

# Budget and Forecast

FY 2021 – 2026

Finance Committee Meeting

May 26, 2020

Board Meeting

May 26, 2020



# COVID-19 Disclaimer

- The COVID-19 pandemic has created significant uncertainty in economic forecasting. To the extent impacts were known and quantifiable during development of the FY21-26 Budget and Forecast, they have been included.
- As COVID impacts further develop, responsive action will be taken in order to maintain operational and financial targets.
- Included in this presentation is a scenario analysis related to COVID-19.

## Budget & Forecast Timeline Overview

### December 2019 – February 2020

- Budget Process Start
- Develop Financial Targets, Request Department Budgets, and Develop Revenue Forecast



### March – April 2020

- Compile Budget and Forecast
- Internal Review and Approval



### May 2020

- Presentation to Board of Commissioners

# Overview

- BWL Strategic Objectives – Year in Review
- Key Budget and Forecast Assumptions
- Sales Volume History and Forecast by Utility
- Operating Budget and Forecast
- Capital Budget and Forecast
- Next Steps

- BWL Strategic Objectives

- Year in Review

- Past & Present Budget and Forecast Cycle Focus
- Strategy 6: Financial Stability
- Target Metrics
- Minimum Cash Reserve Requirement Policy

## FY 2020 Key Accomplishments:

- BSmart Technology Projects
  - AMI closing in on full deployment (96% electric & 67% water)
  - ADMS release 2 of 3 underway – 65% complete
  - GIS within release 2 & 3 of 4 underway - 67% complete
  - CIS implementation underway, targeting Q2 2021 go-live – 28% complete
  - CityWorks – 10% complete
- Implementing cost strategies to improve competitiveness in next rate strategy
- 55% completion of ISO Certification at REO Plant
- Delta Energy Park construction
- Completed 5-year tree trimming plan
- Implemented Diversity, Equity and Inclusion (DEI) Program
- Revised Capital Projects Process (CPT)
- Integrated Resource Plan

- **BWL Strategic Objectives**

- Year in Review
- **Past & Present Budget and Forecast Cycle Focus**
- Strategy 6: Financial Stability
- Target Metrics
- Minimum Cash Reserve Requirement Policy

FY19-24

3-yr Rate Strategy

- Electric cost of service
- Delta Energy Park
- Feb 2018, 2019 & 2020 rate changes

Setting ROA achievement date of FY24

FY20-25

3-yr Rate Strategy

Internal Cost Allocation Studies

Delta Energy Park

- Construction June 2019 – June 2021

FY21-26

IRP 2020

Rate Strategy 2021+

- Rate Competitiveness
- Cost of service (water, electric, steam, and chilled water)
- Time of use options
- Renewable energy and new technology rates
- Economic development program

FY22-27

Strategic Plan 2022+

- Climate response strategy
- Sustainable business model that balances financial, operational and social perspectives
- Grid modernization and resilience

- BWL Strategic Objectives

- Year in Review
- Past & Present Budget and Forecast Cycle Focus
- Strategy 6: Financial Stability
- Target Metrics
- Minimum Cash Reserve Requirement Policy

- **BWL's Strategic Plan, adopted in 2016, details the following goals and objectives:**

- Strategy 6 Goal: Maintain the financial stability of the BWL
  - All of the BWL's ongoing efforts and strategic initiatives require funding. The balance between providing this funding and its impact on rates requires a comprehensive financial plan and rate strategy.
- Strategy 6, Objective 1: Practice good financial stewardship
  - 1) Develop a Financial Plan that includes a rate strategy that provides financing for the BWL's capital program and replacement generation needs while maintaining competitive rates
    - **FY20 included the 3<sup>rd</sup> year of a 3-year rate strategy that has provided sufficient liquidity to fund initiatives and to provide stability though COVID-19 impacts**
  - 2) Maintain an above average bond rating for municipal utilities
    - **Ratings reaffirmed during 2019B refunding of 2011A bonds**
  - 3) Identify cost savings through process improvement initiatives and return on investments with minimal impact on operations or employees
    - **100+ items received from workforce that are being vetted and implemented**
  - 4) Commit to reviewing and consistently achieving targeted rate of return
    - **Achievement of ROA targeted for FY24 with lower rate increases than projected last year**

- BWL Strategic Objectives
  - Year in Review
  - Past & Present Budget and Forecast Cycle Focus
  - Strategy 6: Financial Stability
  - Target Metrics
  - Minimum Cash Reserve Requirement Policy



- Maintain High Credit Rating
  - The BWL is currently rated AA- by S&P and Aa3 by Moody's
- Return on Assets
  - An adequate return on assets is essential to municipal utilities
  - It ensures that current rate payers are not deferring cost recovery to future generations
  - An appropriate return on assets recovers two main items:
    - Interest expense
    - Inflationary increase of infrastructure replacement costs
  - Board of Commissioners approved ROA target calculation according to Resolution 2016-07-08
    - Return on Assets FY 2021-2026 Target: **4.14%**
      - **We are projecting to achieve this target return in FY 2024**
- Ensure Adequate Liquidity
  - The BWL should have the ability to meet near term obligations when due
    - Minimum Cash Reserve Requirement: **169 Days**
    - Debt Service Coverage Minimum Target: **2.00**

- BWL Strategic Objectives
  - Year in Review
  - Past & Present Budget and Forecast Cycle Focus
  - Strategy 6: Financial Stability
  - Target Metrics
  - Minimum Cash Reserve Requirement Policy

- **To ensure adequate liquidity, the Board of Commissioners adopted a Minimum Cash Reserve Requirement Policy in 2018 (Resolution #2018-05-02).**
- The policy bolsters financial strength, situational resilience, fiscal responsibility, and credit quality.
- The minimum cash reserve requirement is determined using a risk-based calculation of the following five key cash requirements:
  1. Net O&M Expense
  2. Return on Equity to the City
  3. Historical Plant in Service
  4. Debt Service
  5. Six-Year Net Capital Improvement Plan
- Each cash requirement is multiplied by its associated risk factor and summed to determine the minimum cash reserve requirement.
- The calculation is applied to each of the BWL's four utilities individually and then aggregated to determine the overall BWL minimum cash reserve requirement.
- In accordance with this policy, the Board will ensure that the proposed budget and forecast meets the minimum cash reserve requirements as defined in the policy.

