

**Presentation's and
City Manager Comments
for the**

June 17, 2019

City Council Meeting

CITY MANAGER COMMENTS

6/17/19

Topic: Highway 101 Bike Bridge Status

Submitted by: Public Works

We are getting closer to beginning construction on the Highway 101 Bike Bridge project. Last week, Caltrans issued the Encroachment Permit for the project. This leaves one major step remaining. The project will go out to bid immediately after the E-76 application to use federal funds is issued by Caltrans. Staff expects to seek approval by Council for the construction contract by August or September. With that timeline, construction could start in the Fall.

Topic: Utilities Earns Energy Innovator Award

Submitted by: Utilities

The Palo Alto Utilities department has won the national 2019 Energy Innovator Award for our Home Efficiency Genie program. Utilities Director Dean Batchelor accepted the award on June 11 from the American Public Power Association. The Home Efficiency Genie program provides Palo Alto residents with free energy and water efficiency advice over the phone, and a subsidized, comprehensive in-home assessment for utility efficiency improvements. Residents receive customized recommendations and on-the-spot estimates for contractors. The Genie House Call program recently also received a high Net Promoter Score: 9 out of 10 Genie House Call customers say they would recommend the program. You can learn more and sign up for a Genie House Call at efficiencygenie.com

CITY MANAGER COMMENTS

6/17/19

Topic: Cal Ave Construction Inauguration

Submitted by: CMO

Construction for the first phase of the [California Avenue Area Parking Garage and Public Safety Building Infrastructure Project](#) is underway at the site of the new parking garage at 350 Sherman Avenue. To celebrate this major construction milestone, the City is hosting an inauguration ceremony tomorrow, June 18 at 9 a.m. in parking lot C-6 at the corner of Sherman Avenue and Birch Street. Mayor Eric Filseth will join me along with representatives from Swinerton Builders construction firm and RossDrulisCusenbery Architects, Inc. The event is open to the public.

Topic: Newell Road Bridge EIR Comment Period meetings

Submitted by: Public Works

As noted last week, the Draft Environmental Impact Report and Environmental Assessment for the Newell Road Bridge Replacement Project is now in the 60-day public comment period. There are three more upcoming public meetings for this project:

-tomorrow, Tuesday, June 18 at 7 p.m. at Palo Alto Art Center Auditorium

and

-Wednesday, June 19 at 7:30 p.m. at East Palo Alto Council Chambers at 2415 University Ave

The final meeting is the Caltrans Public Hearing on Thursday, July 18 at 8:30 a.m. here in the Palo Alto Council Chambers.

These meetings are an opportunity for the public to comment on the Draft Environmental Impact Report. Electronic copies of the report are available for download and can be accessed through the Newell Road Bridge project webpage at cityofpaloalto.org/newell

CITY MANAGER COMMENTS

6/17/19

Topic: Connecting Palo Alto Rail Grade Separation Planning

Submitted by: Transportation

The Expanded Community Advisory Panel (XCAP) working on rail grade separation will hold their first meeting this Wednesday, June 19 from 4-6 p.m. in the Community Meeting Room of City Hall. The group will receive background and orientation at this meeting and will begin discussions about the alternatives still under consideration for Palo Alto's Churchill Ave., Meadow Dr., and Charleston Rd. at-grade crossings.

Topic: Friday Night at the Art Center

Submitted by: CSD

Friday Night at the Art Center returns this Friday, June 21 from 7-10 p.m. to kick off the new Summer of Printmaking exhibition. The free event will feature printmaking demonstrations, artmaking activities, specialty cocktails, and the Sanctuary City Project Mobile Print Cart.

Topic: Table Tennis Ribbon Cutting

Submitted by: CSD

Join Mayor Eric Filseth and the 2012 & 2016 Table Tennis Olympian Lily Zhang at a ribbon cutting ceremony to celebrate the installation of the two new tennis tables at Lytton Plaza. The ceremony will be held in Lytton Plaza this Sunday, June 23 at 1 p.m. Ms. Zhang is a graduate of Paly High. By the way, the tables are currently available for play and best of all, there's no cost.

FISCAL YEAR 2020

PROPOSED

OPERATING

BUDGET

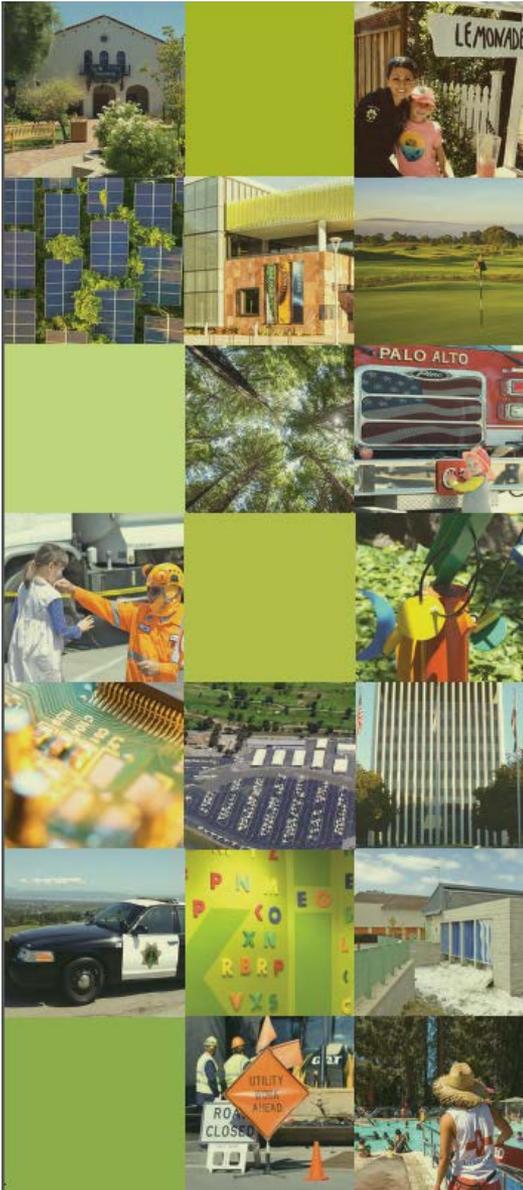
FISCAL YEAR 2020

Operating and Capital Budget Adoption

&

Municipal Fee Schedule

June 17, 2019



Recommended Motion

Staff and the Finance Committee Recommend that the City Council:

1. Adopt the Fiscal Year 2020 Budget Ordinance, which includes:
 - a) City Manager's Fiscal Year 2020 Proposed Operating and Capital Budgets, previously distributed at the April 22nd City Council meeting;
 - b) Amendments to the City Manager's Fiscal Year 2020 Proposed Operating Budget;
 - c) Amendments to the City Manager's Fiscal Year 2020 Proposed Capital Budget;
 - d) Fiscal Year 2020 City Table of Organization; and
 - e) Fiscal Year 2020 Proposed Municipal Fee Changes.
2. Amend the Municipal Fee Cost Recovery Policy 1-57/ASD to include language clarifying that certain types of fees are not subject to state laws limiting fees to cost recovery.
3. Accept the FY 2020 – FY 2024 Capital Improvement Plan including: the addition of the Automated Parking Guidance System to the 2014 Council approved Infrastructure Plan, allocation of new hotel Transient Occupancy Tax (TOT) revenues, and the November 2018 voter approved increase in TOT revenues towards ensuring sufficient funding for this plan.
4. Return to the Finance Committee to strategize the use of uncommitted funds from the Stanford University Medical Center (SUMC) development agreement.

Highlights of the FY 2020 Budget

- Progressing towards fiscal sustainability
 - Proactively fund pension liabilities
- Adding resources to address other City Council priorities, such as transportation
- Continuing leadership in service delivery evolution, including public-private partnerships
- Investing in workforce stabilization

Contributions to Pension 115 Trust Fund (All Funds)

Annual contributions to date:

- FY 2017 +\$2.0 million
- FY 2018 +\$3.5 million
- FY 2019 +\$7.9 million
- FY 2020 +\$8.5 million



Total principal contributions of ~\$22 million

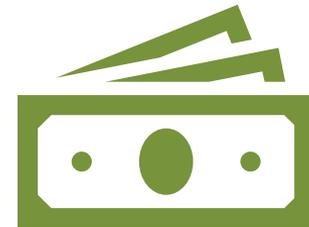
historical average contribution = \$5.5 million/year

FY 2020 proposed ongoing contribution = \$6.2 million/year

Reflects proactive retirement contribution - 6.2% discount rate normal cost

Continuing to Invest in Priorities

- Transportation
 - +6.5 FTE since FY 2015, consultant support
- Workforce Stabilization
 - Labor contracts secured through FY 2020, most through FY 2021
 - \$750k for workforce initiatives invested 1x in FY 2020 → if leverage enterprise & other funds equally could be >\$ 1.5 million
- Council Infrastructure Plan (\$280.6 M)

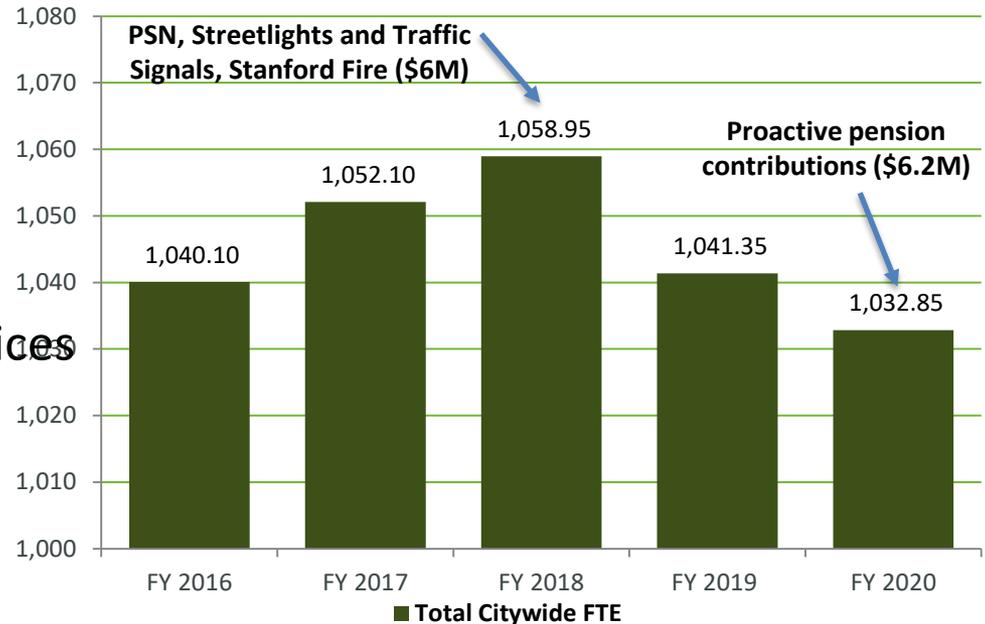


Historical Full-Time Staffing Comparison

Major Changes since FY 2018:

- 11.0 elim. Firefighter staffing
- 7.0 elim. for Public/Private Partnerships
- 5.5 elim. Public Works public services and vehicle staffing
- 2.0 elim. Library staffing
- 2.5 elim. Appointee Office
- 0.6 elim. Office of Management and Budget staffing
- Prioritize repurposing existing positions (20 reclassifications)
- Minimal adds for critical needs since FY 2017

5 Year Trend - Total Citywide FTE



Service Delivery Changes



Examples of approved changes:

- Animal Care Services partnership with Pets in Need
- Aquatics program partnership with Team Sheep
- Cross staffing Fire apparatus

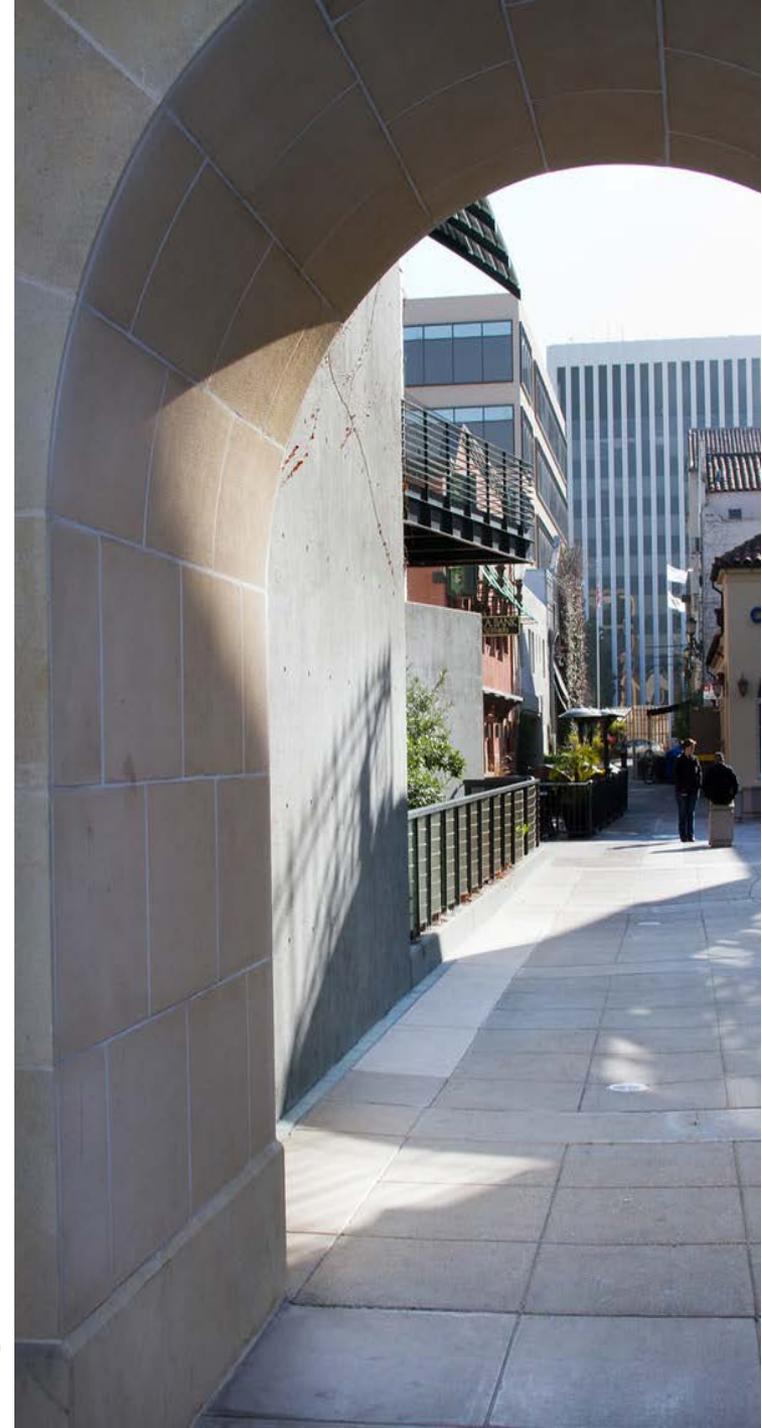


FY 2020 Budget Changes:

