



WATER UTILITY FINANCIAL PLAN AND PROPOSED RATE CHANGES FOR FY 2025

April 23, 2024

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Preliminary Water Rate Projections

- **Proposal FY 2025: 11% total water rate increase (13% distribution rate increase)**
 - FY 2023 year-end Operations Reserve near minimum guideline due to drought
 - Projected Water Distribution Rate Changes

Fiscal Year	2024	2025	2026	2027	2028	2029
Current Projection	2%	13%	14%	15%	13%	6%
FY 2024 Plan	2%	7%	6%	6%	6%	-

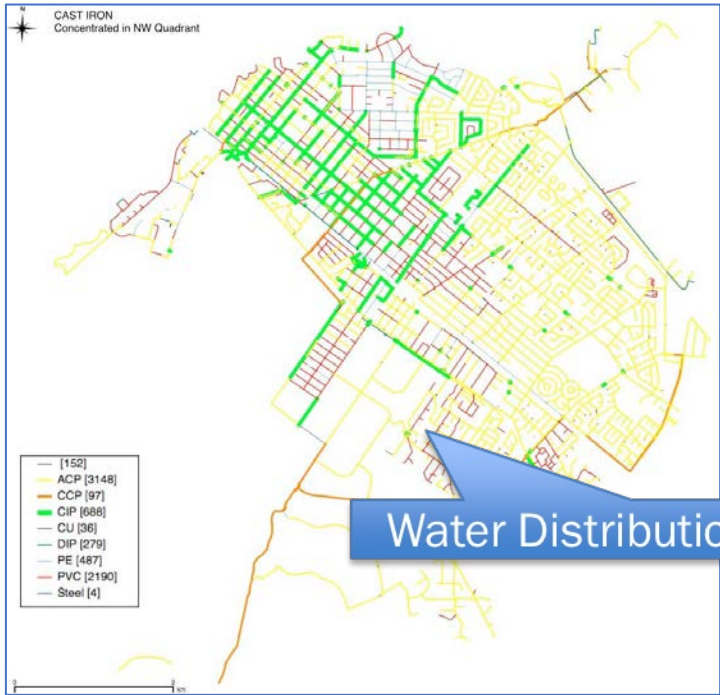
- Projected Total Water Rate Changes

Fiscal Year	2024	2025	2026	2027	2028	2029
Current Projection	5%	11%	8%	10%	11%	6%
FY 2024 Plan	5%	4%	3%	4%	6%	-

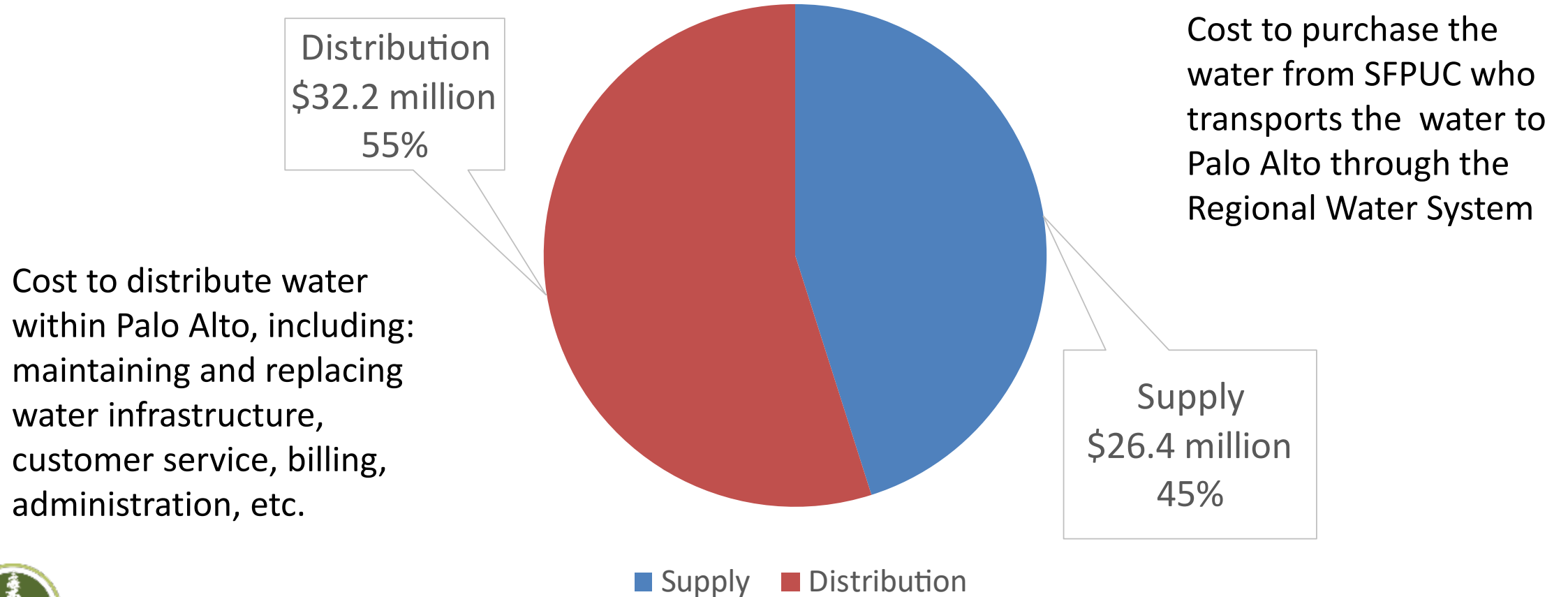
- Commodity rate projected to increase to \$5.67/CCF or 8.8% (per SFPUC April 12, 2024 rate notice)



