



**BOARD OF DIRECTORS
EAST BAY MUNICIPAL UTILITY DISTRICT**

375 - 11th Street, Oakland, CA 94607

Office of the Secretary: (510) 287-0440

Notice of Special Meeting

Cost of Service Study Workshop

Tuesday, April 23, 2024

9:30 a.m.

Boardroom

375 11th Street

Oakland, CA 94607

At the call of President Lesa R. McIntosh, the Board of Directors has scheduled the Cost of Service Study Workshop for 9:30 a.m. on Tuesday, April 23, 2024, in the Administration Building Boardroom at 375 11th Street, Oakland, California.

Staff will provide an overview of the process for preparing the Cost of Service (COS) Study for the District's Water and Wastewater systems' rate structures in advance of the adoption of rates for Fiscal Years 2026 and 2027 in June 2025. The COS Study is part of the District's process for ensuring compliance with Proposition 218 and other legal requirements related to rates and charges. Staff will also discuss a review of System Capacity Charges, including for Accessory Dwelling Units.

Dated: April 18, 2024

A handwritten signature in blue ink, reading 'Rischa S. Cole', is positioned above a solid black horizontal line.

Rischa S. Cole

Secretary of the District

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AGENDA
Special Meeting

Cost of Service Study Workshop
Tuesday, April 23, 2024
9:30 a.m.
Boardroom
375 11th Street
Oakland, CA 94607

***** Please see appendix for public participation instructions*****

ROLL CALL:

PUBLIC COMMENT: Members of the public shall have the opportunity to provide public comment on Agenda Item 1.

DISCUSSION:

1. Staff will provide an overview of the process for preparing the Cost of Service (COS) Study for the District's Water and Wastewater systems' rate structures in advance of the adoption of rates for Fiscal Years 2026 and 2027 in June 2025. The COS Study is part of the District's process for ensuring compliance with Proposition 218 and other legal requirements related to rates and charges. Staff will also discuss a review of System Capacity Charges, including for Accessory Dwelling Units. (Skoda)

ADJOURNMENT:

Disability Notice

If you require a disability-related modification or accommodation to participate in an EBMUD public meeting please call the Office of the Secretary (510) 287-0404. We will make reasonable arrangements to ensure accessibility. Some special equipment arrangements may require 48 hours advance notice.

Document Availability

Materials related to an item on this Agenda that have been submitted to the EBMUD Board of Directors within 72 hours prior to this meeting are available for public inspection in EBMUD's Office of the Secretary at 375 11th Street, Oakland, California, during normal business hours, and can be viewed on our website at www.ebmud.com.



APPENDIX

Cost of Service Study Workshop Tuesday, April 23, 2024 – 9:30 a.m.

*EBMUD public meetings of the Board will be conducted in person and via Zoom.
These meetings are recorded, live-streamed, and posted on the District's website.*

Online*

<https://ebmud.zoom.us/j/94804788254?pwd=Z2duWU9RZzVqb3RMd1RlNXVISjNsUT09>

Webinar ID: 948 0478 8254

Passcode: 467920

By Phone

Telephone: 1 669 900 6833

Webinar ID: 948 0478 8254

Passcode: 467920

International numbers available: <https://ebmud.zoom.us/u/kb5JZuQJvV>

*To familiarize yourself with Zoom, please visit <https://support.zoom.us/hc/en-us/articles/201362193-Joining-a-Meeting>

Providing public comment - *The EBMUD Board of Directors is limited by State law to providing a brief response, asking questions for clarification, or referring a matter to staff when responding to items that are not listed on the agenda.*

- Each speaker is allotted 3 minutes to speak; the Board President has the discretion to amend this time based on the number of speakers
- The Secretary will track time and inform each speaker when the allotted time has concluded
- Comments on **non-agenda items** will be heard at the beginning of the meeting
- Comments on **agenda items** will be heard when the item is up for consideration
- The Secretary will call each speaker in the order received

In person

- Fill out and submit a blue speaker card which is available in the meeting room

Via Zoom

- Use the raise hand feature in Zoom to indicate you wish to make a public comment
<https://support.zoom.us/hc/en-us/articles/205566129-Raising-your-hand-in-a-webinar>
 - If you participate by phone, press *9 to raise your hand
- When prompted by the Secretary, please state your name, affiliation if applicable, and topic

Submitting written comments or materials

- Email written comments or other materials for the Board of Directors to SecOffice@ebmud.com
- Please indicate the meeting date and agenda item number or non-agenda item in the subject of the email. Contact information is optional.
- **Please email by 4 p.m. the day prior to the scheduled regular meeting;** written comments and other materials submitted to the Board of Directors will be filed in the record.
-

To view the livestream of meetings of the Board, please visit:
<https://www.ebmud.com/about-us/board-directors/board-meetings/>

EAST BAY MUNICIPAL UTILITY DISTRICT

DATE: April 18, 2024

MEMO TO: Board of Directors

THROUGH: Clifford C. Chan, General Manager *CCC*

FROM: Sophia D. Skoda, Director of Finance *SDS*

SUBJECT: Cost of Service Study Workshop

A Cost of Service (COS) Study Workshop will be held on April 23, 2024. The COS Study, conducted by staff working with Stantec Consulting Services, Inc. under an agreement authorized under Board Motion No. 207-23 on December 12, 2023, will update the District's Water and Wastewater systems' rate structures in advance of the adoption of rates for Fiscal Years (FY) 2026 and 2027 in June 2025. The COS Study is part of the District's process for ensuring compliance with Proposition 218 and other legal requirements related to rates and charges.