- Adjust Fire Dept deployment model by cross staffing of addt'l apparatus
- Reduce 1.0 position in Library Dept., impacting special programming capacity
- Increase replacement cycle for emergency response equip. in OES
- Consolidate landscape maintenance in CSD, & reduce the “Know your Neighbor” grant funding
- Project Safety Net transition to a community collaborative program

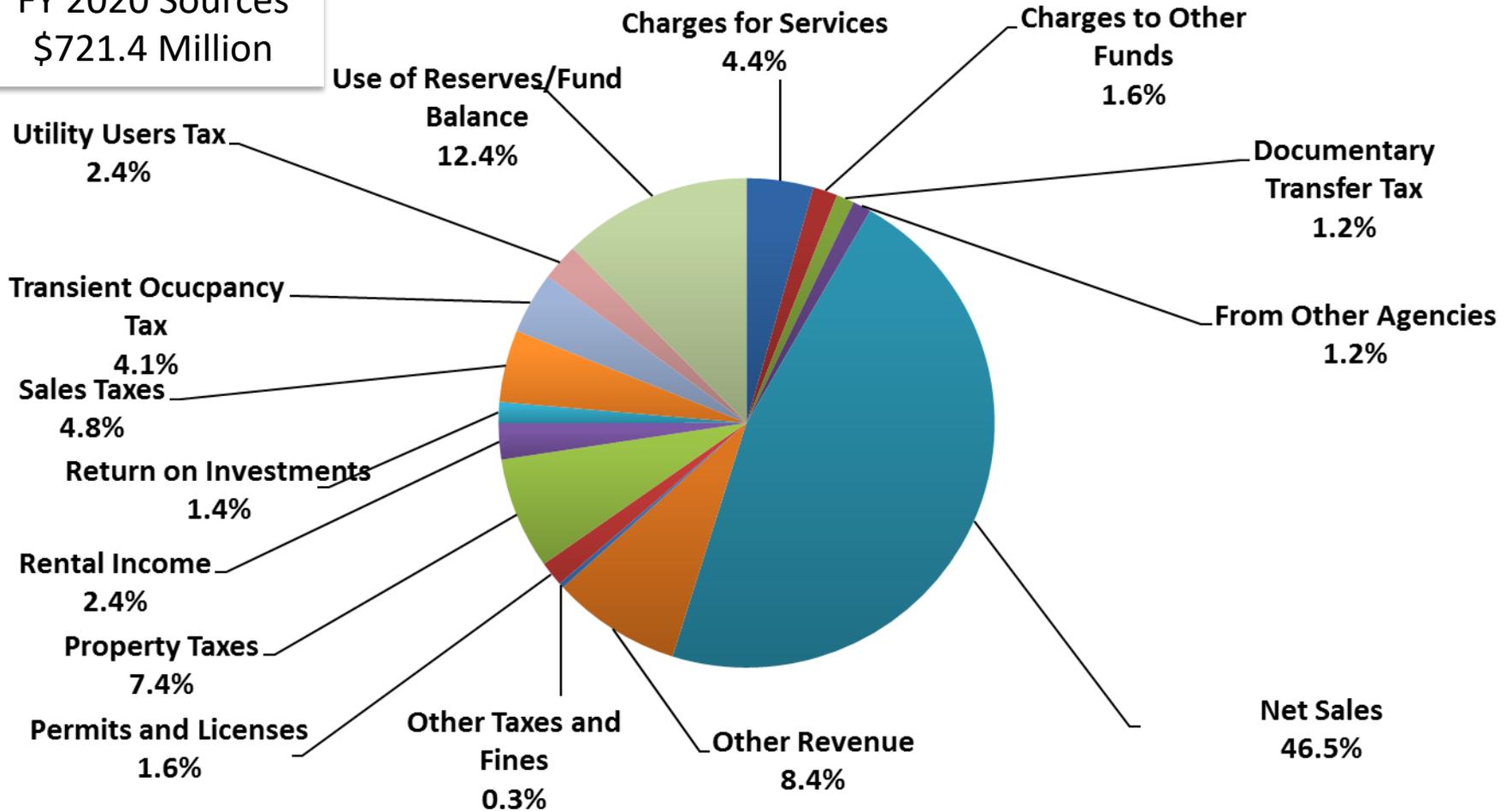
Outline of Presentation

- Operating Budget
 - Citywide Funds
 - Internal Service Funds
 - General Fund
 - Special Revenue Funds
 - Enterprise Funds
- Capital Budget
- Summary



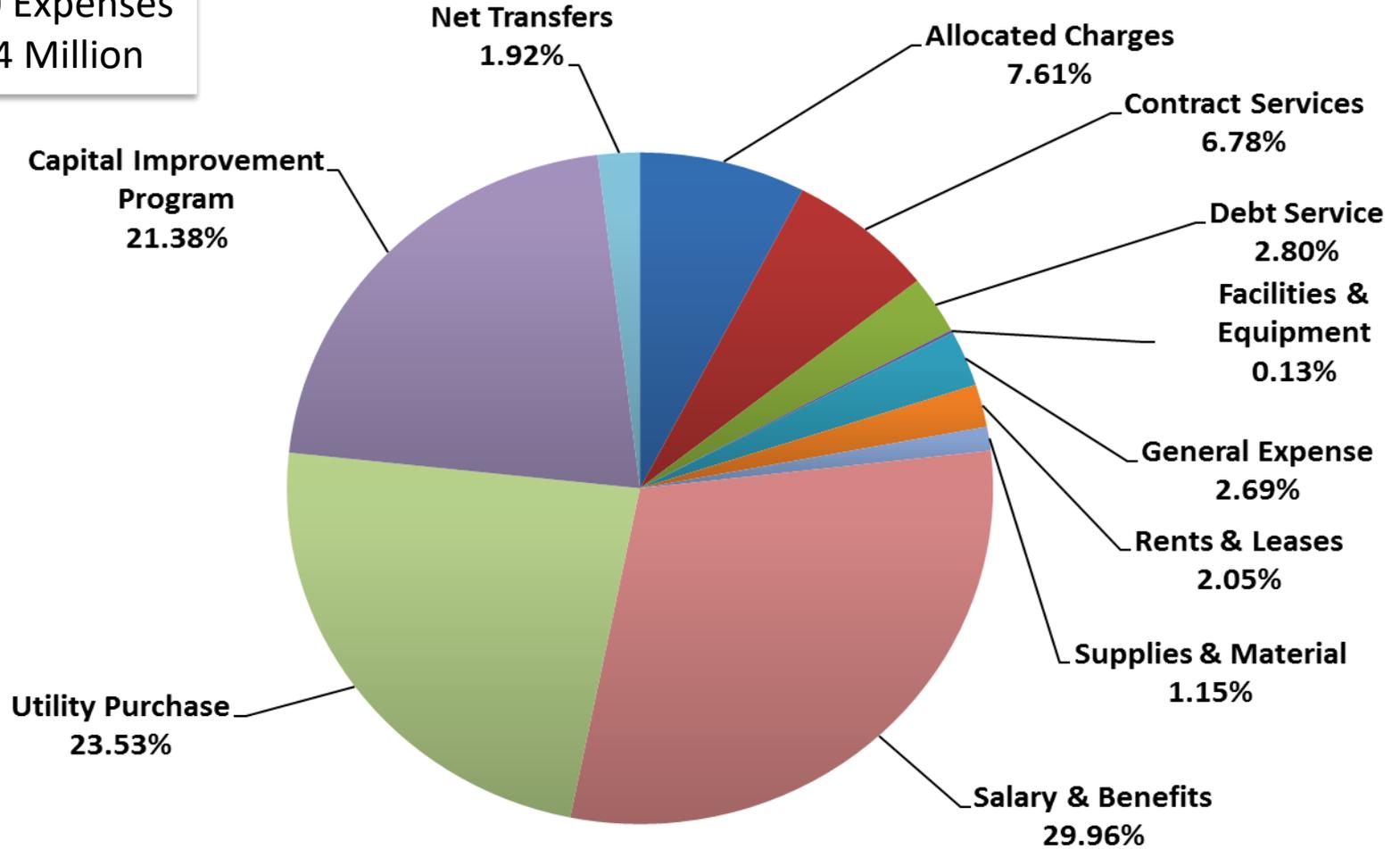
FY 2020 Citywide Sources - \$721.4 million

FY 2020 Sources
\$721.4 Million



FY 2020 Citywide Expenses - \$721.4 million

FY 2020 Expenses
\$721.4 Million



FY 2020 Citywide Full Time Staffing

	GF	ENT	Other*	Total
FY 2019 Adopted Budget	585.43	357.86	98.06	1,041.35
FY 2019 Approved adjustments	(3.15)	-	2.15	(1.00)
<i>FY 2019 Revised Budget</i>	<i>582.28</i>	<i>357.86</i>	<i>100.21</i>	<i>1,040.35</i>
FY 2020 Changes	(5.29)	0.75	(0.96)	(5.50)
FY 2020 Reallocations	(2.06)	-	2.06	-
FY 2020 Changes	(7.35)	0.75	1.10	(5.50)
FY 2020 Budget	574.93	358.61	101.31	1,034.85

* Other Funds include the Capital Improvement, Internal Service, and Special Revenue Funds.

Internal Service Funds

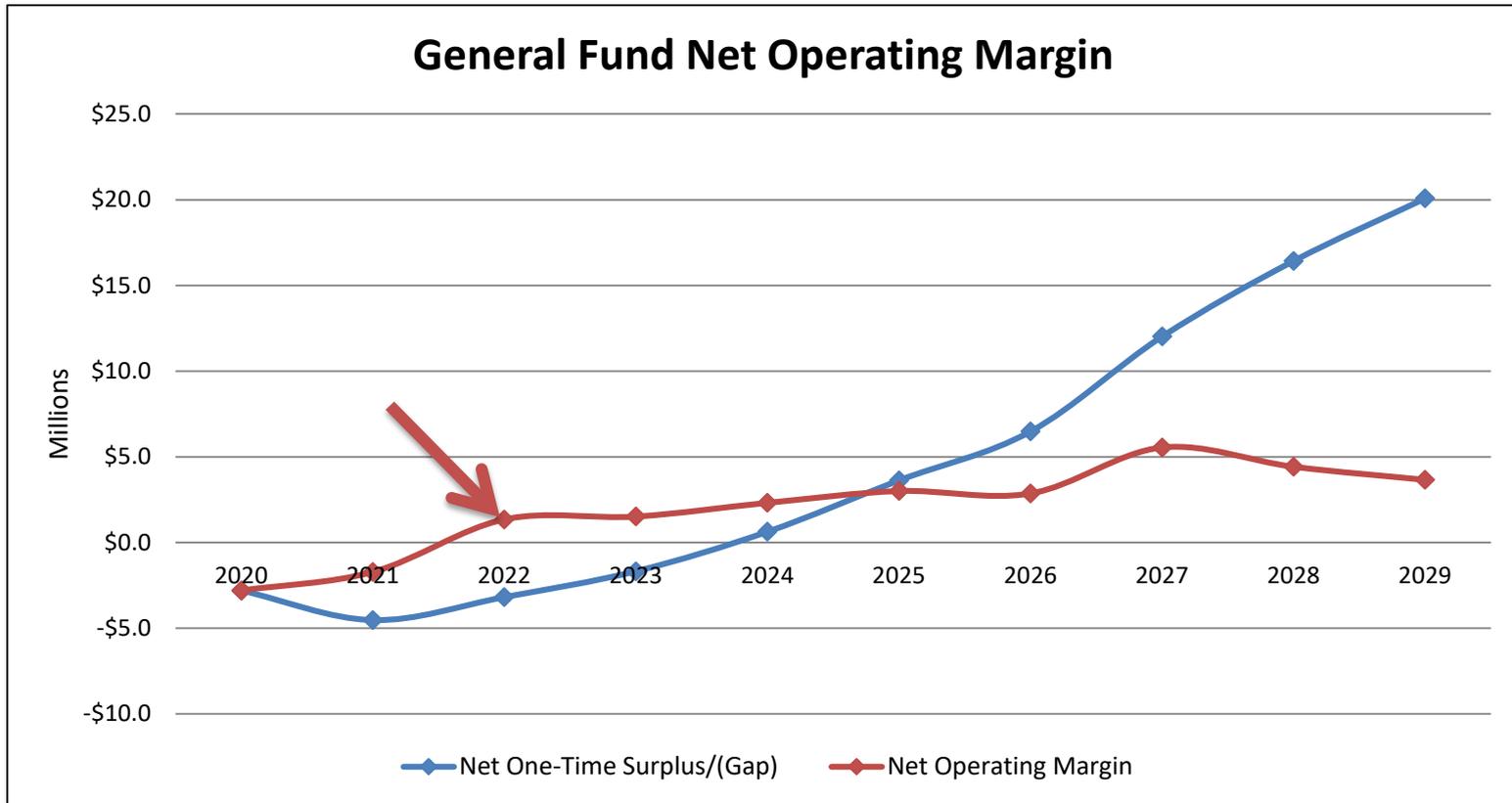
Internal Service Fund Allocated Charges

(compared to FY 2019
Adopted Budget)

Fund	GENERAL FUND			ALL FUNDS			GF %
	FY 2019 Adopted	FY 2020 Proposed	% Change	FY 2019 Adopted	FY 2020 Proposed	% Change	
General Benefits Fund	358	408	14.0%	616	686	11.4%	59.5%
General Liability Fund	1,079	1,356	25.7%	1,977	2,445	23.7%	55.5%
Print & Mail Fund	1,056	1,199	13.5%	1,566	1,569	0.2%	76.4%
Retiree Healthcare Fnd	8,790	9,054	3.0%	13,800	14,214	3.0%	63.7%
Technology Fund	7,145	7,413	3.8%	14,570	14,409	-1.1%	51.4%
Vehicle Fund	5,085	5,276	3.8%	9,014	9,192	2.0%	57.4%
Workers' Comp Fund	2,560	3,665	43.2%	3,764	5,399	43.4%	67.9%
Total	\$ 26,073	\$ 28,371	8.8%	\$45,307	\$47,914	5.8%	59.2%

