

MINUTES

Tuesday, January 22, 2019

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

Special Meeting

President Marguerite Young called to order the Special Meeting of the Board of Directors at 8:17 a.m. in the Training Resource Center. The Board met in workshop session for Budget Workshop #1 for Fiscal Years (FY) 2020/2021.

ROLL CALL

Directors John A. Coleman, Doug Linney, Lesa R. McIntosh, Frank Mellon, William B. Patterson, and President Marguerite Young were present at roll call. Director Andy Katz arrived at 8:20 a.m.

Staff present included General Manager Alexander R. Coate, General Counsel Craig S. Spencer, Director of Finance Sophia D. Skoda, Manager of Customer and Community Services Andrew L. Lee, Special Assistant to the General Manager Douglas I. Wallace, Assistant to the General Manager Janetta M. Johnson, and Secretary of the District Rischa S. Cole.

DISCUSSION

- Filed with the Board was 1) a presentation entitled "FY20 & FY21 Budget Workshop #1," dated January 22, 2019; and 2) Mockup of proposed revisions to the EBMUD water bill.

Director of Finance Sophia D. Skoda presented an overview of the workshop topics which included a review of the District's long-term financial stability goals, trends in District budget revenue increases and California and District rate increases, preliminary projections for the FY20 and FY21 budget and rates, non-rate revenue, fiscal challenges based on projected revenues and projected cost pressures, water sales projections, a summary of the Wastewater System cost of service (COS) study, a hypothetical earthquake recovery scenario, an update on recent activities in the District's affordability programs for ratepayers, and proposed revisions to the customer water bill.

Ms. Skoda reported that FY20 and FY21 budget priorities will include ongoing planning for long-term financial stability and an increase in Water System capital spending to address the continued need to replace aging infrastructure including information technology infrastructure, rehabilitate water treatment plants and reservoirs, replace water distribution pipelines, and reline the Mokelumne Aqueducts. Increases in Wastewater System capital spending will pay for improvements and seismic retrofits at the Main Wastewater Treatment Plant (MWWTP), upgrades to the Resource Recovery receiving station, and improvements to the Power Generation Station. In regards to budget assumptions, staff is recommending the District remain conservative and reduce water sales projections for FY20, FY21 and FY22 from 144/147/150

million gallons per day (MGD) with 2 percent growth thereafter to 141/143/144 MGD with 1 percent growth. She explained that even with reduced water sales projections, the District has had success in progressing towards its long-term financial stability goals and project water rate increases at 6.5 percent for FY20 and for FY21, which is lower than the 7 percent projection made two years ago and 4 percent for FY20 and for FY21 for wastewater rates which is the same projections made two years ago.

Next, she reviewed a hypothetical earthquake recovery scenario which demonstrated how the District could use its debt capacity and rate stabilization and cash reserves to mitigate the financial impacts of recovering from an earthquake and discussed key findings from the Wastewater System cost of service (COS) study which was completed in 2015. The findings recommended adjustments to the wet weather charge to more accurately reflect program costs; a decrease in the residential treatment charge and a slight shift in the proportion of costs to non-residential uses with a corresponding increase in non-residential customer charges; confirmation of the wastewater monthly cap for single family residential customers; and to continue billing wastewater system treatment charges based on volume of flow while using alternative methods for measuring wastewater strength.

Manager of Customer and Community Services Andrew L. Lee reviewed proposed revisions to the customer water bill based on feedback from previous workshops. The revisions include adding the number of days in a billing period to clarify that the District's bills are generally bimonthly; changing the shading and bolding the text on the section of the bill listing city sewer service charges to highlight they are not District charges; and bolding the text on key aspects of the bill.