The attached presentation will be discussed at the workshop. The presentation includes a summary of the District's Water and Wastewater systems' rates subject to the COS Study, as well as an overview of the process for preparing the COS Study which includes a review of System Capacity Charges for Accessory Dwelling Units. As outlined in the presentation, the workshop will include discussion of staff recommendations regarding the next steps for the COS Study.

CCC:SDS:pag

Attachment: Cost of Service Workshop Presentation

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2025 Cost of Service Study – Water and Wastewater Workshop

Board of Directors

April 23, 2024

Today's Speakers



Phoebe A. Grow

Principal Management Analyst



Sophia D. Skoda

Director of Finance

Agenda

- Cost of Service (COS) Study
 - COS Background
 - COS Process and Considerations
- System Capacity Charge (SCC) Update
- Next Steps



Workshop Objectives

- Review rate setting and COS processes
- Discuss staff recommendations
 - Balance of fixed vs. variable water rates
 - Drought surcharge
 - Tiers for single-family residential
- Discuss wastewater rates considerations
- Discuss SCC changes

- December 2023 – Consultant Contract Approval
- April 2024 – COS Workshop
- October 2024 – Draft Rate Structure Workshop
- January 2025 – Biennial Budget/Rates Workshop #1
- March 2025 – Biennial Budget/Rates Workshop #2
- April 2025 – Proposition 218 Noticing
- June 2025 – Rates Hearing

Biennial Budget/ Rates Adoption Process




COS Background



2025 COS Scope


- Water System “Proposition 218 Rates”
 - Schedule A – Rate Schedule for Water Service
 - Schedule L – Drought Surcharge
- Wastewater System “Proposition 218 Rates”
 - Schedule A – Rates for Treatment Service
 - Schedule B – Wet Weather Facilities Charge



SCHEDULE A – RATE SCHEDULE FOR WATER SERVICE
EFFECTIVE 07/01/23

SECOND – A WATER FLOW CHARGE FOR WATER DELIVERED based on one month meter readings for all water delivered per unit of water (1 unit = 100 cu. ft. = 748 gallons):

Potable Water Service	WATER FLOW CHARGE PER UNIT
Single Family Residential Accounts:	
For the first 172 gpd	\$4.99
For all water used in excess of 172 gpd, up to 393 gpd	6.86




SCHEDULE L – DROUGHT SURCHARGE RATE SCHEDULE FOR WATER SERVICE
EFFECTIVE 07/12/17

The rates for the Water Flow Charge shown in Schedule A may be increased up to the following maximum percentages during the specified declared drought stage.


A TEMPORARY SURCHARGE FOR POTABLE WATER DELIVERED based on one month or two months of meter readings for all water delivered as a percentage of the total Water Flow Charge on customer bills:

DROUGHT SURCHARGES ON TOTAL WATER FLOW CHARGE FOR WATER DELIVERED



SCHEDULE A – WASTEWATER DEPARTMENT RATES FOR TREATMENT SERVICE
EFFECTIVE 07/01/23

	Current
I. Unit Treatment Rates (for permit accounts)	
Flow (\$ per unit, 1 unit = 100 cubic feet = 748 gallons)	\$1.546
Chemical Oxygen Demand (\$ per pound of discharge)	0.157
Total Suspended Solids (\$ per pound of discharge)	0.647
Unit treatment rates for Flow, Chemical Oxygen Demand (COD), Total Suspended Solids (TSS) and a Service Charge	



SCHEDULE B – WASTEWATER DEPARTMENT WET WEATHER FACILITIES CHARGE
EFFECTIVE 07/01/23

Annual Charge Collected on Property Tax Bill¹

TYPE	RATE
Small Lot (0 - 5,000 sq. ft.)	\$135.82
Medium Lot (5,001 – 10,000 sq. ft.)	\$212.12
Large Lot (> 10,000 sq. ft.)	\$484.78

Propositions and Rates and Charges

- 1978 **Proposition 13** established property tax rate limitations to 1%
- 1996 **Proposition 218** added procedural and substantive requirements for property-related fees
 - EBMUD conducts COS studies and complies with noticing requirements
- 2010 **Proposition 26** reclassified agency fees and charges as taxes
 - District rates and charges conform to listed exemptions

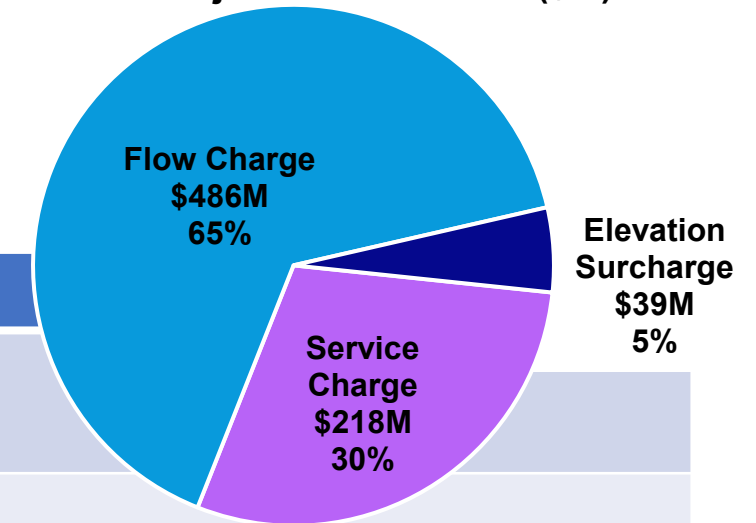
Proposition 218 – Substantive Requirements