General Fund

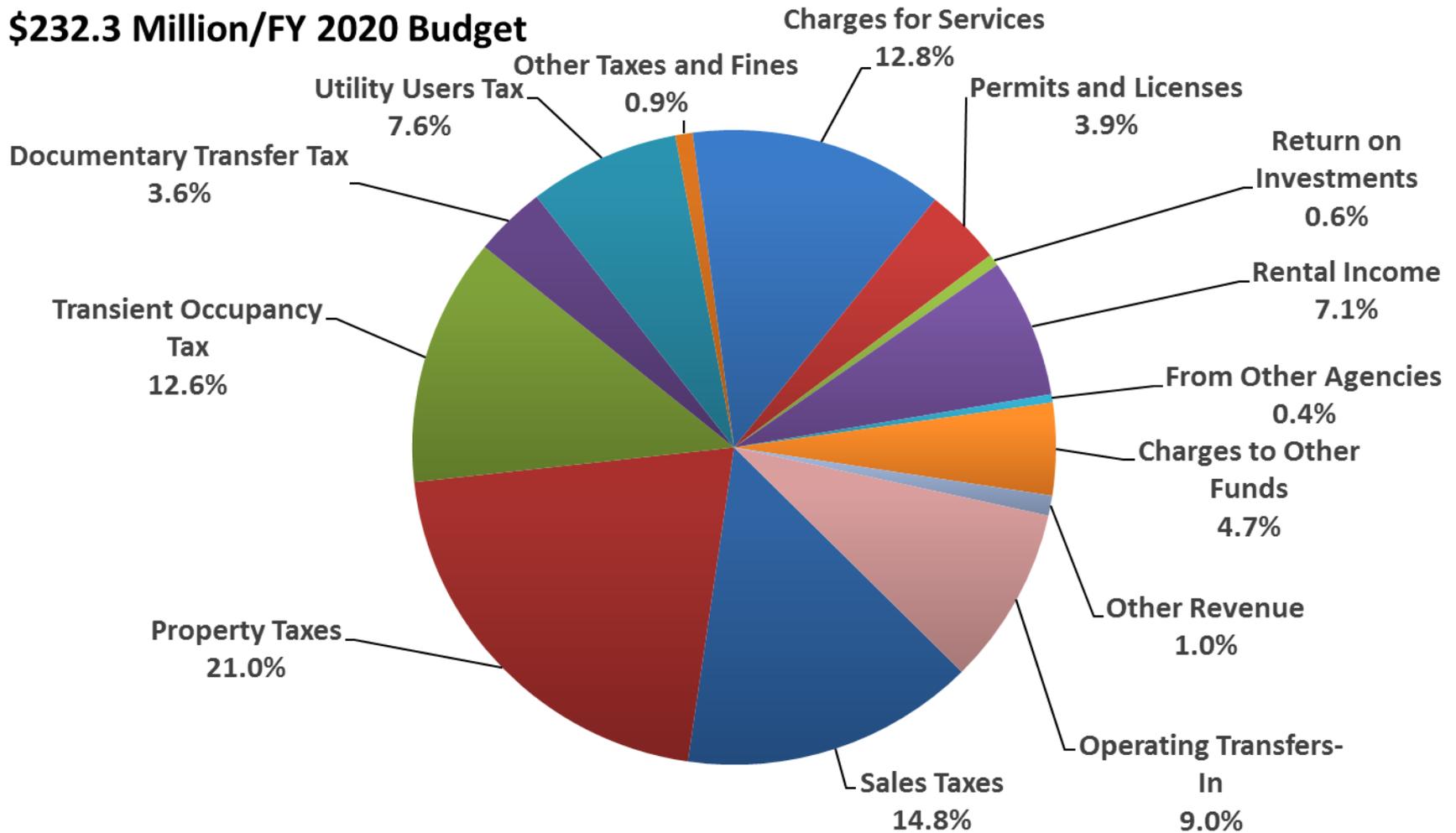
FY 2020 - 2029 General Fund LRFF: Base Case



	Adopted 2019	2020	2021	2022
Total Revenue	\$214,497	\$227,108	\$233,938	\$241,315
		5.9%	3.0%	3.2%
Total Expenditures	\$210,706	\$229,916	\$238,472	\$244,508
		9.1%	3.7%	2.5%
Net One-Time Surplus/(Gap)	\$3,791	(\$2,807)	(\$4,534)	(\$3,193)
Cumulative Net Operating Margin (One-Time)				
Net Operating Margin		(\$2,807)	(\$1,727)	\$1,341

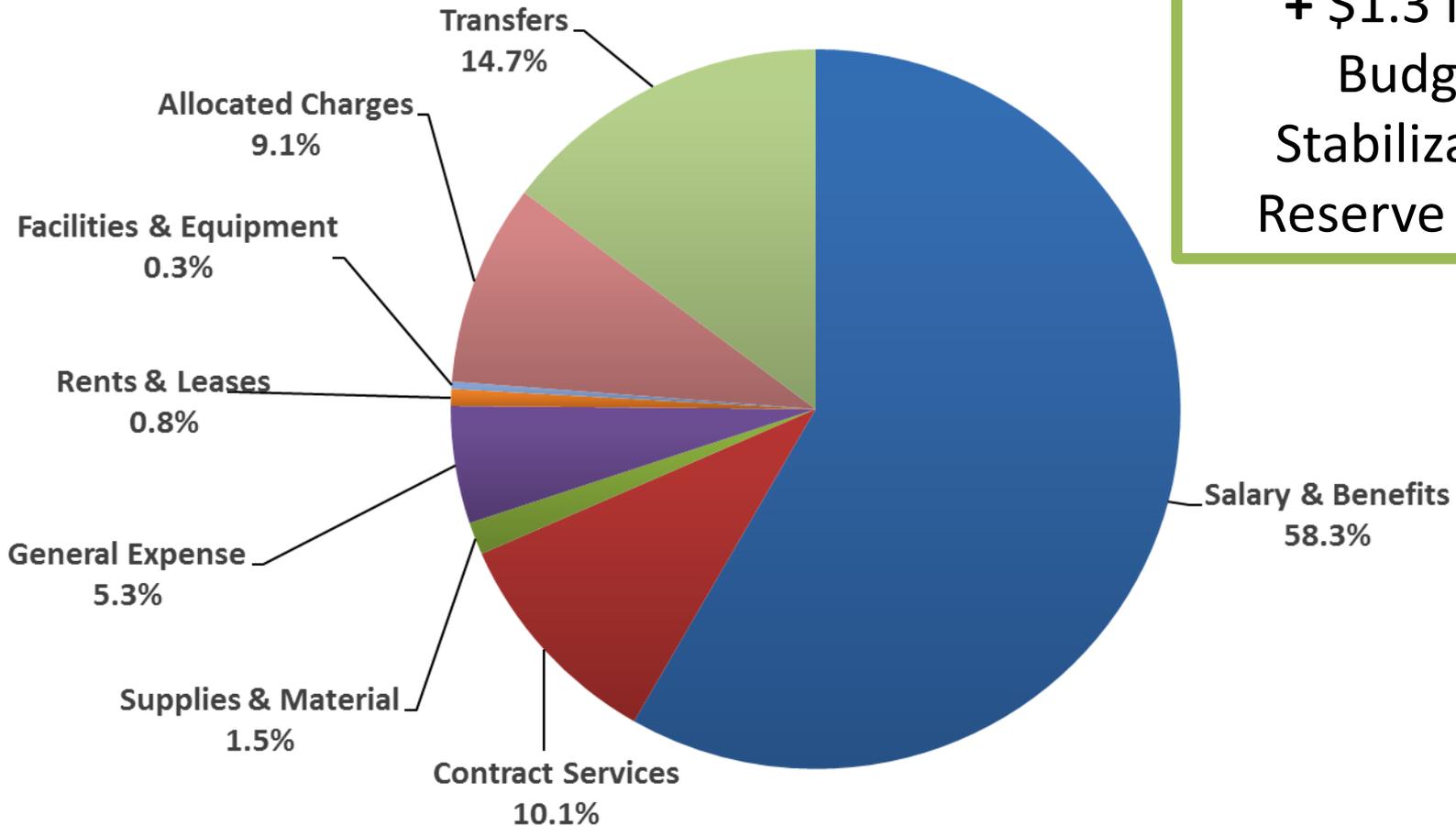
FY 2020 General Fund Revenues - \$232.1 million

\$232.3 Million/FY 2020 Budget



FY 2020 General Fund Expenses - \$230.8 million

\$230.8 Million/FY 2020 Budget



**+ \$1.3 M to
Budget
Stabilization
Reserve (BSR)**

General Fund Trends

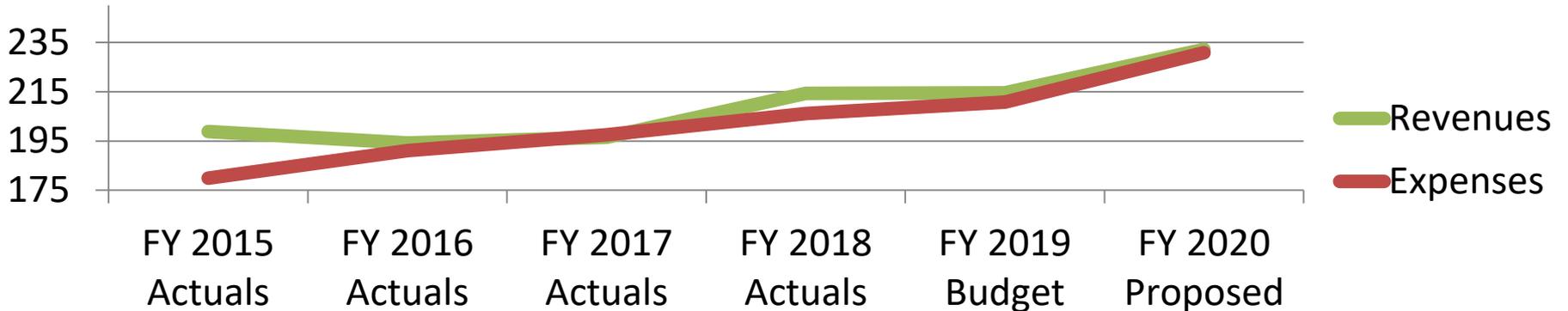
REVENUE GROWTH: 8.2%, +\$17.7 M

- +75%, or \$13.0 M, of growth due to tax revenue (e.g. 7.3% Property Tax, \$3.3M)

EXPENSE GROWTH: 9.5%, +\$20.1 M

- Restoration of FY 2019 one-time actions (\$5.3 M)
- 6.2% DR for Normal Cost (\$3.8 M)
- Labor Agreement Costs
- Other cost increases

\$1.3 M BSR Contribution in FY 2020 to maintain BSR at target 18.5%, or \$42.7 M



General Fund - Balancing

- Balances FY 2020, positions the City well for FY 2021
 - Incorporate Council Direction to change pension forecasting (\$3.8M increase)
 - Ongoing reductions in expenses; include position eliminations
 - One-time savings while departments evaluate ongoing strategies
- Net reduction of 6.5 full-time equivalent positions from FY 2019 adopted levels
 - Council approved changes (1.0 position)
 - Recommended net reduction of 5.5 additional positions
- Targeted investments
 - establishing an Office of Transportation, committing funds to workforce stabilization, and continued leadership in public/private partnerships

Special Revenue Funds

Special Revenue Funds - Major Initiatives

Federal & State Revenue Funds

- Community Development Block Grant Funding of \$725,000

Street Improvement Funds

- \$2.6 M investment in capital projects for transportation and street maintenance; current PCI average is > 85 , working towards all streets exceeding PCI score of 60

Parking Funds

- Focus on strategies to address traffic and transportation challenges
 - Establish Office of Transportation (OOT)
 - General Fund subsidy to the Residential Parking Permit (RPP) Fund (\$683,000)
 - Increase TMA funding to \$660,000 (from \$480,000), incl. a 7.5% increase in employee permit prices
 - \$1.5 M investment in capital projects

Enterprise Funds

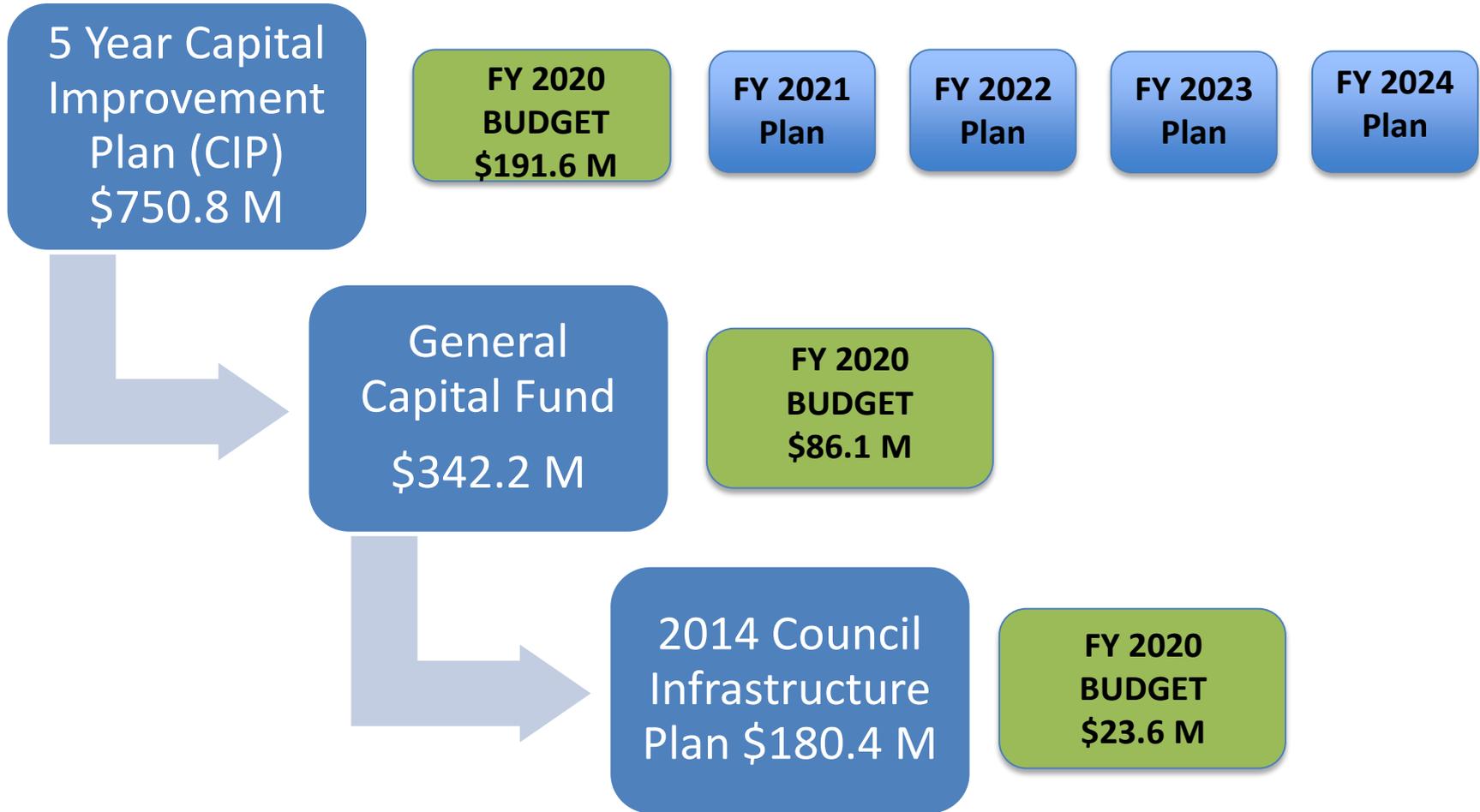
FY 2020 Utility Rate Changes– Residential Bill

Utility Service	Proposed	
	Rate Change	\$ Difference
Electric	5.5%	\$2.98
Gas	8.4%	\$4.91
Wastewater	7.0%	\$3.83
Water Utility	4.4%	\$2.71
Refuse	0.0%	\$0
Storm Drain	4.5%	\$0.63
User Tax	5.9%	\$0.59
Total	5.0%	\$ 15.65

Total residential monthly bill is estimated to increase \$15.65 per month, or 5.0%, to \$312.15 per month.

