



**BOARD OF DIRECTORS
EAST BAY MUNICIPAL UTILITY DISTRICT**

375 - 11th Street, Oakland, CA 94607

Office of the Secretary: (510) 287-0440


Notice of Special Meeting

**Budget Workshop #1
Tuesday, January 22, 2019
8:15 a.m.
Training Resource Center
375 Eleventh Street
Oakland, California**

At the call of President Marguerite Young, the Board of Directors has scheduled a Budget Workshop for 8:15 a.m. on Tuesday, January 22, 2019, at 375 Eleventh Street, Training Resource Center, Oakland, California.

The Board will meet in workshop session to provide information regarding the assumptions for the Fiscal Years 2020 and 2021 biennial budget and rates; an update on the wastewater system cost of service study; and the recent District activities around affordability.

Dated: January 17, 2019



Rischa S. Cole
Secretary of the District



**BOARD OF DIRECTORS
EAST BAY MUNICIPAL UTILITY DISTRICT**

375 - 11th Street, Oakland, CA 94607

Office of the Secretary: (510) 287-0440

AGENDA

Special Meeting

Budget Workshop #1

8:15 a.m.

Tuesday, January 22, 2019

Training Resource Center

375 Eleventh Street

Oakland, California

ROLL CALL:

PUBLIC COMMENT: The Board of Directors is limited by State law to providing a brief response, asking questions for clarification, or referring a matter to staff when responding to items that are not listed on the agenda.

DISCUSSION:

1. Budget Workshop #1

(Skoda)

ADJOURNMENT:

Disability Notice

If you require a disability-related modification or accommodation to participate in an EBMUD public meeting please call the Office of the Secretary (510) 287-0404. We will make reasonable arrangements to ensure accessibility. Some special equipment arrangements may require 48 hours advance notice.

Document Availability

Materials related to an item on this Agenda that have been submitted to the EBMUD Board of Directors within 72 hours prior to this meeting are available for public inspection in EBMUD's Office of the Secretary at 375 11th Street, Oakland, California, during normal business hours, and can be viewed on our website at www.ebmud.com.

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EAST BAY MUNICIPAL UTILITY DISTRICT

DATE: January 17, 2019

MEMO TO: Board of Directors

FROM: Alexander R. Coate, General Manager *ARC*

SUBJECT: Budget Workshop No. 1 – January 22, 2019

SUMMARY

Staff has scheduled the following three workshops to prepare for the Fiscal Year 2020 (FY20) and 2021 (FY21) budget and rates:

- Workshop No. 1 (January 22, 2019): A review of the District's progress on the its long-term financial stability goals, a preliminary projection of the FY20 and FY21 budget and rates, a summary of the wastewater cost of service study, and an update on recent activities in the District's programs for affordability for ratepayers.
- Workshop No. 2 (March 26, 2019): Responses to questions and issues raised at the first workshop along with highlights of the proposed FY20 and FY21 biennial budget, CIP, staffing changes, and proposed rates.
- Workshop No. 3 (April 9, 2019): Detailed information on the proposed FY20 and FY21 biennial budget including the CIP, staffing changes, and proposed rates in preparation for the mailing of the Proposition 218 Notice.

Beginning in 2014, staff has presented a series of workshops on topics of long-term financial stability including financial planning, reserves, capital spending, drought impacts, cost of service rate analysis, and affordability. Following these workshops, the Board has decided to move towards more cash funding of capital, improved debt service coverage ratios and prudent water sales assumptions. Staff has worked to incorporate these principles into the proposed FY20 and FY21 biennial budget. As a result of better than projected water sales, system capacity charges, property tax revenues and lower than projected spending, the District has made significant progress in achieving its long-term financial stability goals. This success allows the District to consider slightly lower water rate increases for FY20 and FY21 than previously projected, even with a proposed increase in capital spending and more conservative assumptions on water sales for FY20 and FY21. At the January 22 workshop, staff will also present how our cash reserve balance in combination with our long-term financial stability goals could help the District mitigate the financial impacts of recovery from an earthquake.

In FY18, the District hired a rate consultant to perform a cost of service (COS) study for the Wastewater System. The preliminary results of that study will be presented at the January 22 workshop and in the discussion section of this memo.

At several Board workshops in FY18, the issue of affordability for our ratepayers was presented. For the January 22 workshop, staff will present a “mini-makeover” of the bimonthly water bill sent to District customers, following a recommendation from previous workshops. The goal is to highlight that the District’s water bill is bimonthly and that the other agencies’ sewer service charges included on the bill are not the District’s charges. In addition, staff will present an update of recent activities in the Customer Assistance Program (CAP), voluntary donation program, state low-income water rate assistance program, and the extension of CAP to the cities’ sewer collection charges.

DISCUSSION

FY20 and FY21 Budget and Rates

At the January 22 workshop, staff will present the preliminary projection for the FY20 and FY21 biennial budget and rates. Staff is recommending that the District continue to be conservative in its budget assumptions including a slight reduction in the projected water sales to 141 million gallons per day (MGD) for FY20, even though the actual water sales in FY18 were 144.5 MGD. Halfway through the fiscal year, FY19 is trending slightly lower than FY18 at approximately 141 MGD. Because of the continuing trend in new construction in the service area, the capacity fee revenue for FY20 and FY21 has significantly increased from the previous assumption. To meet the District’s growing capital improvement needs, the preliminary projection includes an increase to the capital improvement plan. The net result is that preliminary projection for water rates increases is 6.5% for FY20 and 6.5% for FY21, which is slightly lower than the previous 7% projection for FY20 and FY21 made during the budget process two years ago. The preliminary projection for the wastewater rates is 4% for FY20 and 4% for FY21, which is the same as the projections made two years ago.

The five-year CIP for both the Water and Wastewater Systems is projected to grow by 20% in FY20-24 compared to FY18-22. Replacing aging infrastructure is again the dominant focus of the CIP. Increases in the Water System CIP are for rehabilitating water treatment plants and reservoirs, replacing water distribution pipelines, and relining the Mokelumne Aqueducts. Increases in the Wastewater System CIP are for improvements and seismic retrofits at the Main Wastewater Treatment Plant (MWWTP), upgrading the Resource Recovery Receiving Station, and making improvements to the Power Generation Station.

Earthquake Recovery Scenario

Staff conducted some preliminary analysis of how improving long-term financial stability, including adequate cash and rate stabilization reserves, can mitigate the financial impacts of the recovery from a significant earthquake event. One of the key benefits of working toward our

long-term financial stability goals is that it provides for the flexibility to issue larger amounts of debt to fund capital if needed. By planning for 2.0 debt service coverage in normal years, the District could potentially have the financial ability to issue \$1 billion in debt (or more) in a two-year period to pay for the immediate earthquake repairs and still meet minimum debt service coverage requirements of our debt indenture. A caveat to the District's post-earthquake financial recovery is that, depending on the extent of the overall damage, financial markets may be influenced by the ability of the region's economy to recovery from the earthquake. At the January 22 workshop, staff will present a hypothetical earthquake damage and customer loss scenario and show how the District could use debt capacity and rate stabilization and cash reserves to mitigate the financial impacts of the earthquake recovery.

Wastewater Cost of Service Study and Capacity Fee Update

In June 2018, the District retained a consultant to analyze the wastewater cost of service (COS) study completed in 2015. This analysis includes a review and update of the detailed cost allocations for the unit processes at the MWWTP, an analysis of the Resource Recovery (R2) Program, and an evaluation of alternative methods of measuring wastewater strength. The analysis also includes an update of the Wastewater Capacity Fee (WCF) and the Wastewater Rate Model. It proposes a simplified procedure for implementing the WCF for new applicants. The recommended COS results in slight changes to the residential and non-residential wastewater treatment and wet weather charges.

Wastewater System Treatment Charges and Capacity Fees

Wastewater System treatment charges recover the annual operating and capital costs of treating wastewater. Total revenue requirements are allocated to wastewater flow, chemical oxygen demand (COD), and total suspended solids (TSS). Unit costs are calculated for flow, COD, and TSS and cost responsibility is assigned to various customer classes in proportion to their loadings. Costs to serve different customer classes are determined and rates are then designed to proportionately recover the costs in compliance with Proposition 218 requirements. The wet weather charge funds capital expenses for the inflow and infiltration (I&I) facilities required to handle the wet weather flows that enter the wastewater system. The amount of wet weather flows that enter the wastewater system is proportional to the size of the collection system to serve each property; therefore, larger lots will have potential for more wet weather flows that could enter the wastewater system than smaller lots. WCFs recoup the previous investments made by current and past customers from new customers as they buy into the system.

Wastewater System Treatment Charge and Wet Weather Charge COS Update

Through the COS analysis, the actual FY17 operating and capital costs were allocated to the billable units (flow, strength, and customer accounts) through an analysis of wastewater processes and facilities. The billable unit costs are then allocated to each customer class based on their loadings. As a part of the process the billed strength loadings assumptions for residential and non-residential customers validated with an analysis of measurements at the MWWTP. In

addition, a decision was made to use the COD strength instead of the chemical oxygen demand filtered (CODf), to be more consistent with other larger agencies and because the customer base no longer has many high strength industrial customers where the distinction is relevant.

Key findings of the wastewater COS study are summarized as follows:

- Wastewater System Treatment Charge
 - Lower influent strength measured at the treatment plant confirms lower strength for residential customers, as well as non-residential customers. The result is a decrease in the residential treatment charge and a slight shift in the proportion of costs to non-residential uses with a corresponding increase in non-residential customer charges.
 - The wastewater monthly cap of 9 hundred cubic feet (CCF) for single family residential (SFR) was reviewed and confirmed – usage above 9 CCF is considered to be largely irrigation usage and thus does not enter the wastewater system.
 - Wastewater system treatment charges continue to be billed based on volume of flow (in \$/CCF). The strength of the flow is also considered and is measured in pounds of total suspended solids (\$/pound TSS) and pounds of COD (\$/pound COD), instead of CODf in order to be more consistent with other utilities.
- Wet Weather Charge
 - The COS analysis indicates adjustments to the wet weather charge to more accurately reflect the costs of the program. The result is a slight increase in the I&I costs relative to the treatment flow and strength of about 3.1% compared to the adopted FY17 charges.

Wastewater Capacity Fee Update

The equity buy-in methodology was used in determining the updated WCF. This methodology is appropriate in instances where there is excess capacity available to serve new connections, as with the District. Using the equity buy-in methodology, new connections to the system pay the same amount existing connections have already contributed to the system. The total system value is then calculated and divided by the current loadings of the MWWTP to determine unit costs for flow, COD, and TSS. Additionally, the consultant evaluated several approaches for streamlining the process of determining non-residential WCFs. The approach chosen is similar to the Water System Capacity Charge (SCC) process for new customers.

Updated Results

The following tables show the updated wastewater treatment and wet weather rates for FY17 compared to the adopted FY17 rates. The updated FY17 rates for wastewater treatment and wet weather were designed to be revenue neutral – they collect the same revenues as the adopted rates. The primary reason that updated unit rates are higher than the adopted rates is due to reduced flow and strength assumptions resulting from updated data and sampling results. The updated FY17 COS treatment unit rates shown in Table 1 combined with the reductions in the customer strength assumptions result in a slight reduction in the monthly charge for residential

customers and a slight increase in non-residential treatment rates, as shown in Table 2. Additionally, there is a slight increase to the wet weather fee, as shown in Table 3.

