



WASTEWATER COLLECTION UTILITY FINANCIAL PROJECTIONS

April 19, 2022

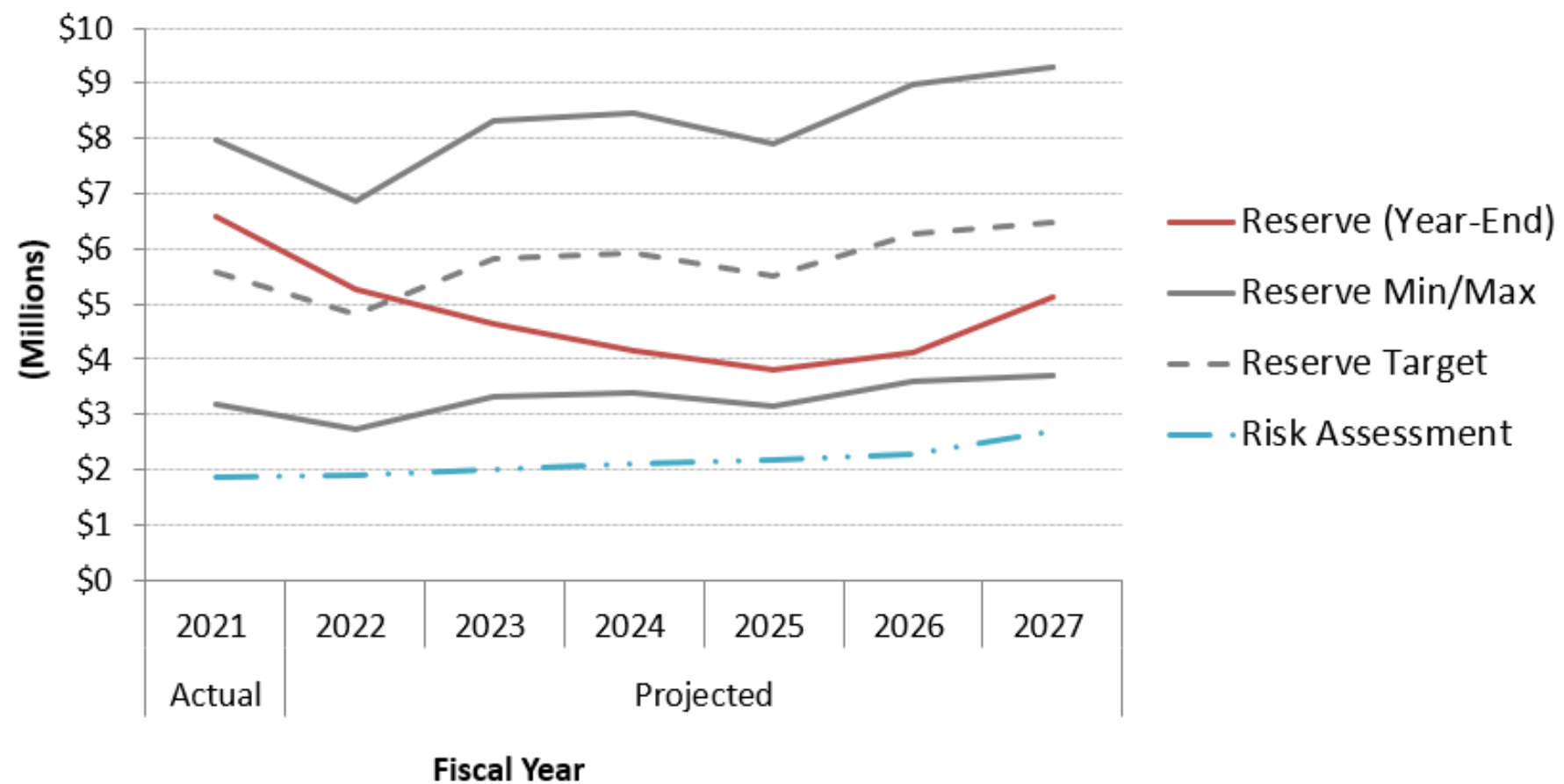
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WASTEWATER PROJECTIONS

