

Fiscal Year 2015–16 Proposed Budget Burbank Water & Power May 12, 2015



Policy



Budget Authority by Fund

(\$ in 000's)	FY 2014-15 Approved	FY 2015-16 Proposed	Decrease / (Increase) in Budget
Electric Fund (496)	\$276,399	\$281,193	(\$4,794)
Water Fund (497)	\$37,052	\$35,466	\$1,586
MPP Operating Fund (483)	\$28,553	\$27,995	\$558
Tieton Hydro Operating (133)	\$1,674	\$2,207	(\$533)
Street Lighting Fund (129)	\$3,451	\$3,364	\$86
Communications Fund (535)	\$5,028	\$2,602	\$2,426
Total Authority	<u>\$352,157</u>	<u>\$352,827</u>	<u>(\$671)</u>



Electric Budget Highlights

- Renewable Energy
- Lower Electric Demand



Copper Mountain Solar Project



20 FEB 2015

Electric Budget Assumptions

- ▶ Phase Copper Mountain into rates
- ▶ Electric rate increase of 2.10% effective July 1, 2015



Electric Budget Assumptions

- ▶ The City's electric demand is lower by 4% due to conservation
- ▶ Defer the rate impact of lower electric demand and spread it over 4 years starting FY 2016-17

Electric Budget Assumptions

- ▶ No change in staffing levels
- ▶ No new capital programs – continue capital plan designed for efficiency and reliability
- ▶ Cash near or at minimum reserves, dropping an average of \$3.4m per year thru FY 2017–18

Electric Budget Drivers

(\$ in 000's)

Budget Increases

	<u>\$</u>	<u>Rate Impact</u>
Copper Mountain	\$8,717	4.84%
Lower Energy Demand	\$7,200	4.00%
Budget Increases	\$15,917	8.84%



Electric Budget Drivers

(\$ in 000's)

Budget Decreases

	<u>\$</u>	<u>Rate Impact</u>
IPP Debt Refinancing	(\$3,900)	-2.17%
Power Costs due to Lower Demand	(\$1,600)	-0.89%
Reductions in Operating Costs	(\$1,100)	-0.61%
Actual Wind Production	(\$800)	-0.44%
Budget Decreases	(\$7,400)	-4.11%



Electric Budget Drivers

(\$ in 000's)

	<u>\$</u>	<u>Rate Impact</u>
Required Rate Increase	\$8,517	4.73%
Proposed Rate Increase	\$3,779	2.10%

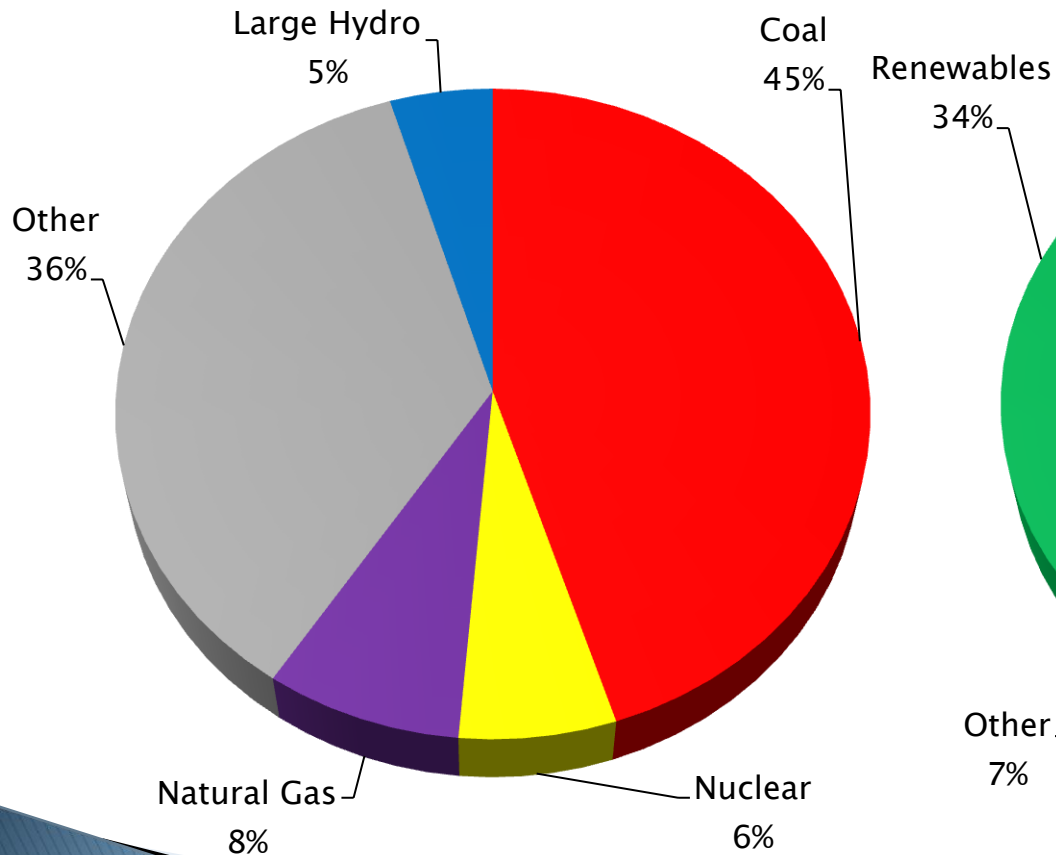


Electric Cash Reserves

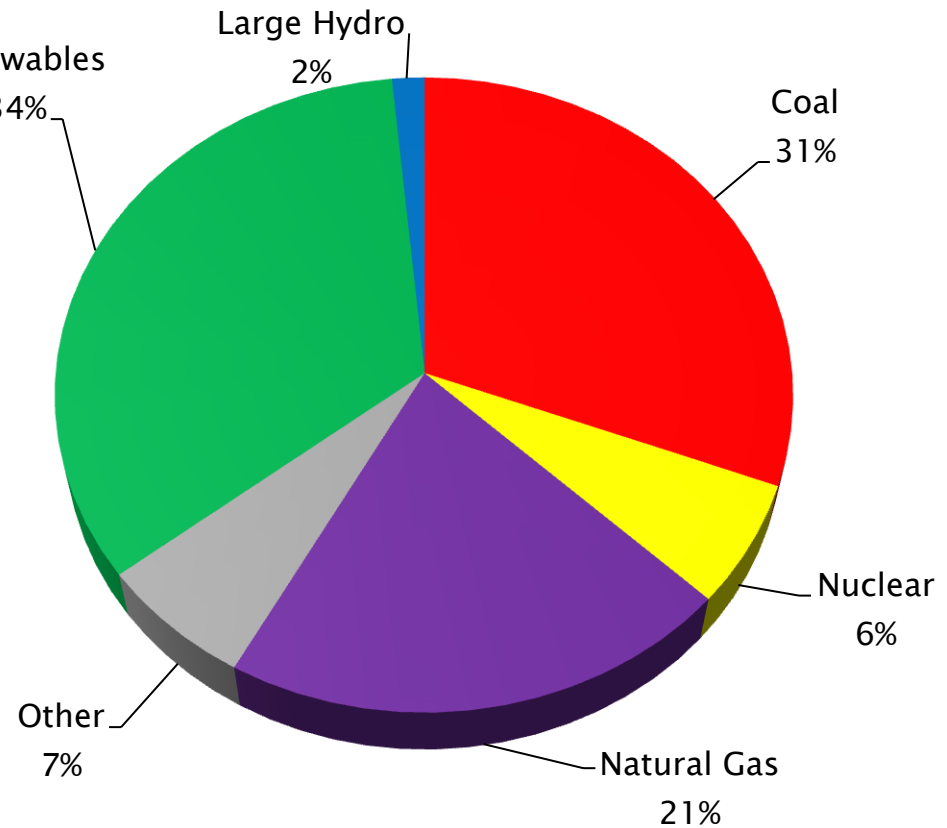


Energy Planning

FY 2001-2002



FY 2015-2016



Renewable Energy Supply Increased Costs – FY 2015-16

(\$ in 000's)