Table 1 – FY17 COS Treatment Unit Rates

Unit Rates	FY17 Rates	FY17 Updated Rates	Change
Service Charge (\$/acct/month)	\$5.55	\$6.12	10.3%
Volume (\$/CCF)	1.085	1.104	1.8%
CODf/COD (\$/lbs)	0.084 (CODf)	0.112 (COD)	N/A
Total Suspended Solids (\$/lbs)	0.469	0.463	-1.3%

Table 2 – FY17 COS Wastewater Treatment Customer Impacts*

	FY17 Current	FY17 Updated	Change	
Single Family Residential Average - 6 CCF	\$19.73	\$19.15	-\$0.58	-2.9%
Single Family Residential Max - 9 CCF	\$23.00	\$22.48	-\$0.52	-2.3%
Multi-Family Residential Fourplex ¹	\$63.36	\$59.35	-\$4.01	-6.3%
Commercial Office ²	\$129.55	\$129.62	\$0.07	0.1%
Commercial Restaurant ³	\$253.05	\$260.62	\$7.57	3.0%
Industrial ⁴	\$7,255.55	\$7,856.12	\$600.57	8.3%

*These charges do not include the pollution prevention charge.

¹ Based on 25 CCF

² Based on 50 CCF

³ BCC 5812, based on 50 CCF

⁴ BCC 2090, based on 500 CCF

Table 3 – FY17 COS Wet Weather Facilities Charge (\$/Lot Size/year)

Lot Size (sqft)	FY17 Rates	FY17 Updated Rates	Change
0-5,000 sqft	\$94.10	\$97.00	3.1%
5,001-10,000 sqft	\$147.00	\$151.56	3.1%
Over 10,000 sqft	\$336.00	\$346.39	3.1%

Table 4 shows the updated FY19 SFR WCF compared to the current FY19 fee. The updated SFR fee has increased slightly from the current charge. The updated WCF unit costs for FY19 are shown in Table 5 showing a decrease in the unit charge for flow and a slight increase in the unit charge for TSS. Similar to the treatment charges in the wastewater COS study, COD strength was used instead of the CODf in calculating the WCF. Please note that Table 5 shows the current unit cost for CODf and the updated unit cost for COD.

Table 4 – FY19 Wastewater Capacity Fees

	FY19 WCF	FY19 Updated WCF	Change
Single Family Residential	\$2,610	\$2,671	2.3%

Table 5 – FY19 Proposed Wastewater Capacity Fee Unit Costs

Unit Cost	Current FY19	Proposed FY19
Flow (\$/CCF per year)	\$15.99	\$13.44
CODf/COD (\$/lb per year)	\$4.97 (CODf)	\$1.41 (COD)
TSS (\$/lb per year)	\$6.33	\$6.46

Customer Bill – Mini-Makeover

At several Board workshops in FY18, the issue of affordability for our ratepayers was presented. For the January workshop, staff will present a proposed “mini-makeover” of the District’s water bill that intends to clarify that the District’s bills are generally bimonthly and highlights that city sewer service charges that are included on the bill are not the District’s charges, which was one of recommendations from the workshop. While it is not possible to roll out a complete bill redesign at this time, staff used font and shading changes to the current bill format to draw attention to the other agencies’ sewer service charges that are imposed by the cities and collected on the District’s bill. The two-month billing period is also highlighted and the number of days in the billing period has been added to the bill to help customers understand that these charges are for two months not one month.

Affordability Programs

The District continually looks for ways to enhance services for all customers to improve affordability, including low-income customers. The following provides background and updates on the District's affordability programs that will be discussed at the January 22 workshop.

Background

The District offers a CAP to provide temporary assistance to qualified low-income residential customers and eligible homeless shelters in affording their bills and avoiding termination of water service. The CAP provides eligible customers a temporary discount on water and wastewater charges. Eligible customers receive a 50% discount off of the standard bimonthly service charge and 50% off of the water use, up to a maximum of 1,050 gallons per person, per month. Additionally, a 35% discount is provided for the District's wastewater service charge and flow charges. The wastewater discount is set at a lower percentage rate due to the lower charges for this service.

Customers experiencing difficulty paying their bills are informed of the District's CAP and provided information regarding eligibility and how to apply. Eligibility is based on income limits that correspond to the "very low-income level" set by the State housing poverty guidelines. These guidelines are set by the county and updated annually. A very low-income limit reflects 50% of Housing and Urban Development's (HUD's) Median Family Income. The District's Contact Center staff reviews all CAP applications and supporting information for income compliance and the number of residents in the household to determine the appropriate water use level to which CAP will apply. CAP customers are required to recertify every two years to confirm eligibility through the Contact Center.

CAP Participation Levels

The District's ability to provide financial assistance is restricted by Proposition 218 which limits the application of utility funds to assist low-income households to miscellaneous non-enterprise revenue sources. As of December 2018, approximately 2% or 6,805 of the District's residential customers and six homeless shelters participate in the District's CAP. The current active number of CAP participants represents an approximate 10% increase over the 6,189 participants in FY17 and is the highest level of participation since the inception of the program. FY18 CAP expenses totaled approximately \$1.8 million (\$1.46 million for water and \$0.34 million for wastewater), a 12% increase over the \$1.6 million of FY17. The first half of FY19 has seen a CAP expense of \$1.0 million with a total FY19 CAP expense estimated to surpass \$2.0 million for the first time. These costs do not include staff time to administer the program.

The District receives between 400 and 450 new and recertification CAP applications monthly which are processed by an equivalent of 1.5 full-time employee (FTE) Customer Service staff from the Contact Center. Each application can take up to an hour to process depending on its complexity, with more complex reviews requiring additional follow-up with customers. As the

number of new and recertification CAP applications increase over future years, it is projected additional staff resources will be needed in the Contact Center to maintain the current service level of processing each application in 30 days to provide financial relief in a timely manner while managing the ongoing Contact Center call volume.

Retroactive CAP

Customers experiencing financial difficulty are encouraged to apply for the CAP. The eligibility is determined at the time of final approval by the District after a review of a complete application and all relevant qualifying information. Once a completed application is received, verified, and approved, CAP assistance is applied to all water use and meter charges accumulated from the last meter read. This provides assistance for the upcoming bill even if the application is approved in the middle of the billing period.

To examine the impact on providing additional retroactive discounts to new CAP customers, the District looked at new CAP enrollees who had past due balances when they applied for CAP. Of the 1,447 first-time participants in FY18, 546 applicants or 38% had a previous delinquent balance averaging \$218 for water and wastewater charges prior to application to the program. If the District retroactively applied CAP to up to three months of prior unpaid bills for new CAP applicants, the estimated outlay by the District per year would be approximately \$60,000 at present and would increase as CAP participation and water and wastewater rates increase.

While the direct bill offset for implementing CAP retroactively to include prior unpaid bills appears minimal, there are fairly significant additional administrative costs, resource constraints, and policy related concerns to be considered:

- Retroactive application of CAP would require additional staffing to administer the process. Reissuing past due bills is a time consuming process. Work to research, enter, rebill, verify, and notify impacted customers would take approximately one additional hour per application and result in approximately 80 hours (labor and benefits), or approximately 50% of the monthly labor hours of a full time employee based on the number of current CAP enrollees with balances. To support the current CAP workload and retroactive CAP:
 - One half-time Customer Services Representative position would be required to administer retroactive CAP and process CAP applications while still achieving the level of service indicated by the District's key performance indicators for the Contact Center.
 - One half-time Information Systems Specialist position would be required to research and verify new CAP customer accounts in order to ensure these accounts are rebilled in a timely fashion while maintaining the high level of service indicated by the District's key performance billing indicators.
 - The initial estimated budgetary cost of two additional positions is approximately \$140,000 per year (cost includes benefits).
 - Need for additional resources is projected to support CAP as enrollment expands or the number of first time applicants with a previous delinquent balance exceeds the estimated 546 annual applications.

- While it is difficult to estimate any impact on customer behavior, retroactive CAP discounts could create an incentive for CAP applicants to carry a past due balance if the customer knows they can wait to apply for CAP in order to receive this benefit. This could result in an increase in the number of first time CAP customers with a past due balance, which would require additional resources to support.
- Retroactive CAP discounts on past due balances could be viewed as inconsistent with the District's policy on payment of bills and late payment penalties, where non-CAP customers are required to pay a late payment penalty when their bill is deemed past due per District Regulations.

Recommendation: Given the administrative burden to implement CAP retroactively and considering not all first-time applicants would be eligible for this benefit, it is recommended that the District instead focus its resources on increasing CAP enrollment. The projected expenditure to administer retroactive CAP could be a greater benefit if used to support outreach efforts to increase new enrollment.

Expand the Wastewater CAP discount

Since 2012, the District has provided a 35% CAP discount on the wastewater service and flow charges. In FY18, a total of 5,188 CAP accounts received a 35% discount on their wastewater charges. If the District were to increase the wastewater discount from 35% to 50% for these CAP accounts, the additional cost would be \$137,000 above the \$344,000 wastewater CAP expense incurred during FY18. At the current 35% discount, total wastewater CAP expenses are projected to be greater than \$385,000 and \$430,000 for FY19 and FY20, respectively. A 50% discount could increase these projected wastewater CAP expenditures to approximately \$538,000 in FY19 and \$600,000 in FY20. In addition to providing funding for an expanded wastewater CAP discount, modifications of the existing billing system to implement the new discount could take six to twelve months and result in a one-time cost of approximately \$150,000.

The District's CAP can only be applied to District charges and not to sewer service charges collected on behalf of other agencies (Oakland, Berkeley, and Emeryville). Increasing the District's wastewater CAP discount to 50% would provide an additional discount averaging \$2.30 monthly. Considering sewer service charges in the cities of Oakland and Berkeley can account for approximately 35 to 50% of the total bill, the additional \$2.30 per month may not provide significant financial relief to CAP customers in these cities.

Recommendation: A review of other utilities identified only San Francisco Public Utilities Commission that provides a comparable wastewater discount at 35%; all other discounts provided by other Bay Area agencies were lower. Staff recommends maintaining the current 35% wastewater CAP discount in conformity with recent outreach efforts with the cities of Oakland, Berkeley, and Emeryville. Furthermore, increasing the District's wastewater CAP discount could disincentivize the cities' support for a discount on their sewer service charges for CAP participants.

Next Steps in CAP

The District continues to look for opportunities to enhance services and improve affordability for all customers. Adequate resources are required to achieve the goals and objectives of these services. Should the Board approve an expansion of services for new CAP customers that includes retroactive discounts, two additional half-time staff positions will be requested in the upcoming FY20 and FY21 budget cycle to support these services.

Federal and State Low-Income Rate Assistance Efforts

Water and wastewater rate affordability continues to receive attention at both the federal and state levels. Last year, federal legislation included S. 3564 (Cardin), the “Low-Income Water Customer Assistance Programs Act of 2018,” a pilot program intended to help low-income families across the country pay for drinking water and wastewater utility bills. S. 3564 would have primarily required the United States Environmental Protection Agency (EPA) to establish a low-income drinking water assistance pilot program and a low-income wastewater assistance pilot program to award grants for public utilities to assist low-income households in maintaining access to water and wastewater services. There will likely be additional legislative efforts at the federal level in the coming year.

At the state level, Assembly Bill 401 (Dodd) directed the State Water Resources Control Board (SWRCB) to develop a plan for the funding and implementation of a low-income water rate assistance program. The SWRCB recently published a draft report with findings on the feasibility, financial stability, and desired structure of the program. Specifically, the report identifies potential program recipients, different mechanisms for delivering benefits to low-income households, and possible funding sources to implement such program. The program would offer a three-tiered benefit to all eligible residential households (those with income under 200% of the federal poverty level (FPL)) in the state:

- Tier 1: 20% discount to all households that have incomes below 200% of the FPL in water systems where monthly water expenditures (at 12 CCF) are below \$90,
- Tier 2: 35% discount to all households that have incomes below 200% of the FPL in water systems where monthly water expenditures (at 12 CCF) are between \$90 and \$120, and
- Tier 3: 50% discount to all households that have incomes below 200% of the FPL in water systems where monthly water costs (at 12 CCF) are above \$120.

