EBMUD

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

Long-Term Financial Stability, Strategic Plan Update and Mid-Cycle Budget Workshop
Tuesday, May 26, 2020
8:30 a.m.
Teleconference

At the call of President Marguerite Young, the Board of Directors has scheduled a Long-Term Financial Stability, Strategic Plan Update and Mid-Cycle Budget Workshop for 8:30 a.m. on Tuesday, May 26, 2020.

Due to COVID-19 and in accordance with Alameda County Health Order 20-10 (issued April 29, 2020), and with the Governor's Executive Order N-29-20 which suspends portions of the Brown Act, **this meeting will be conducted via teleconference only**. In compliance with said orders, a physical location will not be provided for this meeting. These measures will only apply during the period in which state or local public health officials have imposed or recommended social distancing.

The Board will meet in workshop session to receive updates on the District's Strategic Plan, Fiscal Years 2020 and 2021 mid-cycle budget, and an overview of proposed Fiscal Year 2021 rates, charges, fees and regulations not subject to Proposition 218.

Dated: May 21, 2020

Rischa S. Cole

Rischa S. Cole
Secretary of the District

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BOARD OF DIRECTORS
EAST BAY MUNICIPAL UTILITY DISTRICT

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AGENDA
Tuesday, May 26, 2020
Special Meeting
Long-Term Financial Stability, Strategic Plan Update and Mid-Cycle Budget Workshop
8:30 a.m.

Location

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Directors John A. Coleman, Andy Katz, Doug Linney, Lesa R. McIntosh, Frank Mellon, William B. Patterson and President Marguerite Young will participate via teleconference

Public Participation

***Dial* 855-369-0450 to participate via telephone;**
***Enter* participant pin 49-281-364 # when prompted**

To listen to the live audio stream of the meeting, *but not provide public comment,* visit
https://www.ebmud.com/about-us/board-directors/board-meetings/

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. ***If you participate via telephone and wish to speak on agenda OR non-agenda items you will be asked to:***

- State your name, affiliation if applicable, and topic
- The Secretary will compile a list of those who wish to make public comment and will call each speaker in the order received
- The Secretary will keep track of time and inform each speaker when his/her allotted time has concluded
- Each speaker will be allotted 3 minutes to speak; the Board President has the discretion to amend this time based on the number of speakers

DISCUSSION:

1. Strategic Plan Update – July 2020

2. Fiscal Years 2020 and 2021 Mid-cycle Budget Update

3. Proposed Fiscal Year 2021 Non-Proposition 218 Rates, Charges, Fees and Regulations

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: May 21, 2020

MEMO TO: Board of Directors

THROUGH: Alexander R. Coate, General Manager ARC

FROM: Sophia D. Skoda, Director of Finance SDS

SUBJECT: Long-Term Financial Stability, Strategic Plan Update, and Mid-Cycle Budget Workshop – May 26, 2020

INTRODUCTION

On May 26, 2020, a Board workshop will be held to discuss updates to the Strategic Plan, Fiscal Years (FY) 2020 and 2021 Mid-Cycle Budget, and proposed Fiscal Year 2021 Rates, Charges, Fees and Regulations not subject to Proposition 218.

DISCUSSION

Strategic Plan

The Strategic Plan updates will cover the proposed 2020 revisions to the Plan and Key Performance Indicators. The 2020 update is an interim update since the 2016 Plan involved a more comprehensive approach. The 2020 Strategic Plan update report is included in the workshop materials.

FY20/21 Mid-Cycle Budget

The review of the FY20/21 Mid-Cycle budget will include projections of FY20 and FY21 revenues and expenditures and uncertainties related to the COVID-19 pandemic. The FY21 budget is the second year of the biennial budget adopted by the Board in June 2019. The Mid-Cycle budget report is also included in the workshop materials.

Proposed FY21 Rates, Charges, Fees and Regulations Not Subject to Proposition 218

The workshop will also discuss the FY21 Water and Wastewater rates, charges and fees that are not governed by Proposition 218 contained in the report presented to the Board on May 12, 2020. The workshop presentation will include details on increases to the water system installation charges and how "tiny homes" can be supported by the District's applicant project process. The proposed FY21 installation charges are the third year of phased-in charges approved by the Board as the result of a comprehensive update in 2018.

ARC:SDS:RCL

Attachment

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EAST BAY MUNICIPAL UTILITY DISTRICT

FY20 & FY21 Long-Term Financial Stability, Strategic Plan Update and Mid-Cycle Budget Workshop

Board of Directors

May 26, 2020

Agenda

- Introduction
- 2020 Strategic Plan
- FY20 & FY21 Mid-Cycle Budget Update
- Break
- FY21 Non-Prop 218 Rates, Charges, Fees and Regulations
- Review of Collecting Water System Fixed Charges on Property Tax Bills
- Workshop Summary & Next Steps
- Board Discussion

2020 Strategic Plan

Strategic Plan

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

- Created in 2004
- Interim update every 2 years
- Comprehensive update every 4 to 6 years
- 2020 Plan is an interim update

Strategic Plan
Overview of Updates

- Goals still on target
- Minor modifications and additions to strategies/objectives
- Updated and added new KPIs
- Created a separate KPI document

Strategic Plan Presentations To Date

Strategic Plan Goal	Presentation Date
Long-Term Water Supply	*February 25, 2020*
Water Quality & Environmental Protection	*Planning & Sustainability/Energy Committee Meetings & Today*
Long-Term Infrastructure Investment	*November 26, 2019 & Today*
Long-Term Financial Stability	*Finance & Administration Committee Meetings & Today*
Customer & Community Services	*January 28, 2020 & Today*
Workforce Planning & Development	*Leg/HR Committee Meetings*

Strategic Plan Goals/Strategies – Minor Updates

Long-Term Water Supply	Water Quality and Environmental Protection	Long-Term Financial Stability
Goal: **We ensure a reliable high quality water supply for the future.**	***Goal:*** **We meet or surpass environmental and public health standards and protect public trust values.**	***Goal:*** **We manage the District's finances to meet funding needs and maintain fair and reasonable water and wastewater rates.**
S1: Preserve current water rights and entitlements and augment the District's successful water supply projects by obtaining supplemental supplies to meet customer demands.	**S1:** Manage the Mokelumne and East Bay watersheds to ensure a high quality water supply and protect natural resources while providing appropriate public access.	**S1:** Maintain a ~~L~~long-~~R~~range ~~F~~financing ~~P~~plan that sets forth the long-term funding needs of the District.
S2: Reduce potable water demand through water efficiency and conservation and build on past water savings success to help ensure a reliable water supply.	**S2:** Operate and maintain District facilities to surpass federal and state drinking water regulations.	**S2:** Implement water and wastewater rates and charges that are legal, fair, reasonable, and equitable.
S3: Reduce potable water demand through water recycling and build on past success to achieve a diversified and reliable water supply.	**S3:** Operate and maintain District facilities to anticipate and meet all water discharge, air emission, and land disposal requirements to protect and enhance the environment.	**S3:** Ensure integrity, accountability and transparency in financial management.
S4:. ~~Maintain a Climate Change Monitoring and Response Plan to inform the District's planning efforts for future water supply, water quality and infrastructure and support sound water and wastewater infrastructure investment decisions.~~ Consider the impacts of climate change and take appropriate action to understand and balance mitigation and adaptation responses to those impacts through sustainable activities.	**S4:** Minimize impacts to the environment by reducing, recycling, reusing and reclaiming waste, and by conserving natural resources.	**S4:** Implement technologies that improve the efficiency and effectiveness of business processes.
	S5: Ensure protection and stewardship of San Francisco Bay.	
	S6: Operate Pardee and Camanche Reservoirs and facilities ~~jointly~~ as an integrated system to achieve multiple objectives including municipal water supply, stream flow regulation, environmental protection, flood control, hydropower, and releases for downstream requirements.	

Strategic Plan
Goals/Strategies – Minor Updates (Cont'd)

Customer and Community Services	Workforce Planning & Development
Goal: **We build stakeholder trust and long-term relationships through service excellence, proactive communication and education.**	***Goal:*** **We create an environment that attracts, retains and engages a high performing diverse and inclusive workforce in support of the District's mission and core values.**
S1: ~~Educate the~~Build public awareness of ~~on~~ the District's priorities, initiatives, systems and services.	**S1:** ~~Maintain~~ Coordinate ~~robust~~ workforce ~~plans~~planning activities to determine future needs, identify gaps and implement actions to close the gaps.
S2: Continue to build trust by providing quality service, timely information, and resolution of customer and community inquiries.	**S2:** Continue to develop employees to meet evolving workforce demands and implement actions to close gaps.
S3: Build long-term partnerships in the community, regionally and nationally, in areas of shared interest and in support of the District's mission.	**S3:** ~~Integrate~~ Support District values, recognize employee contributions, and establish clear performance measures to achieve a high performance culture.
S4: Maintain ~~an~~ active Emergency Preparedness and business continuity Programs to plan for, minimize interruptions, and manage the District's essential functions during an emergency and allow for an efficient and effective recovery ~~following an emergency~~.	**S4:** Enhance the District's ability to recruit a highly qualified, diverse staff that exhibits the District's values.

Strategic Plan

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

Water Quality and Environmental Protection

Goal
We meet or surpass environmental and public health standards and protect public trust values.

Key Performance Indicators – Proposed Changes

Strategy 4	Key Performance Indicator	FY21 Target	FY22 Target
Reduce, Recycle, Reuse, Reclaim	Capture biogas ~~sufficient to produce on site energy in excess of Main Wastewater Treatment Plant electric power demand~~sufficient to produce on-site energy to meet electric power demands of the Main Wastewater Treatment Plant and evaluate the best uses of excess biogas	~~130%~~ 100% of plant power demand	~~130%~~ 100% of plant power demand

Strategic Plan

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

Long-Term Infrastructure Investment

Goal

We maintain and improve the District's infrastructure to ensure sustainable delivery of reliable, high quality service now and in the future, addressing economic, environmental and social concerns.

Key Performance Indicators – Proposed Changes

Strategy 1	Key Performance Indicator	FY21 Target	FY22 Target
Master Plans	Complete the Wastewater Treatment Plant Master Plan	Complete draft plan	Complete final plan

Key Performance Indicators – Proposed Changes (Cont'd)

Strategy 2	Key Performance Indicator	FY21 Target	FY22 Target
Effective ~~Management of Infrastructure~~ Infrastructure Maintenance	Miles of pipe surveyed for leaks	~~600~~ ≥800	≥ 800
	% of water system valves exercised	≥ 10%	≥ 10%
	~~Infrastructure Leakage Index *(ILI)~~	~~< 2.5~~	~~< 2.5~~
	% of high priority meter repair orders completed in 60 days	≥ 90%	≥ 90%

Key Performance Indicators – Proposed Changes (Cont'd)

Strategy 3	Key Performance Indicator	FY21 Target	FY22 Target
Capital Budget Priorities	Miles of distribution pipe replaced	~~15~~≥ 20	~~17.5~~**≥ 20
	~~Design errors and omission~~District directed non-discretionary change orders on construction contract	~~< 3%~~≤ 5%	~~< 3%~~≤ 4%
	Number of concrete ~~wastewater treatment tanks and sewer interceptor reaches~~ digesters and concrete aerated grit tanks rehabilitated	2	2

Key Performance Indicators – Proposed Changes (Cont'd)

Strategy 3	Key Performance Indicator	FY21 Target	FY22 Target
Capital Budget Priorities	Implement the Orinda Water Treatment Plant Disinfection Improvements (UV/CCB)	Complete design	Begin construction
	Cumulative annual average ~~N~~number of steel water tanks rehabilitated	~~3~~2	~~3~~2
	Cumulative annual average ~~N~~number of pumping plants rehabilitated	~~3~~2	~~3~~2

Strategic Plan

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

Long-Term Financial Stability

Goal

We manage the District's finances to meet funding needs and maintain fair and reasonable water and wastewater rates.

Key Performance Indicators – Proposed Changes

Strategy 2	Key Performance Indicator	FY21 Target	FY22 Target
~~Sufficient Revenue/Fair Rates & Charges~~ Rates and Charges	Water ~~R~~rates as compared to other Bay Area agencies	At or below median	At or below median
	Wastewater treatment charge as a share of the total bill when compared to other Bay Area agencies	At or below median %	At or below median %

Key Performance Indicators – Proposed Changes (Cont'd)

Strategy 3	Key Performance Indicator	FY21 Target	FY22 Target
Integrity, Accountability and Transparency	Capital expenditures as a percentage of capital budgeted cash flow	Between 90% and 110% of a two year rolling average	Between 90% and 110% of a two year rolling average

Key Performance Indicators – Proposed Changes (Cont'd)

Strategy 4	Key Performance Indicator	FY21 Target	FY22 Target
Technology	Planned patch cycles met	> 90%	> 90%
	~~Security controls reviews~~	~~Annually~~	~~Annually~~
	~~Database security reviews~~	~~Annually~~	~~Annually~~
	Business recovery exercises	2 per year	2 per year
	Security awareness events	4 per year	4 per year
	Biennial IT security controls assessment ~~biennially~~	~~Complete independent assessment audit~~ N/A	~~N/A~~ Assessment completed

Strategic Plan

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

Customer and Community Services

Goal
We build stakeholder trust and long-term relationships through service excellence, proactive communication and education.

Key Performance Indicators – Proposed Changes

Strategy 1	Key Performance Indicator	FY21 Target	FY22 Target
Communications	~~Unify K-12 school education schools program~~Consolidate District education resources	Complete	Review
	~~Conduct outreach campaign~~ Conduct media/advertising campaigns	3	3
	~~Conduct District-wide biennial customer outreach survey~~ Conduct customer opinion research	Complete	N/A
	Publish external digital/print publications	8	8
	Participate in community engagement events	100	100

Key Performance Indicators – Proposed Changes (Cont'd)

Strategy 2	Key Performance Indicator	FY21 Target	FY22 Target
Customer Satisfaction	% of customers rating the District's services as "Good" or "Excellent": Field Services ~~Contact Center~~ New Business Water Quality Recreation	≥ 90%	≥ 90%
	% of customers rating "Overall Job" as "Good" or "Excellent" from the customer opinion survey	~~75%~~ N/A	~~N/A~~Establish baseline
	~~Average speed of answer to calls coming into the Contact Center~~	~~≤ 60 seconds~~	~~≤ 60 seconds~~
	~~Contact Center service level: % of calls answered within the target of ≤60 seconds~~	~~80%~~	~~80%~~
	~~Abandonment rate~~	~~3%~~	~~3%~~

Key Performance Indicators – Proposed Changes (Cont'd)

Strategy 2	Key Performance Indicator	FY21 Target	FY22 Target
Customer Satisfaction	Contact Center service level		
	• Average speed of answer to calls coming into the Contact Center	≤ 60 seconds	≤ 60 seconds
	• % of calls answered within the target of ≤60 seconds	≥ 80%	≥ 80%
	• % of customers rating Call Center as "Good" or "Excellent" base on first call resolution, staff knowledge, promptness, courtesy, and overall quality	≥ 80%	≥ 80%
	• Abandonment rate	≤ 3%	≤ 3%
	Timely billing of customer statements as scheduled	≥ 99%	≥ 99%

Key Performance Indicators – Proposed Changes (Cont'd)

Strategy 2	Key Performance Indicator	FY21 Target	FY22 Target
Customer Satisfaction	Notify customers ~~in writing or via automated contact 48 hours~~ in advance of shut-off for non-payment~~;~~ and provide information on options to avoid service interruption for non-payment of bills ~~CAP and payment plans to avoid shut-off~~per District Regulations – Section 15	≥ ~~99%~~100%	≥ ~~99%~~100%
	% of time customer dependent systems are available	≥ 99.9%	≥ 99.9%

Key Performance Indicators – Proposed Changes (Cont'd)

Strategy 3	Key Performance Indicator	FY21 Target	FY22 Target
Partnerships and Programs	Review shut-off guidelines and customer assistance programs	~~Annually~~ Complete annual review	~~Annually~~ Complete annual review

Key Performance Indicators – Proposed Changes (Cont'd)

Strategy 4	Key Performance Indicator	FY21 Target	FY22 Target
Emergency Preparedness	Update the District's Emergency Operation Plan every fivetwo years and conduct an EOT exercise annually	100% Complete update	100% N/A
	Conduct the District's Emergency Operations Team exercise annually	100% Complete annual exercise	100% Complete annual exercise
	Update all Business Continuity plans every two years and conduct an exercise for each annually	100% Complete updates	100% N/A
	Conduct Business Continuity exercises annually	100%	100%
	Review specific emergency communication plans	Annually	Annually
	Update the District's Risk and Resilience assessment every five years	100% Complete update	100% N/A

Summary of Plan Changes

Goals

- Still on target

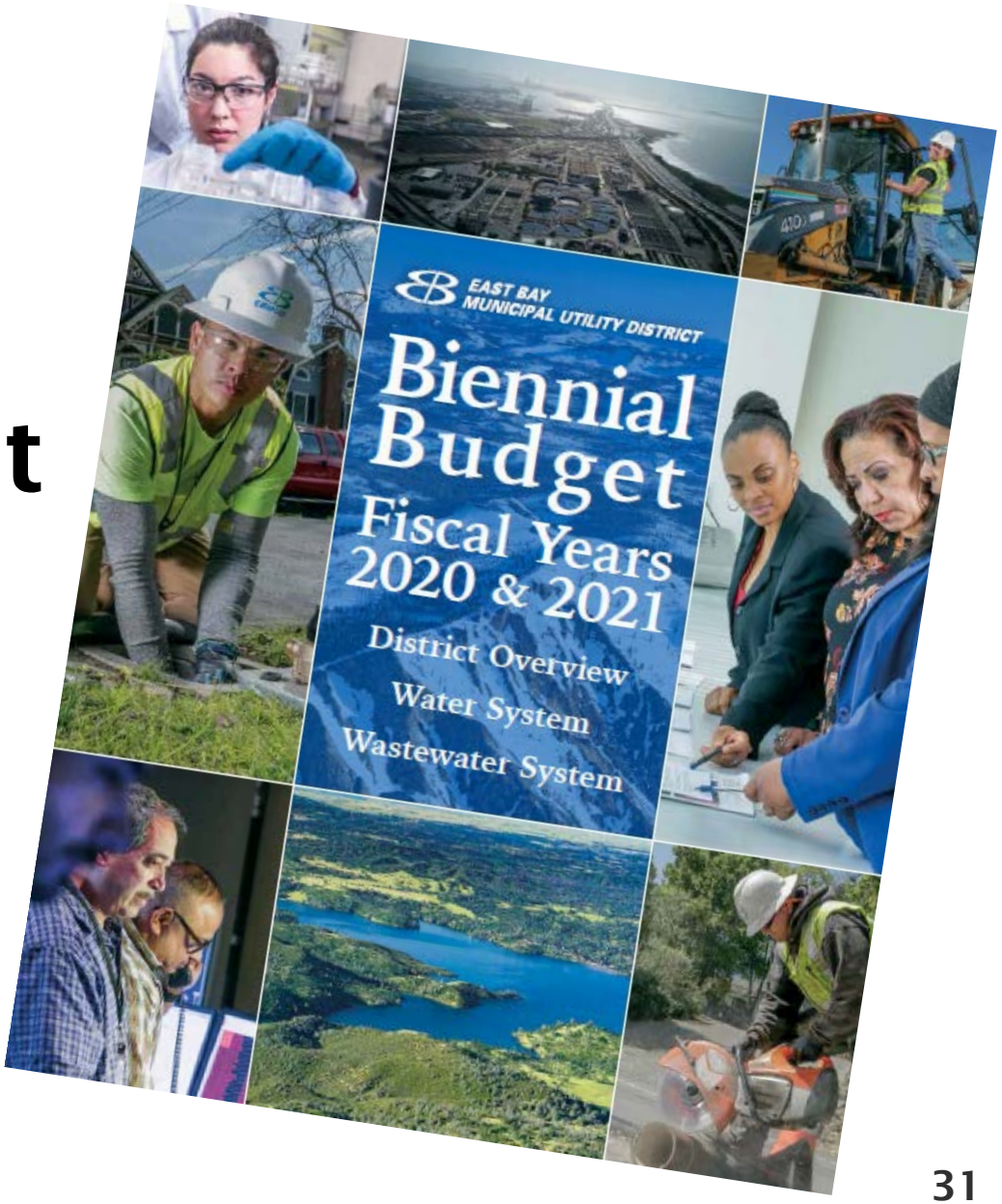
Strategies/Objectives

- Minor changes

Key Performance Indicators

- Primary focus of update
  - Certain KPI targets were not well suited to their intentions
  - Established realistic targets to track progress
- Created a supplemental KPI publication

FY20 & FY21 Mid-Cycle Budget Update



FY21 Mid-Cycle Budget Update

- FY20 & FY21 Year-End Projections
- FY21 Staffing Changes
- Affirm FY21 Appropriations

FY20 & FY21 Budget Priorities and Accomplishments

- Increase investments in and maintenance of aging infrastructure
  - Pipeline Replacements
  - Reservoir Rehabilitation
  - Water Treatment Plants Upgrade
  - Wastewater Treatment Plant Rehabilitation
- Plan for long-term financial stability
  - Initial commercial paper pay-off

Water System
FY20 Year-End Projection

FY20 Revenues and Expenses Δ to Net Revenue		
($Millions)	February Projection	Current Projection
Total Operating Revenues	16.8	11.0
Total Operating Expenses	(26.8)	(29.0)
Δ to Net Revenue	**43.6**	**40.0**

- Revenues
  - 2% decrease in residential water sales revenue for the last three months of the fiscal year
  - 50% decrease in commercial/institutional water sales revenue for three months
- Expenses
  - Higher operations costs due to COVID-19 such as the implementation of field staff on rotation in support of the District emergency related to the pandemic

Water System
FY20 Year-End Projection (Cont'd)

($Millions)	Amended Budget	Year-End Projection	Over/(Under) Budget
Operating Revenues:			
Water Charges	543.5	539.7	(3.8)
SCC Revenues	40.0	51.0	11.0
Other	79.7	83.6	3.9
TOTAL REVENUES	**663.2**	**674.3**	**11.0**
Operating Expenses:			
Operations	299.2	279.9	(19.3)
Debt Service	232.2	222.5	(9.7)
TOTAL EXPENSES	**531.4**	**502.4**	**(29.0)**

Uncertainties

- What reductions in demand and development will we see? What will the revenue impact be?
- What are other economic indicators showing that could foretell an increase in the level of delinquencies?
- What if there is a resurgence of the virus?

