



City of Palo Alto

Utilities Advisory Commission Staff Report

(ID # 11233)

Report Type: Agenda Items

Meeting Date: 4/15/2020

Summary Title: Wastewater Collection Utility Financial Projections

Title: Staff Recommendation That the Utilities Advisory Commission Recommend the City Council Make no Changes to Wastewater Collection Utility Rates for July 1, 2020

From: City Manager

Lead Department: Utilities

Recommendation

Staff requests that the Utilities Advisory Commission (UAC) recommend the Council make no changes to Wastewater rates for July 1, 2020.

Executive Summary

At the April 15, 2020 meeting, staff will present a general overview of the financial projections for the Wastewater Collection Utility.

Staff will present the full FY 2021 Wastewater Collection Utility Financial Plan and cost of service study, once final, at a future meeting date. Staff will target a meeting date that is both after the COVID-19 emergency is over and that allows full and in person customer attendance and participation in the public meetings and hearing to consider proposed rate changes.

Attachments:

- Attachment A: Presentation on Wastewater Collection Utility Financial Projections



WASTEWATER COLLECTION UTILITY FINANCIAL PROJECTIONS

APRIL 15, 2020

www.cityofpaloalto.org



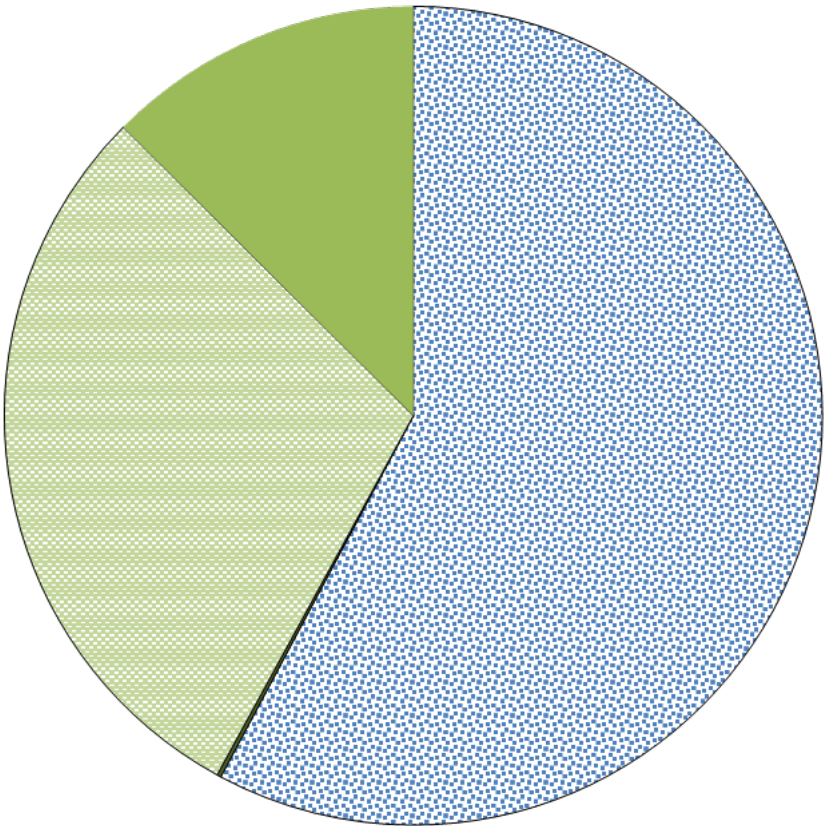
WASTEWATER PROJECTIONS

- FY 2021 proposal:
 - 0% overall rate increase
- Future projections (following four years)
 - 5% per year increases

WASTEWATER UTILITY COST STRUCTURE

Collections
\$9.1 million
43%

Cost to collect sewage within Palo Alto, including: maintaining and replacing sewer infrastructure, customer service, billing, administration, etc.



