

Proposed FY 2017 Financing Plan

Board of Directors

September 27, 2016

Agenda

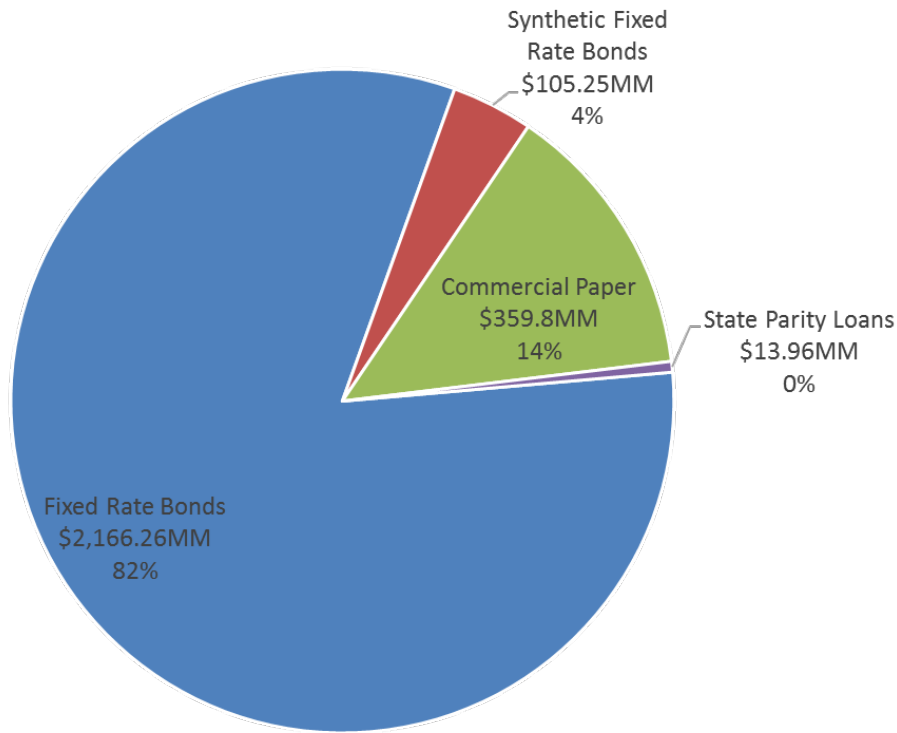


- Debt Composition
- Credit Ratings
- FY16 Accomplishments
- Proposed Financings for FY17
- Recommendation

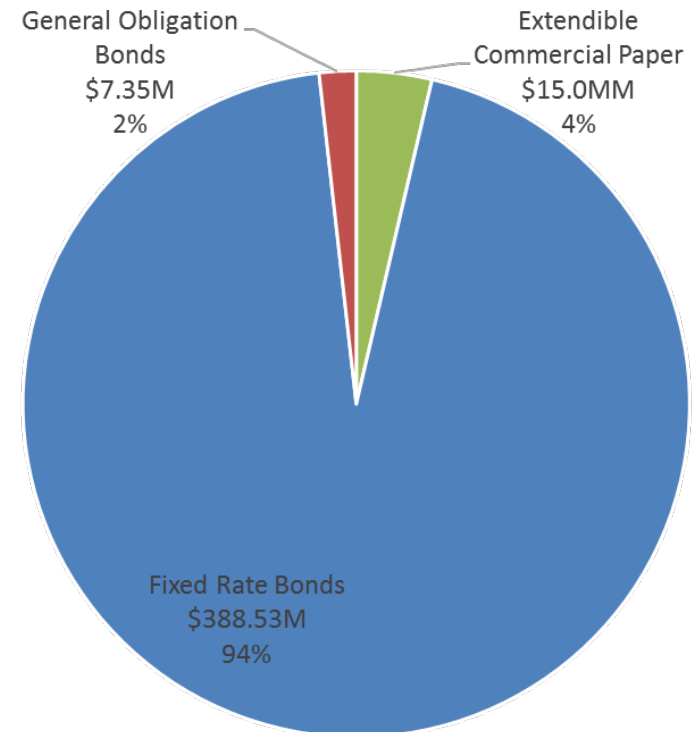
Debt Composition



Outstanding Water System Debt as of June 30, 2016
\$2.65 Billion



Outstanding Wastewater System Debt as of June 30, 2016
\$410.88 Million



■ Traditional Fixed Rate ■ Synthetic Fixed Rate ■ ECP or CP ■ Loans

District Credit Characteristics



Current Ratings		
	Water	Wastewater
	S&P	AAA
	Moody's	Aa2
Fitch	AA+	AA+

- Credit Strengths:
 - Cash reserves are well above rating agency ranges for AAA rating
 - District financial and debt management
 - Service area is large and relatively wealthy
- Credit Challenges:
 - Relatively low debt service coverage ratio compared to other highly rated entities
 - Elevated level of outstanding debt

Maintaining District Credit Quality



- Maintaining District's credit ratings requires careful management of strengths and challenges
 - Cash reserves must be managed prudently
 - Rate Stabilization Fund should be deliberately managed and only be used to smooth the potential effects of rate increases
 - Debt service coverage should always meet or exceed minimum policy level
 - Debt issuance should be at or below policy level

FY16 Debt Issuance



Category	Description	Proposed Size of Issuance	Actual Issuance
Administration of Existing Debt Portfolio	1. Implement traditional Commercial Paper program to refinance Water System Extendable Commercial Paper	\$360 million	\$360 million
New Money Needs	2. Issue additional “new money” Wastewater Revenue Bonds	\$25 million	\$0/Not needed
Potential Market Opportunities	3. Authorization for opportunistic Water and Wastewater restructurings for de-risking and fixed rate refundings	Based on market opportunities	\$0/None identified

Note: Dates are approximate and subject to change.

FY17 Proposed Debt Issuance



Category	Description	Issue/ Approximate Size	Date of Board Action	Pricing or Issuance Date
Administration of Existing Debt Portfolio	1. Extend or replace Wells Fargo Bank Standby Bond Purchase Agreement for Water Series 2008A-1 and A-4	Water 2008A-1: \$32.4 million Water 2008A-4: \$24.3 million	10/25/2016	12/1/2016
New Money Needs	2. Issue additional “new money” Wastewater Revenue Bonds	Water: \$111 million Wastewater: \$24 million	4/25/2017	6/2017
Potential Market Opportunities	3. Opportunistic Water and Wastewater restructurings for de-risking and fixed rate refundings	Based on market opportunities	TBD	TBD

Note: Dates are approximate and subject to change.

1 - Administration of Existing Debt Portfolio



- Extend or replace Wells Fargo Bank Standby Bond Purchase Agreement for Water Series 2008A-1 and A-4
 - Water Revenue Bonds 2008A-1 and A-4 are variable rate demand bonds (VRDBs)
 - VRDBs require standby bond purchase agreements (SBPAs) for backup liquidity
 - Current SBPAs with Wells Fargo for these series expire December 9 and must be renewed or replaced
 - Subject to change, staff expects to renew with Wells Fargo and plans to bring decision to Board Oct. 24th

2 - New Money Needs



- Issue \$110 million for Water and \$24 million for Wastewater “new money” Revenue Bonds

	Estimated Capital Expenditures 2016-20	Estimated Bond Issuance 2016-20	Estimated Bond Issuance 2017
Water	\$1.4 billion	\$662 million	\$111.1 million
Wastewater	\$168.5 million	\$54.5 million	\$23.5 million

- Pursuing State Revolving Fund (SRF) Loans:
 - Both Drinking Water SRF and Clean Water SRF
 - Interest rate 50% of State GO Bond rate (1.6% in 2016)
 - Project applications submitted: \$29 million
 - Projects being considered: \$100 million