- FY 2023 proposal:
 - 3% overall revenue increase
 - Transfer \$5.33 million from the CIP Reserve to the Operations Reserve in FY 2022
 - Transfer \$1 million from Operations Reserve to Rate Stabilization Reserve FY 2025 - FY 2026 to prepare for increasing treatment debt service costs in FY 2027
 - COVID non-residential revenue impacts \$1 million decrease estimated in FY 2022 with recovery by FY 2026
- Future projections
 - 5% annually FY 2024 – FY 2027

WASTEWATER OPERATIONS RESERVE PROJECTIONS



RESIDENTIAL AND NON-RESIDENTIAL RATE IMPACTS

		Current (as of 9/1/2021)	Proposed (effective 7/1/2022)	\$ Change	% Change
Monthly Service Charges (\$/month)					
S-1 (Residential)	Service charge	\$ 43.32	\$ 44.62	\$1.30	3.0%
Quantity Rates:					
S-2 (Commercial)	\$/CCF	8.09	8.33	0.24	3.0%
S-6 (Restaurant)	\$/CCF	12.07	12.43	0.36	3.0%

- (1) Monthly charges for S-1 (Residential) are fixed monthly charges.
- (2) For S-2 (Commercial) customers, the quantity charges are based upon the average water usage for the months of January, February and March and applied in the following July. For Restaurant customers, the quantity charges are based on monthly metered water usage.
- (3) Currently there are no customers on the S-7 (Industrial) rate schedule; however, CPAU continues to maintain the S-7 rate schedule in case there is a need for the rate schedule in the future.



RESIDENTIAL AND NON-RESIDENTIAL BILL IMPACTS

	Current (as of 9/1/2021)	Proposed (effective 7/1/2022)	Change	
			\$/mo.	%
S-1 (Residential)	\$ 43.32	\$ 44.62	\$1.30	3.0%
S-2 (Commercial) - 14 CCF	113.26	116.66	3.40	3.0%
S-6 (Restaurant) - 56 CCF	675.92	696.20	20.28	3.0%

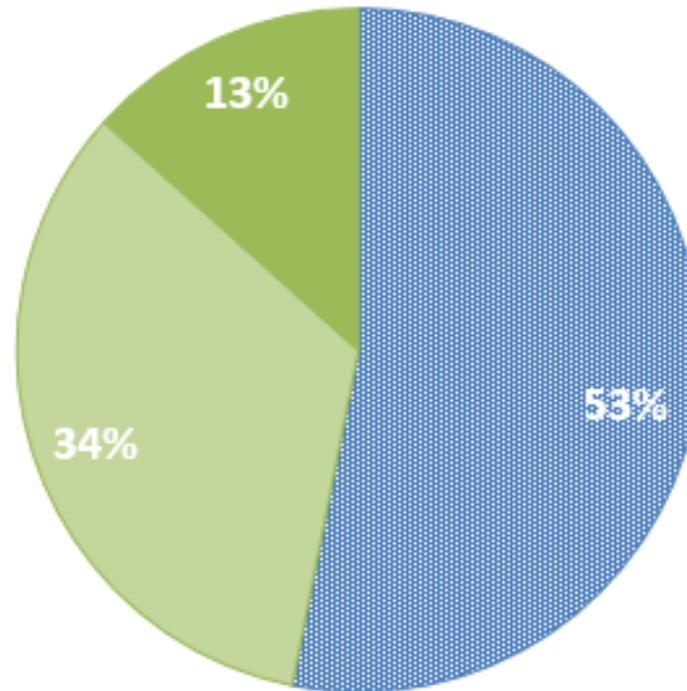
Note: Non-residential bill impacts will vary due to each customer's utilization of the system.



