

## MINUTES

**Tuesday, September 23, 2014**

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

### *Special Meeting*

Vice-President Katy Foulkes called to order the Special Meeting of the Board of Directors at 9:10 a.m. in the Training Resource Center. The Board met in workshop session (Long-Term Financial Stability Workshop #4) to receive an update on capital investment and financing and drought financial management/drought rates.

### ROLL CALL

Directors John A. Coleman, Doug Linney, Lesa R. McIntosh, William B. Patterson, and Vice-President Katy Foulkes were present at roll call. President Andy Katz arrived at 9:23 a.m. and Director Frank Mellon arrived at 10:00 a.m.

Staff present included General Manager Alexander R. Coate, General Counsel Jylana Collins, Director of Finance Eric L. Sandler, Treasury Manager Sophia D. Skoda, Assistant to the General Manager Rischa S. Cole, and Secretary of the District Lynelle M. Lewis.

### DISCUSSION

- Filed with the Board were the following: 1) Presentation entitled "Long-Term Financial Stability Workshop #4, Capital Investment & Financing, dated September 23, 2014; 2) Presentation entitled "Long-Term Financial Stability Workshop #4, Drought Financial Management Drought Rates (continued), dated September 23, 2014; and 3) Written Comments (A Proposal for the Equitably, Progressive Pricing of Water in the East Bay Municipal Utility District) dated September 23, 2014 to The Directors and General Manager, from Kenneth Gibson, Oakland, CA.

General Manager Alexander R. Coate provided an overview of the workshop. Director of Finance Eric L. Sandler presented a recap of the previous workshops as follows:

- Workshop #1 (March 25, 2014): *Introduction*. Staff provided a review of workshop topics for the coming year, proposed revisions to the Strategic Plan goal of Long-Term Financial Stability, and presented the District's financial planning model and a detailed account of how financial policies (e.g. capital financing, debt service coverage, and reserves) drive revenue requirements and rates.
- Workshop #2 (July 22, 2014): *Reserves*. Staff reviewed findings from Workshop #1 and provided information regarding the use of reserves to manage financial risk. The focus was on drought-related financial risks and the various tools used to manage those impacts in both the short and long-term—e.g. reserves, supplemental supply surcharge and drought rates.

- Workshop #3 (August 12, 2014): *Drought Financial Management/Drought Rates*. Staff reviewed some of the findings from Workshop #2, including the financial impact of drought and the various tools used to mitigate these impacts. The focus was on the development of a system of drought rates that would be flexible enough to be deployed in stages depending on the severity of drought conditions and could be considered for adoption as part of the Board's FY16-17 budget and rates actions. Staff summarized the history of previous District drought rates, described the existing water rate structure, reviewed the policy objectives of drought rates, compared potential drought rate structure features, and showed the drought responses of other regional water agencies. During the workshop, the Board emphasized the importance of public engagement and outreach as drought rate options are considered.

Mr. Sandler provided information for Board consideration and discussion on key capital financing policies—Capital Improvement Program (CIP) funding (cash vs. debt) and debt service coverage ratios. He also discussed the District's success with the Seismic Improvement Program (SIP) and the status of the SIP surcharge.

Next, Treasury Manager Sophia D. Skoda presented information on a staged system of drought rates to recover the costs of supplemental supplies and the revenue loss due to customers' reduction in water use during drought. Based on feedback from the prior workshop, she presented several options relating to stages 3 and 4. The presentation provided information on excessive drought water use penalties and the various drivers (price and non-price) of water conservation at the levels being considered by the District.

Lastly, Ms. Skoda reviewed the plan for public outreach to seek input on the drought response. Staff proposed a series of three special meetings on: October 23 (Walnut Creek), October 29 (Richmond), and November 5 (Castro Valley). The Board requested that staff schedule an Oakland meeting in November and reschedule the Castro Valley meeting to late November.

At the November workshops #5 and #6, staff will review the cost of service study findings, the updated financial forecast, and will evaluate the impacts of policy alternatives.

### **PUBLIC COMMENT**

There was no public comment.

### **DISCUSSION**

Following the staff presentation, there was considerable discussion about whether to sunset or to replace the Seismic Improvement Program (SIP) charge which is scheduled to sunset in 2016. There was also comments and discussion on drought rate alternatives. The Board requested that staff provide the following additional information:

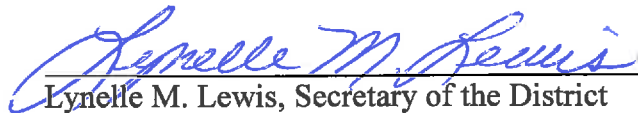
- Projected Water System CIP expenditures showing the percent of projected spending by category.
- Portion of debt incurred between 1993 and 2013 by program type.
- District's outstanding debt from 1993 and 2013 adjusted for inflation.
- Average cost of funds borrowed over the years.

- Response to why is it that the District's SIP will be paid off shortly, but that revenue requirements used to set District rates and charges will not decrease.
- Provide the number of accounts in each customer class to the 1976 and 2013 Water Use by Customer Class table.
- Average monthly water bill for each service capacity charge region for comparison with the District's average water bill.
- Information on near term anticipated growth in recycled water demand.
- Provide an actual customer bill for reference.
- Provide water savings during the drought to date by customer class. Additionally, provide information on reductions in outdoor water use?
- At the four special meetings, present "A" (uniform increase) as proposed, excess use penalty considerations for top 1% of users, and a "super saver reward" at 50 gallons per capita per day.


### **ADJOURNMENT**

President Katz adjourned the Special Meeting at 11:50 a.m.

SUBMITTED BY:

  
Lynelle M. Lewis, Secretary of the District

APPROVED: October 14, 2014

  
Andy Katz, President of the Board

