City of Arts & Innovation

Budget Engagement Commission

TO: HONORABLE COMMISSIONERS **DATE: APRIL 5, 2018**

FROM: PUBLIC UTILITIES DEPARTMENT **WARD: ALL**

SUBJECT: ELECTRIC AND WATER FUNDS FISCAL YEAR 2018-23 BUDGET ASSUMPTIONS AND FIVE-YEAR FINANCIAL PLANS

ISSUE:

Receive and provide feedback on Fiscal Year 2018-23 budget assumptions and Five-Year Financial Plans for the Electric and Water Funds.

RECOMMENDATION:

That the Budget Engagement Commission (BEC) receive and provide feedback on Fiscal Year 2018-23 budget assumptions and Five-Year Financial Plans for the Electric and Water Funds.

BACKGROUND:

Long-range forecasting has been an integral part of developing Riverside Public Utilities (RPU) strategic objectives and ensuring that user rates will support current operations and long-term goals. RPU Fiscal Policies adopted by City Council on July 26, 2016 provide the guidelines and framework for both long-term financial planning and budget development.

RPU prepares a five-year financial plan for electric and water operations to be used for internal planning purposes and rating agencies reviews. The financial plan for each utility shall contain projections for future expenditures (all operating expenses, forecasted capital improvements and debt service) and forecasted revenues and other funding sources. The five-year financial plan plays an important role in the development of the two-year budget.

The Electric and Water Funds Fiscal Year (FY) 2018-2023 Five-Year Financial Plans (5-Year Plan) and two-year budget proposal include the Electric and Water Funds five-year rate proposal which was conceptually approved by City Council on January 18, 2018. The five-year rate proposal includes system average annual rate increases of 3.0% for electric and 5.7% for water. The first of the five-year rate proposal is effective July 1, 2018 with the following four years beginning on July 1 of each year. The five-year rate proposal will fund electric and water infrastructure projects, new State renewable energy regulatory requirements, and increasing system operations costs including system maintenance, system automation and staffing.

<u>DISCUSSION</u>:

MAJOR BUDGET ASSUMPTIONS

Retail Sales

The largest source of revenues for both the Electric and Water Funds is retail electric and water sales to customers. The forecasting approach includes the use of statistically estimated econometric models. This information is then used to statistically forecast retail sales.

Other Revenues

RPU has kept the proposed rate increases as low as possible by maximizing the use of ongoing non-retail revenues such as transmission revenues from the use of electric transmission lines, sales of excess renewable power, scheduling coordinator services to other agencies, conveyance of water and wholesale water sales to Western Municipal Water District, and leases of real property owned by RPU. All other revenues have been reviewed and forecasted.

Personnel Costs

Personnel costs are budgeted under similar assumptions as the General Fund. .

In the area of overtime, all RPU divisions were tasked to take a closer review of their overtime budgets and to project overtime based on current operational needs. In addition, this past year, RPU has taken steps to manage overtime costs. The divisions have reviewed and strengthened their overtime approval process. New bi-weekly and monthly overtime reporting has also been established for overall monitoring and management of costs. While improvements have been made, overtime will continue due to vacation, sick and other leave time associated with the operation of a 24/7/365 dispatch center.

Non-Personnel Costs

In addition to maximizing the use of non-retail revenues to keep the proposed rate increases as low as possible, included in the rate plan proposal is for RPU to continually find ways to operate more efficiently, scrutinize operating, maintenance and administrative costs, and make reductions to costs where possible. During this two-year budget development process, the divisions were provided with a roll-over budget from FY 2017-18 with no adjustment for inflationary increase in costs. The divisions were tasked with reviewing all budgeted expenditures, reallocate budget line items to cover necessary operating costs and reduce discretionary costs where possible.

Non-discretionary costs such as power supply and production costs are budgeted as necessary to serve projected customer load and consumption. Other non-discretionary costs such as debt obligations, taxes and assessment and other contractual obligations are budgeted as needed.

For the 5-Year Plan for both Electric and Water Funds, power supply and production costs are projected based on several factors, including forecasted customer load and consumption, projected energy prices, contractual agreements, and renewable and regulatory requirements. Technology costs over the next 5 years include technology projects and applications as planned in the rate proposal to improve cyber security and overall operating efficiency along with their associated operating costs, such as licensing and maintenance costs. Other operating costs for years 1 and 2 are projected based on careful review current operating needs, with years 3 to 5 forecasted with at 2% inflationary increase in costs, which is consistent with the rate plan proposal.