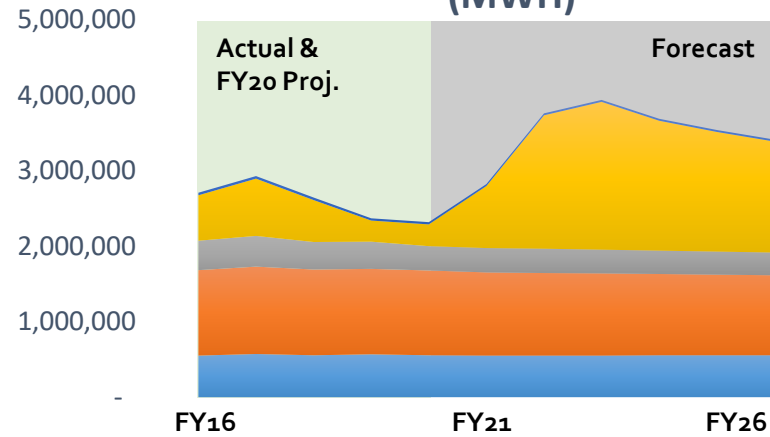


## • Key Budget and Forecast Assumptions

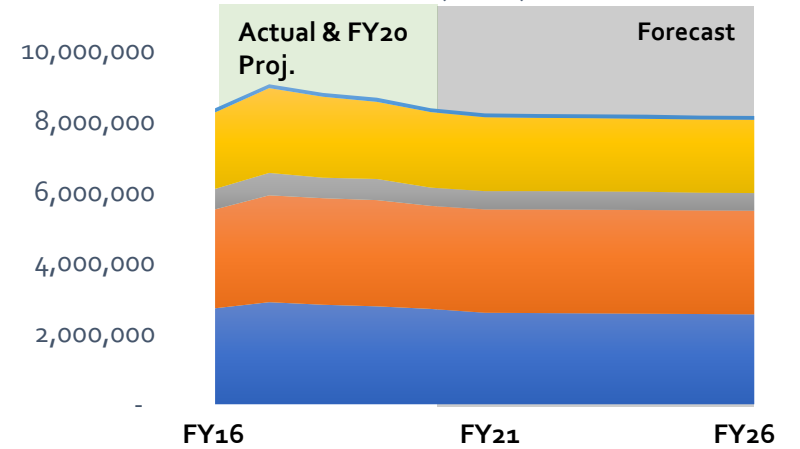
- The COVID-19 pandemic has created significant uncertainty in economic forecasting. To the extent impacts were known and quantifiable during development of the FY21-26 Budget and Forecast, they have been included.
- Expected operation of Delta Energy Park June 2021. 
- Eckert and Erickson are closed within the forecast period.
- Conservative Defined Benefit and Voluntary Post Employment Benefits (DB/VEBA) market returns. 
- Total employee count is budgeted at 727 for FY 2021 and declines in each succeeding year through FY 2026 (638) due to natural attrition.
- Return on Equity to the city based on proposed agreement brought to Finance Committee 4/28/2020.
- Major steam customer contract expires October 2022. Forecast assumes contract is renewed at current terms.

