

Board Update Meeting Summary | Monday, March 14, 2016

This summary may not include all agenda items and is not considered minutes of the meeting. For complete meeting agenda, click [here](#).

Employee Recognition:

General Manager Girish Balachandran wanted recognized the Electric Field crews who worked tirelessly around the clock this past weekend to fix major system damage caused by a storm on Friday, March 11.

Board Welcomes New Board members David Crohn and Kevin Foust

General Manager Girish Balachandran introduced new board members David Crohn (at large) and Kevin Foust (Ward 2) and welcomed them to the Board of Public Utilities. David Crohn is an Associate Professor in the Department of Environmental Sciences at UCR and has been a Riverside resident for 22 years. Kevin Foust is a Senior Engineering Specialist with 3M in Irvine and is a new resident to Riverside. Both are interested in giving back to the community through service.

Board votes on Chair and Co-Chair

The Board of Public Utilities voted for David Austin to serve as Board Chair and for Justin Scott-Coe to serve as Vice-Chair over the next year.

Board of Public Utilities approves Consent Calendar Items without comment as listed below:

- Approval was given for the Reimbursement Utility Agreement with the San Bernardino County Transportation Commission to relocate and protect the existing transmission line at the new Barton Road off ramp on the 215 freeway, in the amount of \$585,000.
- Permission was given to cancel the next board meetings on March 28 and June 13, 2016 and reschedule them to March 29 and June 6, 2016 respectively.

Board recommends City Council approval of Fiscal Year 2016-2017 and 2017-2018 operating budget as listed below:

2016-2017 Electric Budget (proposed):

\$406.5million Electric Expenditure
\$ 34.9 million Capital Improvement
\$375.6 million Electric Revenues

2016-2017 Water Budget (proposed):

\$89.5 million Water Expenditure
\$26.5 million Capital Improvement
\$64.4 million Water Revenues

2017-2018 Electric Budget (proposed):

\$413.6 million Electric Expenditure
\$ 38.8 million Capital Improvement
\$380.4 million Electric Revenues

2017-2018 Water Budget (proposed):

\$81.5 million Water Expenditure
\$16.0 million Capital Improvement
\$68.5 million Water Revenues

General Manager Girish Balachandran provided context for the budget presentation explaining that this two year budget process increases transparency, supports Riverside 2.0 implementation goals, our long term efficiency (staffing and operations) and that this year in particular is a planning and staging year to undertake the Utility 2.0 plan. The Finance Division is in the process of determining costs for support of Utility 2.0 and will provide the Board with a cost of service study, a 10 year pro forma and rate plan in the latter half of 2016. Balachandran indicated that this budget cycle has been unique because of several key challenges; 21% loss in water revenue, lower revenues prevent new water bond issuance, six years since last rate increase, depletion of bond funds, current capital projects funded from reserves, costs rising due to inflation, combined with significant capital needs (aging infrastructure and equipment). In order to balance the two year budget the use of reserves is required to maintain baseline level of service and the Capital Improvement Program to support it. He indicated that reserves will fall just below the target minimum by fiscal year 2017-2018 with this budget. He emphasized that Utility 2.0 projects are not included in this budget. He stated that each requires us to achieve financial balance utilizing the combination of reserves, monetizing passive assets, rates and bonds. This budget relies on reserves to achieve balance and we are in a fortunate position to defer rate adjustments by using reserves. The 10 year pro forma will inform the process moving forward to implement the Utility 2.0 plan. Assistant General Manager Laura Nomura-Chavez gave an overview of the new two year budget process followed by Assistant General Manager Pat Hohl and Assistant General Manager Todd Jorgenson who presented the background information. needed to explain the budget components for their respective Capital Improvement Programs (CIP).

Hohl illustrated how current plans are in line with prior year spending on electric projects except for restricted GHG reserves being used on LED streetlight retrofits and electric vehicle stations. Jorgenson showed how the drop in revenue impacted the CIP for water projects. In 2016-2017 there will be a one-time use of designated reserves for recycled water projects and then in the following year the CIP will drop proportionally. Nomura-Chavez proceeded to present the operating budgets for fiscal year 2016-2017 and 2017-2018. She explained that the directives from General Manager Balachandran were to be cost conscious, in line with strategic initiatives, geared toward success of Utility 2.0, yet maintain a rollover budget and maintain an affordable approach within the current rate plan and established reserve policies, all while maintaining current credit ratings. She explained that retail revenue is estimated based on applying consumption forecasts and sophisticated analytics provided by Resources. Within this scenario the goal is to match projected revenues with expenses, however reserves will need to be used over the next two years to achieve a balanced budget. She shared key high level indicators of budget projections. Supplemental budget requests were shown, most notably the need for two new costs centers (Operational Technology Office, Workforce Development) needed to support Utility 2.0 plans. The Board expressed concern about the cash reserve levels that are projected to drop just under minimum levels at the end of the second year. Balachandran explained that a financial plan to fund Utility 2.0 would be presented before the end of 2016 to the Board and City Council. If this plan is approved, the second year budget would be updated and the second-year ending reserve balance would be affected. The Board voted to recommend the budget with the stipulation that staff reduce certain expenditures such that the second year ending reserves settle at or above the minimum levels required by the proposed cash reserve policy.

Board recommends that the City Council adopt the resolution extending the Mandatory Emergency Drought Regulations

Assistant General Manager Todd Jorgenson gave a brief overview of RPU's drought response. He indicated that by Governor's order, the State Water Resources Control Board has extended the mandatory drought regulations through November 7, 2016. He showed our monthly conservation trend in relation to the 28% mandated savings required by the current resolution. We did not meet our target but came very close by focusing on educational outreach, expanded conservation programs, limiting outside irrigation and cultivating change in water use behavior. He indicated that for the remainder of 2016 we will continue that approach and additionally encourage adherence to the City's new Water Efficient Landscape Ordinance, as well as complete the Cost of Service Study to assist with revenue issues. Since the last resolution new adjustment credits have been added related to climate, population growth, and development of new water supplies. He indicated that it is likely that we may receive a revised reduction goal of 26%. He clarified that our conservation efforts are comparable with surrounding utilities.

General Manager's Report:

None

Board requests for future updates:

Code of Ethics – update and explanation

Update on State Water Resources Control Board lawsuit