

MINUTES

Tuesday, April 11, 2017

**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 8:43 a.m. in the Training Resource Center. The Board met in workshop session for Budget Workshop #3.

ROLL CALL

Directors John A. Coleman, Doug Linney, Frank Mellon, Marguerite Young, and President Lesa R. McIntosh were present at roll call. Director William B. Patterson arrived at 8:44 a.m. and Director Andy Katz arrived at 8:52 a.m.

Staff present included General Manager Alexander R. Coate, General Counsel Craig S. Spencer, Director of Finance Sophia D. Skoda, Director of Engineering and Construction Xavier J. Irias, Director of Operations and Maintenance Michael J. Wallis, Acting Director of Wastewater Vincent P. De Lange, Special Assistant to the General Manager Alison A. Kastama, and Secretary of the District Rischa S. Cole.

DISCUSSION

- Filed with the Board were the following: 1) Presentation entitled "FY18 & FY19 Budget Workshop #3," dated April 11, 2017; 2) Graph entitled "Long-Term Infrastructure Investment Needs"; 3) Draft Proposition 218 Notice of Public Hearing; and 4) Memorandum dated April 11, 2017 to Board of Directors, from Alison A. Kastama, Special Assistant to the General Manager regarding FY18-19 Proposed Budget and Rates Key Messages and Frequently Asked Questions.

General Manager Alexander R. Coate announced that staff would present information for consideration and discussion relating to the proposed Budget and Rates for FY18/19 and reviewed the materials provided at Board places.

Director of Finance Sophia D. Skoda presented an overview of the workshop topics which included the goals for Budget Workshop #3, a recap of Budget Workshop #2 held on March 14, 2017 and the District's budget priorities for the FY18/19 biennial budget. She reiterated that low projected water sales will impact rate increases and the FY18/FY19 budget will require use of the Water System rate stabilization fund.

Budget Priority #1 - Increase investments in and maintenance of aging infrastructure

Water Infrastructure

Director of Engineering and Construction Xavier J. Irias provided an overview of the District's Capital Improvement Program (CIP) priorities (safety, regulatory, critical reliability and cost-effectiveness) reflected in the proposed budget and costs by major program. He noted that all costs are direct, are not discounted and include an inflation factor of 3.5 percent. He discussed long-term water infrastructure investment needs and reviewed projects at treatment and distribution facilities that were completed or in progress in FY16/17. He also highlighted projects at facilities that are scheduled to begin in FY18 or FY19. Over the next five years, the District plans to invest up to \$158 million on capital improvements at each of its six water treatment plants. Next, he reported on progress made by the Pipeline Rebuild program, pipeline replacement rates as they relate to leaks, the studies and pilots underway to help extend the useful life of District assets, the planned restructuring of the Polybutylene Service Lateral Replacement Project, the ISI Envision pilot program to improve sustainability and the status of the Dublin-San Ramon Services District/EBMUD treatment plant expansion project.

Effective Management of Infrastructure

Director of Operations and Maintenance Michael J. Wallis reviewed the District's FY18/19 objectives to reduce use of fully maintained and operated (FM&O) services and overtime while increasing preventative maintenance. He reviewed historical use and some reasons for the increase including a record number of main breaks in 2015 and the startup of the Pipeline Rebuild program. To meet the objectives, two unfunded concrete finisher positions were filled in FY17 and 14 additional positions are being proposed in FY18/19. He noted that because it takes time to hire staff and order equipment, the full savings of reducing FM&O use will not be realized until FY20. He discussed the need to reduce overtime and increase preventative maintenance which includes leak detection, valve testing, appurtenance maintenance, control system maintenance and increase in the miles of pipe surveyed. To meet this objective, 11 positions are being proposed in FY18/19. With the additional positions, savings are estimated to be approximately \$550,000 in FY18 and \$1 million in FY19.