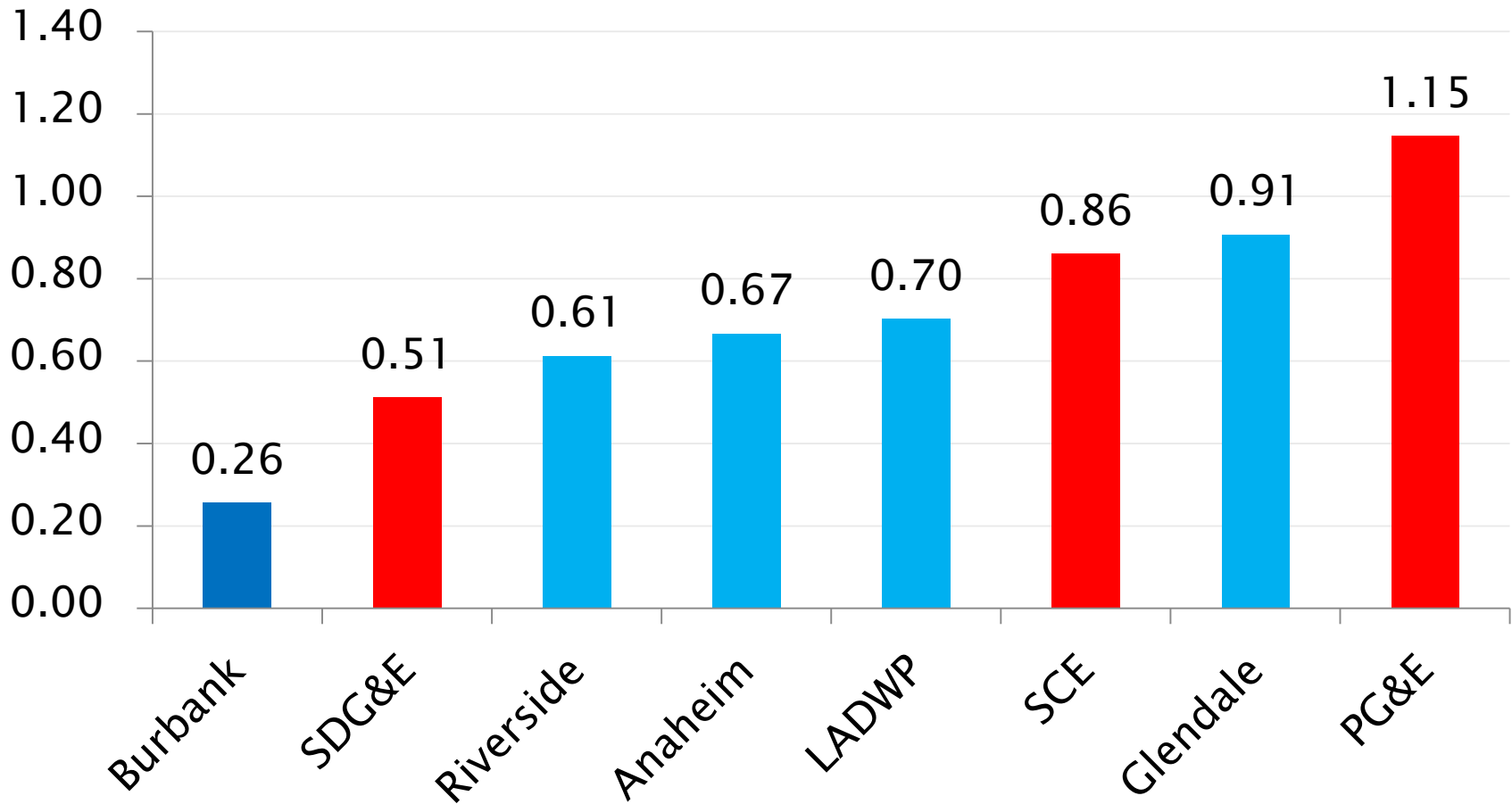
Power Costs with Renewables:	\$107,800
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Est. Costs without Renewables:	\$93,450
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Cost of Renewables:	<hr/> \$14,350
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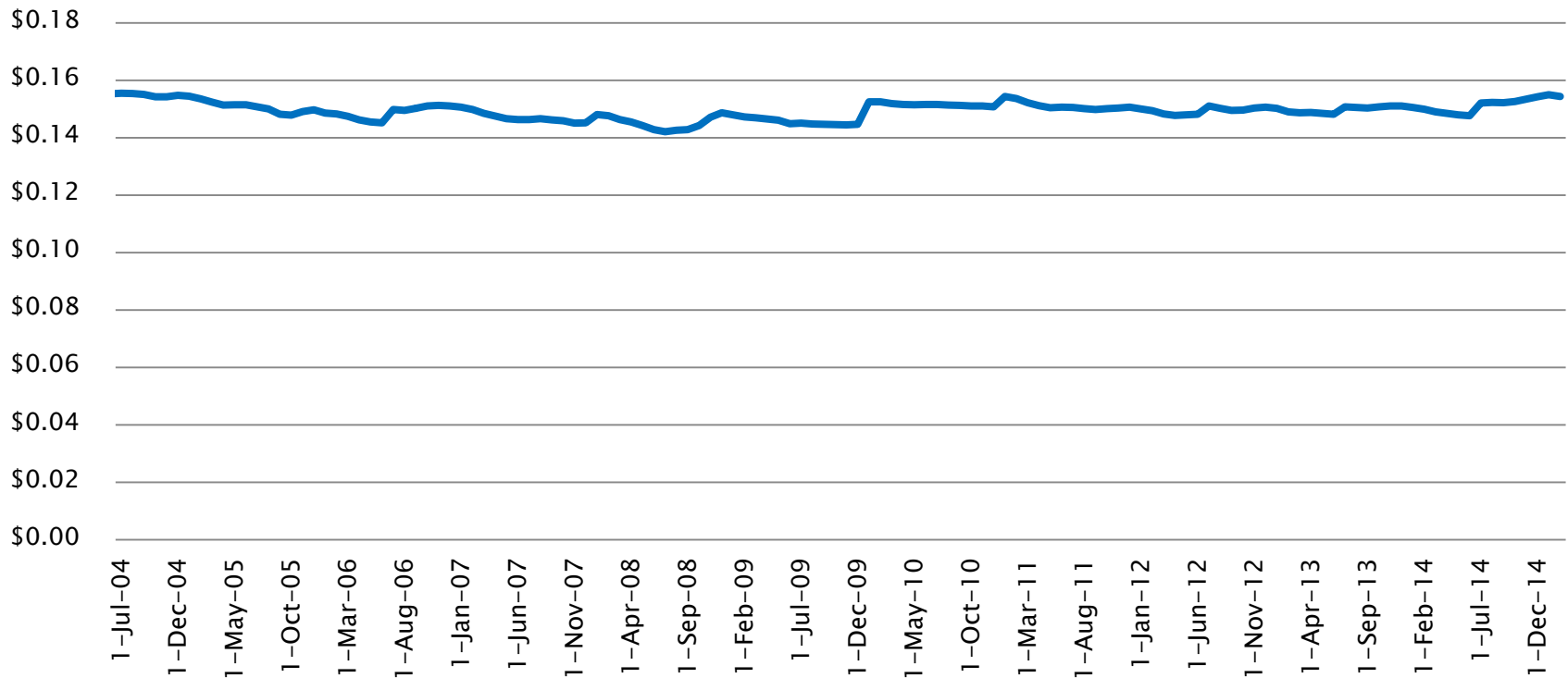


Outages per Year

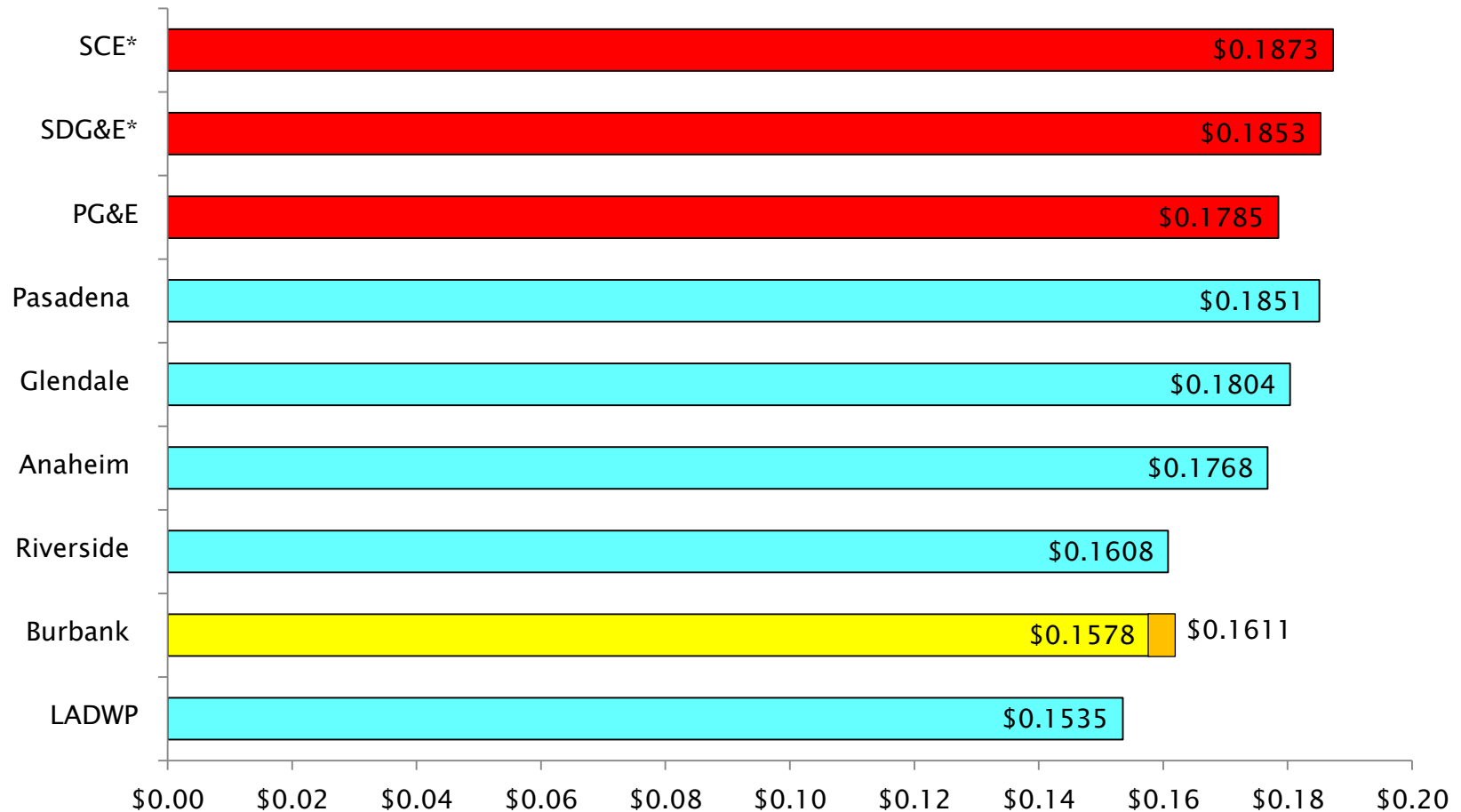


Competitive Electric Rates

Average Electric Residential Rate per kWh
Adjusted for Inflation (CPI)



2015 Average Residential Revenue Per kWh



Source: EIA

* Increase pending



Estimated Impact of Proposed 2.1% Rate Increase on Residential Bills

Change on a 350 kWh Bill

2014-15	\$56.29
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2015-16	\$57.56
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Estimated Impact	
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	<hr/> \$1.27
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Estimated Impact of Proposed 2.1% Rate Increase on Residential Bills

Change on a 550 kWh Bill

2014-15	\$94.04
2015-16	\$96.52
Estimated Impact	<hr/> \$2.48



Electric Income Statement

(\$ in thousands)

	Approved Budget FY 14-15	Proposed Budget FY 15-16
MWh NEL	1,221,759	1,174,532
Total Operating Revenues	\$ 260,688	\$ 260,220
Total Power Expenses	\$ 192,018	\$ 192,820
Gross Margin	\$ 68,670	\$ 67,400
Total Operating Expenses before Depreciation	\$ 35,062	\$ 36,301
Depreciation Expense	\$ 18,987	\$ 18,542
Operating Income/(Loss)	\$ 14,621	\$ 12,557



Electric Income Statement (cont.)