WASTEWATER UTILITY COST STRUCTURE

Collections
\$11.1 million
49%

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



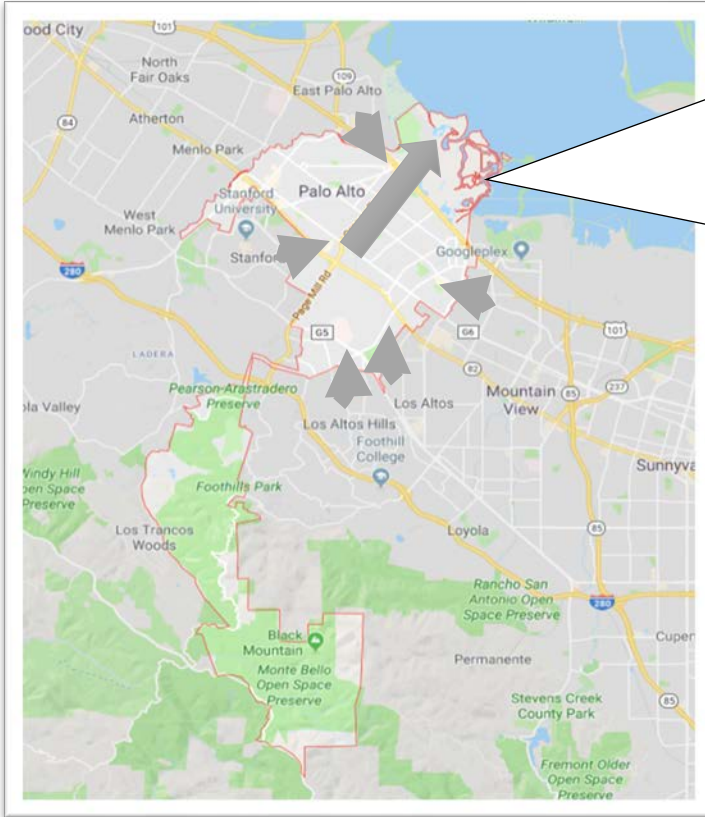
Treatment
\$11.7 million
51%

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

■ Treatment ■ Operations ■ Capital & Debt Service



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
- Near Term Major Projects:
 - Sedimentation Tank (\$19.4M)
 - New Outfall Pipeline (\$17.4M)
 - Secondary Treatment Upgrades (\$148M)
 - Advanced Water Purification System (\$20M)
 - Headworks Facility (\$48.6M)
 - Lab/Ops Building (\$48.5M)



OPERATIONS/CAPITAL COST DRIVERS

Operational Costs

- Salary and benefit costs for existing staff
- 2-3% annual inflation for other operating costs
- One-time revenue loss due to COVID-19 \$1 Million in FY 2022, with recovery by FY 2026

Capital Costs

- Underground construction cost increases
- Sanitary Sewer Replacements
 - Includes cost reductions adopted in FY 2022 Financial Plan

WASTEWATER MEDIAN MONTHLY RESIDENTIAL BILL (\$)