3 - Potential Market Opportunities

Opportunistic Water and Wastewater restructurings for de-risking and refundings

Transaction	Criteria
Restructure for de-risking	<p>“Cost Neutral” = maximum NPV cost is greater of:</p> <ul style="list-style-type: none">• 0.75% of refunded par (net of swap termination and cost of issuance) <p><u>or</u></p> <ul style="list-style-type: none">• \$250,000
Fixed rate refunding	Minimum NPV savings = 3.00% refunded par

3 - Potential Market Opportunities

Potential near-term fixed-rate refunding candidates:

	Water Revenue Bonds	Wastewater Revenue Bonds
Bond Series	Series 2010A	Series 2010A
Outstanding Par Value	\$183.4 million	\$44.3 million
Current Market NPV Savings (\$)	\$20.9 million	\$3.6 million
Current Market NPV Savings (% of refunded par)	12.03%	10.69%

Potential de-risking candidates:

	Water Revenue Bonds
Bond Series	Series 2008A
Par Value	\$105.3 million
Final Maturity	2038

- A “direct placement” could eliminate the interest rate risk by linking the variable rate we pay on the bonds to the variable rate we receive on the related swap

Note: Potential results based on market conditions in September 2016; actual results will differ based on market conditions at time of pricing

Recommendation



- Approve the proposed financing plan

Questions



SOCIAL MEDIA UPDATE

Board of Directors

September 27, 2016

Twitter Update



Where We Are:



1,445 followers
9% increase in followers
71% increase in impressions
190% increase in retweets
500% increase in clicks to ebmud.com

Positive Messaging



We're listening... We can hear [#leaks](#) in our water pipes with acoustic [#leak](#) detectors. [#InfrastructureMatters](#)



Incident Response



EBMUD @ebmud · Jun 30

Water outage in [#Berkeley](#). [@EBMUD](#) crew is responding to a main break on Euclid Ave. and Marin Ave. More details to come. [@berkeleyside](#)

10,700 twitter impressions during a Berkeley transmission line repair (6/30/16).
102 clicks to ebmud.com
16 retweets

A Week in Tweets



Monday



#WaterWise reminder: Use only hoses with shutoff nozzles. **#ValueofWater**
ebmud.com/WaterSmart



Tuesday



See a leak in the street? Let us know about **#water** emergencies 1-866-403-2683.



Wednesday



Bringing nearly 2,500 feet of pipes by air, not land! **@EBMUD** speeding up pipe replacement with helicopter delivery. **#PipelineRebuild**



Thursday



Truth: You may be out of **#water** after a quake or if a pipe bursts on your street. Learn about storing water. ebmud.com/BeReady

Friday



#FunFactFriday **@ebmud** rangers teach over 1,000 kids each year about restoring creeks. Visit our outdoor classrooms: ow.ly/gUFN304vX1w

Helicopter Day Highlights



#PopQuiz What's underground but today is in the air? Our @ebmud #WaterPipes!



Bringing nearly 2,500 feet of pipes by air, not land! @EBMUD speeding up pipe replacement with helicopter delivery. #PipelineRebuild



- 1st twitter video
- 11,200 impressions
- 16 retweets / 23 likes
- Mentioned by media and elected officials

B **Berkeleyside** @berkeleyside
2 days ago

Look up! EBMUD delivering pipes to Panoramic Hill via helicopter goo.gl/4ArPQ1



Mayor Tom Bates @MayorTomBates
4 days ago

Don't be alarmed by @ebmud's helicopters on Wed morning. Find out more: ebmud.com/about-us/const..



Private social network defined by geographic communities; Members must verify location



Meeting to engage community on proposed changes to Park Use Rules

Public Information Officer Harry Hamilton from City Administrator's Office · 2h ago

Oakland Parks & Recreation and the Parks and Recreation Advisory Commission are hosting a public meeting to gather insight from the Oakland community on proposed changes to the City's Park Use Rules in the Oakland Municipal Code.

Wednesday, September 14, 5pm
Lakeside Park Garden Center, 666 Bellevue Ave.

Proposed changes can be found at <http://www.oaklandnet.com/parks>

Edited 2h ago · Shared with all areas in City Administrator's Office in General



Start October 2016

Primary Use:

Construction Notices

Secondary Use:

District Messaging –

Ex: rebate programs

Several thousand residents in south Vallejo were ordered to stay indoors Tuesday night after a strong gas smell of unknown origins was reported by residents in the area, officials said.

A few people went to a hospital complaining of nausea, Vallejo Police Lt. Herman Robinson reported.

A Coast Guard official said an oil sheen was reported on San Pablo Bay Tuesday night.

The city of Vallejo announced the order through the neighborhood network Nextdoor.

Other Social Media



Image messaging and multimedia.

SFPUC, CCWD,
ACWD, SCVWD
EBMUD join FY17?



Images with captions only.

SFPUC
EBMUD join in FY17?



snapchat

Image messaging and multimedia;
temporary/ephemeral posts.

Reaches 41% of all 18-34 year-olds in the U.S.

EBMUD:
Not Anticipated



Multi-channel engagement using voice, sms text, email and social media. Opt-In.

City of Oakland
EBMUD:
Not Anticipated

Pipes in Air Video



Operations during the upcoming Orinda Water Treatment Plant Outage



September 27, 2016

Overview



- Purpose of the Orinda Water Treatment Plant Outage
- Normal winter operations
- Recent operational changes
- Operational changes for winter 2016-2017

