

EAST BAY MUNICIPAL UTILITY DISTRICT

DATE: February 6, 2025

MEMO TO: Board of Directors

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

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

SUBJECT: Wastewater System 10-Year Rate Revenue Increase Scenarios

SUMMARY

At the January 28, 2025 Budget Workshop No. 1, the Board requested additional 10-year rate revenue increase scenarios for the Wastewater System that are more gradual than the two options presented at the workshop. To ensure the Proposed Budget Book accurately reflects the Board's preferred rate revenue increase scenario and aligns with the timeline for the Proposition 218 notice to customers, staff is providing these scenarios in advance of the March 25, 2025 Budget Workshop No. 2.

DISCUSSION

Staff developed additional rate scenarios that provide a more gradual transition for the Wastewater System rate revenue increases. These scenarios, detailed in the attached document, maintain the same underlying financial assumptions and achieve the same long-term financial position. The District's budget framework remains grounded in financial stability, with a strategic approach to balancing operating expenses, debt obligations, and rate revenue adjustments.

In the attached table, Scenarios A and B were presented at the January 28 workshop, with Scenario A recommended by staff. Scenarios C and D are the new alternative scenarios considered. Under each of these new scenarios (C and D), the rate revenue increases start out lower than in Scenario A, but then must stay higher for longer in order to achieve the same financial results. By the end of the 10-year period, Scenarios C and D ultimately have higher monthly bills compared with Scenario A.

In all scenarios, the District continues to implement a responsible funding strategy that combines cash funding and debt issuance for capital projects and aligns with Board-adopted policies that limit borrowing to 65 percent of total capital expenditures. All scenarios reflect a deliberate shift toward increasing cash funding over time, thereby reducing reliance on debt financing. This approach strengthens the District's financial resilience while ensuring that rate revenue increases are structured transparently and equitably to support long-term sustainability.

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NEXT STEPS

Staff continues to recommend Scenario A as Scenarios C and D each lead to higher rate revenue increases by the end of the 10-year period.

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Attachment: Wastewater System Rate Revenue Increase Scenarios

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Attachment: Wastewater System Rate Revenue Increase Scenarios

The following scenarios are using the same assumptions and are as comparable as possible in terms of financial outcomes for the District. The key difference is the final bill for customers.

Scenario	FY¹ 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2024	FY 2035	Final Bill²
Scenario A – Staff Recommendation Presented 1/28/2025	8.5%	8.5%	8.0%	8.0%	7.0%	7.0%	6.0%	6.0%	5.0%	5.0%	\$56.94
Scenario B – Alternative Presented 1/28/2025	7.0%	7.0%	8.5%	8.5%	8.5%	8.5%	6.5%	6.0%	5.0%	5.0%	\$57.74
Scenario C – New Alternative	7.0%	7.0%	8.0%	8.0%	8.5%	8.5%	7.0%	7.0%	6.0%	6.0%	\$59.13
Scenario D – New Alternative	6.5%	7.0%	7.5%	8.0%	8.5%	8.5%	8.0%	7.5%	7.0%	6.5%	\$60.25

¹ FY = Fiscal Year

² Final Bill represents the FY 2035 monthly bill based on 6 CCF of use.

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