General Fund Transfer (GFT)

Pursuant to the City of Riverside Charter, the Electric and Water Funds may transfer up to 11.5% of prior year's gross operating revenues, including adjustments, to the City's General Fund. The City uses these funds to help provide needed public services to the residents of the City, including police, fire, parks, libraries and other benefits. Currently, the GFT is set at 11.5% for both the Electric and Water Funds. GFT for the 5-Year Plan is forecasted based on the previous year's projected gross operating revenues, including adjustments.

Capital Improvement Program

The 5-year capital improvement program, with years 1 and 2 included in the proposed two-year budget, is comprised of the capital projects as presented to Board of Public Utilities and City Council in the November 2017 and January 2018 rate proposal joint workshops.

Planned Use of Reserves and Line of Credit

As provided in RPU Fiscal Policies, the use of reserves to balance the budget is permitted in the event a balanced budget is not attainable. If the use of reserves is expected to continue beyond one year, the planned use of reserves must be developed as part of a strategic financial plan. The use of electric and water reserves in the proposed two-year budget is planned within the rate proposal. The financial strategy within the rate proposal is to draw down reserves to minimum required levels in order to keep the proposed rate increases as low as possible. In addition, as part of the rate proposal, RPU is proposing the use of a line of credit to reduce the necessary required cash levels. With a line of credit, RPU is able to meet the overall liquidity and target minimum reserve levels acceptable by bond rating agencies and maintain current bond ratings.

5-Year Plan Compared to Rate Plan Proposal

The proposed two-year budget and the 5-Year Plan have been developed to be in line with the rate plan proposal. The financial data used for the rate plan proposal was based on the best information available at the time the rate plan was presented to the Board of Public Utilities and City Council. Since that time with the development of the two-year budget, updates have been made in the 5-Year Plan to certain revenues and expenditures items where needed based on more current information as they became available. These variances have not caused any significant effect to the overall rate plan proposal. The projected reserve levels in the 5-Year plan are within the level as forecasted in the rate plan proposal.

A rate plan review and oversight component has been included as part of the rate plan proposal. Annually starting in December 2019, the Board of Public Utilities and City Council will be provided with updated financial data as compared to approved rates as well as a preview of recommended future costs and corresponding rate adjustments.

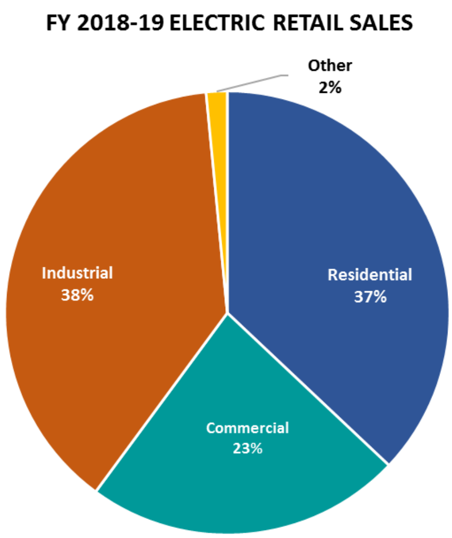
ELECTRIC FUND

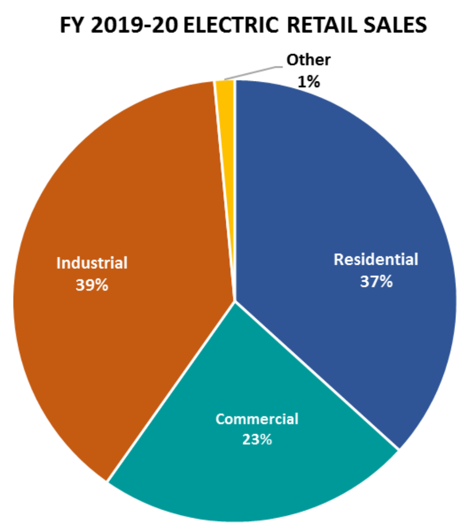
RPU services 109,300 electric metered customers with 476 employees. The electric utility sells approximately 2,200 million kilo-watt hours annually to its customers which is supplied by its three owned power generating plants (Riverside Energy Resource Center, Springs and Clearwater), three jointly-owned power projects (Intermountain Power, Palo Verde and Hoover) and the remainder from renewable and other purchase power agreements. In addition, it owns, maintains and operates 99 circuit miles of transmission lines, 1,328 circuit miles of distribution lines, and 14 substations.

Revenues

Retail Sales

Retail sales represent approximately 73% of the Electric Fund's FY 2018-19 revenue and other financing sources budget, and represents approximately 72% for FY 2019-20.





