

## MINUTES

**Tuesday, March 14, 2017**

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

### *Special Meeting*

President Lesa R. McIntosh called to order the Special Meeting of the Board of Directors at 9:42 a.m. in the Training Resource Center. The Board met in workshop session for Budget Workshop #2.

### ROLL CALL

Directors John A. Coleman, Doug Linney, Frank Mellon, William B. Patterson, Marguerite Young, and President Lesa R. McIntosh were present at roll call. Director Andy Katz arrived at 10:00 a.m. (absent).

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, and Acting Secretary of the District Rischa S. Cole.

### DISCUSSION

- Filed with the Board was a presentation entitled "FY18 & FY19 Budget Workshop #2," dated March 14, 2017.

Director of Finance Sophia D. Skoda presented an overview of the workshop topics which included the goals for Budget Workshop #2, a recap of Budget Workshop #1 held on January 24, 2017, the recommended FY18/FY19 budget and rates, and additional staffing considerations. During Workshop #1, staff reported that the expense and revenue gap had increased from previous projections and will increase in FY18/FY19. Low projected water sales will impact rate increases and the FY18/FY19 budget will require use of the Water System rate stabilization fund. Ms. Skoda advised that staff needed to receive final direction from the Board on rates in order to prepare and present the final proposed budget at the April 11, 2017 Budget Workshop #3. Due to Proposition 218 noticing requirements, if final direction were not received, the rates will not be implemented as scheduled on July 1, 2017.

In response to questions from Workshop #1, Ms. Skoda reviewed non-rate revenue opportunities for the Water and Wastewater systems including revenue from property management, environmental credits, use of excess Freeport capacity by other agencies and District laboratory services. She also highlighted the District's efforts to seek grants and low cost loans to offset Capital Improvement Program (CIP) costs, and provided information on other Bay Area water agencies' non-rate revenue sources. She discussed the priorities for the FY18/FY19 biennial budget noting that the proposed Water and Wastewater system budget is \$2 billion with 65 percent devoted to capital investment-related expenditures. The proposed budget for the Water system also includes funding for additional staffing to address operating

overtime, state mandated lead sampling for schools and a voluntary customer lead testing program. She reviewed the major cash flows for the Water and Wastewater Systems' five-year CIP and advised that these items would be explained in more detail during the April 11 Budget Workshop.

Next, Ms. Skoda reviewed the additional staffing considerations for the Water System and a sensitivity analysis for the recommended rate increases for FY18 and FY19. She explained that based on lower than projected water sales, without the additional staffing, the recommended rate increases for both fiscal years are 9 percent for the Water System and 5 percent for the Wastewater System. The Water System will require use of the rate stabilization fund in FY18 with replenishment of the fund anticipated by FY21. If the Board elected to approve the additional staffing, the recommended rate increase for the Water System was 9.5 percent for FY18 and 9 percent for FY19. There were no additional staffing considerations for the Wastewater System and therefore no change in recommended rates. Ms. Skoda pointed out that the proposed rates are based on average water sales of 137 million gallons per day (MGD) in FY18 and 141 MGD in FY19 which is significantly lower than the basis of 151 MGD utilized in the FY16/FY17 budget. She reviewed the proposed water and wastewater rate increase impacts to monthly single family residential bills assuming 9 percent/9 percent for water and 5 percent/5 percent for wastewater noting that due to lower use, the average single family residential use rate is now calculated at 8 ccf per month, down from the historic use rate of 10 ccf per month.

### **PUBLIC COMMENT**

- Addressing the Board was Dwight George, AFSCME Local 444 Board member who commented that Local 444 supports staff's recommendation to add all of the positions proposed to address our aging infrastructure, reduce main breaks and to put more pipes in the ground.

### **DISCUSSION**

There was Board discussion regarding the additional staffing and the options for recommended rate increases. The Board agreed to consider the following rate increases: 9.25 percent for the Water System and 5 percent for the Wastewater System in FY18 and 9 percent for the Water System and 5 percent for the Wastewater System in FY19. The Board requested that staff provide the following:

- Information on the District's policy regarding sale of watershed land; Determine if the revenue from the sale be used for rate reduction
- Information on potential revenue and expense offset associated with use of excess Freeport capacity by other agencies
- Explanation for deciding whether or not to consider a drought contingency for FY19
- Graph showing total system storage under various conditions
- Breakdown of overtime in service yards (planned vs. emergency/unplanned)
- Comparative analysis of additional staff with overtime savings

- Explanation of additional staff needed to hire and support one full-time employee (e.g., for rebuild and maintenance show that in addition to plumbers and heavy equipment operators, also need engineers, inspectors, human resources, public affairs, etc.)
- Provide the percentage of the capital budget that is attributable to District labor
- Explain how the decline in water use has impacted affordability for customers in light of the decrease in water consumption to 8 CCF with specific emphasis on the 25th and 50th percentile over time
- Provide narrative to explain water sales assumptions used in the development of the FY18/FY19 rates, and what happens if water sales decrease below the projections in the budget book
- Provide narrative on the benefit and the cost for the proposed additional staffing considerations to help customers understand the rationale for the additions in the budget book

There was consensus by the Board to hold Budget Workshop #3 on April 11 and for staff to provide a written response to the questions raised before the workshop.

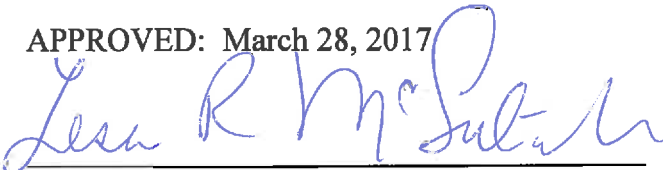
#### **ADJOURNMENT**

President McIntosh adjourned the Special Meeting at 11:35 a.m.

SUBMITTED BY:

  
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Rischa S. Cole, Acting Secretary of the District

APPROVED: March 28, 2017

  
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Lesla R. McIntosh, President of the Board