The estimated cost of the program for the first year is \$606 million with multiple potential sources of revenue identified, which include a personal income tax for those with income over \$1 million, a bottled water sales tax, or a surcharge on water bills. Various options to distribute benefits to eligible households are being considered.

State and national efforts to provide financial relief for income eligible families on drinking water and wastewater services are in the early stages. The timing on any final approaches to providing direct assistance is not clear. However, these measures take an important step toward

recognizing the need for national and statewide assistance to help low-income households pay their drinking water and wastewater utility bills in conjunction with local programs such as CAP.

Recommendation: Continue to monitor and, as appropriate, engage in federal and state affordability efforts to ensure these measures would provide direct benefit to the District's customers including those customers who do not receive a bill from the District.

Outreach to Cities on CAP for their Sewer Service Charges

The District entered into a Sewer Agency Charge Billing and Collection Agreement with the cities of Berkeley, Emeryville, and Oakland in 2013. The agreement allows the District to perform billing and collection services for their sewer service charges until June 30, 2023. District staff is working with the cities to develop an addendum to this agreement to implement a discount on their sewer service charges. The proposed addendum would provide the District the authority to extend a discount to the sewer service charges on a city's behalf that is in conformity to the District's 35% discount offered to its CAP participants, if approved by the cities.

During the Board of Directors meeting on November 13, 2018, staff provided an update on its progress with Berkeley, Emeryville, and Oakland regarding the viability of extending a discount to the cities' sewer service charges for CAP participants. Since that update, staff reached out to the cities as noted below.

Emeryville staff initially expressed support for providing financial relief on its sewer service charges. After several months of working with Emeryville staff to develop a draft addendum to implement a discount on its sewer service charges, Emeryville staff retracted their plan to present this item to City Council. There are recent changes in the city's senior management and the city may be reviewing priorities. Staff is reaching out to the City Manager to better understand the situation.

Berkeley was initially supportive of implementing a discount on its sewer service charges. After offering an in-person meeting by Berkeley staff to discuss the process of implementing a discount, Berkeley has been unresponsive to multiple District attempts to have this follow-up discussion on how to implement a discount on its sewer service charges and transition of the approximately 40 residents who are currently on Berkeley's Low-Income Refund Program. Staff has raised this to the attention of the City Manager for further discussion.

During an October 24, 2018 meeting, Oakland staff agreed to include a five-year phased-in discount approach recommendation in its upcoming FY20 and FY21 budget. It was agreed that Oakland and District staff would meet during December 2018 to develop the suggested phased-in discount. However, the meeting was cancelled due to Oakland City staff unavailability. Oakland's draft budget is expected to be prepared by April 2019 for consideration by the Mayor and City Council. The final budget is anticipated to be adopted by the City Council before June 30, 2019. To ensure Council members have the necessary background to make an informed decision, meetings between elected officials from both entities could be beneficial. Staff is

working with Oakland officials to schedule these meetings in February 2019. The Board will be provided a schedule of these meetings once they are scheduled.

Partnerships with Local Charities

Since March 2018, the District has partnered with the St. Vincent De Paul Society to create the Water Lifeline Program. The program was designed to allow District customers and employees to provide voluntary donations to an emergency relief fund to assist the District's Alameda County low-income customers in maintaining water service. In September 2018, the District also added Catholic Charities to expand the program to the District's Contra Costa County low-income customers. Since the inception of this program, combined donations and 2019 employee pledges have surpassed \$5,000 to help CAP customers maintain water service.

ARC:SDS:rl

Attachment

FY20 & FY21 Budget Workshop #1

Board of Directors

January 22, 2019

Workshop Agenda



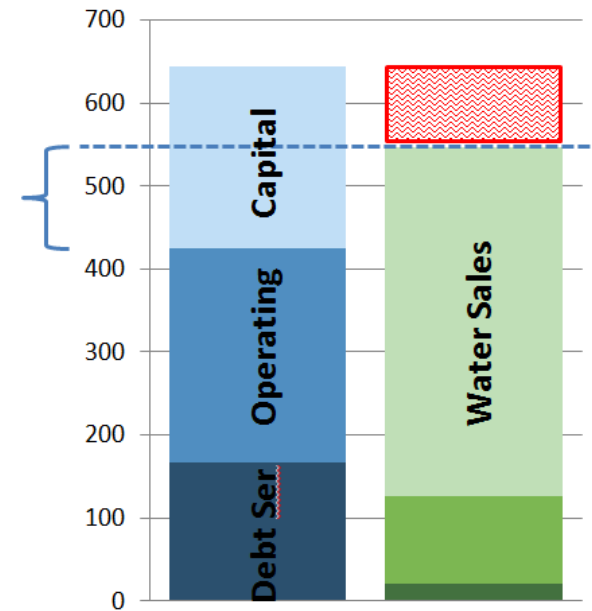
- Financial Planning for FY20 & FY21
- Reserves – Earthquake Recovery Scenario
- Wastewater Cost of Service
- BREAK
- Customer Bill – Proposed Minor Updates
- Affordability
- Discussion

Financial Planning for FY20 & FY21

Review of Long-Term Financial Stability Goals



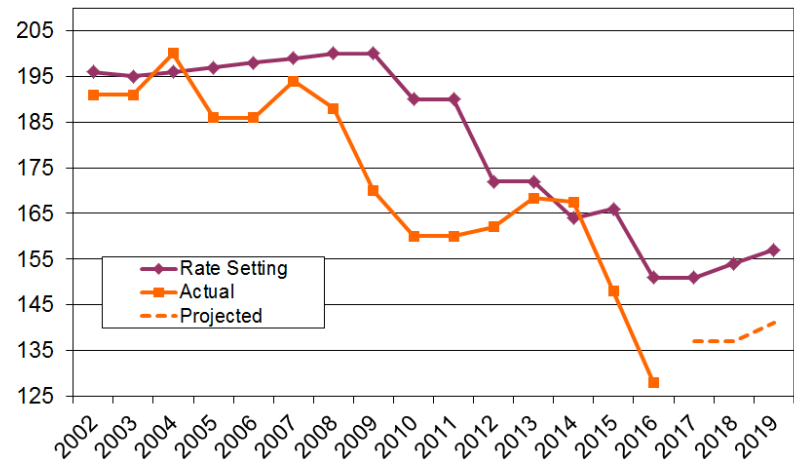
- The District continues to make strides towards long-term financial stability
- Debt and reserves have been used to fund expense/revenue gap
- Moving towards financial goals
 - 50% revenue funding of capital
 - 2.0 debt coverage



Review of Long-Term Financial Stability Goals (cont.)



- Projected water sales continue to be a major variable in the financial plan
 - Shortfalls in water sales have significant cash and debt coverage implications
 - Important to be conservative with projections of water sales
 - Need to maintain reserves to address unplanned shortfalls



Trends in CA Water Rates



- Average annual rate increase 2007-2015 in CA: ~6.7%
- Annual EBMUD budget revenue increase (FY07-FY15) has been ~4.8%
- Annual EBMUD water rate increase (FY05-FY15) ~7.0%
(FY05-FY19) ~7.4%

Water System FY19 – FY24 Projections: Improved Financial Stability



FY19 – FY24	Previous Budget	Preliminary Projection
Average Debt Service	\$244M	\$232M
Average Debt Service Coverage	1.76x	1.87x
% of CIP Rate Funded	54%	56%
Total Debt Issued	\$933M	\$977M
Average Rate Stabilization Fund Balance	\$105M	\$111M
Projected Rate Increases	7% (FY20)/7% (FY21)	6.5%/6.5%

Wastewater FY19 – FY24 Projections: Improved Financial Stability



FY19 – FY24	Previous Budget	Preliminary Projection
Average Debt Service	\$34.7M	\$30.9M
Average Debt Service Coverage	1.93x	2.14x
% of CIP Rate Funded	67%	79%
Total Debt Issued	\$95M	\$60M
Average Rate Stabilization Fund Balance	\$21M	\$21M
Projected Rate Increases	4% (FY20)/4% (FY21)	4%/4%

FY20 & FY21 Key Considerations



- Budget priorities
- Fiscal challenges
- Updated CIP
- Non-rate revenues
- Water sales projections
- Preliminary rate projections

Budget Priorities



- Fund resources in priority areas
 - Pipeline Rebuild ramp-up
 - Treatment plants, pumping plants and reservoir upgrades
 - Replacement of aging IT infrastructure
- Plan for long-term financial stability
 - Use conservative budget assumptions
 - Increase PAYGO
 - Meet Board's financial policy goals

Fiscal Challenges



- Projected Revenues
 - Lower water sales revenues, offset by
 - Higher Capacity Charge revenues
 - Higher non-rate revenues for specific sources
- Projected Cost Pressures
 - Labor costs
 - Increased capital expenditures
 - More PAYGO
 - Non-labor costs (e.g., energy, IT-related, fuel)

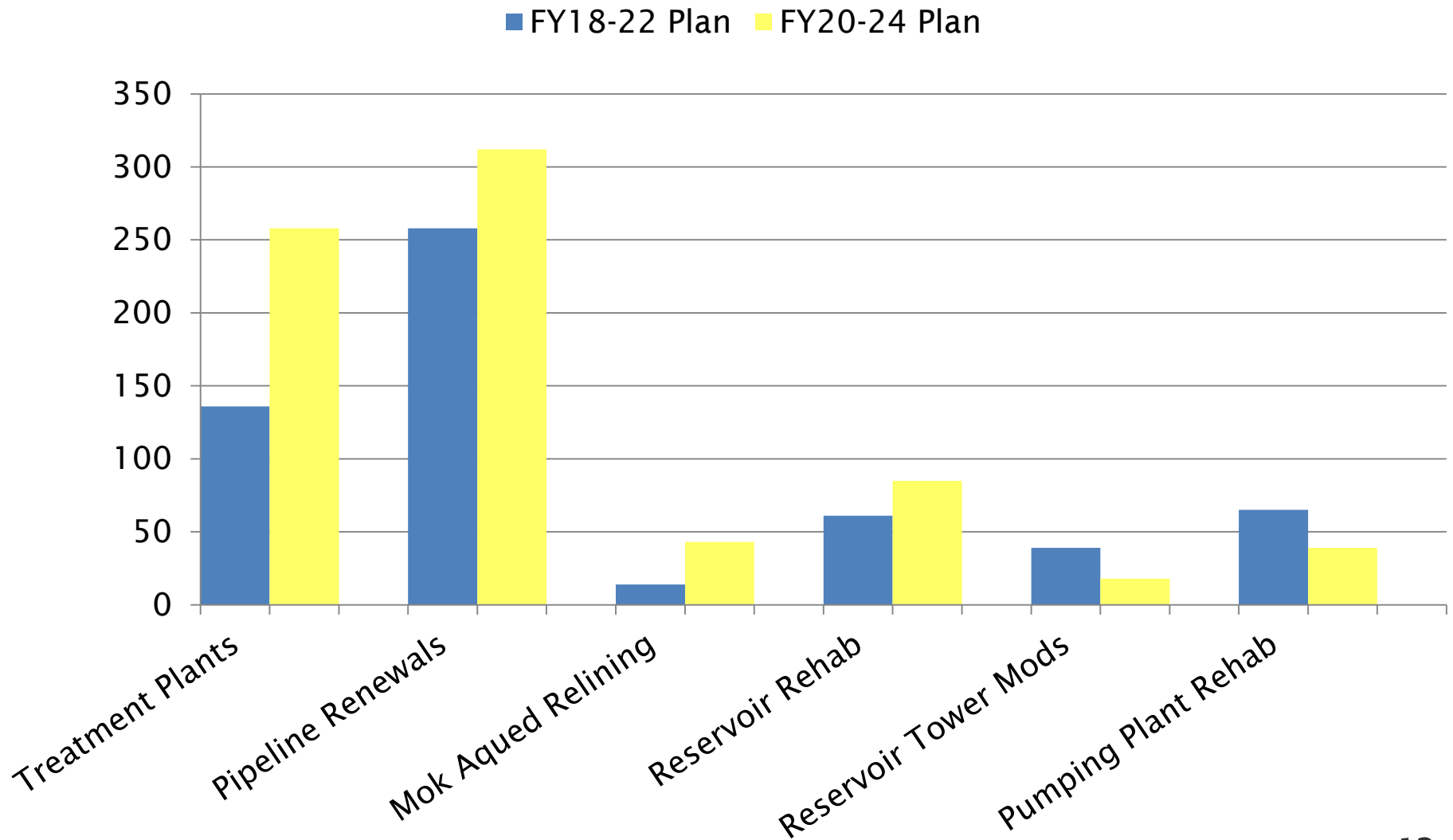
Water System – Comparison of Previous and Current CIP