Retail sales include the five-year rate proposal effective July 1, 2018 with the following four years beginning on July 1 of each year. FY 2018-19 retail sales include the proposed 2.95% system average rate increase, offset by a 3.2% decrease in retail usage. The decrease is due to an abnormally hot summer and fall in FY 2017-18, while typical weather is included in the proposed two-year budget. FY 2019-20 retail sales are expected in increase over FY 2018-19 by 3.8% resulting from the proposed 3.0% system average rate increase and a 0.9% increase in retail usage. The remaining FY 2020-21 through 2022-23 include the proposed 3% system average rate increase and increased usage of 0.9% to 1.2% per year.

Transmission Revenues

Transmission revenues represent approximately 9% ($36.2 million) of the Electric Fund's FY 2018-19 revenue and other financing sources budget, with a similar percentage for FY 2019-20. RPU receives transmission revenues in return for transferring control of its transmission service entitlements to California Independent Systems Operator (CAISO). The annual transmission revenues are projected based on RPU's forecasted generation load and transmission revenue requirements rate as approved by Federal Energy Regulatory Commission (FERC). Transmission revenues are expected to increase 2.7% in FY 2018-19 and 2.4% in FY 2019-20.

Cap and Trade Auction Proceeds and Renewable Energy Credit Sales

Together, Cap and Trade Auction Proceeds and Renewable Energy Credit (REC) sales represent 2% of the Electric Fund's FY 2018-19 and 2019-20 revenue and other financing sources budget.

The Cap and Trade Auction Proceeds are projected at $7.8 million and $8.4 million in FY 2018-19 and 2019-20 respectively and based on forecasted auction sales of excess carbon allowances for power supply. Cap and Trade Auction Proceeds are restricted for certain purposes to benefit the ratepayer including offsetting renewable energy costs. Excess carbon allowances are expected to increase 14.6% (due to new renewable contracts) and 0.9% in FY 2018-19 and 2019-20, respectively, and auction pricing is expected to increase an estimated 7% annually.

REC sales represent the projected market value of RPU's renewable energy in excess of its renewable portfolio standard (RPS) mandates. Annual REC sales are projected at $2.0 million and $2.4 million in FY 2018-19 and 2019-20 respectively based on available excess RECs in that fiscal year and expected increases in market pricing of approximately 7% annually. The significant increase in forecasted REC sales in FY 2018-19 compared to FY 2017-18 is due to RPU electing to not sell RECs in the first six months of FY 2017-18 due to pending legislation. The legislation is still pending but RPU anticipates no impact until after 2020. RPU has elected to monetize as many excess RECs as possible through December 31, 2020 to reduce pressure on rate increases.

Other Operating and Non-Operating Revenues

Together, Other Operating and Non-Operating Revenues represent 4% of the FY 2018-19 revenue and other financing sources budget when excluding Cap and Trade Auction Proceeds and REC sales, and a similar percentage for FY 2019-20.

Primary Other Operating and Non-Operating Revenues include:

- Interest Income: based on forecasted interest rate on cash held with the City, SONGS Decommissioning funds, and bond proceeds and is expected to increase 24.0% to $5.5 million in FY 2018-19 due to the issuance of bond proceeds for capital projects and the reinvestment of the SONGS Decommissioning funds and increase 4.9% in FY 2019-2020 to $5.7 million.
- Service Revenues: charges to establish service and late notices. These revenues are forecasted based on historical averages and include known changes in business processes and are expected to decrease 6.4% to $3.3 million in FY 2018-19 and remain consistent in FY 2019-2020.
- Property lease revenue: consists of revenue from RPU's ownership of the Mission Square building and is expected to increase 9.7% to $2.4 million in FY 2018-19 and remain consistent in FY 2019-2020.

  The reduction in Other Non-Operating Revenues of 73.8% in FY 2018-19 is due to a one-time insurance claim and the elimination of revenue related to expiring electric service agreements as customers transition to standard rate tariffs.

Public Benefits Charge

In January 1998, the Electric Fund began collecting a surcharge of 2.85% on all electricity sales for Public Benefit Programs on customer utility bills. This surcharge is mandated by state legislation included in Assembly Bill 1890 as part of the restructuring of California's electric utility industry. The funds collected can only be used to fund energy efficiency, low-income assistance, renewable energy and research, design and development programs.