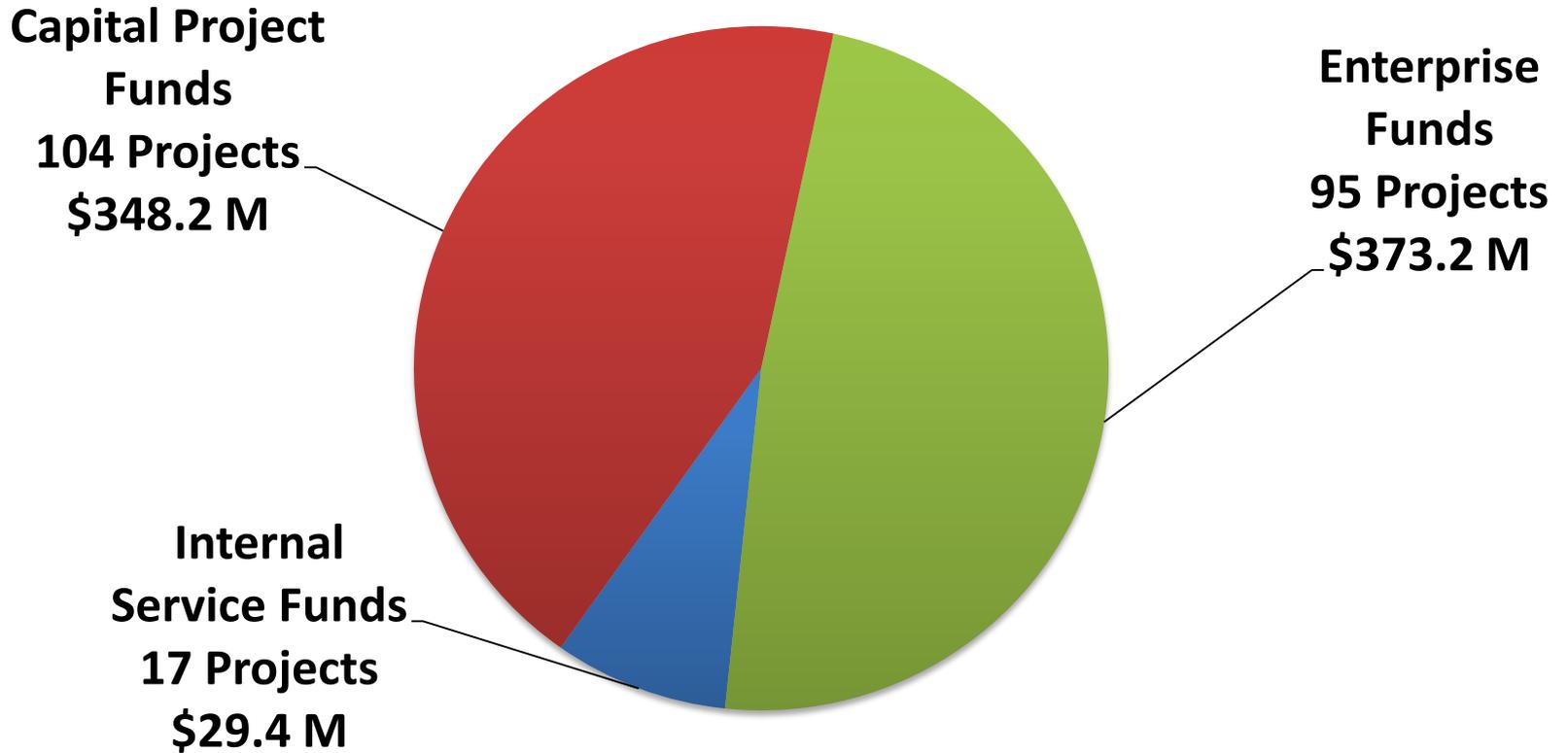
Capital Improvement Plan & Capital Budget

Capital Budget Macro to Micro (illustrative only)



FY 2020-2024 Capital Improvement Plan - \$750.8 M

216 Projects by Fund Type

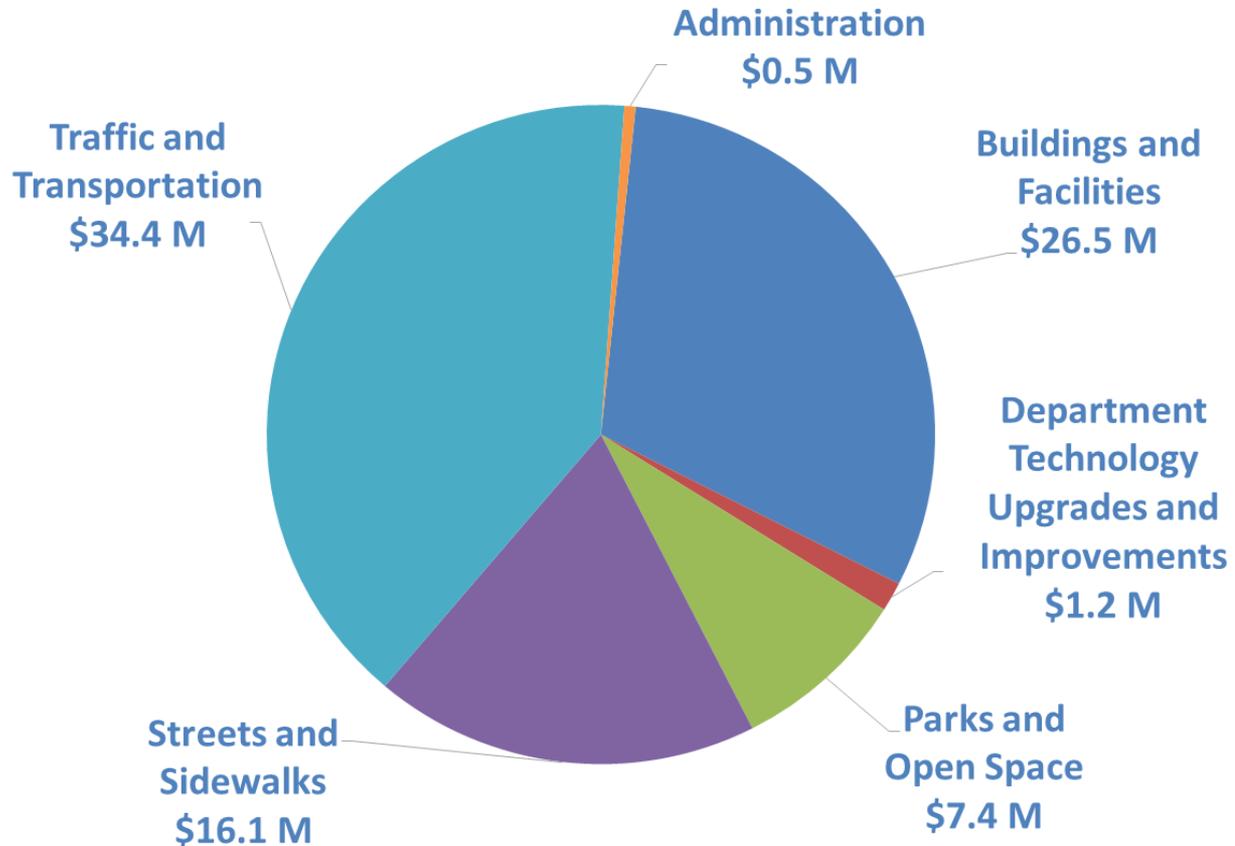


Capital Budget Overview: 2020-2024 CIP Highlights

- 13 New Projects (9 Capital Project Fund, 3 Enterprise, 1 Internal Service)
- Increase of \$2.4M from 2019-2023 CIP (Including May Reappropriations)
 - Realignment of Replacement Schedule for Utilities Infrastructure Projects
- Major Capital Initiatives over the five-year CIP
 - Focus on funding the Infrastructure Plan (IP) and maintaining funding for Infrastructure Blue Ribbon Committee “catch-up” and “keep- up”
 - Recognize Operating and Maintenance costs for Capital Projects
 - 6 of 13 Storm Water Management Fee ballot measure projects planned
 - Water Quality Control Plant: \$131.7M of infrastructure investment

FY 2020 General Fund Capital Budget

2020 Capital Improvement Fund Expenditures by Category - \$86.1 Million



Infrastructure Plan Projects Timeline

FY 2020 Proposed Budget = \$23.6 million for these projects

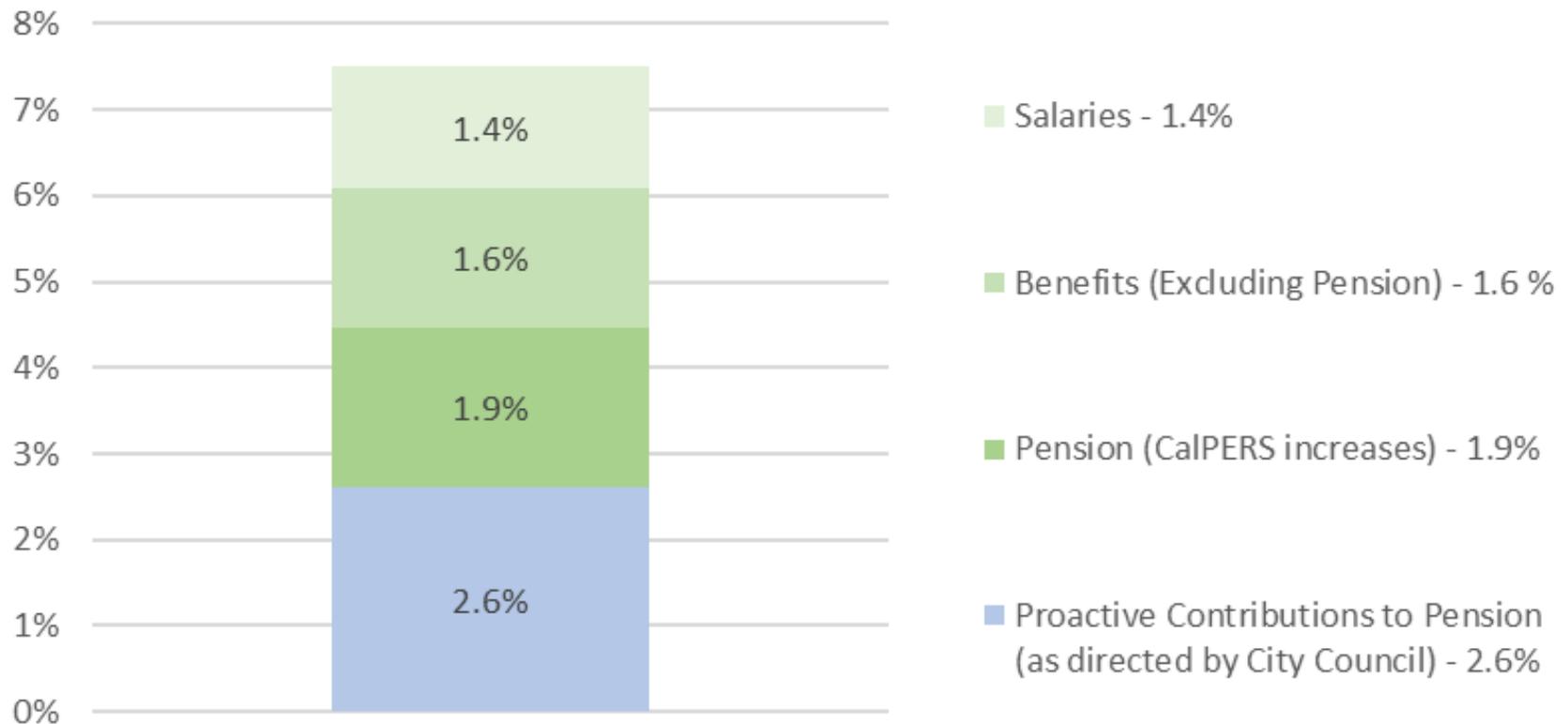
PROJECTS	2017		2018		2019		2020		2021		2022		
	J	F	M	A	M	J	J	A	S	O	N	D	
COUNCIL INFRASTRUCTURE PLAN													
FIRE STATION 3 REPLACEMENT	[Blue]		[Green]		[Green]								
CHARLESTON / ARASTRADERO CORRIDOR	[Blue]		[Blue]	[Green]	[Green]		[Green]						
CALIFORNIA AVENUE PARKING STRUCTURE	[Blue]		[Blue]		[Green]		[Green]						
HIGHWAY 101 PEDESTRIAN / BICYCLE OVERPASS	[Blue]		[Blue]		[Blue]	[Green]	[Green]				[Blue]	DESIGN	
DOWNTOWN AUTOMATED PARKING GUIDANCE SYSTEMS						[Blue]	[Blue]	[Green]				[Green]	CONSTRUCTION
BYXBEE PARK COMPLETION					[Blue]		[Green]		[Green]				
FIRE STATION 4 REPLACEMENT						[Blue]	[Blue]		[Green]	[Green]			
PUBLIC SAFETY BUILDING	[Blue]		[Blue]		[Blue]		[Blue]		[Green]	[Green]		[Green]	
BICYCLE AND PEDESTRIAN PLAN (PROJECT HALTED)	[Blue]	[Green]	[Green]		[Green]								
DOWNTOWN PARKING GARAGE (PROJECT HALTED)	[Blue]		[Blue]										

www.infrastructure.cityofpaloalto.org/

Municipal Fees

FY 2020 Municipal Fee Changes

7.5% Municipal Fee Increase by Category



Municipal Fee Policy Revision

- As part of Finance Committee's work on Municipal Fees in CY 2018, need for clarification of Fee Cost Recovery Policy was identified
- Recommend Fee Cost Recovery Policy Update
 - Clarify that certain programs and services provided by the City are not subject to state laws limiting user fees to the City's costs
 - Cost-basis applicable as a ceiling for many fees; but not all
 - Fees for recreation classes, facility rentals, equipment rentals, etc. examples of fees not subject to cost-basis ceiling

Summary

FY 2020 Budget Highlights

- Key messages to take away:
 - Proactive pension contributions
 - Investing strategically in critical needs of the organization
 - Work isn't done; will take a sustained, multi-year approach
 - All while maintaining a robust CIP and investing in human and physical capital

What's next?

- Discuss Library Fines with the Library Advisory Commission.
- Provide an update on the Bicycle/Pedestrian Plan to the City Council in Fall 2019.
- Return to the Finance Committee to strategize the use of uncommitted funds from the Stanford University Medical Center (SUMC) development agreement.
- Discuss options for long-term Pension and Other Post-Employment Benefit (OPEB) funding, including potential development of a policy, with the Finance Committee.
- Analyze the appropriate price levels for the gated Junior Museum and Zoo (JMZ), anticipate to open in summer 2020, to ensure appropriate cost recovery levels.



What's NOT included?

Near-Term

Master Plans (Parks & Cubberley)

New CIPs: JMZ Phase II, Animal Shelter, Foothill Park

Transportation initiatives

Grade Separation

Housing

Unfunded Actuarial Liability for Pension and Retiree
Healthcare Trusts

City owned assets operated by non-profits

Future labor agreements – competitive workforce

Potential recession

Longer-Term

Recommended Motion

Staff and the Finance Committee Recommend that the City Council:

1. Adopt the Fiscal Year 2020 Budget Ordinance, which includes:
 - a) City Manager's Fiscal Year 2020 Proposed Operating and Capital Budgets, previously distributed at the April 22nd City Council meeting;
 - b) Amendments to the City Manager's Fiscal Year 2020 Proposed Operating Budget;
 - c) Amendments to the City Manager's Fiscal Year 2020 Proposed Capital Budget;
 - d) Fiscal Year 2020 City Table of Organization; and
 - e) Fiscal Year 2020 Proposed Municipal Fee Changes.