	FY18 – FY22	FY20 – FY24	Increase
Cash Flow*	\$1,294M	\$1,554M	\$260M
5 Year Priorities	Infrastructure Replacements (Unchanged)		

*Excludes administration of capital

Water System – Major Changes in CIP as Compared to Previous Plan



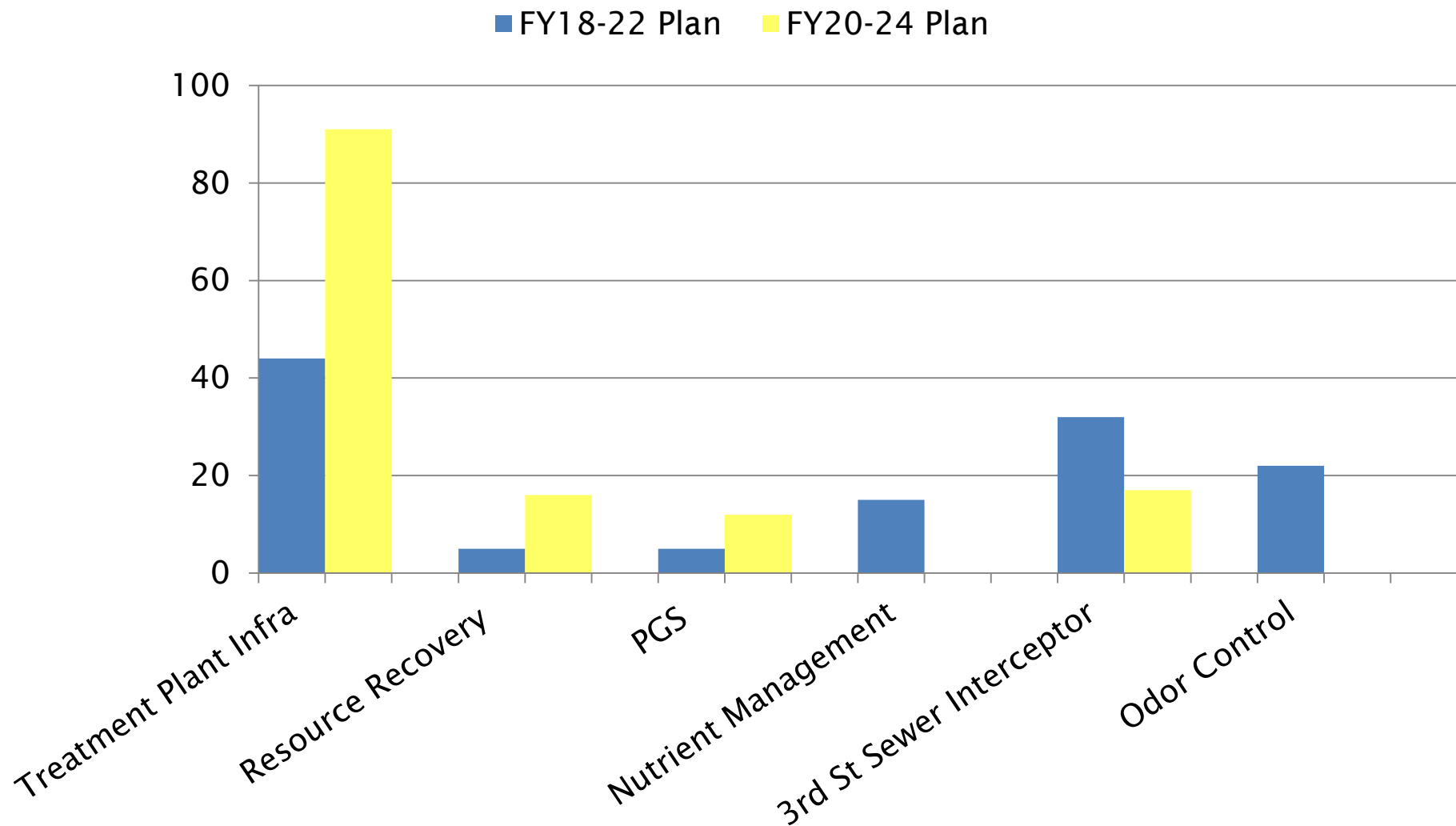
Wastewater System – Comparison of Previous and Current CIP



	FY18 – FY22	FY20 – FY24	Increase
Cash Flow*	\$172M	\$206M	\$34M
5 Year Priorities	Infrastructure Replacement (Unchanged)		