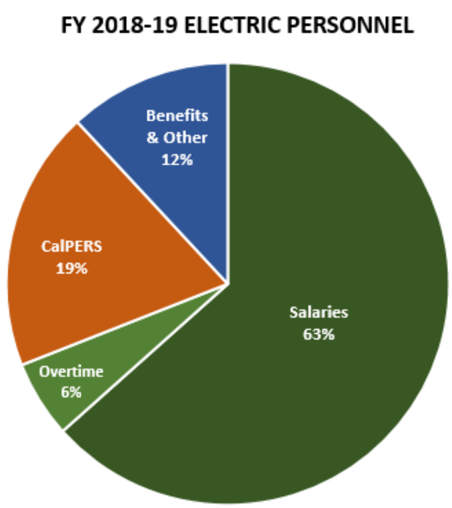
Expenditures

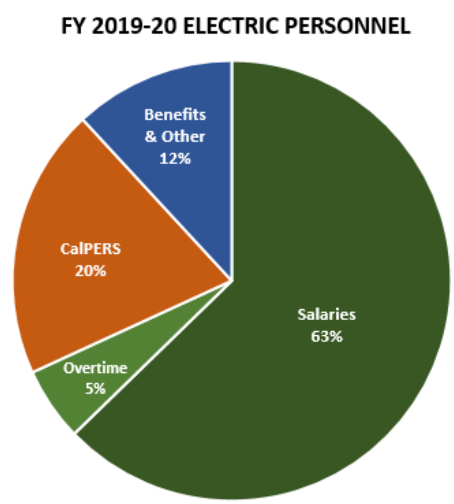
Power Supply

Power supply represents approximately 48% ($205.8 million) of the Electric Fund's FY 2018-19 expenditure budget, with similar percentage for FY 2019-20, reflecting an increase of 6.8% over FY 2017-18 and an increase of 5.6% over FY 2018-19 for FY 2019-20. The increase reflects the projected increase in the transmission costs charged by the CAISO, increase in renewable energy costs, new renewable projects coming online, increase in costs from contractual agreements, and higher market energy prices. While power supply costs are projected to continue to increase in future years, a decrease is forecasted for FY 2021-22 primarily due to the decrease in contractual capacity cost with Intermountain Power Project located in Utah.

Personnel Costs

Personnel costs represent approximately 16% ($68.6 million) of the Electric Fund's FY 2018-19 expenditure budget, with similar percentage for FY 2019-20. The majority of personnel costs are for salaries (63%) and CalPERS (19-20%).

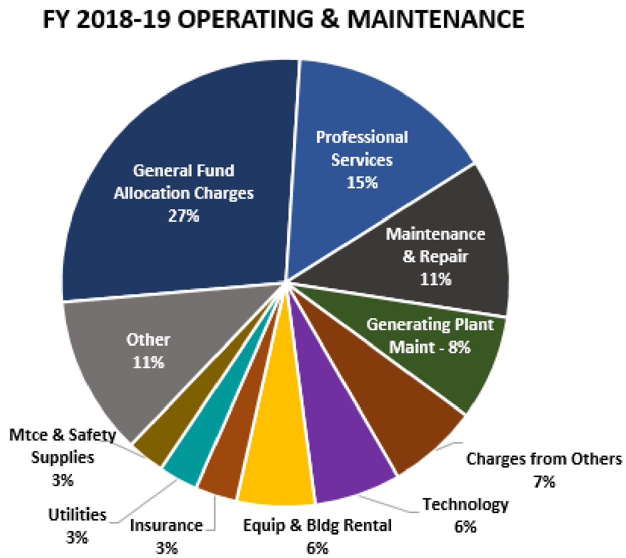


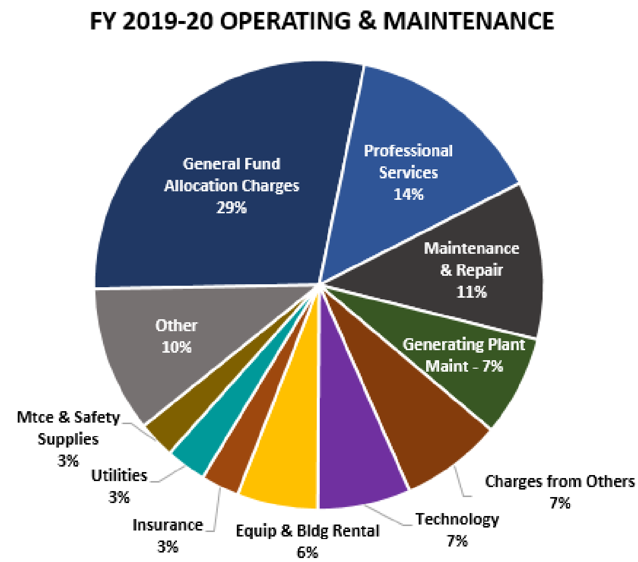


The cost of CalPERS is projected to be the largest cost driver for the next five years. In general, personnel costs are budgeted at 100% of the authorized full-time equivalent (FTE) positions, while operating results reflect current vacancies, attrition, and the timing of filling positions. Accordingly, the increase of 20% in FY 2018-19 salaries and CalPERS from FY 2017-18 projections reflects both the timing of filled positions and the increase from MOUs and CalPERS costs. In addition, as part of cost reduction measures, three FTEs' salaries (Deputy General Manager, Assistant General Manager of Customer Engagement and Assistant General Manager of Operational Technology) and related benefit costs have been removed from the budget, resulting in an overall savings of approximately $816,000 per year.

