

MEMORANDUM

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<input checked="" type="checkbox"/>	Information
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DATE: July 23, 2020

TO: Environmental Services Commission

FROM: Nav Ota, Utilities Director
Lucy Liu, Assistant Director – Resource Management and Customer Service
Jolie Liu, Utilities Fiscal Manager

SUBJECT: 2021-2026 Utilities Rates Forecast

Action Required at this Time

No action by the Commission is required. This is an informational briefing.

Background

On July 23, staff will review Utilities current rates forecast for the period 2021-2026, copy attached, with the Commission and address any questions. The purpose of the rates forecast is to provide an estimate of the rate adjustments needed to fund forecasted financial obligations during the subject planning period.

Rates are Utilities' primary source of funding. Utility rate levels are determined based on the following key Council-adopted financial policies:

- Rates should be set a level to cover current and future expenses.
- Pass through wholesale cost increases directly to customers so local programs are not degraded.
- Changes in rate levels should be gradual and uniform to the extent costs can be forecasted.
- Maintain reserves consistent with Utility financial policies and the long-term financial plans.
- Long-term planning for future capital infrastructure investments.
- Maintain customer equity by ensuring current and future customers pay an equitable share of utility system costs.
- At the end of the budget cycle, fund balances that are greater than anticipated and other one-time revenues are to be transferred to the renewal and replacement (R&R) account until it is shown that projected R&R account funds will be adequate to meet long-term needs, and only then be used for rate relief.

The projected rates reflect a lean budget to maintain current service levels and compliance with water quality regulations, and inflationary operational cost increases. COVID-19 is anticipated to impact Utilities' revenues between 2020 and 2022. On July 23, staff will brief the Commission on Utilities' plan for mitigating the anticipated revenue loss.

Attachments

- A. 2021-2022 Utilities Rates Forecast – Typical Residential Monthly Utility Bill Rate Drivers
- B. 2021-2026 Utility Rates Financial Forecast Utilities Funds - July 2020