

MINUTES

Tuesday, May 26, 2020

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

Special Meeting

President Marguerite Young called to order the Special Meeting of the Board of Directors at 8:32 a.m. She announced that 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 would be conducted via teleconference only. In compliance with said orders, a physical location was not being provided for this meeting. The Board met in workshop session to receive an update on the Fiscal Years 2020 and 2021 (FY20/21) Long-Term Financial Stability, 2020 Strategic Plan Update, and FY20/21 Mid-Cycle Budget.

ROLL CALL

Directors Andy Katz, Doug Linney, Lesa R. McIntosh, Frank Mellon, William B. Patterson, and President Marguerite Young were present at roll call. Director John A. Coleman joined the meeting at 8:33 a.m. All Board members participated via teleconference.

Staff participants included General Manager Alexander R. Coate, General Counsel Craig S. Spencer, Director of Finance Sophia D. Skoda, Director of Wastewater Eileen M. White, Director of Engineering and Construction Olujimi Yoloye, Manager of Customer and Community Services Andrew L. Lee, Manager of Budget Jeanne M. Chase, and Secretary of the District Rischa S. Cole.

PUBLIC COMMENT

There was no public comment.

DISCUSSION

- Filed with the Board was a presentation entitled "FY20 & FY21 Long-Term Financial Stability, Strategic Plan Update and Mid-Cycle Budget Workshop," dated May 26, 2020.

General Manager Alexander R. Coate introduced the workshop and Director of Finance Sophia D. Skoda presented an overview of the workshop agenda. Manager of Budget Jeanne M. Chase reviewed the update process for the District's Strategic Plan, which undergoes an interim update every two years and a more comprehensive update every four to six years. The 2020 update is an interim update. The update process confirmed the Strategic Plan's goals are still on target and recommended minor revisions to some strategies and objectives. She reported the 2020 update focused primarily on revisions to key performance indicators (KPIs) and that beginning with the 2020 update, the KPIs will be maintained in a separate document. Have a separate KPI document

allows the Strategic Plan to remain an evergreen, standalone document. Ms. Chase confirmed that as in the past, the Board will continue to receive the KPI performance report each fiscal year.

Director of Wastewater Eileen M. White presented an overview of revisions to the KPI for Strategy 4 of the Water Quality and Environmental Protection goal regarding biogas production and uses at the Main Wastewater Treatment Plant (MWWTP). The KPI is being updated to better reflect current priorities and provide financial and operational reliability benefits. She advised alternative uses for biogas at the MWWTP will be explored in the Integrated MWWTP Master Plan. Ms. White responded to Board questions on the potential need for additional facilities to produce hydrogen from excess biogas and why the District is exploring alternatives to generating and selling excess electricity produced from biogas.

Director of Engineering and Construction Olujimi Yoloye reviewed the proposed revisions to KPIs for Strategies 1-3 of the Long-Term Infrastructure Investment goal. A new KPI under Strategy 1 includes completion of the MWWTP Master Plan. He explained the Master Plan will be the focus of discussion during the Board's Infrastructure Workshop in the fall. Mr. Yoloye responded to Board questions regarding the proposal to delete the KPI under Strategy 2 regarding the Infrastructure Leakage Index; how the targets for miles of pipe replaced and number of facilities to be rehabilitated may change based on potential impacts from the COVID-19 pandemic to the District's finances; the significance of the term "non-discretionary" in the Strategy 3 KPI on construction contract change orders; and potential savings in capital expenditures from reducing the targeted number of steel water tanks and pumping plants to be rehabilitated in FY21 and FY22.

Director of Finance Sophia D. Skoda presented the proposed revisions to KPIs for Strategies 2-4 of the Long-Term Financial Stability goal. She responded to Board questions regarding the proposal to separate and track the District's wastewater treatment charge as a share of the total bill and clarified that updates to Strategy 4: Technology still include tracking yearly, alternating internal and independent, third party, information technology audits.

Manager of Customer and Community Services Andrew L. Lee reviewed the proposed revisions to the KPIs for Strategies 1-4 of the Customer and Community Services goal. Mr. Lee responded to Board questions on whether the Strategy 1 KPI for participation in community engagement events include outreach for the District's Customer Assistance Program; the revisions to Strategies 2 and 3 regarding shutoffs and Customer Assistance Program outreach and participation; and if the Strategy 4 KPI for conducting annual emergency exercises account for exercises conducted with mutual aid partners and other service area cities, counties and agencies.

