

# STAFF REPORT



## WATER AND POWER & PUBLIC WORKS

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**DATE:** May 20, 2025

**TO:** Justin Hess, City Manager

**FROM:** Mandip Kaur Samra, General Manager, Burbank Water and Power  
Ken Berkman, Public Works Director

**SUBJECT:** Adoption of a Resolution Approving Increases to City Fees and Charges for Water, Refuse, Sewer, and Electric Services

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### **RECOMMENDATION**

Adopt A RESOLUTION OF THE COUNCIL OF THE CITY OF BURBANK APPROVING INCREASES TO FEES AND CHARGES FOR WATER, REFUSE, SEWER, AND ELECTRIC SERVICES FOR INCLUSION IN THE FISCAL YEAR 2025-2026 AND 2026-2027 CITYWIDE FEE SCHEDULE (Attachment 1).

### **BACKGROUND**

In 2022, the City Council (Council) approved a change to the fee-setting process for electric, water, sewer, and refuse rates, moving from an annual process to a bi-annual one. Staff recommends continuing the business practice of a two-year rate-setting process and possibly going to a four-year rate-setting process in subsequent years. The next two-year rate approval would be for Fiscal Years (FYs) 2025-26 and 2026-27.

The prior two-year rate increase was for FYs 2023-24 and 2024-25. The approved rate increases for these prior years were 9% each year for water, 8.5% and 8%, respectively, for electric, 4% each year for sewer, and 6% each year for refuse. These rate increases took effect on July 1, 2023, and July 1, 2024.

#### *Cost-of-Service Studies for Water, Electric, and Sewer*

Public utilities regularly conduct cost-of-service (COS) studies to ensure they are setting rates in compliance with Proposition 218 (water) and Proposition 26 (electricity). COS studies allow utilities to equitably allocate the costs they incur for providing service among several broadly defined classes of ratepayers. The sum of a utility's costs to operate and serve its customers is typically referred to as the "revenue requirement." The studies determine the share of the revenue requirement for water and the revenue requirement

for electricity paid by each customer class (residential, small commercial, large commercial, etc.), and then the rate design determines how the utility will collect the revenues from each customer class in a cost-based manner. The rate-making process for utilities generally has three steps: (1) determining the annual revenue requirement, (2) allocating the costs of the revenue requirement among the defined rate classes, and (3) designing the rates each customer ultimately will pay.

Proposition 218, passed in 1996, limits the methods by which local governments can create or increase taxes, fees, and charges without taxpayer consent. It applies to water service, among others, and requires that revenues derived by a charge shall not be used for any other purpose other than that for which the charge was imposed and that the amount of a fee may not exceed the proportional COS for the parcel. Proposition 218 has additional procedural requirements for the City to provide notices and assessment ballots to property owners and water customers that proposed rate increases are being considered in a noticed public hearing. At the public hearing, the protest ballots are tallied, and public comments are heard by the Council.

Electric service is specifically excluded from Proposition 218 but is subject to Proposition 26, passed in 2010. Proposition 26 amended the California Constitution to define a “tax,” giving specific exceptions that apply to electric utility rates. It requires that public utilities have electric rates that reflect the reasonable COS and bear a reasonable relationship to the service being provided to the customer. Proposition 26 is thus the legal framework within which Burbank Water and Power (BWP) sets electric rates.

Before this year, Burbank had last conducted COS studies in 2022 for water and electric services. The electric study was performed by NewGen Strategies & Solutions (NewGen) and the water study was performed by Raftelis Financial Consultants (Raftelis). Both studies are available on the BWP website under Financial & Operational Reporting. Generally, the best practice is for utilities to conduct COS studies every four to five years.

Public Works previously conducted a preliminary cost-of-service study in 2023 for sewer services, which was taken into consideration for the current rate analysis. An internal evaluation was performed by Public Works and Finance Department staff to analyze the proposed FY 2025-26 and FY 2026-27 rates, and future studies will be conducted for both the Sewer and Refuse Enterprise Funds.

## **DISCUSSION**

### *Noticing Requirements*

Staff has complied with the noticing requirements, which apply to City fees and charges for water, refuse, and sewer services. The noticing requirements include a mailed notice to all fee payers and/or property owners at least 45 days prior to the public hearing at which the fees may be imposed or increased. In addition, staff published a public notice

in the Burbank Leader on May 3, 2025. A copy of both notices is included (Attachment 2). The proposed changes to the City's fees and charges for these services are outlined below.