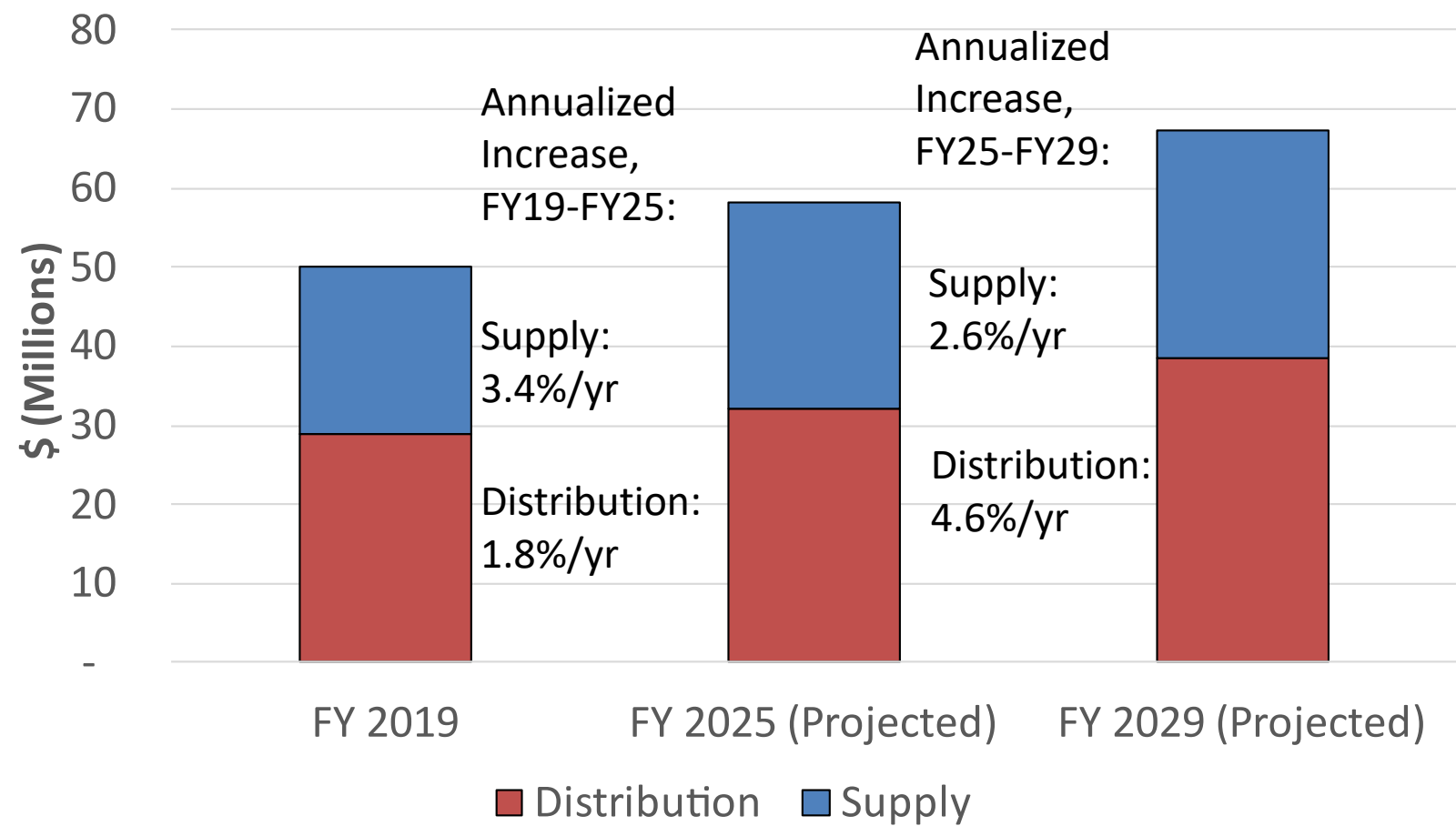
WATER UTILITY BASICS



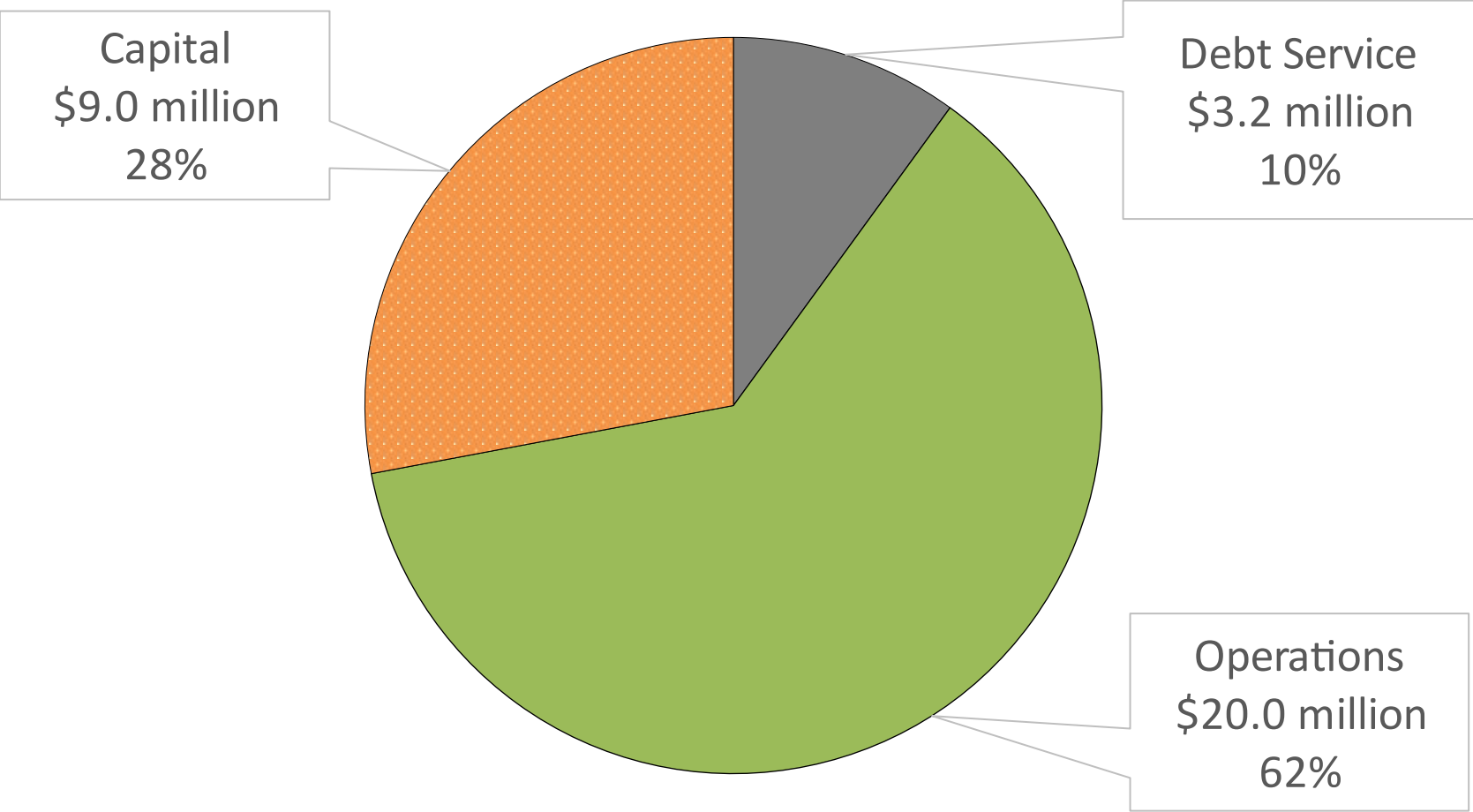
WATER UTILITY COST STRUCTURE



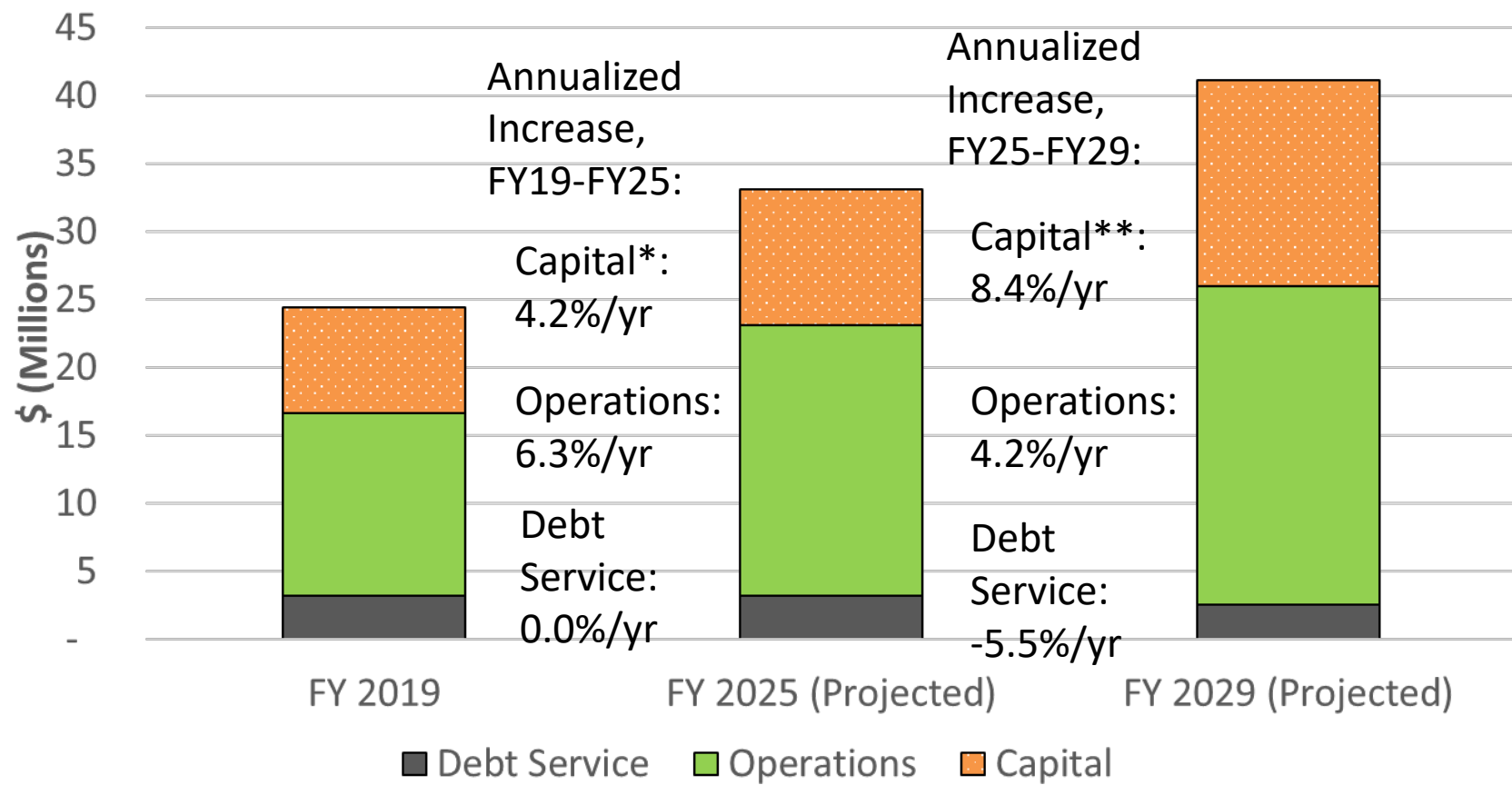
LONG TERM COST TRENDS



WATER DISTRIBUTION COSTS



WATER DISTRIBUTION COST TRENDS



* Capital in FY 2019 includes an average of FY 2019 and FY 2020
** Capital in FY 2025 and FY 2029 includes capital contribution to the CIP Reserve



WATER OPERATIONS & CAPITAL COST DRIVERS