- Sales Volume History and Forecast by Utility, FY 16-26

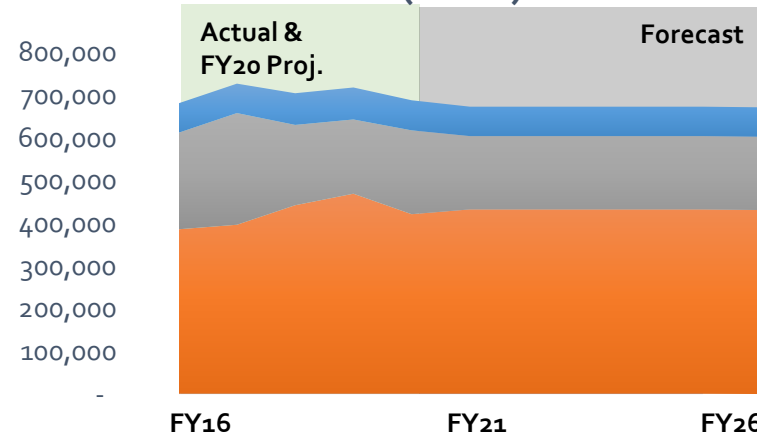
**Electric - Consumption Volume (MWH)**



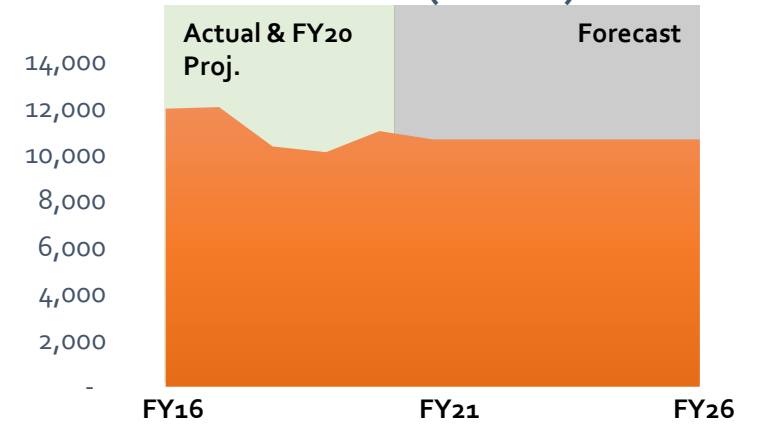
**Water - Consumption Volume (CCF)**



**Steam - Consumption Volume (M.LB)**



**Chilled Water - Consumption Volume (M.THR)**



■ Residential ■ Commercial ■ Industrial ■ Wholesale ■ Other

- Operating Budget and Forecast

- FY 2021 Income Statement

- FY 2021 Operating Expenses by Category

- 6-Year Income Statement

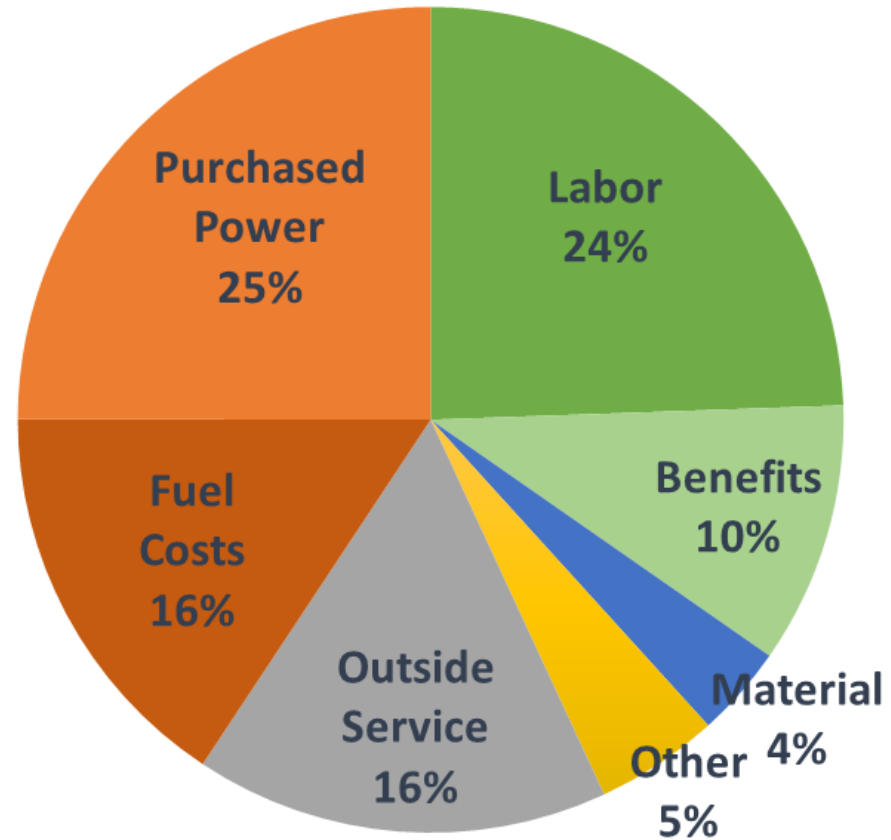
- 6-Year Return on Assets

- 6-Year Cash Flow

<b>FY 2021 Income Statement</b>	<b>Electric</b>	<b>Water</b>	<b>Steam</b>	<b>Chilled Water</b>	<b>Total</b>
<b>Sales (MWh, ccf, Mlb, ton-hrs)</b>	2,823,199	8,234,219	673,500	10,645	
<b>Operating Revenue</b>					
Residential	\$ 90,873,202	\$ 18,530,033	\$ 17,927	\$ -	\$ 109,421,162
Commercial	\$ 145,076,172	\$ 15,907,513	\$ 8,517,577	\$ 6,286,925	\$ 175,788,186
Industrial	\$ 37,494,931	\$ 2,190,751	\$ 2,809,773	\$ -	\$ 42,495,455
Wholesale	\$ 30,734,317	\$ 3,802,089	\$ -	\$ -	\$ 34,536,406
Other	\$ 11,670,600	\$ 7,035,446	\$ 1,395,055	\$ -	\$ 20,101,101
<b>Total Operating Revenue</b>	<b>\$ 315,849,222</b>	<b>\$ 47,465,832</b>	<b>\$ 12,740,332</b>	<b>\$ 6,286,925</b>	<b>\$ 382,342,311</b>
<b>Operating Expenses</b>					
Fuel and Purchased Power	\$ (104,841,230)	\$ (5,378,266)	\$ (3,097,056)	\$ -	\$ (113,316,552)
Depreciation	\$ (46,374,075)	\$ (8,373,025)	\$ (3,103,004)	\$ (1,577,411)	\$ (59,427,516)
Other Operating Expenses	\$ (116,832,767)	\$ (31,240,541)	\$ (4,474,900)	\$ (4,125,773)	\$ (156,673,981)
<b>Total Operating Expenses</b>	<b>\$ (268,048,072)</b>	<b>\$ (44,991,832)</b>	<b>\$ (10,674,961)</b>	<b>\$ (5,703,184)</b>	<b>\$ (329,418,049)</b>
<b>Total Operating Income</b>	<b>\$ 47,801,150</b>	<b>\$ 2,474,000</b>	<b>\$ 2,065,371</b>	<b>\$ 583,741</b>	<b>\$ 52,924,262</b>
<b>Non Operating Income/(Expenses)</b>					
Return on Equity to City	\$ (20,675,402)	\$ (3,146,386)	\$ (754,748)	\$ (423,464)	\$ (25,000,000)
Interest Expense	\$ (23,508,720)	\$ (1,475,930)	\$ (1,817,392)	\$ (484,673)	\$ (27,286,716)
Other Non Operating Income/(Expenses)	\$ 12,791	\$ 852,417	\$ (52,623)	\$ 48,597	\$ 861,181
<b>Total Non Operating Income/(Expenses)</b>	<b>\$ (44,171,331)</b>	<b>\$ (3,769,899)</b>	<b>\$ (2,624,764)</b>	<b>\$ (859,541)</b>	<b>\$ (51,425,535)</b>
<b>Total Net Income/(Loss)</b>	<b>\$ 3,629,819</b>	<b>\$ (1,295,899)</b>	<b>\$ (559,392)</b>	<b>\$ (275,800)</b>	<b>\$ 1,498,728</b>
<b>Forecasted Rate Increase</b>	0.0%	0.0%	0.0%	0.0%	
<b>Return on Assets</b>	3.69%	-0.01%	1.80%	0.67%	2.66%
<b>Target Return on Assets</b>	4.14%	4.14%	4.14%	4.14%	4.14%

- Operating Budget and Forecast
  - FY 2021 Income Statement
  - **FY 2021 Operating Expenses by Category**
  - 6-Year Income Statement
  - 6-Year Return on Assets
  - 6-Year Cash Flow

**FY 2021 Operating Expense by Category**

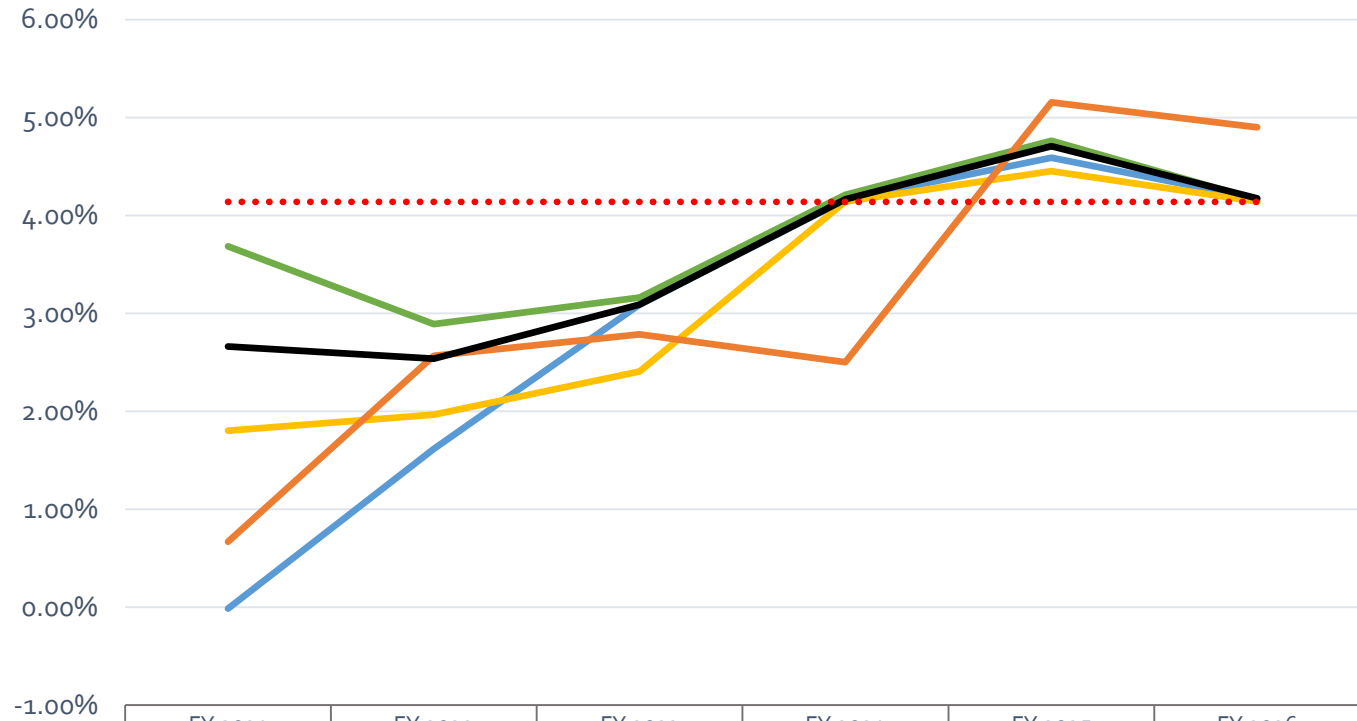


- Operating Budget and Forecast
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  - 6-Year Cash Flow