### *Implementation Time Frame*

Utility rate increases have traditionally been implemented on July 1. This was done to align with the start of the new fiscal year and implement rates by associating the rate increase with the development of the budget. While this has been the standard business practice, implementing new rates at this time of year is not always ideal for each service from a customer service perspective. Demand for electric and water use, particularly for residential customers, typically increases substantially from June to July due to higher summer temperatures and little to no precipitation during July. Coupling the utility rate increases with the increase in ratepayer demand for electricity and water has an adverse bill impact on most ratepayers. BWP and Public Works staff collaborated to discuss options and provide a solution with the most positive outcome for the ratepayers.

January is typically the ideal month to implement a rate increase, as the bill impact will likely not be significant for most customers. Many customers use substantially more electricity in December due to the holidays, and then the demand decreases in January, which can lead to a decrease in the bill in January. Additionally, most customers see a decrease in water usage in January due to more rainfall compared to December. In a typical year, the average rainfall in Burbank for January is 35% more than in December (3.3 inches compared to 2.44 inches). From a customer service perspective, implementing a rate increase in January lessens the bill impact, which allows customers to gradually adjust to rate increases.

Over the next two-year rate cycle, staff plans to shift from a July 1 rate implementation to a January 1 rate implementation. By adjusting the rate increase, BWP anticipates losing six months of additional revenue. However, staff has integrated this new implementation date into the overall five-year financial outlook with the goal of obtaining reserve levels that meet Council's and the BWP Board's policy of recommended reserve levels for all four enterprise funds. Staff meticulously analyzed the inputs of the rate study to keep the proposed rate increases as low as possible, shifting the rate implementation to January while maintaining the financial integrity of the enterprise funds. Water and electric rates will begin the January 1 implementation in 2026. Refuse and sewer will still implement new rates on July 1, 2025, and then shift to January 1 in 2027, and every year thereafter.

### *Electric Service*

BWP retained NewGen in 2022 to perform an electric COS study and assist in developing rates. The COS study examined what the fair share is for each customer class to pay, or the rates that a customer should pay based on the cost to serve its customer class. It also helped create financial and rate-making modeling tools for analyzing revenue

requirements and rates. The rate study determined that, at a system level, the rate revenues are not sufficient to support the operating needs of BWP for electric services.

The proposed budget includes an overall 9.9% rate increase for electric service in FY 2025-2026 and FY 2026-2027. These percentages represent the average system-wide increase across all customer classes and rate components for each customer type (residential, small commercial, medium commercial, large commercial, and extra-large commercial). However, the increases vary by customer class based on rate adjustments from BWP's COS study.

The proposed electric rate increase will be effective January 1, 2026. For the typical residential customer, the proposed fees and charges reflect a monthly electric bill increase of approximately \$19.81.

BWP is proposing an average 9.9% increase (the actual increase will vary by rate class) to the overall electric rates for each year due to:

- State unfunded mandates (Senate Bill (SB) 35, SB 100, wildfire mitigation, etc.);
- Higher costs associated with procuring renewables (two to three times higher) as required by the state;
- Increased costs for transmission and power resources up 15%, capital costs up 90%, and operating costs up 24%;
- Many years of under collections resulting from no rate increases or insufficient rate increases, which depleted reserves by 62% (reduction from \$80 million in June 2018 to \$30 million in June 2023).

A COS analysis is key in setting utility rates. This analysis examines the utility's projected revenue requirement over a particular time horizon and determines how to equitably divide these costs among the different classes of ratepayers. BWP's current electric COS analysis, prepared by NewGen and conducted in 2022, is valid through 2027. A new electric COS will be conducted in FY 2026-27 for rate setting beginning in FY 2027-28.

### *Water Service*

BWP is proposing an average 14% increase to the overall water rates for each year due to:

- Increases in the overall Metropolitan Water District of Southern California's (MWD) rates of 8.5% to 11% each year for the next four years, which will increase BWP water supply expenses;
- An increase in MWD meter charges (fixed charges) by 2.3% in FY 2025-26 and another 16% in FY 2026-27;

- Increased capital costs due to maintaining and modernizing infrastructure, which includes nearly \$24 million to rebuild Reservoir 2 due to aging infrastructure and leakage; and
- A reduction in demand for potable sales due to successful conservation efforts. The City has no local potable water rights and relies 100% on purchasing water from MWD.

