

MINUTES

Tuesday, March 26, 2019

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

Special Meeting

President Marguerite Young called to order the Special Meeting of the Board of Directors at 8:30 a.m. in the Training Resource Center. The Board met in workshop session to receive an update on the Proposed Biennial Budget, Rates and Charges for Fiscal Years (FY) 2020 and 2021 and follow up items from Workshop No. 1 held on January 22, 2019.

ROLL CALL

Directors John A. Coleman, Doug Linney, Lesa R. McIntosh, Frank Mellon, William B. Patterson, and President Marguerite Young were present at roll call. Director Andy Katz arrived at 8:51 a.m. (late arrival).

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 Wastewater Eileen M. White, Special Assistant to the General Manager Kelly A. Zito, Assistant to the General Manager Janetta M. Johnson, and Secretary of the District Rischa S. Cole.

DISCUSSION

- Filed with the Board was 1) Presentation entitled "FY20 and FY21 Budget Workshop #2," dated March 26, 2019; and 2) Document entitled "Notice of Public Hearing: Proposed Rate Increases to Water and Wastewater Service Charges" (Proposition 218 Notice).

PUBLIC COMMENT

Addressing the Board were the following: 1) Waldon Carlson commented on tier 3 rate increases and elevation charges and asked the Board to consider reducing water rates by 10 percent; 2) Kathy Carlson commented on the proposed rate increases, climate change and asked the Board to review employee salaries; 3) Mark Foley, President, AFSCME Local 2019 commented on administrative support staffing for the South and Central service yards; 4) Joey D. Smith commented on the District's Special Employment Program positions and how the positions are currently being allocated for other uses; 5) Marc Carradine, President, International Federation of Professional and Technical Engineers Local 21 commented on administrative support staffing for the South and Central service yards; and 6) Eric Larsen, 1st Vice President, AFSCME Local 444 commented the union supports the proposed staffing for the Pipeline Rebuild program and commented on flexible staffing for various classifications and staffing levels in the Wastewater Department.

DISCUSSION

General Manager Alexander R. Coate introduced the workshop and stated staff would review follow up information in response to Board questions during the January 22 Budget Workshop, and receive Board input on the Proposed FY20/21 Biennial Budget, Rates and Charges and the draft Proposition 218 Notice.

Director of Finance Sophia D. Skoda reviewed the workshop agenda and summarized the discussion topics from the January 22 Budget Workshop. She explained the budget priorities for the FY20/21 biennial budget which include continuing investments in and maintenance of aging water and wastewater infrastructure and planning for long-term financial stability. In reviewing the proposed budget for the Water System's FY20-24 Capital Improvement Program (CIP), Ms. Skoda noted that 50 percent of the investment in aging infrastructure would be for pipeline work.

Director of Engineering and Construction Xavier J. Irias presented information on the major water capital projects scheduled through 2030; the goals of the Pipeline Rebuild program and its integrated approach to addressing water loss; new pipe materials and methods being piloted to maximize efficiency and performance; pipeline replacement history and the correlation to total main breaks reported since 1997; plans to increase the miles of pipeline replaced from 15 miles to 20 miles annually by 2021; and how staff is using data analysis along with traditional analytic methods to prioritize pipeline repairs and replacements.

Director of Wastewater Eileen M. White presented an overview of the Wastewater System's five-year CIP and the history of major construction projects on wastewater system facilities since the 1950s. The Wastewater CIP is primarily driven by the system's aging infrastructure; compliance deadlines in the Wet Weather Consent Decree; renewal of the District's National Pollutant Discharge Elimination System permit; and more stringent regulations for nutrient discharge levels to the San Francisco Bay, biosolids management, air quality, and contaminants of emerging concern. She reviewed the funding categories for and planned investments in the five-year CIP as well as the key drivers and proposed outcomes for the integrated Main Wastewater Treatment Plant Master Plan. Once complete, the Master Plan will inform future infrastructure investments and assist staff with proactively addressing emerging regulations, nutrients, biosolids and compliance with the Wet Weather Consent Decree.

