



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

375 – 11th Street, Oakland, CA 94607

Office of the Secretary: (510) 287-0440

**AGENDA
Sustainability/Energy Committee
Tuesday, July 23, 2019
10:00 a.m.
Training Resource Center**

(Committee Members: Directors Linney {Chair}, Katz and Mellon)

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.

DETERMINATION AND DISCUSSION:

1. Employees' Retirement System Environmental, Social and Governance Considerations (Skoda)
2. Water Bottle Filling Stations Project Update (Irias)

ADJOURNMENT:

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EAST BAY MUNICIPAL UTILITY DISTRICT

DATE: July 18, 2019

MEMO TO: Board of Directors

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

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

SUBJECT: Employees' Retirement System Environmental, Social and Governance (ESG) Considerations

SUMMARY

Consideration of Environmental, Social and Governance (ESG) factors has become part of the East Bay Municipal Utility District Employees' Retirement System (the Retirement System) portfolio management activities in recent years. In 2017, following over a year of consultation, training, and education on ESG issues, the Retirement Board adopted an update to its Statement of Investment Policy and Procedures to address ESG factors. Since then, the Retirement System has supported global ESG initiatives, adopted a comprehensive proxy voting strategy, and continued its ESG training efforts. This item will be discussed at the July 23, 2019 Sustainability/Energy Committee.

DISCUSSION

At the June 25, 2019 Finance/Administration Committee meeting, Committee Members requested additional information on the Retirement System's consideration of ESG factors. In recent years, the Retirement Board has engaged in ESG trainings and taken steps to consider ESG factors. The Retirement Board has the authority to consider ESG factors in the portfolio management of the Retirement System to address sustainability and evaluate climate change exposure. In 2016, the Retirement Board developed a Roadmap to ESG Implementation based on the publication "Action on Climate: A Practical Guide for Fiduciaries," which led to adoption of an ESG Implementation Plan in March 2017. The Implementation Plan included the following guidelines:

1. Incorporate ESG considerations into asset allocation discussions.
2. Incorporate ESG considerations into investment manager search Request for Proposals.
3. Monitor investment managers' performance with respect to ESG issues.
4. Engage on ESG issues.
5. Incorporate ESG considerations into proxy voting policy and process.

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6. Conduct regular reviews of the system's portfolio with respect to ESG and climate change risk.

Additionally, at its March 16, 2017 meeting, the Retirement Board adopted an updated Statement of Investment Policy and Procedures (Investment Policy) to incorporate language pertaining to ESG considerations. Included in the update was the following new investment objective:

Environmental, social and governance ("ESG") factors should be considered in portfolio management. Consistent with the System's Mission and Investment Beliefs, the System recognizes that ESG factors can have a material impact on corporate performance over the long term, although the impact can vary by industry. The consideration of ESG factors may affect security selection, proxy voting, engagement and other areas. The System will consider ESG factors in its proxy voting and other relevant portfolio management activities. ESG factors will be taken into account in selection and ongoing monitoring of the System's investment managers and mandates, and of other service providers as appropriate. The System will leave individual security selection decisions to its investment managers under the assumption that they will make the decisions that are in the best interest of the System incorporating both ESG and non-ESG factors.

Since adopting the Implementation Plan and the updated Investment Policy, engagement efforts of the Retirement System have included support for a number of global ESG efforts, including joining the Ceres Investor Network on Climate Risk (INCR) in March 2017. In January 2018, the Retirement Board voted to support the Climate Action 100+ initiative, a five-year effort to improve governance, reduce emissions, and increase disclosure by the top 100 corporate greenhouse gas emitters. At its July 18, 2019 meeting, the Retirement Board considered supporting two additional initiatives related to financial disclosure on ESG issues: 1) the Global Investor Statement to Governments on Climate Change, and 2) the Task Force on Climate-related Financial Disclosures (TCFD). These efforts have been largely related to advocacy for increased market disclosure of ESG factors which have the potential to affect performance of the Retirement Board's investments.

Another area of increased ESG engagement is proxy voting. Prior to 2017, the Retirement System voted all proxies in accordance with the recommendation of the management of the firm in question. After discussion and an RFP for service providers in the proxy voting space, the Retirement Board selected Glass Lewis in July 2017 to provide third-party proxy voting services. Since then, Glass Lewis has voted on behalf of the Retirement System utilizing the Glass Lewis Public Pension Policy. For the Retirement System's passively-managed assets, proxy voting is performed by the asset manager, Northern Trust Asset Management (NTAM). The Retirement System has been reviewing the impacts of using the Glass Lewis Public Pension Policy versus their ESG Policy. The Retirement Board will receive a presentation on proxy voting from both Glass Lewis and NTAM at its September 19, 2019 meeting.