The proposed water rate increase will be effective January 1, 2026. For the typical residential customer, the proposed fees and charges reflect a monthly water bill increase of approximately \$13.76.

The water COS and rate design was conducted by Raftelis in 2022. Raftelis conducted a comprehensive review of prior and projected utility costs, the allocation of those costs among customer classes, and recommendations for rate design. Similar to the electric COS, Raftelis identified that, at a system level, the rate revenues are not sufficient to support BWP's operating needs for water services. A new water COS will be conducted in FY 2026-27 for rate setting beginning in FY 2027-28.

#### *Financial Assistance Programs*

Outside of the rate-setting process, BWP manages financial assistance programs to support financially vulnerable members of the community who may need help. The funding for these programs does not directly impact rates. The Lifeline and Burbank Utility Service Subsidy (BUSS) programs for low-income customers are funded by BWP's Public Benefits Fund, which is mandated by the state and requires BWP to set aside 2.85% of electric revenues to invest in these types of programs and services. The Project Share Program is funded by generous donors who contribute to the Project Share Fund. After reevaluating BWP's existing robust financial assistance programs, BWP is proposing an increase in financial aid to support our most vulnerable customers.

The following financial assistance programs are currently offered by BWP:

- Lifeline Program  
The Lifeline Program offers a 40% reduced electric rate and exemptions from the monthly customer service charge and Utility User's Tax to income-qualified customers (ranging from an annual household income of \$44,150 for a one-person household up to \$83,250 for an eight-person household) with at least one member of the household being sixty-two years old or permanently disabled.
- Burbank Utility Service Subsidy (BUSS) Program  
The BUSS Program offers an ongoing 12% discount on electric service to income-qualified residents. Most participants will have an average savings of \$90-\$180 per year on their electric bills.

- Project Share  
The Project Share program is funded by generous community members who voluntarily donate to the program. Project Share provides income-qualified customers with payment assistance of up to \$100 in the form of a bill credit.
- Low Income Home Energy Assistance Program (LIHEAP)  
LIHEAP is a federally funded program that offers eligible applicants with a credit ranging between \$152-\$1,000 towards their utility bills. The program is administered locally by two service providers, the Pacific Asian Consortium in Employment (PACE) and the Maravilla Foundation. Interested customers may contact these organizations directly to determine eligibility and to apply.
- Utility Bill Payment Arrangements  
Utility bill payment arrangements are available to customers having trouble paying their bills and may need additional time beyond the due date to pay the amount owed. This is a one-time option that customers may exercise.

BWP is proposing enhancing the following financial assistance programs:

- Lifeline Program  
An increase of 5% from the current 40% discount to a 45% reduction in electric rate. The exemptions from the monthly customer service charge and Utility User's Tax benefits remain, as well as the eligibility criteria.
- Burbank Utility Service Subsidy (BUSS) Program  
An increase of 2% from the current 12% discount, to provide BUSS Program participants with an ongoing 14% discount on electric service. The eligibility and income requirements remain.
- Project Share  
An increase of \$150 from the current \$100 credit to provide Project Share program participants with payment assistance of \$250 in the form of an overall bill credit. The eligibility and income requirements remain.

### *Sewer Service*

Public Works is proposing a 6.0% rate increase for sewer service in FY 2025-26 and a 6.0% increase in FY 2026-27. For the average residential customer, this equates to a monthly increase of approximately \$1.70 for FY 2025-26 and \$1.80 for FY 2026-27. There were previously 4% rate increases in both FY 2024-25 and FY 2023-24, a 2.0% increase for sewer service in FY 2022-23, and there were no increases for sewer service in FY 2021-22 and FY 2020-21. The proposed increases in sewer rates are due to contractual

charges from the City of Los Angeles for sewage treatment services of approximately 21%, capital improvement projects, and inflationary impacts on labor, chemicals, materials, equipment, and other costs to operate and maintain the Burbank Water Reclamation Plant and sewer system Citywide ranging from approximately 10% to 30%. The proposed new sewer rate will be implemented on July 1, 2025, and then shift to January 1 in 2027, and every year thereafter.

