

MINUTES

Tuesday, May 22, 2018

**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 9:03 a.m. in the Training Resource Center. The Board met in workshop session to receive an update on the District's 2018 Strategic Plan, the Fiscal Years 2018 and 2019 Mid-Cycle Budget, and Proposed Fiscal Year 2019 Non-Proposition 218 Rates, Charges, Fees and Regulations.

ROLL CALL

Directors John A. Coleman, Doug Linney, Marguerite Young, and President Lesa R. McIntosh were present at roll call. Directors William B. Patterson and Andy Katz arrived at 9:12 a.m. and 9:14 a.m. respectively.

Staff present included General Manager Alexander R. Coate, General Counsel Craig S. Spencer, Director of Water and Natural Resources Richard G. Sykes, Director of Engineering and Construction Xavier J. Irias, Manager of Customer and Community Services Sherri A. Hong, Manager of Budget Jeanne M. Chase, Principal Management Analyst Richard C. Lou, Special Assistant to the General Manager Alison A. Kastama, Acting Assistant to the General Manager Theresa A. Edwards, and Secretary of the District Rischa S. Cole.

PUBLIC COMMENT

There was no public comment.

DISCUSSION

- Filed with the Board was a presentation entitled "FY18 & FY19 Strategic Plan Update and Mid-Cycle Budget Workshop," dated May 22, 2018.

General Manager Alexander R. Coate announced the workshop agenda and introduced Manager of Budget Jeanne M. Chase who reviewed the process used to update the latest edition of the District's Strategic Plan. The District's plan is updated every two years; the last comprehensive update was conducted in 2015-2016 and adopted by the Board in June 2016. The 2018 updates include language regarding the District's incorporation of sustainability and resilience in the plan; the addition of "We" at the beginning of each goal statement to convey a sense of personal commitment; employee quotes throughout the plan; a page dedicated to the District's values of Stewardship, Integrity, Respect and Teamwork; and minor modifications to each plan goals' strategies, objectives and key performance indicators to reflect current practices and priorities.

Director of Water and Natural Resources Richard G. Sykes discussed proposed minor revisions to the Long-Term Water Supply goal language. The first sentence in strategy 1 would be revised to include “water rights” per input from the Board during its March 27, 2018 Long-Term Water Supply Workshop. He concluding by stating additional, minor revisions are proposed for the key performance indicators for strategies 1 and 3. The Board had no questions regarding the proposed revisions.

Director of Engineering and Construction Xavier J. Irias advised that while there were no proposed revisions for the Long-Term Infrastructure Investment section, in FY19, staff will continue working on all strategies with increased focus on the work outlined in strategy 3. He discussed the proposed revisions to the key performance indicators for goal strategies 2 and 3 and previewed an online map being developed for customers to view active and planned construction in their neighborhoods. The Board asked questions about the cost of using District staff versus contractors to perform pipeline replacements and other capital work; projected costs and staffing needed to increase pipeline replacements by more than five miles in FY21; how responding to main breaks impacts staff’s ability to complete planned work; and metrics used to track coordination with cities, counties and other agencies on major capital projects. General Manager Coate advised many of the Board’s questions will be answered during an Infrastructure Workshop in the fall.

Manager of Customer and Community Services Sherri A. Hong presented proposed revisions to the Customer and Community Services section of the plan. She noted that this section was restructured to better reflect the District’s current strategic direction, practices and priorities and incorporated actions to continue building trust with constituents through communication, commitment and competence. She reviewed the proposed revisions to the goal language, strategy objectives, and key performance indicators which include expanding the customer satisfaction surveys provided by field forces that make contact with customers and updates to the K-12 school education program. She discussed new online tools for customers including a water service application and a map showing active main break data. The Board asked questions about the timing for updating the main break map after a break occurs; the turnaround time for customers to have new water service installed after submitting an application; training for staff responding to emergencies or working on construction projects to be able to effectively provide information to customers and other stakeholders; enhancements to the K-12 school education program to ensure information reaches all students in the service area; the customer satisfaction surveys; the proposed key performance indicator to reduce annual shutoffs for Customer Assistance Program (CAP) participants; and ways to identify barriers to CAP enrollment. General Manager Coate advised staff will provide an update later in the year on state efforts to address water affordability and will include an update on the District’s CAP at that time.