Water System
FY21 Year-End Projection

Revenues and Expenses Δ to Net Revenue	
($Millions)	Scenario A
Total Operating Revenues	(45.3)
Total Operating Expenses	(37.2)
Δ to Net Revenue	(8.1)

Scenario A

- Adopted 6.25% rate increase effective July 1st
- 2% decrease in residential water sales revenue for twelve months
- 30% decrease in commercial/institutional water sales revenue for twelve months
- 37.5% loss of budgeted SCC revenue
- Backfill all vacant positions, normal retirements and no field staff rotation

Water System
FY21 Year-End Projection (Cont'd)

Revenues and Expenses Δ to Net Revenue	
($Millions)	Scenario B
Total Operating Revenues	(79.4)
Total Operating Expenses	(13.1)
Δ to Net Revenue	(66.3)

Scenario B

- Adopted 6.25% rate increase effective July 1st
- 5% decrease in residential water sales revenue for twelve months
- 50% decrease in commercial/institutional water sales revenue for twelve months
- 62.5% loss of budgeted SCC revenue
- 12th Pipeline Rebuild crew deferred until FY22
- Backfill only for operational necessity, fewer retirements and six months field staff rotation

Water System
FY21 Year-End Projection

($Millions)	Adopted Budget	Scenario A		Scenario B	
		Year-End Projection	Over/ (Under) Budget	Year-End Projection	Over / (Under) Budget
Operating Revenues:					
Water Charges	582.5	559.0	(23.5)	536.4	(46.1)
SCC Revenues	40.0	25.0	(15.0)	15.0	(25.0)
Other	81.4	74.6	(6.8)	73.1	(8.3)
TOTAL REVENUES	**703.9**	**658.6**	(45.3)	624.5	(79.4)
Operating Expenses:					
Operations	315.4	282.8	(32.6)	306.9	(8.5)
Debt Service	217.7	213.1	(4.6)	213.1	(4.6)
TOTAL EXPENSES	**533.1**	**495.9**	(37.2)	**520.0**	(13.1)

Wastewater System
FY20 Year-End Projection

FY20 Revenues and Expenses Δ to Net Revenue		
($Millions)	February Projection	Current Projection
Total Operating Revenues	2.7	0.8
Total Operating Expenses	(5.6)	(5.4)
Δ to Net Revenue	**8.3**	**6.2**

- Revenues
  - 2% decrease in residential treatment revenue for three months
  - 50% decrease in commercial/institutional treatment revenue for three months
- Expenses
  - Unlike the Water System, the cost of the staff rotation did not shift capital related work to operating as only staff normally charged to operating were placed on the rotation

Wastewater System
FY20 Year-End Projection (Cont'd)

($Millions)	Amended Budget	Year-End Projection	Over/ (Under) Budget
Operating Revenues:			
Treatment Charges & Permits	79.3	77.8	(1.5)
Resource Recovery	10.0	12.0	2.0
Capacity Charges (WCF)	4.0	5.2	1.2
Other	46.9	46.0	(0.9)
TOTAL REVENUES	**140.2**	**141.0**	**0.8**
Operating Expenses:			
Operations	75.1	69.9	(5.2)
Debt Service	35.2	35.0	(0.2)
TOTAL EXPENSES	**110.3**	**104.9**	**(5.4)**

Wastewater System
FY21 Year-End Projection

Revenues and Expenses Δ to Net Revenue	
($Millions)	Scenario A
Total Operating Revenues	(8.5)
Total Operating Expenses	(5.7)
Δ to Net Revenue	(2.8)

- Scenario A
  - Adopted 4.0% rate increase effective July 1st
  - 2% decrease in residential treatment revenue for twelve months
  - 30% decrease in commercial/institutional treatment revenue for twelve months
  - 37.5% loss of budgeted WCF revenue
  - Backfill all positions, normal retirements and no staff rotation

Wastewater System
FY21 Year-End Projection (Cont'd)

Revenues and Expenses Δ to Net Revenue	
($Millions)	Scenario B
Total Operating Revenues	(13.7)
Total Operating Expenses	(5.0)
Δ to Net Revenue	(8.7)

- Scenario B
  - Adopted 4.0% rate increase effective July 1st
  - 5% decrease in residential treatment revenue for twelve months
  - 50% decrease in commercial/institutional treatment revenue for twelve months
  - 3.5% decrease in Wet Weather revenue
  - 62.5% loss of budgeted WCF revenue
  - Backfill only for operational necessity, fewer retirements and six month staff rotation

Wastewater System
FY21 Year-End Projection (Cont'd)

($Millions)	Adopted Budget	Scenario A		Scenario B	
		Year-End Projection	Over/ (Under) Budget	Year-End Projection	Over / (Under) Budget
Operating Revenues:					
Treatment Charges & Permits	82.5	78.3	(4.2)	75.1	(7.4)
Resource Recovery	10.0	10.0	0.0	10.0	0.0
Capacity Charges (WCF)	4.0	2.5	(1.5)	1.5	(2.5)
Other	47.9	45.1	(2.8)	44.1	(3.8)
TOTAL REVENUES	**144.4**	**135.9**	**(8.5)**	**130.7**	**(13.7)**
Operating Expenses:					
Operations	78.6	73.1	(5.5)	73.8	(4.8)
Debt Service	29.8	29.6	(0.2)	29.6	(0.2)
TOTAL EXPENSES	**108.4**	**102.7**	**(5.7)**	**103.4**	**(5.0)**

Reasons to Affirm FY21 Budget and Rate Increases

- Through long-term financial stability efforts the District has:
  - Focused on future annual rate increases of ≤ 5%
  - Supported the needed to invest in aging systems
  - Recovered from dramatically decreased water use from the last recession and droughts
  - Addressed years of deferred maintenance
- Capital investment supports our economy
  - $1 spent in water/wastewater sector creates a multiplier of $6.35 in economic output (US Conference of Mayors)
  - $1 revenue in water/wastewater sector increases revenue in industry by $2.62 (US Department of Commerce Bureau of Economic Analysis)
  - 15-18 jobs are created for each $1 million of water capital spending (US Bureau of Economic Analysis)

Support for Those in Need

- Unemployment has increased from <4% to between 12% and 20%
- Average rate increase for FY21 is $3.73/month for water and $0.87/month for wastewater treatment
- If most customers can pay the increase, allowing for the continued investment in the system, the multipliers in the local and national economy, and the support for good local jobs, then the remaining question is what about those who have been impacted by COVID-19? What do we have for them?
  - Payment plans
  - Waiver of late fees upon request
  - CAP program
  - No shutoffs

Formulating a Plan for FY21

- Positive FY20 budget performance would allow us to proceed with FY21 budget through a range of likely scenarios if rate is implemented as adopted on July 1.
  - Scenario A without adoption of a new budget
  - Scenario B would trigger adaptive management actions
- A delayed implementation to October 1 can also be accommodated.
  - Bills with full rate increase would go out on December 1.

Not Proceeding with Adopted Rate Increase Requires

- Deep cuts in capital (~35%-40%) would likely include:
  - Distribution and large diameter pipeline replacements which increases breaks and leaks
  - Water treatment plant upgrades to address taste and odor issues
  - Various pumping plant upgrades to improve system reliability
  - Various reservoir rehab projects to improve water quality
- Need to revise budget and hold a public hearing on the rate change
- FY22 & FY23 rate increases on the order of 10% in each year to address structural deficit

FY09 – FY11 Recession Budgetary Actions

- Deferred/suspended capital projects
- Delayed filling positions
- Deferred maintenance
- Reduced discretionary spending including staff training and travel
- Deferred vehicle and technology replacements

Rate Considerations

- Delaying the adopted rate increase to October 1 can be accommodated within MUD Act Section 14401 provisions.
- No additional Prop 218 process is needed to accommodate a delay or decrease in the currently adopted rate increase.
- Decreasing the currently adopted rate requires action under the MUD Act:
  - File a new GM Rates Report and set a new public hearing date
  - Publish notice in newspapers two weeks prior
  - Hold public hearing on July 28 at earliest
  - Earliest date to approve rates and adopt reduced budget is July 28
    - Interim spending appropriation will be required before July 1

FY21 Approved Staffing Changes

- No additional staffing changes recommended
- Delete 2.0 LT FTEs authorized in FY21 budget

Project/Program	Job Classification	FTE	System
Completion of school lead sampling	(LT) Water System Inspector I/II	(1.0)	Water
Workload efficiencies	(LT) Administrative Clerk, Conf.	(1.0)	Water

Board Consideration on June 9, 2020

Affirm FY21 Budget Appropriations

($Millions)	Water System	Wastewater System
Operating	$315.4	$78.6
Debt Service	$217.7	$29.8
Capital	$352.3	$41.8
Total	**$885.4**	**$150.2**

Break

FY21 Proposed Non-Prop 218 Rates, Charges, Fees & Regulations

Proposed Updates to Rates, Charges & Fees (Non-Prop 218)

Ensuring reasonable fees based on cost recovery

- Water Account Establishment (Schedule B)
- Charges for Special Services(Schedule C)
- Installation Charges: Meter, Fire Service, Hydrant, and Water Main Extension Charges (Schedules D, E, F, & G)
- Public Records Act Fee Schedule
- Real Property Use Application Fees
- Recreation Use Fees for 2020 and 2021
- Wastewater PSL Fees (Schedule D)
- Wastewater Capacity Fee (Schedule G)

Schedule B – Account Establishment Charge

Action	Current Charge	Proposed FY21 Charge
Via Phone	$57	$60
Via Phone – Customer Assistance Program	$28	$30
Via On-Line	$41	$44
Water Service Agreement (Landlord): One-time charge	$59	$62

Schedule C – Charges for Special Services

Action	Current Charge	Proposed FY21 Charge
Meter Testing (by meter size)	from $65 to $291	from $68 to $304
Trip Charge	$49	$50
Service Interrupt	$49	$50
Meter S-Lock	$62	$64
Flow Restrictor (by meter size)	from $122 to $262	from $127 to $273
Backflow Violation	$506	$527

Schedule C – Charges for Special Services: Liens

Action*	Current Charge	Proposed FY21 Charge
Lien Filing Fee (CC/AL)	$117/$141	$135/$159
Lien Removal Fee (CC/AL) 1st lien removed Subsequent liens removed	 $94/$103 $42/$51	 $138/$142 $55/$59
Property Tax Transfer CC County AL County	 $21 + $3 parcel $21 + 1.7%	 $30 $42

*Partial list of changes is shown – the complete list is available in Schedule C

Schedules D, E, F and G – Updated Installation Charges

2018 Comprehensive Update

- Resulted in significant fee increases to many installation charges
- Board approved implementing increases gradually over three years (FY19, FY20, and FY21)
  - Minimizes impacts on recent development
- Resulting installation fees are comparable to fees charged by neighboring water utilities

Schedule D – Standard Meter Install Paved

Standard Meter Install	Current	Phase-In Year 3 Proposed FY21	% Increase
1" Lateral	$8,140	$9,100	12%
1-1/2“ and 2” Lateral	$12,247	$14,611	19%
3" and 4” Lateral	$31,534	$32,514	6%

Standard installations greater than 4” are charged on an actual cost basis

Schedule E – Private Fire Service Meter Installation Charges

Private Fire Service Install	Current	Phase-In Year 3 Proposed FY21	% Increase
4" Fire Service	$25,242	$27,934	11%
6" Fire Service	$26,506	$28,739	8%
8" Fire Service	$29,344	$28,739	-2%

Standard installations greater than 8” are charged on an actual cost basis

Schedule F – Public Fire Hydrant Installation Charges

Fire Hydrant Installation	Current	Phase-In Year 3 Proposed FY21	% Increase
District Installed	$24,030	$28,551	19%
Applicant Installed (District materials)	$3,918	$3,849	-2%

Schedule G – Main Extension Charges – District Installed (up to 1,000')

Material	Size	Surface	Current Charge per Foot	Phase-In Year 3 Proposed FY21 Charge per Foot	% Increase
Steel	2-Inch Copper	Dirt	$203	$243	20%
		Paved	$314	$375	19%
	6- & 8-inch	Dirt	$315	$376	19%
		Paved	$421	$499	19%
	12-inch	Dirt	$416	$509	22%
		Paved	$523	$634	21%

Public Records Act Fee Schedule

Labor Cost	Current Charge	Proposed FY21 Charge
Duplication time for existing records	$0.59/min	$0.61/min
Duplication time for records that do not currently exist	$1.11/min	$1.16/min
Duplicating CDs and DVDs	$0.59/min	$0.61/min

Real Property Use Application Fees

Fees to cover the cost of reviewing/approving use of District property. Four categories of use applications:

- **Title Transfers** – Outright purchase of District's property. Transfers ownership with all the rights to buyer.
- **Easements** – Conveys rights for permanent use of District property. Could include either above or below ground rights or both. New Long Term Easement proposed FY20.
- **Leases and Licenses** – Transfers the right to occupy and use District property for specified time; term could range from 1 to 25 years.
- **Permits (entry, encroachment, temporary construction, land use)** – Provide permission for temporary access to District property; term rarely exceeds one year.

Real Property Use Application Fees (Cont'd)

Use Type	Current Charge	Proposed FY21 Charge
Fee Title – Property for Sale	$2,200	$2,300
Fee Title – Unsolicited	$13,000	$13,700
Easement – Utility Type	$2,200	$2,300
Easement – Other	$6,100	$6,400
Quitclaim – Pipe Abandonment	$1,100	$1,200
Quitclaim – Other	$2,500	$2,600
Revocable License	$1,800	$1,900
Telecomm Lease	$3,800	$4,000
Other Lease	$2,200	$2,300

Real Property Use Application Fees
(Cont'd)

Use Type	Current Charge	Proposed FY21 Charge
Temporary Construction Easement/Encroachment Permit		
Open Land (no facilities)	$660	$700
With Facilities	$2,400	$2,500
Property Entry Permits	$330	$350
Limited Land Use Permit	$120	$130
Information Only	$140/hr	$150/hr
Process and Review of Proposals	$140/hr	$150/hr
Survey Cost if needed for review	$150/hr	$160/hr
Long Term Encroachment Permit	$22,000	$23,200

Recreation Use Fees for 2020

Fee	Current Charge	Proposed CY20 Charge	Proposed CY21 Charge
Camanche - Lakeside Premium Campsites Nightly (Off-season)	$19.50	$24.50	$24.50
Camanche - Lakeside Premium Campsites Nightly Second Car Parking	$15.50	$16.00	$17.00

- Also removed extraneous wording on parking fee for the Lafayette Recreation Area

Wastewater Schedule D - Other Fees

- Add new PSL fees for FY21 for new services
  - Specific Appointment time $280
  - Home Owners Association Oversight (HOA) $300 to administer HOA PSL
  - Compliance Agreement $190 for costs to manage and track property owners who require additional time to comply with the PSL ordinance

Update to Water Service Regulations

Regulation Section	Summary of Proposed Changes
6 – Public Fire Hydrants	Clarifies the purpose and function of public fire hydrants and their use
7 – Service Through Public Fire Hydrants	Changes to protect the health and safety of customers as well as protect the integrity of the water distribution system
17 – Change in Use And/Or Size of Service	Requires customers to file a water service application for increased water use to determine if a larger meter and an SCC payment is required
30 – Nonpotable Water Service	Clarifies responsibilities for retrofit work for existing customers. If agreed upon retrofit work is not completed, authorizes District remedies including flow restrictors and legal action
31 – Water Efficiency	Updates for new code requirements

Capacity Fees

Proposed Water and Wastewater Capacity Charges Changes

Water System Capacity Charge (SCC)

- District currently completing new SCC Study
  - Update methodology and process for SCC applicants
  - Results and recommendation to be presented in FY21
- Hold current SCC rates until new study is completed

Wastewater Capacity Fee (WCF)

- Adjust charges for ENR Construction Cost Index
- SFR WCF increase 2.2% from $2,750 to $2,810

Tiny Homes

- The District's SCC does not currently have a "Tiny Home" category but does offer:
  - Micro Unit Pilot Program for projects supporting the homeless
    - Staff recommends extending micro-unit pilot through 2022
  - Temporary arrangement to allow water service to "Tiny Homes" in Castro Valley supporting the homeless
- SCC for Accessory Dwelling Units
  - No SCC where the existing meter can accommodate total water demand
  - Proportionate SCC payment is only required if total water demand exceeds existing water meter

Accessory Dwelling Unit (ADU) Process Begins with Local Jurisdictions

EBMUD

Planning and Development Department
Land Use Planning Division

Publication Date: February 18, 2020

ACCESSORY DWELLING UNIT ORDINANCE SUMMARY

Effective January 1, 2020

Processing + Land Use Development Standards

Ministerial land use approval for ADUs will be issued within **60-days** of receiving a **complete** building permit application.

	JADU[1]	SINGLE – FAMILY ADU			MULTIFAMILY ADU	
ADU Type	**Conversion JADU[2]** *[interior conversion of some portion of a single-family dwelling]*	**Conversion ADU[2]** *[interior conversion of existing habitable or non-habitable area within a single-family dwelling, or conversion of a legally built detached accessory structure or accessory building]*	**Detached ADUs** *[new construction]*	**Attached ADU** *[addition/new construction]*	**Conversion ADU** *[interior conversion of existing non-habitable area of multifamily building]*	**Detached ADUs** *[new construction]*
Zoning	Allowed on all lots zoned for residential use except in the following districts/circumstances: Environmental Safety- Residential (ES-R), Manufacturing (M), Mixed Manufacturing (MM), Mixed Use-Light Industrial (MU-LI), Unclassified (U), and on a lot with frontage on a roadway with less than **26 feet** in pavement width in the Hillside Overlay (H).					
Number of Accessory Units	1	1			At least one and no more than 25% of the existing unit count in multifamily building.[3]	2
Maximum Size *(Square Feet)*	500	850 for studio and 1 bedroom 1,000 for 2+ bedrooms	1,200	No more than 50% of the floor area of an existing or proposed primary dwelling unit	850 for studio and 1 bedroom 1,000 for 2+ bedrooms	1,200
Maximum Height *(Feet)*	N/A	N/A	16		N/A	16
Side Setbacks *(Feet)*	N/A	N/A	4		N/A	4
Rear Setbacks *(Feet)*	N/A	N/A	4		N/A	4
Entrance(s)	Exterior entrance required.	Exterior entrance required.			Independent entrance required.[4]	
Kitchen	Efficiency kitchen required.[5]	Full kitchen required.[6]				
Parking Requirements	N/A	No parking required for ADUs. Replacement parking for existing dwelling unit(s) not required when a garage, carport, or covered parking structure is physically replaced by an accessory dwelling unit.				
Deed Restrictions	The owner of the property must record a deed restriction to include the requirements listed in Government Sections 65852.2 and 658582.22.	The owner of the property must record a deed restriction with Alameda County that restricts the sale of the ADU from the existing dwelling unit(s) and prohibits Short Term Rentals.				
Owner Occupancy	Required for either single-family dwelling or JADU.	Not required for ADUs permitted between January 1, 2020 and January 1, 2025.				
Natural Gas Prohibition	Does not Apply	May Apply[7]	Applies	Does not Apply	Does not Apply	Applies
Short Term Rentals	Prohibited					
Impact Fees	None	ADUs Less than 750 SF- None ADUs Equal to or Greater than 750 SF- Impact fees collected must be proportional to square footage of existing dwelling unit(s).				
Utility Fees and Connections	No connection fee or capacity charge and no direct line required between ADU or JADU and utility unless in conjunction with a new single-family dwelling.	Connection fee or capacity charge "proportionate to the burden" of the ADU and may require new or separate utility connections.				

[1] A Junior ADU (JADU) is a small dwelling unit created from some portion of a single family dwelling. These units can have their own bathroom facilities or share with the single family dwelling.
[2] Conversions do not allow modifications to building footprint/ dimensions of legally built structures or buildings, except where sufficient egress and ingress requires modifications – in which case, an expansion of up to 150 square feet is allowed for JADUs and legally built accessory buildings and structures.
[3] When calculating, round down to the nearest integer.
[4] Exterior entrance not required, but independent entrance (e.g. off hallway, stairwell or other common space) is required.
[5] An efficiency kitchen includes 1) a sink; 2) a cooking facility with appliances; and 3) food preparation counter and storage cabinets.
[6] A full kitchen requires habitable space used for preparation of food that contains at least a sink, a refrigerator of no less than 10 cubic feet, and either a cooktop and an oven, or a range.
[7] Conversions of detached Accessory Buildings or Accessory Structures that involve Demolition are subject to the Natural Gas Prohibition.
N/A = not applicable
SF = square feet

1947 Center Street, Berkeley, CA 94704 Tel: 510.981.7410 Email: planning@cityofberkeley.info

EBMUD Reviews ADU Permits to Determine SCC and Metering

- No SCC is assessed and no metering changes are required for conversion ADUs that meet the requirements of Government Code section 65852.2(e)(1)(A)
  - Local jurisdictions ministerially approve conversion ADUs that meet the requirements of section 65852.2(e)(1)(A)
- Additional SCC/connection/metering charges may be required for ADUs that are not described in Government Code section 65852.2(e)(1)(A), including detached or attached ADUs and new construction
- ADU applicants must have an approved building permit issued by the local jurisdiction stating the project qualifies as an ADU with project details

Review of Water Service Installation Charges

Updated Installation Charges in 2018 Schedules D, E, F and G

Last comprehensive cost analysis was 2003, limited increases to fees since 2003, with no increases since 2014:

- 2.8% effective per year increase from FY04 to FY18
- No increase in recent years (FY16, FY17, FY18) as we focused financial efforts on drought recovery
- FY19 analyzed each component of installation costs:
  - Labor
  - Equipment and materials
  - Paving
  - Overhead

Updated Installation Charges in 2018 Schedules D, E, F and G

FY19 Comprehensive Update

- Resulted in significant fee increases to many installation charges
- Recommend implementing increases gradually over next three years
  - Minimized impacts on recent development
- Resulting installation fees are comparable to fees charged by neighboring water utilities

Schedule D – Standard Meter Install Paved

Standard Meter Install	Then Current (FY15)	FY19	FY20	FY21 Proposed
1" Lateral	$6,193	$7,100	$8,140	$9,100
1-1/2" Lateral	$6,379	$9,650	$12,247	$14,611
2" Lateral	$7,301	$9,650	$12,247	$14,611
3" Lateral	$23,892	$28,748	$31,514	$33,514
4" Lateral	$25,885	$28,748	$31,514	$33,514

Standard installations greater than 4" are charged on an actual cost basis

2018 Comparison of 1-½" and 4" Service Installation with Other Agencies

Agency	1-1/2" Standard Service Installation	4" Standard Service Installation
SFPUC	$13,620	$38,940
ACWD	$13,000	$41,300
CCWD	$13,273	$35,000
EBMUD	**$14,349***	**$34,474****

*Three-year phase in. FY19 rate will be $9,650.