### *Refuse Service*

Public Works is proposing an 8.0% rate increase for refuse services in FY 2025-26 and an 8.0% increase in FY 2026-27. For the average residential customer, this will increase the cost by about \$3.38 for FY 2025-26 and \$3.65 for FY 2026-27. This follows increases of 6.0% over each of the prior two fiscal years. The proposed increases in refuse rates are due to upcoming capital projects and vehicle purchases, increases in other operations and maintenance costs, as well as compliance with state and local mandates, such as SB 1383 (Organics Disposal) and the City's new Waste Reduction Ordinance. The proposed new refuse rate will be implemented on July 1, 2025, and then shift to January 1 in 2027, and every year thereafter.

### **COMMUNITY OUTREACH**

On April 4, 2025, staff sent out the regulatory required notice of notifying property owners and ratepayers of the proposed rate increases and their right to send a protest ("no") vote per the regulatory guidelines of Proposition 218. Protest votes will be accepted beginning April 4, 2025, and will continue until the close of the public hearing on May 20, 2025.

BWP staff held three town hall meetings for all stakeholders to discuss the proposed BWP rate increases, what the funds will be used for, the drivers of the rate increases, and to educate on the financial assistance programs available to ratepayers. The town halls were held on April 23, 2025 (BWP campus, in-person only), April 26, 2025 (Joslyn Adult Center, in-person only), and May 8, 2025 (Community Services Building Conference Room 104, in-person and virtual). In addition to these town hall meetings, BWP's General Manager has attended numerous community events, referred to as "Keeping Current with the Community," beginning in March 2025 and going through June 2025.

Additional public outreach includes attending various community events during April and May, as well as distributing educational information on the City's and BWP's social media and website platforms.

### *Correspondence*

Approximately 53,000 customers are affected by the proposed rate increases described above. Attached are copies of the correspondence received in protest and in support of the increases up to the time of completing this staff report (Attachment 3). As of May 8,

2025, 60 letters have been received. To the extent that any letters of protest or support are received prior to the conclusion of the public hearing, staff will provide copies to Council. For customers to override the proposed increases for water, refuse, and sewer services, the number of protests received would need to be equal to 50%+1 of those eligible to submit a protest. For water service, 13,501 customers would need to protest, and for sewer and refuse services, 26,501 customers would need to protest to equal a majority.

### **ENVIRONMENTAL REVIEW**

This item involves governmental fiscal activities unrelated to any specific project. As such, it is not a “project” subject to the requirements of the California Environmental Quality Act (CEQA) 14 Cal. Code Regs § 15378.

### **FISCAL IMPACT**

The proposed rate increases for electric, water, sewer, and refuse will collectively generate an increase in annual revenue to fund rising operational costs and regulatory compliance and ensure continued maintenance and improvement of infrastructure. The proposed rate increases will also help preserve financial stability, maintain required reserve balances, and ensure continued delivery of safe and reliable services.

### **CONCLUSION**

Staff is seeking the adoption of a Resolution approving the following fee schedule for FY 2025-26 and 2026-27:

1. Rate Implementation Timing Shift:
  - a. Utility rate increases will move from July 1 to January 1, starting in 2026 for electric and water, and in 2027 for sewer and refuse.
2. Electric Rates:
  - a. 9.9% increase each year (FY 2025-26 & FY 2026-27). Due to rising state mandates, infrastructure costs, and previous underfunding.
3. Water Rates:
  - a. 14% increase each year over the next two years due to rising wholesale water costs, infrastructure needs, and reduced consumption.
4. Sewer Rates:
  - a. 6% increase each year over the next two years.
5. Refuse Rates:
  - a. 8% increase each year over the next two years.
6. Financial Assistance:
  - a. Lifeline: Discount increases from 40% to 45%.
  - b. BUSS: Discount increases from 12% to 14%.
  - c. Project Share: Bill credit rises from \$100 to \$250.
  - d. Other support includes LIHEAP and payment plans.



**ATTACHMENTS**

Attachment 1 – Resolution

Attachment 2 – Notice of Public Hearing to Consider Increases to Rates and Charges  
for Water, Refuse, and Sewer Services

Attachment 3 – Redacted Rate Hearing Correspondences (as of May 8, 2025)  
Correspondences