



EAST BAY MUNICIPAL UTILITY DISTRICT

Long-Term Financial Stability Update and Cost of Service Study

Finance/Administration Committee
November 12, 2013

Purpose

- Road map for financial planning activities over the next year
- Context for Cost of Service consultant contract on consent agenda

District Strategic Plan



Goals
Long-Term Water Supply
Water Quality & Environmental Protection
Long-Term Infrastructure Investment
Long-Term Financial Stability
Customer Service
Workforce Planning & Development

Manage the District's finances to support District needs and maintain reasonable water and wastewater rates

Long-Term Financial Stability



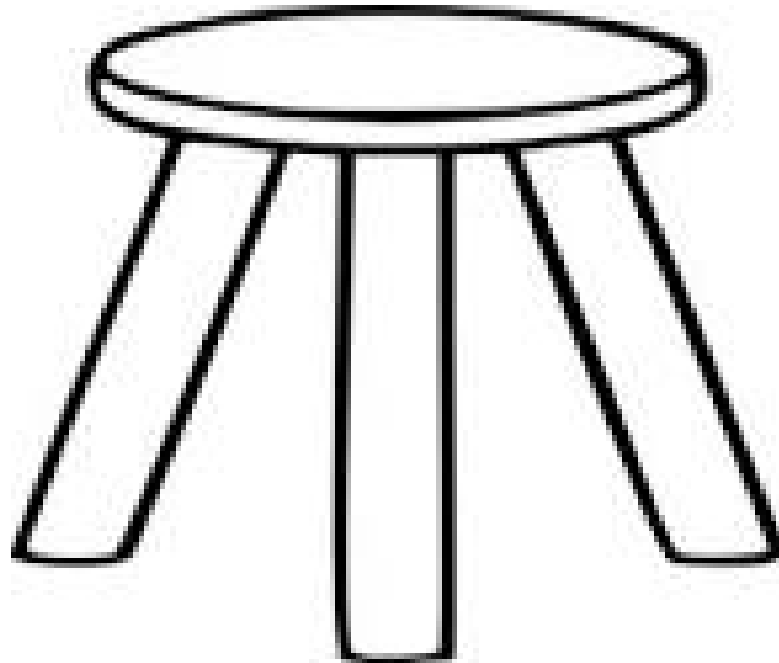
- Drought and recession required a focus on short-term cost containment
- FY 2014 and FY 2015 budget cycle shifted focus back to Long-Term Financial Stability
 - Invest in capital
 - Invest in operations
 - Make conservative assumptions

CY 2014 Focus Areas



- Long-Range Financing Plan
- Cost of Service Study

Long-Term Financial Stability



Revenue Requirement

- O&M costs
- Capital costs
- Debt service
- Financial policies

Cost of Service

- Allocate costs to customer classes based on usage characteristics

Rate Design

- Recovering costs from customers

Long Range Financing Plan (LRFP)



- Incorporate LRFP as strategy with related objectives and KPI's into the Strategic Plan
- Conduct workshops to consider and discuss policy issues
- Findings and recommendations to provide basis for FY 2016 and FY 2017 budget and rates

Long-Range Financing Plan



Proposed Workshop Topics

Workshop 1 (February)	Workshop 2 (June)	Workshop 3 (September)
<ul style="list-style-type: none">• Review workshop topics• Review financial planning model• Underlying assumptions• Key outputs• How policies drive revenue requirement	<ul style="list-style-type: none">• CIP projections• Review/evaluate capital investment policies<ul style="list-style-type: none">• CIP funding debt vs. cash• Debt Service Coverage Ratios	<ul style="list-style-type: none">• Demand projections and variability• Funding drought costs• Fixed/variable revenues• Review/evaluate reserve policies• Seismic Improvement Program

Cost of Service Study



- State law requires public utility rates be based on cost of service
- Study allocates costs based on customer class usage characteristics and system design and operations
- Establishes nexus between usage and cost—basis for setting rates and charges
- District policy requires periodic review

Cost of Service Study



- Water and Wastewater enterprises
- Review existing methodologies, assumptions and calculations
- Develop and document updated cost of service financial models
- Raftelis Financial Consultants (RFC) selected to lead study
- Significant undertaking involving multiple departments
- Completed by end of CY 2014 in advance of FY 2016 and FY 2017 budget and rates

CY 2014 Schedule



LRFP Workshop	February 2014
LRFP Workshop	June 2014
LRFP Workshop	September 2014
COS Workshop	November 2014
Budget/Rates Workshops	March 2015
Budget/Rates Adoption	June 2015

Recommended Action



- Authorize an agreement with Raftelis Financial Consultants in an amount not to exceed \$150,000 to conduct a Water and Wastewater Cost of Service Study