*Excludes administration of capital

Wastewater System – Major Changes in CIP as Compared to Previous Plan

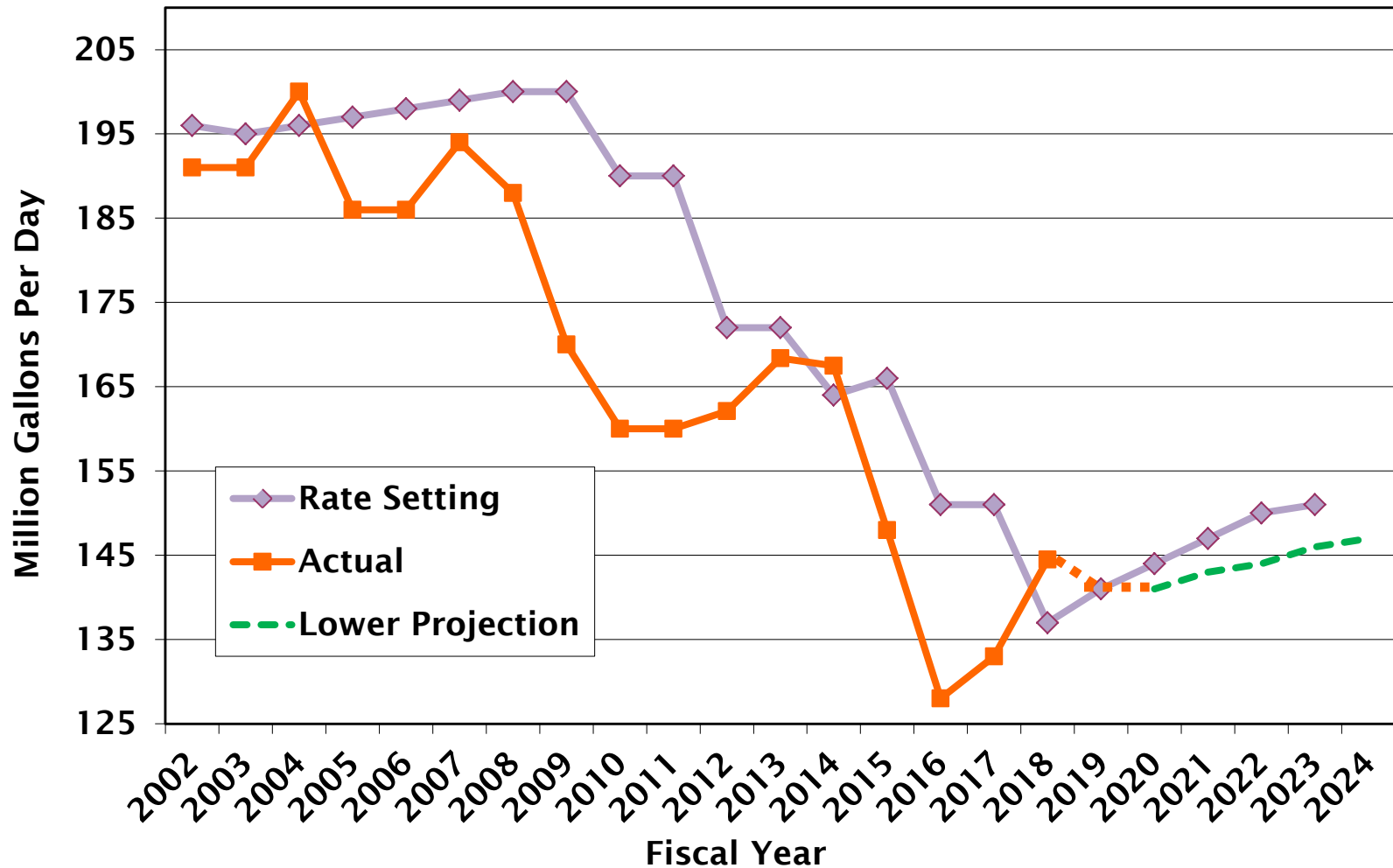


Non-Rate Revenue

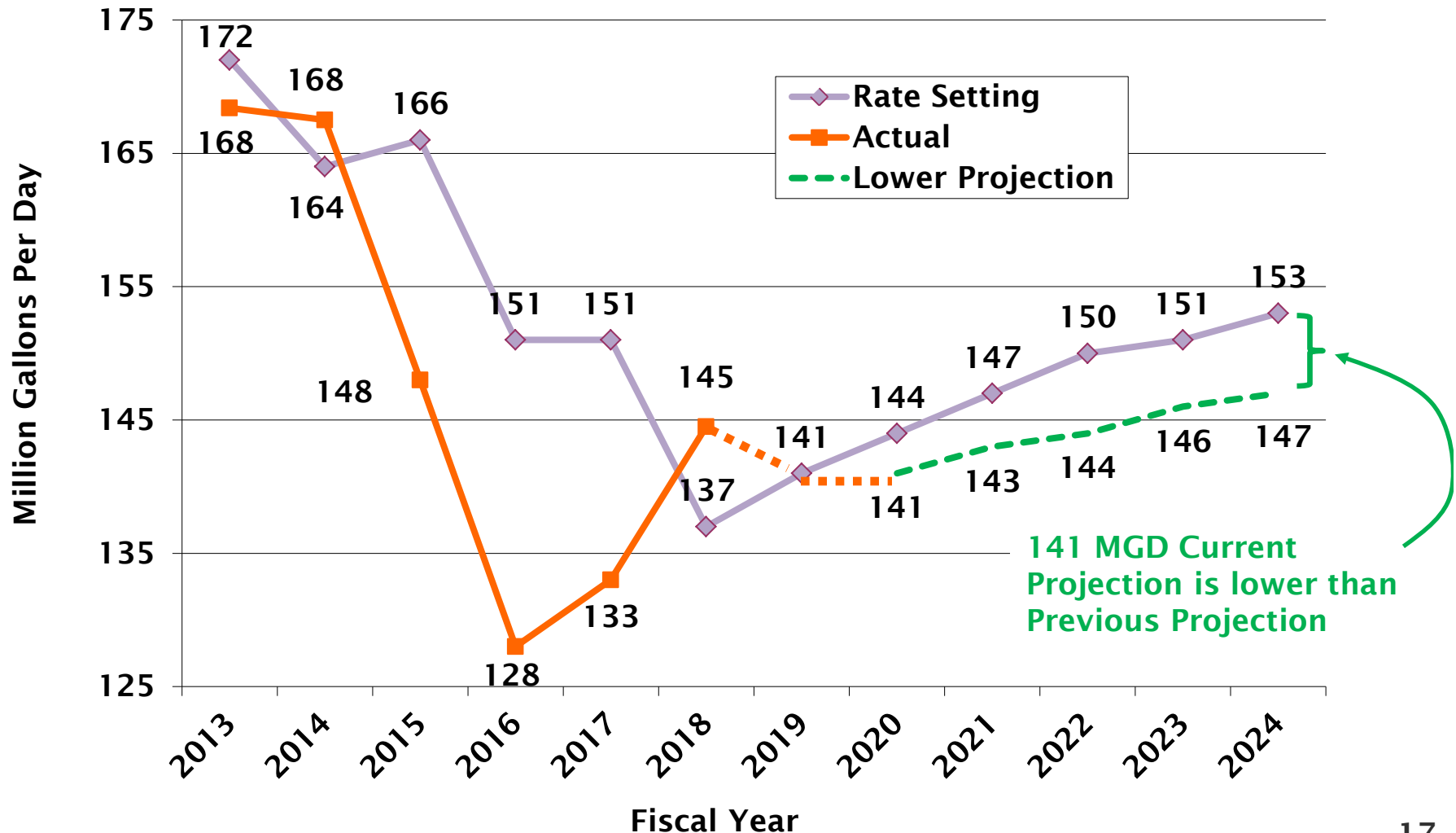


	Actual FY18 \$M	Budgeted FY18 \$M	Budgeted FY19 \$M	Updated FY20 Budget \$M
Water Property Taxes	34.7	30.0	30.7	34.7
Water SCC	69.3	27.0	28.0	40.0
Water Power Sales	7.0	3.7	3.7	5.0
All Water Revenue	630.6	552.2	607.2	663.7
Wastewater Property Taxes	5.5	4.8	4.9	5.5
Wastewater Capacity Fee	11.7	1.8	1.9	4.0
Wastewater R2	11.8	8.0	8.0	10.0
All Wastewater Revenue	141.8	127.1	129.9	140.2

Water Sales Projection – Drives Financial Planning



Water Sales Projection – Drives Financial Planning (cont.)



Water Sales Projection Considerations



- Previous Projection for FY20, FY21, FY22:
144/147/150 MGD with 2% growth thereafter
- Current Projection for FY20, FY21, FY22:
141/143/144 MGD with 1% growth
 - Reduces projected annual revenue by about \$15M requiring additional 1.5% FY20 and 1.5% FY21 rate increases
 - Lower water sales assumption buffers financial impact of droughts
 - Drought recovery requires +2% rate increase per year for 2 years
 - If water sales growth is greater than projected, we will reach our financial goals sooner than planned and have flexibility in future rate increases

Water System – Preliminary Financial Planning Projections



Rate Depends on Water Sales Assumption	FY20	FY21	FY22	FY23	FY24
Projection from Previous Budget	7%	7%	5%	n/a	n/a
Current Projection (141 MGD)	6.5%	6.5%	5%	5%	5%
Previous Water Sales Projection (144 MGD)	5%	5%	5%	5%	5%

Wastewater System – Preliminary Financial Planning Projections



	FY20	FY21	FY22	FY23	FY24
Projection from Previous Budget	4%	4%	4%	n/a	n/a
Current Projection	4%	4%	4%	4%	4%

Reserves – Earthquake Recovery Scenario

Long-Term Financial Stability Goals Help Mitigate Financial Impact of Earthquake



- More PAYGO provides flexibility to issue large amounts of debt if needed
 - 2.0 Debt Service Coverage Ratio Goal with 1.60 Policy Target and 1.10 minimum
 - Rate stabilization fund can be used to achieve higher debt service coverage during an emergency to help maintain credit ratings
- Maintaining high cash reserves allows for use during an emergency
- Conservative assumptions for rate setting allow us to achieve and support financial goals

Financial Recovery from Impact of Earthquake – Example



Earthquake Impacts	
Revenue Impacts	10% of accounts lost 20% of consumption lost
Recovery of Accounts and Consumption	7 to 10 years with 20% permanent loss
Repair Costs	\$1 B over two years
Financial Recovery	
Debt Issued	\$850M
Cash Reserves Used	\$200M
Rate Stabilization Fund	\$100M
Debt Coverage	Maintain 1.60 Policy Target
Rate Increases	10%/10%/10%/6.5%/6.5%/6.5%

Wastewater Cost of Service Study

Wastewater Cost of Service Study and Capacity Fee Update



- Cost of Service Study – Treatment and Wet Weather Charges
 - Background on Cost of Service
 - Major Factors
 - Results of Cost of Service Study
- Wastewater Capacity Fee Update

Cost of Service Analysis



Step 1

Determine flow and strength of each customer class

- Examine inflow at the treatment plant and number of customers

Step 2

Determine how much O&M and capital is flow or strength-related

- Allocate O&M costs and assets list by function

Step 3

Determine revenues required for flow and strength

- Allocate revenue requirements based on above allocations

Step 4

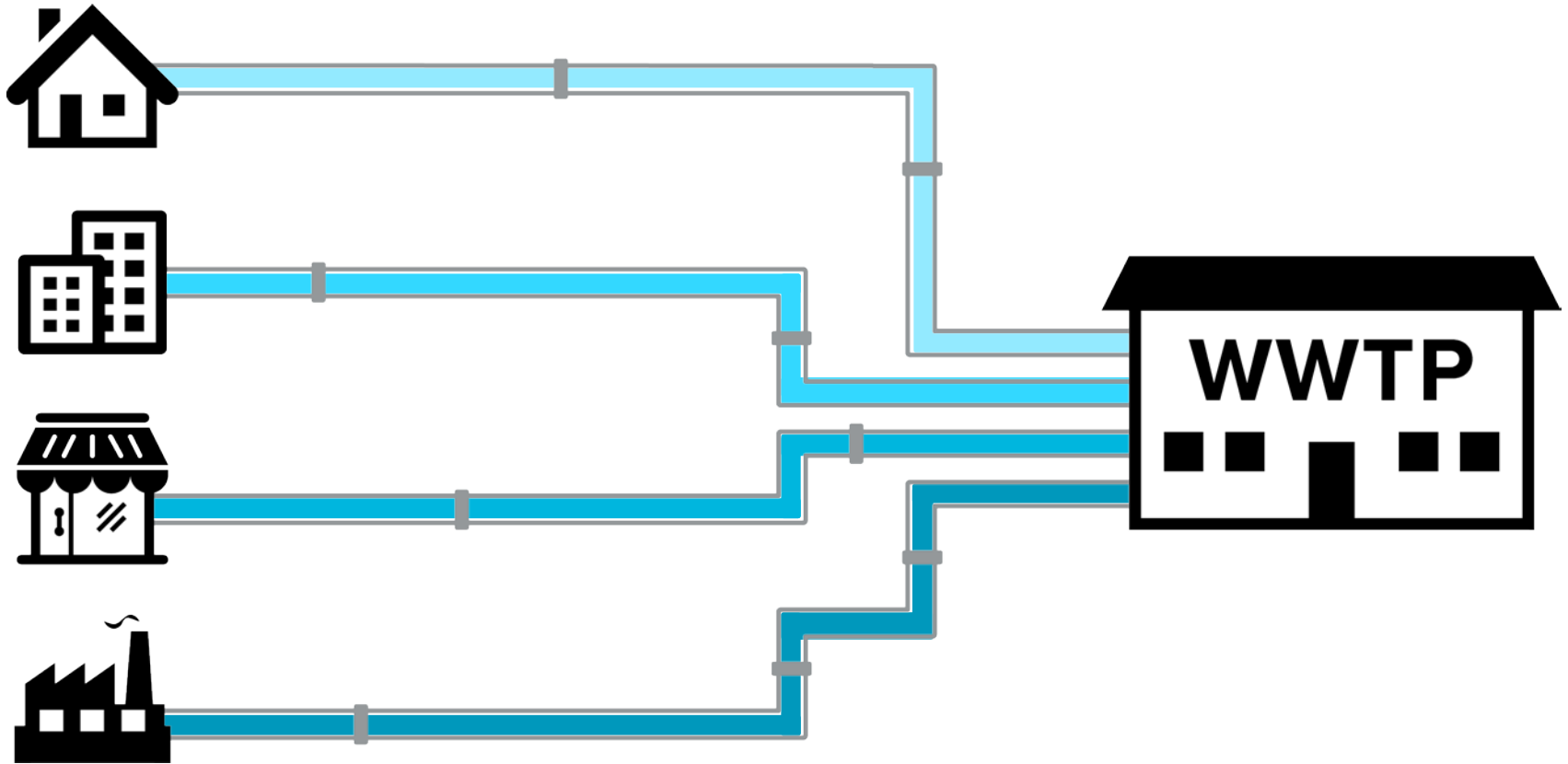
Determine customer class characteristics and unit cost

