

Question 6

Questionnaire for City Council Candidates 2009

Palo Alto Neighborhoods (PAN)

Terminology: "the City" refers to the government of the City of Palo Alto.

Utilities Funds: Currently a portion of the City's Utility Fund is paid into the General Fund. What do you think are appropriate levels for such payments?

[C] Chris Gaither

Ah, the infamous utility fund question ☺. I remember the days when we residents received credits on our utility bills when the city had a surplus. Bring back those days!!! Why not have some of those funds allocated to reimbursing residents who promptly and without fail pay their utility bills, and to those households and businesses that implement an energy efficiency plan. These good customers, and some have been customers for many decades, should be rewarded for contributing, and sustaining the city's utility department, and for conserving energy and resources. Palo Alto is unique in that it created and operated a more than viable city owned utility service. Just like when the Cable Coop was in existence to provide local cable options to the city and rewarded us with profit sharing checks when it was initially sold to A T & T, the utilities department should give back in some proportion to the residents. I am certain, most residents would be happy with just the gesture. The utility department does not need to break the bank with this policy.

As to the amount that should be paid into the General Fund, first reimburse the residents for supporting the utilities department all of these years. In some years, we pay more than PG&E customers, and in other years we pay less. Think of the hand that feeds you, and makes you prosperous and viable first! A good percentage to be paid to the General Fund however would be 25 to 30 percent. This would help the city with its funding, and leave enough for the utility department to be functional, operable and to perform planned capital and infrastructure improvements.

[D] Tim Gray : www.vote4Gray.com

We must build a firewall between the City Utility Funds and the General Fund, otherwise rate payers are just being taxed in another form. The City needs to live within its own means. Sure, I've heard the rationalization of charging \$900,000 to the Utility for land that the City has contracted for \$1, however we need to look and see if the original purpose of the favorable lease was intended to benefit the general fund, or was it to serve the greater community with land needed for a water reservoir? Even if the funds are properly divided, we need to be more forthcoming and offer details. Where there is smoke, there is fire -- meaning that the rate payers probably have some legitimate points, and we should shine the light of transparency on this topic with all due haste. We have let suspicions about this topic fester for too long, and my roll-up-the-sleeves approach will deliver great value.

[E] John Hackmann

This is a long-term issue that needs to be re-addressed. Transfer payments should not be so large as to be a significant factor in increasing the already burdensome utility bills of our senior citizens and residents, some of whom are struggling just to stay in their homes.

These seniors and these residents are the engineers, teachers, nurses, workmen, and moms and dads that made us who we are in Palo Alto.

Every decision we make in Palo Alto should always bear these long term residents in mind, who have contributed so much over the last sixty years to what Palo Alto is, and who we are.

[F] [Karen Holman](http://karenholman.org) : karenholman.org

General Fund owns the Utility infrastructure and is entitled to a reasonable rate of return on the investment. But this rate of return should be based on the level of investment and not on the General Fund needs for funds. Electric rates were significantly lower than surrounding cities until the City of Palo Alto's long term electric supply contract ended in 2004. Now electric rates have soared, making us much more aware of the impacts on rates of the transfers to the General Fund. Palo Alto should benchmark other municipal utilities for their practices. Silicon Valley Power, the municipal utility in the City of Santa Clara, offers lower electric rates than Palo Alto, for example.

[G] Larry Klein www.ReelectLarryKlein.com

For nearly 100 years—yes, 100 years,--- the City has been paying a portion of the profits from its utilities, primarily the Electric fund, to the General Fund which under law is its owner. Going back thirty years the amounts of these payments represented a higher percentage of utility revenues. When I was on the Council in the 1980s we adopted a more rational and consistent method for determining the amount to be transferred each year. This resulted in a smaller but more defensible transfer each year. I believe this process, which today results in transfers equal to nearly 15% of our General Fund revenues, is appropriate. Note: our electric rates continue to be about 30% less than PG & E's—a factor that businesses recognize with approval when considering whether to move to Palo Alto.