In FY 2022, Palo Alto is 28% below comparison city average

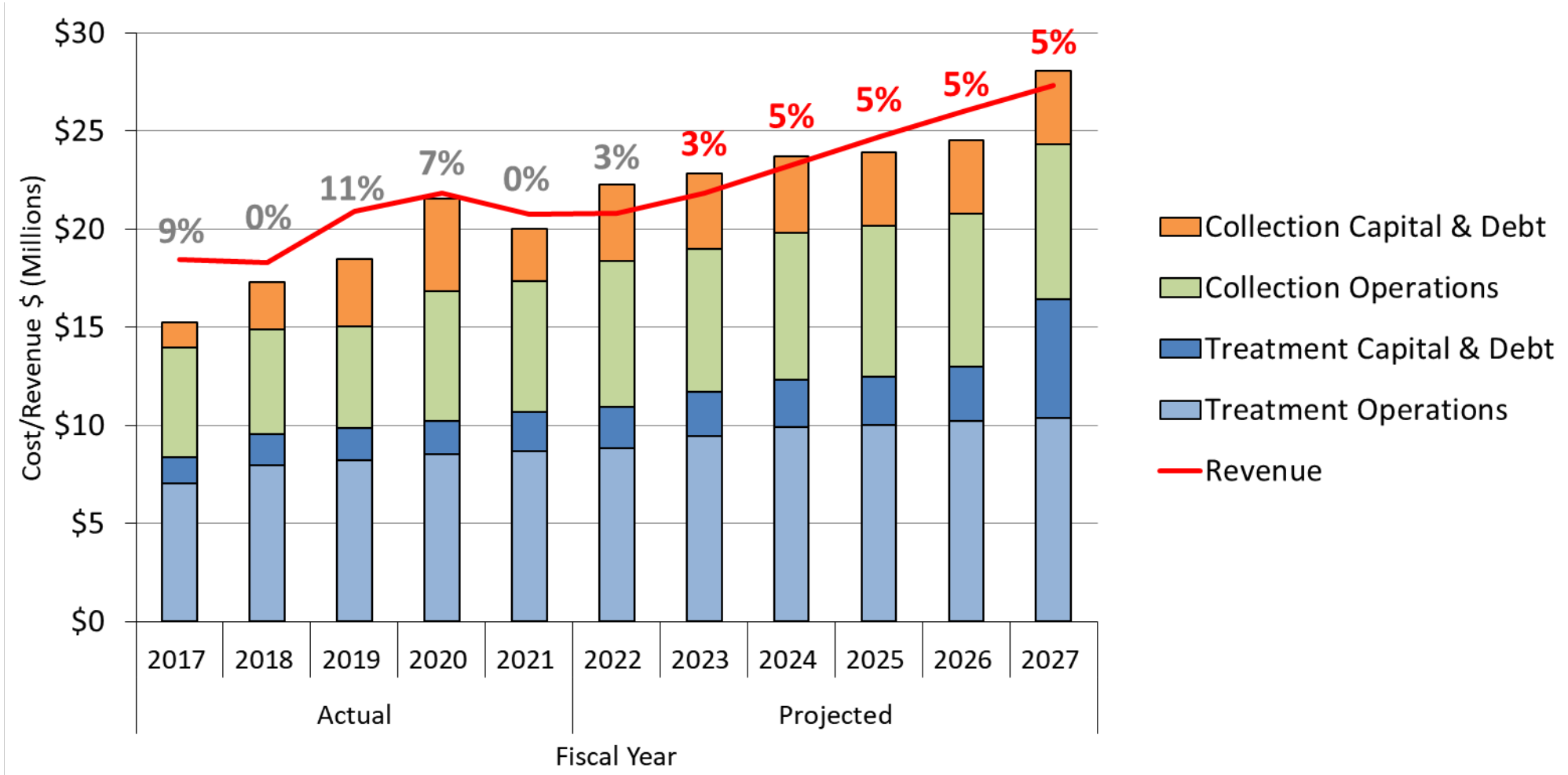
Palo Alto	Neighboring Communities					
	Menlo Park	Redwood City	Santa Clara	Mountain View	Los Altos	Hayward
43.32	104.58	89.28	44.53	46.40	40.83	37.17

WASTEWATER MONTHLY NON-RESIDENTIAL BILL (\$)