6-Year Income Statement	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
<b>Operating Revenue</b>						
Electric	\$ 315,849,222	\$ 335,721,361	\$ 344,218,644	\$ 340,249,455	\$ 340,095,414	\$ 340,825,583
Water	\$ 47,465,832	\$ 49,777,751	\$ 53,468,690	\$ 57,421,482	\$ 59,140,309	\$ 59,611,655
Steam	\$ 12,740,332	\$ 13,488,415	\$ 14,008,693	\$ 14,832,259	\$ 15,134,783	\$ 15,460,492
Chilled Water	\$ 6,286,925	\$ 6,326,657	\$ 6,326,657	\$ 6,326,657	\$ 6,326,657	\$ 6,326,657
<b>Total Operating Revenue</b>	\$ 382,342,311	\$ 405,314,183	\$ 418,022,683	\$ 418,829,853	\$ 420,697,162	\$ 422,224,387
<b>Operating Expenses</b>						
Fuel and Purchased Power	\$ (113,316,552)	\$ (130,331,798)	\$ (136,729,649)	\$ (128,709,052)	\$ (126,990,858)	\$ (127,407,968)
Depreciation	\$ (59,427,516)	\$ (68,865,269)	\$ (69,460,177)	\$ (64,745,338)	\$ (60,315,356)	\$ (61,148,703)
Other Operating Expenses	\$ (156,673,981)	\$ (154,513,914)	\$ (153,320,749)	\$ (153,407,930)	\$ (156,979,749)	\$ (162,621,062)
<b>Total Operating Expenses</b>	\$ (329,418,049)	\$ (353,710,981)	\$ (359,510,575)	\$ (346,862,321)	\$ (344,285,962)	\$ (351,177,732)
<b>Total Operating Income</b>	\$ 52,924,262	\$ 51,603,202	\$ 58,512,108	\$ 71,967,532	\$ 76,411,200	\$ 71,046,655
<b>Non Operating Income/(Expenses)</b>						
Return on Equity to City	\$ (25,000,000)	\$ (25,000,000)	\$ (26,374,962)	\$ (26,384,118)	\$ (26,567,477)	\$ (26,694,764)
Interest Expense	\$ (27,286,716)	\$ (27,340,058)	\$ (26,865,336)	\$ (26,369,131)	\$ (25,864,703)	\$ (25,165,288)
Other Non Operating Income/(Expenses)	\$ 861,181	\$ 1,358,160	\$ 1,416,585	\$ (274,260)	\$ 1,521,797	\$ 1,600,398
<b>Total Non Operating Income/(Expenses)</b>	\$ (51,425,535)	\$ (50,981,898)	\$ (51,823,714)	\$ (53,027,510)	\$ (50,910,383)	\$ (50,259,654)
<b>Total Net Income</b>	\$ 1,498,728	\$ 621,304	\$ 6,688,394	\$ 18,940,022	\$ 25,500,817	\$ 20,787,001
	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>	<b>FY 2025</b>	<b>FY 2026</b>
<b>Return on Assets</b>	2.66%	2.54%	3.09%	4.16%	4.71%	4.17%
<b>Target Return on Assets</b>	4.14%	4.14%	4.14%	4.14%	4.14%	4.14%
<b>Debt Service Coverage Ratio</b>	3.78	2.28	2.43	2.59	2.63	2.52
<b>Days Cash on Hand</b>	189	177	178	178	185	186
<b>Minimum Cash Reserve Requirement</b>	169	165	173	178	179	180
<b>Full Time Employees</b>	727	720	714	699	674	638
<b>Rate Increases</b>	Forecast					
Electric	0.00%	2.05%	2.05%	2.05%	1.00%	1.00%
Water	0.00%	7.25%	7.25%	7.25%	0.35%	0.35%
Steam	0.00%	7.35%	7.35%	7.35%	1.55%	1.55%
Chilled Water	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

- Operating Budget and Forecast
  - FY 2021 Income Statement
  - FY 2021 Operating Expenses by Category
  - 6-Year Income Statement
  - **6-Year Return on Assets**
  - 6-Year Cash Flow

6-Year Return on Assets (%)



	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
Electric	3.69%	2.89%	3.16%	4.21%	4.76%	4.16%
Water	-0.01%	1.62%	3.09%	4.16%	4.59%	4.17%
Steam	1.80%	1.97%	2.41%	4.14%	4.45%	4.14%
Chilled Water	0.67%	2.57%	2.79%	2.50%	5.16%	4.90%
Total	2.66%	2.54%	3.09%	4.16%	4.71%	4.17%
Target	4.14%	4.14%	4.14%	4.14%	4.14%	4.14%

- Operating Budget and Forecast
  - FY 2021 Income Statement
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  - 6-Year Return on Assets
  - 6-Year Cash Flow

<b>6-Year Cash Flow</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>	<b>FY 2025</b>	<b>FY 2026</b>
<b>Beginning Cash (O&amp;M &amp; Receiving Fund)</b>	\$ 85,366,328	\$ 80,090,233	\$ 80,160,946	\$ 80,125,118	\$ 80,144,512	\$ 80,085,000
Net Income	\$ 1,498,728	\$ 621,304	\$ 6,688,394	\$ 18,940,022	\$ 25,500,817	\$ 20,787,001
Depreciation and Loss on Disposal of Assets	\$ 60,797,751	\$ 70,249,207	\$ 70,857,954	\$ 67,882,954	\$ 61,741,229	\$ 62,588,834
DB and VEBA	\$ (4,385,191)	\$ (3,691,565)	\$ (5,640,677)	\$ (6,165,648)	\$ (7,183,726)	\$ (5,667,230)
Borrowing	\$ 121,685,000	\$ -	\$ -	\$ -	\$ -	\$ -
Withdrawal from / (Deposit to) Reserve for Future Construction	\$ (2,300,000)	\$ 2,800,000	\$ (4,700,000)	\$ 3,900,000	\$ (6,500,000)	\$ (4,200,000)
Commodity Cost Adjustment	\$ (5,057,779)	\$ 2,802,379	\$ 996,843	\$ 579,615	\$ 151,406	\$ -
Withdrawal from Bond Construction	\$ 60,392,666	\$ 29,523,263	\$ -	\$ -	\$ -	\$ -
Environmental	\$ 321,495	\$ (503,787)	\$ (442,426)	\$ (540,000)	\$ (515,000)	\$ (537,000)
Gas Pipeline Payments (Refundable) / Refunded	\$ -	\$ -	\$ 8,187,369	\$ 8,187,369	\$ 8,187,369	\$ 8,187,369
<b>Total Sources of Cash</b>	\$ 232,952,670	\$ 101,800,801	\$ 75,947,457	\$ 92,784,313	\$ 81,382,095	\$ 81,158,974
Principal Payments on Bonds	\$ (7,440,000)	\$ (12,950,000)	\$ (13,410,000)	\$ (13,900,000)	\$ (14,395,000)	\$ (14,930,000)
Principal Payments on Other Debt (CSO)	\$ (644,825)	\$ (676,276)	\$ (689,620)	\$ (699,256)	\$ (702,612)	\$ (658,825)
Capital Expenditures (Excluding Delta Energy Park)	\$ (71,299,118)	\$ (59,062,237)	\$ (61,494,797)	\$ (77,649,932)	\$ (65,609,456)	\$ (64,656,853)
Capital Expenditures for Delta Energy Park (Excluding Gas Pipeline)	\$ (121,834,403)	\$ (29,523,263)	\$ -	\$ -	\$ -	\$ -
Gas Pipeline Payments (Non-Refundable)	\$ (5,720,000)	\$ -	\$ -	\$ -	\$ -	\$ -
REP/EWR	\$ 882,373	\$ 473,469	\$ (274,122)	\$ (274,720)	\$ (275,983)	\$ (297,259)
Bond Construction & Designated Fund Income & Deposit	\$ (32,172,792)	\$ 8,219	\$ (114,746)	\$ (241,011)	\$ (458,556)	\$ (698,106)
<b>Total Uses of Cash</b>	\$ (238,228,765)	\$ (101,730,088)	\$ (75,983,285)	\$ (92,764,919)	\$ (81,441,607)	\$ (81,241,043)
<b>Net Cash Increase (Decrease)</b>	\$ (5,276,095)	\$ 70,713	\$ (35,828)	\$ 19,394	\$ (59,512)	\$ (82,068)
<b>Ending Cash (O&amp;M &amp; Receiving Fund)</b>	\$ <b>80,090,233</b>	\$ <b>80,160,946</b>	\$ <b>80,125,118</b>	\$ <b>80,144,512</b>	\$ <b>80,085,000</b>	\$ <b>80,002,932</b>
<b>Days Cash on Hand</b>	189	177	178	178	185	186
<b>Minimum Cash Reserve Requirement</b>	169	165	173	178	179	180