Recommended Motion (cont'd)

Staff and the Finance Committee Recommend that the City Council:

2. Amend the Municipal Fee Cost Recovery Policy 1-57/ASD to include language clarifying that certain types of fees are not subject to state laws limiting fees to cost recovery; and
3. Accept the FY 2020 – FY 2024 Capital Improvement Plan including: the addition of the Automated Parking Guidance System to the 2014 Council approve Infrastructure Plan, allocation of new hotel Transient Occupancy Tax (TOT) revenues, and the November 2018 voter approved increase in TOT revenues towards ensuring sufficient funding for this plan.
4. Return to the Finance Committee to strategize the use of uncommitted funds from the Stanford University Medical Center (SUMC) development agreement.

Finance Committee Chair Comments

COUNCIL MEETING
6/17/2019

Received Before Meeting

10

PROPOSED UTILITY FINANCIAL PLAN AND RATE CHANGES FOR FY 2020

June 17, 2019

2020 Rate Projections – Residential

		FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Electric Utility		4%	4%	4%	4%	3%
Gas Utility *		8%	9%	7%	2%-3%	2%-3%
Wastewater		7%	8%	8%	8%	8%
Water Utility		4%	3%	4%	5%	5%
Refuse		-	3%	3%	3%	3%
Storm Drain		4.5%	2%-3%	2%-3%	2%-3%	2%-3%
Bill Change	(%)	5%	5%	5%	4%	4%
	(\$/mo)	\$15	\$14	\$15	\$14	\$13

Gas Projections are preliminary. Gas rate changes are shown with commodity rates held constant. Actual gas commodity rates will vary monthly with wholesale market fluctuations

2020 Rate Projections - Commercial

	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Electric Utility	5-9%	4%	4%	4%	3%
Gas Utility *	2-3%	9%	7%	2%-3%	2%-3%
Wastewater	7%	8%	8%	8%	8%
Water Utility	(1)-3%	3%	4%	5%	5%
Refuse	-	3%	3%	3%	3%
Storm Drain	4.5%	2%-3%	2%-3%	2%-3%	2%-3%

Commercial customers may have several rate schedules available to them, and the rate changes affecting each may be different depending on the results of updated Cost of Service analysis.

** Gas Projections are preliminary. Gas rate changes are shown with commodity rates held constant. Actual gas commodity rates will vary monthly with wholesale market fluctuations*

Observations and Cost Trends

Construction costs continue to escalate for capital projects

Supply-related costs

- Electric: Increasing, but mainly due to rising transmission related costs
- Gas: natural gas market prices slightly higher, transmission costs continue to increase, environmental program costs continue to increase (primarily cap and trade)
- Water: Annually set by San Francisco Public Utilities Commission
- Wastewater: Increasing due to extensive CIP work at the Treatment plant

O&M costs increasing at 3-4%

Salaries and Benefits (13%-24% of total Utilities budget) forecasts aligned with Citywide forecasts, including updated CalPERS discount rate assumptions

Total utility bill continues to be lower than neighboring agencies

Most Operational reserves are low, but projected to stay within guideline levels through the forecast period. Electric Utility reserves are particularly low.

Electric Recommendation

at the City Council:

Adopt a resolution approving the fiscal year (FY) 2020 Electric Financial Plan and proposed transfers; and

Adopt a resolution amending Rate Schedules E-1 (Residential Electric Service), E-2 (Small Non-Residential Electric Service), E-2-G (Small Non-Residential Green Power Electric Service), E-4 (Medium Non-Residential Electric Service), E-4-G (Medium Non-Residential Green Power Electric Service), E-4 TOU (Medium Non-Residential Time of Use Electric Service), E 7 (Large Non-Residential Electric Service), E-7-G (Large Non-Residential Green Power Electric Service), E 7 TOU (Large Non-Residential Time of Use Electric Service), E-14 (Street Lights), E-NSE (Net Metering Net Surplus Electricity Compensation), and E-EC (Export Electricity Compensation).

Gas Recommendation

to the City Council:

Adopt a resolution approving the fiscal year (FY) 2020 Gas Financial Plan proposed transfers; and

Adopt a resolution amending Rate Schedules G-1 (Residential Gas Service), (Residential Master-Metered and Commercial Gas Service), G-3 (Large Commercial Gas Service), and G-10 (Compressed Natural Gas Service)

Water Recommendation

to the City Council:

- Adopt a resolution approving
 - FY 2020 Water Utility Financial Plan; and
 - Up to a \$5 million transfer from the Operations to CIP Reserve
- Adopt a resolution increasing water rates 1% by amending Rate Schedules W-1 (General Residential Water Service), W-2 (Water Service from Fire Hydrants), W-3 (Fire Service Connections), W-4 (Residential Master-Metered and General Non-Residential Water Service), and W-7 (Non-Residential Irrigation Water Service)

Wastewater Collection Recommendation

to the City Council:

- Adopt a resolution approving
 - the FY 2020 Wastewater Collection Utility Financial Plan; and
 - Authority to transfer up to \$978,000 from the CIP to the Operations Reserve in FY 2020
- Adopt a resolution increasing water rates 7% by amending Rate Schedules S-1 (Residential Wastewater Collection and Disposal), S-2 (Commercial Wastewater Collection and Disposal), S-6 (Restaurant Wastewater Collection and Disposal), and S-7 (Commercial Wastewater Collection and Disposal – Industrial Discharger).

Dark Fiber Recommendation

to the City Council:

- Adopt a resolution increasing Dark Fiber rates by amending Rate Schedules EDF-1 (Dark Fiber Licensing Services) and EDF-2 (Dark Fiber Connection Fees).

Storm Drain Recommendation

to the City Council:

- Amend Utility Rate Schedule D-1 to Increase Storm Water Management Fee Rates by 4.5 Percent per Month per Equivalent Residential Unit for FY 2020.

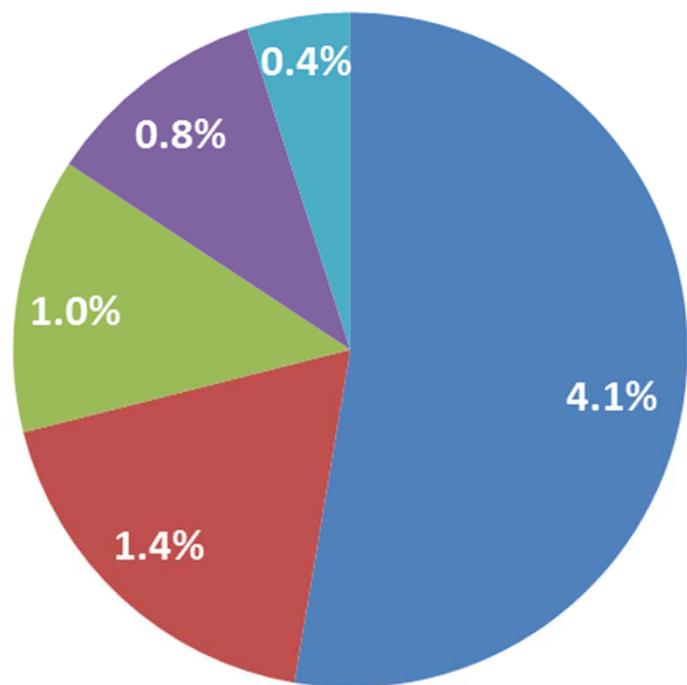


THANK YOU



BACKUP

Electric Rate Change Breakdown

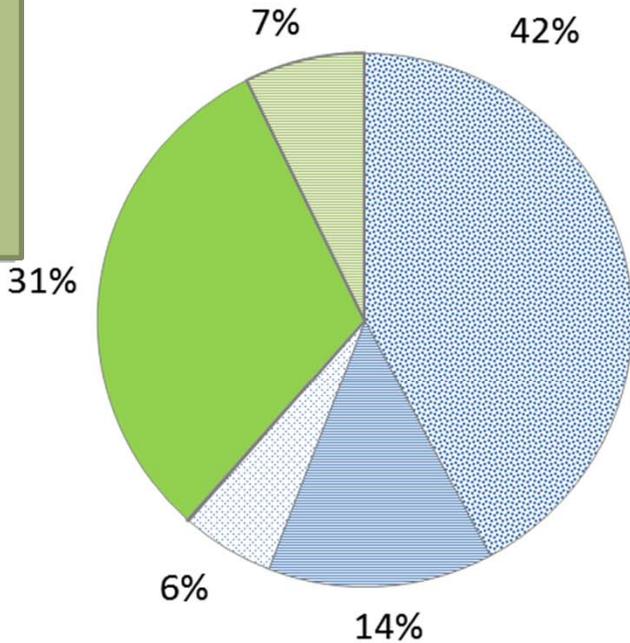


Total Rate Increase: 8%

- Electric Supply Cost Increases
- Operations cost increases
- CIP expense increases
- Existing Revenue Shortfall
- Load loss

Electric Utility Cost Structure

Electric Distribution costs (in green): \$56 million 38%



Electric Supply: The cost to buy electricity and transport it to Palo Alto, including operational overhead (e.g. energy scheduling)

Electric Supply costs (in blue): \$90 million 62%

- Generation
- Transmission
- Supply Overhead
- Operations
- Capital Investment

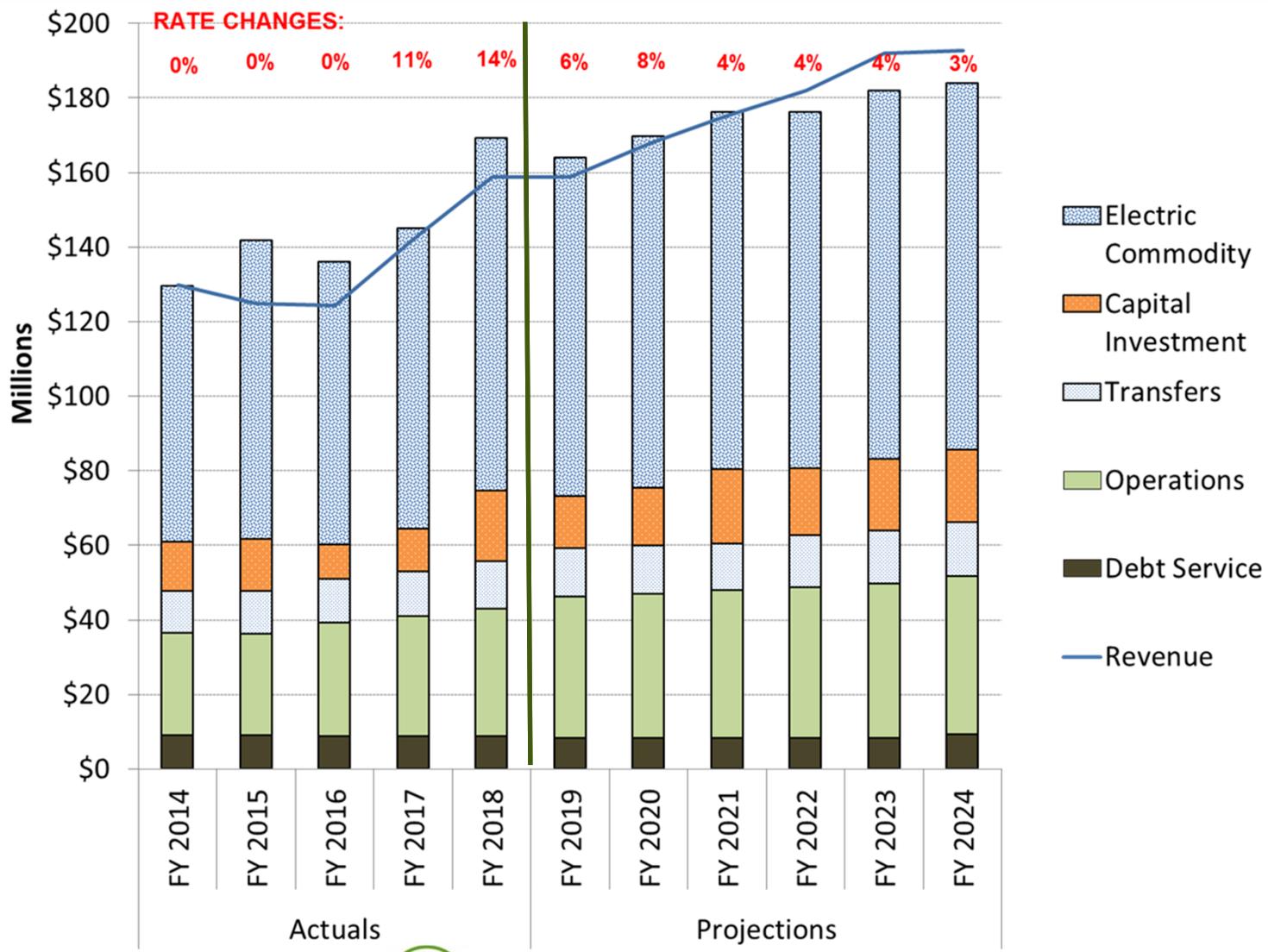
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Electric Median Monthly Bills