**Three-year phase in. FY19 rate will be $28,748.

Standard Meter Install 1" Lateral – Description of Work

Installation fees ensure the District recovers its full costs:

- Requires 1 day of work for 4 + field staff – total 37 labor hours
- Follows best management practices and regulations for environmental protection, saw cutting, and traffic control
- Includes travel time to and from work site
- Includes administrative and supervisory time to coordinate work with applicant and manage field staff
- Includes temporary and final paving to District and local specifications by District forces

Category	Costs (2018)
Labor including benefits and overhead	$5,665
Equipment	$643
Materials	$920
Paving	$1,872
Total	$9,100

Review of Collecting Water System Fixed Charges on Property Tax Bills

Overview – Water System Fixed Charges on Property Tax Bill

	Authority	Requirements	Issues
Collect Water Charges on Tax Bill	Health and Safety Code	Health & Safety Code - 2/3 Board approval Prop 218 MUD Act Contract law principles	Common for wastewater utilities (Sanitation Code) – rare for water utilities

- Lends itself better to fixed charges rather than variable
- H&SC imposes various requirements and dictates allowable costs
- The District would need to address issue of property owner vs. customer of record and revamping CIS and overhauling existing District billing procedures; property owner would need to be named as account holders in addition to tenant account holders
- New Cost of Service Study needed to justify costs collected against property owners

Reasons to Consider Collecting Fixed Charges on the Property Tax Bill

- Would lower EBMUD bi-monthly water bill
- Property owners share in cost of water service that benefits their property
- Possibly result is up to 100% variable EBMUD water charges on the bill (not including other charges on the EBMUD bill)

SFR Water Use	% of EBMUD Water Charges Fixed
4 CCF/mo	62%
6 CCF/mo	52%
10 CCF/mo	37%
24 CCF/mo	16%

Concerns with Collection Fixed Charges on the Property Tax Bill

- Moving EBMUD fixed charges would still leave a large fixed charge on the bi-monthly bill for many customers
  - Many EBMUD customers are billed fixed charges for EBMUD wastewater treatment and city sewer collection
- Disassociates customer from full EBMUD water charges
- Does not benefit low income customers who are property owners
- Imposes numerous additional legal requirements
- Receipt of revenue would be twice a year

Billing Challenges with Collection on the Property Tax Bill

- Further increases complexity and administrative burden of rate process
  - Parcel data and water account records would need to be paired for a 100% sure match which is extremely difficult – this has been challenging for Wet Weather billing. Unlike WW, where the parcel being billed not the account, for Water it is only active accounts we would want to charge.
- Requires a revamp of the District's Customer Information System and an overhaul of the District's billing processes
- Adds another EBMUD fee to property tax bill; increases tax bill by a minimum of $350 per year

Sample Property Tax Bill - Lafayette

- A new fixed charge of $350 would be the third largest charge out of 20 after the 1%

Asterisk (*) next to special tax or assessment below indicates **SENIOR** exemption may be available. Call number next to asterisk below for further information.

PARCEL NUMBER	BILL NUMBER	TRA	ISSUE DATE	TYPE	CORTAC	DEFAULT #
			09/16/2019	ORIGINAL		

SPECIAL TAXES & ASSESSMENTS

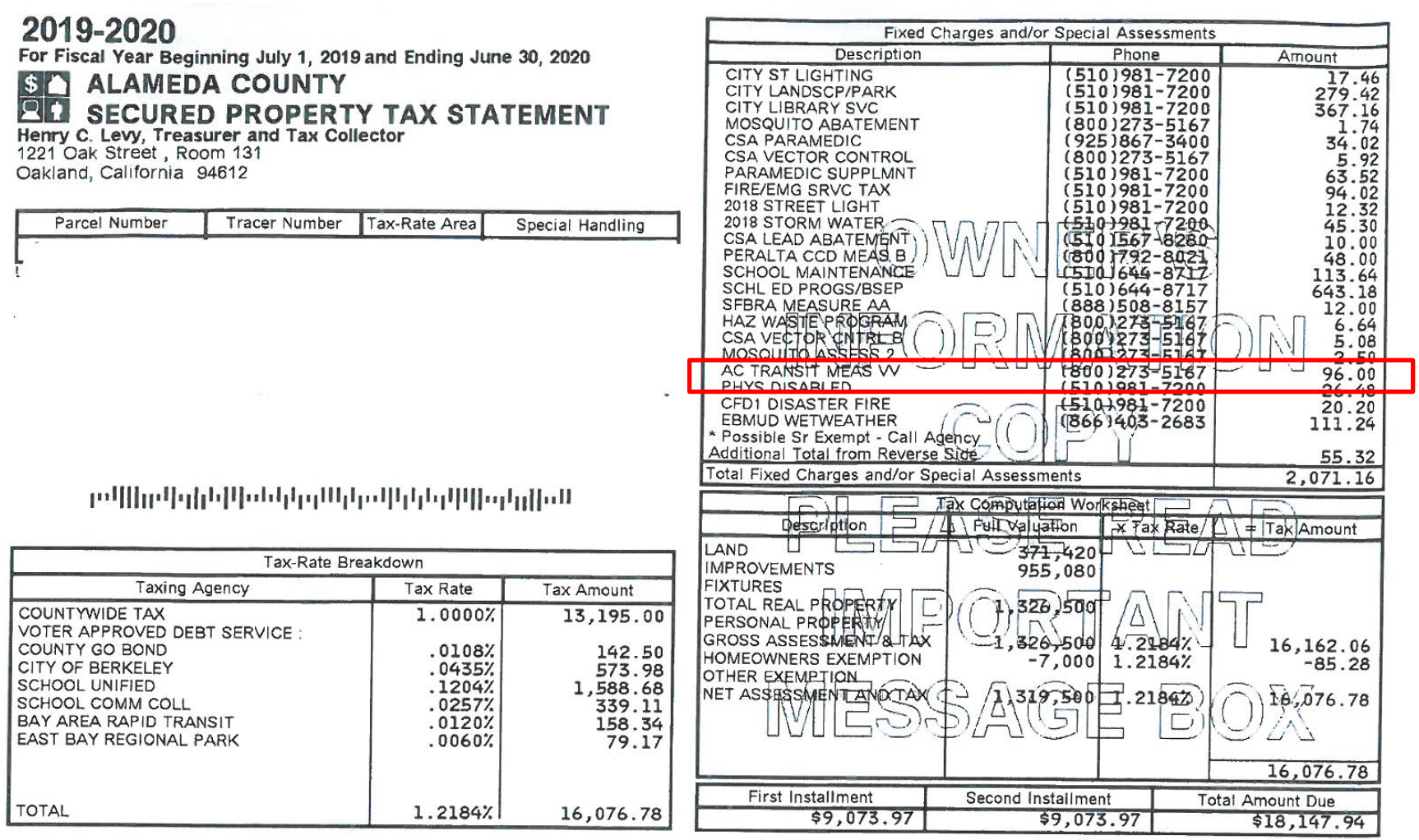
DESCRIPTION	CODE		INFORMATION	AMOUNT
MOSQUITO & VECTOR	DV		(925) 867-3400	4.74
EMERGENCY MED B	DY		(925) 608-5454	10.00
CCCSD SEWER CHG	GE		(925) 229-7115	598.00
LAF MEAS J&B PCLTX	IB	*	(844) 332-0549	604.00
FED STORMWATER A-7	IJ		(925) 313-2023	59.50
SFBRA PCL TAX	I8		(888) 508-8157	12.00
ACL MEAS G&A PCLTX	JF	*	(800) 441-8280	301.00
LAF ST LT Z 1-12	JL		(866) 807-6864	78.94
EASTBAY TRAILS LLD	KA	*	(888) 512-0316	5.44
TOTAL SPECIAL TAXES & ASSESSMENTS				1,673.62

AD VALOREM TAXES & ASSESSMENTS

DESCRIPTION	RATE	AMOUNT
1% COUNTYWIDE TAX	1.0000	10,266.00
ADD:		
CITY OF LAFAYETTE	.0060	61.59
BART	.0074	75.97
BART BOND 2016	.0046	47.22
EAST BAY REG PK BD	.0094	96.50
ACALANES BOND 97	.0118	121.14
ACALANES BOND 2002	.0208	213.54
LAFAYETTE ELEM 95	.0180	184.78
LAFAYETTE ELEM 16	.0221	226.88
COMM COLL 2002 BND	.0030	30.80
OTHER BONDS/ TAX	.0158	162.20
TOTAL AD VALOREM TAXES	1.1189	11,486.62
ADD: SPECIAL TAXES & ASSESSMENTS		1,673.62
DELINQUENT PENALTY		0.00
DELINQUENT COST		0.00
LESS: PAYMENTS RECEIVED		0.00
TOTAL AMOUNT DUE		13,160.24

Sample Property Tax Bill - Berkeley

- A new fixed charge of $350 would be the fifth largest charge out of 29 after the 1%
- Total EBMUD charges would be ~$460 or second largest



2019-2020
For Fiscal Year Beginning July 1, 2019 and Ending June 30, 2020

ALAMEDA COUNTY
SECURED PROPERTY TAX STATEMENT

Henry C. Levy, Treasurer and Tax Collector
1221 Oak Street , Room 131
Oakland, California 94612

Parcel Number	Tracer Number	Tax-Rate Area	Special Handling

Tax-Rate Breakdown

Taxing Agency	Tax Rate	Tax Amount
COUNTYWIDE TAX	1.0000%	13,195.00
VOTER APPROVED DEBT SERVICE :		
COUNTY GO BOND	.0108%	142.50
CITY OF BERKELEY	.0435%	573.98
SCHOOL UNIFIED	.1204%	1,588.68
SCHOOL COMM COLL	.0257%	339.11
BAY AREA RAPID TRANSIT	.0120%	158.34
EAST BAY REGIONAL PARK	.0060%	79.17
TOTAL	1.2184%	16,076.78

Fixed Charges and/or Special Assessments

Description	Phone	Amount
CITY ST LIGHTING	(510)981-7200	17.46
CITY LANDSCP/PARK	(510)981-7200	279.42
CITY LIBRARY SVC	(510)981-7200	367.16
MOSQUITO ABATEMENT	(800)273-5167	1.74
CSA PARAMEDIC	(925)867-3400	34.02
CSA VECTOR CONTROL	(800)273-5167	5.92
PARAMEDIC SUPPLMNT	(510)981-7200	63.52
FIRE/EMG SRVC TAX	(510)981-7200	94.02
2018 STREET LIGHT	(510)981-7200	12.32
2018 STORM WATER	(510)981-7200	45.30
CSA LEAD ABATEMENT	(510)567-8280	10.00
PERALTA CCD MEAS B	(800)792-8021	48.00
SCHOOL MAINTENANCE	(510)644-8717	113.64
SCHL ED PROGS/BSEP	(510)644-8717	643.18
SFBRA MEASURE AA	(888)508-8157	12.00
HAZ WASTE PROGRAM	(800)273-5167	6.64
CSA VECTOR CNTRL B	(800)273-5167	5.08
MOSQUITO ASSESS 2	(800)273-5167	2.50
AC TRANSIT MEAS VV	(800)273-5167	96.00
PHYS DISABLED	(510)981-7200	26.48
CFD1 DISASTER FIRE	(510)981-7200	20.20
EBMUD WETWEATHER	(866)403-2683	111.24
* Possible Sr Exempt - Call Agency		
Additional Total from Reverse Side		55.32
Total Fixed Charges and/or Special Assessments		2,071.16

Tax Computation Worksheet

Description	Full Valuation	x Tax Rate	= Tax Amount
LAND	371,420		
IMPROVEMENTS	955,080		
FIXTURES			
TOTAL REAL PROPERTY	1,326,500		
PERSONAL PROPERTY			
GROSS ASSESSMENT & TAX	1,326,500	1.2184%	16,162.06
HOMEOWNERS EXEMPTION	-7,000	1.2184%	-85.28
OTHER EXEMPTION			
NET ASSESSMENT AND TAX	1,319,500	1.2184%	16,076.78
			16,076.78

First Installment	Second Installment	Total Amount Due
$9,073.97	$9,073.97	$18,147.94

Sample Property Tax Bill – Berkeley (Cont'd)

- A new fixed charge of $350 would be the fifth largest charge out of 29 after the 1%
- Total EBMUD charges would be ~$460 or second largest

2019-2020
For Fiscal Year Beginning July 1, 2019 and Ending June 30, 2020

ALAMEDA COUNTY
SECURED PROPERTY TAX STATEMENT
Henry C. Levy, Treasurer and Tax Collector
1221 Oak Street , Room 131
Oakland, California 94612

Parcel Number	Tracer Number	Tax-Rate Area	Special Handling

Fixed Charges and/or Special Assessments		
Description	Phone	Amount
CITY ST LIGHTING	(510)981-7200	17.46
CITY LANDSCP/PARK	(510)981-7200	279.42
CITY LIBRARY SVC	(510)981-7200	367.16
MOSQUITO ABATEMENT	(800)273-5167	1.74
CSA PARAMEDIC	(925)867-3400	34.02
CSA VECTOR CONTROL	(800)273-5167	5.92
PARAMEDIC SUPPLMNT	(510)981-7200	63.52
FIRE/EMG SRVC TAX	(510)981-7200	94.02
2018 STREET LIGHT	(510)981-7200	12.32
2018 STORM WATER	(510)981-7200	45.30
CSA LEAD ABATEMENT	(510)567-8280	10.00
PERALTA CCD MEAS B	(800)792-8021	48.00
SCHOOL MAINTENANCE	(510)644-8717	113.64
SCHL ED PROGS/BSEP	(510)644-8717	643.18
SFBRA MEASURE AA	(888)508-8157	12.00
HAZ WASTE PROGRAM	(800)273-5167	6.64
CSA VECTOR CNTRL B	(800)273-5167	5.08
MOSQUITO ASSESS 2	(800)273-5167	2.50
AC TRANSIT MEAS VV	(800)273-5167	96.00
PHYS DISABLED	(510)981-7200	26.48
CFD1 DISASTER FIRE	(510)981-7200	20.20
EBMUD WETWEATHER	(866)403-2683	111.24
* Possible Sr Exempt - Call Agency		
Additional Total from Reverse Side		55.32
Total Fixed Charges and/or Special Assessments		2,071.16

Sample Property Tax Bill - Piedmont

- A new fixed charge of $350 would be the sixth largest charge out of 23 after the 1% following just behind the Wet Weather Charge; total EBMUD charges would be ~$750 or fourth largest

2019-2020
For Fiscal Year Beginning July 1, 2019 and Ending June 30, 2020
ALAMEDA COUNTY
SECURED PROPERTY TAX STATEMENT
Henry C. Levy, Treasurer and Tax Collector
1221 Oak Street , Room 131
Oakland, California 94612

Parcel Number	Tracer Number	Tax-Rate Area	Special Handling

Tax-Rate Breakdown

Taxing Agency	Tax Rate	Tax Amount
COUNTYWIDE TAX	1.0000%	9,262.40
VOTER APPROVED DEBT SERVICE		
COUNTY GO BOND	.0108%	100.02
SCHOOL UNIFIED	.1692%	1,567.20
SCHOOL COMM COLL	.0257%	238.04
BAY AREA RAPID TRANSIT	.0120%	111.15
EAST BAY REGIONAL PARK	.0060%	55.57
TOTAL	1.2237%	11,334.38

Fixed Charges and/or Special Assessments

Description	Phone	Amount
CITY SEWER SERVICE	(800)676-7516	917.00
CITY WATER USE TAX	(800)676-7516	12.00
MOSQUITO ABATEMENT	(800)273-5167	1.74
CSA PARAMEDIC	(925)867-3400	34.02
CSA VECTOR CONTROL	(800)273-5167	5.92
PARAMEDIC SUPPLMNT	(800)676-7516	18.46
SCHOOL MEASURE A	(800)676-7516	2,709.00
PERALTA CCD MEAS B	(800)792-8021	48.00
SFBRA MEASURE AA	(888)508-8157	12.00
HAZ WASTE PROGRAM	(800)273-5167	6.64
CSA VECTOR CNTRL B	(800)273-5167	5.08
MOSQUITO ASSESS 2	(800)273-5167	2.50
AC TRANSIT MEAS W/	(800)273-5167	96.00
EBMUD WETWEATHER	(866)403-2683	397.20
* EAST BAY TRAIL LLD	(888)512-0316	5.44
* EBRP PARK SAFETY/M	(888)512-0316	12.00
MUN SERVICES TAX	(800)676-7516	793.00
* Possible Sr Exempt - Call Agency		
Total Fixed Charges and/or Special Assessments		5,076.00

Tax Computation Worksheet

Description	Full Valuation	x Tax Rate	= Tax Amount
LAND	279,972		
IMPROVEMENTS	653,268		
FIXTURES			
TOTAL REAL PROPERTY	933,240		
PERSONAL PROPERTY			
GROSS ASSESSMENT & TAX	933,240	1.2237%	11,420.03
HOMEOWNERS EXEMPTION	-7,000	1.2237%	-85.65
OTHER EXEMPTION			
NET ASSESSMENT AND TAX	926,240	1.2237%	11,334.38
			11,334.38

First Installment	Second Installment	Total Amount Due
$8,205.19	$8,205.19	$16,410.38

Sample Property Tax Bill – Piedmont (Cont'd)

- A new fixed charge of $350 would be the sixth largest charge out of 23 after the 1% following just behind the Wet Weather Charge; total EBMUD charges would be ~$750 or fourth largest

2019-2020
For Fiscal Year Beginning July 1, 2019 and Ending June 30, 2020
ALAMEDA COUNTY
SECURED PROPERTY TAX STATEMENT
Henry C. Levy, Treasurer and Tax Collector
1221 Oak Street , Room 131
Oakland, California 94612

Parcel Number	Tracer Number	Tax-Rate Area	Special Handling

Fixed Charges and/or Special Assessments

Description	Phone	Amount
CITY SEWER SERVICE	(800)676-7516	917.00
CITY WATER USE TAX	(800)676-7516	12.00
MOSQUITO ABATEMENT	(800)273-5167	1.74
CSA PARAMEDIC	(925)867-3400	34.02
CSA VECTOR CONTROL	(800)273-5167	5.92
PARAMEDIC SUPPLMNT	(800)676-7516	18.46
SCHOOL MEASURE A	(800)676-7516	2,709.00
PERALTA CCD MEAS B	(800)792-8021	48.00
SFBRA MEASURE AA	(888)508-8157	12.00
HAZ WASTE PROGRAM	(800)273-5167	6.64
CSA VECTOR CNTRL B	(800)273-5167	5.08
MOSQUITO ASSESS 2	(800)273-5167	2.50
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EBMUD WETWEATHER	(866)403-2683	397.20
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MUN SERVICES TAX	(800)676-7516	793.00

* Possible Sr Exempt - Call Agency

Total Fixed Charges and/or Special Assessments	5,076.00

EBMUD Water Bill Often Has Other Fixed Charges

For many customers, the bi-monthly bill will still be mostly fixed even after moving the EBMUD fixed water charges to the property tax bill

SFR Water Use	EBMUD Wastewater Treatment SFR Fixed	Oakland City Collection Charge Fixed	% of Fixed Charges Currently	% of Fixed Charges with Fixed on Property Tax
4 CCF/mo	$14.53/mo	$41.37/mo	79%	71%
10 CCF/mo	$14.53/mo	$41.37/mo	59%	50%

Impact of Removing Fixed Charges from EBMUD Bill for Water Only Customers

For water only EBMUD customers, moving the fixed water charges to the property tax bill reduces the monthly water bill

Danville Average Water Use	EBMUD Monthly SFR Bill*	EBMUD Monthly Fixed	EBMUD Monthly Volume*	% Bill reduction if Fixed is moved to Property Tax Bill
9 CCF/mo (winter)	$72.54/mo	$26.23/mo	$46.31/mo	36%
25 CCF/mo (summer)	$189.50/mo	$26.23/mo	$163.27/mo	14%

*includes elevation surcharge band 1

Collecting on Property Tax Bill Imposes New Legal Requirements

Existing Approach – Collection of all charges on bi-monthly bill

- Proposition 218
  - Imposes numerous substantive and procedural requirements, including Proposition 218 notice and hearing
  - Prohibits cross-subsidies where one group of individuals (e.g., owners) subsidize the costs generated by another group (e.g., tenants)
  - Requires cost of service justification for charges billed to property owners versus tenants
- MUD Act/Contract Law
  - Impose limitations on collecting charges of tenants against property owners

Collecting on Property Tax Bill Imposes New Legal Requirements (Cont'd)

New Approach – Collect some fixed charges on property tax bill

- All Prop 218 and MUD Act requirements
- Health & Safety Code section 5471
  - Contained within "Sanitation" Division of H&SC; uncertain application to water charges
  - Typically used for collection of sewer charges
  - Imposes additional layer of substantive and procedural requirements, including identifying properties subject to the charge, filing report with Secretary and counties
  - Requires annual notice and public hearing process
  - Requires 2/3 Board approval each year to collect on tax rolls
  - Limits the use of revenues to the purposes listed in the statute (cannot be used for new laterals)

Property Tax Bill Collection Procedural Challenges

- A rate increase could be passed by the Board after a Prop 218 process by a 4 to 3 vote. The subsequent approval to place the charge on the property tax bill requires a two-thirds vote (at least 5-2) annually per the Health & Safety Code.
- If a successful vote (5-2) could not be obtained, the District would not be able to collect its fixed charges on the tax bill. A new 218 process to notice collection on the regular bi-monthly bill would need to be completed which would be complicated by the issue of tenants who would now be billed a charge the District has established to be allocable to property owners.
- Lastly, charges must be submitted to the counties in August which provides little margin between the Prop 218 process, the required Health & Safety Code hearing, and the county deadlines.

Agencies That Collect Water Charges on the Property Tax Bill

Agency	Charge on Property Tax Purpose	Considerations
Marin Municipal	Fire Protection and Infrastructure Renewal	Infrastructure Renewal charge is facing legal challenge
Lake Arrowhead	Supplemental Water Supply	Not for ongoing operating costs
South Coast Water District	Infrastructure Costs and Peak Demand Costs	Monthly meter charges on tax bill and prior year peak demand informs demand charges
Monterey Peninsula Water Management	Water Supply Charge	On tax bill because CPUC disallowed collection on CALAM water bill

Alternatives to Collecting Water Fixed Charges on Property Tax Bill

- If goal is to increase affordability of bi-monthly bill
  - Remove fixed city sewer charges from EBMUD bill
  - Encourage Oakland and Emeryville to move to volume based charges
  - Implement CAP for city collection charges

Workshop Summary

- Strategic Plan and KPIs updated
- FY20 net budget performance projected to be above budget although to a lesser extent
- Projected impact is greater on the FY21 budget including significantly below-budget revenues
- Staff will provide the Board ongoing updates on financial and budgetary impacts
- Recommend no change to FY21 appropriations and staffing linked to FY21 adopted rates
- Recommend changes to FY21 non-Prop 218 rates and no change to FY21 SCC rates
- Development of FY22 & FY23 budget to begin in the fall

Next Steps

Milestone	Date
Public hearing on rates & charges	June 9, 2020
Board consider adoption & budget affirmation	June 9, 2020
Water & Wastewater rates take effect	July 1, 2020
WCF rates take effect	July 1, 2020
SCC rates – no change	July 1, 2020

Board Discussion

EAST BAY MUNICIPAL UTILITY DISTRICT

DATE: May 21, 2020

MEMO TO: Board of Directors

THROUGH: Alexander R. Coate, General Manager ARC

FROM: Sophia D. Skoda, Director of Finance SDS

SUBJECT: Strategic Plan Update – July 2020

INTRODUCTION

The Board adopted its first Strategic Plan (Plan) in 2004. While the publication has evolved over the years, the document remains the foundation of the District's efforts to focus staff work and guide decision-making. The Plan was last updated and adopted by the Board in June 2018. The attached draft 2020 Plan will be presented to the Board during the May 26, 2020 Long-Term Financial Stability, Strategic Plan Update, and Mid-Cycle Budget Workshop.