Orinda Water Treatment Plant



Orinda Water Treatment Plant





Hypochlorite

Electrical

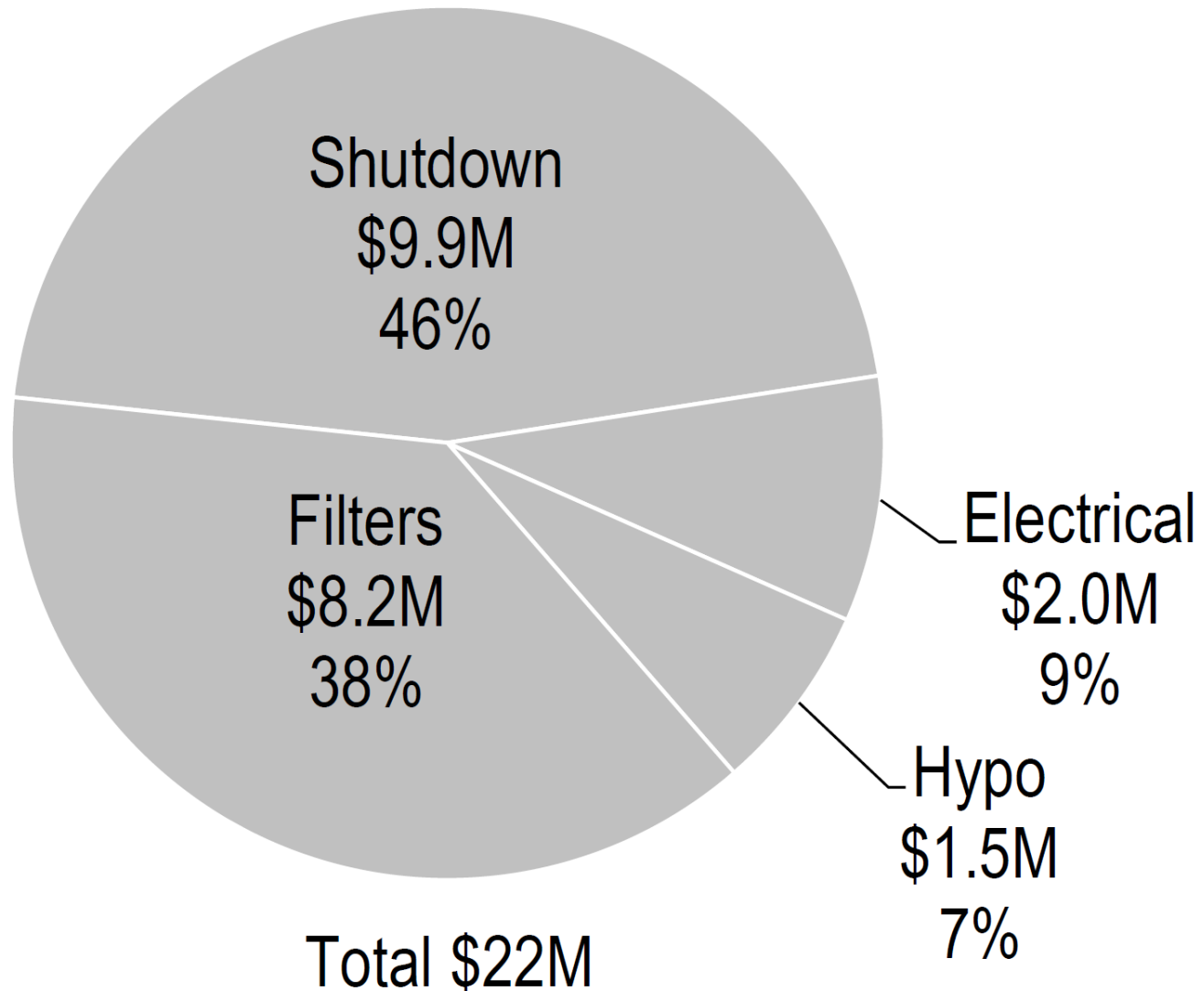
Filters

Staging Area

Shutdown Projects

Orinda Water Treatment Plant

Construction Cost



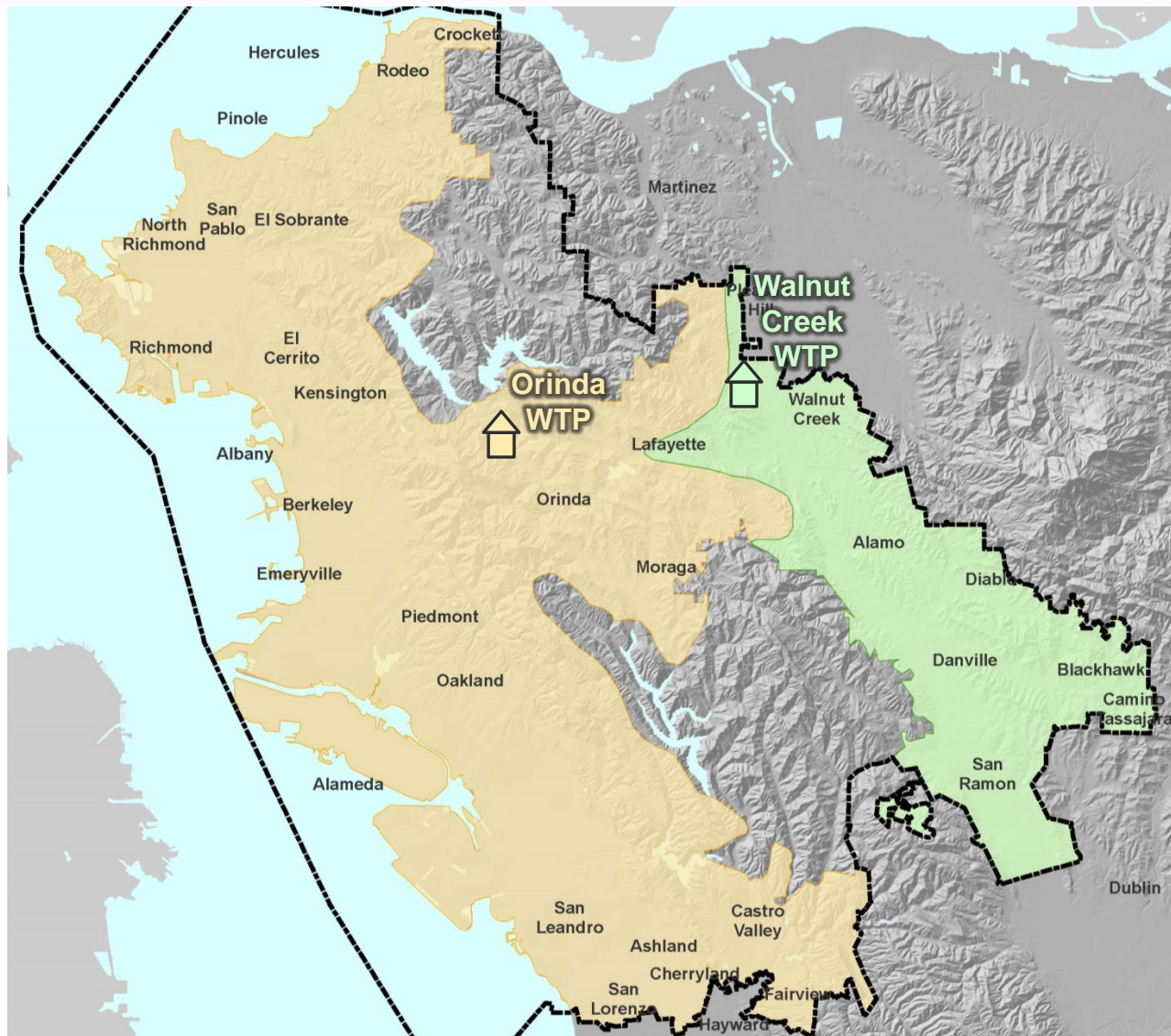
Benefits to the District



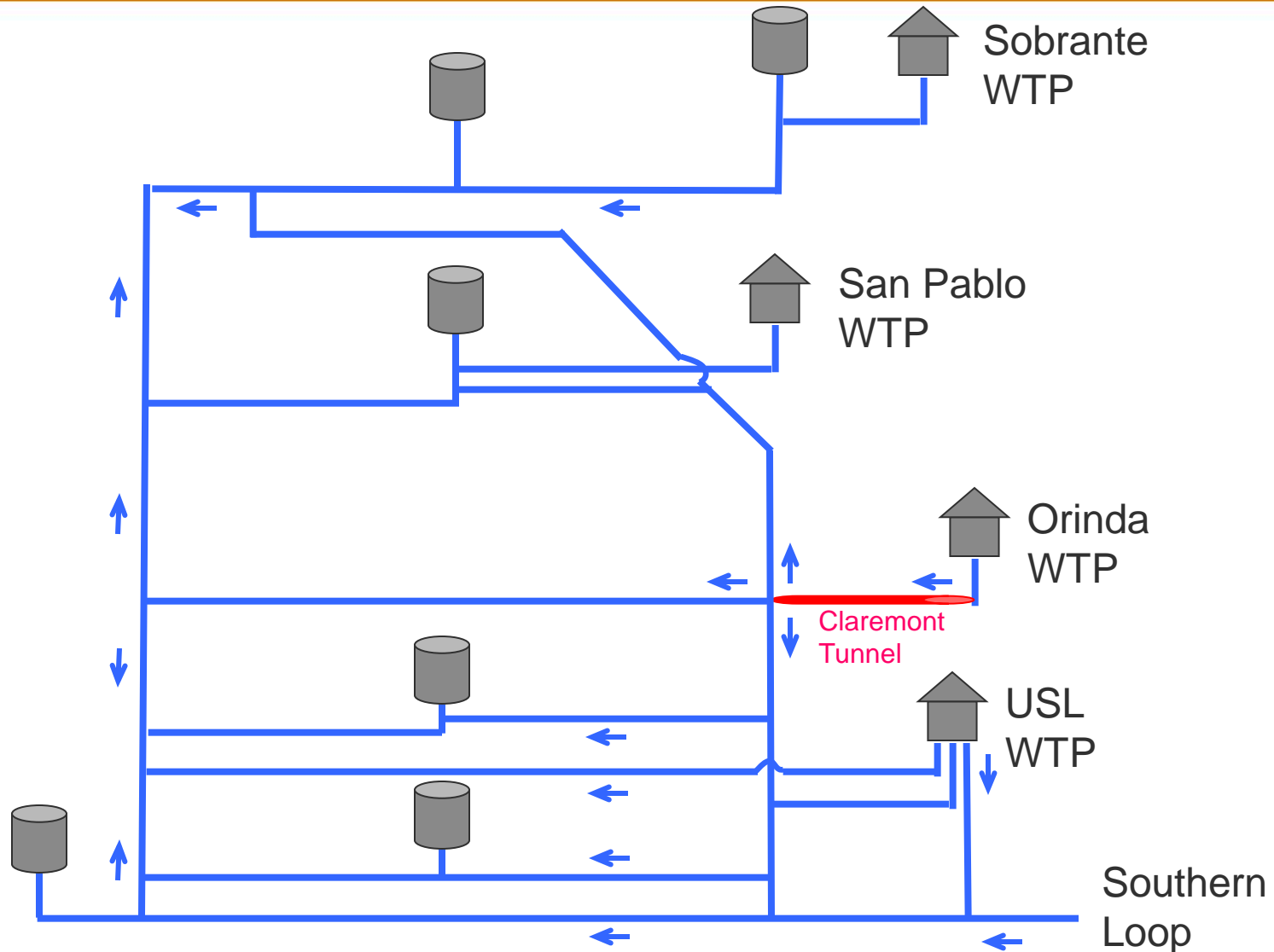
- Increase overall water system reliability
- Reduce single points of failure at the Orinda WTP
- Improve maintainability of the Orinda WTP
- Improve flexibility for drought operations