- Capital Portfolio Budget and Forecast

- Capital Portfolio Spending by Utility and Location

- Capital Portfolio Gates and Phases

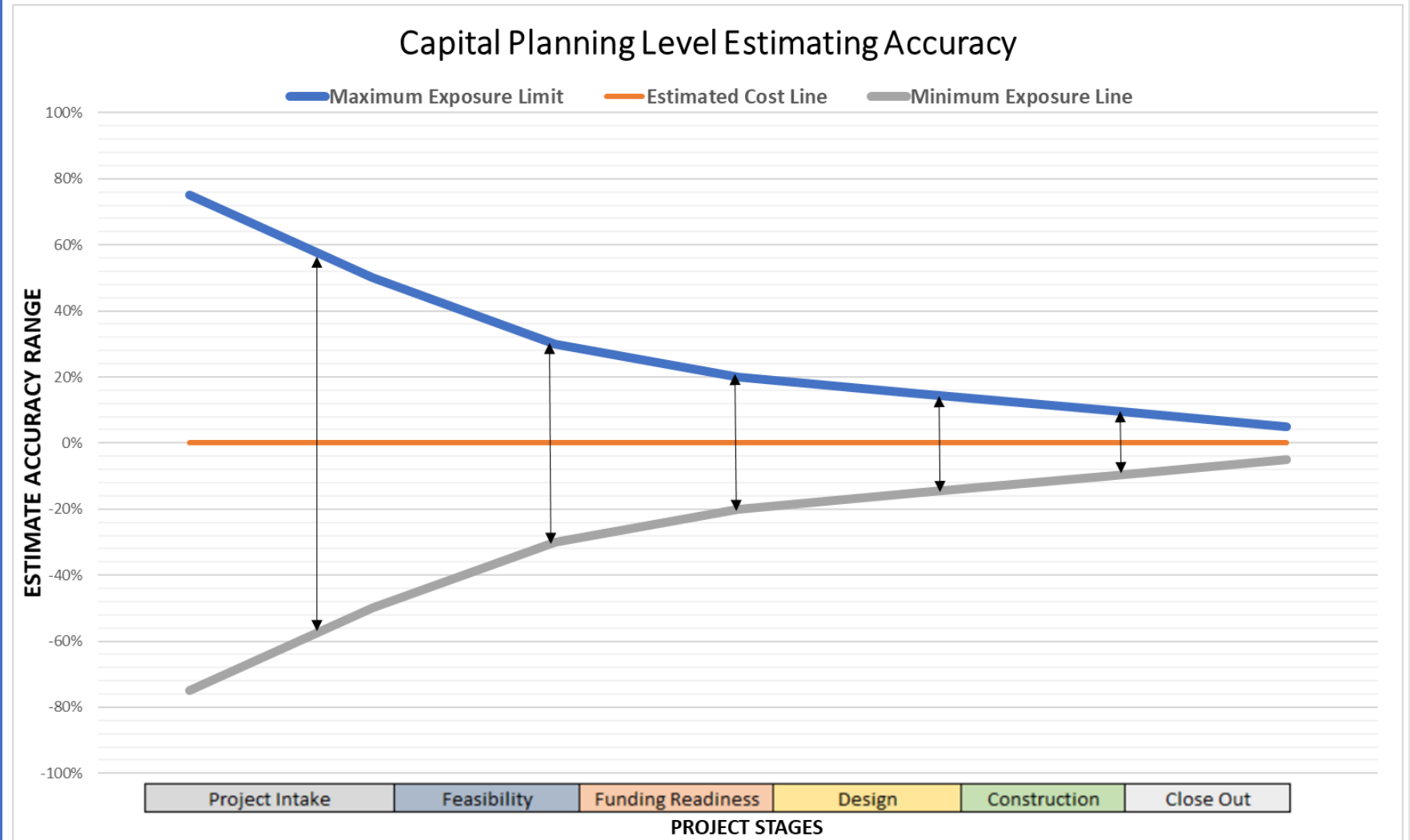
- Capital Portfolio Spending by Project's Current Phase