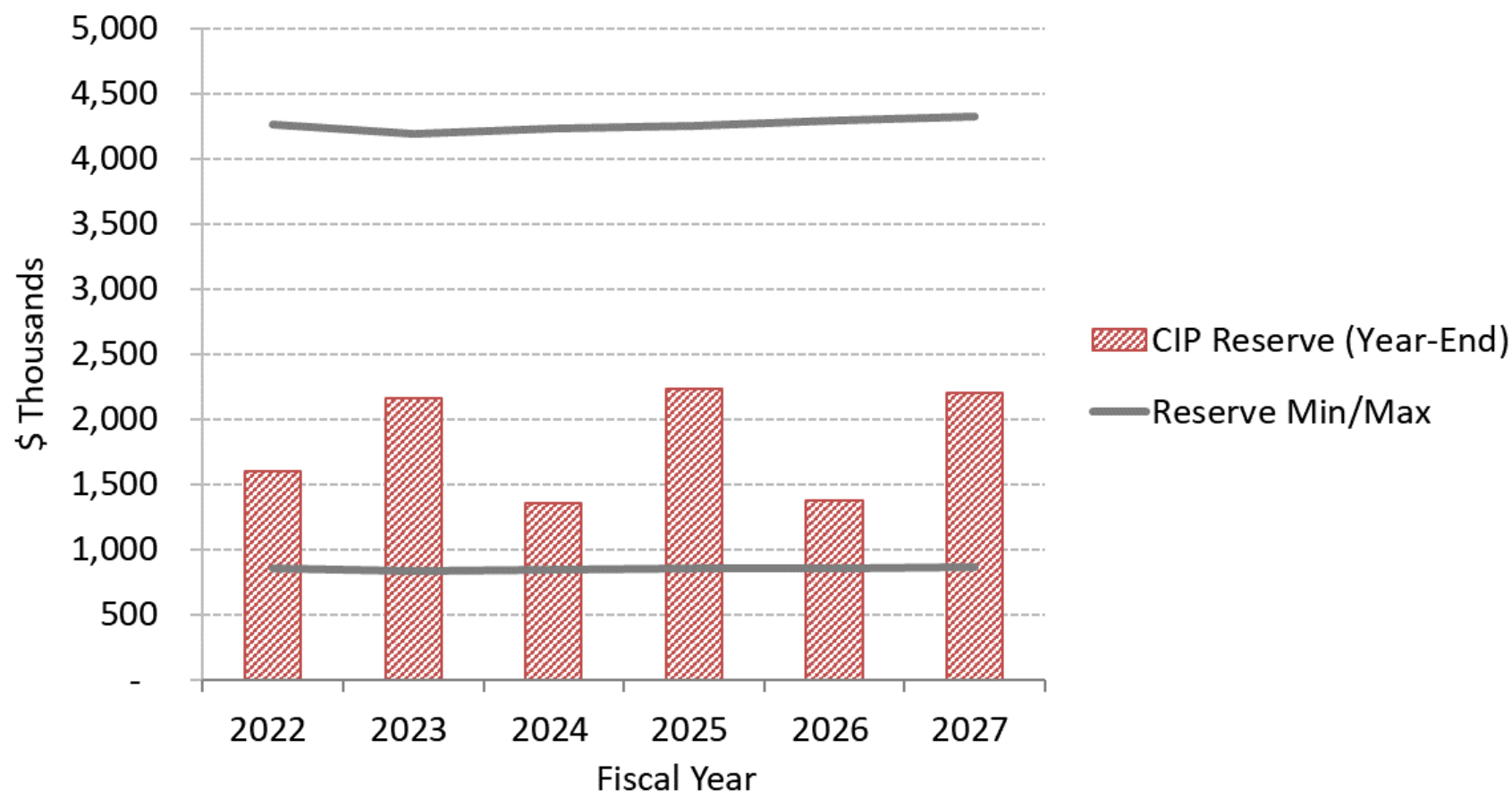
Commercial: Palo Alto is 7% higher than comparison city average
Restaurant: Palo Alto is 14% below comparison city average

	Palo Alto	Neighboring Communities					
		Menlo Park	Redwood City	Santa Clara	Mountain View	Los Altos	Hayward
General Commercial	113.26	141.54	117.74	74.06	144.90	70.13	85.54
Restaurant	675.92	1,192.8	1,128.40	845.04	665.28	280.51	627.20

WASTEWATER COST AND REVENUE PROJECTIONS



WASTEWATER CIP RESERVE PROJECTIONS





RECOMMENDATION

Staff requests that the UAC recommend that the Council:

- Adopt a resolution approving:
 - The Fiscal Year 2023 Wastewater Collection Financial Plan, including 3% overall revenue increase
 - Transfer up to a \$5.33 million from the Capital Improvements Projects Reserve to the Operations Reserve in FY 2022
 - Increase Wastewater Collection Utility Rates Via the Amendment of Wastewater Collection and Disposal Rate Schedules S-1 (Residential), S-2 (Commercial), S-6 (Restaurant) and S-7 (Industrial Discharger)