Other Operating and Maintenance

Other operating and maintenance costs represent approximately 5% ($22.4 million) of the Electric Fund's FY 2018-19 expenditure budget, with similar percentage for FY 2019-20.





Overall, the proposed two-year budget projects a 1.2% and 1.0% decrease in other operating and maintenance expenditures for FY 2018-19 and FY 2019-20, respectively. This reduction reflects the in-depth review of expenditures that was tasked to the divisions in the budget development process and as necessary for the rate plan proposal. A total of $2.7 million and $2.8 million in non-personnel reductions for FY 2018-19 and FY 2019-20, respectively, were identified and have been reflected in the proposed two-year budget numbers. Projections for years 3 to 5 primarily reflect an inflationary increase in costs with added equipment replacements and licensing and maintenance for planned technology projects.

Approximately 27-29% of the costs will be from General Fund allocation charges based on the City's cost plan, allocating costs of internal support departments such as City Manager, City Clerk, City Attorney, Finance, Human Resources, Innovation and Technology, General Services and Property Services. Professional services representing 14-15% of budgeted costs, are primarily for contracted services that are necessary for day-to-day operations or for the operation of the electric system. Maintenance and repair, combined for both generating plant and electric facilities and buildings, represent 18-19% of budgeted costs.

A portion of the various costs are charged out to other Funds, as the Electric Fund also provides internal support services to other funds, such as the Water Fund for shared services for business support of Customer Information System, utility billing, customer service and 311 call center, field services, administration and facility occupancy costs. The Refuse and Sewer Funds are also allocated a portion of costs for the support received on their utility billings, customer service and 311 call center. Other charge outs include labor and overhead supports for the Electric Fund's capital improvement program.

Debt Service

Debt service represents approximately 10% ($44.6 million) of the Electric Fund's FY 2018-19 expenditure budget, with similar percentage for FY 2019-20. Electric revenue/refunding bonds principal and interest payments make up the majority of the costs. These bonds were issued for capital improvements projects.

As part of the rate plan proposal, the Electric Fund is planning to issue new debt of approximately $103.1 million in FY 2018-19 to fund capital improvement projects over a three-year period. In general, new bonds are issued with proceeds to be used over a three-year period with the next new bond issuance expecting to occur in FY 2021-22 for continual support of the capital improvement program as outlined with the rate plan proposal. The debt service costs of these new bond issuances have been incorporated into the proposed two-year budget and the 5-Year Plan.

Public Benefits Program

The Public Benefits Program is strictly funded by the Public Benefits Charge collected on electricity sales. With the current available Public Benefit fund balance, the proposed two-year budget includes a 74% increase in overall program spending from FY 2017-18 to further promote energy efficiency and to increase support for low- and fixed-income customers though expanded eligibility and outreach. Program spending for energy efficiency is proposed to increase by $3 million (65%) in FY 2018-19 and maintaining similar spending level for FY 2019-20. This program will provide 32 residential and commercial rebates, as well as direct installation measures such as lighting and HVAC improvements. Program spending for low-income is proposed to increase by $2.7 million (238%) in FY 2018-19 and maintaining similar spending level for FY 2019-20 to help customers offset some of the rate impacts. With the increase in spending in the proposed two-year budget, program spending in future years will be limited to the surcharge collected for that particular fiscal year. These programs will be regularly reviewed and program offerings will be realigned based on the needs of the community.

Reserves

The use of reserves to balance the proposed two-year budget and the 5-Year plan for the Electric Fund is consistent with the rate plan proposal. With the proposed use of a line of credit, the Electric Fund is projected to maintain its target minimum reserve level as established by RPU

Cash Reserve Policy through FY 2021-22. Reserve levels will drop slightly below target minimum in FY 2022-23 which is consistent with the rate plan proposal and is allowed so long as the Electric Fund has plans to return reserves to the minimum target level within three years. As part of the rate plan proposal, the Electric Fund is projected to return its reserve level to minimum target within two years, by FY 2024-25. The rate plan proposal also takes into consideration the effect of the use reserves on key financial metrics, such as days cash on hand and debt service coverage. For the 5-Year Plan, the Electric Fund is projected to be able to maintain the financial metrics as set by the RPU Fiscal Policies.