Next, Mr. Lee provided an update on the District's affordability programs; Customer Assistance Program (CAP) participation levels and expenditures; an analysis on providing retroactive discounts to new CAP customers; expanding the District's wastewater CAP discount from 35 to 50 percent; District efforts working with the cities of Berkeley, Emeryville and Oakland to implement a CAP on the cities' sewer service charges; partnerships with local charities; and federal and state low-income rate assistance efforts. He reported that as of December 2018, 6,805 of the District's residential customers and six homeless shelters participate in the District's CAP. He explained this is the highest level of participation since the program's inception and said as the program continues to grow additional staff may be needed by FY 2022/2023 to continue meeting service levels. After examining the impact of providing additional retroactive discounts to new CAP customers and determining the direct bill offset appears minimal, staff recommends focusing resources on supporting outreach efforts to increase new enrollment. In FY18, 5,188 CAP accounts received a 35 percent discount on their District wastewater charges. Staff explored increasing the discount from 35 to 50 percent and recommends maintaining the current discount rate in conformity with recent outreach efforts with the cities of Oakland, Berkeley, and Emeryville.

Staff has been working with the cities to develop an addendum to the Sewer Agency Charge Billing and Collection Agreement to implement a discount on their sewer service charges to provide financial relief to qualifying customers. If approved by the cities, the proposed addendum would provide the District the authority to extend a discount to the sewer service charges on a city's behalf in conformity to the District's 35 percent discount offered to its CAP

participants. While all three cities expressed initial support for the proposed addendum, Berkeley has been unresponsive to District attempts to discuss implementation and staff is reaching out to the City Manager for assistance. Emeryville staff retracted their plan to present this item to City Council and staff is reaching out to the City Manager for assistance. Oakland staff agreed to meet in December 2018 to develop a phased-in discount but the meeting was canceled due to Oakland staff unavailability. Staff is working with Oakland officials to schedule meetings with City Council members in February 2019. The Board will receive a schedule of these meetings once they are confirmed. Discussions regarding water and wastewater rate affordability continue and District staff currently recommends that the District continue to monitor and, as appropriate, engage in federal and state affordability efforts to ensure these measures will provide direct benefit to District customers including those customers who do not receive a water bill.

PUBLIC COMMENT

There was no public comment.

DISCUSSION

The Board asked questions and provided comments regarding the information presented and requested the following:

- Evaluate using general obligation bonds as a complement to, or in lieu of revenue bonds to fund long lifecycle capital improvement projects
- Estimate the avoided cost to wastewater systems when customers use graywater systems and evaluate providing a credit to customers using graywater systems
- Assess the avoided cost to the District as it correlates to a reduction in delinquent bills
- Consider evaluating multi-family and single-family residences separately in future cost of service studies for wastewater
- Copy of the District's memo regarding an audit of Pacific Gas and Electric's C.A.R.E. program
- Sensitivity analysis of a fixed vs. variable component of rates and impacts to revenue and customer bills
- Level of funding needed in the rate stabilization fund if fixed charges were decreased to 20%
- Rate impacts if system capacity charge revenue remains budgeted at \$30 million instead of increasing to \$40 million in FY20
- A breakdown of system capacity charges by customer class
- Cost impacts if FY20/21 rates were increased to 6.6% and 6.4% respectively, versus the proposed 6.5% and 6.5% respectively
- Irrigation charges for golf courses and other recreational facilities
- The District's rationale and approach to obtaining earthquake insurance
- Consider including information on confidence intervals when projecting water sales
- Revise language on water bill to emphasize "pass-through" nature of city charges
- Consider revising water bill to include subtotal of all EBMUD-related charges
- Summary of CAP application acceptance rate using data from the General Manager's monthly reports

- Determine if District CAP eligibility criterion, including income requirements, were revised between FY12 and FY13
- Data on referrals to St. Vincent De Paul and Catholic Charities from the District and other agencies
- Explore potential to revise the Municipal Utility District Act to address inability to “afford” bills versus inability to “pay” bills
- Schedule of meetings with Oakland City Council members to discuss implementing a CAP on the city’s sewer service charges
- Evaluate if a portion of CAP administrative costs should be allocated to the wastewater system
- Opportunities for the District to assume a leadership role in statewide low-income rate assistance discussions

ADJOURNMENT

President Young adjourned the Special Meeting at 11:04 a.m.

SUBMITTED BY:



Rischa S. Cole, Secretary of the District

APPROVED: February 13, 2019



Marguerite Young, President of the Board