Step 5

Distribution of costs to customer classes

Wastewater Cost of Service Analysis

Step 1: Determine flow & strength of customers



Wastewater Cost of Service Analysis

Step 2: Clarify O&M cost and assets by function



Interceptor



Treatment Plant



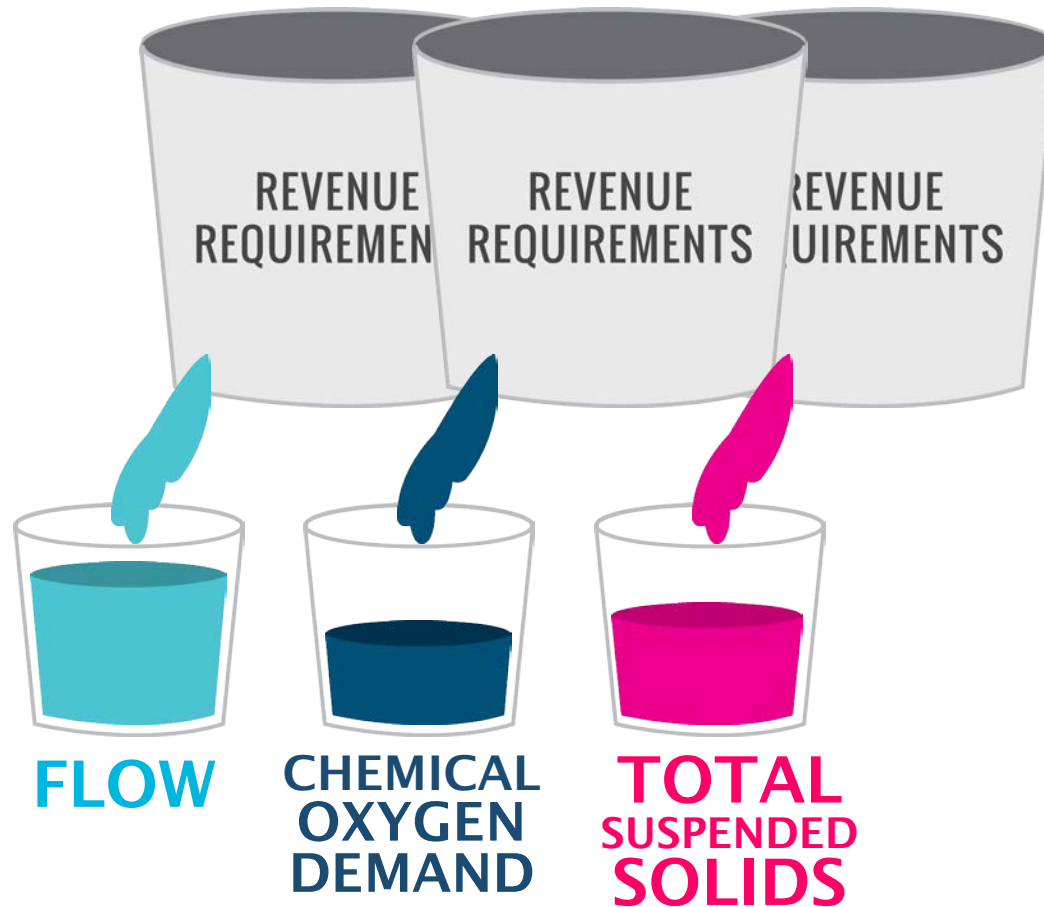
Flow



Strength

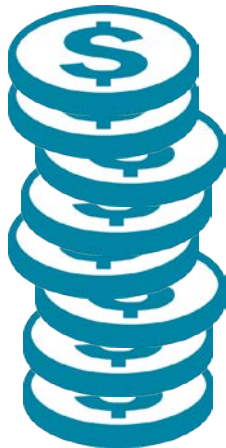
Wastewater Cost of Service Analysis

Step 3: Allocation of revenue requirements



Wastewater Cost of Service Analysis

Step 4 & 5: Cost of each customer class



Flow



Strength

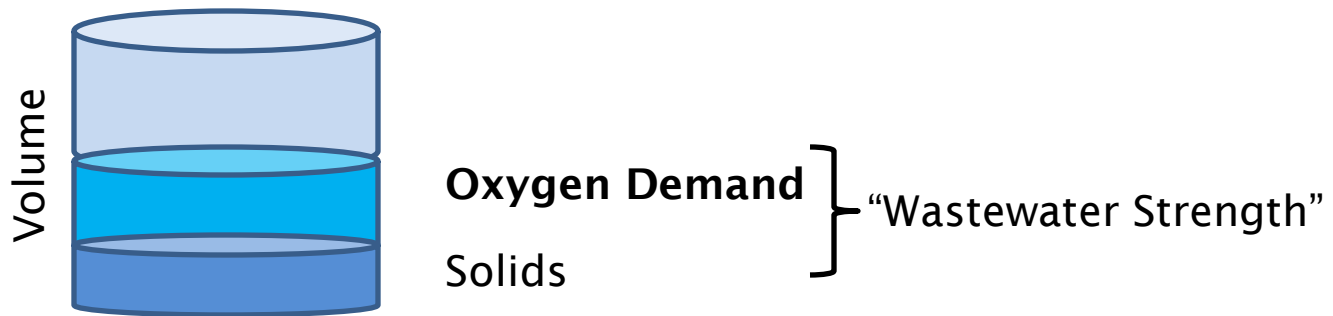


Office / School

Major Factors in Cost of Service – Strength Component



- 3 major wastewater effluent constituents: Volume (Flow), **Oxygen Demand** and Solids



- **Oxygen Demand** is a measure of the amount of dissolved oxygen needed to degrade organic material in a water sample
- EBMUD historically used **Chemical Oxygen Demand filtered (CODf)** for its cost of service and customer billing

Major Factors in Cost of Service – Strength Component (cont.)



- Recommend discontinuing COD_f as the oxygen strength measurement
 - Originally implemented for industrial high strength customers
 - These industries have left the service area
 - Unique measurement
 - Most wastewater agencies charge based on BOD or COD
- Based on survey of major wastewater agencies, most use COD
- District has decided to use COD
 - Simpler lab test
 - Easier to compare rates with neighboring communities

Major Factors in Cost of Service Cost Allocation Update



Cost allocation update resulted in very slight changes

	I&I	Flow	COD	TSS	Customer
2013 Study	24%	27%	13%	24%	12%
Current COS	26%	25%	13%	21%	14%

Major Factors in Cost of Service – Decreases in Flow and Strength



- Decreasing residential strength and flow results in reduced costs assigned to residential customers
- More costs are therefore assigned to the non-residential customer class causing non-residential flow and strength charges to increase

Cost of Service Results for Residential Customers



	Test Year FY17		Increase	
	Current	COS Update	(Decrease)	% Change
Service Charge (per month)	\$5.55	\$6.12	\$0.57	10.3%
Strength Charge (per dwelling unit)	\$7.64	\$6.37	(\$1.27)	-16.6%
Flow Charge (per CCF up to 9)	\$1.09	\$1.11	\$0.02	1.8%
Average Monthly	\$19.73	\$19.15	(\$0.58)	-2.9%

Cost of Service Results for Non-Residential Customers*



	Test Year FY17		Increase	
	Current	COS Update	(Decrease)	% Change
Service Charge (per month)	\$5.55	\$6.12	\$0.57	10.3%
Flow/Strength Charge (per CCF)				
Apartments	\$2.48	\$2.47	\$(0.01)	-0.4%
Restaurants	\$4.95	\$5.09	\$0.14	2.8%
Schools	\$1.60	\$1.66	\$0.06	3.7%
Bakeries	\$8.00	\$8.41	\$0.41	5.1%
Specialty Food Manufacturers	\$14.50	\$15.70	\$1.20	8.3%
Laundromats	\$2.36	\$2.47	\$0.11	4.7%
Hospitals	\$2.19	\$2.25	\$0.06	2.7%

*Partial list, does not include permitted strength accounts

Wet Weather Facilities Charge*



	FY17 Test Year		
Lot Size (sq. ft.)	Current	COS Update	Percent Change
0 – 5,000	\$94.10	\$97.00	3.1%
5,0001 – 10,000	\$147.00	\$151.56	3.1%
Over 10,000	\$336.00	\$346.39	3.1%

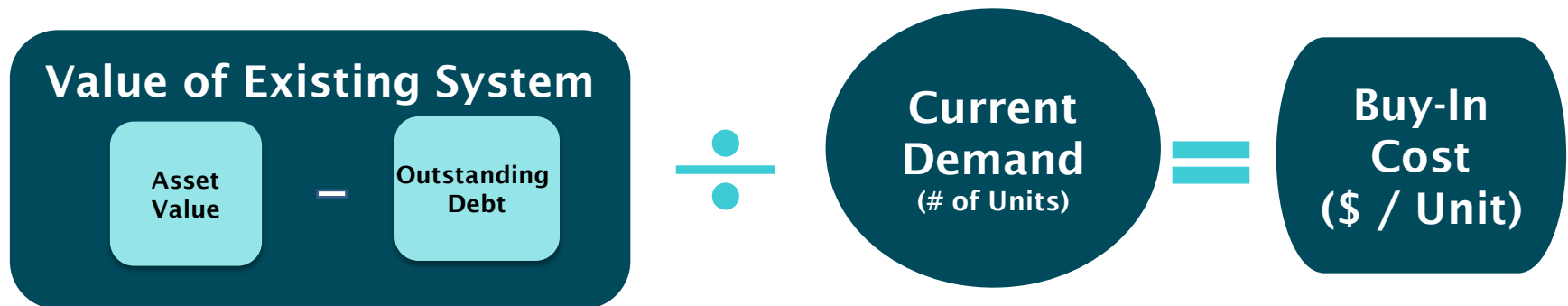
*Collected on the Property Tax Bill

Wastewater Capacity Fee Update

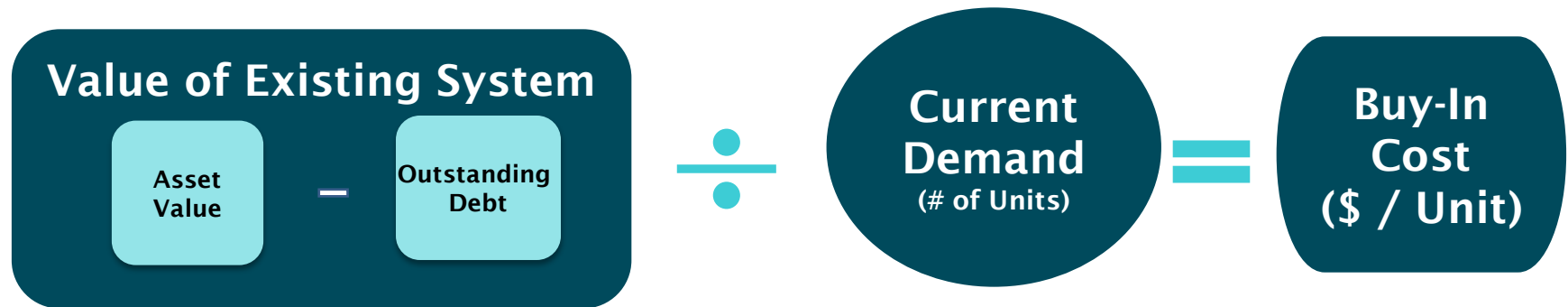
Equity Buy-In Method



- Focuses on Total System Value and Current Demand of Existing System
- Recognizes that existing users have developed and maintained a utility system that can accommodate growth



Equity Buy-In Unit Rates



	Total System Value [A]	Net Plant Influent [B]	Unit Cost [C] = [A ÷ B]
Flow	\$281,986,612	20,983,276 (CCF/year)	\$13.44 per CCF/year
COD	\$149,763,582	106,264,585 (lbs/year)	\$1.41 per lb/year
TSS	\$269,868,642	41,790,303 (lbs/year)	\$6.46 per lb/year

WCF FY19 – Residential Capacity Fee Update



	Unit Cost [A]	Annual Residential Loadings (per dwelling unit) [B]	Total [C] = [A x B]
Flow	\$13.44 per CCF	84 CCF of Flow	\$1,128.96
COD	\$1.41 per lbs	374 lbs of COD	\$527.34
TSS	\$6.46 per lbs	157 lbs of TSS	\$1,014.22
Total			\$2,671 per dwelling unit

- Current FY19 SFR WCF - \$2,610
 - Increase of \$61 or 2.3%
- Majority of WCF revenue comes from Residential

WCF FY19 – Non-Residential Capacity Fee Update



- Recommend creating 3 categories of non-residential strength categories for WCF
 - Replaces current process based on individual business category classifications
 - Based on meter size (up to 1½")
 - Simplifies WCF process
 - In most instances results in lower or comparable fee

Strength Category	5/8" meter	¾" & 1" meter	1 ½" meter
Low	\$3,970	\$10,446	\$20,348
Medium	\$8,034	\$21,115	\$41,141
High	\$15,738	\$41,362	\$80,578

Wastewater Cost of Service and Capacity Fee Update – Next Steps



- Incorporate Cost of Service changes and Wastewater Capacity Fee updates into FY20 and FY21 Rate Proposal
 - Include changes in Proposition 218 Notice
 - Hold rate workshops and public hearing
- Follow up with Water System Capacity Fee Study
 - Incorporate updated water demands into capacity fee review and look at alternative approaches

BREAK

Customer Bill – Proposed Minor Updates

Bimonthly Billing Affects How Bill is Perceived



- Long-Term Financial Stability Workshop examined District's bimonthly bill
 - Two months worth of charges at once
 - Bills other charges on behalf of outside agencies
 - Staff committed to return this year with minor changes that could be quickly implemented

EAST BAY MUNICIPAL UTILITY DISTRICT
EBMUD 1-866-40-EBMUD YOUR ACCOUNT NO. IS: 12345678001

Next Read Date is 12/21/2018
Your Payment is Due by 11/13/2018
EBMUD is committed to keeping rates as low as possible. To help those in need, EBMUD offers a Customer Assistance Program (CAP) where qualified low-income residential customers and eligible homeless shelters receive a discount on their water bills. Learn more at ebmun.com/cap.