- Capital Portfolio Spending by Phase

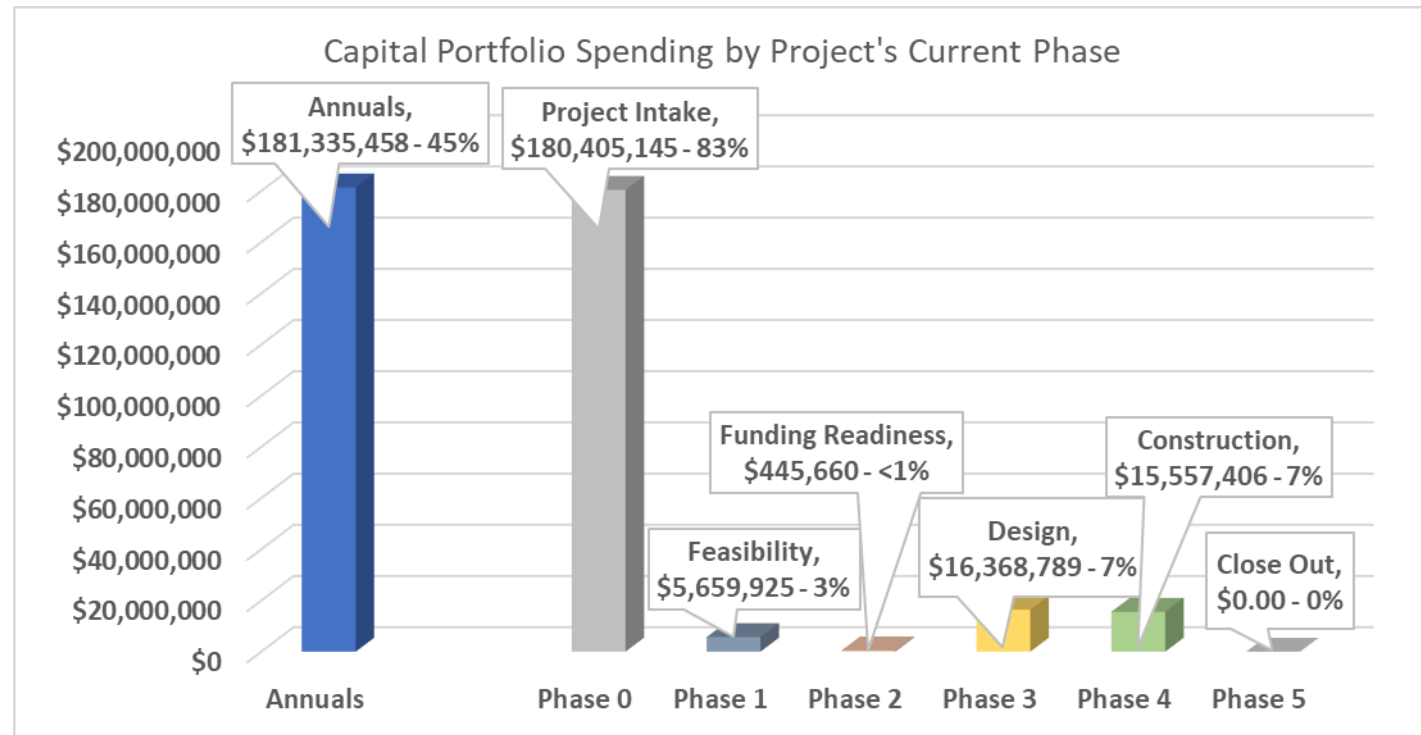
6-Year Capital by Utility and Location	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	Forecast Total
<b>Utility</b>							
Electric	\$ 34,716,580	\$ 38,135,867	\$ 41,113,392	\$ 58,237,000	\$ 43,782,021	\$ 42,129,000	\$ 258,113,860
Water	\$ 9,453,732	\$ 9,569,599	\$ 10,293,900	\$ 10,991,800	\$ 13,627,998	\$ 13,728,000	\$ 67,665,029
Steam	\$ 7,472,266	\$ 2,941,103	\$ 2,970,861	\$ 3,071,917	\$ 3,451,267	\$ 3,451,267	\$ 23,358,681
Chilled Water	\$ 350,927	\$ 11,255	\$ 11,593	\$ 11,941	\$ 12,299	\$ 12,668	\$ 410,683
Common	\$ 19,305,611	\$ 8,404,411	\$ 7,105,050	\$ 5,337,273	\$ 4,735,868	\$ 5,335,917	\$ 50,224,130
Capital Portfolio Excluding Delta Energy Par	\$ 71,299,116	\$ 59,062,235	\$ 61,494,796	\$ 77,649,931	\$ 65,609,453	\$ 64,656,852	\$ 399,772,383
Delta Energy Park	\$ 127,554,403	\$ 29,523,263	\$ -	\$ -	\$ -	\$ -	\$ 157,077,666
<b>Total Capital Portfolio</b>	<b>\$ 198,853,519</b>	<b>\$ 88,585,498</b>	<b>\$ 61,494,796</b>	<b>\$ 77,649,931</b>	<b>\$ 65,609,453</b>	<b>\$ 64,656,852</b>	<b>\$ 556,850,049</b>
<b>Location</b>							
Eckert	\$ 50,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 50,000
Erickson	\$ 4,322,396	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,322,396
REO Plant	\$ 4,420,500	\$ 2,104,500	\$ 6,000,000	\$ 6,000,000	\$ -	\$ -	\$ 18,525,000
Delta Energy Park	\$ 127,554,403	\$ 29,523,263	\$ -	\$ -	\$ -	\$ -	\$ 157,077,666
T&D	\$ 35,466,606	\$ 42,733,457	\$ 44,538,746	\$ 62,840,658	\$ 58,422,185	\$ 56,114,935	\$ 300,116,587
Water Production	\$ 2,920,284	\$ 3,026,000	\$ 3,351,000	\$ 3,472,000	\$ 2,451,400	\$ 3,206,000	\$ 18,426,684
Chiller Plant	\$ 630,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 630,000
Other	\$ 23,489,330	\$ 11,198,278	\$ 7,605,050	\$ 5,337,273	\$ 4,735,868	\$ 5,335,917	\$ 57,701,716
<b>Total Capital Portfolio</b>	<b>\$ 198,853,519</b>	<b>\$ 88,585,498</b>	<b>\$ 61,494,796</b>	<b>\$ 77,649,931</b>	<b>\$ 65,609,453</b>	<b>\$ 64,656,852</b>	<b>\$ 556,850,049</b>



- Capital Portfolio Budget and Forecast
  - Capital Portfolio Spending by Utility and Location
  - Capital Portfolio Gates and Phases
  - Capital Portfolio Spending by Project's Current Phase
  - Capital Portfolio Spending by Phase



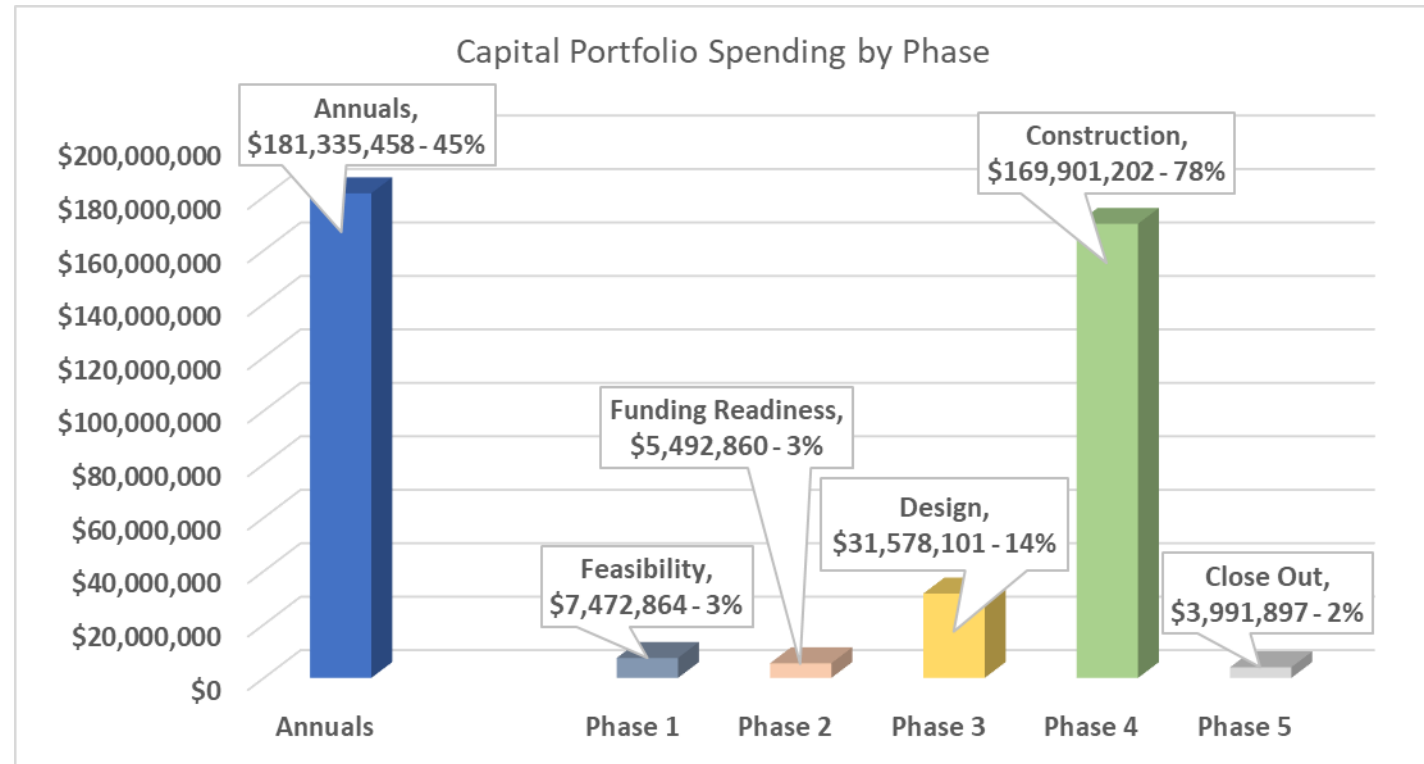
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Capital Portfolio Spending by Project's Current Phase							
	FY 21	FY 22	FY 23	FY 24	FY 25	FY 26	Forecast Total
<b>Annual Projects <sup>1</sup></b>	\$ 29,477,016	\$ 28,246,755	\$ 30,846,823	\$ 30,830,980	\$ 31,041,032	\$ 30,892,852	\$ 181,335,458
Phase 0 - Project Intake	\$ 14,942,224	\$ 23,289,500	\$ 27,586,000	\$ 46,255,000	\$ 34,568,421	\$ 33,764,000	\$ 180,405,145
Phase 1 - Feasibility	\$ 2,659,925	\$ 3,000,000	\$ -	\$ -	\$ -	\$ -	\$ 5,659,925
Phase 2 - Funding Readiness	\$ 445,660	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 445,660
Phase 3 - Design	\$ 14,643,025	\$ 1,725,764	\$ -	\$ -	\$ -	\$ -	\$ 16,368,789
Phase 4 - Construction	\$ 9,131,266	\$ 2,800,216	\$ 3,061,973	\$ 563,951	\$ -	\$ -	\$ 15,557,406
Phase 5 - Close Out	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total Planned Projects</b>	\$ 41,822,100	\$ 30,815,480	\$ 30,647,973	\$ 46,818,951	\$ 34,568,421	\$ 33,764,000	\$ 218,436,925
<b>Total Capital Portfolio</b>	<b>\$ 71,299,116</b>	<b>\$ 59,062,235</b>	<b>\$ 61,494,796</b>	<b>\$ 77,649,931</b>	<b>\$ 65,609,453</b>	<b>\$ 64,656,852</b>	<b>\$ 399,772,383</b>