(\$ in thousands)

	Approved Budget FY 14-15	Proposed Budget FY 15-16
Operating Income/(Loss)	\$ 14,621	\$ 12,557
Other Income / (Expense)	\$ (2,072)	\$ (2,659)
In Lieu	\$ (8,978)	\$ (8,402)
Street Lighting	\$ (2,576)	\$ (2,647)
Net Income	\$ 995	\$ (1,151)
Capital Contributions (AIC)	\$ 2,300	\$ 4,255
Change in Net Position	\$ 3,295	\$ 3,104



Public Benefits Programs

	Approved FY 2014-15	Proposed FY 2015-16
Residential Programs		
Green Home House Call	850,000	950,000
Low-Income Assistance Programs	700,000	735,000
Home Rewards Rebates	275,000	275,000
A/C Tune-Up & Duct Sealing Program	200,000	110,000
Made in the Shade	50,000	62,000
Home Energy Reports	-	52,000
Low-Income Refrigerator Exchange	50,000	50,000
Refrigerator Round-Up	50,000	30,000
LED Distributions	5,000	-
Sub-Total Residential Programs	2,180,000	2,264,000



Public Benefits Programs (cont.)

	Approved FY 2014-15	Proposed FY 2015-16
Commercial Programs		
Energy Solutions Business Rebates	450,000	600,000
Business Bucks Audit & Install Program	650,000	550,000
Sub-Total Commercial Programs	1,100,000	1,150,000
Renewable Energy/Environmental Initiatives		
Solar Support Program	1,020,000	403,400
Electric Vehicle Chargers & Rebates	20,000	50,000
CalElectric Transportation Coalition Membership	5,000	5,000
Street Lighting Upgrades	300,000	-
LEEDS Incentive Program	15,000	-
New Programs to be Developed	201,400	185,700
Sub-Total Renewable Energy and Environmental Initiatives	1,561,400	644,100



Public Benefits Programs (cont.)

	Approved FY 2014-15	Proposed FY 2015-16
Educational Programs		
LivingWise Educational Program	55,000	60,000
Currents Newsletter Production Costs	45,000	40,000
Energy Expo Event	36,000	36,000
Wire Newsletter	-	4,900
Architectural Design Competition	3,000	3,000
Sub-Totals Educational Programs	139,000	143,900
Administration & Accrued Obligation		
Program Administration	846,628	1,049,302
Total Public Benefits Expenditures	5,827,028	5,251,302
Accrued Spending Obligation	(943,131)	(380,132)
Public Benefits Expense	4,883,897	4,871,170



Electric Fund 5 Year Capital Plan

	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
	Forecast	Proposed	Forecast	Forecast	Forecast	Forecast
Power Supply Improvement Projects	3,056,553	1,745,000	3,150,000	1,600,000	2,053,000	1,600,000
Operations Technology	320,118	-	-	500,000	-	-
Distribution Expansion Projects	2,995,728	6,717,500	6,255,000	6,015,000	3,220,000	2,960,000
Distribution Replacement Projects	5,835,000	5,900,000	6,725,000	6,250,000	6,250,000	6,850,000
New Customer Projects/AIC	3,877,500	1,832,500	1,320,000	1,270,000	1,420,000	1,420,000
Facility Renovations	484,306	330,000	350,000	402,500	566,000	350,000
ONE Burbank	300,000	250,000	250,000	250,000	200,000	200,000
Finance, Warehouse and Fleet Facility	184,975	-	300,000	-	-	-
Customer Service	3,340,291	-	2,272,500	2,000,000	-	-
Water Fund's share of common projects	(356,267)	(32,200)	(74,750)	(45,425)	(65,090)	(40,250)
Electric Fund's share of common projects		90,560				
Total CIP	\$ 20,038,204	\$ 16,833,360	\$ 20,547,750	\$ 18,242,075	\$ 13,643,910	\$ 13,339,750



Electric Fund 5 Year Capital Outlay

	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
	Forecast	Proposed	Forecast	Forecast	Forecast	Forecast
Capital Outlay	115,000	190,000	193,800	197,676	201,630	205,662
Information Technology	321,420	247,973	627,915	375,710	230,900	242,255
Master Fleet Plan	135,000	335,000	945,688	567,790	1,202,163	859,525
Total Capital Outlay	\$ 571,420	\$ 772,973	\$ 1,767,403	\$ 1,141,176	\$ 1,634,692	\$ 1,307,442



Electric Fund Capital Improvements

(\$ in 000's)

4 kV to 12 kV Conversion of Circuit BB-3	\$	2,800
Station Capacity Upgrades	\$	2,760
Pacific Northwest DC Intertie	\$	1,600
Distribution Substation Transformer Backup	\$	875
New Customer Transformer Stations, 750 kVA & Under	\$	560
Replace Deteriorated Overhead Electrical Dist. Lines	\$	500
Relocation of Facilities for I-5 Improvement Project	\$	500
Other Remaining Projects	\$	7,238
Total	\$	16,833



ONE Burbank Customers



❖ Disney



❖ Warner



❖ Viacom Inc.
(Nickelodeon)



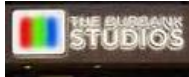
❖ Original Production

❖ Captions Inc.

❖ Worthe Real Estate

❖ Cast & Crew

❖ Civolution



❖ Entertainment Partners

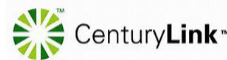
❖ Dolby Laboratories

❖ NBC/Universal

❖ Evolution

❖ Thinkwell

❖ Modern VideoFilm



❖ SAG

❖ MyEye Media

❖ CenturyLink

❖ New West Records

❖ FotoKem



❖ Encompass Digital

❖ Buddy's All Stars

❖ Keycode Media

❖ Music Express

❖ Deluxe

❖ Point 360



❖ 42 Entertainment



❖ KCET

❖ Hula Post



❖ Sohonet

❖ Liberman

❖ Quail Capital

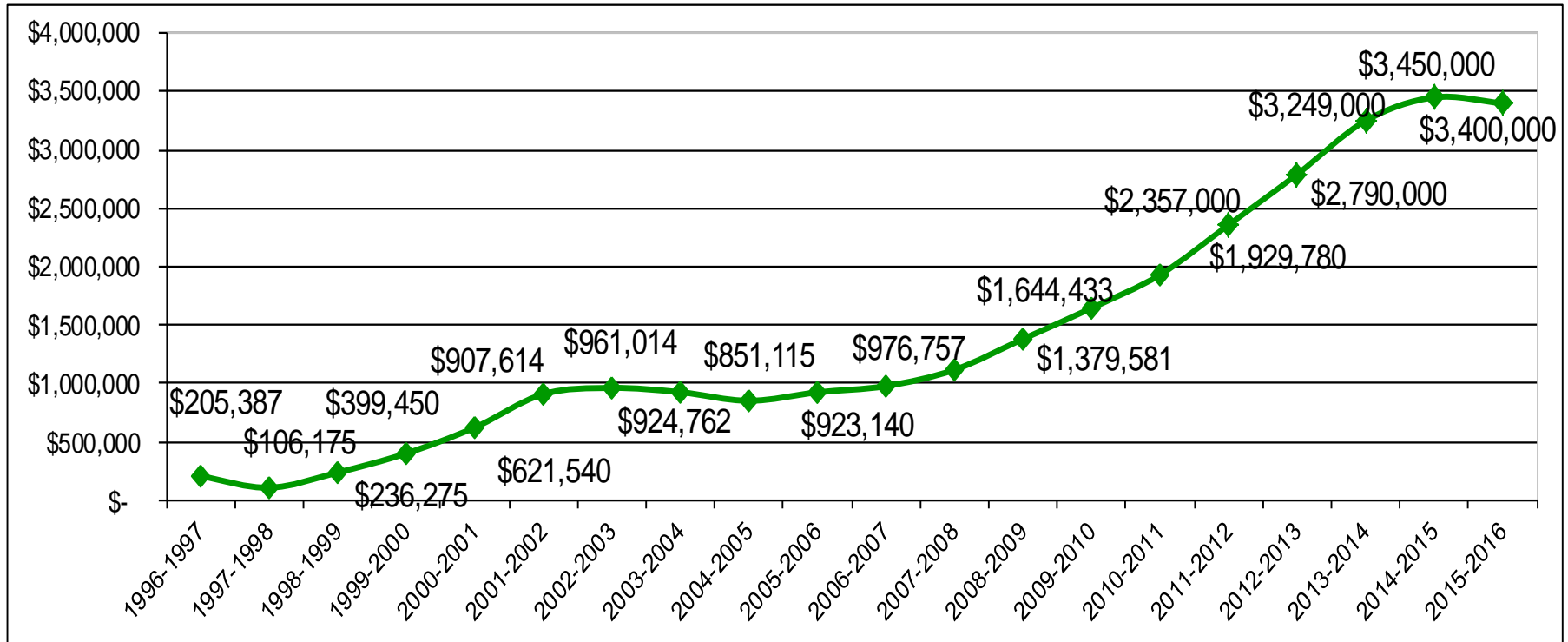
❖ Visual Data

❖ Producers/Writers Guild

❖ Yahoo



ONE Burbank Revenues



Telecom Benefits

- City Departments cost savings of \$480k
- BUSD Cost savings of \$330k
- BWP Cost Savings \$375k
- City Wi-Fi

Water Budget Highlights

- Drought
- Lower Sales
- Increased Water Costs



Highlights of Governor's Drought Order

- ▶ Burbank must lower water use by 28% of 2013 levels
- ▶ Already saved 11% – need another billion gallons per year
- ▶ Very stiff state fines for non-compliance effective June 1



Impacts of Governor's Drought Order

- ▶ Burbank must reduce from current 144 to 117 GPCPD
- ▶ \$2.0m loss in margin
- ▶ Cash Reserves fall to minimum