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Investment manager searches provided another opportunity for ESG engagement in 2018 and 2019. Through Requests for Information (RFIs) and subsequent in-person interviews, the Retirement Board had the opportunity to explore ESG qualifications of prospective investment managers.

As demonstrated by its 2016 Roadmap, 2017 Investment Policy update, and ongoing trainings and actions, the Retirement Board continues to recognize the importance of ESG considerations. The Retirement System joins other pension plans, including the California Public Employees' Retirement System (CalPERS) and the University of California Retirement Plan (UCRP), in incorporating ESG considerations into the management of its portfolio.

ARC:SDS:RLH

EAST BAY MUNICIPAL UTILITY DISTRICT

DATE: July 18, 2019

MEMO TO: Board of Directors

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

FROM: Xavier J. Irias, Director of Engineering and Construction *XJI*

SUBJECT: Water Bottle Filling Stations Project Update

INTRODUCTION

Water bottle filling stations provide an alternative to using disposable plastic bottles and create an opportunity to promote the use of tap water. On February 28, 2017, at the Sustainability/Energy Committee meeting, staff presented a small-scale pilot program to install water bottle filling stations at several locations in the District's service area. This memo provides an update on the pilot program. Staff will provide a project update at the Sustainability/Energy Committee meeting on July 23, 2019.

DISCUSSION

Program Summary

To select water bottle filling station locations, staff developed a set of criteria which included interest in partnering with the District, exposure to the public, and reasonable access to water supply and drain lines. Using the criteria, the pilot program targeted schools, parks, recreation areas and BART stations. Each location required a memorandum of understanding between its governing agency and the District. The pilot program covered the capital costs of the installations, while participants in the pilot program are responsible for ongoing operation and maintenance costs.

To distribute the benefits of the pilot equally, the water bottle filling stations were located within each of the District's seven wards. Between April 2018 and May 2019, the District funded installation of water bottle filling stations at a total of 15 locations, with at least two per ward. The locations included five schools, seven parks and recreation areas (including two District recreation areas), one BART station, the Oakland Zoo, and the District's Administration Building. Each station has signage promoting tap water or indicating the District's donation of the station. Thirteen of the 15 locations are equipped with counters that estimate the number of plastic bottles avoided.

The original pilot program budget of \$270,000 included the installation of seven stations. As the program developed, staff increased the scope to 15 stations in order to collect more cost, usage, and maintenance data. The revised budget of \$400,000 included installation of the eight

additional stations, District labor costs for installations at District facilities, and additional coordination at select sites.

Lessons Learned

As of July 1, 2019, over 100,000 reusable water bottles have been filled by the pilot program stations. As noted above, the total cost of the pilot program was approximately \$400,000, including administration, coordination, outreach, and contracts with manufacturers and installers. The average capital cost per water bottle filling station installation was approximately \$11,000.

The pilot program faced challenges finding participants. After developing the criteria for selecting locations, District staff engaged with outside agencies in order to gather interest in the pilot program. Several agencies were non-responsive. Multiple agencies were interested in participating, but have labor requirements that prohibit outside contractors from performing work on their premises. While completing the pilot, staff noticed that some agencies and schools had previously installed water bottle filling stations as part of new construction and building upgrades. The correspondence with and site visits to potential participants comprised a significant portion of the program administration costs.

Once interest in the pilot program was confirmed, staff met with program participants to select the locations of the water bottle filling stations. The pilot program aimed to locate the stations in areas with the greatest exposure to the public. However, vandalism and maintenance were major concerns for many of the participants. Participants preferred to locate the stations in secure areas (e.g., in a monitored corridor on a school campus) rather than in areas of greatest exposure (e.g., adjacent to a sports field). The station locations and costs were also affected by site conditions; while installations were limited to areas with existing building utilities, many sites still required relocation of water lines and installation of new electrical receptacles. The extent of the plumbing and electrical work varied with each location and impacted the costs of installation.

Participant Response

The pilot program was well received by all program participants. Staff has made periodic visits to the 15 pilot locations. The water bottle filling stations continue to increase avoided-bottle counts and are well maintained thus far.

NEXT STEPS

The water bottle filling stations will be monitored for a period of two years: one year under the manufacturer's warranty, and one year under maintenance of the program participants. During the two-year monitoring period, District staff will collect information on the use and maintenance of the filling stations. At the conclusion of the monitoring period, staff will recommend next steps based on scope, timing and costs.

ARC:DJR:sjp