- Revenues cannot exceed cost of service
- Revenues can only be used for providing service
- Rates must be proportional to cost of service
- Fees may only be imposed for service that is actually used or immediately available
- Fees may not be imposed for general governmental services
- The burden is on the agency to demonstrate compliance

EBMUD Existing Water System Rates



Fiscal Year (FY) 2025 Water Rates
Revenue Projection in Millions (\$M)



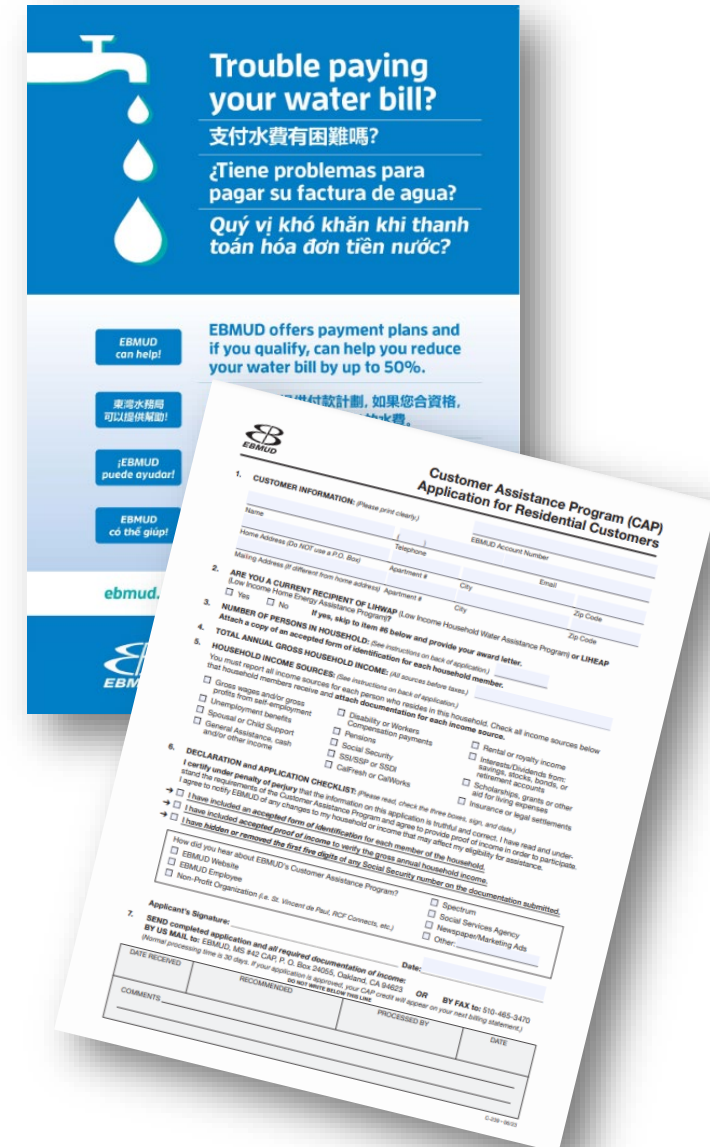
Water System Schedule A

Portion of Bill	\$/month*	Notes
Service Charge	\$32.70	<ul style="list-style-type: none"> Fixed portion of bill Increases with meter size
Flow Charge	\$41.79	<ul style="list-style-type: none"> Variable portion of bill One unit rate for Multi-Family Residential and All Other Three tiers for Single-Family Residential
Elevation Surcharge	\$0	<ul style="list-style-type: none"> Surcharge on flow charge Recovers additional costs of pumping to elevation
Total	\$74.49	

* For average Single-Family Residential customer, 3/4" meter, 492 gallons/day consumption, FY 2024 rates.

Customer Assistance Program (CAP)

- CAP funded through non-rate revenue (not subsidized by Proposition 218 rates)
- Provides eligible low-income residential customers and homeless shelters a reduction on water and wastewater bill
 - 50% off water service and flow charges
(Up to max of 1,050 gallons/month per person)
 - 35% off wastewater service and flow charges
 - Additional 35% off for cities' sewer collection charges
(Oakland, Emeryville, and Berkeley)



The image shows a flyer and an application form for the EBMUD Customer Assistance Program (CAP). The flyer, titled "Trouble paying your water bill?", provides information in English, Spanish, and Vietnamese. It states that EBMUD offers payment plans and can help reduce water bills by up to 50% for eligible customers. The application form, titled "Customer Assistance Program (CAP) Application for Residential Customers", contains sections for customer information, income verification, and declaration. It includes checkboxes for various income sources and a section for the applicant's signature. The form also includes a "SEND completed application and all required documentation of income" section with instructions on how to submit the application.

Water System COS Process



The Rate Study Process

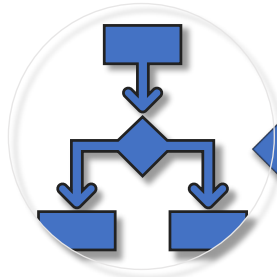
How Much?