Customer Information:
Florence Waters
1234 PIPELINE ST
OAKLAND, CA 94607-1234

Bill Date: 10/26/18
Billing Period:
From 8/22/18 To 10/22/18

For:	AMOUNT	TOTAL
1234 Pipeline St Private Residence		
PREVIOUS CHARGES AND CREDITS		
PREVIOUS AMOUNT DUE	199.10	
FULL PAYMENT - 09/14/18	-199.10	0.00
WATER CHARGES - EBMUD		
WATER SERVICE CHARGE	49.26	
WATER FLOW CHARGE 10 UNITS @3.76	37.60	86.86
WASTEWATER CHARGES - EBMUD		
WASTEWATER TREATMENT CHARGE	41.10	
SF BAY POLLUTION PREVENTION FEE	0.40	41.50
CITY OF OAKLAND SEWER SERVICE		77.16
PLEASE SEE REVERSE SIDE FOR BILLING EXPLANATION	Please Pay This Amount Now Due	205.52
METER SIZE 5/8 inch	ELEV. Band 1	METER READINGS Current: 231 Previous: 221 LAST YEAR
UNITS 10 10	CONSUMPTION INFORMATION Gallons: 7,480 7,480	Days 61 59
		Gal/Day 123 126

PLEASE DETACH AND RETURN THIS PAYMENT STUB WITH CHECK OR MONEY ORDER PAYABLE TO EBMUD
1234 Pipeline St, Oakland, CA 946071234 8/22/18 10/22/18 ACCOUNT NO.: 12345678001
123

Pay by credit/ATM/e-check for a fee.
Call 1-888-963-0909

Mail payment to:
EBMUD PAYMENT CENTER
PO BOX 1000
OAKLAND CA 94649-0001

TOTAL PREVIOUS 0.00
TOTAL CURRENT 205.52

Please Pay This Amount Now Due 205.52

Proposed Mini-Makeover

1 – Billing Period:

- ✓ Color change to green
- ✓ Added number of days in billing period

2 – Other Agency Charges:

- ✓ Color change to salmon
- ✓ Bolded text font

3 – Total Bill:

- ✓ Bolded total font
- ✓ Cleaned up text to simplify

4 – Gal/Day:

- ✓ Bolded current gpd use

Next Read Date is 12/21/2018

Your Payment is Due by 11/13/2018

EBMUD is committed to keeping rates as low as possible. To help those in need, EBMUD offers a Customer Assistance Program (CAP) where qualified low-income residential customers and eligible homeless shelters receive a discount on their water bills. Learn more at ebmud.com/cap.



Florence Waters
1234 PIPELINE ST
OAKLAND, CA 94607-1234

Bill Date: 10/20/18

Billing Period (61 Days)

From	To
8/22/18	10/22/18

For:	1234 Pipeline St Private Residence	AMOUNT	TOTAL
PREVIOUS CHARGES AND CREDITS			
PREVIOUS AMOUNT DUE		199.10	
FULL PAYMENT - 09/14/18		-199.10	0.00
EBMUD - WATER CHARGES			
WATER SERVICE CHARGE		49.26	
WATER FLOW CHARGE 10 UNITS @3.76		37.60	86.86
EBMUD - WASTEWATER CHARGES			
WASTEWATER TREATMENT CHARGE		41.10	
SF BAY POLLUTION PREVENTION FEE		0.40	41.50

CITY OF OAKLAND CHARGES - SEWER SERVICES	77.16
---	--------------

TOTAL CURRENT CHARGES	205.52
------------------------------	---------------

METER SIZE	ELEV. Band	METER READINGS		UNITS	CONSUMPTION INFORMATION		Gal/Day
		Current	Previous		Gallons	Days	
5/8 inch	1	231	221	10	7,480	61	123
		LAST	YEAR	10	7,480	59	126

PLEASE DETACH AND RETURN THIS PAYMENT STUB WITH CHECK OR MONEY ORDER PAYABLE TO EBMUD

1234 Pipeline St, Oakland, CA 946071234 8/22/18 10/22/18 ACCOUNT NO.: 12345678001

123

Pay by credit/ATM/e-check for a fee.

Mail payment to: Call 1-888-963-0909

TOTAL PREVIOUS	0.00
TOTAL CURRENT	205.52

EBMUD PAYMENT CENTER
PO BOX 1000
OAKLAND CA 94649-0001

Please Pay This Amount Now Due

205.52

Affordability

Affordability – Agenda



- Services for District Customers
- CAP Progress
- CAP Participation Level
- Retroactive CAP
- Wastewater CAP Discount
- Next Steps

Available Services for District Customers



Service	Commercial	Multi-Family Premise (Landlord account)	Single- Family Premise	Low-Income Customers (medical, senior) own or rent
Customer Support/Advocacy	✓	✓	✓	✓
<u>Bill Management:</u>				
• Customer Assistance Program	--	—	--	✓
• Payment Plans (up to 12 months)	✓	✓	✓	✓
• Medical Needs Assistance	--	✓	✓	✓
• Emergency Relief (Water Lifeline)	—	—	—	✓
<u>Community Support Referrals:</u>				
• (SVDP, CC, Oakland Housing Resource, Richmond Housing Authority, etc.)	—	—	✓	✓
• 3rd Party Notification	—	—		✓
<u>Water Use Efficiency:</u>				
• Water Audit	✓	✓	✓	✓
• Rebates, Free Devices	✓	✓	✓	✓
• My Water Report	✓	✓	✓	✓
Leak Adjustments	✓	✓	✓	✓
PAYS On Bill Financing	✓	✓	✓	✓

CAP Progress Over Past Year



- On track to meet performance measure to increase CAP enrollment
 - 6,805 active CAP participants as of December 2018, increase from **6,189 participants in FY17**
 - FY18 CAP enrollment increased by **10%** compared to FY17
 - FY18 CAP expenditure was approx. \$1.8 million
 - Estimated FY19 CAP expenditure to surpass \$2 million
- Currently receive and process up to 450 applications monthly (first time applicants and recertification)

CAP Eligibility – One of the most generous in the State



EBMUD CAP eligibility is higher than
200 Percent of the Federal Poverty Guidelines

Household Size	EBMUD CAP Income	Federal Poverty Guidelines 200%
1	\$46,500	\$24,280
2	\$46,500	\$32,920
3	\$52,300	\$41,560
4	*\$58,100	\$50,200

*\$4,650 for each additional family member

CAP - One of the Highest Discounts in the State



How we help!



EAST BAY MUNICIPAL UTILITY DISTRICT

1-866-40-EBMUD

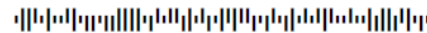
YOUR ACCOUNT NUMBER:

12345678001

Next Read Date is 10/25/2018

Your Payment is Due by 09/17/2018

EBMUD is committed to keeping rates as low as possible. To help those in need, EBMUD offers a Customer Assistance Program (CAP) where qualified low-income residential customers and eligible homeless shelters receive a discount on their water bills. Learn more at ebmud.com/cap.



Florence Waters
1234 PIPELINE ST
OAKLAND, CA 94607-1234

Bill Date: 08/31/18

Billing Period (61 Days)

From	To
6/27/18	8/27/18

50% Water Discount

35% Wastewater Discount

City Sewer Charges

\$1.20/day for District Services

For: 1234 Pipeline St
Private Residence

PREVIOUS CHARGES AND CREDITS

PREVIOUS AMOUNT DUE 194.50
PAYMENT ON ACCOUNT - 09/14/18 -194.50

EBMUD - WATER CHARGES

WATER SERVICE CHARGE 49.26
WATER FLOW CHARGE 10 UNITS @3.76 37.60
CUSTOMER ASSISTANCE PROGRAM CREDIT -43.43

EBMUD - WASTEWATER CHARGES

WASTEWATER TREATMENT CHARGE 41.10
SF BAY POLLUTION PREVENTION FEE 0.40
CUSTOMER ASSISTANCE PROGRAM CREDIT -14.98

AMOUNT	TOTAL
194.50	
-194.50	0.00
49.26	
37.60	
-43.43	43.43
41.10	
0.40	
-14.98	26.52

CITY OF OAKLAND CHARGES - SEWER SERVICES

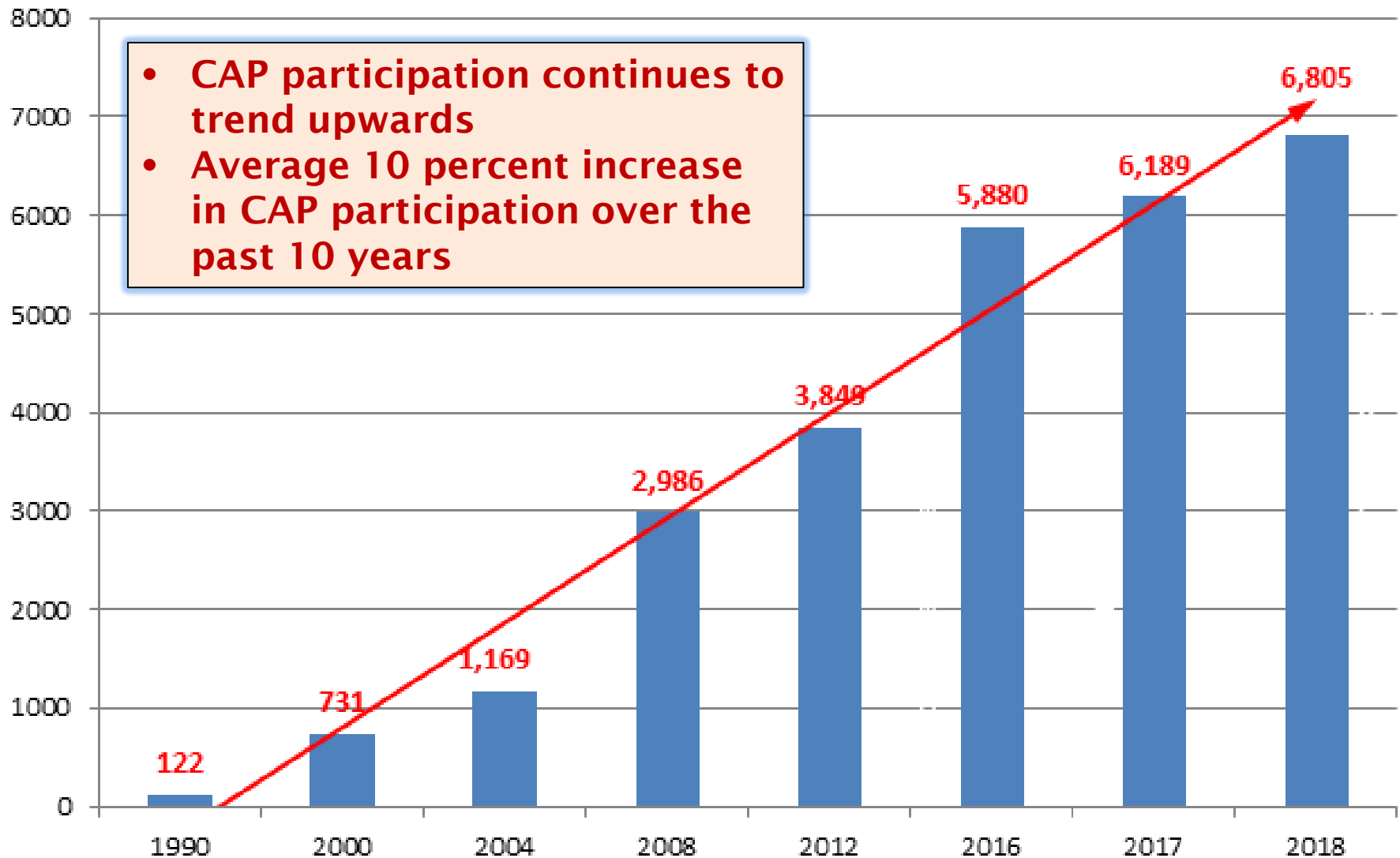
77.16

TOTAL CURRENT CHARGES

147.11

METER SIZE	ELEV. Band	METER READINGS Current	Previous	UNITS	CONSUMPTION INFORMATION Gallons	Days	Gal/Day
5/8 inch	1	1,880 LAST	1,870 YEAR	10 10	7,480 7,480	61 64	123 116