Typical Winter Operations








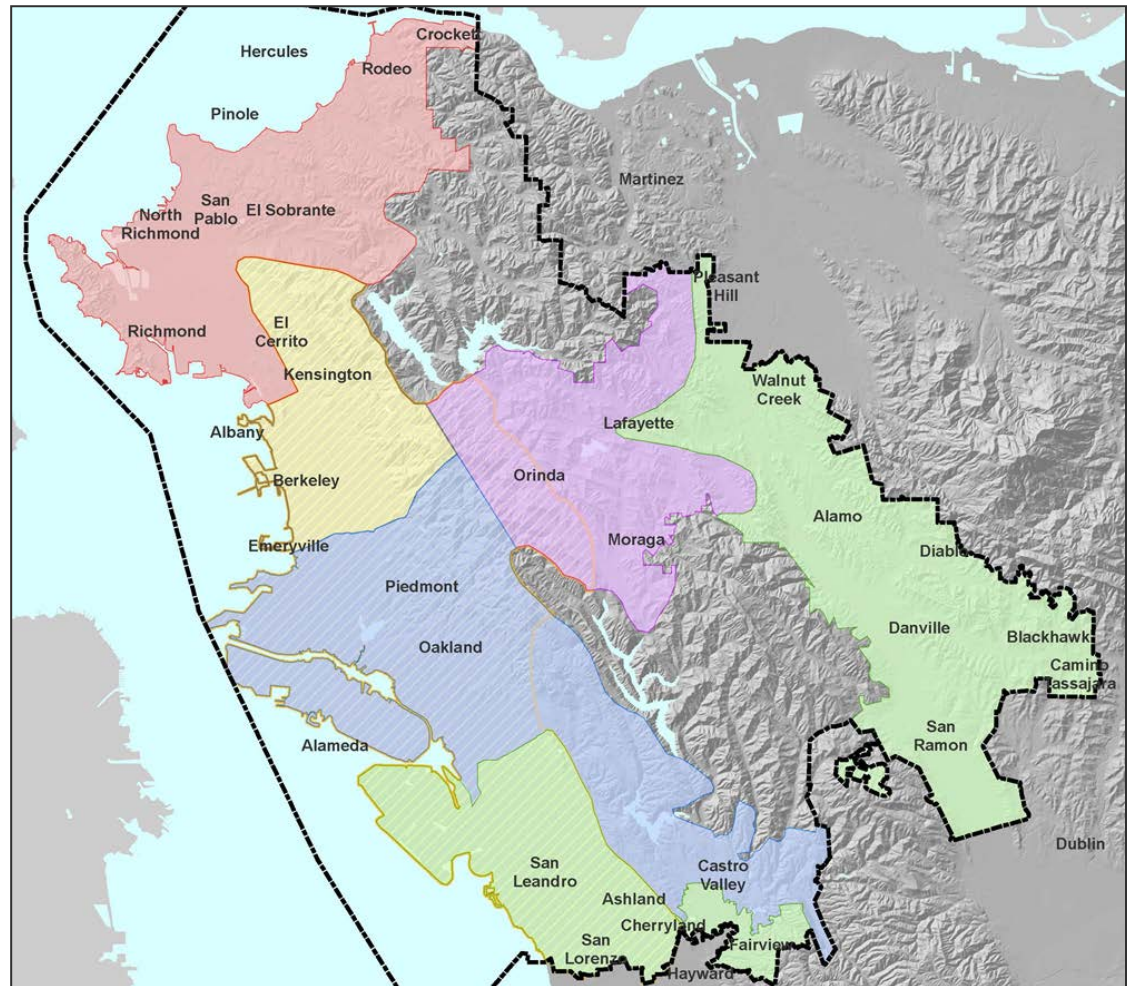
Typical Winter WOH Operations



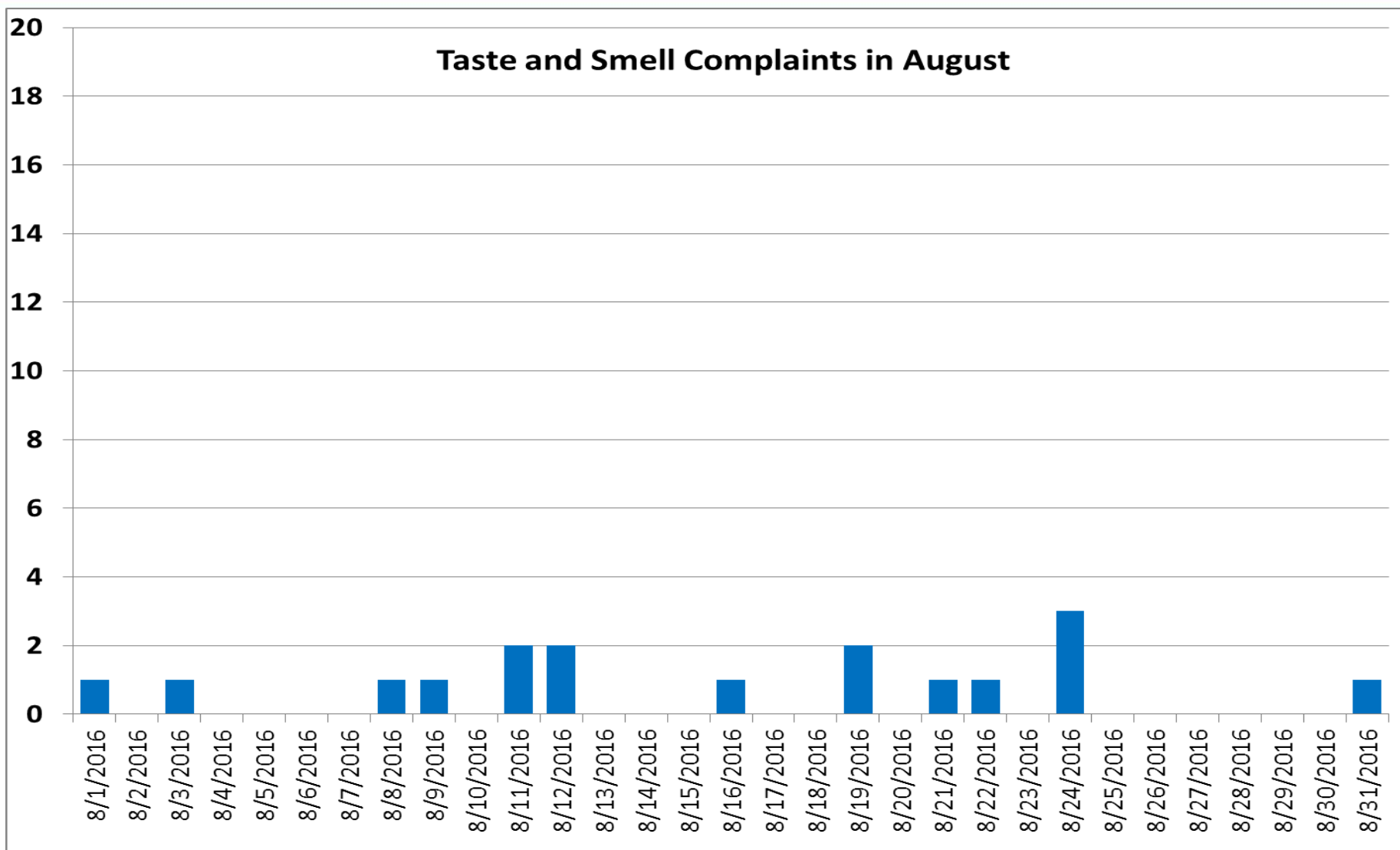
Water Treatment Plant (WTP) Service Areas