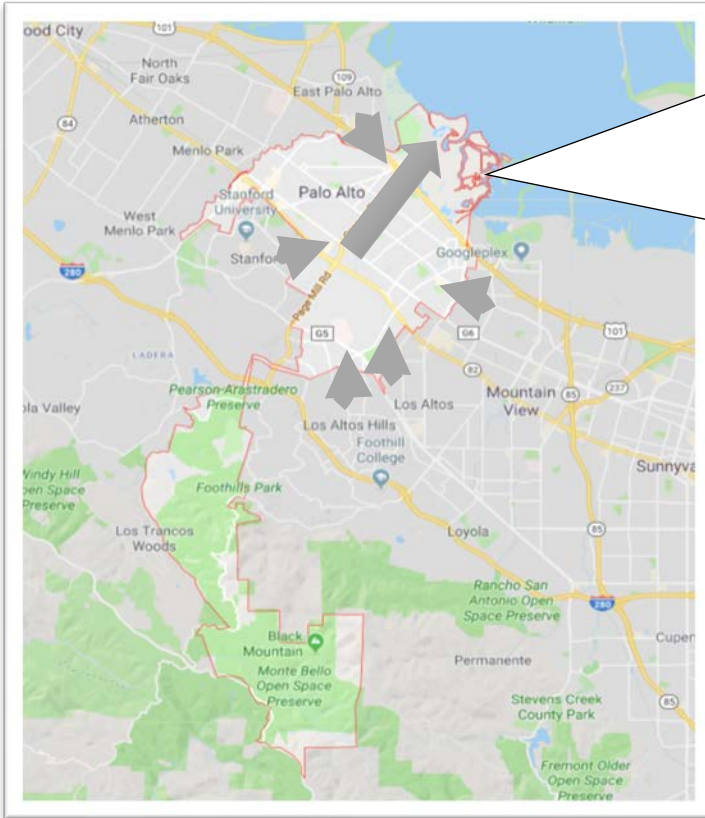
Palo Alto's share of the cost to treat sewage at Palo Alto's Regional Water Quality Control Plant

Treatment
\$12.2 million
57%

■ Treatment ■ Debt Service ■ Operations ■ Capital Investment



WASTEWATER UTILITY BASICS



- Five partners: Stanford, East Palo Alto, Los Altos Hills, Los Altos, and Mountain View
- Wastewater drains from partner systems through the City of Palo Alto Collection System, and into the City of Palo Alto Regional Water Quality Control Plant (RWQCP) for treatment
- City of Palo Alto Utilities Department manages collection system, Public Works manages the RWQCP





TREATMENT COST DRIVERS

- Regional Water Quality Control Plant needs rehabilitation
- Long Range Facilities Plan completed in 2012
- Rehab/replacement of:
 - Sedimentation tank (\$17M)
 - Outfall pipeline (\$9M)
 - Laboratory/Operations Center (\$22M)
 - Secondary Treatment (\$30M)
 - Advanced Water Purification (\$23M)
 - Headworks Facility (\$39M)



OPERATIONS/CAPITAL COST DRIVERS

- Salary and benefit costs for existing staff
- Underground construction cost increases
- Capital Spending:
 - Large Capital Improvement Projects will be conducted every two years

WASTEWATER MEDIAN MONTHLY RESIDENTIAL BILL (\$)