DISCUSSION

The Plan establishes long-term goals and strategies to effectively respond to future challenges and guide the development of the biennial budget priorities. Staff aims to minimize changes to goals to maintain focus. The process of updating the Plan every two years varies due to the long-term focus. Interim reviews of the Plan occur every two years, and more comprehensive updates every four to six years depending upon how quickly external factors change. The 2020 Plan update is an interim review since the 2016 Plan involved a more comprehensive approach.

The 2020 update process was launched in November 2019 with each goal team reviewing/updating a SWOT (strengths, weaknesses, opportunities and threats) analysis to consider impacts to the Plan. Any impacts to the key performance indicators (KPIs) results stemming from the COVID-19 pandemic will be noted in future reports. Board input from a variety of venues such as committees and workshops guided the Plan update. At the February 25, 2020 Finance/Administration Committee meeting staff provided a status on the update of the Plan.

The 2020 interim update confirmed that the goals are still on target, and minor updates to some strategies and objectives are recommended. The major focus of the 2020 update was on KPIs, which serve as an important measure of progress in achieving the Plan goals. Some KPI targets did not align with their intentions and required a revision, such as the wastewater treatment charge comparison.

Other changes include placing the KPIs in a separate document, which allows the Plan to remain an evergreen, standalone document. Staff research shows that many other water and wastewater utilities separate their KPIs from the Plan document. The Board will continue to receive the annual report of KPI performance each fiscal year.

ARC:SDS:JMC

Attachments

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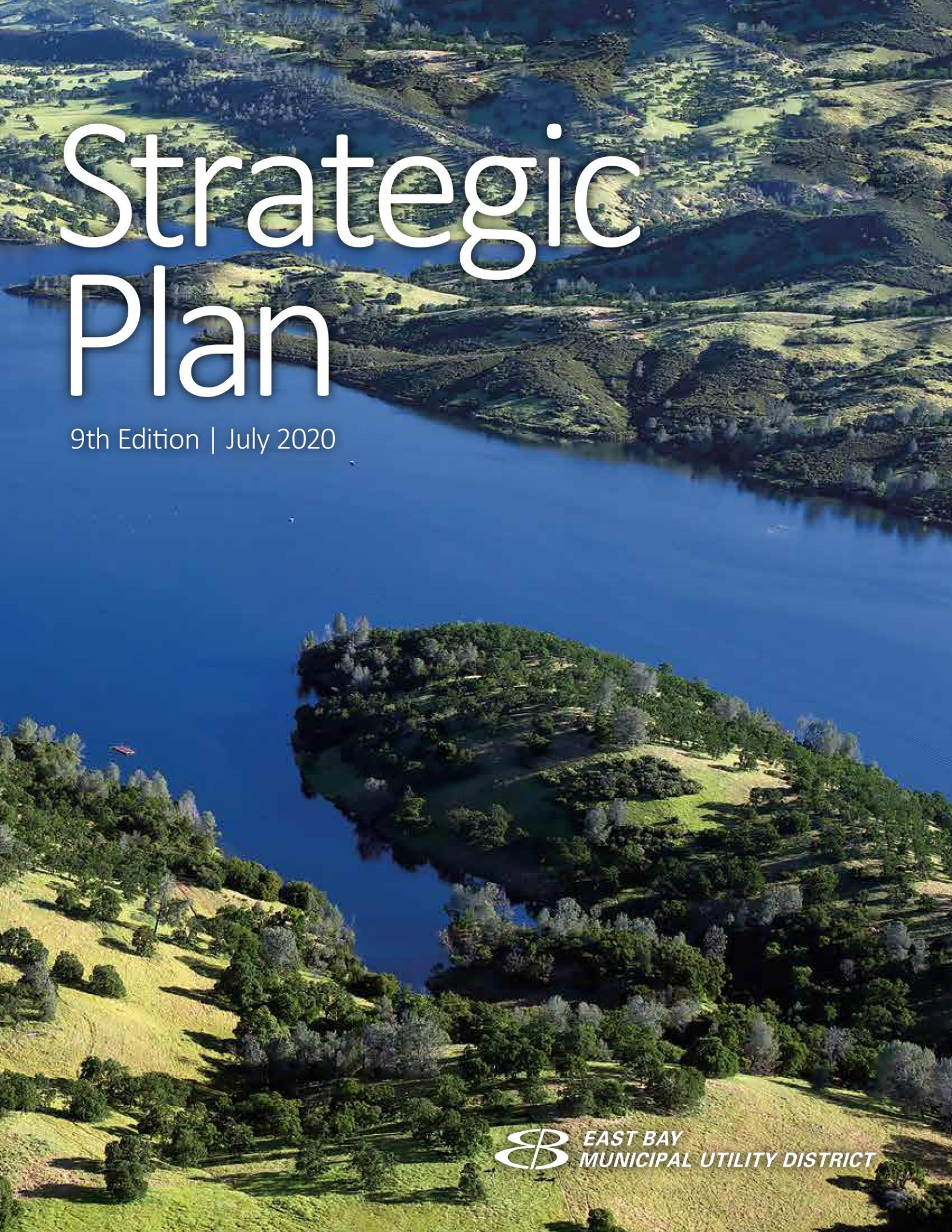

Strategic Plan

9th Edition | July 2020

EAST BAY
MUNICIPAL UTILITY DISTRICT

Photo on cover is the Pardee Reservoir.

Table of Contents

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July 1, 2020

The East Bay Municipal Utility District (EBMUD) has been operating for nearly a century. In the 1920s, early regional leaders envisioned a bustling East Bay community and established a water source in the Sierra Nevada to meet that increasing demand. We are the beneficiaries of that vision. But the challenges of today are different than they were decades ago. Foresight and planning are essential to deliver water and wastewater services 24 hours a day.

This Strategic Plan is a roadmap that will guide EBMUD to ensure our ability to provide high-quality drinking water to 1.4 million customers and critical wastewater treatment to 685,000 customers. These efforts protect public health and the environment, and help our East Bay economy thrive.

The results of our comprehensive planning efforts were on display during the 2019 wildfire season, when our customers received continuous water and wastewater services despite unprecedented pre-emptive power shutoffs. EBMUD began preparing for power shutoffs more than a year before, as we depend on round-the-clock power to pump, treat and distribute water to customers and firefighters.

On a larger time scale, EBMUD undertook a multi-decade partnership to build the Freeport facility on the Sacramento River to provide a supplemental water supply during dry years. During the historic 2014 – 2016 drought, this facility allowed EBMUD to provide all the water needed to serve our diverse customer base.

Over the next five years, EBMUD will plan for and respond to a broad range of water and wastewater issues such as water supply reliability, water quality improvements, sustainable management of groundwater resources, aging infrastructure, emergency and wildfire preparedness, healthy forest management, climate change, and emerging contaminants in San Francisco Bay. Managing such dynamic issues requires forward-thinking leadership, sound planning, and financial stability.

From creating a new water source 90 miles away in the Sierra Nevada nearly 100 years ago, to adapting to the impacts of a rapidly changing climate, EBMUD stands ready to meet the challenges of today and tomorrow.

ALEXANDER R. COATE
General Manager

District Overview

Pardee Reservoir

The East Bay Municipal Utility District (EBMUD) supplies water and provides wastewater treatment for parts of Alameda and Contra Costa counties in California. EBMUD is a California special district formed under the Municipal Utility District Act with a seven-member publicly elected Board of Directors. ~~It is a publicly owned utility formed under the Municipal Utility District (MUD) Act passed by the state legislature in 1921. The Act permits the formation of multi-purpose government agencies to provide needed public services on a regional basis. In 1923, voters in the eastern San Francisco Bay Area created EBMUD to provide water service. Since that time, the eastern shore of San Francisco Bay (the "East Bay") has grown dramatically.~~

Residents voted in 1923 to organize the East Bay Municipal Utility District in response to an uncertain local water supply and periodic water shortages. Pardee Dam was completed in 1929 which was the highest in the world at the time. The first water deliveries were made using the Mokelumne aqueduct that same year. The water traveled ninety miles from the Sierra Mountains to the East Bay to serve a population of 460,000.

Today, ~~T~~the EBMUD water service area now includes 20 cities and 15 unincorporated East Bay communities, ~~located in the East Bay~~and serves 1.4 million customers. It is a 332-square mile area, which is larger than New York City, extending from Crockett in the north to San Lorenzo in the south, and eastward from San Francisco Bay through the Oakland-Berkeley hills to Walnut Creek and south through the San Ramon Valley.

Main Wastewater Treatment Plant

~~The MUD Act was amended in 1941 to enable the formation of special districts.~~ In 1944, voters in six of the East Bay cities served by EBMUD elected to ~~form Special District No. 1~~create a wastewater treatment facility to treat ~~wastewater~~ waste and raw sewage that was ~~before~~ being released directly into San Francisco Bay. Wastewater treatment began in 1951 at the plant constructed in Oakland near the entrance of the San Francisco-Oakland Bay Bridge. The wastewater service area is ~~an~~ 88-square mile~~s area~~ along the east shore of the bay extending from Richmond in the north to Oakland in the south. In addition to ~~providing~~ treating wastewater ~~treatment~~, laboratory services operate 365 days a year to ~~constantly~~ continually monitor water quality for drinking water and ~~wastewater systems~~treated water from the wastewater plant that is discharged to the San Francisco Bay. ~~The East Bay Municipal Utility District is a California Special District. EBMUD has a seven-member Board of Directors publicly elected from wards within the service area. The Board is committed to developing policy through an open, public process, guided by the District's Mission Statement. Policies are then implemented under the direction of the General Manager. The General Manager and General Counsel are appointed by and report directly to the Board of Directors. The senior management team is responsible for managing the operations of the~~

~~District. EBMUD employs approximately 1,850 people.~~

Sustainability and resilience are essential ~~to fulfill the District's mission.~~ principles that guide our actions in meeting the needs of our customers. Sustainability incorporates environmental, social, and economic objectives into our decision-making ~~policies, programs,~~ and work practices to meet the needs of today without compromising the ability to meet the needs of future generations. Resilience enables the District to ~~absorb,~~ recover from, and adapt to unforeseen events. ~~The District incorporates sustainability and resilience practices in the Strategic Plan.~~

The Board of Directors is committed to developing policy through an open, public process, guided by the District's Mission Statement. Policies are then implemented under the direction of the General Manager who is appointed by and reports directly to the Board of Directors. Day to day operations are managed by the senior management team and carried out by approximately 2,000 dedicated employees.

Strategic Plan Overview

The Strategic Plan incorporates the District's mission and principles, and identifies its goals, strategies, objectives and key performance indicators. The Plan ~~influences and~~ guides staff in ~~the management and allocation of resources and assets~~setting priorities and allocating resources.

Pipeline Renewal

Our ~~m~~**Mission** is to manage the natural resources with which the District is entrusted; to provide reliable, high quality water and wastewater services at fair and reasonable rates for the people of the East Bay; and to preserve and protect the environment for future generations.

Our ~~p~~**Principles** provide the foundation of the Strategic Plan and form the basis of our business practices. ~~approach which strives to minimize waste, conserve energy and natural resources, promote long-term economic viability, protect the environment, operate within high standards to serve our customers and the community, and support safety and well-being for employees, communities, and customers.~~ Our principles are:

- Exercise responsible financial management
- Ensure fair and reasonable rates and charges
- Provide responsive and high quality customer service
- Promote ethical behavior in the conduct of District business
- Ensure fair and open public processes ~~involving the public~~
- Provide a safe and healthy work environment
- Protect the environment and preserve natural resources
- Minimize waste and conserve energy
- Promote diversity and equality in personnel matters and contracting
- Promote environmental, economic, and social sustainability

Our ~~g~~**Goals** define ~~what~~ in broad terms the high-level achievements the District ~~wants to achieve~~will pursue; they explain 'what' not 'how', and tell where we are going rather than how we will get there. Our **Strategies** define ~~which~~ the actions that are necessary to ~~take to reach~~ achieve each goal, and may take several years to implement. Our **Objectives** reflect what we need to accomplish in the near term. Our **Key performance indicators** (KPIs) measure how well we are doing in achieving our goals.

Planning and Implementation

The ~~fundamental~~ purpose of the strategic planning process is to define the actions that need to be taken in the next three to five years ~~which are necessary to reliably~~to ~~meet~~ achieve the District's mission now and well into the future. The process is designed to assess the environment in which we operate and respond to both near and long-term challenges. The General Manager and the senior management team lead the implementation of the Strategic Plan.

~~Overall d~~Development of the Strategic Plan is the responsibility of the senior management team who work together in cross functional teams. ~~to~~ They assess and build consensus on ~~a number of strategic areas, environmental issues,~~ initiatives~~,~~ and challenges, using input from the Board of Directors and various sources such as **facility master plans** which optimize capital investments, **long-range action plans**, **new initiatives**, and **employee** and **customer feedback** to update the goals, strategies, objectives and key performance indicators.

~~Cross functional teams consider input from various sources such as **master plans** which optimize capital project investments, **long-range plans, new initiatives,** and **employee** and **customer feedback** to update the goals, strategies, objectives and key performance indicators.~~

Strategic Plan Process

~~The~~ Once the Strategic Plan is adopted by the Board of Directors, ~~. Upon adoption,~~ development of specific actions to implement the Strategic Plan can begin. The Strategic Plan provides staff with an overall high-level direction to ~~prioritize resources to~~ achieve future success; it does not describe all of the specific actions to be taken. By developing actions that are linked to the Strategic Plan we can ensure that we focus our resources on the highest priorities ~~of the District~~that will best serve our customers.

The Strategic Plan ~~precedes and~~ guides the development of the **biennial budget** and the **five-year capital improvement program** to ensure that necessary resources are provided to implement the plan's strategies and objectives.

Individual **employee performance plans** are prepared ~~on an annual basis~~annually to establish and communicate responsibilities~~, accountabilities~~ and performance expectations ~~for~~ to achieve the priorities contained in the ~~Strategic Plan~~plan.

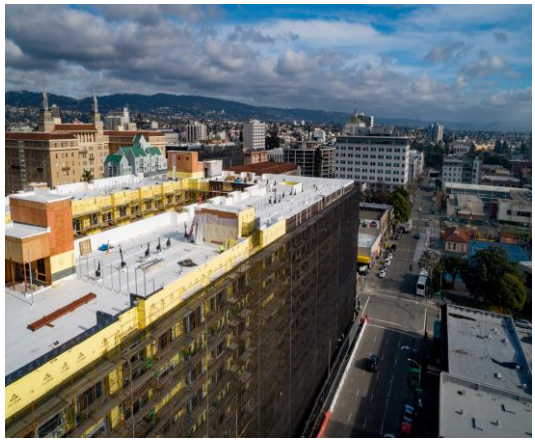
Heavy Equipment Operator

Mixed use complex with 634 dwelling units in Oakland

The Strategic Plan is comprised of two documents. This document contains our goals, strategies and objectives to define the actions to take to ensure both long-term achievements and near-term accomplishments. Guidance from the Board of Directors is incorporated into the plan through committee meetings and workshops.

The plan also includes a comprehensive set of KPIs that reflect the various strategies and objectives contained within the six Strategic Plan goals. ~~The plan includes a series of KPIs that are measurable, comprehensive, and reflect the various strategies contained within the six Strategic Plan goals.~~ The **KPI results** are measured ~~against our targets~~ annually against established targets to enable us to evaluate progress towards meeting our goals.~~to enable us to evaluate our progress. The latest KPI report was presented to the Finance Committee in October 2017. The online FY17 Annual Key Performance Indicators Report is available at ebmud.com/about-us/Board-Directors/Board-Meetings/Finance-Administration-Committee-Meetings/102417.~~The KPI report and results are presented to the Board's Finance Committee in October.

A critical component of the strategic planning process is ~~the element of~~ continuous improvement, ~~which is~~ an ongoing effort to **assess and evaluate** performance~~, and use the results to guide the update of the next Strategic Plan~~. The ~~principal~~ objective is to update the Strategic Plan based on these ~~for this~~ assessments and evaluations, including KPI results to develop and prioritize strategies for addressing issues that may impact District operations and our customers ~~is to prioritize and identify improvements, maintain achievements, and ensure consistency in planning, operations and results across the District~~.



Mixed use complex with 333 dwelling units in Oakland

Our Values

~~In 2013, EBMUD's management team anticipated a looming retirement bubble and changing District demographics would lead to significant turnover in the organization's employees. This realization led to a discussion of what organizational values would be key to ensuring the District could best assimilate new talent to carry out its mission. The District undertook an intensive process to develop its organizational values, recruiting a team of employee volunteers to lead the effort. This team, including staff from all levels of the organization, worked to identify and define the core values that characterize EBMUD as an agency and a workplace. With extensive input from staff and support from management, the team developed the following four values that were adopted by EBMUD in support of its employees:~~

With extensive input from employees of all levels and disciplines, the District developed the following four values that were adopted by EBMUD in support of our mission:

STEWARDSHIP

"I am a steward of our resources and committed to public service."

INTEGRITY

"I act with integrity."

RESPECT

"I treat others with respect."

TEAMWORK

"We are EBMUD and we are one team."

Visible reminder of our values

~~These values guide EBMUD staff as they pursue the goals identified in the Strategic Plan. It is our belief that working better together will enable us to achieve our mission to serve our customers, manage our natural resources, and protect our environment.~~

These values and their related behaviors guide EBMUD staff as they pursue the goals identified in this Strategic Plan. Our ongoing values efforts are focused on:

- Communication of our strategy and mission to employees and customers,
- Continuous improvement of our systems and processes, and
- Cultivation and maintenance of a diverse, engaged, and high performing culture.

It is our belief that working better together will enable us to achieve our mission to serve our customers, manage our natural resources, and protect our environment for future generations.

Our Goals

Long-Term Water Supply:

We ensure a reliable high quality water supply for the future.

Water Quality and Environmental Protection:

We meet or surpass environmental and public health standards and protect public trust values.

Long-Term Infrastructure Investment:

We maintain and improve the District's infrastructure in a cost-effective manner to ensure sustainable delivery of reliable, high quality service now and in the future, addressing economic, environmental, and social concerns.

Long-Term Financial Stability:

We manage the District's finances to meet funding needs and maintain fair and reasonable water and wastewater rates.

Customer and Community Services:

We build stakeholder trust and long-term relationships through service excellence, proactive communication and education.

Workforce Planning and Development:

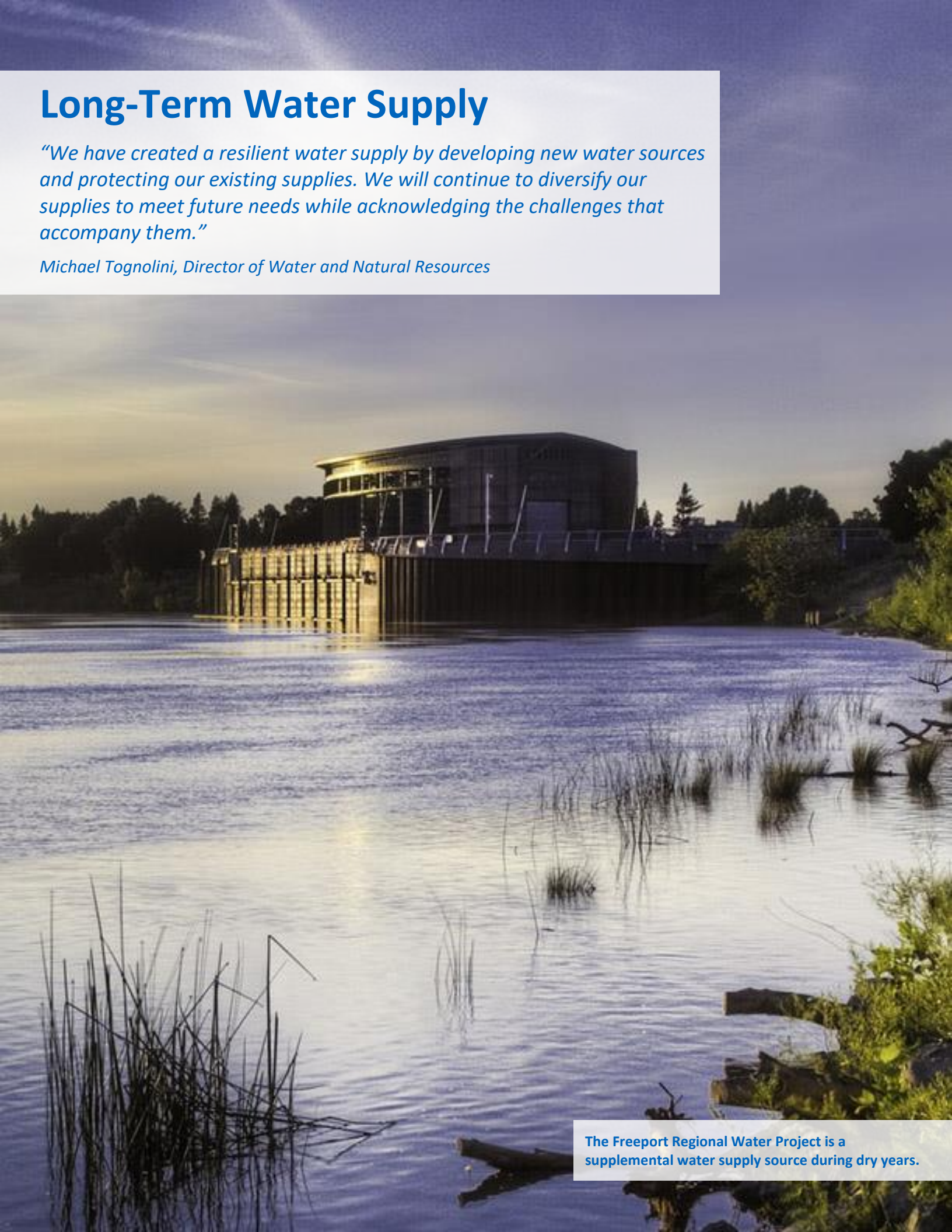
We create an environment that attracts, retains and engages a high performing diverse and inclusive workforce in support of the District's mission and core values.