Water Budget Assumptions

- ▶ Recycled water usage is up 6%
- ▶ System losses are 2.6%

Water Budget Assumptions

- ▶ Increased MWD Costs
- ▶ Burbank Operable Unit (BOU) provides 63% of potable water
- ▶ Water rate increase of 3.40%



Water Budget Assumptions

- ▶ No change in staffing levels
- ▶ No new capital programs – continue capital replacement plan designed for efficiency and reliability
- ▶ Cash above minimum reserves but well below recommended

Water Budget Drivers

(\$ in 000's)

	<u>\$</u>	<u>Rate Impact</u>
MWD Costs	\$989	3.81%
Lower Potable Usage	\$1,320	5.08%
Allocated Costs	\$223	0.86%
Budget Increases	\$2,532	9.75%

Water Budget Drivers

(\$ in 000's)

Budget Decreases

	<u>\$</u>	<u>Rate Impact</u>
End In-lieu Transfer (net)	(\$792)	-3.05%
Recycled Conversions	(\$305)	-1.17%
Budget Decreases	(\$1,097)	-4.22%
Required Rate Increase	\$1,435	5.52%



Water Budget Drivers

(\$ in 000's)

	<u>\$</u>	<u>Rate Impact</u>
Required Rate Increase	\$1,435	5.52%
Proposed Rate Increase	\$884	3.40%



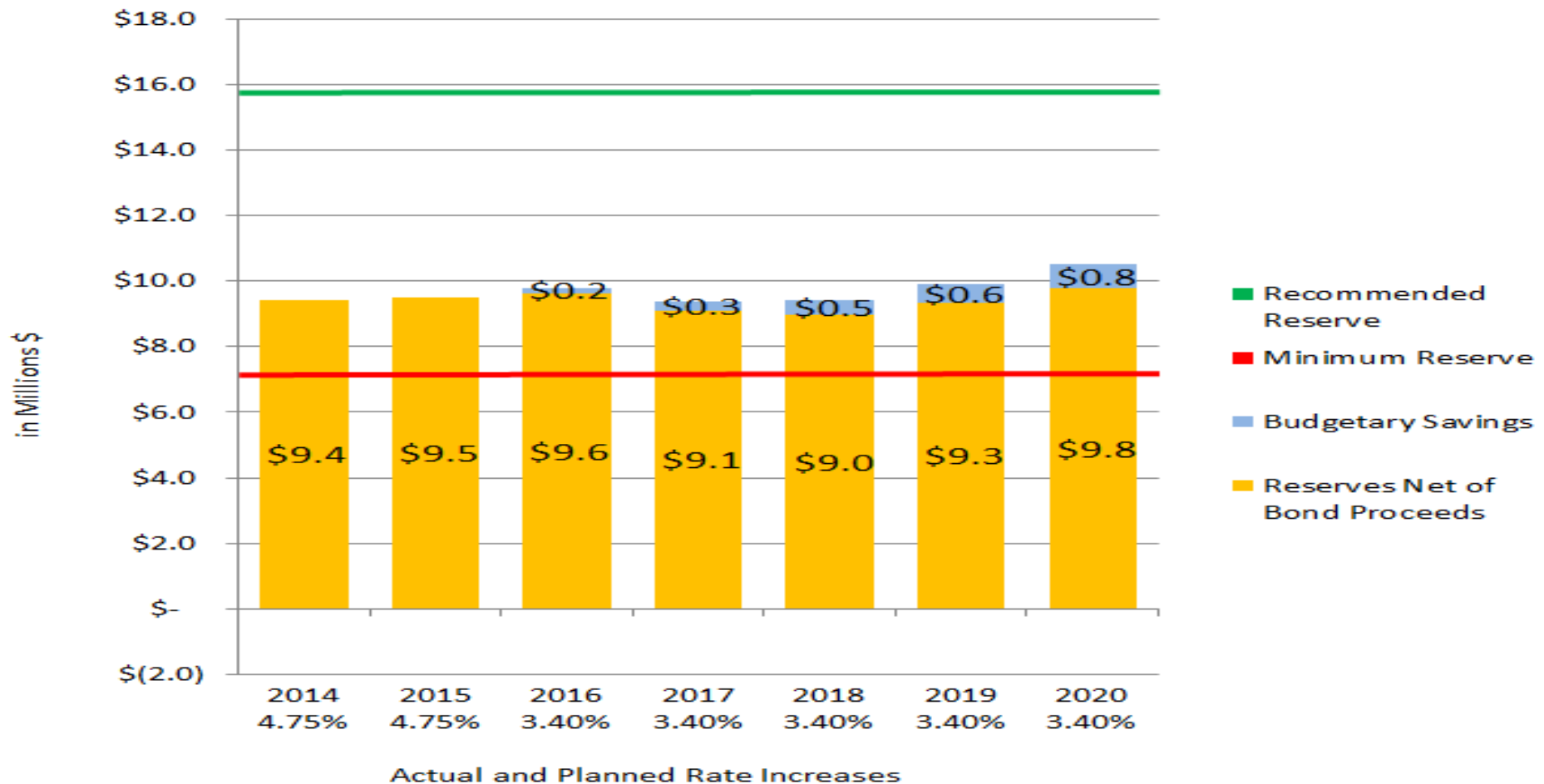
Water In-Lieu

(\$ in 000's)

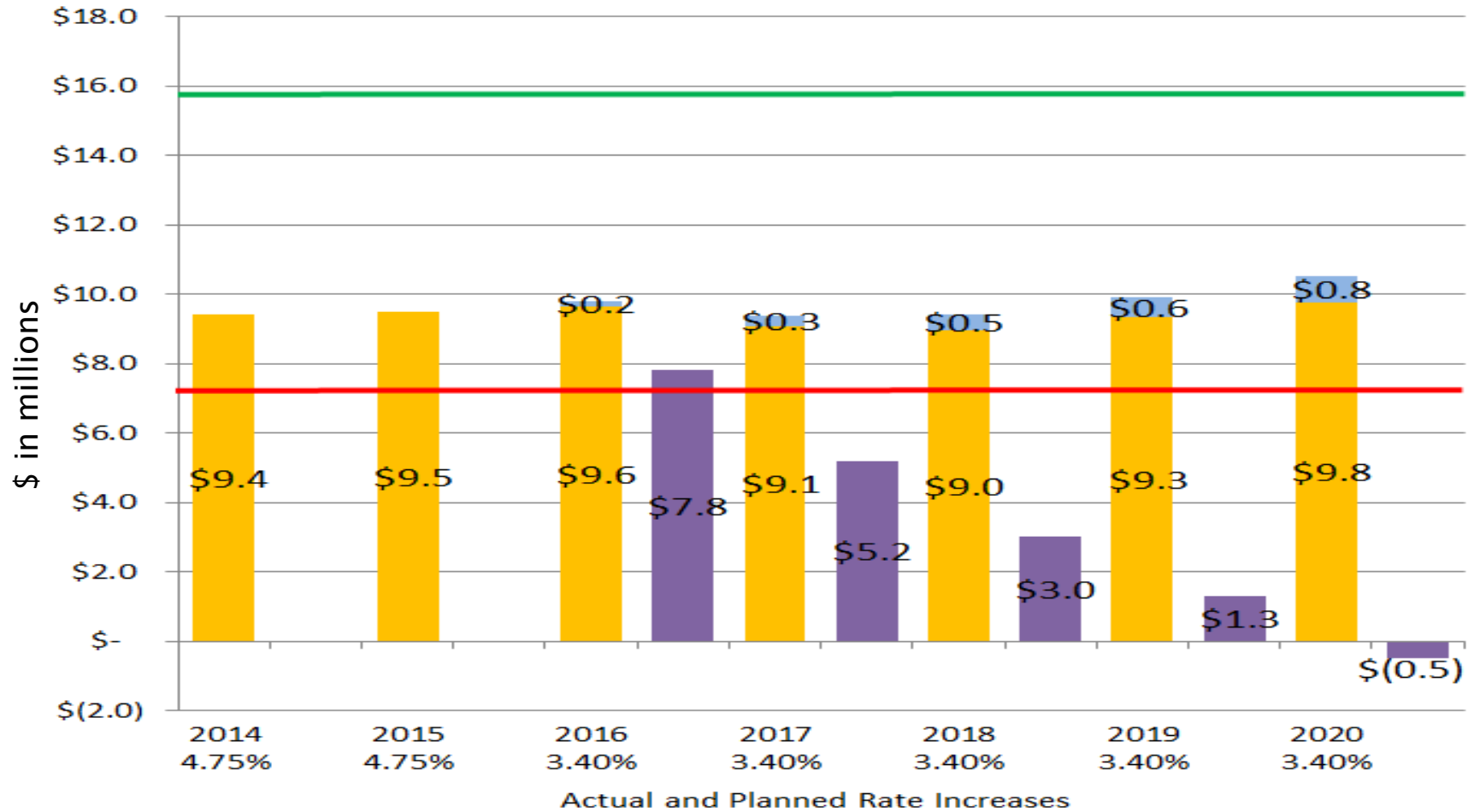
	<u>14-15</u>	<u>15-16</u>	<u>16-17</u>	<u>17-18</u>	<u>18-19</u>
End of In-Lieu	\$1,299	\$1,299	\$1,299	\$1,299	\$1,299
Settlement Payments	\$100	\$375	\$375	\$375	\$0
Cost of Service Allocations	(\$608)	(\$620)	(\$632)	(\$645)	(\$658)
Net In-lieu Impact	\$792	\$1,054	\$1,042	\$1,029	\$641



