

FY 2017 Proposed Operating Budget

May 12th Recap

Finance Committee

May 17, 2016



Current Status

BUDGET PROCESS

Date	Draft Adjustments to Budget	FY 2017	Dept	Date	Parking Lot Issues	Amount	Dept	Priority
	Beginning Balance	\$ -		3-May	Office of Sustainability Contingency	250,000	Non-Dept	
3-May	No Changes	0		3-May	2016 Elections Funding	150,000	Non-Dept	
3-May	No Changes	0		3-May	Establish Budget Uncertainty Reserve	2,000,000	Non-Dept	
10-May	No Changes	0		3-May	Transfer from the General Fund: Traffic Signal and Streetlight Electric Costs	2,226,122	Non-Dept	
12-May	No Changes	0		3-May	Reduce Transfer to General Capital Improvement Fund	(1,400,000)	Non-Dept	
17-May	TBD			5-May	Realignment of Development Services Staffing	432,867	Fire	
23-May	TBD			5-May	Fire Station Furniture, Fixtures, and Equipment	125,000	Fire	
		\$ -		5-May	TrackWatch Contract	824,000	Police	
				5-May	HSRAP - Page 221	1,435,508	CSO	
				10-May	Realignment of Fire Prevention, Planning, and Public Works Staff	(807,922)	DSO	
				10-May	Planning Contingency Funding	TBD	PCE	
				10-May	Establishment of two new RPPs at City Council 5/3/2016 ongoing O&M	232,000	PCE	
				10-May	Planning/Development Services Staffing Alignment	95,600	PCE	
				12-May	Tree Trimming Services: lower from 15 years to 10 years	135,000	PW	
				12-May	Requested 1.0 position decrease in the General Fund as recommended by the City	-	All	
					Total:	\$ 5,415,575		



Fiscal Year 2017 Proposed Budget Utilities

Overview

Operating Budget pp. 403-410



Department Overview

Mission: The City of Palo Alto Utilities provides safe, reliable, environmentally sustainable, and cost effective services.

Purpose

Divisions

- Administration
- Customer Support
- Engineering
- Operations
- Resource Management



Accomplishments

- Coordinated successful citywide drought response efforts
- Launched and achieved very high participation in Peninsula SunShares program
- Increased the City's Renewable Portfolio Standard to 26% and projected RPS of 40% by end of CY 2016
- Launched a heat pump water heater pilot, PaloAltoGreen Gas Program, and Home Efficiency Genie Program
- Completed major Water, Gas, and Wastewater CIP replacement projects; upgraded security in two substations



Fiscal Year 2017 Initiatives

- Capital Improvements and Maintenance
- Energy Efficiency and Conservation Programs
- Technology and Smart Grid
- Electrification Work Plan
- Workforce Development and Succession
- Strategic Plan Implementation



Utilities Staffing Proposals

- No Regular Additions or Reductions
- Reclassifications (11 FTEs - \$177k)
 - Realign job title to existing and/or new duties
 - Improve operational efficiency
 - Provide staffing flexibility
 - Create job development opportunity
- Add/Drop (2 FTEs - \$74k)
 - Focus on staffing and operation needs



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FY 2017 Proposed Budget Utilities

Item 2.a) Electric Fund

Operating Budget pp. 411-424

Capital Budget pp. 343-434



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Electric Fund

Operating Budget, pp. 411-424

Fiscal Year 2017 Initiatives:

- Increase the City's Renewable Portfolio Standard to 57% by end of CY 2017
- Continue to evaluate and develop potential cost-effective Electrification programs

Significant Budget Proposals:

- Rate increase 11% (\$14.7 million in revenue)
- Commodity purchases increase of \$10.1 million
- Traffic signal & streetlight electric costs (\$2.3 million transfer from the General Fund)



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Electric Fund

Capital Budget, pp. 343-434

Fiscal Year 2017 Capital: \$21.6 million

Significant Projects:

- Customer Connections: \$11.6 million
 - Electric Pole Replacements for FTTP
 - VA Hospital Expansion
- System Improvements: \$9.2 million
 - 230 Kv Electric Intertie
- Undergrounding Projects: \$0.8 million



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FY 2017 Proposed Budget Utilities

Item 2.b) Fiber Optics Fund

Operating Budget pp. 425-431

Capital Budget pp. 435-454



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Fiber Optics Fund

Operating Budget, pp. 425-431; Capital Budget, pp. 435-454

Fiscal Year 2017 Initiatives:

- Rebuild/Upgrade the City's dark fiber network
- Reach an agreement with a 3rd party to build a citywide fiber optic network
- Issue a Request for Proposal to build wireless networks for Public Safety and Utilities
- Develop a 'Dig Once' policy or ordinance

Contractual CPI Rate Increase of 3.2%

Fiscal Year 2017 Capital: \$1.7 million

- Fiber Optic System Rebuild



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FY 2017 Proposed Budget Utilities