Manager of Budget Jeanne M. Chase provided an update on the FY18 and FY19 Mid-Cycle Budget. She reviewed the FY18 budget priorities, accomplishments, year-end projections and strategies for the Water and Wastewater Systems. She stated if year-end projections hold true for FY18 and FY19, both systems are expected to end each fiscal year in a strong financial position which would favorably impact the District’s long-term financial stability. Based on staff projections, total FY18 Water System year-end revenues are projected to be approximately \$70 million greater than budget primarily due to higher than budgeted water charges and system capacity charges revenue. Based on this projection, there is no need to draw down the Water System Rate Stabilization Fund by \$26 million. Total operating expenses are projected to be

\$31.1 million less than budget. In FY19, total revenues are projected to be approximately \$24 million greater than budget and total operating expenses are projected to be \$33.1 million less than budget. FY18 Wastewater System year-end revenues are projected to be \$10.2 million greater than budget primarily due to higher revenues associated with capacity charges and Resource Recovery revenue while total operating expenses are projected to be \$2.7 million less than budget. In FY19, total revenues are projected to be \$2.1 million greater than budget and total expenses are projected to be \$2.7 million less than budget. She discussed the strategies staff is considering to manage the available funds in both systems including increasing revenue funded capital and reducing borrowing which would result in annual debt service expense savings. Next, Ms. Chase reviewed FY19 staffing changes. She noted the addition of 7.0 full-time equivalent positions that were approved in the FY19 budget (6 positions for the Water System and 1 for the Wastewater System) and advised that no additional positions are being recommended at this time.

The Board expressed appreciation for the positive information and asked about the financial impacts if the District reduced the FY19 rates by one percent (currently scheduled to increase by 9 percent for the Water System and 5 percent for the Wastewater System on July 1); how system capacity charges are budgeted; the historical balance in the Rate Stabilization Fund; exploring retroactively applying CAP discount rates for program participants; and increasing the District's Wastewater CAP discount rate from 35 to 50 percent. General Manager Coate advised staff will provide an update later in the year on state efforts to address water affordability and will include information on the District's CAP at that time.

- Addressing the Board was Mark Foley, President, AFSCME Local 2019, who asked the Board to consider revising the FY19 staffing plan to add one Ranger Naturalist position for the Lafayette Reservoir.

Director of Water and Natural Resources Richard G. Sykes advised he will discuss this with Local 2019 representatives. Director Coleman asked to be included in the discussions due to feedback he has received regarding service from people visiting the reservoir.

Next, Principal Management Analyst Richard C. Lou reviewed the proposed updates to the District's non-Proposition 218 rates, fees, charges and regulations. These include: Account Establishment Charge, Special Services Charges, Installation Charges: Meter, Fire Service, and Hydrant (Schedules D, E, F), Water Main Extension Charges, Real Property Use Application Fees, Water and Wastewater Capacity Related Fee Calculations, and Wastewater Resource Recovery rates. Additionally, staff is proposing updates to Water Service Regulations Sections 1, 2, 3, 29 and 31. He said next steps include a public hearing on, and Board consideration of adopting the rates and charges and affirming the FY19 budget on June 12.

The Board asked questions about how fee increases were determined, the timing for the Board to review the District's current rate structure, the proposed increase to system capacity charges, and the schedule for the next Cost of Service study. The Board requested information on the following:


- On presentation slide 17, add "and collaborate" to bullet 5 so it reads "coordinate and collaborate project scheduling..."
- A comparison of costs for using District forces versus contractors to complete routine or complex infrastructure projects

- Information on resources needed (staffing, service yards, equipment, etc.) to increase pipeline replacement by more than five miles in FY21 as part of the fall Infrastructure Workshop
- Track coordination with cities, counties and other agencies on main replacements and other infrastructure projects and provide a report to the Board
- Conduct more proactive project outreach with cities, counties and other agencies and include Board members earlier in the process
- Provide information on customer service training for staff that are in contact with the public during emergencies or while on construction projects
- When staff receives the biennial survey results, explore why 10 percent of those surveyed are not pleased and include this information in the biennial report
- For the unified K-12 education program
 - o Ensure District resources are fairly distributed to all schools in the service area
 - o Keep the key performance indicator for the program in the Strategic Plan to allow for program expansion in future years
 - o Include a survey component and link the program to the District's summer intern program
- Consider hiring a consultant to understand barriers to enrollment in the CAP and include information on the effort in the workshop to be scheduled later this year
- Consider pros and cons of adding a customer advocate position to the District
- Provide an analysis on the financial impact to the District if FY19 rates were reduced by one percent
- Provide an explanation of existing system capacity charges and methodology for updating as part of the June 12 public hearing on rates and charges

ADJOURNMENT

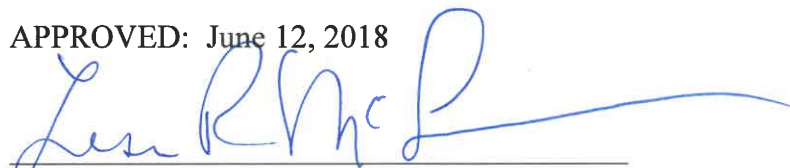
President McIntosh adjourned the Special Meeting at 11:54 a.m.

SUBMITTED BY:



Rischa S. Cole, Secretary of the District

APPROVED: June 12, 2018



Lesla R. McIntosh, President of the Board