Revenue Requirements

- Identify costs to be covered by rates
- Inputs include capital costs, operating costs, and financial policies (reserves, debt, etc.)

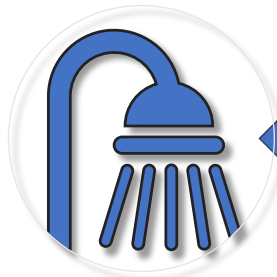
From Whom?



Cost Allocation by Customer Class

- Develop customer classes based on usage patterns
- Apportion costs to each class

How to Collect?



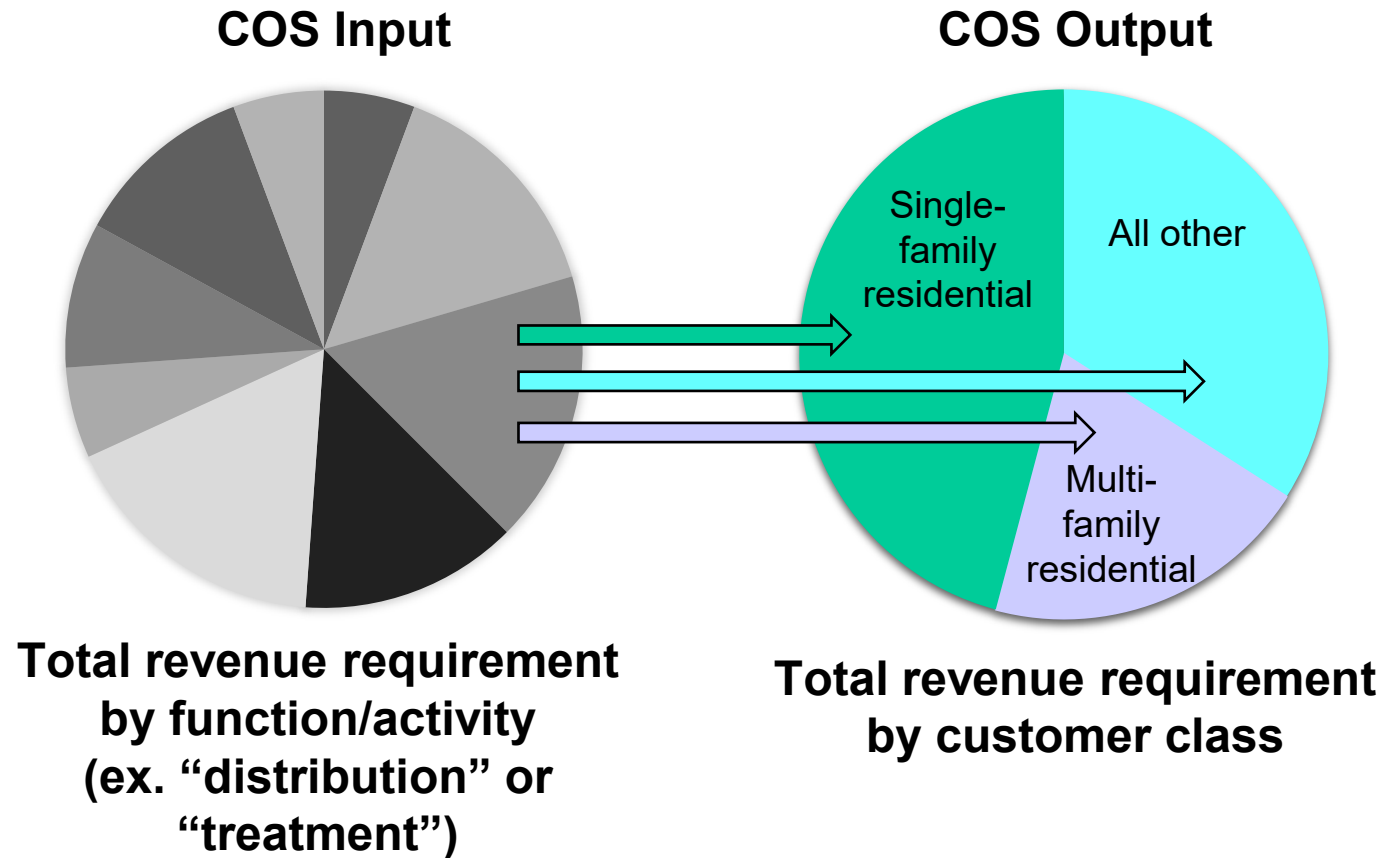
Rate Design

- Generate rate design that meets agency objectives
- Supported by technical analysis

