



# FINANCE COMMITTEE ACTION MINUTES

Special Meeting  
April 6, 2021

The Finance Committee of the City of Palo Alto met on this date in virtual teleconference at 6:01 P.M.

Present: Burt, Cormack, Filseth

Absent:

## Agenda Items

1. Approval of the Macias Gini & O'Connell's Single Audit Report for the Year Ended June 30, 2020.

**MOTION:** Vice Mayor Burt moved, seconded by Council Member Filseth for the Finance Committee to approve and forward to City Council on the consent calendar the following audit reports for the Fiscal Year ended June 30, 2020 prepared by Macias Gini & O'Connell (MGO):

- A. Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements in Accordance With Government Auditing Standards; and
- B. Independent Auditor's Report on Compliance for each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Federal Awards Required by the Uniform Guidance.

**MOTION PASSED:** 3-0

2. Staff Recommendation That the Finance Committee Recommend the City Council Adopt a Resolution Approving the Fiscal Year (FY) 2022 Wastewater Collection Utility Financial Plan Including Transfers to and From Wastewater Collection Utility Reserve Accounts and an Amendment to the Wastewater Collection Utility Reserves Management Practices; and Adopt a Resolution Adjusting Wastewater Rates by Amending Rate Schedules S-1 (Residential Wastewater Collection and Disposal), S-2 (Commercial Wastewater Collection and Disposal), S-6

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(Restaurant Wastewater Collection and Disposal) and S-7 (Commercial Wastewater Collection and Disposal – Industrial Discharger).

**MOTION:** Vice Mayor Burt moved, seconded by Council Member Filseth that the Finance Committee recommend the City Council:

- A. Adopt a Resolution approving:
  - i. The Fiscal Year (FY) 2022 Wastewater Collection Financial Plan;
  - ii. Up to a \$2.2 million transfer from the Operations Reserve to the Capital Improvements Projects Reserve in FY 2021;
  - iii. Up to a \$4.35 million transfer from the Operations Reserve to the Capital Improvement Projects Reserve in FY 2022;
  - iv. Amendments to the Wastewater Collection Utility Reserves Management Practices; and
- B. Adopt a Resolution approving:
  - i. Adjustments to Wastewater Collection Utility Rates via the Amendment of 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).

**MOTION PASSED:** 3-0

- 3. Staff Recommendation That the Finance Committee Recommend the City Council Adopt a Resolution Approving the Fiscal Year 2022 Water Utility Financial Plan, With no Water Rate Increase for Fiscal Year 2022.

**MOTION:** Council Member Filseth moved, seconded by Vice Mayor Burt that the Finance Committee recommend the City Council adopt a Resolution approving:

- A. The Fiscal Year (FY) 2022 Water Utility Financial Plan; and
- B. A transfer of up to \$13.24 million from the Operations Reserve to the CIP Reserve in FY 2022.

**MOTION PASSED:** 3-0

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4. Staff and the Utilities Advisory Commission Recommendation That the Finance Committee Recommend the City Council Adopt a Resolution Approving the Fiscal Year 2022 Gas Utility Financial Plan, Including Proposed Transfers and an Amendment to the Gas Utility Reserve Management Practices, and Increasing Gas Rates by Amending Rate Schedules G-1 (Residential Gas Service), G-2 (Residential Master-Metered and Commercial Gas Service), G-3 (Large Commercial Gas Service), and G-10 (Compressed Natural Gas Service).

**MOTION:** Vice Mayor Burt moved, seconded by Council Member Filseth that the Finance Committee recommend the City Council:

- A. Adopt a Resolution:
  - i. Approving the Fiscal Year (FY) 2022 Gas Utility Financial Plan;
  - ii. Transferring up to \$3.9 million from the Rate Stabilization Reserve (RSR) to the Operations Reserve in FY 2022;
  - iii. Transferring \$4.542 million from the Rate Stabilization Reserve to the Cap-and-Trade Program Reserve in FY 2021;
  - iv. Amendments to the Gas Utility Reserve Management Practices;
- B. Adopt a Resolution:
  - i. Approving a 5 percent distribution rate (3 percent overall) increase to Gas Utility Rates.

**MOTION PASSED:** 3-0

5. Staff and the Utilities Advisory Commission Recommendation That the Finance Committee Recommend the City Council Adopt a Resolution Approving the Fiscal Year 2022 Electric Financial Plan and Reserve Transfers, and Amending Utility Rate Schedules E-EEC-1 (Export Electricity Compensation), E-NSE-1 (Net Surplus Electricity Compensation), E-2-G (Residential Master-metered and Small Non-residential Green Power Electric Service), E-4-G (Medium Non-residential Green Power Electric Service, and E-7-G (Large Non-residential Electric Service).

**MOTION:** Vice Mayor Burt moved, seconded by Council Member Filseth that the Finance Committee recommend the City Council:

- A. Adopt a Resolution:

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- i. Approving the Fiscal Year (FY) 2022 Electric Financial Plan;
  - ii. Approving a transfer of up to \$5 million from the Capital Improvement Project (CIP) Reserve to the Distribution Operations Reserve at the end of FY 2021;
  - iii. Approving a transfer of up to \$1 million from the Supply Operations Reserve to the Electric Special Projects (ESP) reserve at the end of FY 2021;
  - iv. Approving an allocation of up to \$1.19 million from the Cap and Trade Program Reserve at the end of FY 2021 to be spent on local decarbonization programs;
  - v. Updating the Export Electricity Compensation (E-EEC-1) rate to reflect current projections of avoided cost, effective July 1, 2021
  - vi. Updating the Net Surplus Electricity Compensation (E-NSE-1) rate to reflect current projections of avoided cost, effective July 1, 2021;
  - vii. Updating the Palo Alto Green program pass-through premium charge on the Residential Master-Metered and Small Non-Residential Green Power Electric Service (E-2-G), the Medium Non-Residential Green Power Electric Service (E-4-G), and the Large Non-Residential Green Power Electric Service (E-7-G) rate schedules to reflect current costs, effective July 1, 2021; and
- B. Direct Staff to return after the summer recess with a systematic communication plan to provide customers with rate histories, trends, and competitive standing compared to other jurisdictions and forward to the Utilities Advisory Commission for review and recommendation; and
- C. Direct Staff to return after the summer recess with the evaluation of the Electric Bill Utility reliability history and comparative performance to other jurisdictions to the extent that is available and forward to the Utilities Advisory Commission for review and recommendation.

**MOTION PASSED:** 3-0

Adjournment: The meeting was adjourned at 8:23 P.M.