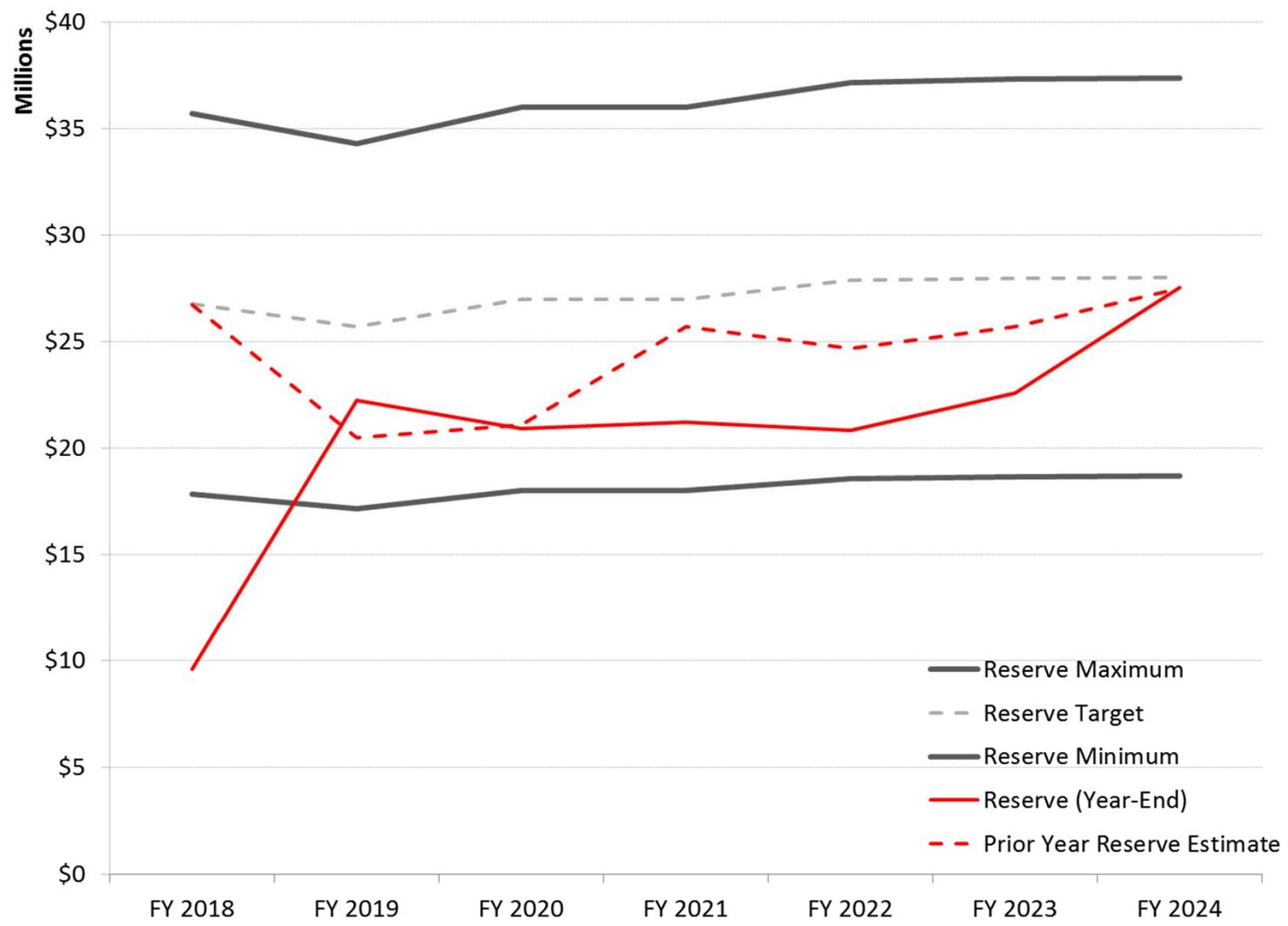
The median Palo Alto residential bill was roughly 34% lower than PG&E in 2018

As of March 1, 2019					
Customers	Usage (KWh/mo)	Palo Alto (Current)	Palo Alto (Proposed)	PG&E	Santa Clara
Residential Customers	300	\$ 38.61	\$ 41.27	\$ 65.33	\$ 35.89
	365 (Summer Median)	49.22	45.40	85.16	43.95
	453 (Winter Median)	66.19	69.22	98.64	54.86
	650	104.17	107.37	150.77	79.29
	1200	210.20	213.89	301.48	147.48
Non-Residential Customers	1,000	170	178	253	184
	160,000	25,628	28,661	30,936	21,243
	500,000	66,780	81,337	86,341	64,155
	2,000,000	289,010	325,346	372,799	261,360

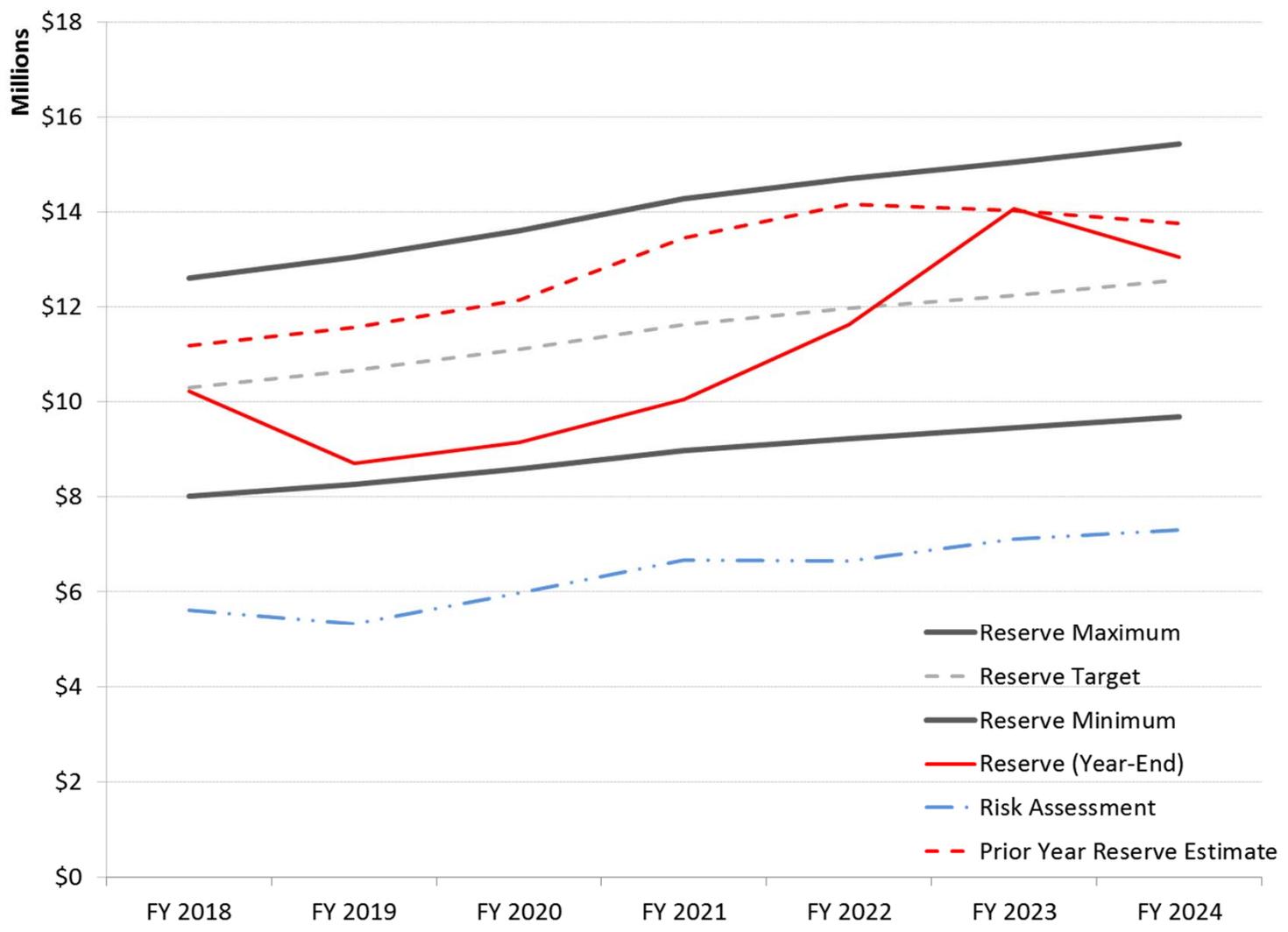
Electric Cost and Revenue Projections



Electric Supply Operations Reserve Projections

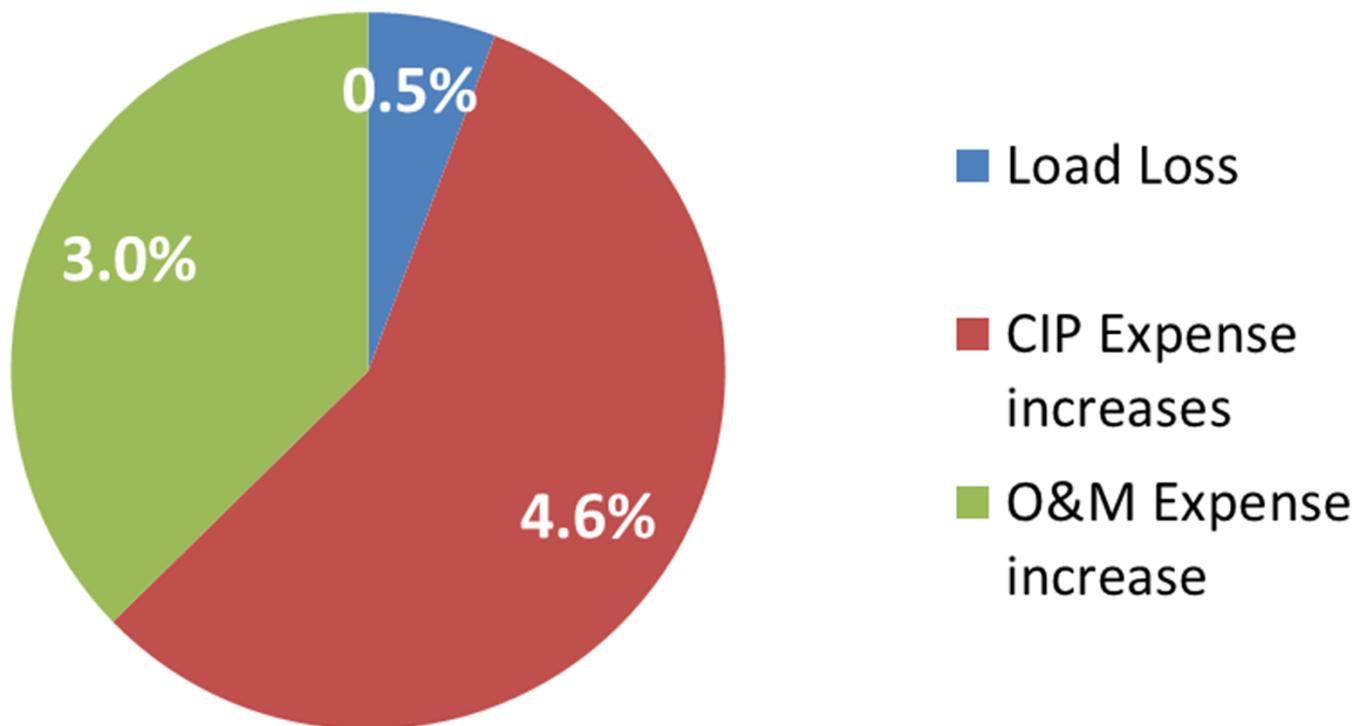


Electric Distribution Operations Reserve Projections



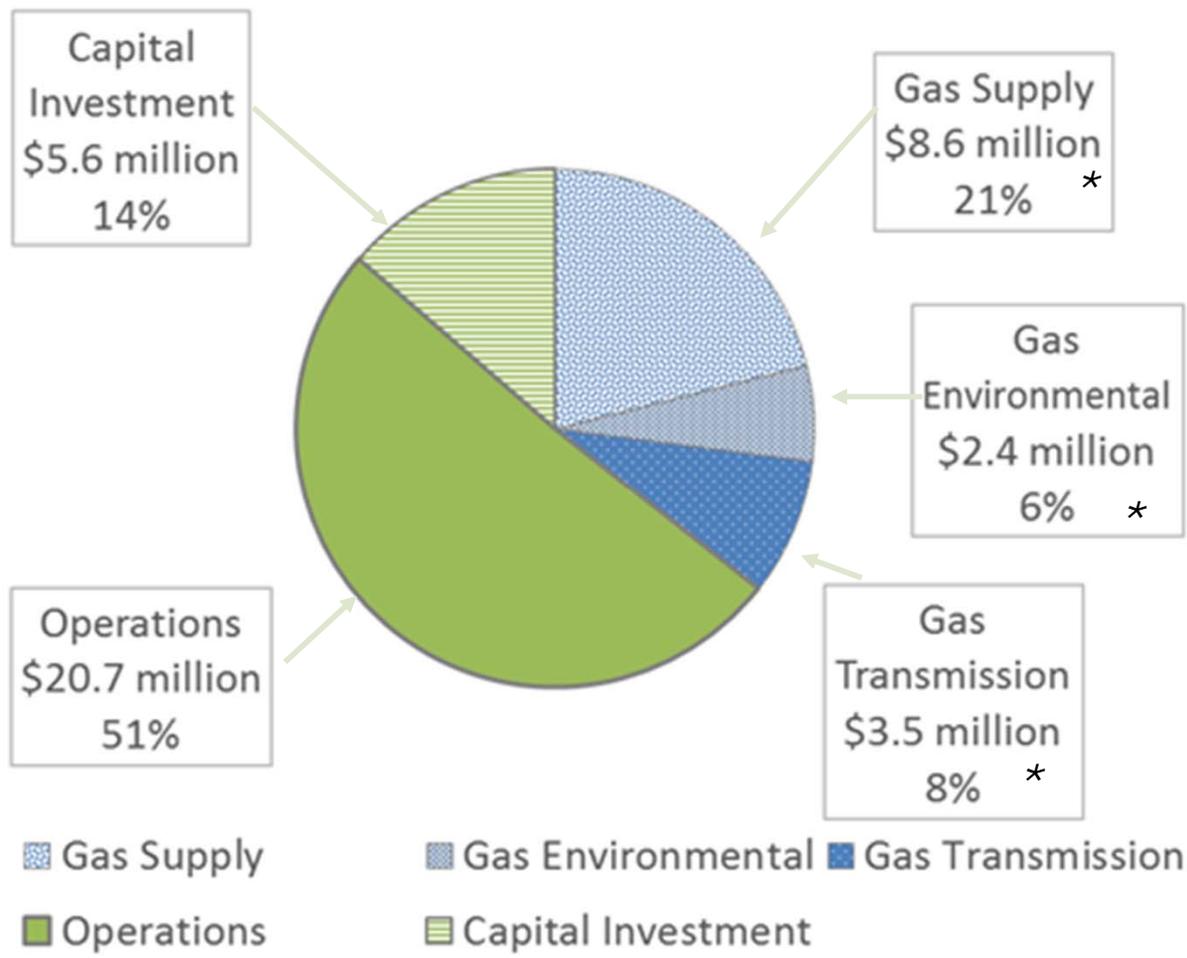
as Rate Change Breakdown

Total Distribution Rate Increase: 8%



Gas Utility Cost Structure

distribution (in
) : The cost to
oute gas within
Alto, including:
aining and
cing gas
tructure, customer
e, billing,
nistration, etc.