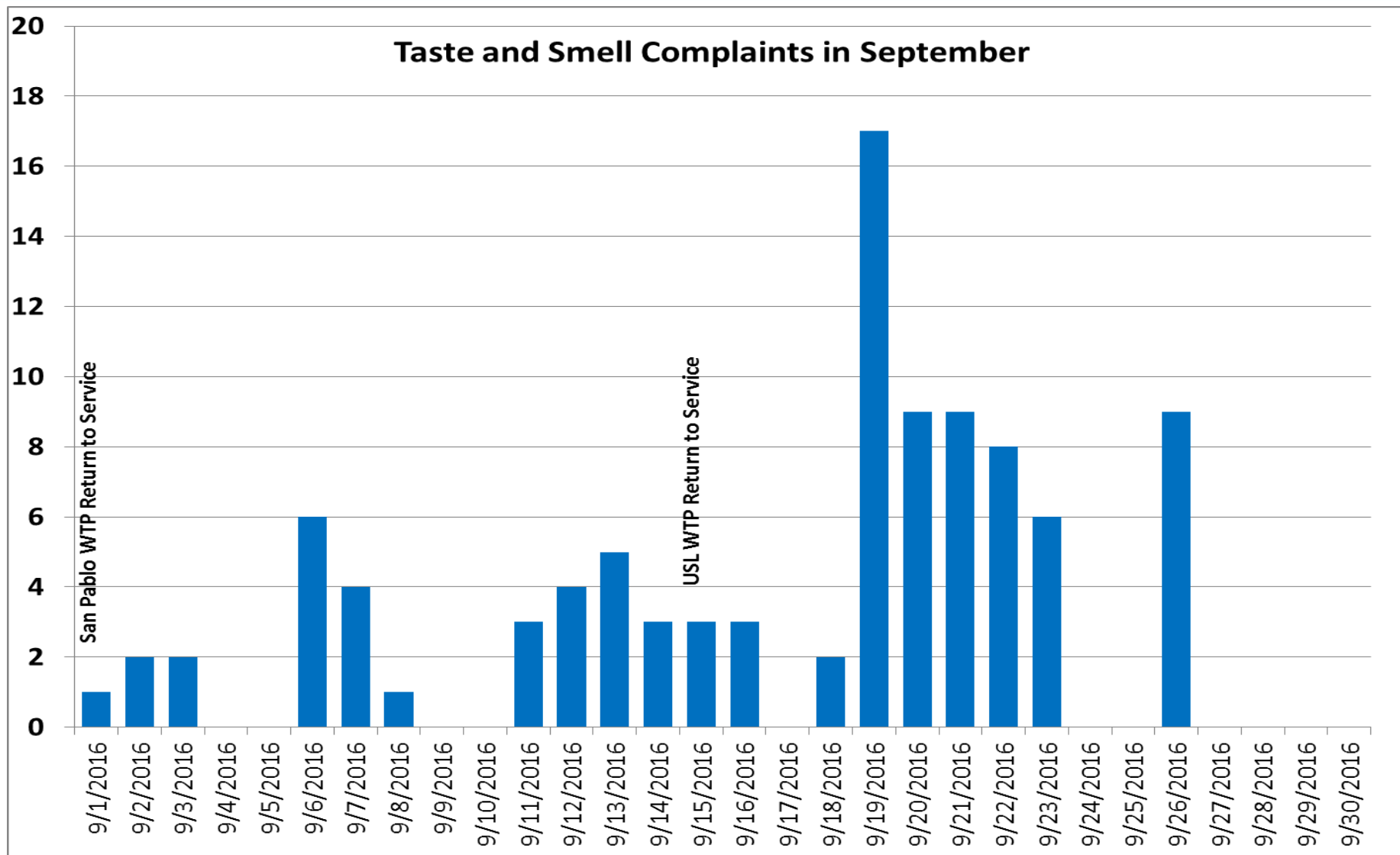
-  Sobrante WTP Service Area
-  San Pablo WTP Service Area
-  USL WTP Service Area
-  Lafayette WTP Service Area
-  Walnut Creek WTP Service Area