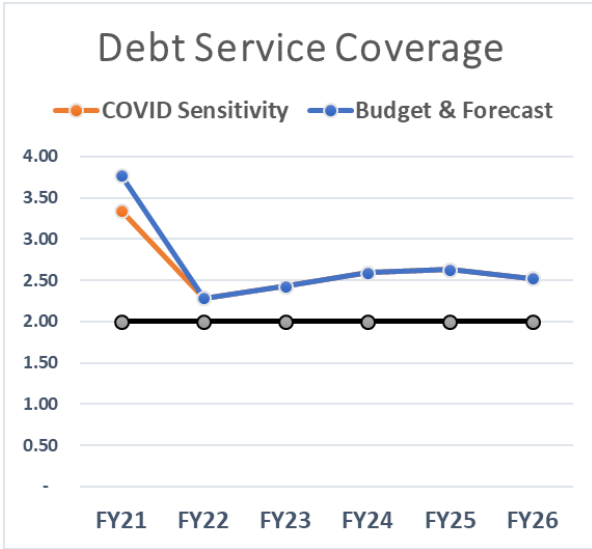
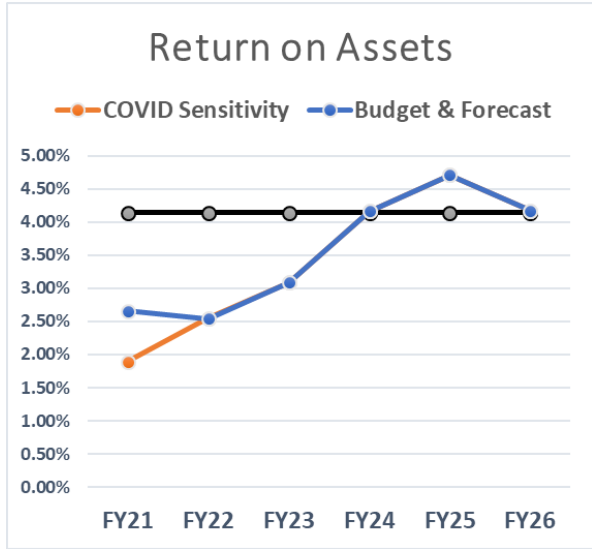
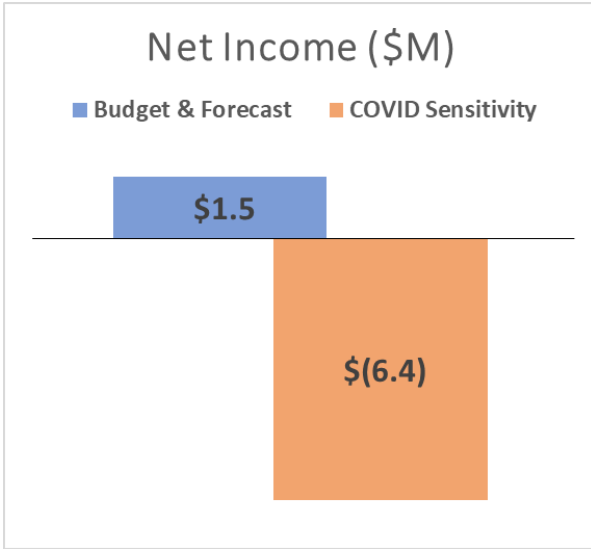
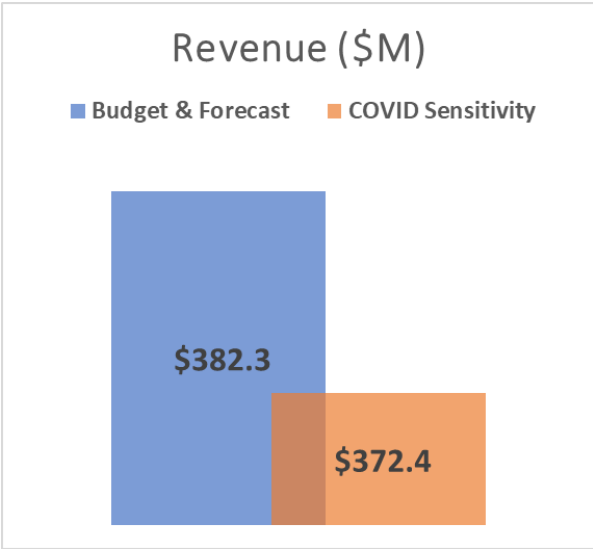
<sup>1</sup> Annual projects reoccur every year and require a relatively short period of time to complete.