* Market-based pass-through costs.

as Cost of Service allocation

Summary of Cost of Service Analysis for FY 2020 Test Year

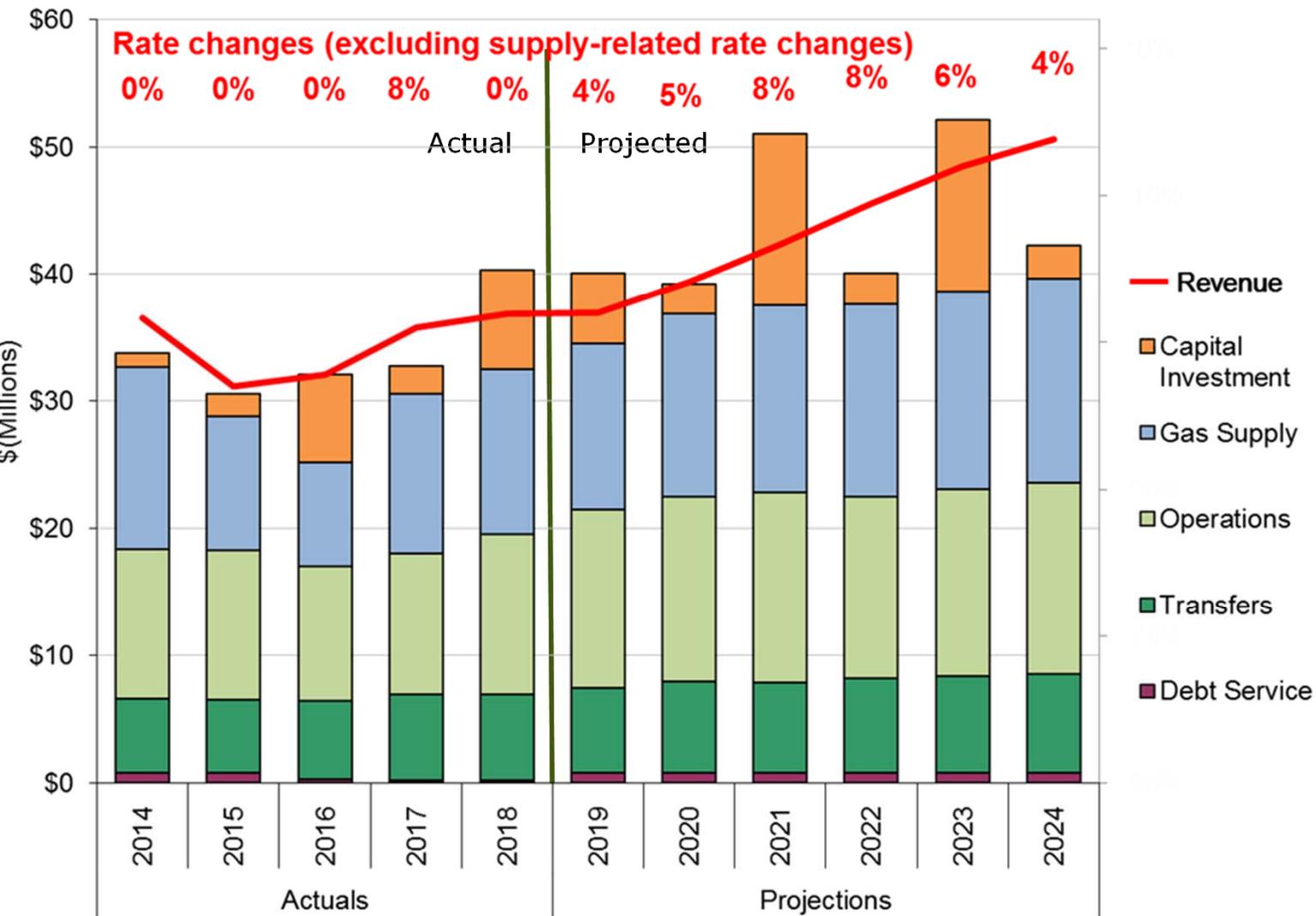
	Projected FY 2020 Revenues under Current Rates	Net Distribution Revenue Requirement	Projected Deficiency in FY 2020 Revenue Based on Current Rates	Revenue Increase needed for Distribution Charges	Increase for Combined Commodity and Distribution Charges
G1 – Residential	\$8,928,944	\$10,111,795	\$1,182,850	13.25%	8.1%
G2 - Small Commercial	\$9,921,058	\$10,423,850	\$502,792	5.07%	3.0%
G3 – Large Commercial	\$3,463,070	\$3,562,355	\$99,286	2.87%	1.5%
TOTAL	\$22,313,072	\$24,098,000	\$1,784,928	8.0%	4.7%

as Current and Proposed Rates

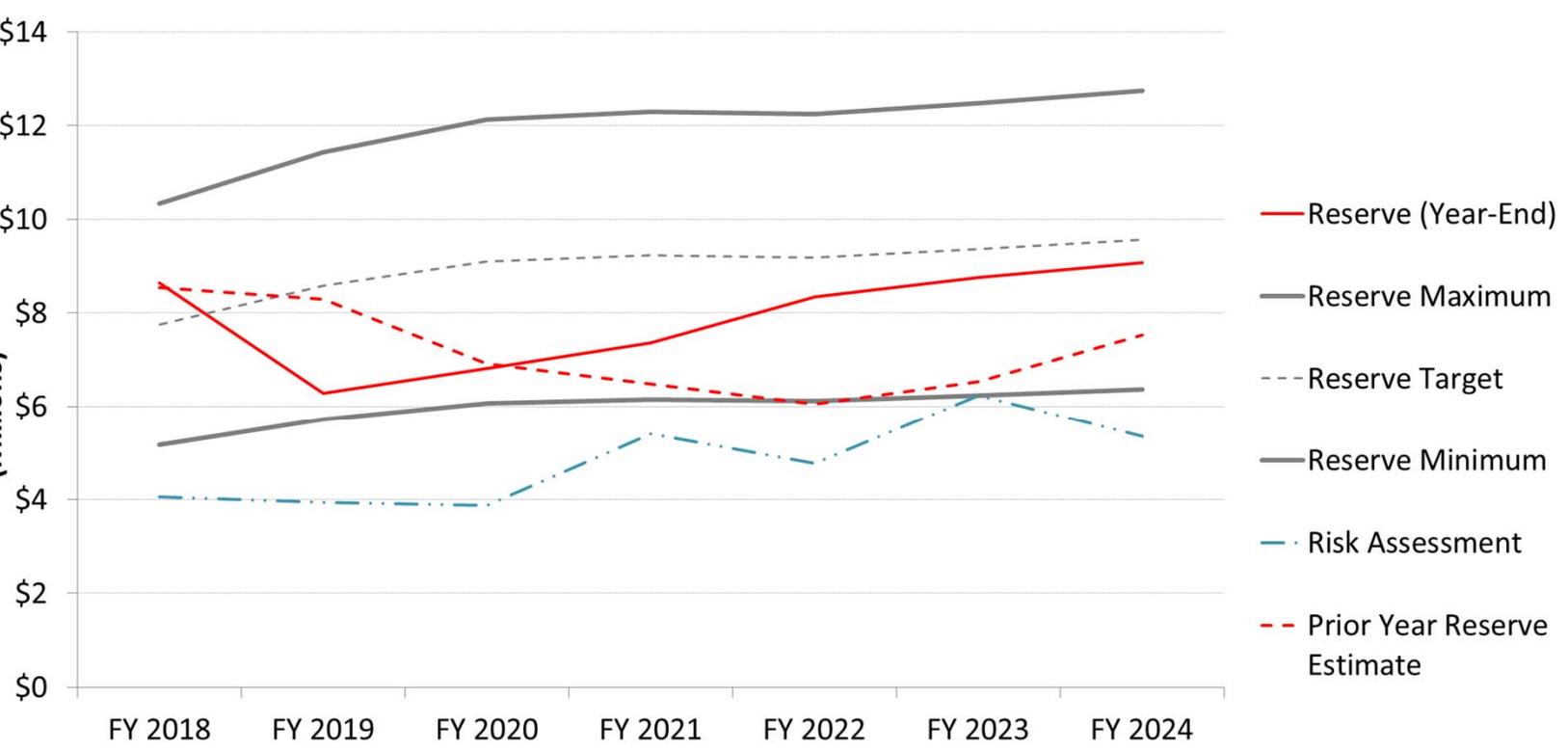
Rate Schedule	Monthly Service Charge (\$/month)		Change	
	Current (as of 7/1/18)	Proposed for FY 2020	(\$)	(%)
G-1 (Residential)	\$10.94	\$13.35	\$2.41	22.0%
G-2 (Small Commercial)	82.92	104.95	22.03	26.6%
G-3 (Large Commercial)	400.08	690.45	290.37	72.6%
G-10 (CNG)	56.11	70.98	14.87	26.5%

	Current (as of 7/1/18)	Proposed for FY 2020	Change	
			(\$)	(%)
G-1 (Residential)				
Tier 1 Rates	\$0.4239	\$0.4835	\$0.0596	14.1%
Tier 2 Rates	0.9948	1.0426	0.0478	4.8%
G-2 (Residential Master-Metered and Small Commercial)				
Uniform Rate	0.6183	0.6102	(0.0081)	(1.3%)
G-3 (Large Commercial)				
Uniform Rate	0.6098	0.6056	(0.0420)	(0.7%)

Gas Cost and Revenue Projections



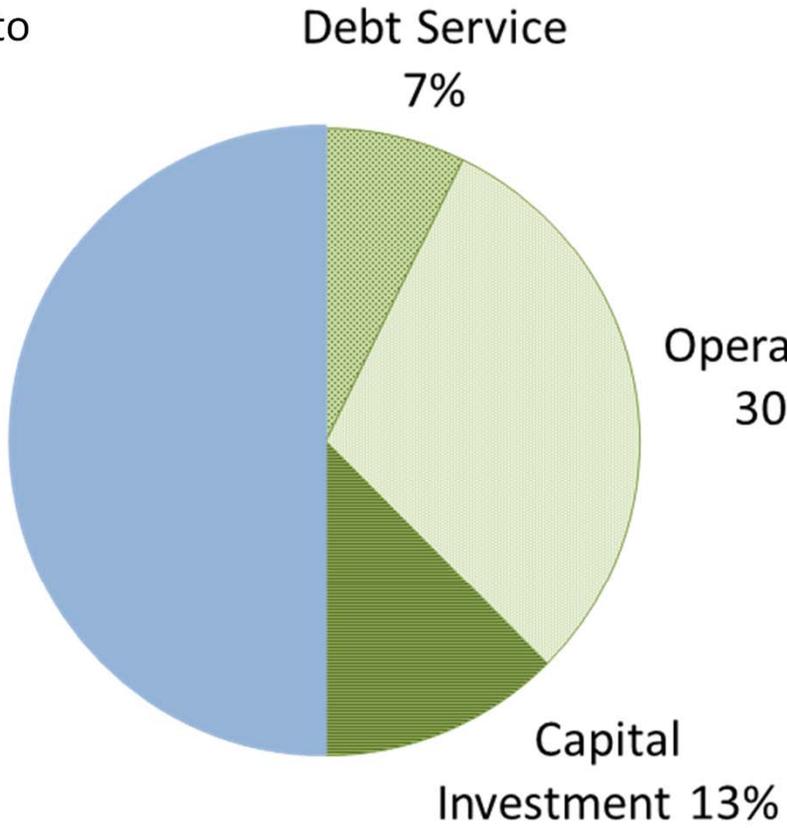
as Operations Reserve Projections



Water Utility Cost Structure

Cost to bring the water to Palo Alto

Water Supply
\$15.5 million
50% (in blue)



Cost to distribute water within Palo Alto, including: maintaining and replacing water infrastructure, customer service, billing, administration, etc.

Water Distribution
\$22.4 million
50% (in green)

Water Residential Bill Impacts

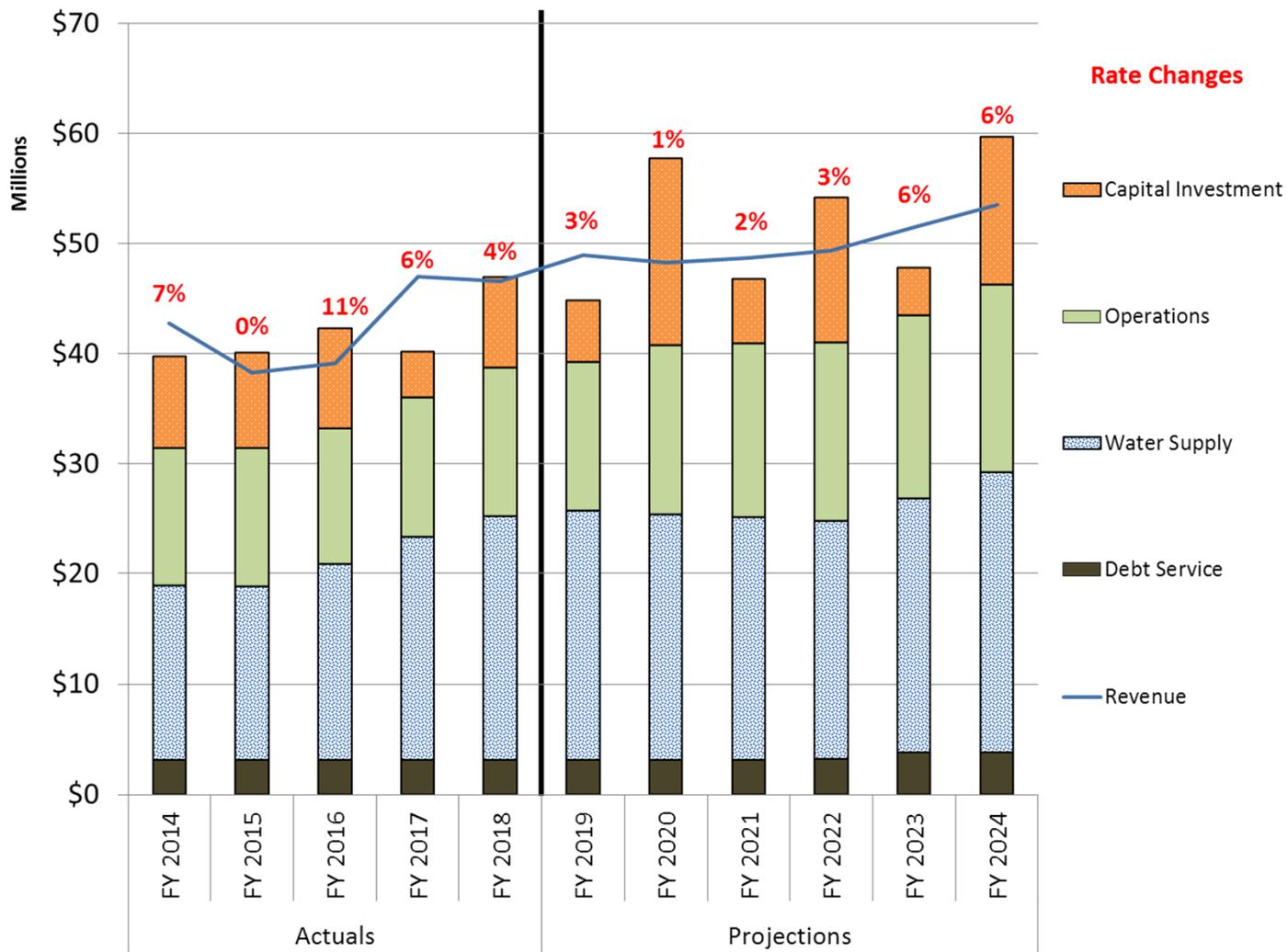
Usage (CCF/month)	Bill under Existing Rates (7/1/18)	Bill under Proposed Rates (7/1/19)	Change	
			\$/mo.	%
	\$44.99	\$46.89	\$1.90	4%
(Winter median) 7	\$67.71	\$70.28	\$2.57	4%
(Annual median) 9	\$86.59	\$90.42	\$3.83	4%
(Summer median) 14	\$133.79	\$140.77	\$6.98	5%
	\$237.63	\$251.54	\$13.91	6%

- Bill impacts calculated using 5/8" meter size
- 4 CCF/month represents usage lower than the median
- 25 CCF/month represents usage higher than the median

