



- Action**
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**DATE:** October 7, 2020

**TO:** Environmental Services Commission

**FROM:** Nav OtaI, Utilities Director  
Lucy Liu, Assistant Utilities Director – Resource Management and Customer Service  
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**SUBJECT: Utilities 2021-2022 Proposed Budget and Rates – Update and Public Hearing**

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### **Action Required at this Time**

The ESC will hold a Public Hearing on the proposed Utilities Department 2021-2022 operating and capital budget and rates.

### **Background**

Between January and August, the ESC has reviewed in detail the proposed Utilities Department 2021-2022 operating and capital budget and rates. As part of the budget review process, the Commission also reviewed the Council-adopted Waterworks Utility Financial Policies that relate to rate-making, funding and management of operating reserves and capital planning, and serve as the foundation for building and managing each biennial budget.

An updated notebook of budget documents will be provided prior to the meeting. This is for reference only and most of these documents have been previously reviewed by the Commission.

### **Budget Update**

On October 7, staff will brief the ESC on one change to the proposed operating budget to update tax estimates. Taxes are informed by revenue expectations and rate changes. Towards the end of each budget process, tax estimates are updated to reflect projections in the final rates forecast. This does not impact the proposed rate increases for 2021 and 2022. This change was anticipated in the rates forecast the Commission reviewed on August 20.

### **Waterworks Utility Financial Policies Update**

The Commission reviewed the Waterworks Utility Financial Policies on February 6 and July 23 as part of the budget review process. Periodic updates to these policies are required to reflect changes such as regulatory requirements or administrative updates. On October 7, staff will brief the Commission on an update to Section 1(C) (*General Policies -Comprehensive Planning Policies*) regarding the frequency of Water Utility System Plan updates to align with state statutory requirements. See Attachment A for additional information on the

proposed change. This is the only proposed policy change. Other administrative updates to the financial policies will be included in the budget notebook. These changes do not impact the proposed budget and rates the Commission has reviewed previously.

**Public Hearing**

As part of the Commission’s charge, it is obligated to hold a public hearing on Utilities budget and rates. The public hearing will be held on October 7 where the Commission will accept public testimony on the proposed 2021-2022 Utilities operating and capital budget and rates prior to finalizing a budget and rates recommendation to City Council on October 22. The Chair of the Commission is tentatively scheduled to present the Commission’s recommendation to Council on November 9.

**Next Steps**

Following are the remaining steps in the Commission’s review of the proposed Utilities 2021-2022 budget and rates:

<b>Date</b>	<b>Approving Body</b>	<b>Topic</b>
<i>October 22</i>	<i>ESC</i>	<ul style="list-style-type: none"> <li>• ESC develops budget and rates recommendation to City Council</li> </ul>
<i>November 9 (Tentative)</i>	<i>Council/ESC</i>	<ul style="list-style-type: none"> <li>• City Council reviews proposed Utilities operating and capital budget and rates</li> <li>• ESC presents budget and rates recommendation to City Council</li> </ul>
<i>December</i>	<i>Council</i>	<ul style="list-style-type: none"> <li>• Anticipated budget adoption by City Council</li> <li>• Anticipated utility rate ordinance adoption by City Council establishing water, sewer and stormwater utility rates for 2021-2022</li> </ul>

**Attachments**

Attachment A – Proposed Comprehensive Planning Policy Changes