Director of Finance Sophia D. Skoda presented an overview of the Proposed Biennial Budget for FY20/21 which is \$2.34 billion. She noted that of this amount, 67 percent is earmarked for capital investment-related funding. She highlighted the recommended staffing changes, the proposed budget for the Internships Program, and the five-year CIP cash flows. Ms. Skoda reviewed the proposed rates, fees and charges subject to Proposition 218. The District engaged an independent rate consultant in 2015 and in 2019 to perform cost of service (COS) studies on the Water and Wastewater Systems. The District's 2015 COS study identified adjustments to individual water and wastewater rates and charges to conform to COS principles to allocate operating and capital costs to customers based on customer class use characteristics. The 2019 COS study identified additional updates for the Wastewater System rates and charges which were presented to the Board at the January 22 Budget Workshop. The final written report for the 2019 COS study will be presented to the Board on May 14. The proposed rates were developed using the rate models from these COS studies and the District's projected rate revenue requirement for FY20 and FY21 and are based on water sales assumptions of 141 million gallons per day (MGD) for FY20 and

143 MGD for FY21. The recommended rate increases for the Water System is 6.5 percent for FY20 and 6.25 percent for FY21. Based on the adjustments identified in the 2019 COS study, the recommended net increases for the Wastewater System for a homeowner is approximately 3 percent for FY20 and 4 percent for FY21. Although the District does not anticipate a water shortage in FY20 or FY21, the schedule of drought rates will remain in effect for FY20 and FY21 as a contingency plan in the event of an unanticipated water shortage.

Ms. Skoda discussed the proposed water and wastewater rate increase impacts to monthly single family residential bills, wastewater rate increase impacts to non-residential customer bills and the impact of declining average water use on the single family residential bill. She reviewed the draft Proposition 218 Notice and asked the Board to provide comments on the draft by April 2 to ensure the final notice is ready for mailing as required by the April deadline. While reviewing proposed revisions to fees not subject to Proposition 218, including capacity charges, recreation fees, installation charges, and other one-time fees and charges, there was considerable Board discussion about the proposed increases to the Water System Capacity Charge. The Board requested that staff defer implementing increases to the Water System Capacity Charge until the Water Demand Study is completed. In follow-up to Board questions during the January 22 Budget Workshop, Ms. Skoda reviewed a sensitivity analysis of fixed and variable charges and three methods used by water agencies to collect charges on property tax bills. She noted staff will review collecting District charges on property tax bills during the next budget cycle. Once finalized, the Proposition 218 Notice will mail by the April deadline, the General Manager will file the report on rates and charges with the Board on May 14 and a public hearing on the water and wastewater rates and charges will be held on June 11. If approved on June 11, the rates and charges will be effective on bills issued on or after July 1, 2019 for FY20 and on or after July 1, 2020 for FY21.

Board members commented on the information presented and asked questions about District support for community gardens; impacts of the Water System Capacity Charges on affordable housing development; environmental impact bonds; the status of the District's Resource Recovery Program; and communication and outreach to developers regarding proposed adjustments to fees and charges. The Board requested the following:

- Follow up with Mr. Waldon Carlson regarding his questions on elevation charges.
- Update the Proposition 218 Notice to include a map that delineates the District's water and wastewater service areas and if possible, a CIP chart
- Consider how some or all costs for new infrastructure for development might be collected on property tax bills
- Defer implementing an increase to the Water System Capacity Charge until the Water Demand Study is completed
- Provide an update on the administrative support staffing at South and Central yards; the two positions proposed for Water Resources Planning; Special Employment Program positions; flexible staffing for concrete and saw cutting positions; and vacancies in the Painter, Electrician, and Instrument Technician classifications
- Consider distributed systems (e.g. composting toilets) and commercial developments in the Main Wastewater Treatment Plant Master Plan
- An update on the effectiveness of the internship/training programs at the District and on the regional level. Include a numerical analysis of past and anticipated future improvements in diversity in the FY19 Diversity and Inclusion report or as a separate memo

ADJOURNMENT

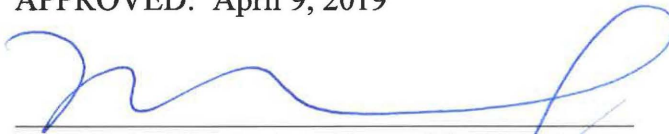
President Young adjourned the Special Meeting at 11:25 a.m.

SUBMITTED BY:



Rischa S. Cole, Secretary of the District

APPROVED: April 9, 2019



Marguerite Young, President of the Board

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