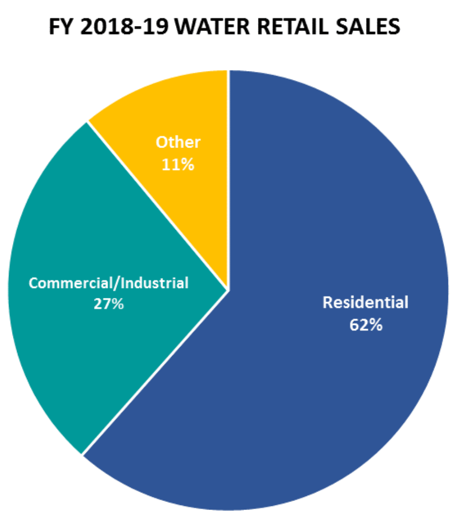
WATER FUND

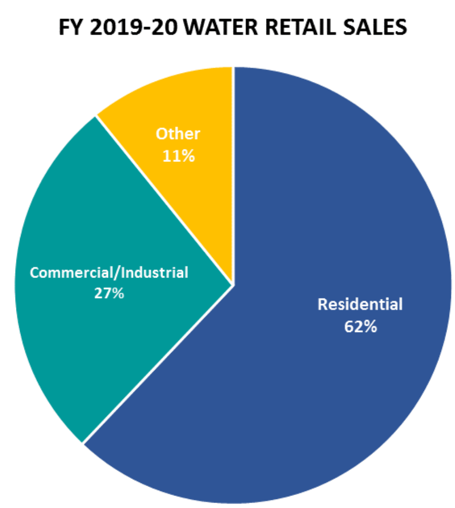
RPU services 65,000 water metered customers with 159 employees. Unlike most other water agencies that rely on costly imported water from outside agencies, RPU is completely "water independent" due to its groundwater basins throughout the region. The department maintains its own distribution system, which contains approximately 1,000 miles of pipeline, 55 domestic wells, 15 active reservoirs, with a capacity of 109 million gallons and 14 miles of canals in Riverside.

Revenues

Retail Sales

Retail sales represent approximately 67% of the Water Fund's FY 2018-19 revenue and other financing sources budget, and represents approximately 69% for FY 2019-20.





Retail sales projections include the five-year rate proposal effective July 1, 2018 with the following four years beginning on July 1 of each year. FY 2018-19 retail sales include the proposed 4.5% system average rate increase and a 2.4% increase in retail usage. The increase in usage is primarily due to the lifting of the mandatory drought mandates and conservation messaging on July 1, 2016. Although retail usage has increased since the drought mandates were lifted, they are still below historic levels prior to the drought. As part the rate proposal, FY 2018-19 retail sales include a reclassification of customers and the introduction of new customer classes to assign costs more appropriately. The most significant change is the introduction of the landscape and interruptible irrigation rates that were categorized as Commercial and Industrial in FY 2017-18 and prior are now categorized as Other beginning in FY 2018-19.

Water Conveyance and Wholesale Sales

Together, water conveyance and wholesale sales represent 6% ($5.5 million) of the Water Fund's FY 2018-19 revenue and other financing sources budgets, and projected to increase to 7.7% ($7.3 million) in FY 2019-20.

Water conveyance includes forecasted revenue from agreements with Western Municipal Water District (WMWD) and University of California, Riverside (UCR), which are expected to increase 3.5% and 3.7% in FY 2018-19 and 2019-20, respectively. Conveyance revenues are then expected to increase at an inflationary rate of 1.4% per year in FY 2020-22 through 2022-23 as the volume of water conveyed remains constant.

Wholesale water sales are expected to increase 23.0% in FY 2018/19 due to a combination of items including price increases of 3.8%, an increase of 479 acre foot sold (17.7%) by including projected sales to additional water utilities. Wholesale water sales are expected to continue to increase 69.6% in FY 2019-20 due to price increases of 3.8% and increased sales of 2,000 acre feet to additional water utilities. Wholesale water sales are then expected to increase at an inflationary rate of 2.0% per year in FY 2020-21 through 2022-23 as the volume of wholesale water sales remain constant.

The fluctuation between water conveyance and wholesale sales in FY 2016-17 and 2017-18, noted in the five-year financial plan, relate to account coding for revenue relating to delivery of wholesale water.

Other Operating and Non-Operating Revenues

Together, Other Operating and Non-Operating Revenues represent 8% of the FY 2018-19 revenue and other financing sources budget, and a similar percentage for FY2019-20.