Operating

- Drought-related water sales reductions
- Health, retirement, and associated overhead costs continue to increase
- Planned increase in costs for rental of generator backup at pumping stations and for emergencies

Capital

- Construction costs continue to rise in the Bay Area
- Large one-time costs for reservoir rehabilitation/replacement



WATER SUPPLY COST DRIVERS

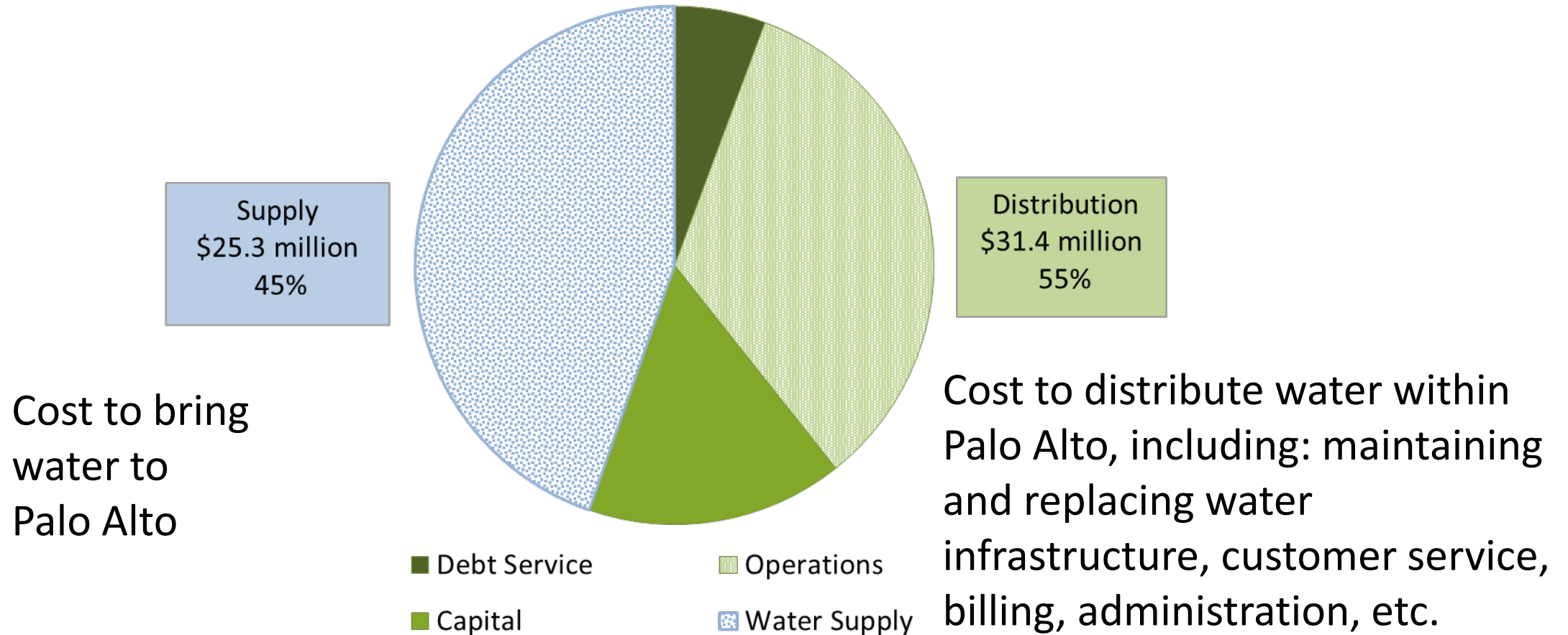
- Water System Improvement Program (WSIP)
- 2002: advocacy by wholesale customers results in AB 1823 requiring SFPUC to adopt and implement the WSIP
- In 2010 construction began - \$4.8B, one of the largest water projects in the nation
- Level of service goal: return to service in 24 hours after an earthquake