Key COS Concepts – Water System

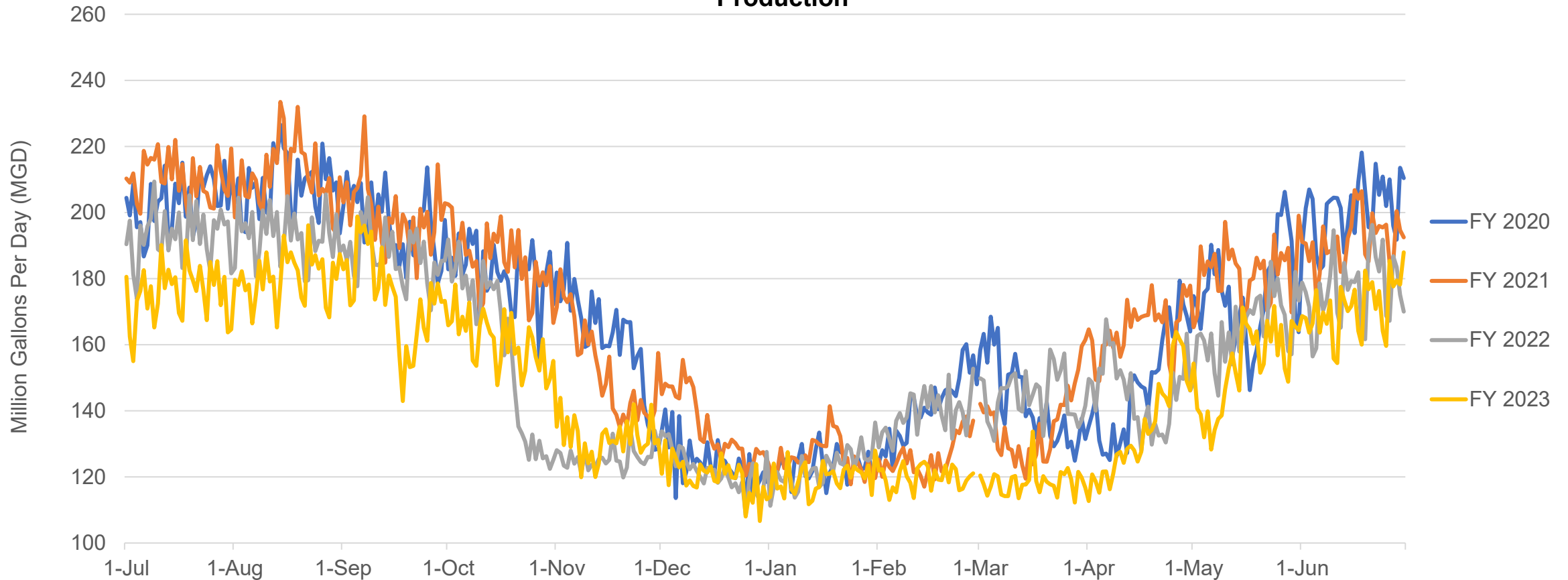
- COS Study supports the allocation of the total revenue requirement across or within customer classes
- Peak and maximum potential demands increase system costs
- Ratepayers within a customer class have similar consumption patterns
- Tiered rate structures can be used to account for increased costs of peak and maximum potential demands

COS Study supports the allocation of the total revenue requirement across or within customer classes



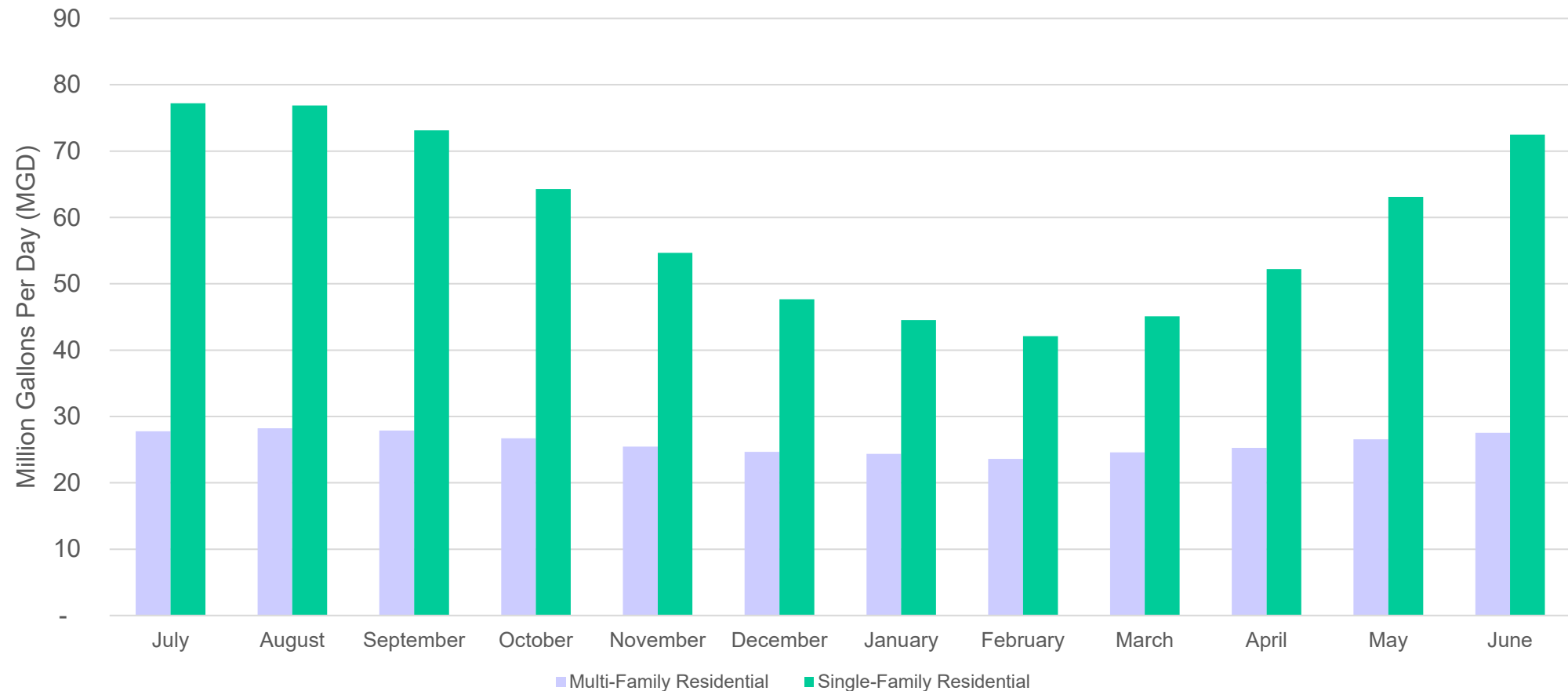
Peak and maximum potential demands increase system costs

