

STAFF REPORT



WATER AND POWER

DATE: March 3, 2022

TO: Burbank Water and Power Board

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

SUBJECT: Proposed Fiscal Year 2022-23 Budget

At the Burbank Water and Power (BWP) Board meeting on March 3, 2022, staff will complete its presentation related to the proposed fiscal year (FY) 2022-23 budget that was originally discussed at the BWP Board meeting on February 3, 2022 and will request a recommendation from the BWP Board to the Burbank City Council on its proposed rate increases, capital, and operations and maintenance budgets.

The table below summarizes changes staff has made to the budget since February 3, 2022. The primary changes include updated projected rate increases from the Metropolitan Water District (MWD), updated salaries and benefits, and an updated projection from the city for allocations for its services.

Summary of Changes to the Proposed FY 2022-23 Budget

Electric Fund 496	\$174,000
Water Fund 497	\$579,000
Street Lighting Fund 129	\$13,000
Communications Fund 535	-\$11,000
Total	\$755,000

Staff is proposing a 6% electric rate increase and a 9% water rate increase to go in effect July 1, 2022. Since the February 3, 2022 Board meeting, the water rate proposal has

increased from 7% to 9% to account for the latest MWD rate forecast, which is not yet final and may still be revised.

BWP continues its leadership journey in supplying sustainable, affordable, and reliable electricity and water to its residents and businesses. FY 2022-23 holds many issues and challenges including: climate change, sourcing and delivering renewable energy, modernizing infrastructure, testing new technologies, and developing the workforce of the future that need to be addressed in the budgets of the Electric and Water Enterprise Funds (Funds). To partially offset higher costs, BWP staff has risen to the challenge by finding cost savings and cost avoidance opportunities of \$25.2 million in the last 12 months.

In the Electric Fund, staff is facing rising challenges balancing the need to reduce our impact on the climate, our commitment to keeping rates low, government mandates that regulate how we approach energy consumption, and the complicated nature of securing and distributing new sources of renewable power. The future of BWP's power is only set to become more complex and costly as we transition to renewable energy in a way that is reliable in the long term. It is important that we begin in earnest to invest in the required sustainable future. The budget drivers include under collection from insufficient rate increases from prior periods, higher energy prices, IPP coal issues, investments in future sustainability, inflation driven higher operating and maintenance expenses, increase in capital improvements, and a decrease in demand. The COVID-19 pandemic has and will continue to significantly impact commercial demand for energy in Burbank. Many Burbank commercial enterprises are closed or curtailing operations and employing a work from home strategy.

In the Water Fund, staff sees two challenges as our primary hurdles to clear over the coming years: adapting to climate change and modernizing our city's water infrastructure. Staff is working hard to improve our water infrastructure to make our system more sustainable, reliable, and cost-effective in the long-term. BWP needs to invest in core maintenance on our infrastructure to protect our water supply and to continue delivering the reliability our customers depend on and expect from BWP. The budget drivers include under collection from insufficient rate increases from prior periods, higher water supply costs, inflation driven higher operating and maintenance expenses, and lower sales due to drought response.

The city charter requires that the funds have rates that achieve full cost recovery. For the Electric Fund, staff proposes a 6% rate increase to go in effect July 1, 2022, use of cash reserves, and the issuance of bonds for infrastructure. For the Water Fund, staff proposes a 9% water rate increase to go in effect July 1, 2022, use of cash reserves, and use of proceeds from the FY 2021-22 bond issuance. Additionally, staff will share a 5-year rate

plan that balances affordability, reliability, and sustainability and achieves cost recovery by increasing rates 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 meeting the city's vision to do so in responsible and sustainable ways, with affordable and competitive rates. The electric and water services provided by BWP are amongst the safest and most reliable in the nation and BWP's rates are amongst the most competitive in southern California.

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. BWP's proposed budget is based on MWD's projected rate increases, which have not been finalized for this coming year. MWD's bi-annual rates are expected to be updated this spring. Staff does not anticipate any significant or material changes to the budget going forward.

Staff is requesting that the BWP Board recommend approval of the utility's proposed FY 2022-23 budget as presented at the March 3, 2022 BWP Board Meeting to the Burbank City Council for funds 496, 497, 483, 133, 129, and 535, including a proposed electric rate increase of 6% and a proposed water rate increase of 9% effective July 1, 2022.