Wastewater Infrastructure Renewal

Acting Director of Wastewater Vincent P. De Lange provided an overview of the key priority areas of infrastructure renewal and a breakdown of the Wastewater FY18-22 CIP. Work includes rehabilitating interceptors, sedimentation tanks and reactor basins (24% of CIP), upgrading digesters and making building improvements to the Main Wastewater Treatment Plant Administration Building and Operations Center (14% of CIP). He discussed odor control efforts at the plant, upcoming projects and plans to update the master plan in FY19. The CIP includes \$23 million (11%) for the odor control program. Next, he gave an update on the budget implications for completing work required under the wet weather Consent Decree and for managing nutrient loading in the San Francisco Bay. The District continues to pursue opportunities to secure food waste and convert it into renewable energy products. The CIP includes \$1.3 million to maintain the existing food waste processing facility and \$10 million in contingency funding if staff identifies a cost-effective option to secure additional food waste.

Budget Priority #2 - Managing the financial and operational impacts of reduced consumption

Director of Operations and Maintenance Michael J. Wallis noted that water demand has dropped 33 percent since 2007 and discussed the impacts to operations and water quality. In 2016 staff had to manually treat over 70 distribution reservoirs to maintain water quality compared to a previous average of 14 per year. The District filled 11 positions in FY17 to address this issue. One position is proposed for the FY18/19 budget to manage the \$1.5 million per year program for lead testing in schools and customer tap sampling.

Recommended Budget, Rates and Charges

Director of Finance Sophia D. Skoda reviewed the recommended FY18/19 budget which is \$2.03 billion and noted that 65 percent is capital investment-related. The FY16/17 budget was \$1.83 billion. The recommended staffing plan includes adding 17.5 positions that were discussed during Budget Workshop #2. Funding for these positions will be considered six months into FY18 and the determination to fund will be based on actual water sales at that time. She reported that staff recommended the following rate increases: 9.25 percent for the Water System and 5 percent for the Wastewater System in FY18 and 9 percent for the Water System and 5 percent for the Wastewater System in FY19. Water rates will require use of the rate stabilization fund in FY18 and FY19 with replenishment of the fund by FY21. She pointed out that the proposed rates are based on average water sales of 137 million gallons per day (MGD) in FY18 and 141 MGD in FY19. She reviewed the proposed water and wastewater rate increase impacts to monthly single family residential bills noting that due to lower use, the average single family residential use rate is now calculated at 8 ccf per month, down from the historic use rate of 10 ccf per month. Next, she reviewed the redesigned, draft Proposition 218 Notice which is scheduled to mail to customers by the end of the week.

PUBLIC COMMENT

None.

DISCUSSION

There was Board discussion regarding the Proposition 218 Notice and staff was asked to make edits to the document prior to mailing. The Board thanked staff for their work and requested the following:

- Make corrections to presentation slide #14, #20 and #71 before posting on the website
- Provide chart showing wastewater charges by city listed on the EBMUD bill
- Provide information on which cities and utilities provide advance notice of street work to the District.
- Consider opportunities for Board members to reach out to city officials regarding coordinating street work.
- Provide information regarding the 2009-2014 – applicant work impact to SCC charge

- For the FY20/21 budget
 - Revisit fixed/variable topic and provide California Urban Water Conservation Council signatories and their fixed/variable percentages
 - Consider scenarios for expanding reserves as an alternative
 - Discuss future water demand projections and impact on revenues.
 - When providing numbers to report information, (i.e., corroding copper laterals), provide context (total number of copper laterals).

ADJOURNMENT

President McIntosh adjourned the Special Meeting at 11:28 a.m.

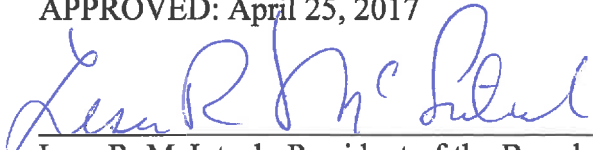
SUBMITTED BY:



Rischa S. Cole, Secretary of the District



APPROVED: April 25, 2017



Lesa R. McIntosh, President of the Board