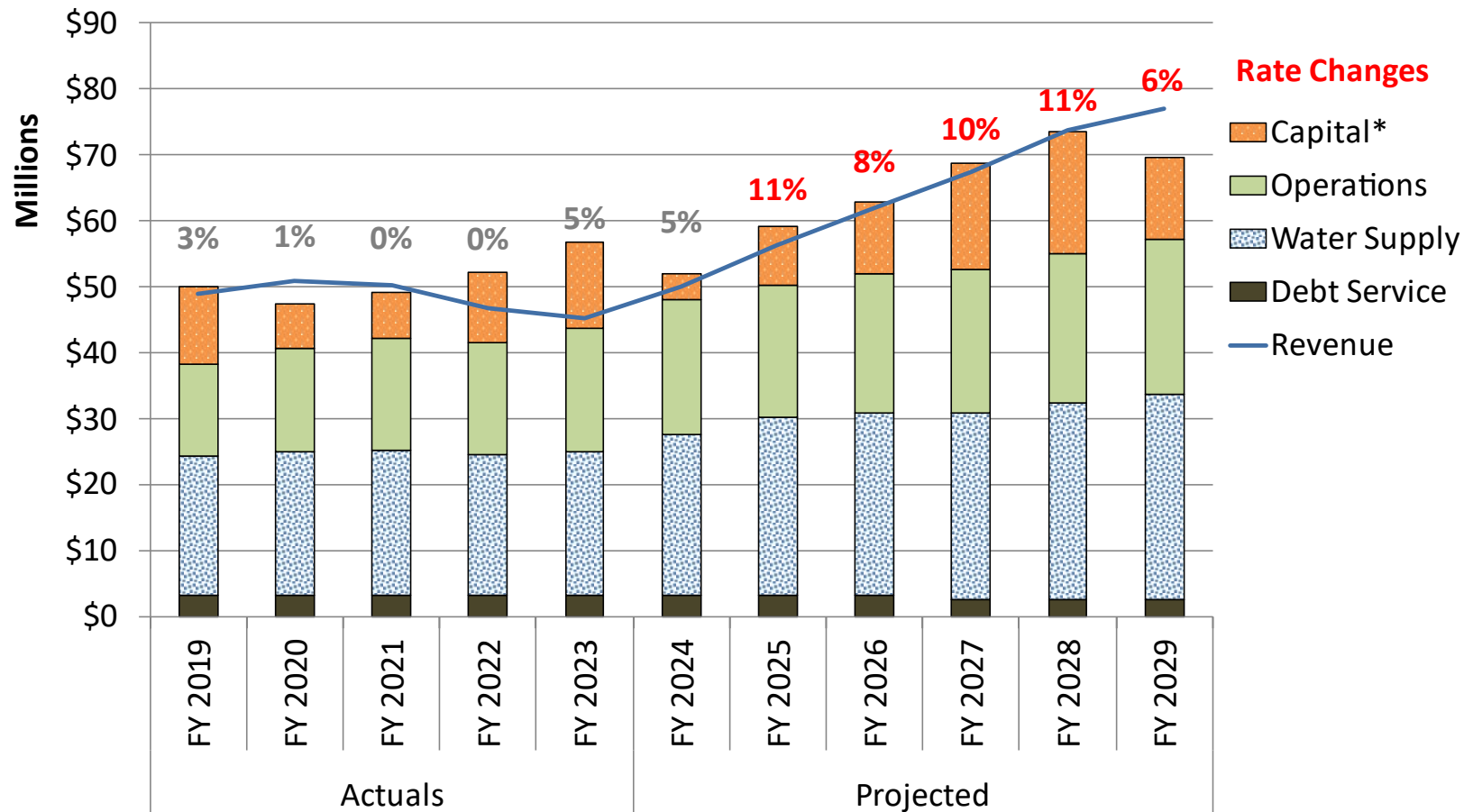
WATER SUPPLY COST DRIVERS

- WSIP spending 99.2% of construction contracts complete as of June 30, 2023
- “Upcountry” system in the Sierra still needs work
- Wholesale customers (via BAWSCA) advocating for improvements in long-term capital planning
- Necessary and improves reliability, but supply costs will increase in the future as a result