Lake Merritt in Oakland shown in the distance

Long-Term Water Supply

"We have created a resilient water supply by developing new water sources and protecting our existing supplies. We will continue to diversify our supplies to meet future needs while acknowledging the challenges that accompany them."

Michael Tognolini, Director of Water and Natural Resources



The Freeport Regional Water Project is a supplemental water supply source during dry years.

Goal: We ensure a reliable high quality water supply for the future.

Strategy 1

Preserve current water rights and entitlements and augment the District's successful water supply projects by obtaining supplemental supplies to meet customer demands.

Objectives:

- Protect water rights and Central Valley Project contract entitlements to maximize benefits to District customers.
- Prioritize water transfers, groundwater storage, off-stream storage, and other water supply opportunities to cost-effectively improve reliability while providing the best available water quality.
- Use the Urban Water Management Plan to assess supply and demand conditions, analyze future needs, anticipate obstacles, and prescribe approaches to meeting future requirements consistent with District policy.
- Integrate the District's long-term water supply strategies and infrastructure planning efforts with regional partnerships.
- Plan for a sustainable local groundwater basin for the East Bay.

Strategy 2

Reduce potable water demand through water efficiency and conservation and build on past water savings success to help ensure a reliable water supply.

Objectives:

- Implement and update the conservation strategies identified in the District's Water Conservation Master Plan (WCMP) to meet long-term water use reduction goals.
- Use the Water Shortage Contingency Plan to implement drought response actions to meet short-term water use reduction goals.
- Implement comprehensive water management, conservation incentives, education and outreach programs and workshops to engage customers and stakeholders with information and tools to effectively manage water use and promote water use efficiency.
- Implement supply-side conservation and water loss control measures through leak detection, pipeline repair and replacement, and information management to reduce demand, improve system reliability and comply with state regulations.
- Pursue and implement regulatory and legislative initiatives that promote water conservation through efficiency standards and codes, including plan check reviews as a condition for new water services.
- Identify, encourage and create partnerships to research and test new efficiency technologies, including water-energy nexus applications and measurement methodologies.

Long-Term Water Supply

Strategy 3

Reduce potable water demand through water recycling and build on past success to achieve a diversified and reliable water supply.

Objectives:

- Maximize use of recycled water projects while protecting public health.
- Invest in innovative technology and monitor research to improve cost-effectiveness.
- Identify, evaluate and implement new opportunities for recycled water, including potential for potable reuse.
- Continue education and outreach programs to support customers and the District's programs.
- Monitor regulatory and legislative initiatives that promote recycled water use and the District's programs.

Strategy 4

~~Maintain a Climate Change Monitoring and Response Plan to inform the District's planning efforts for future water supply, water quality and infrastructure and support sound water and wastewater infrastructure investment decisions.~~ Consider the impacts of climate change and take appropriate action to understand and balance mitigation and adaptation responses to those impacts through sustainable activities.

Objectives:

- Regularly review developing climate change science and ~~create~~ evaluate future scenarios that illustrate a range of potential impacts ~~from key variables (temperature rise, sea level rise, precipitation, snow pack and runoff).~~ to the District.
- Maintain a Climate Change Monitoring and Response Plan to inform the District's efforts for future water supply, watershed, water quality, and water and wastewater infrastructure investment decisions.
- Use the scenarios to identify infrastructure vulnerabilities and make cost-effective infrastructure investments and operational changes to adapt and mitigate impacts based on the best available science and a range of foreseeable conditions (i.e., "no regrets" investments).
- Educate the public and policymakers on District and industry climate change concerns and interests, participate in research, and advocate for reasonable legislation and regulatory changes.
- Develop standards to use in planning studies and infrastructure designs.

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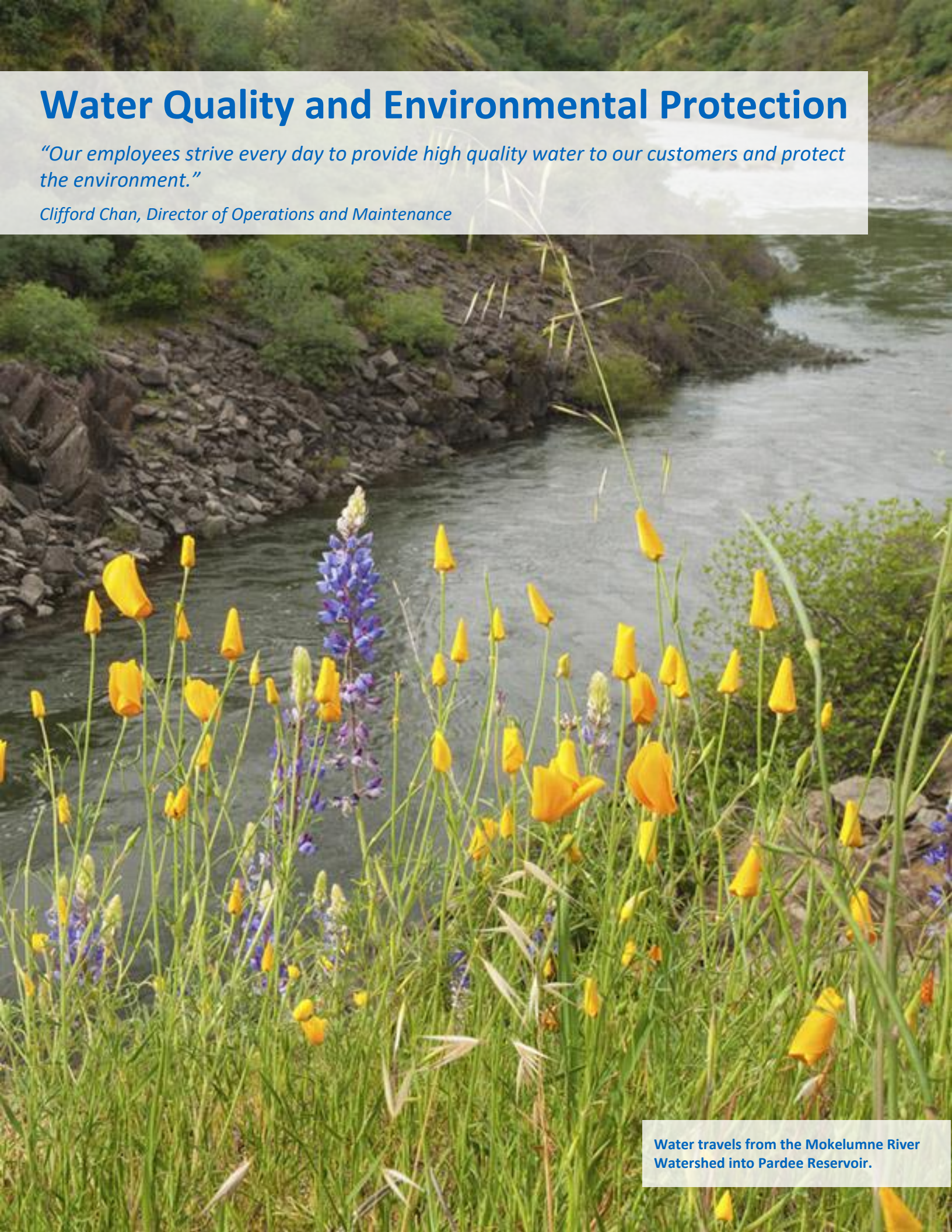
Water Quality and Environmental Protection

"Our employees strive every day to provide high quality water to our customers and protect the environment."

Clifford Chan, Director of Operations and Maintenance



Water travels from the Mokelumne River Watershed into Pardee Reservoir.

Goal: We meet or surpass environmental and public health standards and protect public trust values.

Strategy 1

Manage the Mokelumne and East Bay watersheds to ensure a high quality water supply and protect natural resources while providing appropriate public access.

Objectives:

- Use the Watershed Master Plans as the foundation for standards and protocols to ensure drinking water quality and protect natural resources.
- Perform monitoring and data assessment to adaptively manage the watersheds.
- Provide public access and recreational opportunities, education and outreach compatible with water quality and natural resource protection, and collect user feedback.
- Maintain upcountry facilities to support recreation commitments.
- Protect the Mokelumne River salmonid fishery through habitat enhancement projects, effective and efficient hatchery operations, and a robust science program.
- Collaborate with stakeholders to protect water quality and the environment in the Mokelumne and East Bay watersheds.
- Comply with federal and state requirements of the Mokelumne River Project to protect cultural resources, maintain structural integrity, and operate facilities to protect public health and safety, property and the environment.

Strategy 2

Operate and maintain District facilities to surpass federal and state drinking water regulations.

Objectives:

- Establish and meet District water quality goals and ~~to~~ exceed customers' expectations.
- Advocate for water quality and environmental regulations that are based on sound science, are protective of public health and beneficial uses and that are attainable and sustainable.
- Maintain a leadership role in the professional community to further regulatory and legislative initiatives and advocate for protection of public health.
- Provide timely and accurate water quality information to customers.

Water Quality and Environmental Protection

Strategy 3

Operate and maintain District facilities to anticipate and meet all water discharge, air emission, and land disposal requirements to protect and enhance the environment.

Objectives:

- Meet or surpass all water discharge, air, and land requirements.
- Ensure that management of biosolids is cost-effective, environmentally safe and meets all local ordinance and state and federal requirements.
- Promote environmental regulations that are based on regional approaches and achieve water quality objectives through cost-effective and sustainable means.

Strategy 4

Minimize impacts to the environment by reducing, recycling, reusing and reclaiming waste, and by conserving natural resources.

Objectives:

- Pursue opportunities to recover and utilize resources (e.g., nutrients and minerals), and renewable energy in wastewater.
- Increase the cost-effective use of renewable energy.
- Identify and implement energy efficient projects.
- Reduce the District's greenhouse gas (GHG) emissions.
- Focus on reduction of pollutants at the source.
- Identify and implement waste reduction and recycling programs.

Water Quality and Environmental Protection

Strategy 5

Ensure protection and stewardship of San Francisco Bay.

Objectives:

- Proactively develop and implement regional Pollution Prevention activities that will further reduce pollutant discharges to San Francisco Bay.
- Support collaborative efforts and programs that develop science-based watershed solutions to address nutrients and other constituents-of-concern in the San Francisco Bay.
- In collaboration with the satellite collection system communities and the regulators, implement an Inflow and Infiltration Control Program that will over the long term reduce or eliminate the need for wet weather facilities.

Strategy 6

Operate Pardee and Camanche Reservoirs and facilities ~~jointly~~ as an integrated system to achieve multiple objectives including municipal water supply, stream flow regulation, environmental protection, flood control, hydropower, and releases for downstream requirements.

Objectives:

- Balance the competing objectives and requirements by setting clear operational priorities and employing effective models for flow and temperature management.
- Work collaboratively with stakeholders to adaptively operate Pardee and Camanche Reservoirs to meet downstream objectives for water supply, flood control and environmental resources.
- Sustain and enhance the successful salmonid fishery on the Lower Mokelumne River through adaptive management of variable flows, temperature optimization, and collaborative efforts with lower Mokelumne stakeholders.
- Proactively c~~C~~omply with all state, federal, and local permit and license requirements.

Long-Term Infrastructure Investment

"We make investments in resilient infrastructure to ensure safe, reliable delivery of high quality water to our customers and wastewater discharges that protect the San Francisco Bay ."

Jimi Yoloye, Director of Engineering and Construction

EBMUD work crew installing pipeline in the community.

Goal: We maintain and improve the District's infrastructure in a cost-effective manner to ensure sustainable delivery of reliable, high quality service now and in the future, addressing economic, environmental, and social concerns.

Strategy 1

Maintain coordinated master plans for all facilities and assets.

Objectives:

- Maintain and update a master plan for each asset or group of assets that reflects current condition and performance information and addresses improvements needed to meet defined service-level requirements.
- Coordinate master plans and capital projects to optimize investments and maximize drinking water quality, and the reliability, safety, flexibility, and overall efficiency of the water and wastewater systems.
- Periodically inspect and evaluate facilities to support capital and maintenance planning.
- Consider risk, community and stakeholder concerns, workforce and technology trends, and the potential impacts of climate change as part of the planning process. Involve stakeholders in the project planning and development stage.
- Ensure that all system improvements and capital projects meet or surpass environmental and regulatory requirements, improve resilience to climate change, and incorporate sustainable practices.

Strategy 2

Meet operational needs and reliability goals by effectively maintaining the infrastructure.

Objectives:

- Define and document operational needs and reliability goals to inform maintenance decision making.
- Collect and maintain accurate asset records including criticality, maintenance history, asset condition, and performance for continuous improvement.
- Expand and refine the use of cost-effective methods and practices to determine the need for maintenance or replacement.
- Implement preventive, predictive, and corrective maintenance plans ~~that improve~~to ensure safety, service reliability, and efficiency.
- Lead the industry in water loss control through using new and innovative technology, effective maintenance practices, and efficient operations.

Long-Term Infrastructure Investment

Strategy 3

Implement the master plans and set priorities in the operating and capital budget process to reflect the needs identified in those plans.

Objectives:

- ~~Reflect a b~~Balance ~~of~~ life-cycle costs and risks of plans and projects in the operating and capital budgets to~~that~~ account~~s~~ for near-term needs as well as long-term sustainability and resilience.
- Complete projects on schedule, ~~and~~ within budget and meet the desired intent and quality.
- Innovate and improve project workflows to ~~achieve~~ maximize~~mum~~ efficiency.
- Use ~~life-cycle cost analysis and~~ value engineering of proposed capital projects to help implement~~determine the most cost effective~~ projects cost-effectively.
- Coordinate and collaborate construction project scheduling with city, county, and other agencies and communicate with all stakeholders during construction to minimize impacts on communities.

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Long-Term Financial Stability

"We are financial stewards of the resources entrusted to the District and manage these through careful financial planning, sound rates, and new technologies with the goal of ensuring our long-term sustainability."

Sophia Skoda, Director of Finance

Green bonds finance infrastructure projects that promote environmental sustainability.

Goal: We manage the District's finances to meet funding needs and maintain fair and reasonable water and wastewater rates.

Strategy 1

Maintain a ~~L~~long-~~R~~range ~~F~~financing ~~P~~plan that sets forth the long-term funding needs of the District.

Objectives:

- Maintain financial planning models to include long-term forecasts of operating and capital expenditures, revenue requirements and rates and charges.
- Ensure the financial plan is based on reasonable, conservative assumptions and accounts for uncertainties.
- Ensure the financial plan maintains the District's good standing in the credit markets to provide ready access to cost-effective capital financing.
- Evaluate the District's capital financing and debt service coverage policies to optimize cash funding of capital investments.
- Evaluate the District's cash reserve policies to consider optimal uses and levels of reserves, including alternative strategies for funding drought-related costs to ensure financial resiliency.

Strategy 2

Implement water and wastewater rates and charges that are legal, fair, reasonable, and equitable.

Objectives:

- Plan for rate increases that are steady, predictable, and based on our strategic needs.
- Mitigate increases in rates and charges by optimizing use of non-rate revenue and pursue opportunities for cost control through efficiencies and new technologies.
- Continue to establish rates and charges based on cost of service principles.
- Periodically conduct third-party cost of service studies.

Long-Term Financial Stability

Strategy 3

Ensure integrity, accountability and transparency in financial management.

Objectives:

- Develop operating and capital budgets aligned with the Strategic Plan.
- Manage operating and capital expenditures within their respective budgets.
- Develop and maintain accurate, timely, and meaningful financial data.
- Enhance the usability, clarity and accessibility of District financial information.
- Maintain and regularly evaluate internal financial controls.
- Conduct regular internal and external financial audits.
- Promote diversity and equity in contracting, consistent with state and federal laws.

Strategy 4

Implement technologies that improve the efficiency and effectiveness of business processes.

Objectives:

- Maintain a long-term plan to guide technology investments and resources~~the evolution of IT infrastructure and capabilities~~.
- Apply a consistent approach to set IT priorities and evaluate, plan, and implement projects that address ~~are responsive to~~ the needs ~~and potential impacts to~~of customers, employees and, other stakeholders.
- Ensure ~~that~~ all employees have ready access to tools and data so they can provide excellent customer service and maintain and operate our infrastructure.
- Make effective use of ~~geospatial~~ tools and data to best maintain and monitor District infrastructure and ~~by~~ develop~~ing~~ workflows that enable rapid capture and use of the~~spatial~~ data.
- Structure and manage data to support consistent analysis and reporting and provide appropriate access to customers, employees and other stakeholders.
- Proactively ensure adequate security ~~and~~ to meet all regulatory requirements, maintain operations, and protect the privacy of customer and employee data.

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Customer and Community Services

"We strive to meet customer expectations by providing responsive, trusted, and high quality service."

Andrew Lee, Manager of Customer and Community Services

A Field Services Representative performing an inspection of a water meter with a customer.

Goal: We build stakeholder trust and long-term relationships through service excellence, proactive communication and education.

Strategy 1

~~Educate the~~Build public awareness of ~~on~~ the District's priorities, initiatives, systems and services.

Objectives:

- Collect and analyze customer feedback on District operations, activities and service experience and expectations.
- Proactively communicate electronically through multiple channels, via print publications, and media or community events.
- Maintain a robust web and social media presence.
- Enhance internal communication, tools and technology to effectively disseminate information to District staff.

Strategy 2

Continue to build trust by providing quality service, timely information, and resolution of customer and community inquiries.

Objectives:

- Employees recognize they are representing the customers' interest~~advocates~~ and provide professional, high quality service.
- Invest in business process improvements and technology to enhance the customer experience and customer access to information.
- Protect ~~the security of~~ customer data and other personally identifiable information.
- Minimize customer and community impacts from water and wastewater operations.
- Provide programs and services that support or benefit the community, residents, and businesses.

Customer and Community Services

Strategy 3

Build long-term partnerships in the community, regionally and nationally, in areas of shared interest and in support of the District's mission.

Objectives:

- Build and actively participate in regional and national industry groups, coalitions, and partnerships to advance common goals.
- Partner with non-profit, community and education organizations ~~which advance~~in support of the District's Mission and Strategic Plan.
- ~~Maintain~~ Advance Contract Equity and Diversity Inclusion Programs to enhance diversity and equal opportunities for business owners and prospective and current employees.

Strategy 4

Maintain ~~an~~ active Emergency Preparedness and business continuity Programs to plan for, minimize interruptions, and manage the District's essential functions during an emergency and allow for an efficient and effective recovery ~~following an emergency~~.

Objectives:

- Maintain current documentation of ~~Emergency~~ emergency ~~Response~~response, ~~Business~~ business ~~Continuity~~continuity, risk and resilience assessment, and ~~Disaster~~ disaster ~~Recovery~~ recovery ~~Plans~~plans, including support documents for regional coordination, ~~FERC compliance~~ and mutual assistance.
- Review and exercise emergency communications, critical functions, information technology infrastructure and protocols to support emergency response and recovery goals at all levels of the organization.
- Provide training and exercise ~~test~~ emergency response, and business continuity plans to achieve response and recovery goals.
- Provide timely public and employee communication during emergencies and business interruptions.
- Enhance customer outage notification tools.
- Work collaboratively with local, city, county, state, and regional stakeholders on emergency preparedness, response, and recovery efforts.

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Workforce Planning and Development

"Our mission can only be fulfilled through our high performing employees. We hire, train, and retain the best."

Laura Acosta, Manager of Human Resources

Employees receive hands-on training in treatment plant operations.

Goal: We create an environment that attracts, retains and engages a high performing diverse and inclusive workforce in support of the District's mission and core values.

Strategy 1

~~Maintain~~ Coordinate ~~robust~~ workforce ~~plans~~planning activities to determine future needs, identify gaps and implement actions to close the gaps.

Objectives:

- Preserve intellectual capital (knowledge retention) at all levels of the organization.
- Regularly evaluate advances in technology and associated skills required for improved efficiency.
- Regularly analyze evolving workforce needs and risks to ensure the District's current and future workforce needs are met. ~~right people with the right skills are in the right jobs.~~

Strategy 2

Continue to develop employees to meet evolving workforce demands and implement actions to close gaps.

Objectives:

- Offer career and professional development opportunities and support to expand the skills of District employees to meet emerging industry needs.
- Maximize opportunities to "grow our own" through academies, cross-training, mentoring, and rotation programs.
- Encourage personal accountability for professional development through programs such as tuition reimbursement and internal training.
- Implement organizational practices that promote and value employee contributions, safety, employee-well-being, diversity and inclusion, and encourage learning and networking.
- Engage employees and labor unions in improving the work of the District.

Workforce Planning and Development

Strategy 3

~~Integrate~~ Support District values, recognize employee contributions, and establish clear performance measures to achieve a high performance culture.

Objectives:

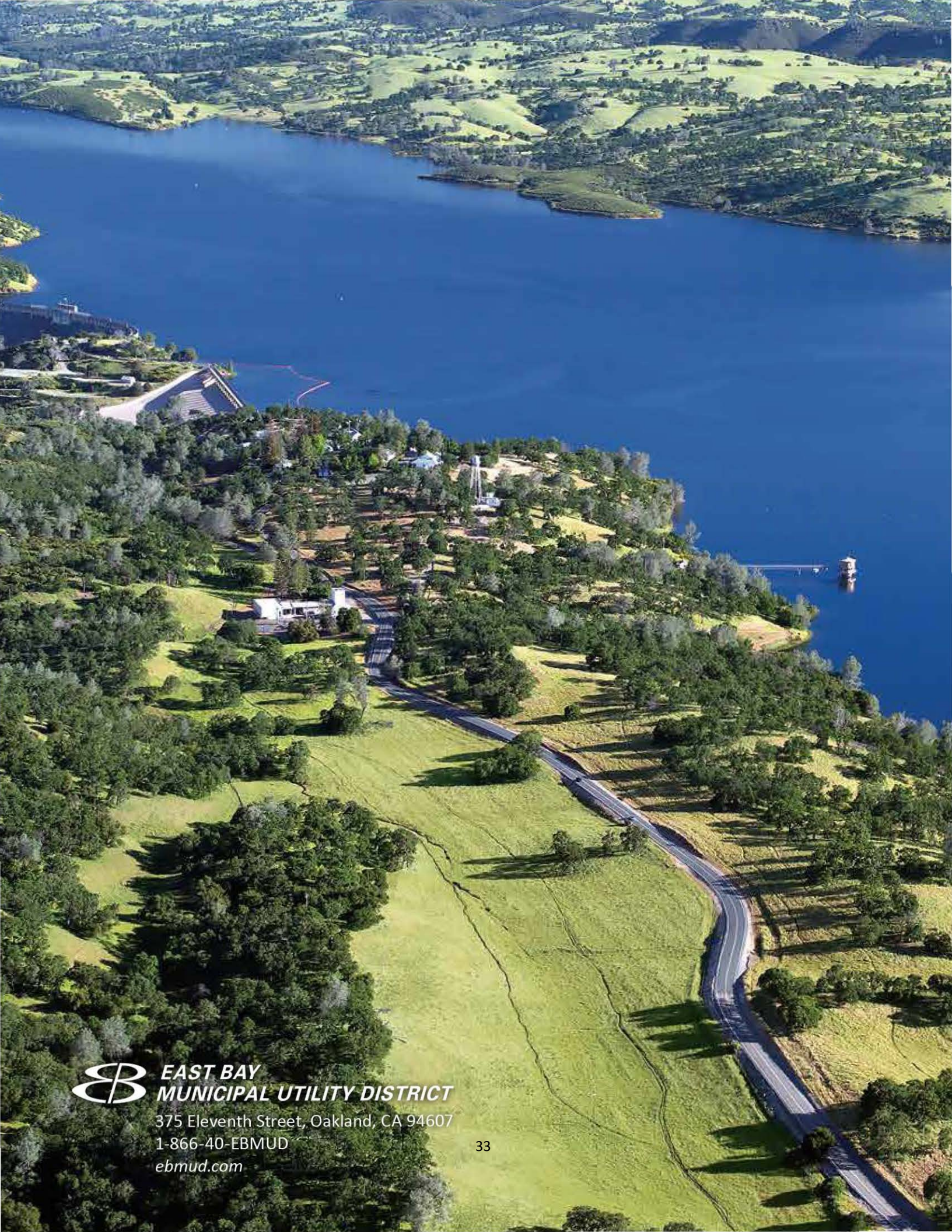
- Engage District employees in values-based continuous improvement efforts with a focus on internal communication, teamwork, performance, and employee recognition.
- Establish and communicate clear performance and behavioral expectations and standards.
- Regularly assess and communicate performance against standards.
- Enhance managers' and supervisors' ability to accurately evaluate and recognize good performance and observable behavior that supports the District values.
- Provide coaching and opportunities for improvement of performance deficiencies.
- Incorporate diversity and inclusion practices to support the District's hiring, promotion, and retention goals.