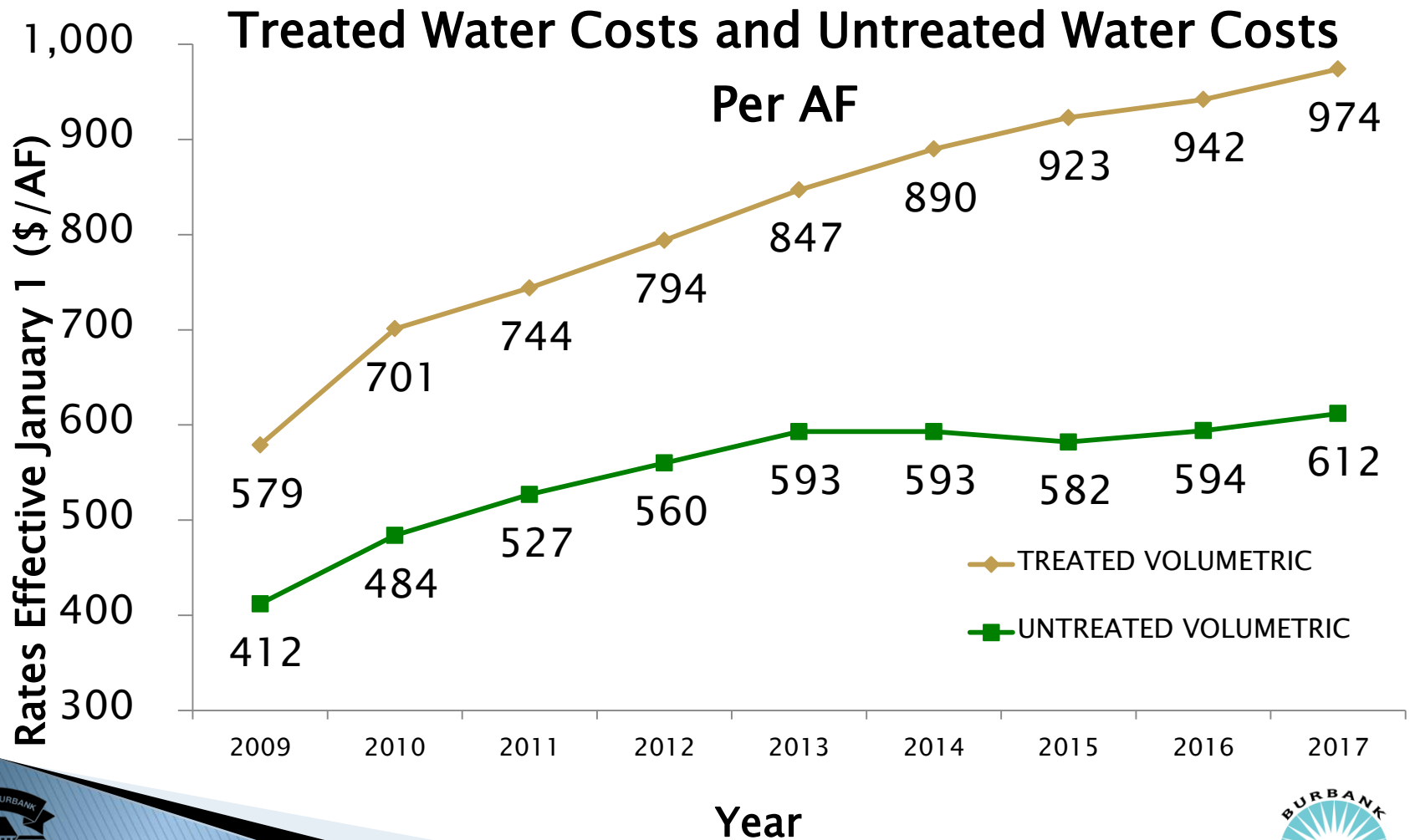
Water Cash Reserves



Water Cash Reserves

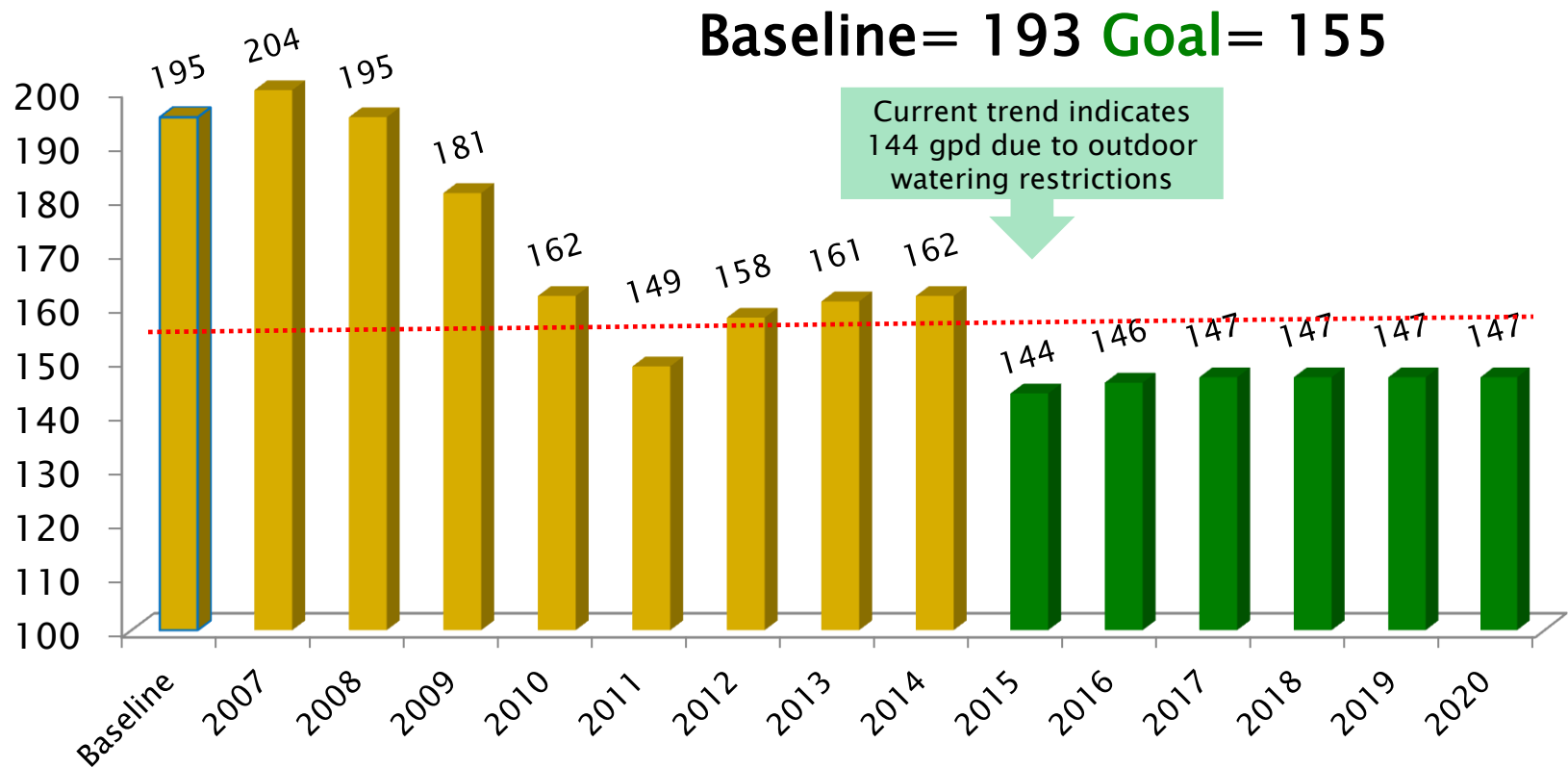


MWD Rate Outlook



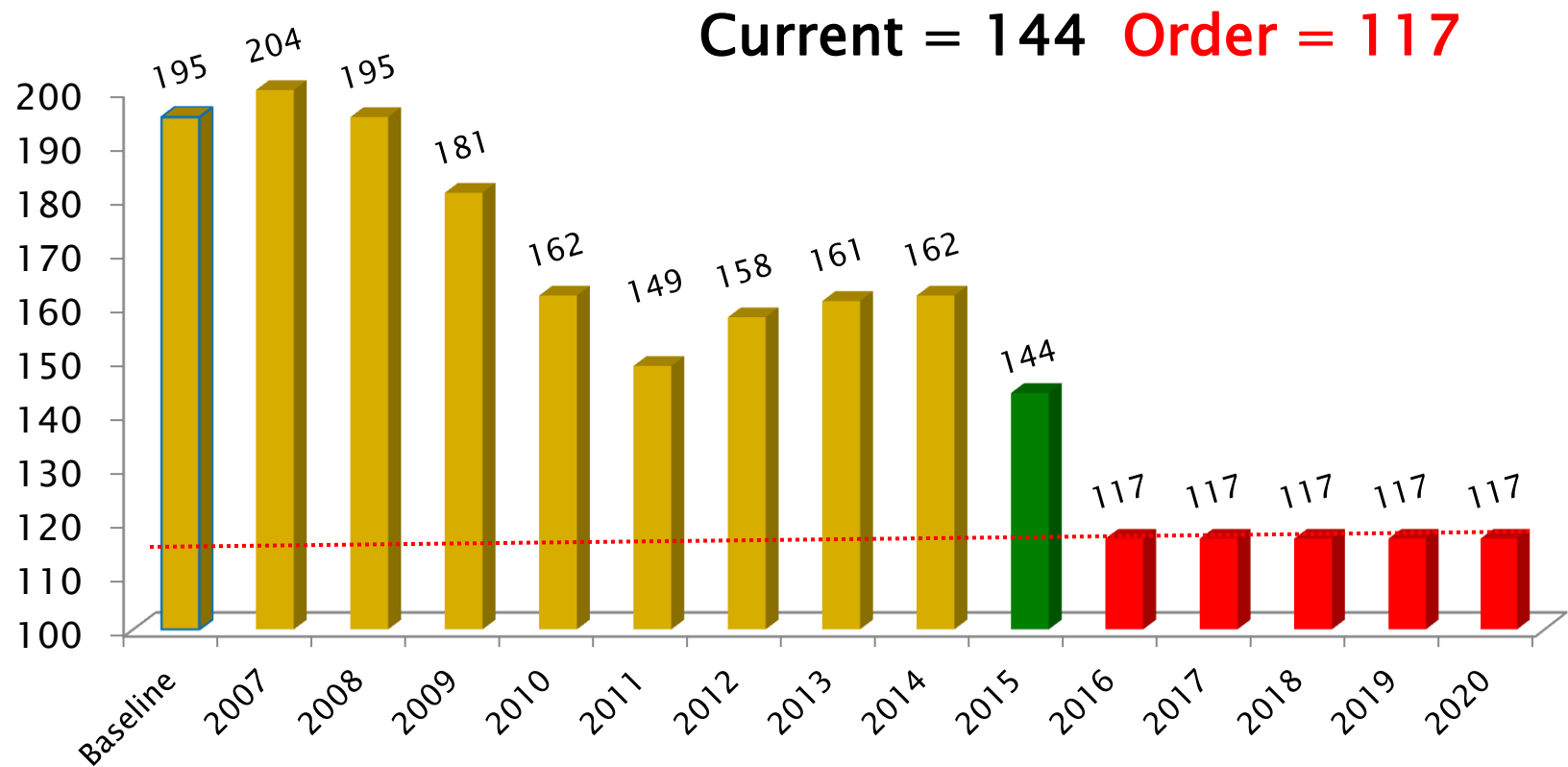
Water Use per Capita

(gallons per day for fiscal years ending June 30th)