WATER UTILITY COST STRUCTURE (FY 2024)

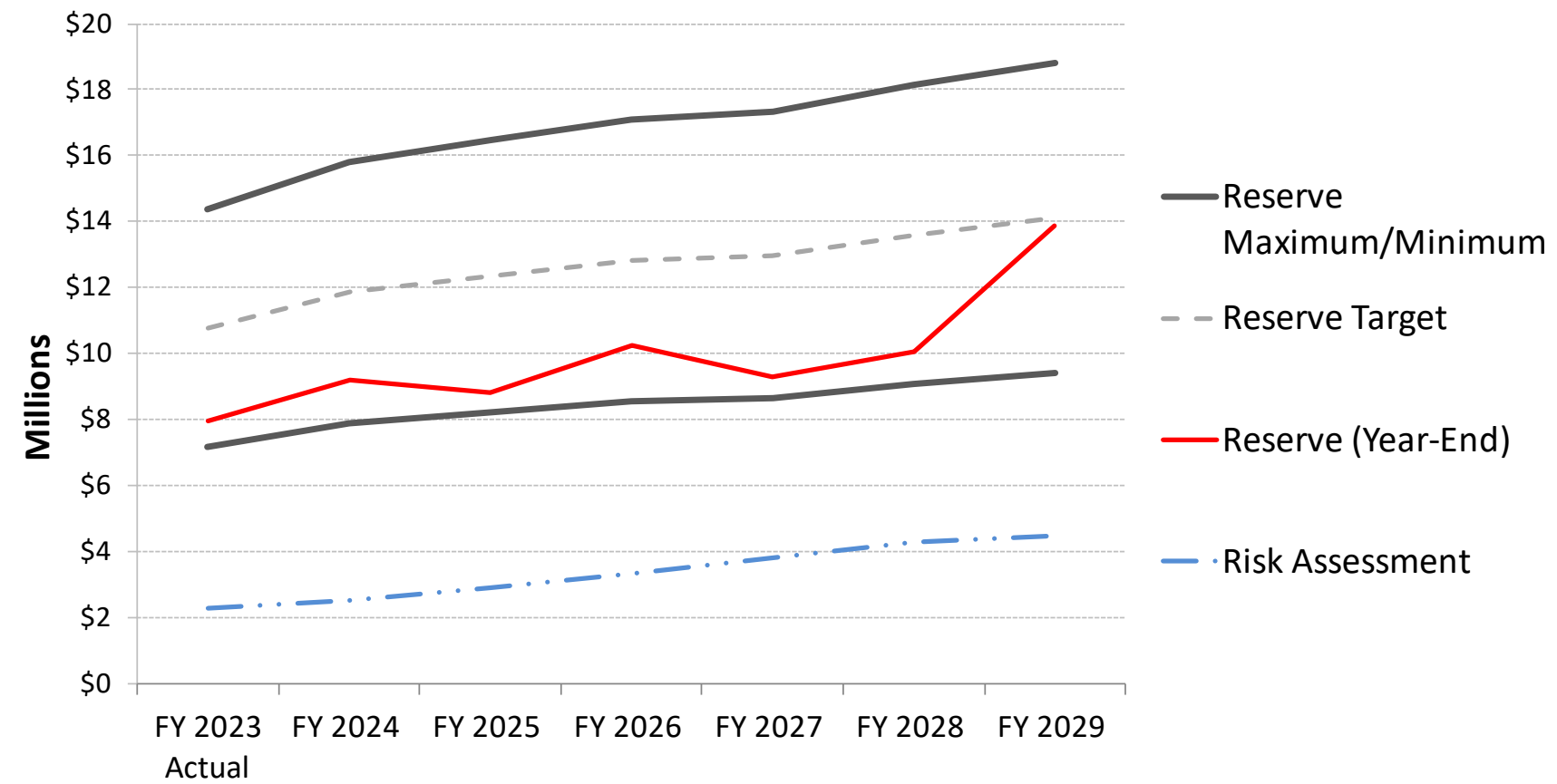


WATER COST AND REVENUE PROJECTIONS

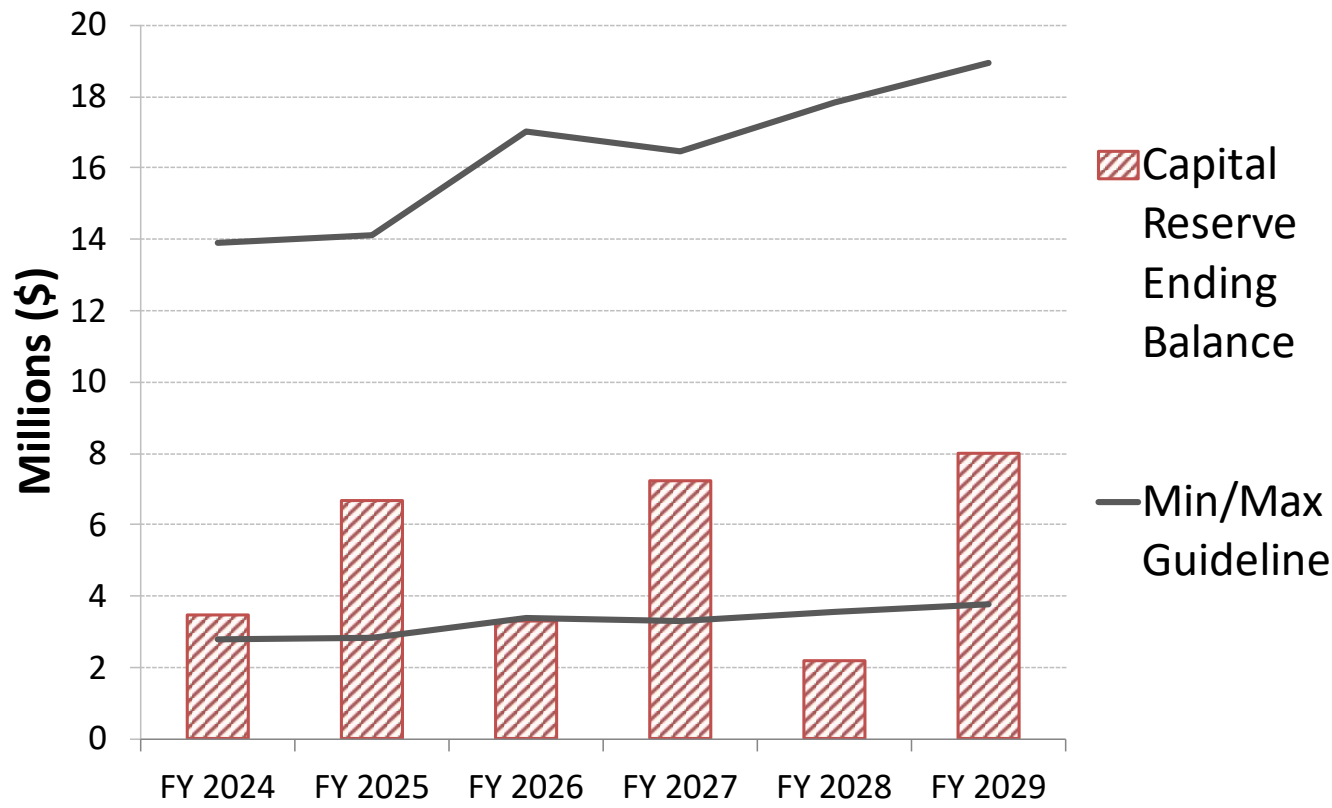


* Includes changes due to commitments/reappropriations and funds transferred to the CIP Reserve