Strategy 4

Enhance the District's ability to recruit a highly qualified, diverse staff that exhibits the District's values.

Objectives:

- Promote EBMUD's industry reputation as an employer of choice.
- Support our employees as ambassadors in our communities (peer, industry, education) to educate and share knowledge about the District's culture, values, career opportunities and work.
- Target specific employment markets and partner with colleges and regional agencies to attract and hire quality candidates that reflect the diversity of our community.
- Seek opportunities to expand internships/apprenticeships and training programs to introduce career opportunities to our community.

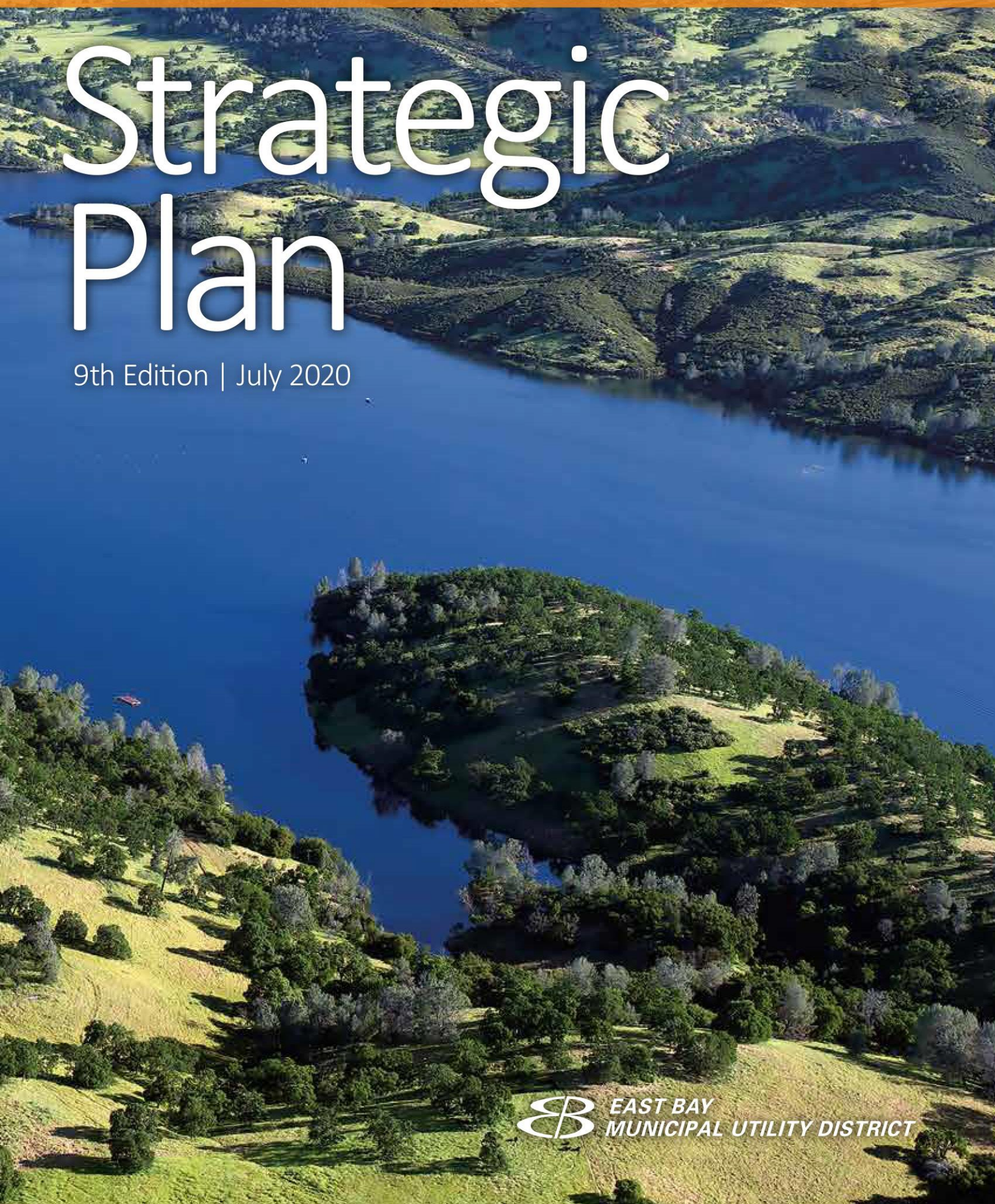


EAST BAY MUNICIPAL UTILITY DISTRICT
375 Eleventh Street, Oakland, CA 94607
1-866-40-EBMUD
ebmud.com

Key Performance Indicators

Strategic Plan

9th Edition | July 2020



EAST BAY MUNICIPAL UTILITY DISTRICT

Photo on cover is the Pardee Reservoir.

Table of Contents

Downtown Oakland

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Overview

Pardee Reservoir

The purpose of the strategic planning process is to define the actions that need to be taken in the next three to five years to achieve the District's mission now and well into the future. The Strategic Plan incorporates the District's mission and principles, and identifies its goals, strategies, objectives and key performance indicators. The Plan ~~influences and~~ guides staff in ~~the management and allocation of resources and assets~~setting priorities and allocating resources.

- Our **Mission** is to manage the natural resources with which the District is entrusted; to provide reliable, high quality water and wastewater services at fair and reasonable rates for the people of the East Bay; and to preserve and protect the environment for future generations.

- Our **Principles** provide the foundation of the Strategic Plan and form the basis of our business practices. ~~approach which strives to minimize waste, conserve energy and natural resources, promote long-term economic viability, protect the environment, operate within high standards to serve our customers and the community, and support safety and well-being for employees, communities, and customers.~~

Recycled Water

- Our **Goals** define in broad terms the high-level achievements the District will pursue; they explain 'what' not 'how', and tell where we are going rather than how we will get there.

- Our **Strategies** define the actions that are necessary to achieve each goal, and may take several years to implement.

- Our **Objectives** reflect what we need to accomplish in the near term.

- Our **Key Performance Indicators** (KPIs) measure how well we are doing in achieving our goals.

This Key Performance Indicators publication focuses solely on the KPIs for Fiscal Years 2021 and 2022. Please see the Strategic Plan document for further details on the Plan including goals, strategies and objectives.

Main Wastewater Treatment Plant

Key Performance Indicators

Key Performance Indicators (KPIs) measure the progress we are making in achieving the Strategic Plan goals. An effective KPI serves as an important measure of progress. KPIs can track efficiency, effectiveness, quality, timeliness, compliance, behaviors, economics, project performance, personnel performance or resource utilization. The KPIs and targets are evaluated and revised as part of the Strategic Plan update process. Performance is reported annually to the Board of Directors. The current set of KPIs is part of the Strategic Plan adopted by the Board of Directors in June 2020.

The following page details all six goals and associated strategies on a single page.

Strategic Plan | Goals and Strategies

East Bay Municipal Utility District | July 2020

Long-Term Water Supply

Goal: **We ensure a reliable high quality water supply for the future.**

Strategy 1 Preserve current water rights and entitlements and augment the District's successful water supply projects by obtaining supplemental supplies to meet customer demands.

Strategy 2 Reduce potable water demand through water efficiency and conservation and build on past water savings success to help ensure a reliable water supply.

Strategy 3 Reduce potable water demand through water recycling and build on past success to achieve a diversified and reliable water supply.

Strategy 4 ~~Maintain a Climate Change Monitoring and Response Plan to inform the District's planning efforts for future water supply, water quality and infrastructure and support sound water and wastewater infrastructure investment decisions.~~ Consider the impacts of climate change and take appropriate action to understand and balance mitigation and adaptation responses to those impacts through sustainable activities.

Water Quality and Environmental Protection

Goal: **We meet or surpass environmental and public health standards and protect public trust values.**

Strategy 1 Manage the Mokelumne and East Bay watersheds to ensure a high quality water supply and protect natural resources while providing appropriate public access.

Strategy 2 Operate and maintain District facilities to surpass federal and state drinking water regulations.

Strategy 3 Operate and maintain District facilities to anticipate and meet all water discharge, air emission, and land disposal requirements to protect and enhance the environment.

Strategy 4 Minimize impacts to the environment by reducing, recycling, reusing and reclaiming waste, and by conserving natural resources.

Strategy 5 Ensure protection and stewardship of San Francisco Bay.

Strategy 6 Operate Pardee and Camanche Reservoirs and facilities ~~jointly~~ as an integrated system to achieve multiple objectives including municipal water supply, stream flow regulation, environmental protection, flood control, hydropower, and releases for downstream requirements.

Long-Term Infrastructure Investment

Goal: **We maintain and improve the District's infrastructure in a cost-effective manner to ensure sustainable delivery of reliable, high quality service now and in the future, addressing economic, environmental, and social concerns.**

Strategy 1 Maintain coordinated master plans for all facilities and assets.

Strategy 2 Meet operational needs and reliability goals by effectively maintaining the infrastructure.

Strategy 3 Implement the master plans and set priorities in the operating and capital budget process to reflect the needs identified in those plans.

Long-Term Financial Stability

Goal: **We manage the District's finances to meet funding needs and maintain fair and reasonable water and wastewater rates.**

Strategy 1 Maintain a ~~L~~long-~~R~~range ~~F~~financing ~~P~~plan that sets forth the long-term funding needs of the District.

Strategy 2 Implement water and wastewater rates and charges that are legal, fair, reasonable, and equitable.

Strategy 3 Ensure integrity, accountability and transparency in financial management.

Strategy 4 Implement technologies that improve the efficiency and effectiveness of business processes.

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Goal: **We build stakeholder trust and long-term relationships through service excellence, proactive communication and education.**

Strategy 1 ~~Educate the~~Build public awareness of ~~on~~ the District's priorities, initiatives, systems and services.

Strategy 2 Continue to build trust by providing quality service, timely information, and resolution of customer and community inquiries.

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Strategy 4 Maintain ~~an~~ active Emergency Preparedness and business continuity Programs to plan for, minimize interruptions, and manage the District's essential functions during an emergency and allow for an efficient and effective recovery ~~following an emergency~~.

Workforce Planning and Development

Goal: **We create an environment that attracts, retains and engages a high performing diverse and inclusive workforce in support of the District's mission and core values.**

Strategy 1 ~~Maintain~~ Coordinate ~~robust~~ workforce ~~plans~~planning activities to determine future needs, identify gaps and implement actions to close the gaps.

Strategy 2 Continue to develop employees to meet evolving workforce demands and implement actions to close gaps.

Strategy 3 ~~Integrate~~ Support District values, recognize employee contributions, and establish clear performance measures to achieve a high performance culture.

Strategy 4 Enhance the District's ability to recruit a highly qualified, diverse staff that exhibits the District's values.

For the complete Strategic Plan, go to
www.ebmud.com/about-us/who-we-are

EBMUD

Long-Term Water Supply

Goal: We ensure a reliable high quality water supply for the future.

Strategy 1: Preserve current water rights and entitlements and augment the District's successful water supply projects by obtaining supplemental supplies to meet customer demands.

Strategy 2: Reduce potable water demand through water efficiency and conservation and build on past water savings success to help ensure a reliable water supply.

Strategy 3: Reduce potable water demand through water recycling and build on past success to achieve a diversified and reliable water supply.

Strategy 4: ~~Maintain a Climate Change Monitoring and Response Plan to inform the District's planning efforts for future water supply, water quality and infrastructure and support sound water and wastewater infrastructure investment decisions.~~Consider the impacts of climate change and take appropriate action to understand and balance mitigation and adaptation responses to those impacts through sustainable activities.

The Freeport Regional Water Project is a supplemental water supply source during dry years.

Long-Term Water Supply

Key Performance Indicator	FY21 Target	FY22 Target
Strategy 1: Supplemental Supply		
Additional supply by 2040 to provide 85% reliability under design drought conditions and diversify through regional partnerships	~~Work with Placer County Water Agency (PCWA) to publish a draft environmental document for a long-term water transfer~~ Negotiate a Warren Act contract with the Bureau of Reclamation for a long-term water transfer with Placer County Water Agency	~~Negotiate a Warren Act contract with the Bureau of Reclamation for a long-term water transfer with PCWA~~ Work with Placer County Water Agency to publish a draft environmental document for a long-term water transfer
	~~Enter into an agreement to develop~~Complete technical and environmental studies to support a ~~second~~ long-term water transfer project with Yuba ~~County~~ Water Agency (Y~~C~~WA), ~~Sacramento River Settlement contractors (SRSC), or other potential sellers~~or another transfer partner	~~Conduct technical and environmental studies to support a second~~Develop an agreement for a long-term water transfer ~~arrangement~~ with Y~~C~~WA or another transfer partner
	~~Complete construction and initiate operation for the~~Construct DREAM project facilities in San Joaquin County and initiate operation	~~Continue operation of~~Operate the DREAM Project in San Joaquin County
	~~Begin development of~~Continue working with Bay Area Regional Reliability (BARR) ~~Regional Water Market Program~~partners to develop the Shared Water Access Program (SWAP)	~~Continue development of BARR Regional Water Market Program~~Complete the BARR SWAP study and pilot test.
	~~Develop Regional 'Drought Monitor' for Bay Area~~	~~N/A~~
	~~Work with Contra Costa Water District to complete Final SEIS-SEIR for Los Vaqueros Reservoir Expansion Project and~~Evaluate project yield, costs, governance, and other factors to determine degree of participation in the Los Vaqueros Expansion	~~N/A~~

Long-Term Water Supply

Key Performance Indicator	FY21 Target	FY22 Target
Strategy 1: Supplemental Supply (continued)		
	~~N/A~~Complete the 2020 Urban Water Management Plan	~~Conduct need-for-water analysis with new demand study results~~
	~~Initiate~~ Continue development of Groundwater Sustainability plan for East Bay Plain	~~N/A~~Finalize the Groundwater Sustainability Plan for the East Bay Plain Basin and submit to the Department of Water Resources for review.
Strategy 2: Water Conservation		
~~62~~ 70 MGD savings from conservation programs / natural replacement by ~~2040~~ 2050 (baseline yr. 1995)	~~1.2~~Lock in a minimum of 48.4 MGD ~~average annual~~ of water conservation savings	~~1.2~~Lock in a minimum of 49.2 MGD ~~average annual~~of water conservation savings
Meet state long-term framework target by achieving established residential indoor per capita water use	~~18% reduction in per capita demand by 2018~~ 55 gpcd	~~19% reduction in per capita demand by 2019~~55 gpcd
	~~Implement~~ Update Water Conservation Master Plan	Implement Water Conservation Master Plan
Strategy 3: Water Recycling		
20 MGD of recycled water capability by 2040	~~Complete Recycled Water Master Plan update~~Construct the DERWA groundwater supplemental supply pilot project	~~Begin implementation of the updated Recycled Water Master Plan~~Operate the DERWA groundwater supplemental supply pilot project
	~~Complete DERWA treatment expansion project~~Construct the DERWA/Central San summer flow diversion project	~~Implement near-term DERWA supplemental supply options~~ Operate the DERWA/Central San summer flow diversion project
	~~Complete supply and sales agreements for the North Richmond project~~Implement the East Bayshore water quality improvement pilot project	~~Implementation of the East Bayshore water quality and treatment improvements if appropriate~~ Operate the East Bayshore water quality improvement pilot project

Long-Term Water Supply

Key Performance Indicator	FY21 Target	FY22 Target
Strategy 4: Climate Change		
Update the Climate Change Monitoring and Response Plan. Explore approaches for how to adapt to potential future conditions and identify "no regrets" infrastructure investment decisions	Update the Climate Change Monitoring & Response Plan to account for new information ~~when the Intergovernmental Panel releases its Sixth Assessment Reports~~	~~Using EPA's CREAT Model Version 3, conduct a broad climate risk assessment on major District infrastructure and operations~~Develop planning and design standards that incorporate climate change adaptation and mitigation principles
	Complete annual greenhouse gas emission inventory	Complete annual greenhouse gas emission inventory
Continue District leadership in climate change by participating in climate change studies, workshops or education events	~~Add to the Climate Change Monitoring and Response Plan an appendix that provides standards to use in Planning studies~~ 3	~~Complete Wastewater climate change evaluation~~ 3

Water Quality and Environmental Protection

Goal: We meet or surpass environmental and public health standards and protect public trust values.

Strategy 1: Manage the Mokelumne and East Bay watersheds to ensure a high quality water supply and protect natural resources while providing appropriate public access.

Strategy 2: Operate and maintain District facilities to surpass federal and state drinking water regulations.

Strategy 3: Operate and maintain District facilities to anticipate and meet all water discharge, air emission, and land disposal requirements to protect and enhance the environment.

Strategy 4: Minimize impacts to the environment by reducing, recycling, reusing and reclaiming waste, and by conserving natural resources.

Strategy 5: Ensure protection and stewardship of San Francisco Bay.

Strategy 6: Operate Pardee and Camanche Reservoirs and facilities ~~jointly~~ as an integrated system to achieve multiple objectives including municipal water supply, stream flow regulation, environmental protection, flood control, hydropower, and releases for downstream requirements.

Water travels from the Mokelumne River Watershed into Pardee Reservoir.

Water Quality and Environmental Protection

Key Performance Indicator	FY21 Target	FY22 Target
Strategy 1: Watershed Protection and Management		
Mokelumne River fall-run ~~chinook~~Chinook salmon ~~escapement~~returns (long-term average)	4,734	4,734
Strategy 2: ~~Compliance with Drinking Water Regulations~~Drinking Water Regulations Compliance		
~~% of water quality goals met~~% of water quality regulations met	100%	100%
~~% of water quality regulations met~~% of water quality goals met	100%	100%
Strategy 3: ~~Compliance with Wastewater Regulations~~Environmental Regulations Compliance		
Number of NPDES and Waste Discharge Permit Notices of violation received	0	0
Strategy 4: ~~Sustainable Resource Management~~Reduce, Recycle, Reuse, Reclaim		
Reduce indirect GHG emissions to zero by 2040 and reduce direct emissions by 50% by 2040 compared to the 2000 baseline	≤ ~~34,837~~ 30,816 MT CO2	≤ ~~33,497~~ 29,476 MT CO2
Capture biogas ~~sufficient to produce on-site energy in excess of Main Wastewater Treatment Plant electric power demand~~sufficient to produce on-site energy to meet electric power demands of the Main Wastewater Treatment Plant and evaluate the best uses of excess biogas	~~130%~~ 100% of plant power demand	~~130%~~ 100% of plant power demand
Pursue large-scale photovoltaic project at the Duffel property located in Orinda	Complete permitting and design	Begin construction
Strategy 5: ~~Protect SF Bay~~San Francisco Bay Protection		
Implement Private Sewer Lateral Program to reduce wet weather flows and achieve a high compliance rate at point of sales	90%	90%
Strategy 6: Operate Pardee and Camanche Reservoirs and Facilities		
Meet JSA Mokelumne River minimum flow releases 100% of the time	100%	100%
Review operations with lower Mokelumne stakeholders every two years	Conduct stakeholder meeting	N/A

Long-Term Infrastructure Investment

Goal: We maintain and improve the District's infrastructure in a cost-effective manner to ensure sustainable delivery of reliable, high quality service now and in the future, addressing economic, environmental, and social concerns.

Strategy 1: Maintain coordinated master plans for all facilities and assets.

Strategy 2: Meet operational needs and reliability goals by effectively maintaining the infrastructure.

Strategy 3: Implement the master plans and set priorities in the operating and capital budget process to reflect the needs identified in those plans.

EBMUD work crew installing pipeline in the community.

Long-Term Infrastructure Investment

Key Performance Indicator	FY21 Target	FY22 Target
Strategy 1: Master Plans		
Complete the Wastewater Treatment Plant Master Plan	Complete draft plan	Complete final plan
Strategy 2: Effective ~~Management of Infrastructure~~ Infrastructure Maintenance		
Number of water system pipeline breaks per 100 miles of pipe	≤ 20	≤ 20
% of water system corrective work order hours classified high priority	≤ 10%	≤ 10%
Miles of pipe surveyed for leaks	~~600~~ ≥ 800	≥ 800
% of water system valves exercised	≥ 10%	≥ 10%
~~Infrastructure Leakage Index *(ILI)~~	~~< 2.5~~	~~< 2.5~~
% of high priority meter repair orders completed in 60 days	≥ 90%	≥ 90%
Strategy 3: Capital Budget Priorities		
Miles of distribution pipe replaced	~~15~~≥ 20	~~17.5**~~≥ 20
~~Design errors and omission~~District directed non-discretionary change orders on construction contracts	~~< 3%~~≤ 5%	~~< 3%~~≤ 4%
Number of concrete ~~wastewater treatment tanks and sewer interceptor reaches~~digesters and concrete aerated grit tanks rehabilitated	2	2
Implement the Orinda Water Treatment Plant Disinfection Improvements (UV/CCB)	Complete design	Begin construction
Cumulative annual average ~~N~~number of steel water tanks rehabilitated	~~3~~2	~~3~~2
Cumulative annual average ~~N~~number of pumping plants rehabilitated	~~3~~2	~~3~~2

Long-Term Financial Stability

Goal: We manage the District's finances to meet funding needs and maintain fair and reasonable water and wastewater rates.

