



Budget Engagement Commission

City of Arts & Innovation

TO: HONORABLE COMMISSIONERS **DATE: NOVEMBER 2, 2017**
FROM: PUBLIC UTILITIES DEPARTMENT **WARD: ALL**
**SUBJECT: OVERVIEW OF ELECTRIC AND WATER UTILITY 5-YEAR RATE PROPOSAL
FY 2018-2022 AND PROPOSAL FOR ANNUAL COST BASED PRICE
ESCALATORS FOR FY 2023-2027**

ISSUE:

Provide an overview of the Electric and Water Utility 5-Year Rate Proposal FY 2018-2022 and Proposal for Annual Cost Based Price Escalators for FY 2023-2027 provided to the City Council on September 26, 2017.

RECOMMENDATION:

That the Budget Engagement Commission receive an overview of the Electric and Water Utility 5-Year Rate Proposal FY 2018-2022 and Proposal for Annual Cost Based Price Escalators for FY 2023-2027.

BACKGROUND:

On August 28, 2017, the Board of Public Utilities with all eight members present, unanimously approved to recommend that the City Council (1) review the Electric and Water Utility 5-year Rate Proposal developed to repair and replace aging and critical utility infrastructure, maintain public health and safety, maintain utility financial health, and improve customer service as per the City Council's direction on October 6, 2015, to develop a financial plan for the 10-year Utility 2.0 Strategic Plan Option 3; (2) review proposal for annual consumer price index escalators for FY 2023-2027; (3) direct staff to conduct public outreach of this proposal in October and November 2017; and (4) direct staff to return with a public hearing to the Board and final rate recommendation to the City Council in January and February 2018, respectively, with new rates effective April 2018.

In evaluating comments provided by both public comment and board discussion, common themes centered mainly on:

- a) Providing sufficient customer outreach to include information on ways to save (rebate and efficiency programs) and determining metrics that will be used to gauge responses; providing communication to the Board on themes that emerge from community meetings
- b) Providing specific outreach to target low-income customers;
- c) Ensuring that the Board and City Council have oversight and approval authority over any annual Consumer Price Index (CPI) rate changes or cost adjustments being proposed; and

- d) Considering a joint RPU Board and City Council workshop in November to discuss community outreach feedback and next steps prior to developing a final recommendation.

On September 26, 2017, the City Council was provided with a presentation of the rate proposal (Attachment 1). The Council concurred with the Board and community comments and concerns provided during the Board presentation noted above. Following discussion, the City Council unanimously approved (1) the review of the Electric and Water Utility 5-year Rate Proposal (Utility Rate Proposal) for FY 2018-2022 developed to repair and replace aging and critical utility infrastructure, maintain public health and safety, maintain utility financial health, and improve customer service as per the City Council's direction on October 6, 2015 to develop a financial plan for the 10-year Utility 2.0 Strategic Plan Option 3; (2) the review of the proposal for annual consumer price index escalators for FY 2023-2027; (3) directed staff to conduct a citywide community outreach initiative of the Utility Rate Proposal in October and November 2017; (4) directed staff to hold a joint meeting with the Board and City Council in November 2017 to discuss community outreach feedback and next steps to developing a final recommendation; and (5) directed staff to return with a public hearing to the Board and final rate recommendation to the City Council, in January and February 2018, respectively, with new rates effective April 2018.

DISCUSSION:

General Manager Balachandran will provide an overview of the rate proposal and staff will be available to answer questions from the Budget Engagement Commission.

The City's Chief Financial Officer, Adam Raymond will provide information on the rate proposal's effect on general fund revenues.

FISCAL IMPACT:

There is no fiscal impact associated with this report.

Prepared by: Girish Balachandran, Utilities General Manager
Adam Raymond, Chief Financial Officer / Treasurer

Approved as to availability of funds: Adam Raymond, Acting Chief Financial Officer / City Treasurer
Approved by: Marianna Marysheva, Assistant City Manager

Attachments:

1. City Council Report dated September 26, 2017 with Attachments
2. Presentation