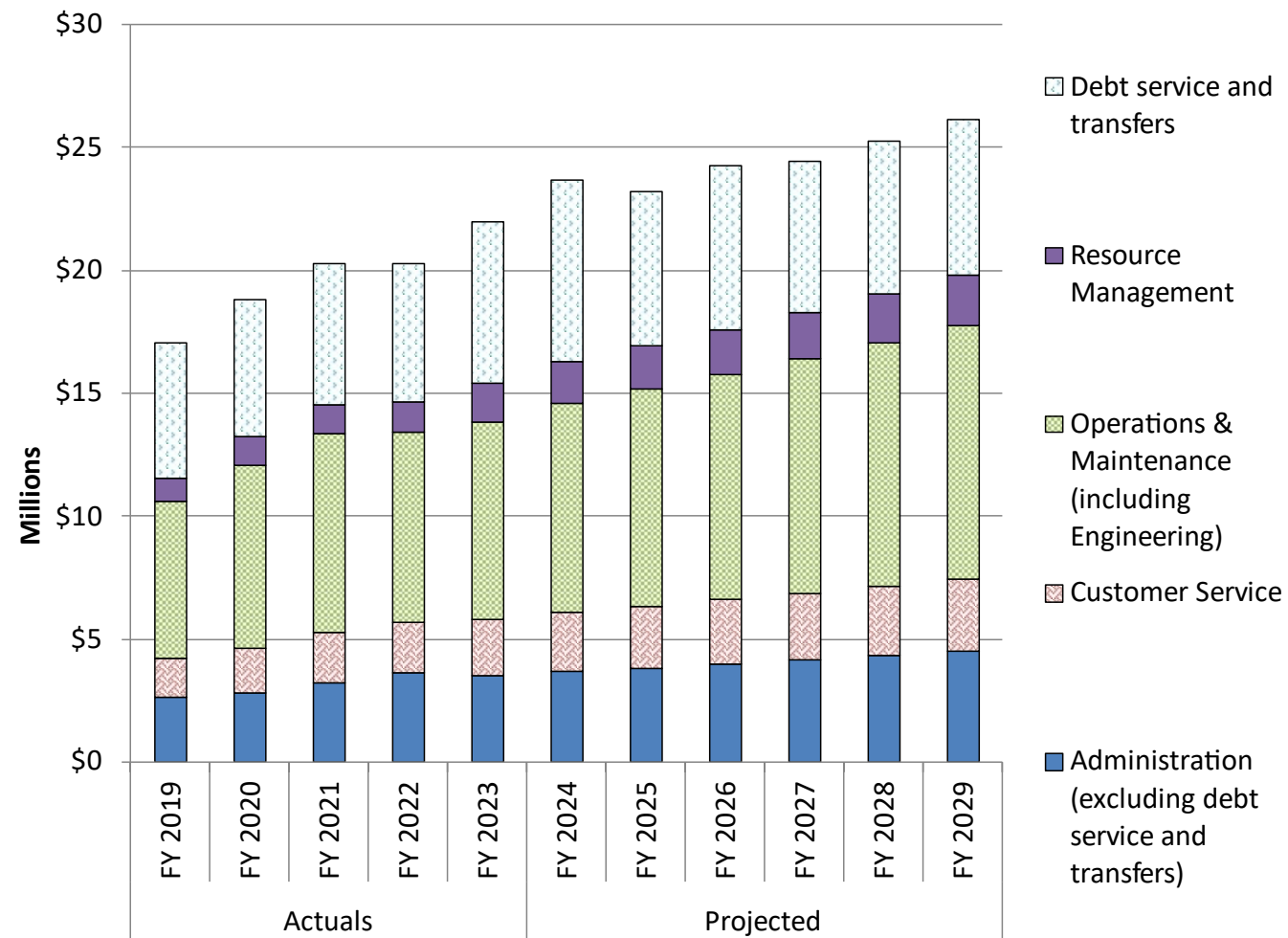
WATER OPERATIONS RESERVE PROJECTIONS



WATER CIP RESERVE PROJECTIONS



WATER OPERATIONS COST PROJECTIONS



ESTIMATED RESIDENTIAL BILL CHANGES

Usage (CCF/Month)	Bill Under Current Rates (7/1/2023)	Bill under Proposed Rates (7/1/2024)	Change \$/mo.	Change %
4	\$53.20	\$59.23	\$6.03	11%
(Winter median) 7	\$80.60	\$89.53	\$8.93	11%
(Annual median) 9	\$103.68	\$115.17	\$11.49	11%
(Summer median) 14	\$161.38	\$179.27	\$17.89	11%
25	\$288.32	\$320.29	\$31.97	11%



ESTIMATED COMMERCIAL BILL CHANGES

Usage (CCF/Month)	Bill under Current Rates (7/1/2023)	Bill under Proposed Rates (7/1/24)	Change \$/mo.	Change %
Commercial (W-4) (5/8" meters)				
Annual median 12	\$127.26	\$141.10	\$13.84	11%
Annual average 64	\$597.34	\$660.58	\$63.24	11%
Irrigation (W-7) (1 1/2" meters)				
Winter median 9	\$168.74	\$188.64	\$19.90	12%
Summer median 37	\$477.86	\$531.64	\$53.78	11%
Winter average 56	\$687.62	\$764.39	\$76.77	11%
Summer average 199	\$2,266.34	\$2,516.14	\$249.80	11%



MONTHLY MEDIAN WATER BILL COMPARISON

Single-Family Residential

Palo Alto is 11% above comparison city average at 9 CCF/month

Usage (CCF/month)	Residential monthly bill comparison (\$/month)* As of February 2024							
	Palo Alto	Menlo Park	Mountain View	Hayward	Redwood City	Santa Clara	Los Altos	Average of Surrounding Communities
4	\$53.20	\$65.20	\$46.95	\$45.17	\$64.16	\$31.88	\$58.71	\$52.01
(Winter) 7	80.60	91.00	72.69	69.59	86.27	55.79	79.51	75.81