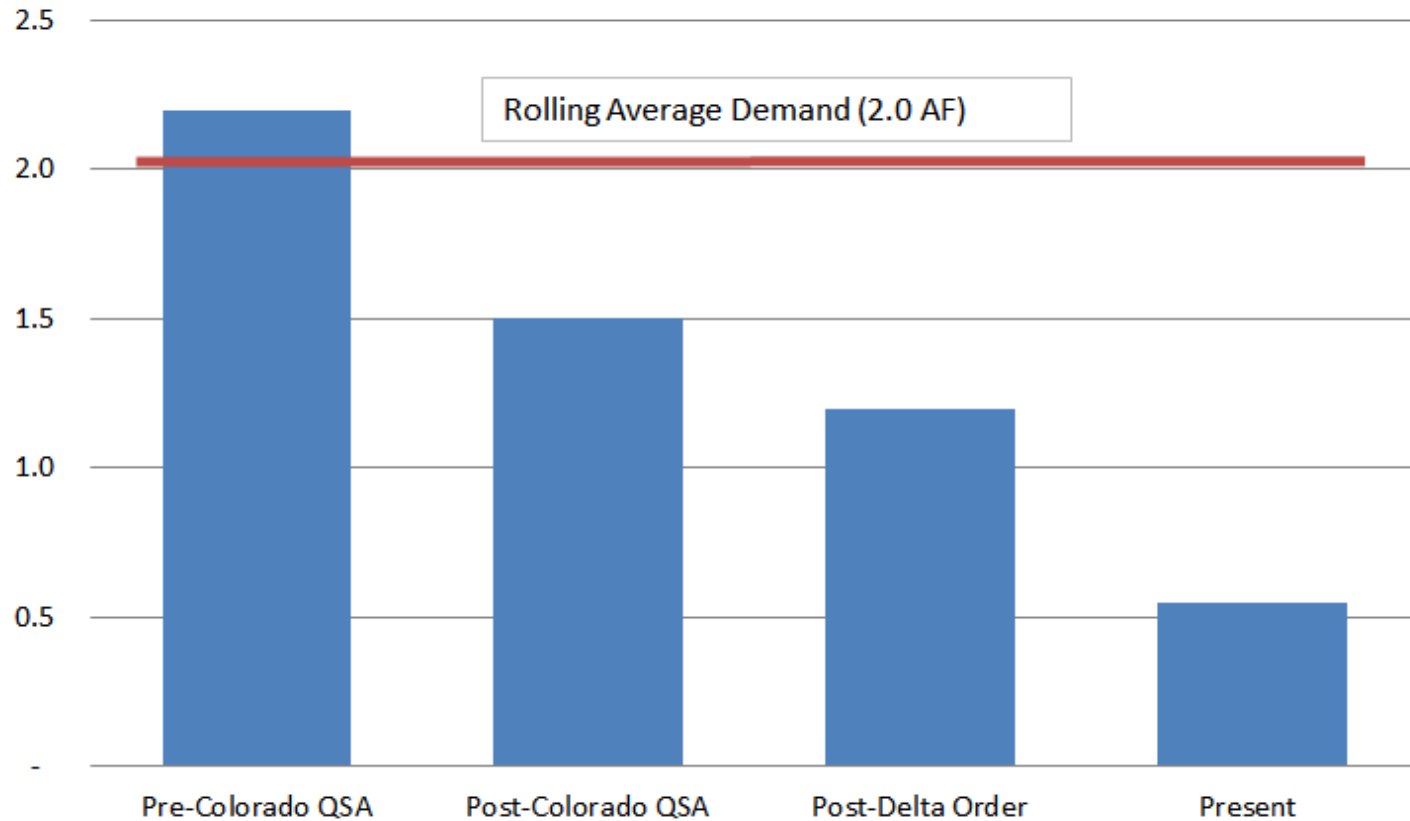


Water Use per Capita Under Order

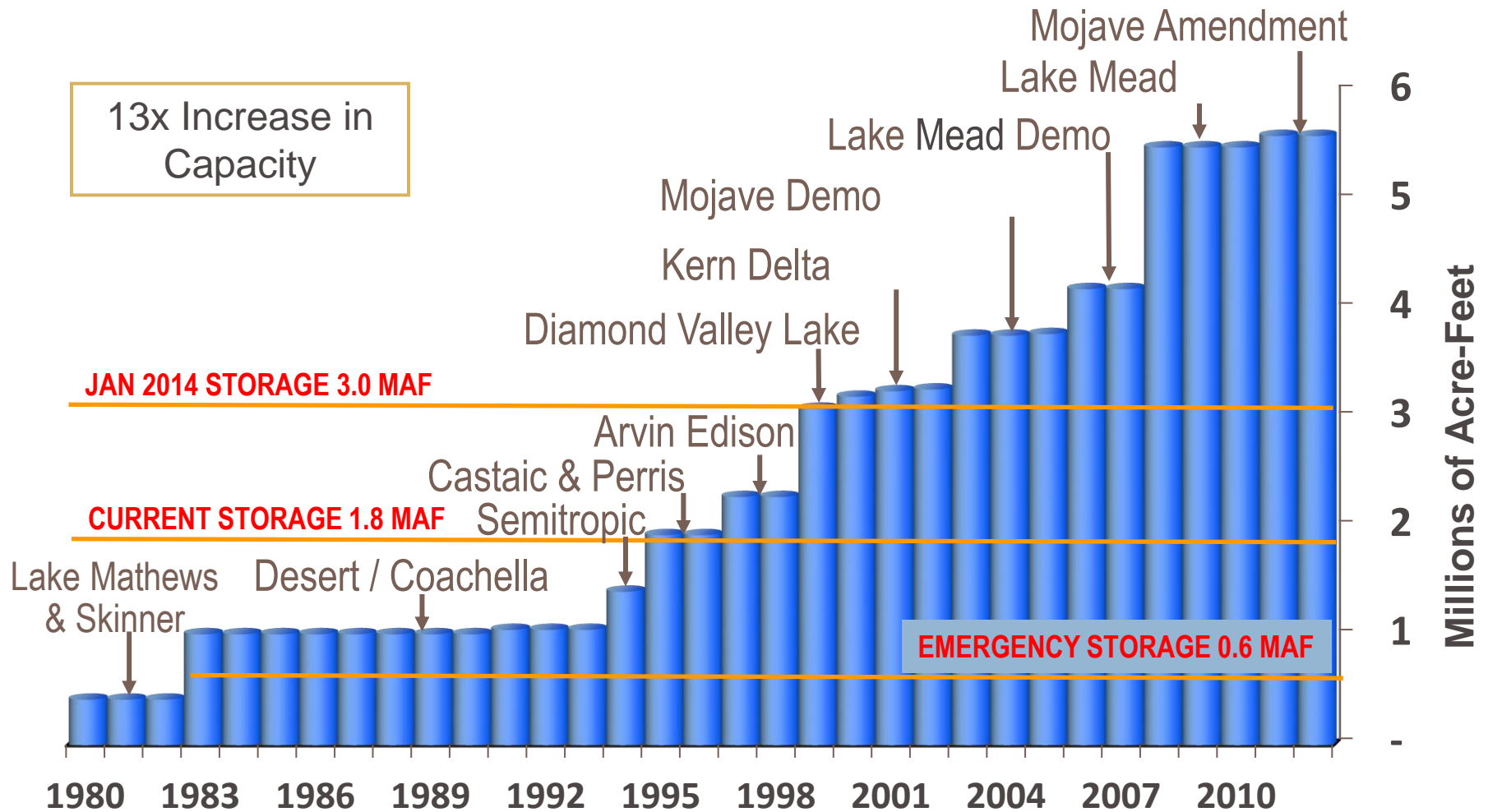
(gallons per day for fiscal years ending June 30th)