Fiscal Year 2020 – FY 2023 Water
Production



Ratepayers within a customer class have similar consumption patterns

Fiscal Year 2023 Consumption – Multi-Family and Single-Family Customer Classes



SFR* tiers can recover peak and maximum demand costs

Number of Tiers	Agency
1	<ul style="list-style-type: none">• Fresno• Dublin San Ramon Services District• Alameda County Water District• Contra Costa Water District
2	<ul style="list-style-type: none">• San Francisco• Palo Alto
3	<ul style="list-style-type: none">• San Jose• East Bay Municipal Utility District• Livermore• Los Angeles Department of Water and Power• Hayward• North Marin• Los Altos
4	<ul style="list-style-type: none">• Marin Municipal Water District• Pleasanton

SFR tiered rate structures can be used to account for increased costs of peak and maximum potential demands

Current EBMUD SFR Tiered Rate Structure

- Tier 1: first 172 gallons per day
Represents average District-wide indoor water consumption based on winter use
- Tier 2: 172 – 393 gallons per day
Represents average District-wide outdoor water consumption based on summer use
- Tier 3: >393 gallons per day
Represents greater than average outdoor water consumption

Water System Rates Considerations



COS Rate Considerations

- Revenue stability
- Rate stability
- Affordability
- Customer understanding
- Administrative ease
- Conservation
- Drought management

A large orange bracket on the right side of the list, grouping all seven items.

Subject to
Proposition 218

Water System Rate Considerations

- Balance of fixed vs. variable rates
- Tiers for single-family residential
- Drought surcharges

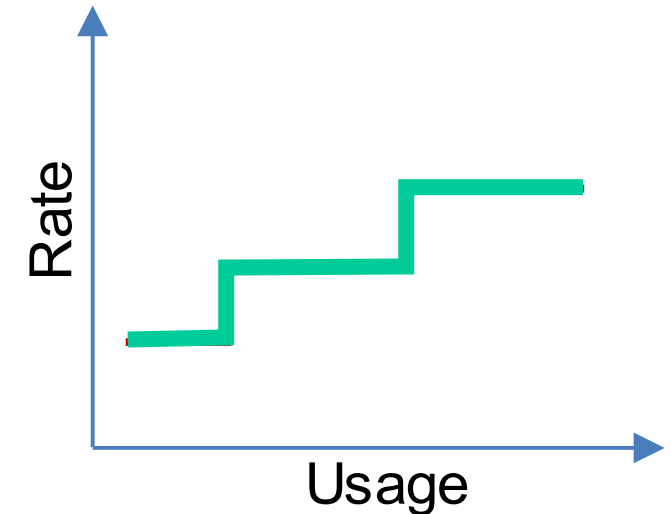
Balance of Fixed vs. Variable Rates

- 90+% of water system costs do not decrease if water sales decline
- ~30% of water system rate revenues from the Water Service Charge
- Higher fixed fees enhance **revenue stability** and moderate impacts of drought
- Lower fixed fees encourage **conservation** and require increased **reserves**

***Recommendation:** Consider changing proportion from fixed fee, subject to COS Study*

Three Tier Structure for Single-Family Residential Customer Class

Objectives	Current 3 Tier Structure
Affordability for Essential Use	✓
Customer Understanding	✓
Conservation	✓



Recommendation: Retain three tier structure, subject to COS Study

Drought Surcharges

- Drought surcharge applies to the flow charge only
- Drought surcharge revenues can cover supplemental supplies, revenue loss, and other drought costs
- In 2021, District spent \$10 million on supplemental supplies during Stage 1

Current Drought Surcharges

Drought Stage	Maximum Drought Surcharge
1	0%
2	8%
3	20%
4	25%

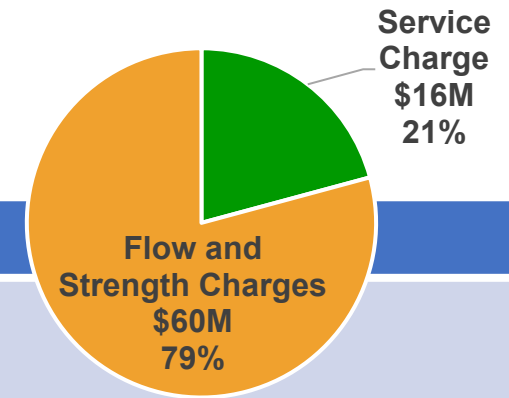
Recommendation: Add Stage 1 Drought Surcharge, subject to COS Study