(Annual) 9	103.68	108.19	89.85	85.87	112.31	71.73	93.38	93.55
(Summer) 14	161.38	155.10	132.75	135.87	180.22	111.58	131.23	141.12
25	288.32	271.23	278.63	245.87	340.49	199.25	233.01	261.41

*Based on the FY 2013 BAWSCA survey, the percentage of SFPUC as the source of potable water supply was 100% for Palo Alto, 95% for Menlo Park, 100% for Redwood City, 87% for Mountain View, 10% for Santa Clara and 100% for Hayward. Los Altos does not receive water supply from SFPUC.



MONTHLY WATER BILL COMPARISON

Commercial

Palo Alto is 2% above
comparison city average

		Neighboring Communities						Neighboring Community Average
		Redwood City	Menlo Park (Cal Water)	Mountain View	Hayward	Santa Clara	Los Altos	
Commercial (12 CCF)	\$ 127.26	\$ 133.40	\$ 168.60	\$ 122.01	\$ 107.01	\$ 117.12	\$ 132.42	\$ 130.09
Commercial (64 CCF)	\$ 597.34	\$ 545.24	\$ 766.16	\$ 568.17	\$ 493.89	\$ 531.56	\$ 603.78	\$ 584.80
Commercial (300 CCF)	\$ 2,730.78	\$ 2,414.36	\$ 3,478.16	\$ 2,593.05	\$ 2,509.73	\$ 2,412.48	\$ 2,743.03	\$ 2,691.80
Based on rates as of February 2024								



RECOMMENDATION

The Utilities Advisory Commission (UAC) and Staff recommend that the Finance Committee Recommend that the City Council adopt a resolution approving:

- 1) FY 2025 Water Utility Financial Plan
- 2) Amending the following rate schedules to reflect increases effective July 1, 2024 (FY 2025): 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)