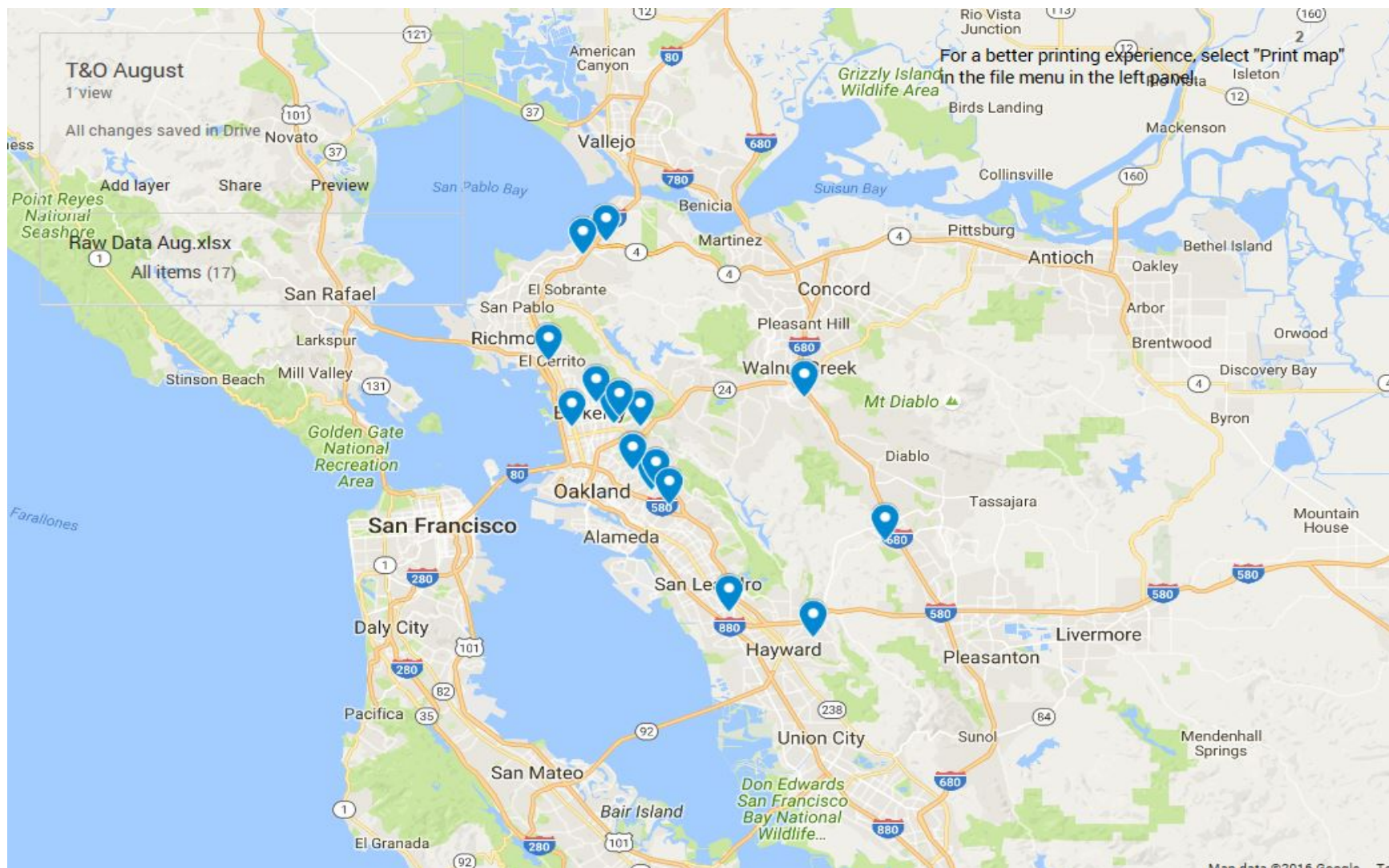
Taste and Smell Customer Contacts (August 2016)



