

MINUTES

Tuesday, January 24, 2017

**East Bay Municipal Utility District
Board of Directors
375 Eleventh Street
Oakland, California**

Special Meeting

Vice-President William B. Patterson called to order the Special Meeting of the Board of Directors at 9:33 a.m. in the Training Resource Center. The Board met in workshop session for Budget Workshop #1.

ROLL CALL

Directors John A. Coleman, Andy Katz, Doug Linney, Frank Mellon, William B. Patterson, and Marguerite Young were present at roll call. President Lesa R. McIntosh arrived at 10:12 a.m. (due to a medical appointment).

Staff present included General Manager Alexander R. Coate, General Counsel Craig S. Spencer, Director of Finance Sophia D. Skoda, Special Assistant to the General Manager Alison A. Kastama, Assistant to the General Manager Rischa S. Cole, and Secretary of the District Lynelle M. Lewis.

DISCUSSION

- Filed with the Board was a presentation entitled "FY 18 & FY 19 Budget Workshop #1" dated January 24, 2017.

Director of Finance Sophia D. Skoda presented an overview of the workshop topics which included a review of the December 2016 workshop on financial planning, trends in California water rates, FY18/FY19 budget and rates, non-rate revenue, and an update on the FY18/FY19 expense/revenue gap. In December 2016 staff reported that the annual expenses exceeded annual revenue and that debt and reserves have been used to fund the expense/revenue gap. Staff also reported that projected water sales are a major variable in the financial plan and that shortfalls in water sales have significant cash and debt coverage implications.

The FY18/FY19 Capital Improvement Program (CIP) for the Water System was increased to include: infrastructure upgrade projects, pipeline replacement, treatment plant upgrades, reservoir rehabilitation, service lateral projects, and recycled water projects. Additionally, the Wastewater System CIP was increased to include development of a new nutrients program and major treatment plant infrastructure rehabilitation. The CIP was also impacted by reduced income resulting from removal of the large-scale food waste project. There were also staff increases in both the Water and Wastewater Systems for new projects/programs. Non-rate revenue opportunities include increased power generation, property leases and sales of surplus property, revenue from the Oursan Ridge Conservation Bank credits, use of unassigned Freeport capacity by other agencies, laboratory services income, and grants and low costs loans.

Staff reported that the expense/revenue gap has increased from previous projections and will increase in FY18/FY19. Key impacts include decreased water sales, an updated CIP, operations and maintenance programs, and staffing changes to carry out planned projects. The Wastewater System's expense/revenue gap is only slightly impacted by the drought, but staff pointed out that expenses decreased due to removal of the large-scale food waste program operating costs.

Development of the proposed FY18/FY19 biennial budget, rates, fees and charges is underway. Staff is reviewing financial planning concepts and considering options to reduce the expense/revenue gap while balancing progress on District priorities (i.e. infrastructure rebuild, treatment plant updates, recycled water goals, lead sampling program, and additional wastewater projects). The FY18/FY19 budget will require use of the Rate Stabilization Fund and rate increases of nine percent for the Water System and five percent in the Wastewater System.

PUBLIC COMMENT

There was no public comment.

DISCUSSION

The Board asked questions and provided comments related to the budget assumptions. The Board requested that staff provide the following:

- Additional detail on System Capacity Charges for infill versus new development along with clarification on the policy for accessory units;
- Summary of cost for pipeline relocation work for local agency projects and possible reimbursement of costs;
- Cost benefit analysis of the “additional items for consideration in Proposed FY18/19 Budget—Water;”
- Explanation of duties for “staff for water control system management;”
- Summary of inspection of construction materials and handling of counterfeit materials;
- Summary of the food waste program budget and rationale for removing it from the CIP budget;
- Summary of costs for conducting a proactive customer lead sampling program;
- Assessment of issues related to growth and EBMUD's potential to sell water to areas outside the service area;
- Cost analysis on overtime use versus full staffing for preventative maintenance work (i.e. pipeline);
- Cost analysis on increasing Laboratory staff to provide revenue-generating services;
- Details on technology that could proactively identify pipe breaks, reduce costs, and increase productivity;
- Comparative analysis of 9.0, 9.5, 9.75, and 10 percent rate increases;
- Report on other agency's revenue generation efforts; and
- Opportunities for state or federal assistance for EBMUD's Customer Assistance Program.

ADJOURNMENT

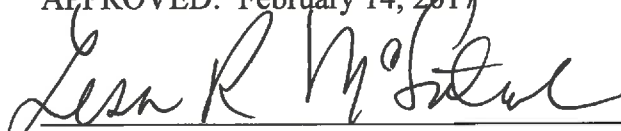
President McIntosh adjourned the Special Meeting at 11:37 a.m.

SUBMITTED BY:



Lynelle M. Lewis, Secretary of the District

APPROVED: February 14, 2017



Lesa R. McIntosh, President of the Board

