

STAFF REPORT



WATER AND POWER

DATE: March 4, 2021

TO: Burbank Water and Power Board

FROM: Dawn Roth Lindell, General Manager, Burbank Water and Power *Dawn Roth Lindell*

SUBJECT: Proposed Fiscal Year 2021-22 Budget

At the Burbank Water and Power (BWP) Board Meeting on March 4, 2021, staff will complete its presentation related to the proposed fiscal year (FY) 2021-22 budget that was originally discussed at the BWP Board Meeting on February 4, 2021 and will request a recommendation from the BWP Board to the Burbank City Council on its proposed rate increases, capital, and operating and maintenance budgets.

The table below summarizes operations and maintenance (O&M) and capital changes to the budget staff has made since February 4, 2021. The primary change to the electric fund is due to increased gas price assumptions and the primary change to the water fund is due to an increase in water purchases.

Summary of Changes to the Proposed FY 2021-22 Budget

	Electric Fund 496	Water Fund 497	Street Lighting Fund 129	Communications Fund 535
O&M	\$2,595,000	\$195,000	-\$1,000	\$30,000
Capital	\$0	-\$8,000	\$0	\$0
Total	\$2,595,000	\$187,000	-\$1,000	\$30,000

Staff anticipates that with these recommended changes, electric and water cash will be above the minimum reserve levels. Staff is recommending a 2.5% electric rate increase by phasing in a 1.24% increase in October 2021 and April 2022 and a 6.0% water rate increase by phasing in a 1.96% increase in October 2021, January 2022, and April 2022. This recommendation is slightly different than what was presented on February 4, 2021, as it accounts for compounding rate increases throughout the year.

This memo is provided to describe the issues and challenges BWP faces related to the budgets of the electric and water enterprise funds (Funds). 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.

The City Charter requires that the Funds have rates that achieve full cost recovery. Last year, staff withdrew its recommendation for rate increases in FY 2020-21 in light of the COVID-19 pandemic and opted to use cash reserves instead. For FY 2021-22, staff is recommending phasing in electric and water rate increases with the understanding that residents and businesses will be fiscally impacted as a result of the pandemic. For the budget, staff will be sharing a 5-year rate plan that balances affordability, reliability, and sustainability and achieves cost recovery by ramping in rate increases over time.

The budget is designed to continue 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. The electric and water services provided by BWP are among the safest and most reliable in the nation and BWP's rates are among the most competitive in southern California. The budget includes planned and prudent upgrades and replacements of plant for efficiency and reliability, strategic deferred maintenance, and an increase in staffing levels of 1.5 positions - 0.5 of a position, funded by the revenue growth of ONEBurbank, to address the growing use of fiber and ONEBurbank and another 1 position, 25% funded by the Community Development Department, Public Works, and Parks & Recreation.

In the electric fund, staff is managing costs with a goal to keep rates low, while continuing to provide highly reliable services and meet renewable energy portfolio mandates of 60% by 2030. The budget includes under rate recoveries from prior periods, increases in operating and maintenance expenses, investments in future sustainability, and a decrease in demand, offset by a reduction in power supply expenses. With many Burbank commercial enterprises being closed or curtailing operations, the COVID-19 pandemic "Safer at Home" order has, and is anticipated to continue to impact commercial demand for energy in Burbank. For electric, staff proposes a 2.5% rate increase by phasing in a 1.24% increase in October 2021 and in April 2022, and use of cash reserves to supplement rate increases. Future rate increases will be necessary to achieve the City Charter's required cost recovery over time and to enable BWP to meet the renewable energy portfolio mandates.

In recent years, water fund rates have under-recovered costs and the water fund's cash reserves were used to avoid higher rates. Pressure on rates from prior periods, increases in operating and maintenance expenses, higher imported water rates from the Metropolitan Water District (MWD), and new financing to replace aging infrastructure are

the main rate drivers in the water fund, offset by savings from cyclic water purchased in prior years. For water, staff proposes a 6.0% rate increase by phasing in a 1.96% increase in October 2021, January 2022, and April 2022, and use of cash reserves to supplement rate increases. Staff also proposes issuance of \$24 million in bond financing to replace aging infrastructure. BWP will require future rate increases beyond FY 2021-22 to achieve the City Charter's required cost recovery.

Staff is requesting that the BWP Board recommend approval of the utility's proposed FY 2021-22 budget as presented at the March 4, 2021 BWP Board Meeting to the Burbank City Council for funds 496, 497, 483, 133, 129, and 535, including a proposed electric rate increase of 1.24% effective October 2021 and 1.24% effective April 2022, and a proposed water rate increase of 1.96% effective October 2021, 1.96% effective January 2022, and 1.96% effective April 2022.