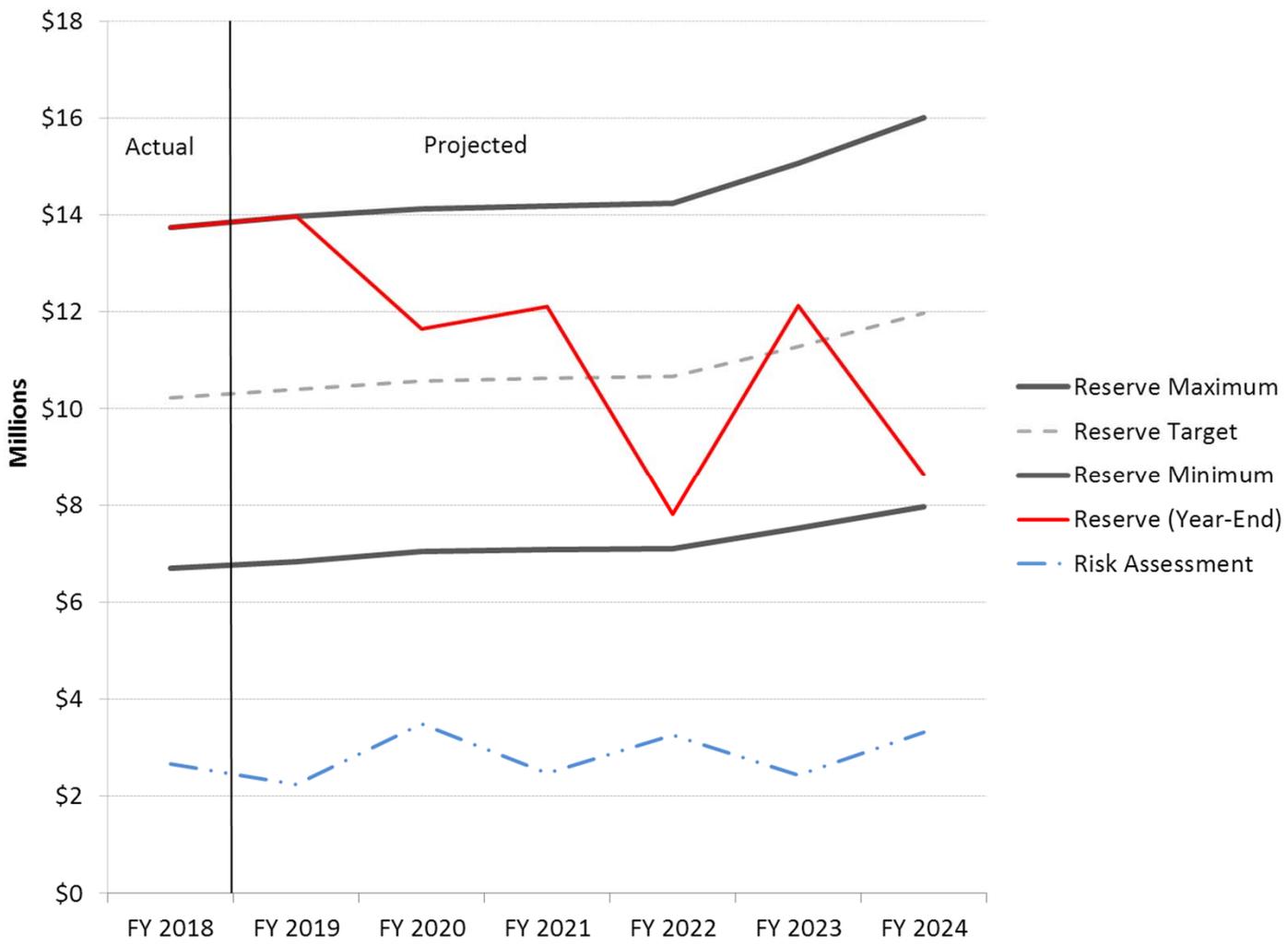
Water Commercial & Irrigation Bill Impacts

Usage (CCF/month)	Bill under Current Rates (7/1/18)	Bill under Proposed Rates (7/1/19)	Change	
			\$/mo.	%
Commercial (W-4) (5/8" meters)				
(Annual median) 12	\$111.67	\$110.23	(\$1.44)	(1%)
(Annual average) 64	\$515.71	\$511.15	(\$4.56)	(1%)
Irrigation (W-7) (1 1/2" meters)				
(Winter median) 9	\$ 153.63	\$151.80	(\$1.83)	(1%)
(Summer median) 37	\$ 414.87	\$420.60	\$5.73	1%
(Winter average) 56	\$ 592.14	\$603.00	\$10.86	2%
(Summer average) 199	\$ 1,926.33	\$1,975.80	\$49.47	3%

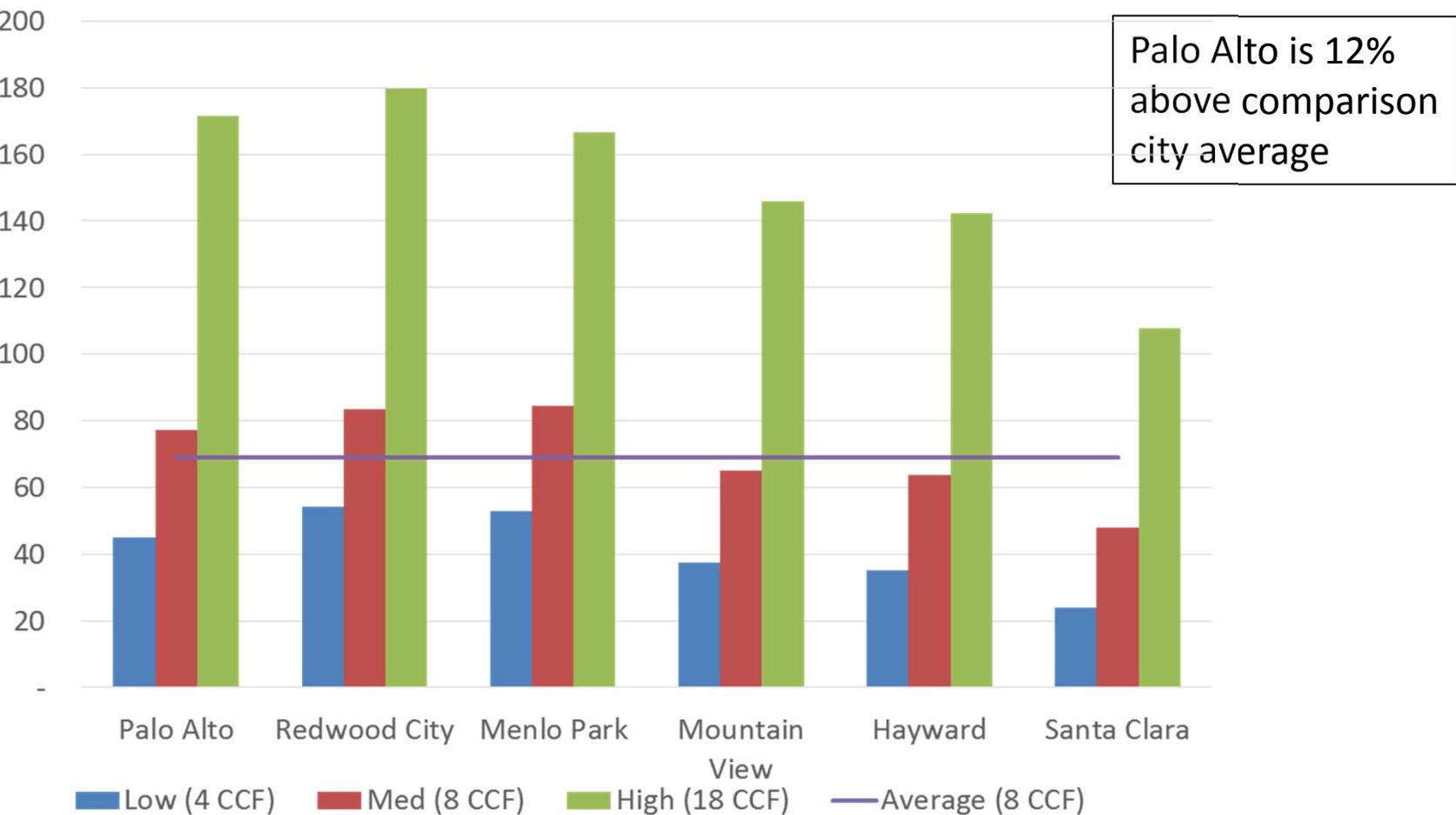
Water Cost and Revenue Projections



Water Operations Reserve Projections



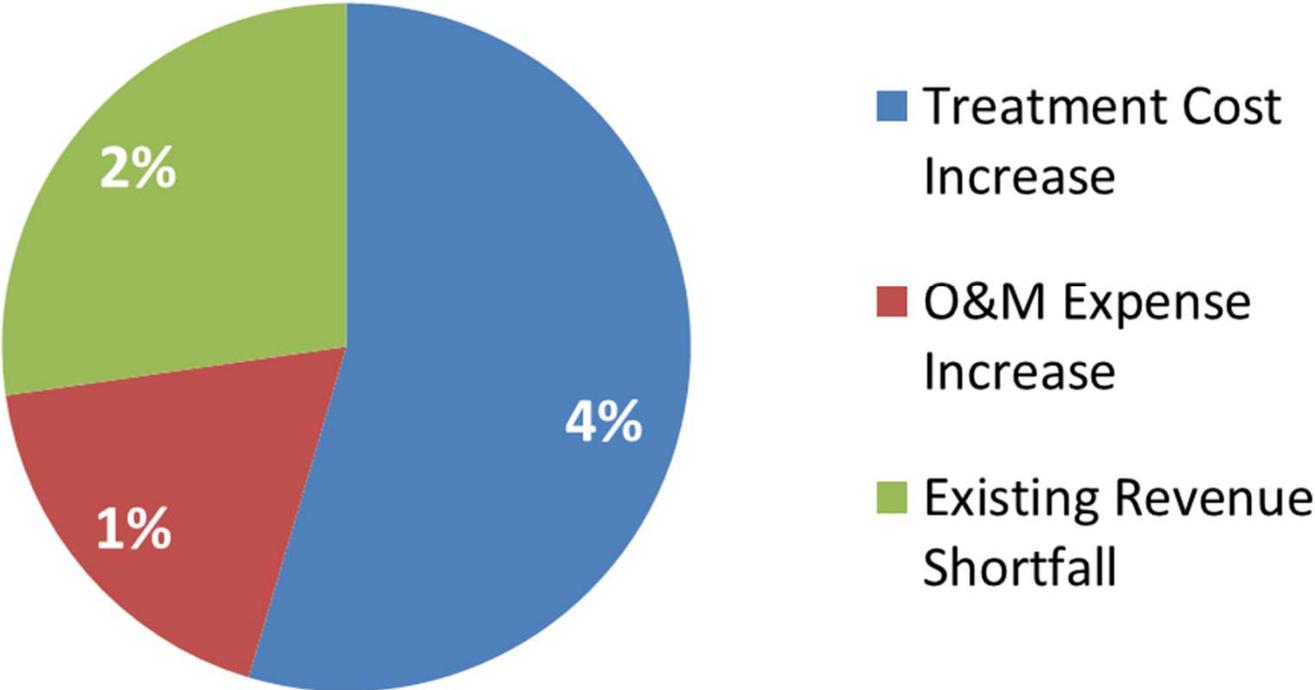
Water Monthly Residential Bill Comparison



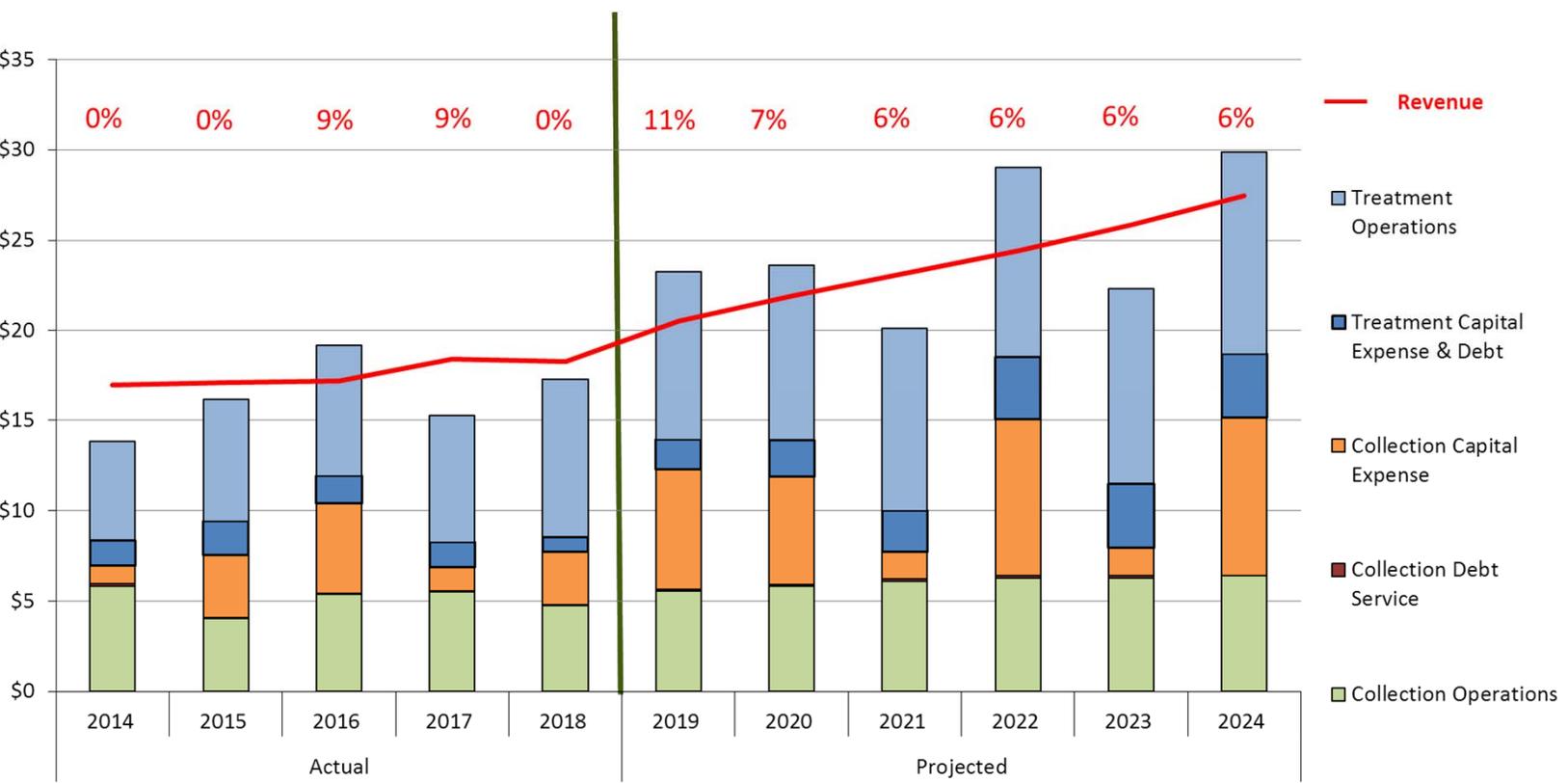
Note: Menlo Park is Cal Water's Bear Gulch District

Wastewater Rate Change Breakdown

Total Rate Increase: 7%



Wastewater Collection Projections



Wastewater Collections Operations Rsv. Projections