Palo Alto is 26% below
comparison city average

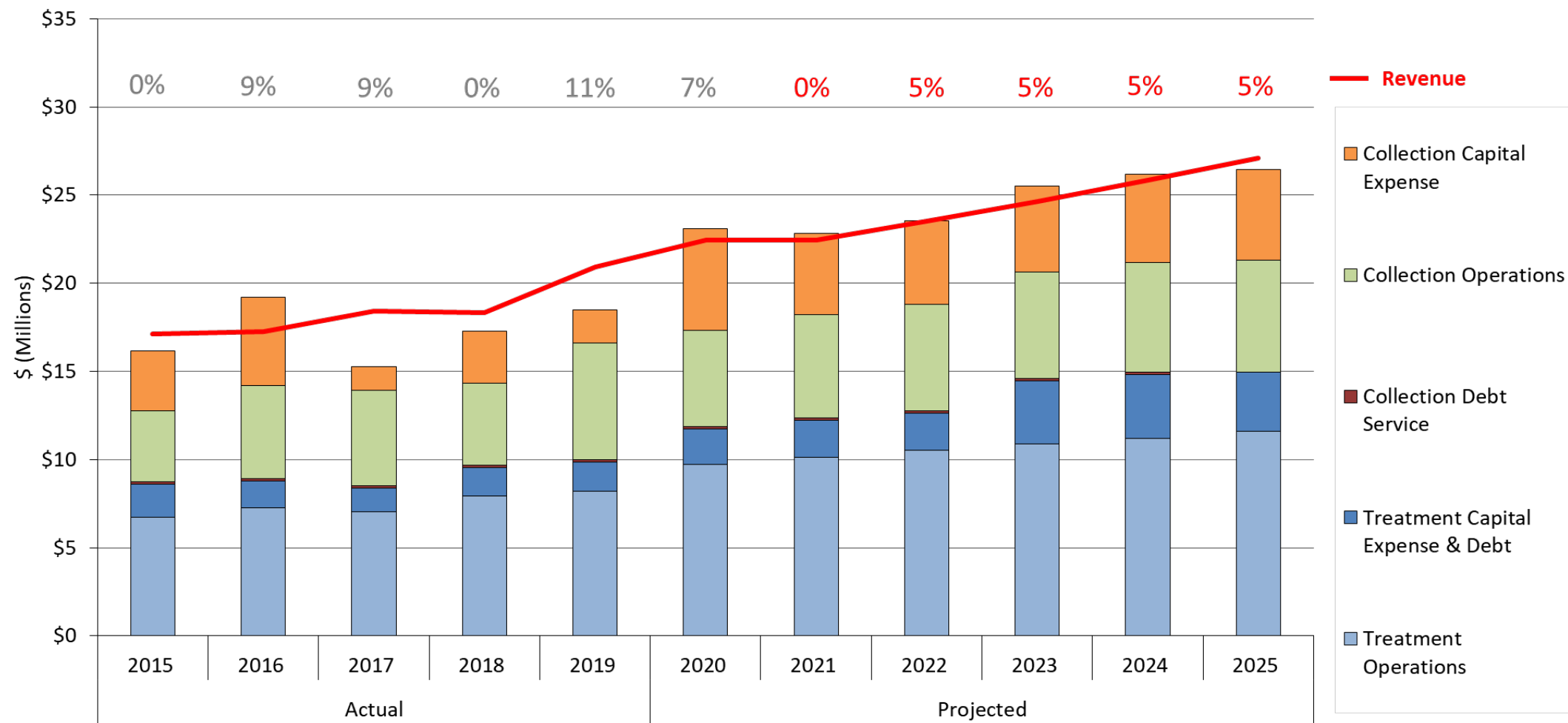
Palo Alto	Neighboring Communities					
	Menlo Park	Redwood City	Santa Clara	Mountain View	Los Altos	Hayward
41.37	98.08	81.76	42.91	42.05	38.44	34.30

WASTEWATER MONTHLY NON-RESIDENTIAL BILL (\$)