- Capital Portfolio Budget and Forecast
  - Capital Portfolio Spending by Utility and Location
  - Capital Portfolio Gates and Phases
  - Capital Portfolio Spending by Project's Current Phase
  - Capital Portfolio Spending by Phase



Capital Portfolio Spending by Phase							
	FY 21	FY 22	FY 23	FY 24	FY 25	FY 26	Forecast Total
<b>Annual Projects <sup>1</sup></b>	\$ 29,477,016	\$ 28,246,755	\$ 30,846,823	\$ 30,830,980	\$ 31,041,032	\$ 30,892,852	\$ 181,335,458
Phase 1 - Feasibility	\$ 3,709,040	\$ 434,258	\$ 1,562,000	\$ 387,170	\$ 951,000	\$ 65,000	\$ 7,108,468
Phase 2 - Funding Readiness	\$ 2,153,167	\$ 1,865,742	\$ 421,758	\$ 240,780	\$ 627,000	\$ 40,000	\$ 5,348,447
Phase 3 - Design	\$ 8,920,773	\$ 7,205,775	\$ 3,685,500	\$ 5,382,460	\$ 4,518,000	\$ 541,001	\$ 30,253,509
Phase 4 - Construction	\$ 26,804,266	\$ 20,935,705	\$ 24,782,715	\$ 39,959,799	\$ 27,597,430	\$ 31,597,829	\$ 171,677,744
Phase 5 - Close Out	\$ 234,855	\$ 374,000	\$ 196,000	\$ 848,742	\$ 874,991	\$ 1,520,170	\$ 4,048,757
<b>Total Planned Projects</b>	\$ 41,822,100	\$ 30,815,480	\$ 30,647,973	\$ 46,818,951	\$ 34,568,421	\$ 33,764,000	\$ 218,436,925
<b>Total Capital Portfolio</b>	<b>\$ 71,299,116</b>	<b>\$ 59,062,235</b>	<b>\$ 61,494,796</b>	<b>\$ 77,649,931</b>	<b>\$ 65,609,453</b>	<b>\$ 64,656,852</b>	<b>\$ 399,772,383</b>

<sup>1</sup> Annual projects reoccur every year and require a relatively short period of time to complete.



# COVID-19 Scenario

To understand the potential impact of COVID-19, a scenario was developed for the FY21-26 budget & forecast.

Scenario Includes:

- Reduced retail electric kWh (16%) and water sales CCF (10%) for commercial & industrial customers.
  - kWh and CCF sales slowly return to pre-COVID, projected levels July 2021.
  - Created revised revenue projection.
- Reduce fuel & purchased power expense for reduced sales to retail customers.
- Increase bad debt expense.
- Reduce delayed payment charge revenue from waived DPCs.

## Actions Underway

Temporarily shut down Erickson

Suspend non-essential travel and training

Adjust fleet/vehicle practices

Detailed cost tracking for future reimbursement

## Options Available

Adjust capital budget by project

Negotiate payment terms with vendors

Evaluate VEBA funding policy

Mandatory O&M reductions by departments

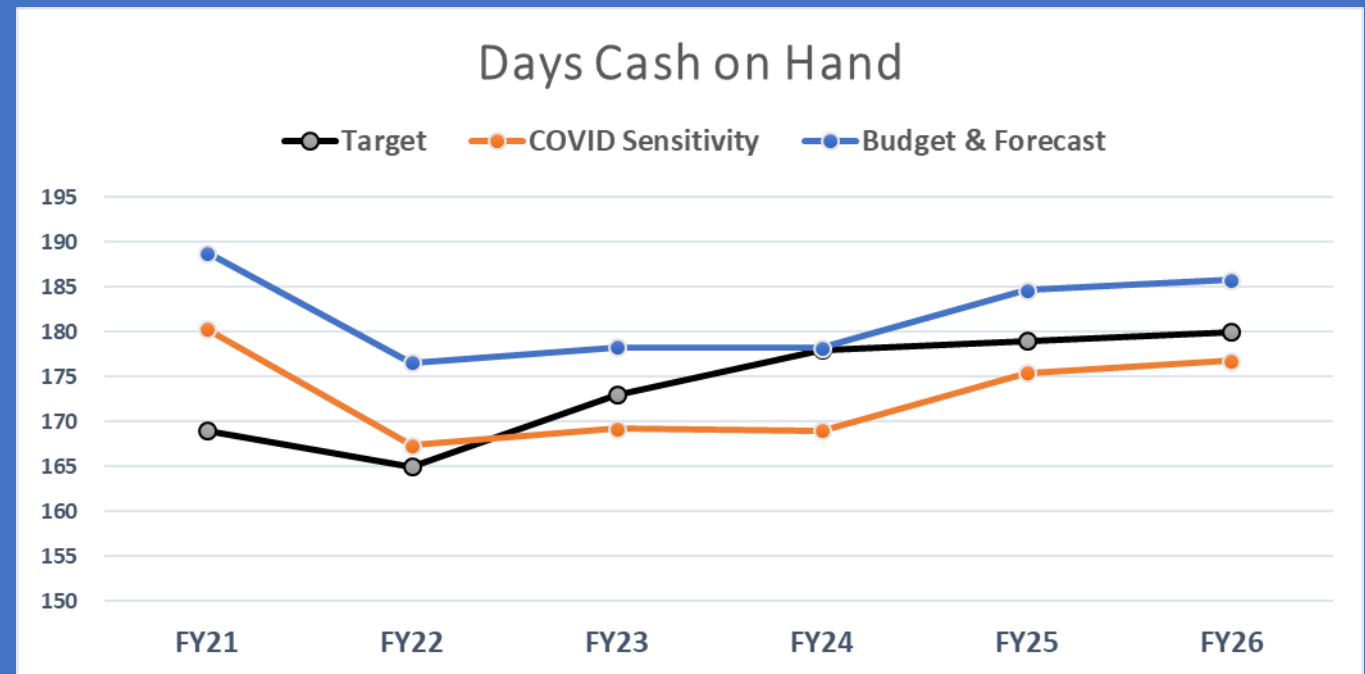
## Upside Potential

Industrial customers return sooner than planned & residential increases due to work from home

Conservative DB/VEBA market forecast

# COVID-19 Sensitivity

Financial & Operational Levers & Upside to Support Days Cash on Hand



# COVID-19 Impact & Response

## Economic Impact

- Auto industry production stoppage from March through May
- Reduced revenue as many businesses close – some may never come back
- Increased bad debt and waiving delayed payment charges

## Employee Protection

- No BWL employee has tested positive for COVID-19
- No layoffs, furloughs or pay cuts
- Continued employee benefits and retirement contributions
- Accommodating remote work and flexible schedules for employees to care for family

## Customer Protection

- Suspended water and electric shut-offs
- Suspended charging delayed payment charges (late fees)
- Extended payment plans
- Pennies for Power – Employee Campaign

## Employee Contribution

- Suspension of all out of state travel, conference and training
- All non-bargaining salary increases frozen for FY21

## • Next Steps

- Finance Committee to accept, as presented, the Operating and Capital Forecast for FY 2021 – 2026 and recommend for Board of Commissioners' approval on May 26, 2020.
- Board of Commissioners to approve, as presented, the FY 2021 annual budget and file with the City Clerk within 10 days of approval.
  - City Charter calls for budget adoption by June 1 and filing with the City Clerk within 10 days of adoption.
- Board of Commissioners to accept, as presented, the Operating and Capital Forecast for FY 2021 – 2026 and submit the Capital Forecast to the Mayor prior to October 1, 2020.
  - City Charter calls for submission of the six-year capital improvements plan to the Mayor prior to October 1.