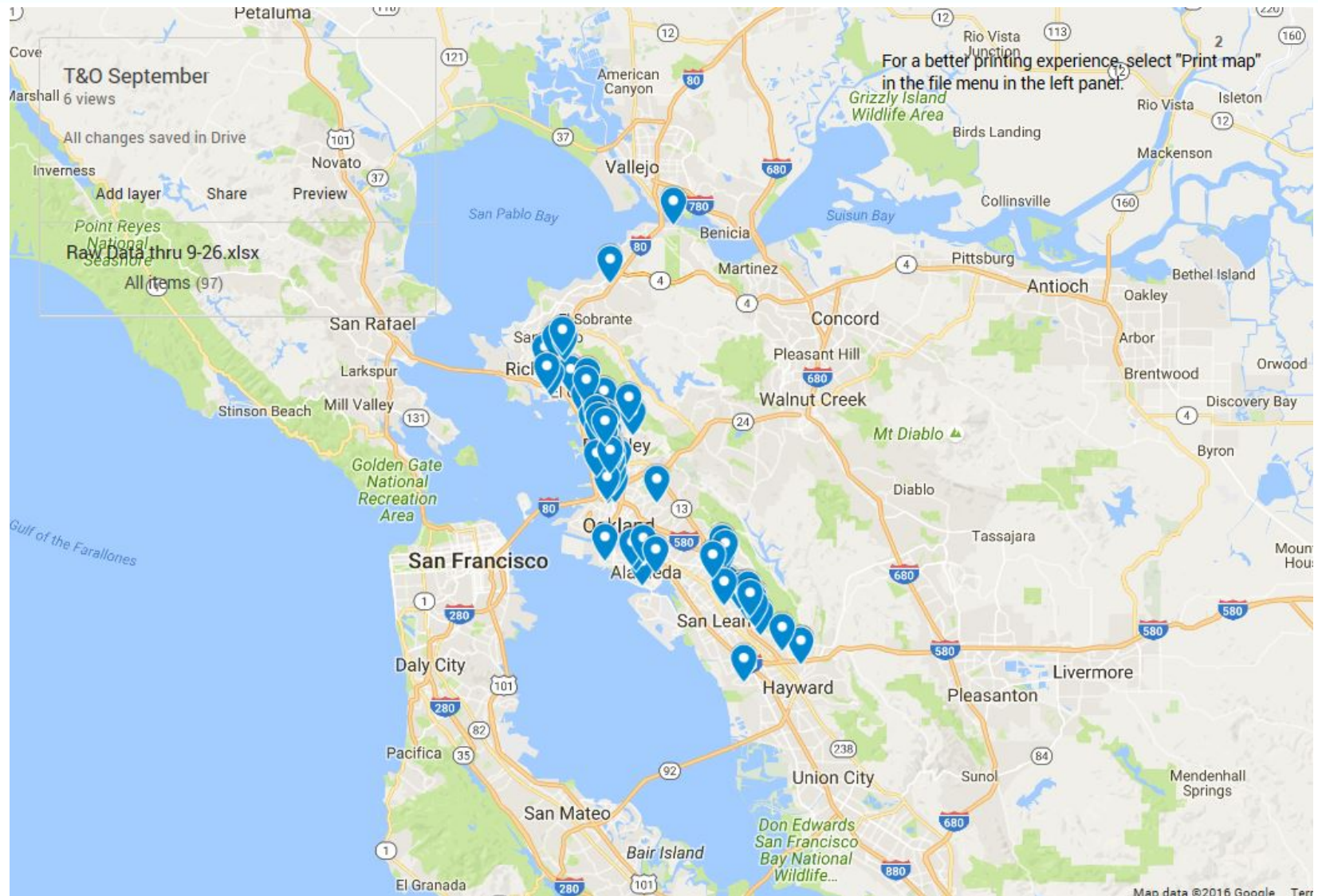
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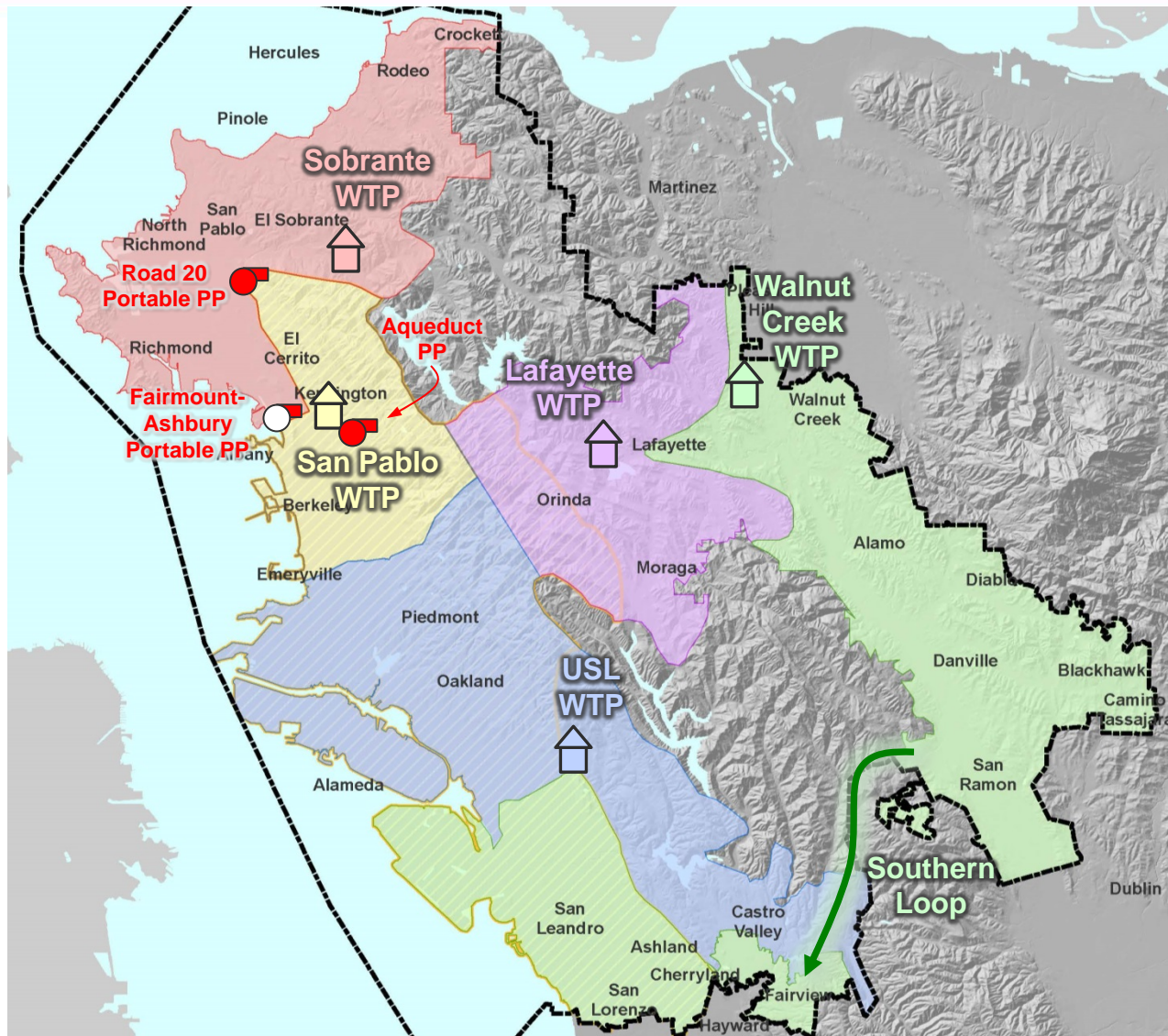
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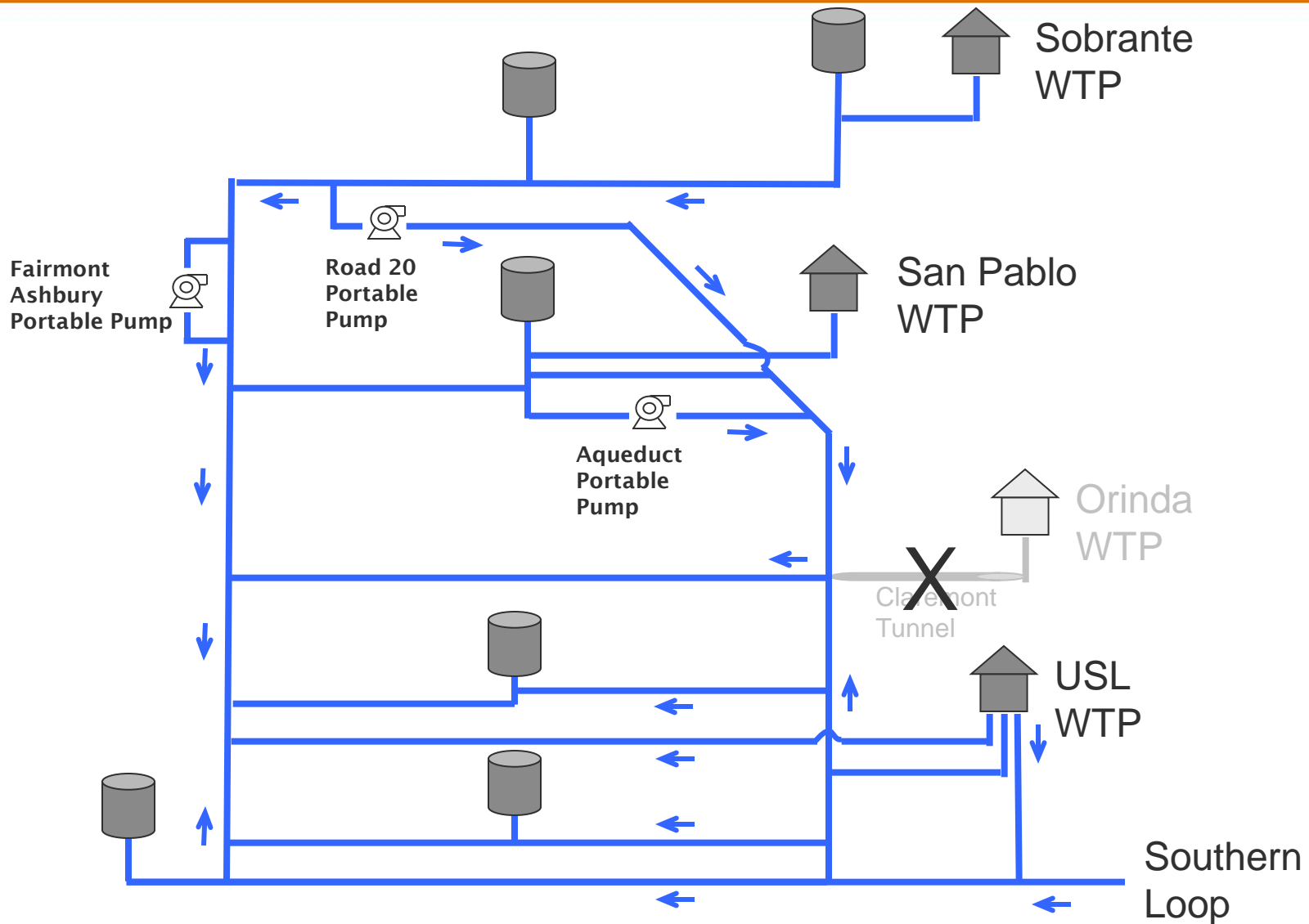


Planned Outage Operations



- Baseline operations
- Backup if failures occur

Planned WOH Operations



Outage Planning & Preparations



- Outage planning
 - Detailed plans for operating with the Orinda Water Treatment Plant out of service
- Improvements to water treatment plants
 - Sobrante Water Treatment Plant
 - San Pablo Water Treatment Plant
 - USL Water Treatment Plant
- Customer notifications and education to minimize customer complaints