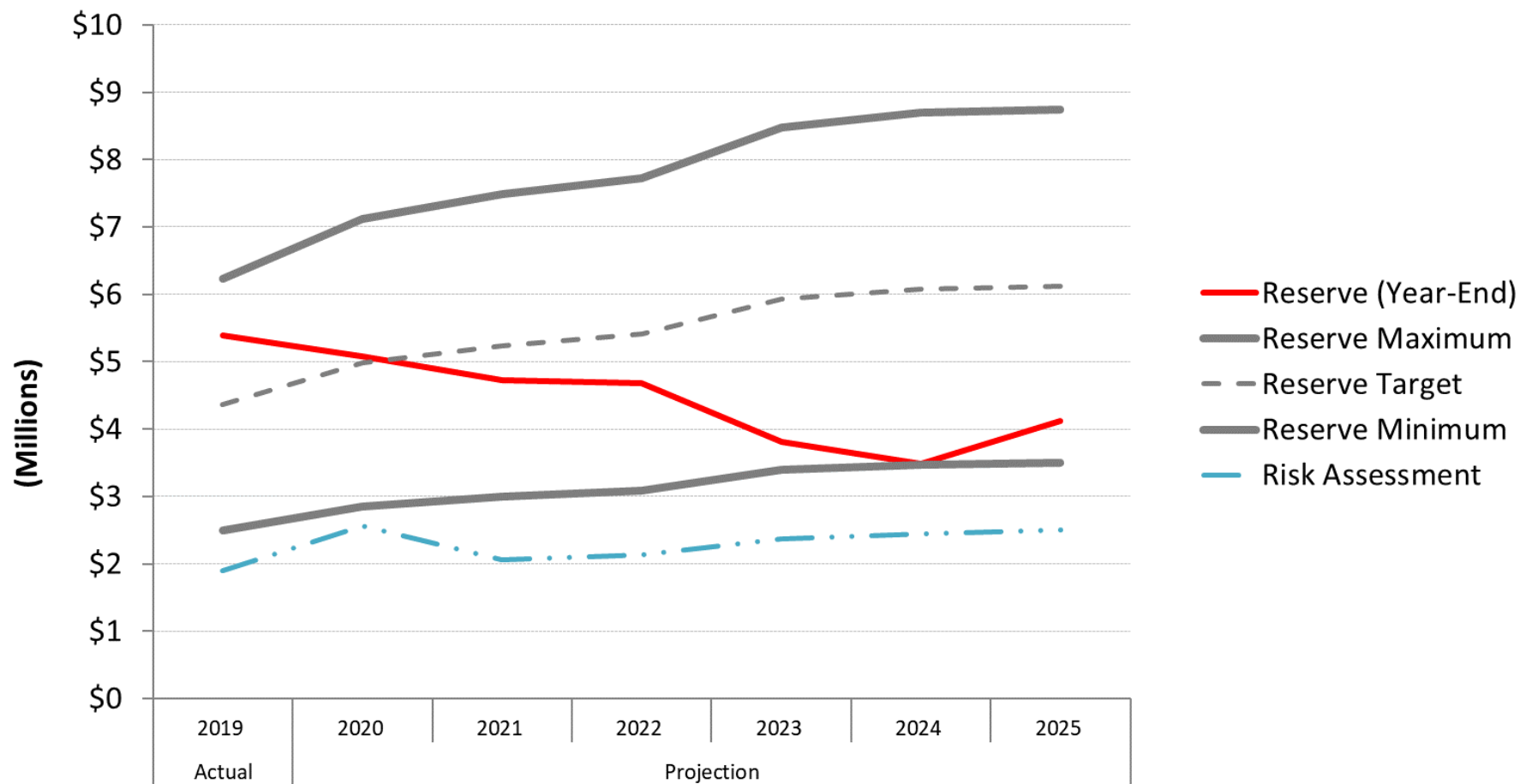
Commercial: Palo Alto is 14% higher than comparison city average
Restaurant: Palo Alto is 2% below comparison city average

	Palo Alto	Neighboring Communities					
		Menlo Park	Redwood City	Santa Clara	Mountain View	Los Altos	Hayward
General Commercial	111.58	135.24	107.80	72.10	131.18	66.03	76.16
Restaurant	690.48	1,118.88	1,033.20	666.40	602.00	264.13	541.52

WASTEWATER PROJECTIONS



WASTEWATER OPERATIONS RESERVE PROJECTIONS





RECOMMENDATION

Staff recommends that the UAC recommend that the Council make no changes to Wastewater rates for July 1, 2020