Primary Other Operating and Non-Operating Revenues include:

- Interest income: based on forecasted interest rate on cash held with the City and bond proceeds and is expected to increase 31.3% to $0.9 million in FY 2018-19 due to the issuance of bond proceeds for capital projects, and increase 16.9% in FY 2019-2020 to $1.1 million.
- Settlement reimbursement revenues: legally required reimbursements of qualifying treatment costs and are expected to remain constant at $1.5 million per year.
- Property lease revenue: primarily consists of lease revenue resulting from RPU's ownership property and is expected to increase 49.7% to $2.7 million in FY 2018-19 due to an additional ground lease partially offset by rental credits for well relocation costs. Property lease revenue is then expected to increase 2.0% per year thereafter.

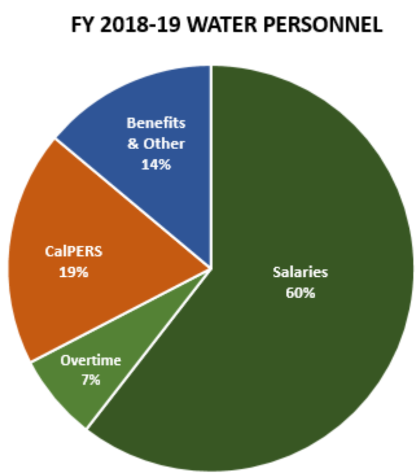
Water Conservation Surcharge

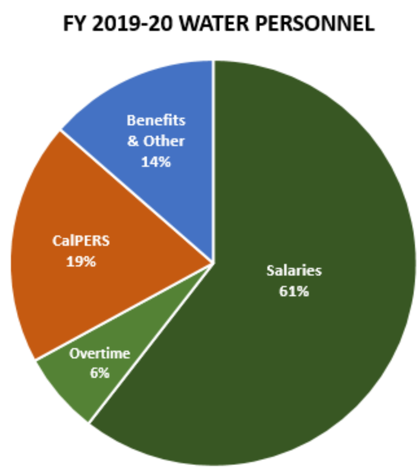
Since June 2004 and renewed in 2014 for the next 10 years, the Water Fund collects a surcharge of 1.5% on all water sales for Water Conservation Programs. The funds collected are to be used for water efficiency, conservation and community education programs; and research, design and development programs to advance science and technology with respect to water conservation. The decrease in FY 2017-18 reflects the reduced funding for turf replacement as compared to FY 2016-17.

Expenditures

Personnel Costs

Personnel costs represent approximately 24% ($22.5 million) of the Water Fund's FY 2018-19 expenditure budget, with similar percentage for FY 2019-20. The majority of personnel costs are for salaries (60-61%) and CalPERS (19%).

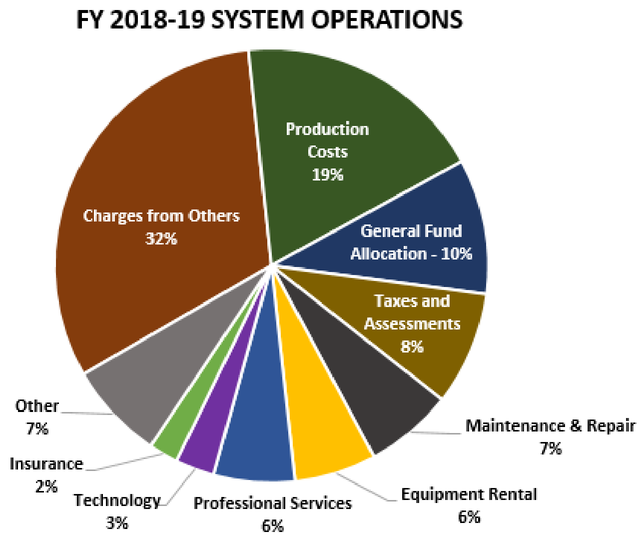


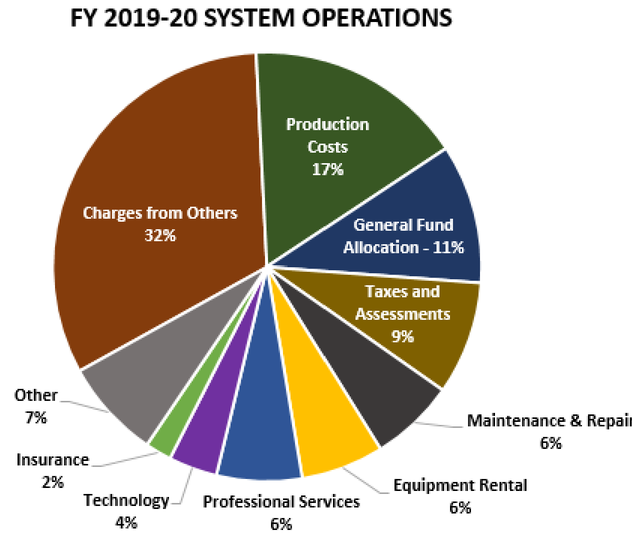


Similar to the Electric Fund, the cost of CalPERS is projected to be the largest cost driver for the next five years. Overtime for FY 2018-19 is expected to be lower than FY 2017-18 projections and be maintained at a steady level over the next 5 years.