Strategy 1: Maintain a ~~L~~long-~~R~~range ~~F~~financing ~~P~~plan that sets forth the long-term funding needs of the District.

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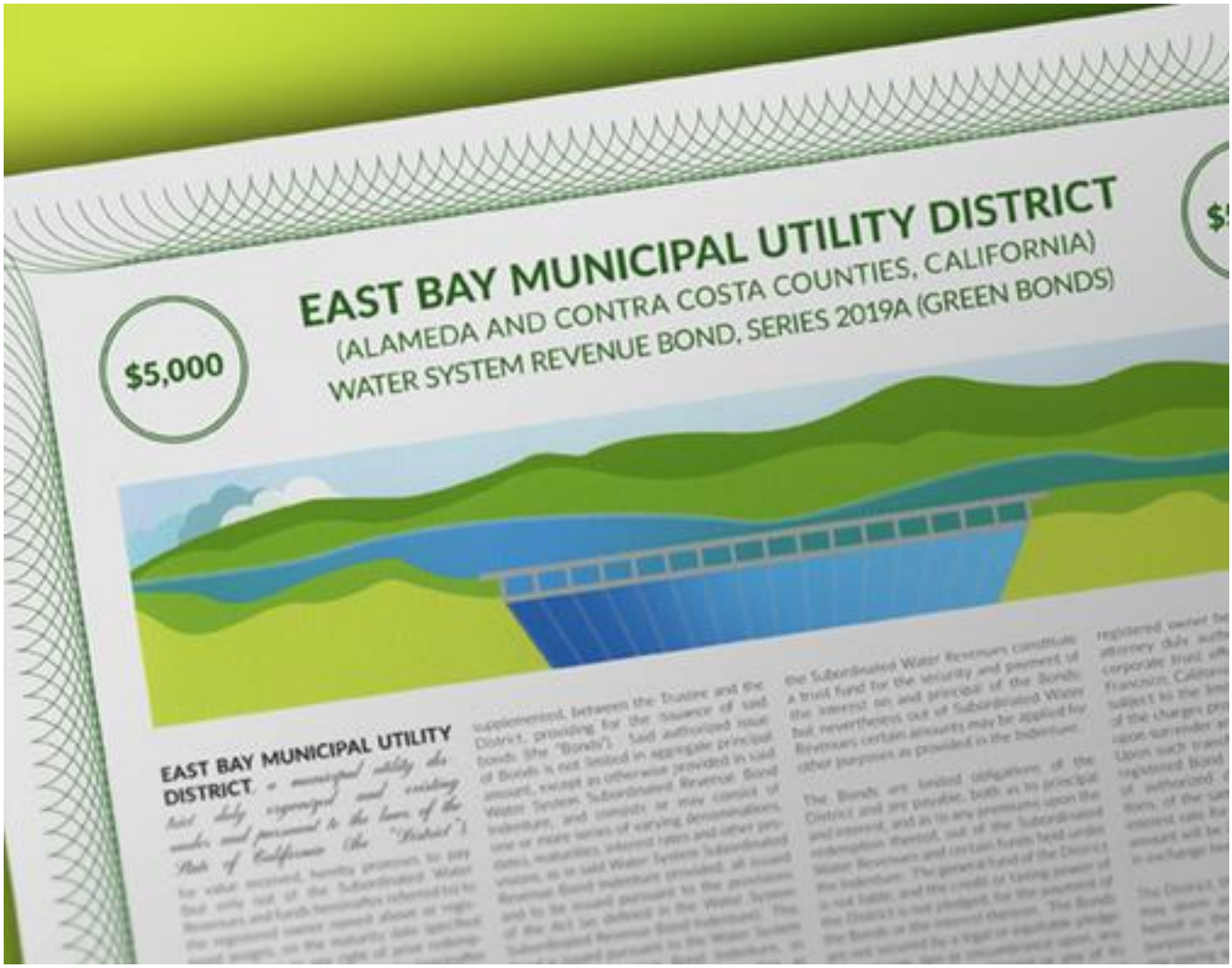
Strategy 3: Ensure integrity, accountability and transparency in financial management.

Strategy 4: Implement technologies that improve the efficiency and effectiveness of business processes.



Green bonds finance infrastructure projects that promote environmental sustainability.

Long-Term Financial Stability

Key Performance Indicator	FY21 Target	FY22 Target
Strategy 1: ~~Financial Position~~Long-Range Financing Plan		
% of capital program funded from debt	≤ 65%	≤ 65%
Debt service coverage	≥ 1.6 times coverage	≥ 1.6 times coverage
Actual reserves as % of target	≥ 100%	≥ 100%
Strategy 2: ~~Sufficient Revenue/Fair Rates & Charges~~Rates and Charges		
Water ~~R~~rates as compared to other Bay Area Agencies	At or below median	At or below median
Wastewater treatment charge as a share of the total bill when compared to other Bay Area agencies	At or below median %	At or below median %
Strategy 3: Integrity, Accountability and Transparency		
% of planned audits completed	100%	100%
% of audit findings resolved within 90 days	100%	100%
Operating expenditures as a percentage of operating budget	≤ 100%	≤ 100%
Capital expenditures as a percentage of capital budgeted cash flow	Between 90% and 110% of a two year rolling average	Between 90% and 110% of a two year rolling average
Strategy 4: Technology		
Cyber Security Operational Readiness		
Planned patch cycles met	> 90%	> 90%
~~Security controls reviews~~	~~Annually~~	~~Annually~~
~~Database security reviews~~	~~Annually~~	~~Annually~~
Business recovery exercises	2 per year	2 per year
Security awareness events	4 per year	4 per year
Biennial IT security controls assessment ~~biennially~~	~~Complete independent assessment audit~~N/A	~~N/A~~Assessment completed

Customer and Community Services

Goal: We build stakeholder trust and long-term relationships through service excellence, proactive communication and education.

Strategy 1: ~~Educate the~~ Build public awareness of ~~on~~ the District's priorities, initiatives, systems and services.

Strategy 2: Continue to build trust by providing quality service, timely information, and resolution of customer and community inquiries.

Strategy 3: Build long-term partnerships in the community, regionally and nationally, in areas of shared interest and in support of the District's mission.

Strategy 4: Maintain ~~an~~ active Emergency Preparedness and business continuity Programs to plan for, minimize interruptions, and manage the District's essential functions during an emergency and allow for an efficient and effective recovery ~~following an emergency~~.

A Field Services Representative performing an inspection of a water meter with a customer.

Customer and Community Services

Key Performance Indicator	FY21 Target	FY22 Target
Strategy 1: Communications		
~~Unify K-12 school education schools program~~Consolidate District education resources	Complete	Review
~~Conduct outreach campaign~~ Conduct media/advertising campaigns	3	3
~~Conduct District-wide biennial customer outreach survey~~ Conduct customer opinion research	Complete	N/A
Publish external digital/print publications	8	8
Participate in community engagement events	100	100
Strategy 2: Customer Satisfaction		
% of customers rating the District's services as "Good" or "Excellent": Field Services ~~Contact Center~~ New Business Water Quality Recreation	≥ 90%	≥ 90%
% of customers rating "Overall Job" as "Good" or "Excellent" from the customer opinion survey	~~75%~~ N/A	~~N/A~~Establish baseline
~~Average speed of answer to calls coming into the Contact Center~~	~~≤ 60 seconds~~	~~≤ 60 seconds~~
~~Contact Center service level: % of calls answered within the target of ≤60 seconds~~	~~80%~~	~~80%~~
~~Abandonment rate~~	~~3%~~	~~3%~~
Contact Center service level		
Average speed of answer to calls coming into the Contact Center	≤ 60 seconds	≤ 60 seconds
% of calls answered within the target of ≤60 seconds	≥ 80%	≥ 80%
% of customers rating Call Center as "Good" or "Excellent" base on first call resolution, staff knowledge, promptness, courtesy, and overall quality	≥ 80%	≥ 80%
Abandonment rate	≤ 3%	≤ 3%
Timely billing of customer statements as scheduled	≥ 99%	≥ 99%
Notify customers ~~in writing or via automated contact 48 hours~~ in advance of shut-off for non-payment~~;~~ and provide information on options to avoid service interruption for non-payment of bills ~~CAP and payment plans to avoid shut-off~~per District Regulations – Section 15	~~≥ 99%~~100%	~~≥ 99%~~100%
% of time customer dependent systems are available	≥ 99.9%	≥ 99.9%

Customer and Community Services

Key Performance Indicator	FY21 Target	FY22 Target
Strategy 2: Customer Satisfaction (continued)		
Unplanned water service interruptions per 1,000 active accounts		
< 4 hrs.	≤ 10	≤ 10
4-12 hrs.	≤ 5	≤ 5
> 12 hrs.	≤ 2	≤ 2
Odor complaints near the MWWTP	≤ 30 complaints	≤ 30 complaints
Strategy 3: Partnerships and Programs		
Reduce shut-offs for CAP participants by 10% over two years while increasing CAP enrollment	Performance Measure Only	Performance Measure Only
Review shut-off guidelines and customer assistance programs	~~Annually~~ Complete annual review	~~Annually~~ Complete annual review
Strategy 4: Emergency Preparedness		
Update the District's Emergency Operation Plan every five~~two~~ years ~~and conduct an EOT exercise annually~~	~~100%~~ Complete update	~~100%~~ N/A
Conduct the District's Emergency Operations Team exercise annually	~~100%~~ Complete annual exercise	~~100%~~ Complete annual exercise
Update all Business Continuity plans every two years ~~and conduct an exercise for each annually~~	~~100%~~ Complete updates	~~100%~~ N/A
Conduct Business Continuity exercises annually	100%	100%
~~Review specific emergency communication plans~~	~~Annually~~	~~Annually~~
Update the District's Risk and Resilience assessment every five years	~~100%~~ Complete update	~~100%~~ N/A

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Workforce Planning and Development

Goal: We create an environment that attracts, retains and engages a high performing diverse and inclusive workforce in support of the District's mission and core values.

Strategy 1: ~~Maintain~~ Coordinate ~~robust~~ workforce ~~plans~~ planning activities to determine future needs, identify gaps and implement actions to close the gaps.

Strategy 2: Continue to develop employees to meet evolving workforce demands and implement actions to close gaps.

Strategy 3: ~~Integrate~~ Support District values, recognize employee contributions, and establish clear performance measures to achieve a high performance culture.

Strategy 4: Enhance the District's ability to recruit a highly qualified, diverse staff that exhibits the District's values.

Employees receive hands-on training in treatment plant operations.

Workforce Planning and Development

Key Performance Indicator	FY21 Target	FY22 Target
Strategy 1: Workforce Plans		
Number of injury & illness incidents resulting in time away from work per 100 employees	≤ 3.0	≤ 3.0
Injury and Illness Investigations (PE-020 forms) completed within 10 working days	>99%	>99%
Diversity & Inclusion Master Plan	Complete draft	Finalize and implement
Annually implement outreach campaigns on ~~wellness~~ wellbeing ~~("Well-Being")~~ themes	4	4
Strategy 2: Employee Development		
~~% of competing Leadership Program graduates who place on applicable promotional lists~~	~~75%~~	~~75%~~
Annual average training hours per employee	30	30
Number of employees in development programs (academies, rotations, internships, mentorships)	Performance Measure Only	Performance Measure Only
Strategy 3: ~~Performance Culture~~District Values		
% of performance plans completed on time	> 99%	> 99%
% of performance appraisals completed on time	> 99%	> 99%
Strategy 4: Recruitment		
% of exams resulting in hiring lists within 60 days or less	80%	80%
% of minorities and % of women on District eligibility lists (including both employees and external applicants)	Performance Measure Only	Performance Measure Only
Number of Interns~~hips~~	Performance Measure Only	Performance Measure Only
% of minority and % of female interns	Performance Measure Only	Performance Measure Only

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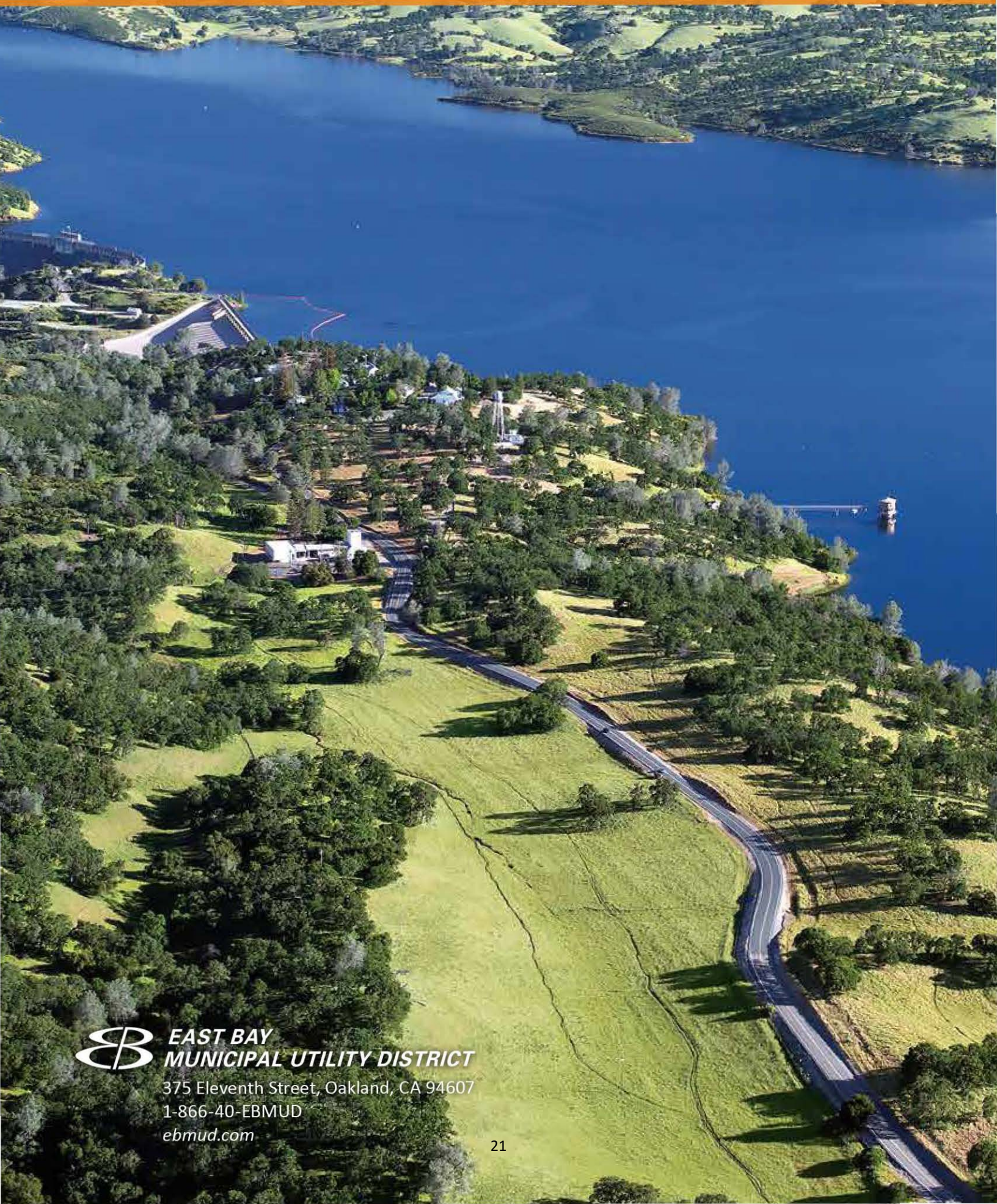

EAST BAY MUNICIPAL UTILITY DISTRICT
375 Eleventh Street, Oakland, CA 94607
1-866-40-EBMUD
ebmud.com

EAST BAY MUNICIPAL UTILITY DISTRICT

DATE: May 21, 2020

MEMO TO: Board of Directors

THROUGH: Alexander R. Coate, General Manager ARC

FROM: Sophia D. Skoda, Director of Finance SDS

SUBJECT: Fiscal Years (FY) 2020 and 2021 Mid-Cycle Budget Update

SUMMARY

On June 11, 2019 the Board adopted the biennial budget for FY20 and FY21. In May of the first fiscal year following adoption, a mid-cycle budget update is presented to the Board including year-end projections for both fiscal years. Action at the mid-cycle is required to affirm the second year of the adopted biennial budget.

A summary of the adopted FY21 total appropriations, rate increases and staffing changes is shown in the table below.

FY21 Adopted Budget

	Water	Wastewater
Total Appropriations ($ Millions)	$885.4	$150.2
Rate Increase	6.25%	4.0%
Staffing Change (FTE)	(2)	–

The second half of FY20 has been influenced by impacts from the COVID-19 pandemic and shelter-in-place orders. While these impacts are seen in a reduction in revenues and increased expenses in response to the pandemic, the Water and Wastewater Systems are projected to end FY20 with positive net revenue. If projections hold true, the projected budgetary impacts from the pandemic will hit hardest in FY21 when net revenues are projected to be negative for each system. The attached report contains analyses for each system based on two possible FY21 scenarios.

Staff is not recommending changes to the adopted appropriations and rate increases for FY21. Instead, staff is recommending an adaptive management approach and the use of any positive net revenue from FY20, in addition to rate stabilization funds, to help mitigate potential deficits for FY21. Some limited delay of implementation in the rate increase can be accommodated through this approach. This information, including details on the fiscal

impact from COVID-19, will be discussed more fully during the May 26, 2020 Long-Term Financial Stability, Strategic Plan Update and Mid-Cycle Budget Workshop.

DISCUSSION

The year-end projections for each fiscal year are shown in the table below.

Revenue & Expense Change to Net Revenue ($ Millions)

	FY20		FY21			
			Water		Wastewater	
	Water	Wastewater	Scenario A	Scenario B	Scenario A	Scenario B
Total Revenues	11.0	0.8	(45.3)	(79.4)	(8.5)	(13.7)
Total Expenses	(29.0)	(5.4)	(37.2)	(13.1)	(5.7)	(5.0)
Δ to Net Revenue	**40.0**	**6.2**	**(8.1)**	**(66.3)**	**(2.8)**	**(8.7)**

FY20 Projections

In FY20, Water System net revenue is projected to be approximately $40.0 million, primarily due to higher-than-budgeted System Capacity Charges (SCC) revenue, which is offset by a one percent reduction in Water Charges due to decreased consumption. Operating expenses are anticipated to be approximately five percent less than budget despite increased costs due to the pandemic.

Wastewater System net revenue is projected to be approximately $6.2 million, primarily due to higher-than-budgeted revenues for Resource Recovery and Wastewater Capacity Charges (WCF), which are offset by a two percent reduction in Treatment Charges/Permit Fees and All Other revenue. Operating expenses are anticipated to be approximately five percent less than budget despite increased costs due to the pandemic.

FY21 Projections

Two scenarios were analyzed for each system based on varying assumptions for revenue and expense. Scenario A details a smaller negative impact compared to Scenario B, which is more severe. The impacts fall within the range of those noted in American Water Works Association/Association of Metropolitan Water Agencies' April 2020 report "The Financial Impact of the COVID-19 Crisis on U.S. Drinking Water Utilities."

In FY21, Water System net revenue is projected to be negative under both scenarios, ranging from approximately ($8.1) million to ($66.3) million. Both Scenarios A and B maintain the 6.25 percent adopted rate increase effective July 1. Scenario A assumes revenue reductions primarily in Water Charges, a loss of SCC and Interest Income. Scenario B assumes a larger revenue reduction primarily in Water Charges and SCC, and higher expenses are projected due to the continuing impacts of the pandemic.

Wastewater System net revenue is also projected to be negative under both scenarios, ranging from approximately ($2.8) million to ($8.7) million. Both Scenarios A and B maintain the four percent adopted rate increase effective July 1. Scenario A assumes revenue reductions primarily in Treatment Charges/Permit and a loss of WCF and Interest Income. Scenario B assumes a larger revenue reduction, primarily in Treatment Charges/Permit, WCF, Interest Income, and Wet Weather, and higher expenses are projected due to the continuing impacts of the pandemic.

Year-end Strategies

The use of any positive net revenue in FY20 could be used in addition to rate stabilization funds to mitigate potential deficits in FY21 for the Water and Wastewater Systems. In FY21, adaptive management strategies would be utilized depending upon the severity of the fiscal impacts.

Water Supply

The annual Water Supply Availability and Deficiency Report evaluates the adequacy of the water stored in District reservoirs as of September 30. The 2020 report projects total system storage to be 610 thousand acre-feet (TAF) which is deemed sufficient to meet customer needs.

COVID-19 Pandemic

On March 17, 2020, the District declared an emergency to ensure its ability to respond rapidly to the changing circumstances related to COVID-19. While much is still evolving at the time of this report, the impacts most likely will be greater in FY21. Impacts associated with this emergency may include lower water demand and revenue; increased delinquencies and the need for customer assistance; decreased development and capacity charge revenue; and the deferral/suspension of capital projects. Staff will monitor revenues and expenses closely and work with the Board to consider effective adaptive management budget strategies as we prepare for the FY22 and FY23 budget cycle.

ARC:SDS:JMC

Attachment

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EAST BAY
MUNICIPAL UTILITY DISTRICT

Mid-Cycle Budget Update

Fiscal Years 2020 & 2021




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Note: Totals for the tables throughout this report may not sum due to rounding.

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FY20 & FY21 MID-CYCLE BUDGET UPDATE
EXECUTIVE SUMMARY

The Board of Directors adopts a biennial budget that includes operating and capital appropriations, rates and charges and staffing changes for two fiscal years. A mid-cycle update occurs in May of the first fiscal year when the Board affirms the second year of the budget. Year-end revenue and expense projections and any emerging financial or staffing issues are presented to the Board as outlined in this report. The District, similar to the rest of the world, is in uncharted waters as it wrestles with the uncertainty and evolving impacts of the COVID-19 pandemic. This report includes projections that consider potential pandemic fiscal impacts.

Overview

On June 11, 2019 the Board adopted the Fiscal Years 2020 (FY20) & 2021 (FY21) biennial budget for the Water and Wastewater Systems. The FY21 budget appropriations are shown in the following table.

FY21 APPROPRIATIONS ($ Millions)

	Water	Wastewater	Total
Operations	315.4	78.6	393.9
Debt Service	217.7	29.8	247.5
Capital	352.3	41.8	394.1
Total	**885.4**	**150.2**	**1,035.6**

The budget focuses on the Strategic Plan priorities of investing in the rehabilitation and maintenance of aging infrastructure and long-term financial stability. In support of infrastructure investments, upgrades to water treatment plants and supply reservoirs are helping to improve water quality by lowering disinfection byproducts. Progress continues to be made in the Pipeline Rebuild program which replaces distribution pipelines and large diameter transmission pipelines as the system is nearly 100 years old. Lead testing for K-12 schools is complete, and the lead voucher program and service line inventory are underway. Wastewater treatment plant infrastructure improvements are underway to ensure the strong record of regulatory compliance continues. In support of long-term financial stability, $24.0 million of the outstanding variable rate commercial debt for the Water System, and $5.0 million for the Wastewater System was paid down using Fiscal Year 2019 available year-end funds to reduce future debt payments.