Next, Ms. Skoda discussed the FY21 mid-cycle budget update. The update included an overview of FY20 and FY21 year-end projections for the Water and Wastewater Systems' budget priorities, accomplishments, revenues, and expenses. She discussed how impacts from the COVID-19 pandemic and shelter-in-place orders have influenced the second half of FY20. Although the District has seen 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 staff 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. She reviewed two possible scenarios for FY21 which were analyzed for each system based on varying assumptions for revenues and expenses. Both scenarios maintain the adopted 6.25 percent rate increase for the Water System approved by the Board in June 2019 to be effective July 1. Impacts in both scenarios 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, with shortfalls ranging from approximately \$8.1 to \$66.3 million. Scenario A assumes revenue reductions primarily in water charges, a loss of system capacity charges (SCC) and interest income. Scenario B assumes a larger revenue reduction primarily in water charges and SCC, and higher expenses due to the continuing impacts of the pandemic.

Wastewater System net revenue is also projected to be negative under both scenarios, with shortfalls ranging from approximately \$2.8 to \$8.7 million. Both scenarios maintain the adopted 4.0 percent rate increase approved by the Board in June 2019 to be effective July 1. Scenario A assumes revenue reductions primarily in treatment charges/permit fees and a loss of wastewater capacity fees and interest income. Scenario B assumes a larger revenue reduction, primarily in treatment charges/permit fees, wastewater capacity fees, interest income, and wet weather, and higher expenses due to the continuing impacts of the pandemic. Ms. Skoda highlighted the approved staffing changes for FY21 and discussed reasons for the Board to affirm the budget and rate increases for FY21 as outlined in presentation slide 45 (6.25 percent for the Water System and 4.0 percent for the Wastewater System). She reviewed various plans for supporting customers as well as potential outcomes if the Board decides to 1) affirm the adopted FY21 rate increases; 2) delay implementation of the rate increases from July 1 to October 1; 3) decrease the adopted rates; or 4) not proceed with the adopted rate increases.

There was considerable Board discussion and questions regarding potentially implementing the rate increases in phases; the potential net revenue loss if the Board decides to delay implementing the rate increases to October 1; the ability to waive all late fees and unpaid customer bills; and the amount needed from reserves to address the projected shortfalls.

- The Board took a break at 10:30 a.m.; the workshop resumed at 10:40 a.m.

Ms. Skoda continued her presentation with an overview of the proposed updates to FY21 non-Proposition 218 rates, charges, fees and regulations discussed in presentation slides 55 through 72 and additional details on the following: proposed increases to the District's water system installation charges (Schedules D, E, F and G); how the District's applicant project process can support micro unit (tiny homes) projects; and costs and processes for accessory dwelling units (ADU). She responded to Board questions regarding the District's micro unit (tiny homes) pilot and Manager of Customer and Community Services Andrew L. Lee confirmed staff can provide customers with a courtesy review of ADU projects to determine if District system capacity charges are required before the customer pays permit fees.

Due to time constraints, General Manager Coate announced staff would present the remaining workshop information on collecting water system fixed charges on property tax bills at a workshop on June 9. The Board concurred.

Board Discussion

Board members commented on the information presented and engaged in additional discussion on affirming the adopted rate increases for FY21. The Board requested additional information on the following:

Affirm FY21 Budget and Rates

- Provide information for Board discussion on June 9 regarding affirming the FY21 rate increases for the Water and Wastewater Systems adopted by the Board on June 11, 2019.

2020 Strategic Plan Update

- Long-Term Infrastructure Investment: Strategy 2: Infrastructure Leakage Index – instead of deleting the target, include narrative language regarding the State Water Resources Control Board’s (SWRCB) water loss performance standard for California urban retail water suppliers and establish a water loss KPI and target once the SWRCB finalizes the District’s water loss performance standard.
- Long-Term Financial Stability: Strategy 2: Rates and Charges – keep the proposed, updated language and continue providing total wastewater treatment and collection cost information in future Wastewater System rates presentations.
- Long-Term Financial Stability: Strategy 4: Technology – update biennial IT security controls assessment targets to show the annual audits alternate each year between internally conducted and independently audited.
- Customer and Community Services: Strategy 1: Communications – contact Santa Clara Valley Water District regarding their advertising campaigns and strategy.
- Customer and Community Services: Strategy 3: Partnerships and Programs – update language to further define District goals for increasing participation in outreach events in disadvantaged communities and in the Customer Assistance Program.
- Customer and Community Services: Strategy 4: Emergency Preparedness – include a KPI and targets for conducting annual exercises or meetings with mutual assistance partners and stakeholders.

ADJOURNMENT

President Young adjourned the Special Meeting at 11:32 a.m.

SUBMITTED BY:



Rischa S. Cole, Secretary of the District

APPROVED: June 9, 2020



Marguerite Young, President of the Board