Reliability Improvements at WTPs



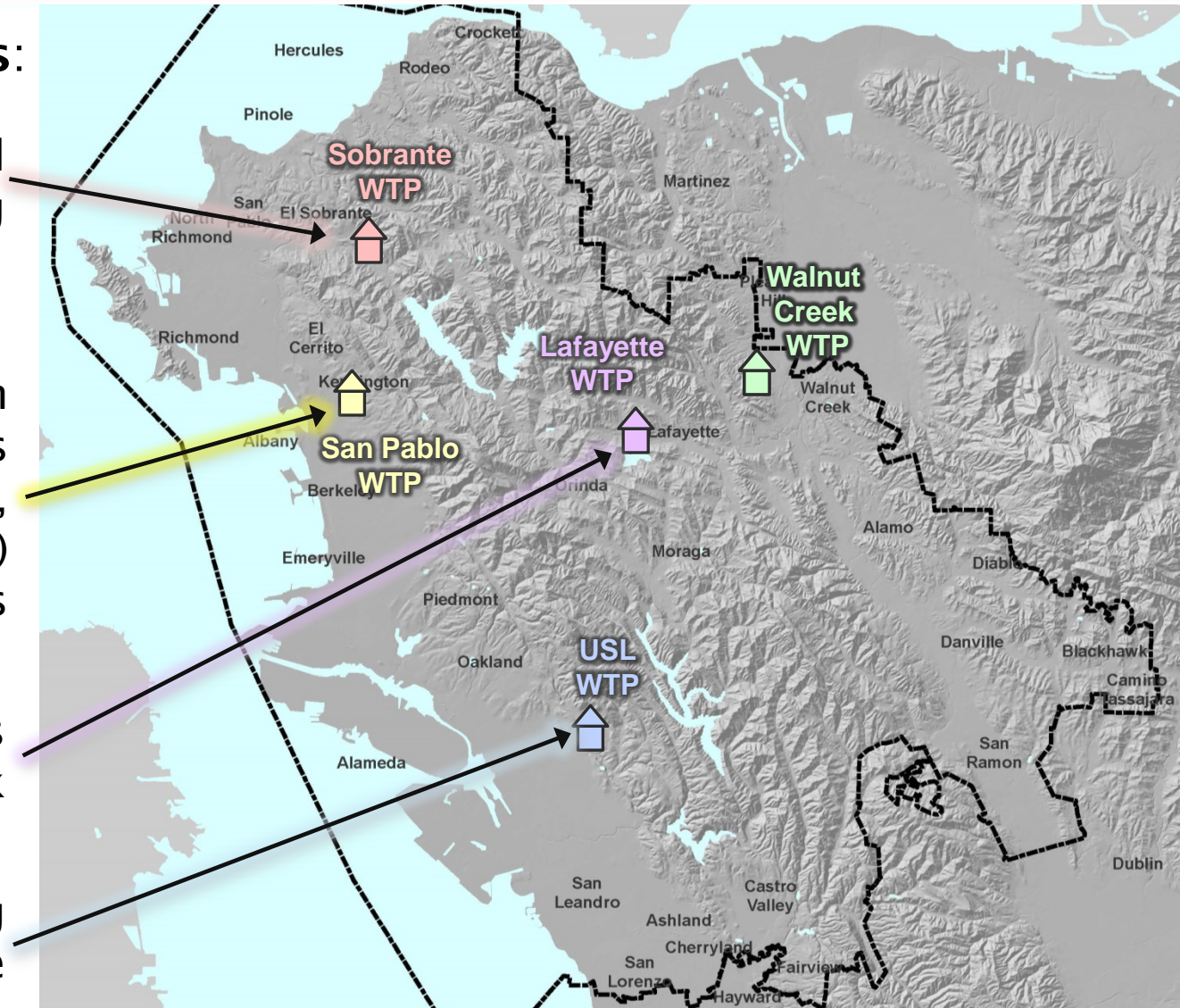
Supporting Projects:

Filter Repairs and
Primary Power Testing

Chemical System
Improvements
(Hypochlorite,
Fluoride, Ammonia)
Reclaim Modifications

Reclaim Improvements
and Ammonia Tank

Power System Testing
and Maintenance



Outage Operations



- Orinda Water Treatment Plant Outage requires:
 - Three treatment plants each operating at maximum sustainable capacity
 - Southern Loop Pipeline
 - Large portable pumps
 - Reverse flows in major pipelines
- Less operational flexibility
- Reduced redundancy
- Change of supply source of different aesthetic quality

Water Quality



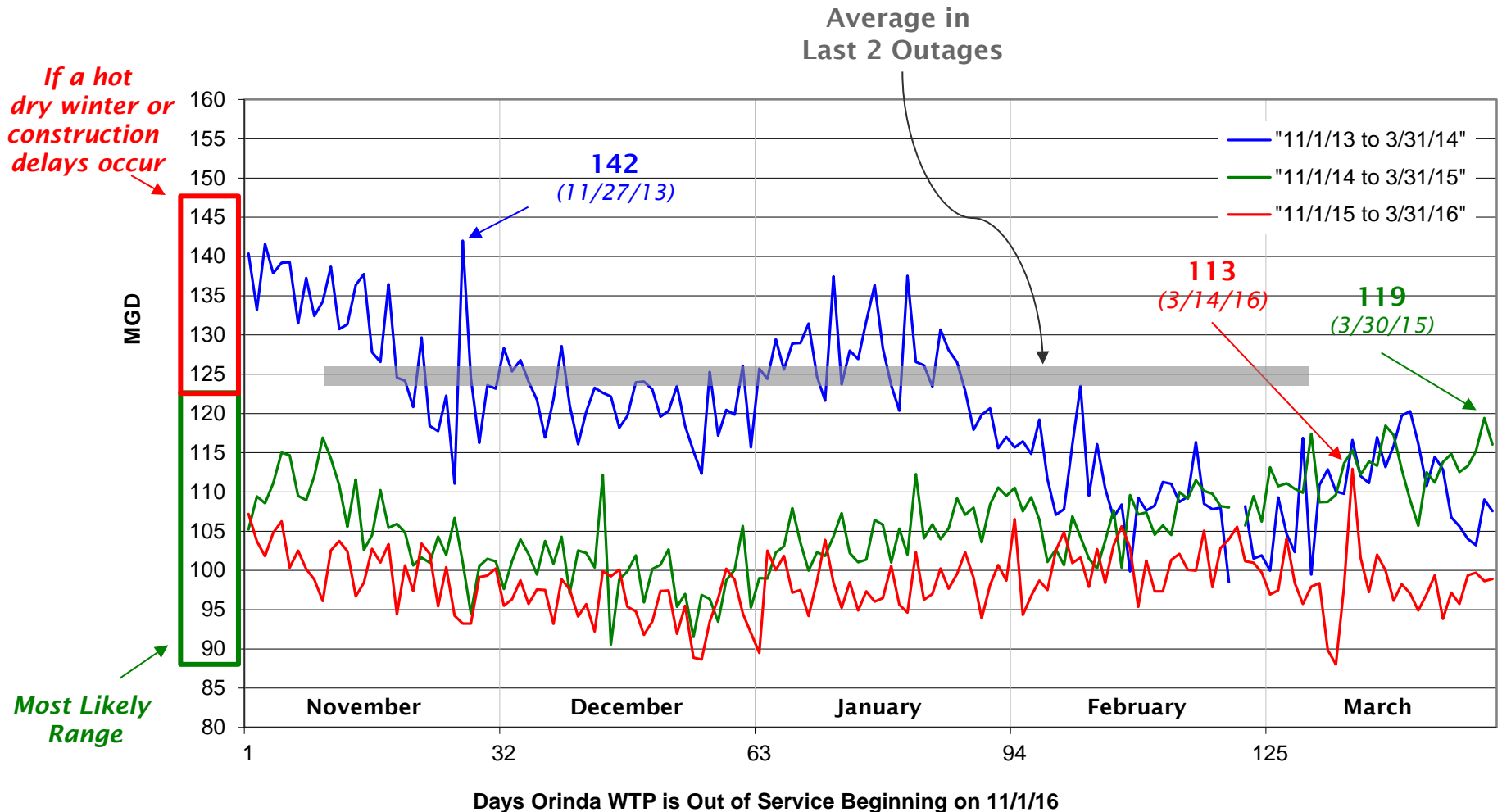
	C12 resid, mg/L	TDS (mg/L)	Temp.	Cond.	Hardness
Orinda Water During Normal Operations					
2016	2.3	36	12.9	60	15
San Pablo Water Treatment					
2016	2.8	186	12.6	254	71
Upper San Leandro Water Treatment Plant					
2016	2.8	235	13.2	273	75
Sobrante Water Treatment Plant					
2016	2.9	147	12.7	261	120

Customer Impacts



- Different physical characteristics
- Different flavor
- Increased hardness
 - Some customers will notice
 - Likely increased use of soap
 - Industrial processes will be affected

Expect Lower Demands



Summary



- The District makes operational changes
 - To manage water supplies
 - To adjust for customer demands
 - To support infrastructure improvements
- The District has planned for the outage
 - Some customers will notice a change in their tap water
 - Water quality will meet all State and Federal Drinking Water Standards

