3 | 339.8 | 341.3 | 342.8 | 186.5 | 186.0 | 188.0 | 189.0 | 196.5 | 196.5 |
| Water Resources | 35.0 | 38.0 | 38.5 | 38.5 | 37.0 | 36.5 | 37.5 | 39.0 | 38.0 | 40.0 |
| Natural Resources | 67.5 | 66.5 | 66.5 | 66.5 | 68.5 | 68.5 | 68.5 | 69.5 | 69.5 | 69.5 |
| Engineering and Construction | 282.0 | 288.0 | 286.5 | 287.5 | 275.5 | 275.5 | 267.5 | 264.0 | 250.5 | 250.5 |
| Office of the General Manager | 74.5 | 52.5 | 27.5 | 26.5 | 25.5 | 25.5 | 25.5 | 25.5 | 26.5 | 25.5 |
| Finance | 97.5 | 100.5 | 102.5 | 102.5 | 99.5 | 99.5 | 99.5 | 98.5 | 97.5 | 96.5 |
| Information Systems | 93.0 | 94.0 | 94.0 | 94.0 | 97.0 | 96.0 | 94.0 | 96.0 | 92.0 | 93.0 |
| Administration Department | 1.0 | 1.0 | 1.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 56.0 |
| Customer and Community Services | 153.5 | 150.5 | 152.5 | 152.5 | 152.5 | 152.5 | 153.5 | 151.5 | 142.5 | 101.0 |
| Human Resources | 42.5 | 44.5 | 61.5 | 60.0 | 60.0 | 61.5 | 56.5 | 58.5 | 58.0 | 47.5 |
| Office of General Counsel | 16.5 | 16.5 | 17.0 | 17.0 | 17.0 | 17.0 | 17.0 | 17.0 | 17.0 | 17.0 |
| Water Recycling Program | 8.0 | 8.0 | 8.0 | 8.0 | 8.0 | 8.0 | 8.0 | 8.0 | 8.0 | 8.0 |
| Wastewater | 289.5 | 288.5 | 288.5 | 288.5 | 289.5 | 287.5 | 286.5 | 285.5 | 288.5 | 286.5 |
| Total | 2,159.3 | 2,156.8 | 2,155.8 | 2,156.8 | 2,115.0 | 2,108.0 | 2,068.0 | 2,064.0 | 2,019.0 | 2,020.0 |

Note: Budgeted full-time equivalent positions available by Function/Program, actual headcount at year end for Water System and Wastewater System listed in: Demographic and Economic Information - Consumption and Account Comparative Highlights.

⁽¹⁾ All positions in the Plant Engineering Services was transferred to the Water Operations & Maintenance from the Maintenance & Construction.

Source: Office of Budgets and Rates

**Operating Information
Assessed Valuation of Taxable Property**

Fiscal Years 2014 to 2023
(in Millions)

| | Fiscal Year Ended June 30 | | | | | | | | | |
|---|----------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
| Water System ⁽¹⁾ | | | | | | | | | | |
| Alameda County | \$ 178,508 | \$ 164,626 | \$ 156,691 | \$ 145,334 | \$ 135,672 | \$ 127,263 | \$ 119,325 | \$ 112,041 | \$ 103,645 | \$ 98,957 |
| Contra Costa County | 140,098 | 130,466 | 126,402 | 120,648 | 114,736 | 108,186 | 102,561 | 96,473 | 89,683 | 83,101 |
| Total | \$ 318,606 | \$ 295,092 | \$ 283,093 | \$ 265,982 | \$ 250,408 | \$ 235,449 | \$ 221,886 | \$ 208,514 | \$ 193,328 | \$ 182,058 |
| Wastewater System ⁽¹⁾ | | | | | | | | | | |
| Alameda County | \$ 140,034 | \$ 128,679 | \$ 122,248 | \$ 112,572 | \$ 104,791 | \$ 98,101 | \$ 91,776 | \$ 85,882 | \$ 79,134 | \$ 75,006 |
| Contra Costa County | 8,057 | 7,503 | 7,188 | 6,769 | 6,397 | 6,027 | 5,674 | 5,291 | 4,843 | 4,437 |
| Total | \$ 148,091 | \$ 136,182 | \$ 129,436 | \$ 119,341 | \$ 111,188 | \$ 104,128 | \$ 97,450 | \$ 91,173 | \$ 83,977 | \$ 79,443 |

Net assessed valuations, plus homeowners' exemptions, the taxes on which are paid by the State. All valuations are stated on a 100% of full cash value basis.

⁽¹⁾ Historical Assessed Valuation for Tax Purposes numbers differ from those previously reported to correctly match the fiscal year of the County figures with the applicable fiscal year in the table. The amounts were offset by one year in the previous reports. In addition, minor differences in assessed valuation numbers from amounts previously reported can also occur from time to time due to a change in source data used.

