



*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. OPMAI 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
<b>Water</b>	9%	9%	8%	7%	5%
<b>Wastewater</b>	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
<b>Base Case</b>	9.0% —	9.0% —	8.0% —	7.0% —	5.0% —
<b>Add</b>	9.5% +\$1.7M	9.5% +\$3.4M	8.0% +\$3.7M	7.0% +\$3.9M	5.0% +\$4.1M
<b>Advance</b>	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
<b>Lower Rates</b>		<ul style="list-style-type: none"><li>• Revenue shortfall</li><li>• Hiring freeze</li><li>• Deferred maintenance</li><li>• Customer service impact</li><li>• Credit rating downgrade</li><li>• Decreased CIP investment/increased debt funding of CIP</li></ul>
<b>Higher Rates</b>	<b>Add</b> <i>“Ongoing”</i>	<ul style="list-style-type: none"><li>• Cash fund more of CIP</li><li>• Accelerate CIP projects</li><li>• Fund additional positions in priority areas</li></ul>
	<b>Advance</b> <i>“One-Time”</i>	<ul style="list-style-type: none"><li>• Cash fund more of CIP</li><li>• Accelerate CIP projects</li></ul>

# 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



<b>Budget Workshop #1</b> <ul style="list-style-type: none"><li>· Strategic Plan update</li><li>· FY14-15 budget planning</li></ul>	Feb 13
<b>Budget Workshop #2</b> <ul style="list-style-type: none"><li>· FY14-15 budget</li><li>· FY14-15 Prop 218 rates and charges</li></ul>	April 9
<b>Budget Workshop #3</b> <ul style="list-style-type: none"><li>· Sensitivity analysis</li></ul>	April 16
<b>Mail Proposition 218 Notice</b>	April 17 - April 26
<b>Board Meeting</b> <ul style="list-style-type: none"><li>· GM's Report on rates &amp; charges</li></ul>	May 14
<b>Board Meeting</b> <ul style="list-style-type: none"><li>· Public hearing on rates and charges</li><li>· Board consideration of budget and rates</li></ul>	June 11
<b>FY14 Rates &amp; Charges Effective</b>	July 1