Summary Title: Wastewater Collection Utility Financial Projections

Title: Staff Recommendation the Finance Committee Recommend the City Council Make no Changes to Wastewater Rates for Fiscal Year (FY) 2021 Beginning July 1, 2020

From: City Manager

Lead Department: Utilities

Recommendation
Staff recommends that the Finance Committee recommend the Council make no changes to Wastewater rates for July 1, 2020.

Executive Summary
At the April 21, 2020 Finance Committee 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 complete, at a future meeting date. Staff will target a meeting date that is both after the COVID-19 emergency and that allows for full and in person customer attendance and participation in the public meetings and hearing to discuss the proposed rate changes.

Attachments:
- Attachment A: Presentation on Wastewater Collection Utility Financial Projections
WASTEWATER COLLECTION UTILITY FINANCIAL PROJECTIONS

APRIL 21, 2020

www.cityofpaloalto.org
WASTEWATER PROJECTIONS

- FY 2021 proposal:
  - 0% overall rate increase
- Future projections (following four years)
  - 5% per year increases
Palo Alto’s share of the cost to treat sewage at Palo Alto’s Regional Water Quality Control Plant

- **Collections**
  - $9.1 million
  - 43%

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

- **Treatment**
  - $12.2 million
  - 57%
• 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

<table>
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<tr>
<th>Neighboring Communities</th>
<th>Palo Alto</th>
<th>Menlo Park</th>
<th>Redwood City</th>
<th>Santa Clara</th>
<th>Mountain View</th>
<th>Los Altos</th>
<th>Hayward</th>
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<td>41.37</td>
<td>98.08</td>
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<td>42.91</td>
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<td>38.44</td>
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### WASTEWATER MONTHLY NON-RESIDENTIAL BILL ($)  

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

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<tr>
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<th>Palo Alto</th>
<th>Neighboring Communities</th>
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<tbody>
<tr>
<td><strong>General Commercial</strong></td>
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<td><strong>Restaurant</strong></td>
<td>690.48</td>
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<td>1,033.20</td>
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WASTEWATER PROJECTIONS
WASTEWATER OPERATIONS RESERVE PROJECTIONS

![Graph showing reserve projections from 2019 to 2025. The graph includes lines for Reserve (Year-End), Reserve Maximum, Reserve Target, Reserve Minimum, and Risk Assessment. The projections are depicted in millions of dollars.](image-url)
RECOMMENDATION

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