Source: Alameda and Contra Costa Counties

Operating Information
Ten-Year Summary of Property, Plant and Equipment

Fiscal Years 2014 to 2023
 (in Millions)

Water System

Fiscal Year Ended June 30

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Structures, Buildings and Equipment ⁽¹⁾ | \$6,960.0 | \$6,753.5 | \$6,531.9 | \$6,332.4 | \$6,021.8 | \$5,497.7 | \$5,264.5 | \$5,131.1 | \$4,919.4 | \$4,779.4 |
| Less Accumulated Depreciation | (2,798.8) | (2,672.8) | (2,547.8) | (2,424.0) | (2,305.5) | (1,895.1) | (1,793.9) | (1,696.6) | (1,602.8) | (1,510.2) |
| Subtotal | 4,161.2 | 4,080.7 | 3,984.1 | 3,908.4 | 3,716.3 | 3,602.6 | 3,470.6 | 3,434.5 | 3,316.6 | 3,269.2 |
| Land and Rights-of-Way | 73.8 | 73.8 | 73.8 | 73.8 | 70.9 | 65.0 | 64.5 | 58.7 | 58.4 | 55.2 |
| Construction in Progress | 943.5 | 722.9 | 635.4 | 497.6 | 522.9 | 472.4 | 405.4 | 303.0 | 309.4 | 243.2 |
| Total Capital Assets, Net | \$ 5,178.5 | \$ 4,877.4 | \$ 4,693.3 | \$ 4,479.8 | \$ 4,310.1 | \$ 4,140.0 | \$ 3,940.5 | \$ 3,796.2 | \$ 3,684.4 | \$ 3,567.6 |

⁽¹⁾ This total includes intangible assets figure and starting FY2022 Lease-right to use assets figure is added to this total as well.

Source: Financial Statements

Operating Information
Ten-Year Summary of Property, Plant and Equipment

Fiscal Years 2014 to 2023
 (in Millions)

Wastewater System

Fiscal Year Ended June 30

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|------------|------------|------------|------------|------------|------------|------------|------------|----------|----------|
| Structures, Buildings and Equipment ⁽¹⁾ | \$ 1,264.2 | \$ 1,233.9 | \$ 1,200.4 | \$ 1,178.7 | \$ 1,166.6 | \$ 1,114.6 | \$ 1,073.5 | \$ 1,027.6 | \$ 991.7 | \$ 969.6 |
| Less Accumulated Depreciation | (616.2) | (590.5) | (565.3) | (540.6) | (515.2) | (464.0) | (441.3) | (418.7) | (396.1) | (371.9) |
| Subtotal | 648.0 | 643.4 | 635.1 | 638.1 | 651.4 | 650.6 | 632.2 | 608.9 | 595.6 | 597.7 |
| Land and Rights-of-Way | 21.5 | 21.4 | 21.4 | 21.4 | 21.4 | 21.4 | 21.3 | 21.2 | 21.0 | 20.2 |
| Construction in Progress | 151.9 | 125.7 | 116.5 | 98.5 | 68.2 | 43.9 | 57.2 | 63.4 | 65.0 | 59.1 |
| Total Capital Assets, Net | \$ 821.4 | \$ 790.5 | \$ 773.0 | \$ 758.0 | \$ 741.0 | \$ 715.9 | \$ 710.7 | \$ 693.5 | \$ 681.6 | \$ 677.0 |

⁽¹⁾ This total includes intangible assets figure.

Source: Financial Statements

**Operating Information
Capital Asset Statistics by Function/Program**

Fiscal Years 2014 to 2023

| <u>Function/Program</u> | <u>Fiscal Year Ended June 30</u> | | | | | | | | | |
|--|----------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
| Water System | | | | | | | | | | |
| Water mains (miles) | 4,165 | 4,161 | 4,152 | 4,142 | 4,135 | 4,133 | 4,131 | 4,130 | 4,126 | 4,115 |
| Fire hydrants | 30,820 | 30,771 | 30,673 | 31,367 | 30,441 | 30,330 | 30,340 | 30,211 | 30,113 | 30,576 |
| Reservoir storage at June 30 (in acre feet) | 727,050 | 540,740 | 484,600 | 597,030 | 727,320 | 709,910 | 735,260 | 652,280 | 382,050 | 466,250 |
| Wastewater System | | | | | | | | | | |
| Sanitary sewers (miles) | Owned by various communities | | | | | | | | | |
| Treatment capacity (thousands of gallons per day) | 168,000 | 168,000 | 168,000 | 168,000 | 168,000 | 168,000 | 168,000 | 168,000 | 168,000 | 168,000 |

