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| <input checked="" type="checkbox"/> | <b>Action</b>      |
| <input type="checkbox"/>            | <b>Information</b> |
| <input type="checkbox"/>            | <b>Discussion</b>  |

**DATE:** October 22, 2020

**TO:** Environmental Services Commission

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

**SUBJECT:** **2021-2022 Operating Budget and Rates and 2021-2027 CIP Recommendation to City Council**

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

Staff is seeking the Environmental Services Commission’s (Commission) recommendation to the City Council on the Utilities Department proposed 2021-2022 operating budget and rates, and 2021-2027 CIP.

### **Fiscal Impact**

- The 2021-2022 Utilities operating budget represents the financial resources necessary to implement the strategies and policies the Utilities Department uses to address key business challenges.
- The Utilities CIP represents investments in capital infrastructure in the next seven years that are critical to ensuring the integrity of the water, sewer, and storm utility system infrastructure in order to maintain current levels of service delivery.

### **Policy Issues**

- The proposed operating and capital budgets support Council strategic direction, and adherence to the Council-adopted Waterworks Utility Financial Policies which guide how the Utilities Department conducts its business, and sets its budget and rates.

### **Background**

The Commission advises the City Council on water, sewer, storm and surface water, and solid waste programs including in the areas of planning, budget and rates, capital financing, and policies. The October 22 meeting represents the culmination of the Commission’s budget review process over the past 10 months. Including tonight’s meeting, the Commission will have met a total of eight times to review the proposed 2021-2022 Utilities operating budget and 2021-2027 Utilities CIP budget. These meetings have included:

- January 16: Utilities 2021-2027 CIP Budget Development Process Overview
- February 6: 2021-2022 Budget Planning Overview, and Utilities Finances Overview
- June 23: Proposed 2021-2027 CIP
- July 23: Utility Rates Forecast, 2019 Financial Performance, and CIP Open House Results

- August 6: Operating and CIP Budget Proposals
- August 20: Utilities Proposed 2021-2022 Operating and 2021-2027 CIP Budgets Follow-Up, and ESC Budget Recommendation to City Manager
- October 7: Budget and Rates Update and Public Hearing
- October 22: Finalize Budget and Rates Recommendation to City Council

The Commission provided a recommendation to the City Manager on the Utilities Department proposed operating and capital budgets at its August 20 meeting. A copy of the Commission's recommendation is attached for reference. Since then, the Commission held a public hearing on October 7 to solicit public testimony on the proposed Utilities Department budget and rates. On October 22, the Commission will meet to:

- Discuss, deliberate, and develop recommendations on the proposed 2021-2022 operating budget and rates, and 2021-2027 CIP for the Utilities Department; and
- Provide direction to the Chair for transmitting the Commission's recommendations to the City Council for consideration.

***Next Steps***

The Utilities Department is tentatively scheduled to brief the City Council on the proposed Utilities 2021-2022 operating budget and rates, and 2021-2027 CIP on November 9. Chair Knezevic will have an opportunity to present the Commission's budget and rates recommendation to Council the same evening. Budget and rates adoption by Council is anticipated for early December.

*Attachment A: Environmental Services Commission Budget Recommendation to City Manager*