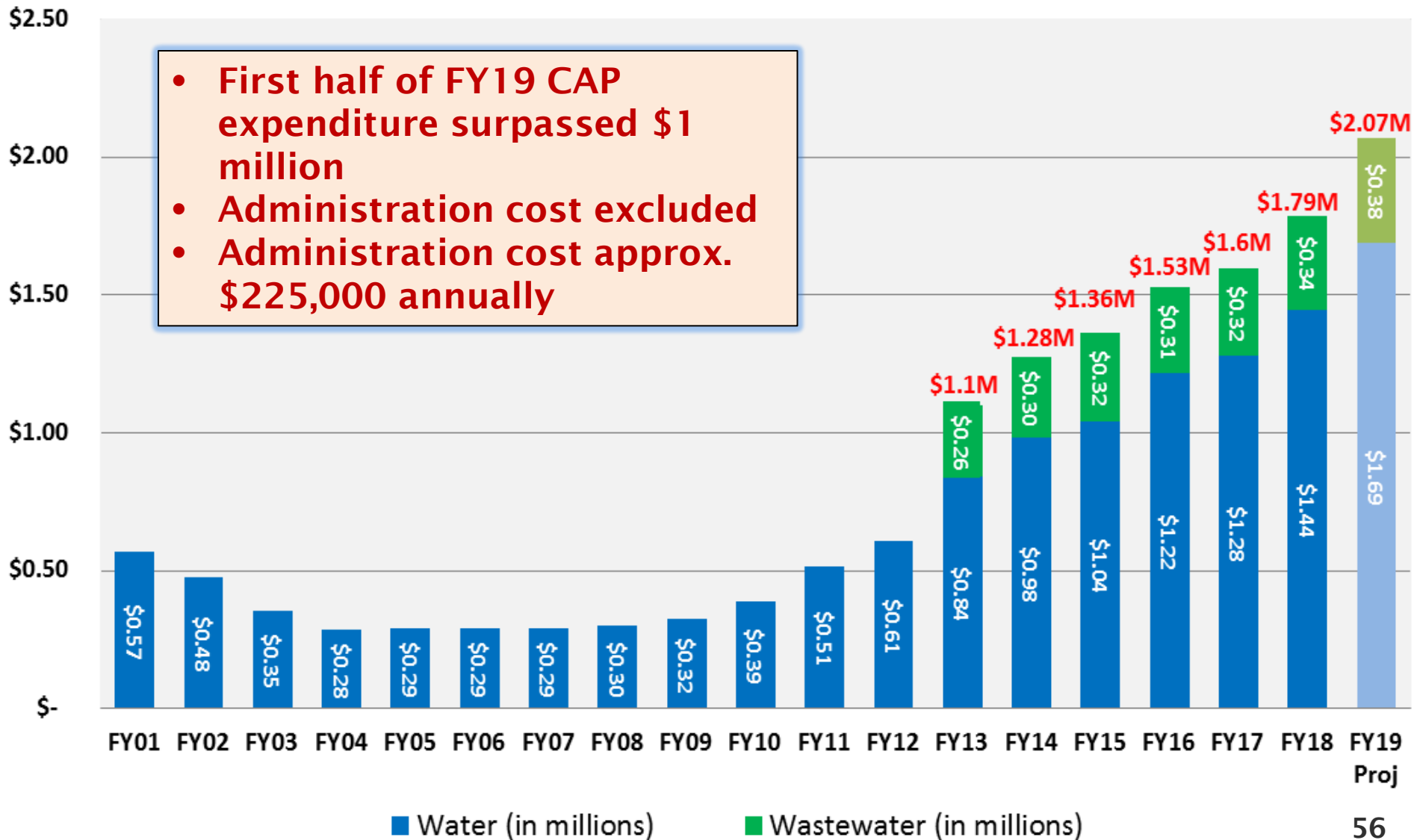
CAP Participation Level



CAP Expenditure



- First half of FY19 CAP expenditure surpassed \$1 million
- Administration cost excluded
- Administration cost approx. \$225,000 annually



Administering CAP Growth

- CAP is currently administered by 1.5 FTEs in the Contact Center
- Review and process between 400-450 applications monthly
- 30 day turn around for all CAP applications received
- Number of new CAP applicants increased by ~10% from FY17
- Anticipated need for additional 0.5 FTE to administer CAP at current rate of growth and meet service level by FY22/FY23



Exploring Retroactive CAP

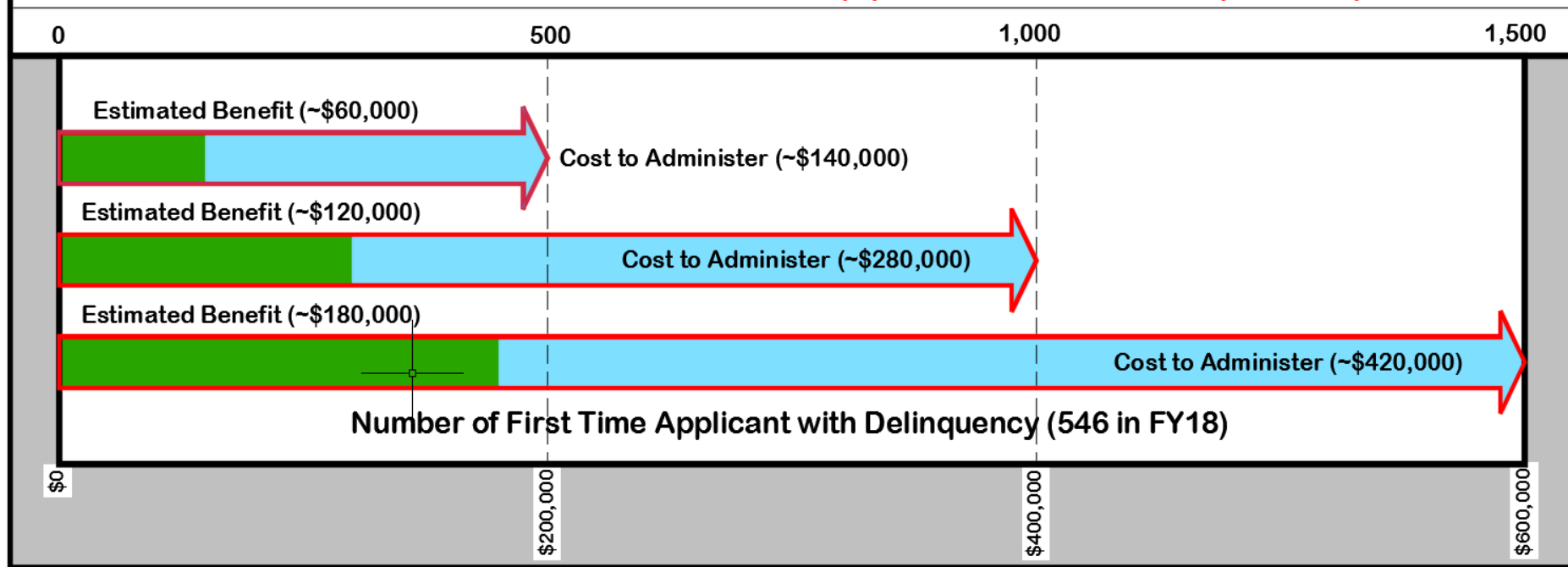


- MUD Act does not prohibit the District from providing retroactive CAP to customers with delinquent bills
- 1,447 first-time participants enrolled in CAP in FY18, 546 or 38% of first time CAP applicants had a delinquent balance averaging \$218
- Total cost to implement is estimated between \$200,000 and \$600,000 annually:
 - 1 FTE equivalent is needed to administer every 500 retroactive CAP applications
 - Benefit to CAP customers between \$60,000 - \$180,000

Retroactive CAP Cost vs. Benefit



Total Number of First Time Applicant in FY18 (1,447)



- For every 500 eligible retroactive applications, 1 FTE equivalent is needed to administer the new benefits

Retroactive CAP Considerations



- Could create an incentive for new applicants to carry a delinquent balance
- Retroactive CAP discounts on delinquent balances could be viewed as inconsistent with the District's policy on payment of bills
- Could be viewed as unfair for new CAP applicants without delinquent balances
- High cost to administer with limited benefit to a small number of eligible customers

Recommendation: Pursue increasing CAP enrollment of more low-income customers with more targeted outreach

Increasing Wastewater CAP Discount to 50 Percent



- Wastewater CAP expenditure in FY18 is \$344,000
- Increasing the discount from 35% to 50% would add approximately \$137,000 to FY18 expenditure
- Billing system modification: Approximately \$150,000
- A 50% wastewater CAP discount provides ~\$2.30 in additional financial relief monthly
- Not all CAP customers would benefit from the discount
- Could disincentivize cities from partnering on CAP
- No other agency provides a 50% discount on sewer charges

Recommendation: Maintain the 35% discount and conformity with the three cities

Federal and State Low-income Rate Assistance Efforts



- S.3564 – Low Income Water Customer Assistance Act of 2018
- SWRCB released draft report with options for implementing a LIRA Program with three tiered approach on discount to eligible households
- Estimated cost of the program is \$606 million
- Around 34% of the state's households would be income-eligible for this program (mostly multi-family)
- Identified multiple sources of revenue and various options to distribute benefit to eligible households

***Recommendation:* Continue to monitor and engage in Federal and State affordability efforts**

Voluntary Donation Program



EBMUD

WaterLifeline



Catholic
Charities
of the East Bay

- Customer & employee voluntary donations
- Established in March 2018
- Emergency Relief Fund to assist low-income customers to maintain water service
- Administered by St. Vincent De Paul (Alameda) & Catholic Charities (Contra Costa)
- Donations and pledges to date surpassed \$5,000

Update on Extending CAP on Cities' Sewer Charges



- Emeryville putting its support for a discount on hold. Further discussion planned.
- Discussions continue with Berkeley on implementing a discount. Responding to questions raised.
- Working with Oakland staff to schedule meetings between elected members for February 2019.
 - The Board will be provided a schedule for these meetings

Next Steps



- Focus Customer Service effort on increasing the number of CAP applications
- Continue discussions with cities on establishing a sewer CAP program
- Continue to monitor and engage in Federal and State affordability efforts
- Incorporate Board input

Workshop Review



- Financial Planning for FY20 and FY21
 - On track with previous projections to achieve financial goal
- Reserves – Earthquake Scenario
 - Reserves and LTFS goals mitigate financial impacts of recovery
- Wastewater Cost of Service
 - Slight changes in residential and non-residential rates
 - Simplified procedure for non-residential wastewater capacity fee
- Bill Presentation
 - Clarity on billing period and other agencies' charges
- Affordability
 - Focus efforts to increase CAP participation

Budget and Rates – Next Steps



Board Workshop 1 <i>Preliminary budget and rates</i>	January 22, 2019
Board Workshop 2 <i>Recommended budget and rates</i>	March 26, 2019
Board Workshop 3 (if necessary) <i>Deadline to approve Prop 218 Notice mailing</i>	April 9, 2019
Prop 218 Notice mailing	April 26, 2019
Public Hearing	June 11, 2019
FY20 Rates Effective	July 1, 2019