MWD Firm Supply

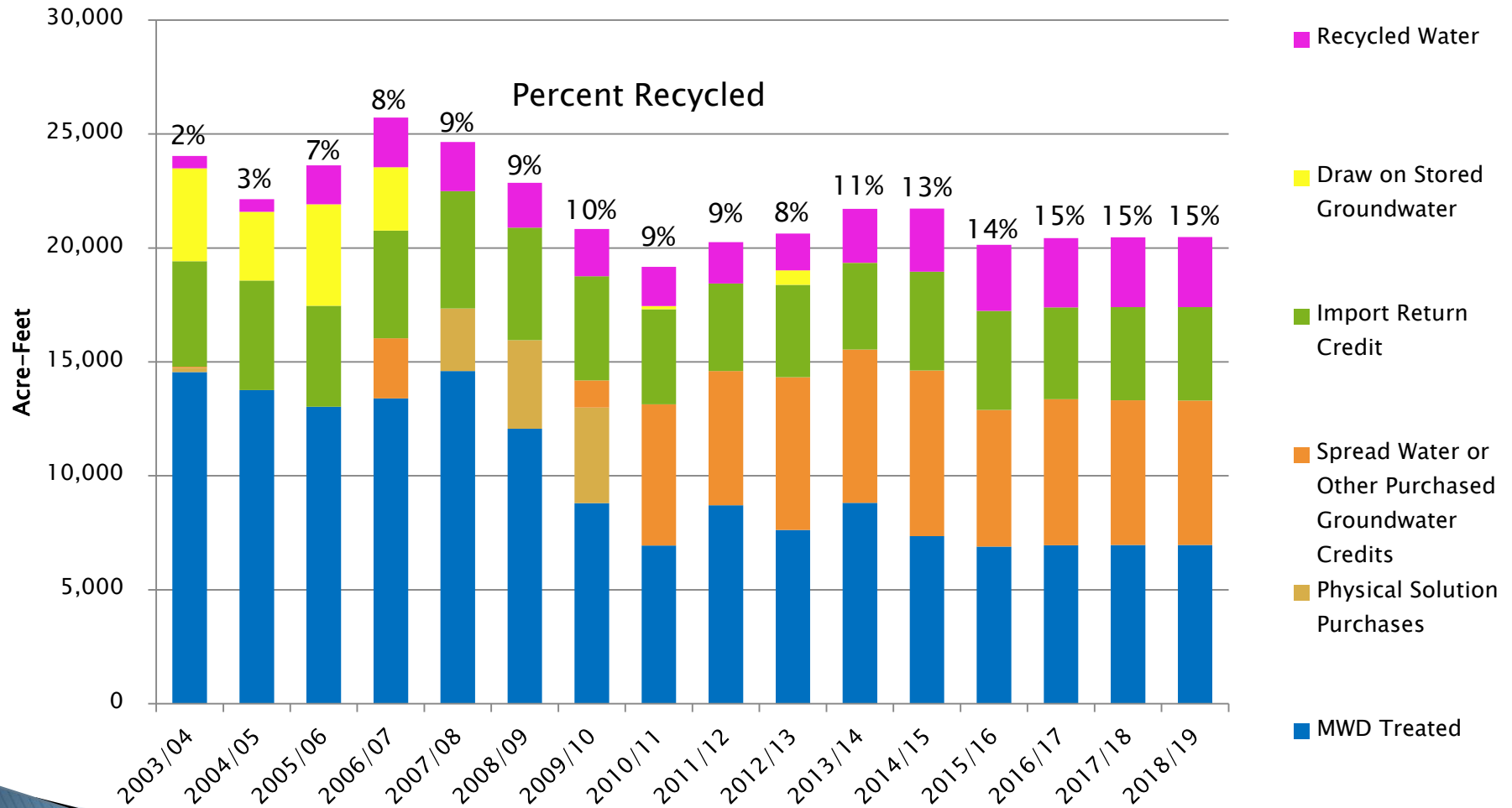


MWD's Water Supply Reliability



Water Planning

BWP Projected Water Source



Recycled Water Goals

(in Millions of Gallons)

	Conversion Goal in MG	Converted In MG	% of Conversion Goal Met
Parks and Recreation	80	80	100%
Commercial	58	20	35%
Other	22	7	33%
Studios	92	17	18%
BUSD	27	5	17%
Valhalla Memorial Park	130	8	6%
TOTAL	410	137	33%



Recycled Water

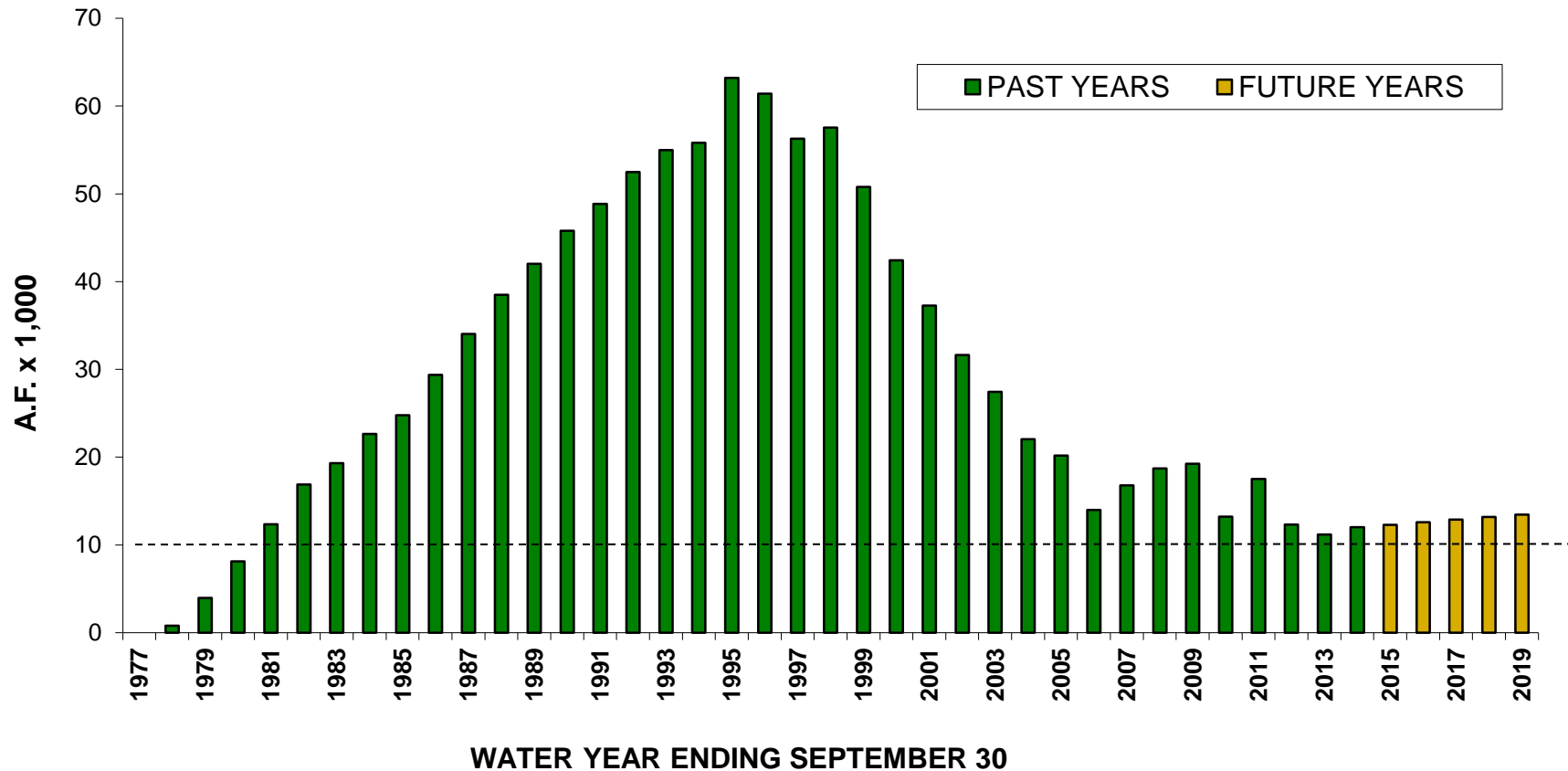
Remaining Conversions to Focus On



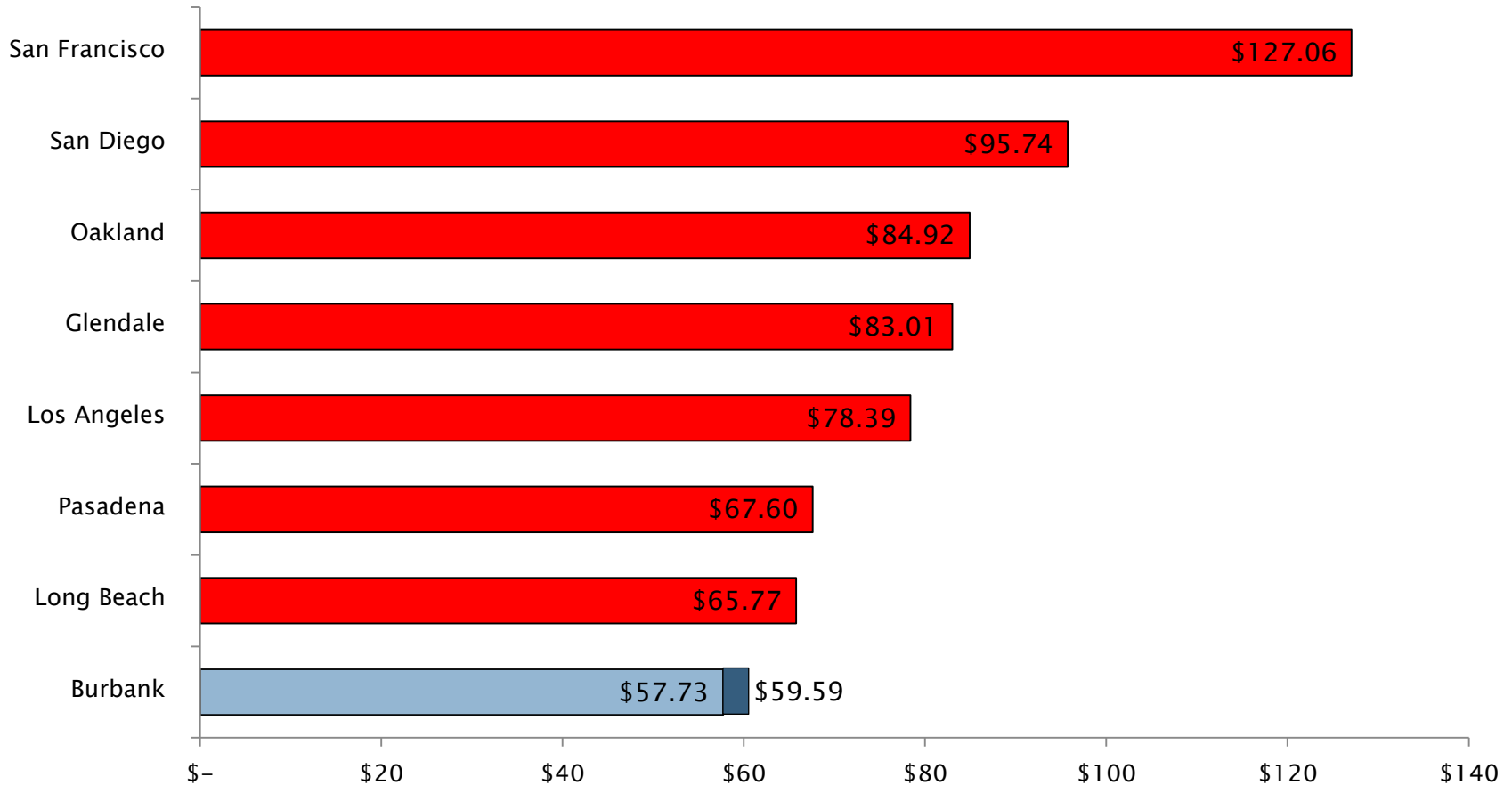
- Valhalla
 - Replaces GW Pumping
 - 122 MG annual deliveries
- BUSD
 - 11 Sites
 - 23 MG annual deliveries
- HVAC Cooling Towers
 - 12+ Sites
 - 90+ MG annual deliveries