EBMUD Existing Wastewater System Rates

Wastewater System Schedule A

Accounts for ~75% of wastewater rates revenue

Calendar Year 2023 Schedule A
Wastewater Revenues



Portion of Bill	\$/month*	Notes
Service Charge	\$8.56	<ul style="list-style-type: none"> Fixed portion of bill Same for all accounts
Flow Charge	\$9.30	<ul style="list-style-type: none"> Variable portion of bill Capped at 220 gallons/day per residential unit (1 – 4 units)
Strength Charge	\$8.92	<ul style="list-style-type: none"> Composed of costs for Total Suspended Solids and Chemical Oxygen Demand Strength based on Business Classification Code
Total	\$26.98	

* For average Single-Family Residential customer, 148 gallons/day consumption, FY 2024 rates. Total includes Pollution Prevention Fee (\$0.20/month).

Wastewater System Schedule B – Wet Weather Facilities Charge

- Accounts for ~25% of wastewater rates revenue (FY 2025: \$36 million)
- Established 1987
- Assessed on per parcel basis
- Collected on county property tax bill

The logo for the East Bay Municipal Utility District (EBMUD). It features a stylized blue and green 'EB' monogram above the text 'EBMUD' in a bold, blue, sans-serif font.

**SCHEDULE B – WASTEWATER DEPARTMENT
WET WEATHER FACILITIES CHARGE**

EFFECTIVE 07/01/23

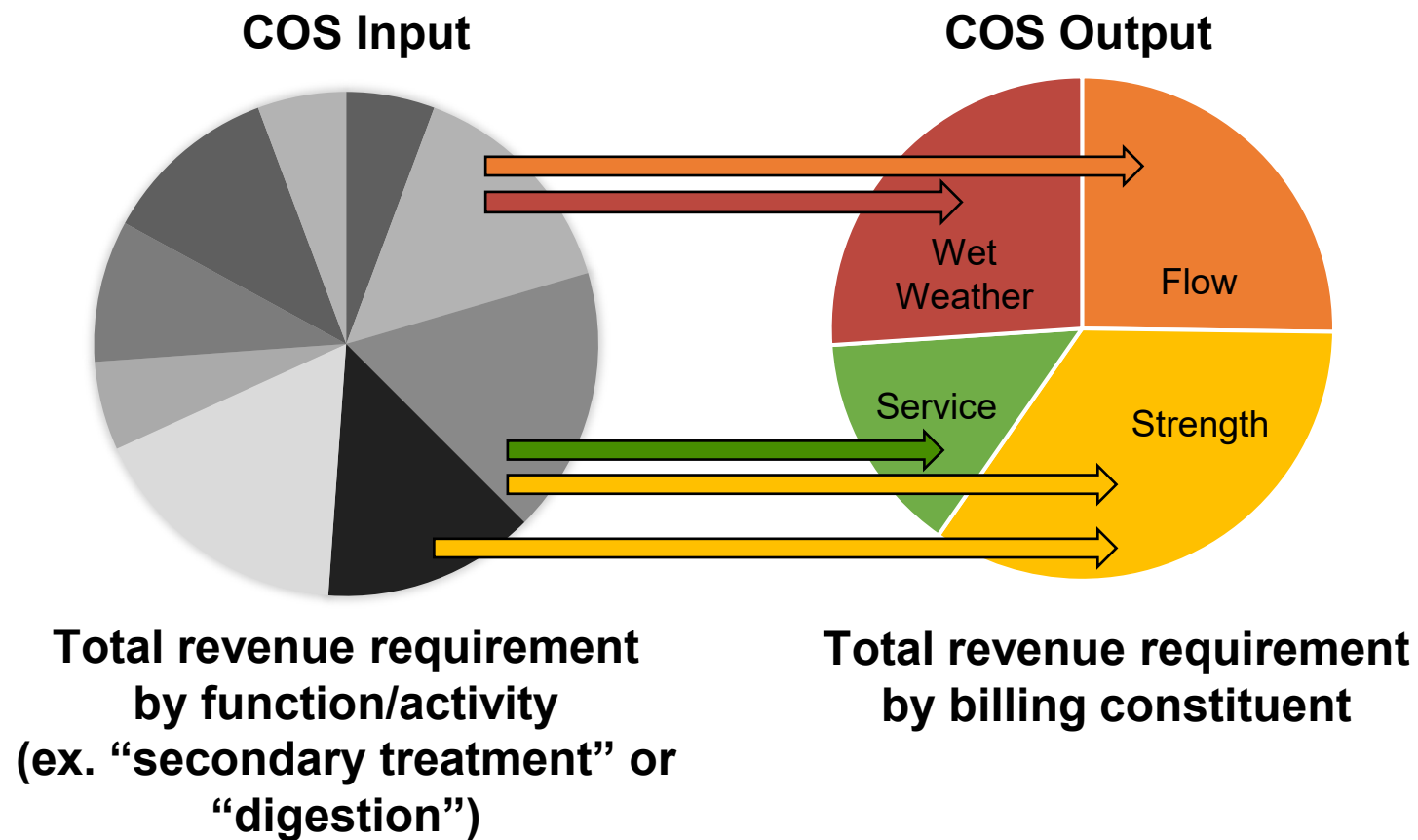
Annual Charge Collected on Property Tax Bill¹