[H] Leon Leong : www.leonleong.com

The budget has three areas where the Utilities contribute into the General Fund:

- 1) Utilities User Tax - \$11.25 million
- 2) Transfer "ROI" - \$16.4 million
- 3) Rental income from a "Utilities Facilities charge" - \$10.3 million (see page 74 of the City of Palo Alto 2010 operating budget)

This is over 26% of the general fund budget – it works out to \$580 per resident; only one of the "contributions" were voted on by the residents (Utilities User Tax). The other contributions are in my opinion a "tax" on the residents, and that the city should not be continually raising these contributions as a form hidden taxation to avoid making policy decisions on the budget.

[I] Corey Levens : www.electcoreylevens.com

Palo Alto's City Charter requires that the revenues from each of our public utilities (electric, gas, water, water collection emergency plant replacement) be kept in separate funds from other receipts and that these revenues be used for specified purposes – payment of operating and maintenance expenses, payment of interest on funded debt, repayment of principal, payment of capital expenditures, and an annual payment to a reserve fund for contingencies (subject to certain limitations). Any remaining amount is then paid to the General Fund.

In effect, then, funds paid into the General Fund from the revenues collected by Palo Alto's utilities amount to taxes levied on the people of Palo Alto, who are the primary consumers for these utilities. The question, then, is how much of our utility payments should comprise a tax on the people of Palo Alto as opposed to necessary payments for required reserves?

I do not believe that the City's Utility Fund should be used as a means to tax the people of Palo Alto (and I question the legality of doing so). Rates should be sufficient to adequately fund the various reserves required by the City Charter in order to assure proper functioning utilities and to cover risks and contingencies. The amounts paid into these reserves must then be monitored on a regular basis to insure that adequate reserves are maintained.

[J] Gail Price

My understanding is that the level of payment from the City Utility Fund into the General Fund is based on several factors, including maintaining a reasonable level of return on investment and providing sufficient resources to support programs and infrastructure. I believe that the Utilities Advisory Commission in conjunction with staff recommends the appropriate level of payment to the City Council. I do not have sufficient knowledge to address if our current utility rates are too high or not since I do not know how the costs and operation of our City-owned utilities compare to other communities.

[K] Greg Scharff : ElectGregScharff.com

Rising utility rates are an issue for a lot of Palo Alto residents. We need to keep our utility rates affordable, and I would not support any increase in payments from the City Utility Fund to the General Fund. The City obviously faces both a short-term deficit of approximately \$10,000,000 and a structural deficit. These deficits are caused by rising pension and health care obligations, increasing payroll and benefit costs, falling sales tax revenues, and falling hotel occupancy. We need to solve our revenue issues by supporting and promoting our commercial areas and lowering our payroll and benefit costs, as well as solving our long term structural problems by reigning in pension and health care obligations. If we solve these problems, we could then lower or eliminate utility payments to the General Fund and lower utility costs.

[L] Nancy Shepherd: www.electNancyShepherd.com

The portion that is transferred into the General Fund is allocated to administrative costs associated with managing the Utility Fund assets. This appears to be a reasonable and appropriate use of Utility Fund revenue and should continue. Access to natural resources and the upgrade to the Hetch-Hetchy system has a potential of increasing water rates as much as 300 percent and electricity between 40–50 percent. It is prudent to manage reserves carefully. Reference: <http://www.cityofpaloalto.org/civica/filebank/blobdload.asp?BlobID=14655>

[M] Brian Steen

The current transfer from PA utilities to the General Fund is 25%. I support continuing transfers until a different and stable revenue source can be identified

[N] Mark Weiss

One of the honors of running for office is being able to listen to citizens with their suggestions for what a prospective or future council member should do or work on; a Palo Alto voter and home owner suggested that I look into this very issue. He thought it unfair that savings from Palo Alto Green (he says) are being reapportioned to general fund. (Thanks, Al).

[A] [Dan Dykwel](http://www.dandykwel.com) : <http://www.dandykwel.com>

The funds that flow from the utilities to the general fund are designated as an equity transfer that was established when the utility enterprise fund was established. The dynamics of this transfer could impact utility rates, so it should be managed to minimize rate increases while serving as a stable source of revenue for the general fund.

[B] Victor Frost: No response from candidate.
