

MEMORANDUM

TO: UTILITIES ADVISORY COMMISSION

FROM: UTILITIES DEPARTMENT

DATE: FEBRUARY 7, 2018

SUBJECT: Preliminary Financial Plans for the City of Palo Alto's Electric, Water, Gas and Wastewater Collection Utilities

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REQUEST

Staff request that the Utilities Advisory Commission (UAC) receive an informational presentation on preliminary financial forecasts and plans ("Financial Plans") for the City of Palo Alto's Electric, Water, Gas and Wastewater Collection Utilities.

SUMMARY

Every year staff presents the UAC with Financial Plans for its Electric, Gas, Water, and Wastewater Collection Utilities and recommends any rate adjustments required to maintain their financial health. These Financial Plans include a comprehensive overview of the utility's operations, both retrospective and prospective, and are intended to be a reference for UAC and Council members as they review the budget and staff's rate recommendations. Each Financial Plan also contains a set of Reserves Management Practices describing the reserves for each utility and the management practices for those reserves.

Development and implementation of Financial Plans is a multi-step process requiring collaboration with other City departments, UAC, the Finance Committee and City Council. The process starts with staff's initial assessment of key cost drivers, including capital improvement needs, revenue requirements and projected rate changes. Staff will provide UAC with a presentation of preliminary Financial Plans for consideration and initial feedback. The presentation is not attached, as cost drivers and revenue requirements are being refined. Input from the UAC at this stage is essential to the development of the Financial Plans.

NEXT STEPS

Staff will incorporate UAC's input, update revenue requirement projections and finalize the Financial Plans for UAC consideration at its March and April 2018 meetings. The Financial Plans and corresponding rate changes will go to the Finance Committee in April and May 2018, and then to City Council with the Fiscal Year 2019 operating budget for adoption.

RESOURCE IMPACT

UAC's review of the preliminary Financial Plans does not have an impact on resources.

POLICY IMPLICATIONS

UAC's review of the preliminary Financial Plans is consistent with current policies.

ENVIRONMENTAL REVIEW

UAC's review of the preliminary Financial Plans does not meet the definition of a project requiring California Environmental Quality Act (CEQA) review, under Public Resources Code Section 21065.

PREPARED BY:

ERIK KENISTON, Senior Resource Planner *cek*

REVIEWED BY:

MONICA V. PADILLA, Senior Resource Planner *MP*

APPROVED BY:



ED SHIKADA

General Manager of Utilities