TYPE	RATE
Small Lot (0 - 5,000 sq. ft.)	\$135.82
Medium Lot (5,001 – 10,000 sq. ft.)	\$212.12
Large Lot (> 10,000 sq. ft.)	\$484.78

Wastewater System COS Process



COS Study supports the Allocation of the Total Revenue Requirement among Billing Constituents



Wastewater System Rates Considerations



Wastewater System Rates Considerations

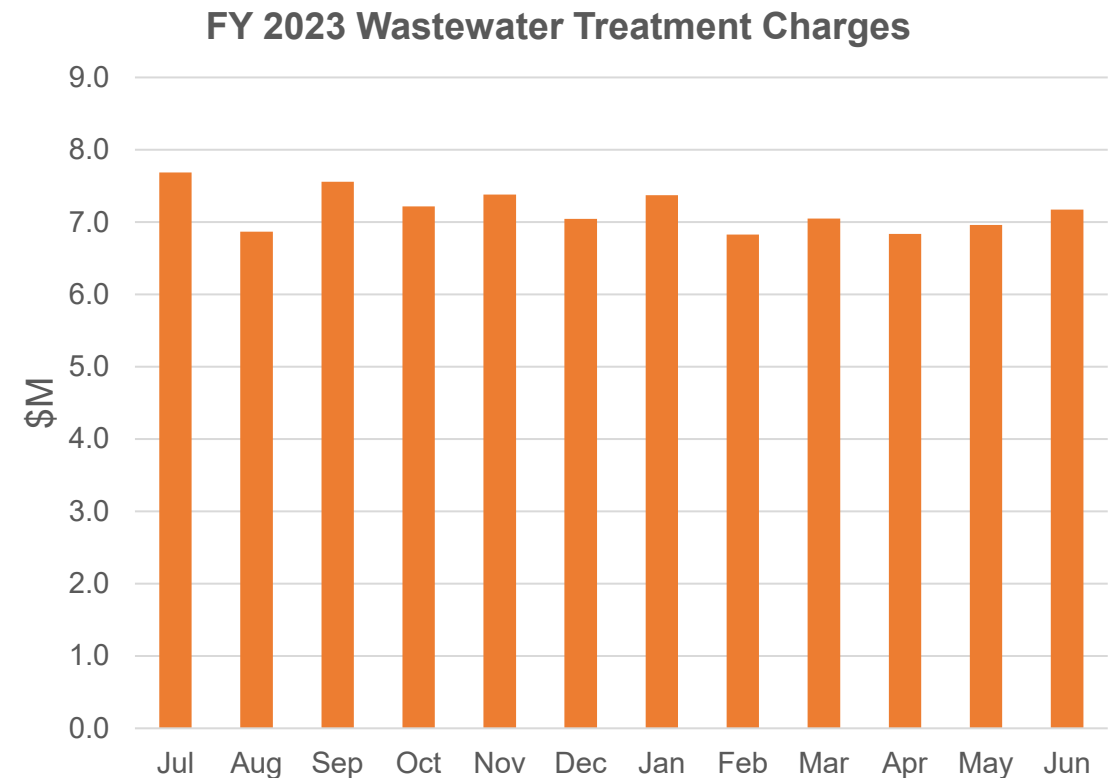
- Currently Wastewater is billed using 36 different rates based on assigned BCC strength
- Current rate structure has no separate Wet Weather Facilities Charge for condominiums

Recommendation: Explore simplifying commercial/industrial strength billing

Recommendation: Explore feasibility of a separate Wet Weather Facilities Charge for condominiums

Revenue Stability for Wastewater

- Revenues do not vary much year to year including during drought
- Flow charge capped at ~220 gallons per day
 - Limits seasonality of flow charge revenues
 - Cap level corresponds to maximum household wastewater discharge



Nutrients and 2025 COS

- Too early to consider potential future costs associated with nutrients/nitrogen
- No known high nitrogen dischargers in wastewater service area



Main Wastewater Treatment Plant, Oakland

Next Steps for Cost of Service

- October 2024 – Draft Rate Structure Workshop
- January 2025 – Budget/Rates Workshop #1
- March 2025 – Budget/Rates Workshop #2
- April 2025 – Proposition 218 noticing
- June 2025 – Rates Hearing

Biennial Budget/
Rates Adoption
Process

Water System Capacity Charge (SCC) Update

Consider Accessory Dwelling Unit (ADU) SCC

- Current practice based in 2021 SCC Study
 - Exempt single-family ADUs are not assessed capacity charges
 - Non-exempt single-family ADUs pay difference between SCC for existing meter and SCC for their new meter
 - Multi-family ADUs are required to pay capacity charges based on square-footage of the ADU
- Minimum criteria for ADU SCC
 - Meets requirements of Government Code Section 66013



Image: California Department of Housing and Community Development

FY 2025 Non-Proposition 218 Rates

Rate Adoption Schedule:

- May 9 – “GM Rates Report”* mailed to Board
- May 14 – Board Meeting – Overview of Non-Proposition 218 Rates
- May 28 – Strategic Plan & FY 2025 Mid-Cycle Budget Workshop
- June 11 – Rates Hearing

**Report and Recommendation of the General Manager Revisions to the Water and Wastewater System Schedule of Rates and Charges, Capacity Charges, and Other Fees Not Subject to Proposition 218, and Regulations for Fiscal Year 2025*

Board and Public Comments