Source: Engineering Department and Accounting Department

Operating Information

Operating Indicators by Function/Program

Fiscal Years 2014 to 2023

| <u>Function/Program</u> | Fiscal Year Ended June 30 | | | | | | | | | |
|---|---------------------------|-------|-------|------|-------|------|------|-------|-------|------|
| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
| Water System | | | | | | | | | | |
| New connections | 737 | 379 | 539 | 582 | 1,086 | 590 | 760 | 741 | 1,041 | 621 |
| Water main breaks | 1,082 | 1,001 | 1,022 | 935 | 935 | 891 | 918 | 1,189 | 1,027 | 980 |
| Average daily production (millions of gallons) | 147 | 156 | 169 | 167 | 164 | 166 | 157 | 146 | 164 | 187 |
| Peak daily production (millions of gallons) | 199 | 209 | 234 | 227 | 221 | 232 | 222 | 186 | 221 | 288 |
| Wastewater System | | | | | | | | | | |
| Average daily sewage treatment (millions of gallons) | 64 | 51 | 51 | 61 | 61 | 54 | 69 | 56 | 61 | 60 |

Source: NBO/CMS/Annual Report/Wastewater

Operating Information

Ten-Year Summary of Expense by Source

Fiscal Years 2014 to 2023
(in Millions)

| | Fiscal Year Ended June 30 | | | | | | | | | |
|--|----------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
| Interest and Amortization of Bonds | \$ 115.6 | \$ 113.1 | \$ 106.2 | \$ 113.5 | \$ 119.6 | \$ 120.7 | \$ 109.7 | \$ 109.3 | \$ 124.3 | \$ 121.1 |
| Depreciation on Utility Plant ⁽³⁾ | 150.7 | 145.7 | 144.1 | 138.1 | 132.0 | 128.1 | 125.2 | 119.8 | 118.3 | 112.7 |
| Water Treatment and Distribution | 147.9 | 140.3 | 134.0 | 126.6 | 117.6 | 113.4 | 113.6 | 106.5 | 100.0 | 97.6 |
| General Administration ⁽²⁾ | 38.4 | 72.9 | 39.4 | 31.7 | 36.8 | 43.9 | 43.6 | 49.7 | 45.7 | 57.7 |
| Raw Water ^(1, 4) | 80.0 | 62.2 | 57.4 | 53.2 | 44.6 | 40.4 | 37.6 | 64.4 | 43.5 | 41.1 |
| Sewer Treatment Plant Operations | 53.7 | 47.1 | 43.0 | 41.5 | 37.9 | 38.2 | 35.1 | 33.3 | 32.5 | 31.7 |
| Financial and Risk Management | 26.1 | 22.7 | 22.5 | 25.6 | 23.1 | 17.5 | 21.6 | 19.6 | 19.3 | 17.0 |
| Customer Accounting and Collecting | 24.0 | 21.9 | 20.0 | 19.9 | 20.3 | 19.4 | 19.9 | 19.1 | 19.9 | 20.3 |
| Facilities Management ⁽³⁾ | 6.4 | 4.1 | 3.9 | 4.5 | 5.0 | 5.5 | 5.2 | 6.3 | 6.9 | 9.0 |
| Sewer Lines and Pumping | 22.9 | 18.3 | 16.7 | 16.4 | 15.9 | 13.4 | 14.6 | 13.4 | 13.9 | 13.7 |
| Recreation Areas, Net | 5.2 | 5.3 | 6.9 | 6.7 | 6.1 | 5.7 | 5.7 | 5.6 | 5.3 | 5.2 |
| Amortization ⁽²⁾ | 11.0 | 8.7 | 10.2 | 13.3 | 14.4 | 16.2 | | | | |
| Total: | \$ 681.9 | \$ 662.3 | \$ 604.3 | \$ 591.0 | \$ 573.3 | \$ 562.4 | \$ 531.8 | \$ 547.0 | \$ 529.6 | \$ 527.1 |

⁽¹⁾ Includes \$21 million, \$2 million and \$6 million from the purchases of additional drought water supplies in 2016, 2015 and 2014, respectively.

⁽²⁾ Starting FY2019, the Amortization expense is reported separately from General Administration expense. FY2018 General Administration and Amortization expenses have been recategorized to serve as comparison purpose in the FY2019 Financial Statements.

⁽³⁾ FY2020 figures were reclassified for consistency with current year presentation. This reclassification had no effect on the reported results of operations.

⁽⁴⁾ Reclassified the water interception expense between operating expenses and non-operating income (expenses) in FY2021. This reclassification has no effect on the reported results of operations.

Source: Financial Statements



Capacity Charge Funds

Capacity Charge Funds

Government Code Section 66013 requires local agencies that collect capacity charges to deposit and account for these fees in a separate capital facilities fund. In addition, local agencies are required to annually provide certain information on the activity in this fund to the public. Government Code Section 66013 (b) (3) defines a Capacity Charge as “a charge for public facilities at the time the charge is imposed or charges for new public facilities to be acquired or constructed in the future that are of proportional benefit to the person or property being charged, including supply or capacity contracts for rights or entitlements, real property interests, and entitlements and other rights of the local agency involving capital expense related to its use of the use of existing or new public facilities.”