System Operations

System operation costs represent approximately 24% ($22.2 million) of the Water Fund's FY 2018-19 expenditure budget, with similar percentage for FY 2019-20.





Overall, the proposed two-year budget projects a 2.1% decrease in system operation expenditures for FY 2018-19 and a 2.5% increase for FY 2019-20. The decrease for FY 2018-19 is primarily to due to one-time purchases of $2.3 million in various heavy field equipment in FY 2017-18 that has been approved by the Board of Public Utilities and City Council with the use of equipment lease financing. The projected increase for FY 2019-20 reflects the estimated increase in costs in various operating expenditures, such as contracted services, taxes and assessments, chemical supplies and technology licensing and maintenance agreements. Similar to the Electric Fund, the Water Fund divisions also took an in-depth review of expenditures for possible reductions of costs. A total of $411,000 and $65,000 in non-personnel reductions for FY 2018-19 and FY 2019-20, respectively, were identified and have been reflected in the proposed two-year budget numbers. Projections for years 3 to 5 primarily reflect an inflationary increase in costs with added equipment replacements and licensing and maintenance for planned technology projects.

Approximately 32% of the costs will be from Charges from Others that are primarily for internal cost allocations from the Electric Fund for shared services. General Fund allocation charges represent 10-11% of the costs for internal support of various functions from the City's General Fund departments. Approximately 17-19% of the costs will be for water production primarily with the use of electricity for pumping. Production costs are projected to decrease in the next two years due to the installation of solar networks to reduce electricity costs. Similar to the Electric Fund, a portion of the costs are charged out to the Water Fund's capital improvement program for labor and overhead support.

Similar to Electric Fund, part of the rate plan proposal is to increase support for low- and fixed-income customers. The Water Fund's proposed two-year budget and 5-Year Plan include a $150,000 expenditure for low-income program to be funded from wholesale water revenues.

Debt Service

Debt service represents approximately 19% ($17.8 million) of the Water Fund's FY 2018-19 expenditure budget, with similar percentage for FY 2019-20. Water revenue/refunding bonds principal and interest payments make up the majority of the costs. These bonds were issued for capital improvements projects.

As part of the rate plan proposal, the Water Fund is planning to issue new debt of approximately $52.2 million in FY 2018-19 to fund capital improvement projects over a three-year period. Similar to Electric, new bonds are issued with proceeds to be used over a three-year period with the next new bond issuance expecting to occur in FY 2021-22 for continual support of the capital improvement program as outlined with the rate plan proposal. The debt service costs of these new bond issuances have been incorporate into the proposed two-year budget and the 5-Year Plan.

Water Conservation Program

The Water Conservation Program is strictly funded by the Water Conservation Surcharge collected on water sales. With the current available Water Conservation fund balance, the proposed two-year budget includes a 49% increase in overall program spending from FY 2017-18 to further promote water efficiency. Program spending in future years will be limited to the surcharge collected for that particular fiscal year. The programs offered will be regularly reviewed and program offerings will be realigned based on the needs of the community.

Reserves

For the two-year budget, the proposed use of a line of credit will allow the Water Fund to utilize reserves to balance its budget for FY 2018-19 and still maintain its target minimum reserve level, which is consistent with the rate plan proposal. For FY 2019-20 and subsequent years in the 5-Year Plan, it is necessary that the Water Fund increase its unrestricted, undesignated reserve level in order to maintain the financial metrics, such as debt service coverage, as set by the RPU Fiscal Policies. While there is an increase in unrestricted, undesignated reserve, the Water Fund will require to maintain the line credit in order to continue to meet its target minimum reserve level in FY 2019-20 and subsequent years.

<u>FISCAL IMPACT:</u>

There is no fiscal impact associated with this report.

Prepared by:	Todd L. Jorgenson, Interim Utilities General Manager
Approved as to Availability of funds:	Adam Raymond, Chief Financial Officer/Treasurer
Approved by:	Marianna Marysheva, Assistant City Manager

Attachments:

1. Electric Fund 2018-23 Five-Year Financial Plan
2. Water Fund 2018-23 Five-Year Financial Plan
3. Presentation