COVID-19 Pandemic

On March 17, 2020, the District declared an emergency to ensure its ability to respond rapidly to the changing circumstances related to COVID-19. While much is still evolving at the time of this report, the year-end projections include assumptions of the associated impacts from this emergency which will be greater in FY21 than FY20. The projected impacts include:

- Lower water demand
- Increased delinquencies
- Increased need for customer assistance
- Decreased development
- Lower interest rates on investments
- Deferral/partial suspension of capital projects

Budget Performance

Projections for FY20 show both systems ending the fiscal year with positive net revenue. Due to the continuously changing data resulting from COVID-19, two scenarios were analyzed for FY21 to evaluate the potential fiscal impacts.

Water System Operating

Fiscal Year 2020
In FY20, Water System net revenue is projected to be approximately $40.0 million primarily from System Capacity Charges (SCC) revenue above budget combined with expense savings in operations and debt service.

Water System FY20 Year-end Projection ($ Millions)

	Amended Budget	**Year-end Projection**	**Over/(Under) Budget**
Revenues	663.2	674.3	11.0
Operating Expenses	531.4	502.4	(29.0)
Δ to Net Revenue	**-**	**-**	**40.0**

Fiscal Year 2021
The fiscal impacts associated with COVID-19 are contingent upon multiple variables. The resulting pandemic conditions have different budgetary implications for FY21. This report includes an analysis that assesses two scenarios ranging from a return to normal conditions with less severe impacts to a scenario with more severe impacts.

In FY21, Water System net revenue is projected to be negative under both scenarios primarily from declining Water Charges and SCC revenues ranging from approximately ($8.1) million in Scenario A to ($66.3) million in Scenario B.

Water System FY21 Year-end Projections ($ Millions)

		Scenario A		**Scenario B**	
	Adopted Budget	**Year-end Projection**	**Over/(Under) Budget**	**Year-end Projection**	**Over/(Under) Budget**
Revenues	703.9	658.6	(45.3)	624.5	(79.4)
Operating Expenses	533.1	495.9	(37.2)	520.0	(13.1)
Δ to Net Revenue	**-**	**-**	**(8.1)**	**-**	**(66.3)**

The scenarios shown above are based on the adopted 6.25 percent rate increase effective on July 1, 2020 in addition to the following assumptions:

Scenario A
- Decrease in water sales: 2% in residential and 30% in commercial/institutional
- 37.5% loss of budgeted SCC revenue
- Normal operations, and no field staff rotation necessary

Scenario B

- Decrease in water sales: 5% in residential and 50% in commercial/institutional
- 62.5% loss of budgeted SCC revenue
- 12th Pipeline Rebuild crew deferred until FY22
- Backfill only for operational necessity, and six months of a field staff rotation

The fiscal impacts resulting from COVID-19 are still evolving. Staff will closely monitor the fiscal impacts and update the Board of adaptive management budget strategies taken such as a drawdown of rate stabilization funds.

Water System Capital

FY20 planned cash flow spending totals $337.7 million, and spending is projected to be $276.0 million, or 82 percent, due to reduced spending on replacing service laterals, rehabilitating large-diameter pipelines, delays in pressure zone improvement projects, and the deferral of non-essential work during the fourth quarter due to the COVID-19 pandemic.

In FY20, the major Water System capital projects include:

- Upgrades to water treatment plants
- Replacement of deteriorated pipelines
- Installing new services
- Rehabilitation of pumping plants
- Rehabilitation and maintenance of supply reservoirs

In FY21, cash flow spending is expected to be close to the plan unless revenues are significantly less than budget. In that case, capital projects will be reviewed and spending will be less than planned as work is suspended and deferred.

Wastewater System Operating

Fiscal Year 2020
In FY20, Wastewater System net revenue is projected to be approximately $6.2 million, primarily from higher Wastewater Capacity Charges (WCF) revenue and operations expense savings.

Wastewater System FY20 Year-end Projection ($ Millions)

	Amended Budget	**Year-end Projection**	**Over/(Under) Budget**
Revenues	140.2	141.0	0.8
Operating Expenses	110.3	104.9	(5.4)
∆ to Net Revenue	**-**	**-**	**6.2**

Fiscal Year 2021
The fiscal impacts associated with COVID-19 are contingent upon multiple variables for the Wastewater System. The resulting pandemic conditions have different budgetary implications for FY21. This report includes an analysis that assesses two scenarios ranging from a return to normal conditions with less severe impacts to stronger impacts.

Similar to the FY21 Water System analysis, Wastewater System net revenue is projected to be negative under both scenarios primarily from declining Treatment Charges/Permit Fees and Wastewater Capacity Charges (WCF) revenue ranging from approximately ($2.8) million in Scenario A to ($8.7) million in Scenario B.

Wastewater System FY21 Year-end Projections ($ Millions)

		Scenario A		Scenario B	
	Adopted Budget	**Year-end Projection**	**Over/(Under) Budget**	**Year-end Projection**	**Over/(Under) Budget**
Revenues	144.4	135.9	(8.5)	130.7	(13.7)
Operating Expenses	108.4	102.7	(5.7)	103.4	(5.0)
∆ to Net Revenue	**-**	**-**	**(2.8)**	**-**	**(8.7)**

The scenarios shown above are based on the adopted 4 percent rate increase effective on July 1, 2020 in addition to the following assumptions:

Scenario A
- Decrease in treatment charges: 2% in residential and 30% in commercial/institutional
- 37.5% loss of budgeted WCF revenue
- Normal operations, and no staff rotation

Scenario B
- Decrease in treatment charges: 5% in residential and 50% in commercial/institutional
- 3.5% decrease in Wet Weather revenue
- 62.5% loss of budgeted WCF revenue
- Backfill only for operational necessity, and six months staff rotation

The fiscal impacts resulting from COVID-19 are still evolving. Staff will closely monitor the fiscal impacts and update the Board of adaptive management budget strategies taken.

Wastewater System Capital

FY20 planned cash flow spending totals $48.5 million, and spending is projected to be $41.0 million or 85 percent of the plan primarily due to delays in rehabilitating infrastructure at the wastewater treatment plant, rehabilitating the 3rd Street Sewer Interceptor, and making improvements to the Power Generation Station.

In FY20, the major Wastewater System capital projects include:

- Rehabilitation of the wastewater treatment plant infrastructure and equipment
- Rehabilitation of sewer interceptors and pump stations

In FY21, cash flow spending is expected to be close to the plan unless revenues are significantly less than budget. In that case, capital projects will be reviewed and spending will be less than planned as work is suspended and deferred.

Staffing

The adopted FY21 budget authorized the deletion of two Limited–Term Full-time Equivalents (FTEs) in the Water System, and did not authorize any staffing changes for the Wastewater System. No additional staffing changes are recommended.

Rates

No change is recommended to the adopted FY21 rate increase of 6.25 percent for the Water System and 4.0 percent for the Wastewater System in order to provide customers with the high level of service, water quality and system reliability as outlined in the adopted budget.

Water Supply

The April Water Supply Availability and Deficiency Report projects that at the end of September 2020 total system storage will be 610 thousand acre-feet, which is deemed to be sufficient to meet customer demands and all required downstream obligations.

WATER SYSTEM

FISCAL YEAR 2020

In FY20, Water System net revenue is projected to be approximately $40.0 million primarily from System Capacity Charges (SCC) revenue above budget combined with expense savings in operations and debt service.

Water System FY20 Year-end Projection ($ Millions)

	Amended Budget	Year-end Projection	Over/(Under) Budget
Consumption (MGD)	141.0	139.7	(1.3)
Operating Revenues			
Water Charges	543.5	539.7	(3.8)
Property Taxes	35.0	35.0	0.0
Power Sales	5.0	6.1	1.1
Interest Income	9.3	12.0	2.7
SCC Revenues	40.0	51.0	11.0
Reimbursements	12.2	12.3	0.1
All Other Revenue	18.2	18.2	0.0
TOTAL	**663.2**	**674.3**	**11.0**
Operating Expenses			
Operations	299.2	279.9	(19.3)
Debt Service	232.2	222.5	(9.7)
TOTAL	**531.4**	**502.4**	**(29.0)**
Δ to Net Revenue	**-**	**-**	**40.0**

The projection is based on the following assumptions:

- Revenues
  - 2% decrease in residential water sales revenue for three months
  - 50% decrease in commercial/institutional water sales revenue for three months
- Expenses
  - Higher operations costs due to COVID-19 such as the implementation of field staff on rotation which a portion normally performs capital-related work but due to the pandemic the associated labor costs were charged to operating

Revenues

Total operating revenues are projected to be $11.0 million greater than budget since all revenue sources are anticipated to be at or above budget except Water Charges.

- Water Charges are projected to be $3.8 million less than budget based on billed consumption of 139.7 million gallons per day (MGD) compared to budget of 141.0 MGD.

Revenues (continued)

- Interest Income is projected to be $2.7 million greater than budget due to a higher amount of funds available for reinvestment from bonds issued in FY19.
- SCC revenue is projected to $11.0 million greater than budget based on revenues received through the third quarter in spite of the shelter-in-place orders which largely impact the fourth quarter revenue.

Expenses

Total operating expenses are projected to be under budget by approximately $29.0 million due to savings in operations and debt service.

- Operations are projected to be $19.3 million less than budget due to lower energy costs; higher than budgeted administration of capital, which decreases operating expenses by a like amount; and unspent contingency. These savings are offset by higher unplanned operations costs due to COVID-19 such as the implementation of field staff on rotation that normally support capital-related work but was shifted to operations during the pandemic. Another example of higher operations expenses that were unknown at the time of the biennial budget development are the generator rentals and associated fuel for the Public Safety Power Shutoffs (PSPS).
- Debt Service is projected to be $9.7 million less than budget due to lower interest rates than assumed in the budget and savings from the partial pay down of commercial paper.

Year-End Strategies

The District is in a stronger financial position due to its prudent management of debt and expenses. Due to the changing impacts related to COVID-19, development of year-end strategies will be reevaluated towards the close of the fiscal year.

Capital Budget

The Board approved the Water System FY20 - FY24 five-year Capital Improvement Program (CIP) and adopted capital appropriations for the first two years. Appropriations fund capital projects that may extend over multiple years, while cash flows reflect the amount to be spent in a given year. Rates are based in part on planned cash flow expenditures.

FY20 cash flow spending is projected to be approximately $276.0 million, or 82 percent of plan, due to:

- Reduced spending on replacing service laterals
- Reduced spending on rehabilitating large diameter pipelines
- Delays in several pressure zone improvement projects
- Deferral of non-essential capital work during the fourth quarter due to the pandemic

FISCAL YEAR 2021

In FY21, Water System net revenue is projected to be negative under both scenarios shown in this report, which range from approximately ($8.1) million in Scenario A to ($66.3) million in Scenario B primarily due to lower Water Charges and SCC revenues as a result of the COVID-19 pandemic.

Water System FY21 Year-end Projections ($ Millions)

		Scenario A		Scenario B	
	Adopted Budget	**Year-end Projection**	**Over/(Under) Budget**	**Year-end Projection**	**Over/(Under) Budget**
Consumption (MGD)	143.0	135.6	(7.4)	128.8	(14.2)
Operating Revenues					
Water Charges	582.5	559.0	(23.5)	536.4	(46.1)
Property Taxes	35.8	35.0	(0.8)	35.0	(0.8)
Power Sales	5.0	5.0	0.0	5.0	0.0
Interest Income	9.6	3.6	(6.0)	3.3	(6.3)
SCC Revenues	40.0	25.0	(15.0)	15.0	(25.0)
Reimbursements	12.6	12.6	0.0	12.6	0.0
All Other Revenue	18.4	18.4	0.0	17.2	(1.2)
TOTAL	**703.9**	**658.6**	**(45.3)**	**624.5**	**(79.4)**
Operating Expenses					
Operations	315.4	282.8	(32.6)	306.9	(8.5)
Debt Service	217.7	213.1	(4.6)	213.1	(4.6)
TOTAL	**533.1**	**495.9**	**(37.2)**	**520.0**	**(13.1)**
Δ to Net Revenue	**-**	**-**	**(8.1)**	**-**	**(66.3)**

The scenarios shown above are based on the following assumptions:

Scenario A

- Adopted 6.25% rate increase effective July 1st
- 2% decrease in residential water sales revenue for 12 months
- 30% decrease in commercial/institutional water sales revenue for 12 months
- 37.5% loss of budgeted SCC revenue
- Backfill all positions, normal level of retirements and no field staff rotation

Scenario B

- Adopted 6.25% rate increase effective July 1st
- 5% decrease in residential water sales revenue for 12 months
- 50% decrease in commercial/institutional water sales revenue for 12 months
- 62.5% loss of budgeted SCC revenue
- 12th Pipeline Rebuild crew deferred until FY22
- Backfill only for operational necessity, fewer retirements and six months field staff rotation

Revenues

Total operating revenues are projected to be less than budget under both scenarios ranging from approximately ($45.3) million in Scenario A to ($79.4) million in Scenario B primarily due to Water Charges, SCC and to a lesser degree Interest Income projected to be under budget.

- Water Charges are projected to be $23.5 million less than budget in Scenario A, and $46.1 million less in Scenario B based on billed consumption of 135.6 MGD and 128.8 MGD, respectively, compared to a budget of 143.0 MGD.
- Interest Income is projected to be $6.0 million less than budget in Scenario A, and $6.3 less in Scenario B due to lower yields on investments than budgeted.
- SCC revenues are projected to be $15.0 million less than budget in Scenario A, and $25.0 million less in Scenario B due to an assumed decline in development as a result of the COVID-19 pandemic. The decline in Scenario B is anticipated to be stronger than in Scenario A similar to the level of revenues collected during the nationwide economic collapse in the last decade.

Expenses

Total operating expenses are projected to be under budget in both scenarios ranging from approximately $37.2 million in Scenario A to $13.1 million in Scenario B due to savings in operations and debt service.

- Operations are projected to be $32.6 million less than budget in Scenario A, and $8.5 million less in Scenario B due to higher than budgeted administration of capital which offsets operating expenses by a like amount, unspent contingency and lower non-labor expenses. Scenario B assumes a six month field staff rotation which shifts labor costs from capital to operating thus increasing operating expenses. Lower labor costs are assumed in Scenario B due to the delay in hiring the 12th Pipeline Rebuild crew until FY22 and backfilling only operational necessity positions.
- Debt Service is projected to be $4.6 million less than budget in both scenarios due to lower interest rates than assumed in the budget.

The fiscal impacts resulting from COVID-19 are still evolving. Staff will closely monitor the fiscal impacts and update the Board on adaptive management budget strategies, such as a drawdown of rate stabilization funds.

Year-End Strategies

The District is in a stronger financial position due to its prudent management of debt and expenses. Due to the changing impacts related to COVID-19, development of year-end strategies will be reevaluated towards the close of the fiscal year.

Capital Budget

Cash flow spending will be less than the $345.0 million planned if revenues are significantly reduced as capital projects would need to be suspended and deferred.

Staffing

The FY21 adopted budget authorized the deletion of two Limited-Term positions in the Water System as shown in the below table. The deletions are the result of program completion and workload efficiencies. No additional staffing changes are recommended.

FY21 Staffing Changes

Project/Program	Job Classification	FTE	Dept	Unit
Completion of school lead sampling	(LT) Water System Inspector I/II	(1.0)	WOD	2019
Workload efficiencies	(LT) Administrative Clerk, Conf.	(1.0)	HRD	Mgmt / Conf.

Rates

No change is recommended to the adopted FY21 rate increase of 6.25 percent.

WASTEWATER SYSTEM

FISCAL YEAR 2020

In FY20, the Wastewater System net revenue is projected to be approximately $6.2 million primarily due to savings in operations and debt service expenses.

Wastewater System FY20 Year-end Projection ($ Millions)

	Amended Budget	Year-end Projection	Over/(Under) Budget
Operating Revenues			
Treatment Charges & Permits	79.3	77.8	(1.5)
Property Taxes	5.4	5.4	0.0
Wet Weather	27.5	27.5	0.0
Resource Recovery	10.0	12.0	2.0
Interest Income	2.4	2.4	0.0
Lab Services	4.4	4.4	0.0
Reimbursements	1.5	1.5	0.0
Capacity Charges (WCF)	4.0	5.2	1.2
All Other Revenue	5.7	4.8	(0.9)
TOTAL	**140.2**	**141.0**	**0.8**
Operating Expenses			
Operations	75.1	69.9	(5.2)
Debt Service	35.2	35.0	(0.2)
TOTAL	**110.3**	**104.9**	**(5.4)**
∆ to Net Revenue	**-**	**-**	**6.2**

The above projection is based on the following assumptions:

- Revenues
  - 2% decrease in residential treatment revenue for three months
  - 50% decrease in commercial/institutional treatment revenue for three months
- Expenses
  - Unlike the Water System, the cost of the staff rotation did not shift capital-related work to operating as only staff normally charged to operating were placed on the rotation

Revenues

Total operating revenues are projected to be greater than budget by approximately $0.8 million, primarily due to higher Resource Recovery and Capacity Charges (WCF) revenues, but are offset by lower Treatment Charges/Permit Fees.

- Treatment Charges/Permit Fees are projected to be $1.5 million less than budget based on the assumed decreases in treatment revenue.

- Resource Recovery is continuing above budget at $2.0 million which reflects the continuing success of the program despite competition.
- Capacity Charges (WCF) are projected to be $1.2 million above budget based on revenue received through the third quarter in spite of the shelter-in-place order which largely impacted the fourth quarter.

Expenses

Total operating expenses are projected to be under budget by $5.4 million primarily due to savings in operations and to a lesser degree debt service.

- Operations are projected to be $5.2 million less than budget due to the recruitment lead time to fill vacancies; higher than budgeted administration of capital which decreases operating expenses by a like amount; and unspent contingency. The expense savings are slightly offset due to higher costs for energy, workers compensation and insurance premiums.

Year-End Strategies

The District is in a stronger financial position due to its prudent management of debt and expenses. Due to the changing impacts related to COVID-19, development of year-end strategies will be reevaluated towards the close of the fiscal year.

Capital Budget

The Board approved the Wastewater System FY20 - FY24 five-year CIP and adopted capital appropriations for the first two years. Appropriations fund capital projects that may extend over multiple years, while cash flows reflect the amount to be spent in a given year. Rates are based in part on planned cash flow expenditures.

FY20 cash flow spending is projected to be $41.0 million or 85 percent of plan due to:

- Delays in upgrading the digesters
- Delays in treatment plant infrastructure work at the main wastewater plant
- Deferral of non-essential capital work during the fourth quarter due to the COVID-19 pandemic

FISCAL YEAR 2021

In FY21, Wastewater System net revenue is projected to be negative under both scenarios, ranging from approximately ($2.8) million in Scenario A to ($8.7) million in Scenario B primarily due to lower revenues for Treatment Charges/Permit Fees, Interest Income, and Capacity Charges (WCF) due to the COVID-19 pandemic.

Wastewater System FY21 Year-end Projections ($ Millions)

		Scenario A		Scenario B	
	Adopted Budget	Year-end Projection	Over/(Under) Budget	Year-end Projection	Over/(Under) Budget
Operating Revenues					
Treatment Charges & Permits	82.5	78.3	(4.2)	75.1	(7.4)
Property Taxes	5.6	5.4	(0.2)	5.4	(0.2)
Wet Weather	28.5	28.5	0.0	27.5	(1.0)
Resource Recovery	10.0	10.0	0.0	10.0	0.0
Interest Income	2.1	0.5	(1.6)	0.5	(1.6)
Lab Services	4.5	4.5	0.0	4.5	0.0
Reimbursements	1.5	1.5	0.0	1.5	0.0
Capacity Charges (WCF)	4.0	2.5	(1.5)	1.5	(2.5)
All Other Revenue	5.7	4.7	(1.0)	4.7	(1.0)
TOTAL	**144.4**	**135.9**	**(8.5)**	**130.7**	**(13.7)**
Operating Expenses					
Operations	78.6	73.1	(5.5)	73.8	(4.8)
Debt Service	29.8	29.6	(0.2)	29.6	(0.2)
TOTAL	**108.4**	**102.7**	**(5.7)**	**103.4**	**(5.0)**
Δ to Net Revenue	**-**	**-**	**(2.8)**	**-**	**(8.7)**

The above projections are based on the following assumptions:

Scenario A

- Adopted 4.0% rate increase effective July 1st
- 2% decrease in residential treatment revenue for 12 months
- 30% decrease in commercial/institutional treatment revenue for 12 months
- 37.5% loss of budgeted WCF revenue
- Backfill all positions, normal retirements and no staff rotation

Scenario B

- Adopted 4.0% increase effective July 1st
- 5% decrease in residential treatment revenue for 12 months
- 50% decrease in commercial/institutional treatment revenue for 12 months
- 3.5% decrease in Wet Weather revenue
- 62.5% loss of budgeted WCF revenue
- Backfill only for operational necessity, fewer retirements and six month staff rotation

Revenues

Total operating revenues are projected to be less than budget under both scenarios ranging from approximately ($8.5) million in Scenario A to ($13.7) million in Scenario B primarily due to Treatment Charges/Permit Fees, Interest Income and Capacity Charges (WCF) revenue less than budget based on the assumptions outlined above.

- Treatment Charges/Permit Fees are projected to be $4.2 million less than budget in Scenario A, and $7.4 million less in Scenario B based on the assumed decreases in revenue.
- Interest Income is projected to be $1.6 million less than budget under both scenarios due to lower yields on investments.
- Capacity Charges (WCF) are projected to be $1.5 million less than budget in Scenario A, and $2.5 million less in Scenario B due to an assumed decline in development.

Expenses

Total operating expenses are projected to be under budget by $5.7 million in Scenario A and $5.0 million in Scenario B primarily due to savings in operations and to a lesser degree debt service.

- Operations are projected to be less than budget in both scenarios due to higher than budgeted administration of capital which decreases operating expenses by a like amount; and unspent contingency. Lower labor costs are assumed in Scenario B due to backfilling only operational necessity positions.

The fiscal impacts resulting from COVID-19 are still evolving. Staff will closely monitor the fiscal impacts and update the Board on adaptive management budget strategies.

Year-End Strategies

The District is in a stronger financial position due to its prudent management of debt and expenses. Due to the changing impacts related to COVID-19, development of year-end strategies will be reevaluated towards the close of the fiscal year.

Capital Budget

Cash flow spending will be less than the $46.0 million planned if revenues are significantly reduced as capital projects would need to be suspended and deferred.

Staffing

The FY21 adopted budget did not authorize any Wastewater System staffing changes.

Rates

No change is recommended to the adopted FY21 rate increase of 4.0 percent.