Government Code Section 66013 (d) outlines the reporting requirements on the capital facilities funds and expenditures. Government Code Section 66013 (f) (2) exempts capacity charges that are used to pay existing debt service from the reporting requirements of Section 66013 (d). One of the District’s capacity charges are used to pay existing debt service; therefore, it is exempt from the reporting requirements. To enhance transparency, the District has provided the reporting information on its capacity charge that is exempt from Section 66013 (d).

The District has the following capacity charge funds:

Future Water Supply (FWS) Fund. The District collects a System Capacity Charge (SCC) from applicants for new water service. The amount of the SCC is based on the new development’s proportionate share of the cost of Water System facilities, including existing District system-wide and regional facilities and future water supply projects. Funding for future water supply projects comes from the Future Water Supply (FWS) component of the SCC (or from debt financing if the revenues from the FWS component revenues are insufficient). If debt was issued to pay for the portion of the future water supply projects allocated to new connections, the FWS component of the SCC is used to pay the debt service. Changes in the FWS fund for FY23 are shown in the table below.

| FY23 Future Water Supply Fund | |
|--------------------------------------|-------------|
| Balance 7/1/22 from prior FWS Fund | \$4,669,598 |
| Additions | 4,855,665 |
| Costs Applied | -8,064,362 |
| Interest Earnings | 30,078 |
| Balance 6/30/23 | 1,490,979 |

| FY23 Future Water Supply Costs Applied by Project* | |
|---|---------------|
| Los Vaqueros | (\$2,133,917) |
| San Joaquin Banking Project | (3,057,184) |
| Groundwater Bayside Phase 2 | (95,557) |
| San Ramon Valley Recycled Water Project | 0 |
| East Bayshore Recycled Water Project | (1,867,051) |
| Phillips 66 Refinery Recycled Water Project | (910,653) |
| Total | (8,064,362) |

*Includes FY22 costs applied in FY23

For FY24, FWS projects and expenditures are anticipated to be similar to those in FY23.

System Capacity Buy-In Component. In addition to the FWS component, the SCC includes a buy-in component to pay for the proportional share of the existing water system infrastructure. The revenue from the buy-in component is used to pay the debt service on existing water system infrastructure debt and is exempt from the reporting requirements of Government Code Section 66013 (d). As shown in the table below, the revenues from the buy-in component are used to pay debt service. Therefore, the fund balance is maintained at \$0 and no interest is earned.

| FY23 System Capacity Buy-In Component | |
|--|-------------|
| Balance 7/1/22 | \$0 |
| Additions | 35,503,890 |
| Costs Applied | -35,503,890 |
| Interest Earnings | 0 |
| Balance 6/30/23 | 0 |

For FY24, the District anticipates using revenue from the buy-in Component (estimated at \$30,450,000 for FY24) to pay a portion of the debt service on existing water system infrastructure debt (estimated at \$238,700,000 for FY24).

Subsequent to the end of FY23, the District discovered that \$400,640 in additional SCC revenues were recorded but were inadvertently excluded from the FWS and buy-in component funds. These SCC revenues and the associated interest earnings will be applied to the funds in FY24.

Wastewater Equipment Replacement Fund. The District collects a Wastewater Capacity Fee from applicants for new wastewater connections. This fee is collected in the Wastewater Equipment Replacement Fund and is used to pay for Wastewater System equipment replacements. Changes in this fund for FY23 are shown in the table below.

| FY22 Wastewater Equipment Replacement Fund | |
|---|--------------|
| Balance 7/1/22 | \$24,208,447 |
| Additions | 7,066,481 |
| Costs Applied | -7,126,630 |
| Interest Earnings | 554,845 |
| Balance 6/30/23 | 24,693,143 |

| FY23 Wastewater Equipment Replacement Fund Costs Applied by Project | |
|--|--------------------|
| 3rd Street Sewer Interceptor Rehab Phase 2 | (\$1,223,541) |
| Pump Station M and Force Main Access Rehab | 859,571 |
| Oxygen Plant Recoating | (1,501,798) |
| FY20-21 Master Routine Capital Equipment Replacement | (139,673) |
| FY22-23 Master Routine Capital Equipment Replacement | (5,131,190) |
| Total | (7,136,630) |

For FY24, Wastewater Equipment Replacement Fund expenditures are anticipated to be approximately \$4 million. Wastewater Equipment Replacement Fund projects in FY24 will remain the same as FY23 (listed in the table above) with the addition of the Main Wastewater Treatment Plant Hypochlorite Piping Replacement Project.