

# MEMORANDUM




**WATER AND  
POWER**



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**DATE:** May 7, 2020

**TO:** Burbank Water and Power Board

**FROM:** Jorge Somoano, General Manager, BWP 

**SUBJECT:** **PROPOSED FISCAL YEAR 2020-21 BUDGET AND REMOVAL OF PREVIOUSLY PROPOSED RATE INCREASES**

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## PURPOSE

At the Burbank Water and Power (BWP) Board Meeting on May 7, 2020, staff will review recommended changes to the Proposed FY 2020-21 Budget (Budget) that was originally discussed at the BWP Board Meetings on February 6 and March 7, 2020 and provide a revised recommendation to the BWP Board.

## BACKGROUND

While it is certain that the COVID-19 pandemic will have substantial impact on BWP's budget and financial forecast, the extent and duration of the impact are largely unknown at this time. Furthermore, Burbank City Manager through consultation with the Acting Public Works Director and myself suspended all proposed rate increases. Consequently, staff has made adjustments to the current fiscal year forecast, the proposed budget (assuming the "Safer at Home" order is lifted by July 1, 2020), and due to the uncertainty of the times, staff is withdrawing its recommendation of any rates increase as previously proposed and supported by the Board on March 7, 2020.

## DISCUSSION

The following summary outlines the revised plan for the FY 2020-21 Budget:

**Rate Increases & Fee Schedule:** The Electric and Water Fund budgets have been adjusted to reflect no water or electric rate increases for FY 2020-21. The existing fee schedule remains in effect. Staff will not be presenting any fee increases or new fees for adoption, with the exception of the new voluntary Residential Green Rate Premium Program previously approved by City Council.

**Electric Load, Retail Revenues & Power Supply Costs:** The Electric load forecast revision reflects a 3% reduction in load, resulting in lower retail revenues and a decrease in power and fuel costs.

**Potable Water Sales, Revenues & Water Supply Costs:** The Water sales forecast revision reflects a 3% reduction in potable water sales, resulting in lower potable revenues and a decrease in water supply costs.

**Conservation:** Water Conservation Program spending will remain at 1% and will not be increased to 2% of revenues in FY 2020-21.

**Capital Improvement Program (CIP):** Select proposed capital projects and programmatic capital have been removed or shifted from the proposed budget reducing the overall Electric and Water CIP.

**Staffing:** All new positions and upgrades have been removed.

During these uncertain times, the Budget is designed to minimize changes from the prior year and reflect the anticipated reduction in revenues for the current and next fiscal year. The budget continues balancing the requirements of providing safe and reliable electric and water services to the residents and businesses of Burbank, while leading in the City's vision of doing so in responsibly sustainable ways, with affordable and competitive rates in an environment of reduced revenues. Staff anticipates that with these recommended changes, electric and water cash will be above the minimum reserve levels.

The City Charter requires that the Funds have rates that achieve full cost recovery. As a result of foregoing rate increases in FY 2020-21 in light of the COVID-19 pandemic, additional electric and water rate increases will be needed in the foreseeable future to achieve cost recovery.

The forecasted revenues and the forecasted costs associated with producing and procuring power and water, were derived using the best information and data available at this time. Staff does not anticipate any significant or material changes to the Budget going forward.

As the year progresses and both the short-term and longer-term economic impacts become more clear BWP may bring an amended budget to the BWP Board and to the City Council for consideration.

## **RECOMMENDATION**

Staff is requesting that the BWP Board recommend approval of the Utility's Proposed FY 2020-21 budget as presented at the May 7, 2020 BWP Board Meeting to the Burbank City Council for funds 496, 497, 483, 133, 129, and 535 and that the proposed rate increase for both water and electric be withdrawn.