



EAST BAY MUNICIPAL UTILITY DISTRICT

General Manager's Proposed Budget & Rates FY 2014 and FY 2015

Board Budget Workshop #3
April 16, 2013

Workshop Agenda

- Follow-up questions
- Base case
- Rate sensitivity analyses
- Board discussion

Follow Up Questions

1. Sensitivity analysis
2. Capital projects by priority area, planned vs. emergency replacement
3. Savings from cash funding of infrastructure
4. Multi-use wastewater accounts
5. Private fire service meters
6. OPMAl price increases
7. Price elasticity of demand
8. Customer inquiries on sewer collection charges
9. Leak detection communication
10. Pension liabilities
11. Budgeted positions
12. Survey positions
13. Contracting trends

Base Case

	FY14	FY15	FY16	FY17	FY18
Water	9%	9%	8%	7%	5%
Wastewater	8%	8%	5%	5%	5%

- Increase 5-year CIP by 15% or \$157 million
- Increase cash funding of capital from 35% to 58% (Water) and 85% (Wastewater)
- Meet debt coverage ratios of 1.60x
- Fund 47 more positions than FY 13 budget
- Revise assumptions for sales volumes, capacity charges, interest earnings, Resource Recovery and electricity sales

Approach to Base Case Rates & Charges



- Address immediate challenges with proposed rates and charges
- Recognize future uncertainties in out years
- Undertake key financial planning initiatives in FY14 and FY15
 - Long-range financing plan
 - Cost of service studies
- Utilize findings and recommendations as foundation for FY16-17 budget

Add vs. Advance Rate Increase

	FY14	FY15	FY16	FY17	FY18
Base Case	9.0% —	9.0% —	8.0% —	7.0% —	5.0% —
Add	9.5% +\$1.7M	9.5% +\$3.4M	8.0% +\$3.7M	7.0% +\$3.9M	5.0% +\$4.1M
Advance	9.5% +\$1.7M	9.5% +\$3.4M	7.0% —	7.0% —	5.0% —

- Additional increase generates ongoing revenues
- Advancing future increase generates one-time revenues

Rate Sensitivity Analysis

Alternatives		Potential Costs/Benefits
Lower Rates		<ul style="list-style-type: none">• Revenue shortfall• Hiring freeze• Deferred maintenance• Customer service impact• Credit rating downgrade• Decreased CIP investment/increased debt funding of CIP
Higher Rates	Add “Ongoing”	<ul style="list-style-type: none">• Cash fund more of CIP• Accelerate CIP projects• Fund additional positions in priority areas
	Advance “One-Time”	<ul style="list-style-type: none">• Cash fund more of CIP• Accelerate CIP projects

Water Rate Sensitivity

Scenarios*			Change In Funding vs. Base Case	
Name	FY 2014	FY 2015	FY 2014	FY 2015
A	7.0%	7.0%	-\$6.8 M	-\$13.6 M
B	9.0%	9.0%	-	-
C	9.5%	9.5%	+\$1.7 M	+\$3.4 M
D	10.0%	9.0%	+\$3.4 M	+\$3.4 M
E	10.0%	10.0%	+\$3.4 M	+\$6.8 M
F	10.5%	10.5%	+\$5.1 M	+\$10.2 M
G	11.0%	11.0%	+\$6.8 M	+\$13.6 M

* Subsequent increases FY16 (8%), FY 17 (7%), FY 18 (5%)

An additional 0.5% rate increase = 10 funded positions

Wastewater Rate Sensitivity

Scenarios*			Change In Funding vs. Base Case	
Name	FY 2014	FY 2015	FY 2014	FY 2015
A	6.0%	6.0%	-\$1.5M	-\$3.0M
B	8.0%	8.0%	-	-
C	8.5%	8.5%	+\$0.4 M	+\$0.8 M
D	9.0%	8.0%	+\$0.8 M	+\$0.8 M
E	9.0%	9.0%	+\$0.8 M	+\$1.5 M
F	9.5%	9.5%	+\$1.1 M	+\$2.3 M
G	10.0%	10.0%	+\$1.5 M	+\$3.0 M

* Subsequent increases FY16 (5%), FY 17 (5%), FY 18 (5%)

An additional 0.5% rate increase = 2 funded positions

Additional Capital Funding— Water



Projects	Benefits
Accelerate Almond Pumping Plant rehabilitation	Increase system reliability
Energy efficiency projects	Capture cost savings and improve carbon footprint
Accelerate South Reservoir replacement	Increase system reliability
Consolidate upper San Leandro and Sobrante ozone	Project execution efficiencies
Increase pipeline replacement rate	Enhanced reliability and cost savings

Additional Capital Funding— Wastewater



Projects	Benefits
Split IPS and EPS Power Distribution System	Increase system reliability
Reconfigure Power Distribution System	Increase system reliability
Transient Stability Analysis	Increase system reliability
Pump Station C	Enhanced reliability and cost savings
Concrete Rehab Primary Tank Channels Phase 6	Enhanced reliability and cost savings

Board Discussion

- Discussion and consideration of rate sensitivity analysis and alternatives
- Direct staff to update Prop 218 notice (if necessary)

FY14 and FY15 Budget Schedule



Budget Workshop #1

Feb 13

- Strategic Plan update
- FY14-15 budget planning

Budget Workshop #2

April 9

- FY14-15 budget
- FY14-15 Prop 218 rates and charges

Budget Workshop #3

April 16

- Sensitivity analysis

Mail Proposition 218 Notice

April 17 - April 26

Board Meeting

May 14

- GM's Report on rates & charges

Board Meeting

June 11

- Public hearing on rates and charges
- Board consideration of budget and rates

FY14 Rates & Charges Effective

July 1