Stored Groundwater Credits



Water Bill Comparison (12,000 gallons)



Estimated Impact of Proposed 3.4% Rate Increase on Residential Bills

Change on a 6,000 Gallon Bill

2014	\$34.31
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2015	\$35.73
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Estimated Impact	<hr/> \$1.42
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Estimated Impact of Proposed 3.4% Rate Increase on Residential Bills

Change on a 12,000 Gallon Bill

2014	\$57.73
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2015	\$59.59
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Estimated Impact	<hr/> \$1.86
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Water Income Statement

(\$ in thousands)

**Approved Budget
FY 14-15**

**Proposed Budget
FY 15-16**

Potable Sales in Billions of Gallons	6.017	5.475
Recycled Sales in Billions of Gallons	0.893	0.946
Total Operating Revenues	\$ 31,550	\$ 30,062
WCAC Expense	\$ 13,171	\$ 12,194
Gross Margin	\$ 18,380	\$ 17,868
Total Operating Expenses before Depreciation	\$ 11,190	\$ 11,949
Depreciation Expense	\$ 4,143	\$ 4,215
Operating Income/(Loss)	\$ 3,047	\$ 1,704



Water Income Statement (cont.)

(\$ in thousands)

Approved Budget
FY 14-15

Proposed Budget
FY 15-16

Operating Income/(Loss)

\$ 3,047

\$ 1,704

Other Income / (Expenses)

\$ (1,438)

\$ (1,368)

In Lieu

\$ (1,389)

\$ -

Net Income

\$ 221

\$ 335

Capital Contributions (AIC)

\$ 304

\$ 369

Change in Net Position

\$ 525

\$ 704



Water Income Statement (cont.)

(\$ in thousands)

Approved Budget
FY 14-15

Proposed Budget
FY 15-16

Operating Income/(Loss)

\$ 3,047

\$ (297)

Other Income / (Expenses)

\$ (1,438)

\$ (1,368)

In Lieu

\$ (1,389)

\$ -

Net Income

\$ 221

\$ (1,666)

Capital Contributions (AIC)

\$ 304

\$ 369

Change in Net Position

\$ 525

\$ (1,297)



Water Conservation Programs

	Approved FY 2014-15	Proposed FY 2015-16
Programs		
Landscape water consulting, classes & rebates	116,750	271,750
Green Home House Call Program	130,000	245,000
Home Water Reports	-	140,000
Recycled Water Conversion Assistance	70,000	75,000
Community Demonstration Garden Grants	30,000	30,000
Rain Barrel	-	10,000
Study of Best Practices: Water Sustainability	15,000	7,500
Water Leak Assistance	-	5,000
Customer Self Service website	34,000	-
Sub-Total Residential Programs	395,750	784,250



Water Conservation Programs (cont.)

	Approved FY 2014-15	Proposed FY 2015-16
Events/Environmental Initiatives		
Water Festival & Other Events	5,000	5,000
Sub-Total Events and Environmental Initiatives	5,000	5,000
 Administration & Accrued Obligation		
New Programs to be Developed	150,000	25,000
Program Administration	371,618	283,448
Total Water Conservation Expenditures	922,368	1,097,698
Accrued Spending Obligation	(391,136)	(614,176)
 Water Conservation Expense	531,232	483,522



Water Fund 5 Year Capital Plan

	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
	Forecast	Proposed	Forecast	Forecast	Forecast	Forecast
Potable CIP						
Small Water Mains	1,725,468	2,146,063	2,021,063	2,361,063	2,781,063	1,846,063
Large Water Mains	890,000	575,000	450,000	825,000	200,000	1,390,000
Plant Replacement	35,000	35,000	35,000	35,000	35,000	35,000
Automation and Control	118,314	20,000	20,000	20,000	20,000	170,000
Boosters	160,000	50,000	250,000	185,000	225,000	-
Production Facilities	220,000	110,000	-	-	-	150,000
Miscellaneous Facilities	272,500	406,121	175,000	25,000	25,000	25,000
Storage - Reservoirs and Tanks	820,000	325,000	300,000	440,000	200,000	30,000
New Customer Projects/AIC	733,762	358,762	308,762	333,762	333,762	333,762
Water Fund's share of common projects	356,267	32,200	74,750	45,425	65,090	40,250
Electric Fund's share of common projects		(90,560)				
Total Potable CIP	\$ 5,331,311	\$ 3,967,585	\$ 3,634,575	\$ 4,270,250	\$ 3,884,915	\$ 4,020,075
Recycled CIP						
Recycled Water	1,839,605	899,105	829,105	344,105	304,105	654,105
New Customer Projects/AIC	10,000	10,000	10,000	10,000	10,000	10,000
Total Recycled CIP	\$ 1,849,605	\$ 909,105	\$ 839,105	\$ 354,105	\$ 314,105	\$ 664,105
Total CIP	\$ 7,180,916	\$ 4,876,690	\$ 4,473,680	\$ 4,624,355	\$ 4,199,020	\$ 4,684,180



Water Fund 5 Year Capital Outlay

	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
	Forecast	Proposed	Forecast	Forecast	Forecast	Forecast
Capital Outlay	\$12,000	\$76,785	\$78,321	\$79,887	\$81,485	\$83,115
Information Technology	10,580	12,628	56,190	23,417	4,600	6,075
Master Fleet Plan	125,000	105,000	577,313	516,610	476,338	230,475
Subtotal Capital Outlay	\$147,580	\$ 194,413	\$ 711,823	\$619,914	\$562,422	\$319,665



Potable Capital Improvements

(\$ in 000's)

Meter Replacements	\$	639
Frederick St. Main, Clark to Magnolia	\$	275
Ontario St. Main, 1812 Ontario to Pacific Ave.	\$	250
Hollywood Way Main, Allan to Jeffries	\$	240
System Expansion Services	\$	200
Walnut St. Main, Sixth to Kenneth	\$	200
Replace Transmission Main Valves	\$	200
Beachwood Dr. Main, Victory to 1333 Beachwood	\$	190
Other Remaining Projects	\$	1,774
Total	\$	3,968



Recycled Capital Improvements

(\$ in 000's)

Add a 2nd Recycled Transmission Main across I-5	\$	520
Distribution Mains Extensions	\$	250
Services	\$	85
Hydrants	\$	20
Other Remaining Projects	\$	34
Total	\$	909



MPP Joint Power Authority Budget

(\$ in 000's)			
	Description	FY 14-15 Approved Budget	FY 15-16 Proposed Budget
	Est. Net Generation in MWh	1,563,513	1,472,864
	Operating and Maintenance Expenses	\$28,061 (a)	\$25,053
	Capital Expenditures	\$492	\$2,942 (b)
	Operating Agent Budget (Fund 483)	\$28,553	\$27,995

(a) Includes \$5.0m for Green House Gas Allowances

(b) Includes \$2.0m for Turn-down Capability



Tieton Joint Power Authority Budget

(\$ in 000's)			
		FY 14-15	FY 15-16
		Approved	Proposed
	Description	Budget	Budget
	Est. Generation in MWh	51,305	50,650
	Operating and Maintenance Expenses	\$1,434	\$1,592
	Transmission Expenses	\$90	\$90
	Capital Expenditures	\$150	\$525
	Operating Agent Budget (Fund 133)	<u>\$1,674</u>	<u>\$2,207</u>



Street Lighting (Fund 129)

(\$ in 000's)

	Approved FY 14-15	Proposed FY 15-16
Operating Revenues		
Transfers In-Lieu	\$ 2,576	\$ 2,651
Operating Expenses		
Utilities	\$ 1,335	\$ 1,362
Maintenance	\$ 550	\$ 491
Other Operating Expenses	\$ 76	\$ 154
Total Operating Expenses	\$ 1,961	\$ 2,006
Net Income	\$ 615	\$ 645
Other Income		
Interest Income and Other Income	\$ 5	\$ 1
Aid in Construction	\$ 909	\$ 375
Total Other Income	\$ 914	\$ 376
Net Change in Net Assets	\$ 1,528	\$ 1,021
Capital Expenditures	\$ 1,420	\$ 1,278
Repay Capital Advance from Electric Fund	\$ 70	\$ 80
Cash Balance at June 30	\$ 635	\$ 136



Communications (Fund 535)

(\$ in 000's)

	Approved Budget FY 14-15	Proposed Budget FY 15-16
Revenues		
Charges for Services	\$ 2,781	\$ 2,781
Total Operating Revenues	\$ 2,781	\$ 2,781
Operating Expenses		
Operations and Maintenance	\$ 1,663	\$ 2,134
Depreciation	\$ 1,287	\$ 462
Total Operating Expenses	\$ 2,950	\$ 2,596
Net Income	\$ (169)	\$ 184
Interest & Other Income	\$ 13	\$ 55
Total Indirect Income/Expense	\$ 13	\$ 55
Net Change in Net Assets (Net Income)	\$ (156)	\$ 239
Capital Expenditures	\$ 2,079	\$ 6



Staff's Recommendation

Staff recommends that the City Council approve the BWP Proposed FY 2015–16 Budget, including an Electric rate increase of 2.10% and a Water rate increase of 3.40%, effective July 1, 2015.