Item 2.c) Gas Fund

Operating Budget pp. 432-443

Capital Budget pp. 455-490



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Gas Fund

Operating Budget, pp. 432-443

Fiscal Year 2017 Initiatives:

- Promote PaloAltoGreen Gas Program
- Cross Bore Safety inspection program
- Gas safety awareness and outreach



Significant Budget Proposals:

- Rate increase 8% offset by usage reduction (\$1.4 million revenue decrease)



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Gas Fund

Capital Budget, pp. 455-490

Fiscal Year 2017 Capital: \$6.3 million

Significant Projects:

- System Improvements: \$0.7 million
- Customer Connections: \$1.4 million
- Gas Main Replacements: \$4.2 million



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FY 2017 Proposed Budget Utilities

Item 2.d) Wastewater Collection Fund

Operating Budget pp. 444-453

Capital Budget pp. 519-550



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Wastewater Collection Fund

Operating Budget, pp. 444-453

Fiscal Year 2017 Initiatives:

- Wastewater Collection System Rehabilitation/Augmentation projects
- Reduce number of Sanitary Sewer Overflows

Significant Budget Proposals:

- Rate increase 9% (\$0.9 million in revenue)
- Wastewater Treatment Costs \$1.2 million



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Wastewater Collection Fund

Capital Budget, pp. 519-550

Fiscal Year 2017 Capital: \$4.8 million

Significant Projects:

- System Improvements: \$4.4 million
- Customer Connections: \$0.4 million



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FY 2017 Proposed Budget Utilities

Item 2.e) Water Fund

Operating Budget pp. 454-466

Capital Budget pp. 581-626



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Water Fund

Operating Budget, pp. 454-466

Fiscal Year 2017 Initiatives:

- Complete business plan to evaluate potential expansion of recycled water
- Seismic upgrades of reservoirs
- Complete the design for WMR 26

Significant Budget Proposals:

- Rate increase 6% offset by usage reduction (\$0.1 million revenue decrease)



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Water Fund

Capital Budget, pp. 581-626

Fiscal Year 2017 Capital: \$9.6 million

Significant Project Costs:

- Water Main Replacements: \$6.3 million
- Customer Connections: \$0.7 million
- System Improvements: \$2.6 million



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Fiscal Year 2017 Proposed Budget

General Fund Capital

Capital Budget pp. 95-324



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Fiscal Year 2016 Accomplishments

- Completed the El Camino Park Restoration project
- Completed Traffic Circles Improvements project
- Completed Rinconada Pool Locker Room project
- Completed site selection for Public Safety Building and California Avenue Parking Garage projects
- Completed Phase 1 of the Embarcadero Road at El Camino Real Improvements project
- Concept Plans for seven bicycle boulevards and enhanced bikeways approved by City Council



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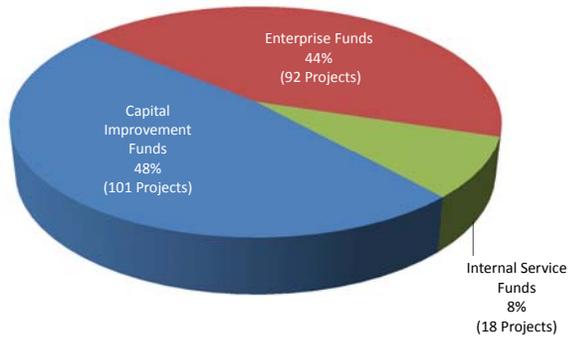
Accomplishments (cont'd)

- Increased Funding for Street Maintenance
 - FY 2010 Adopted Budget = \$1.9 million
 - FY 2011 Adopted Budget = \$3.8 million
 - FY 2017 Proposed Budget = \$6.8 million
- Improved Pavement Condition Index score
 - 2010 average PCI score = 74
 - 2016 average PCI score = 82
 - 2019 goal = 85 (originally projected for 2021)
- PCI of 82 is highest in Santa Clara County
- Annual funding reduced to \$3.8 million beginning in FY 2020

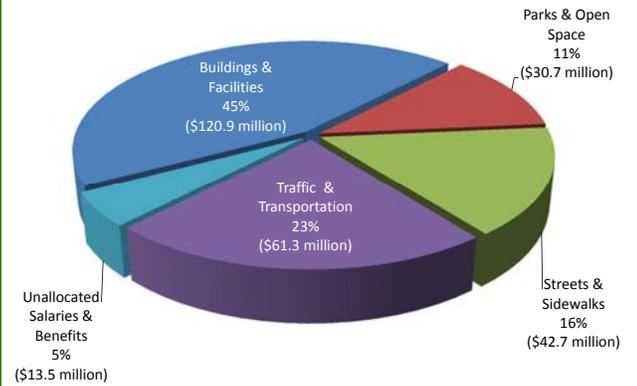


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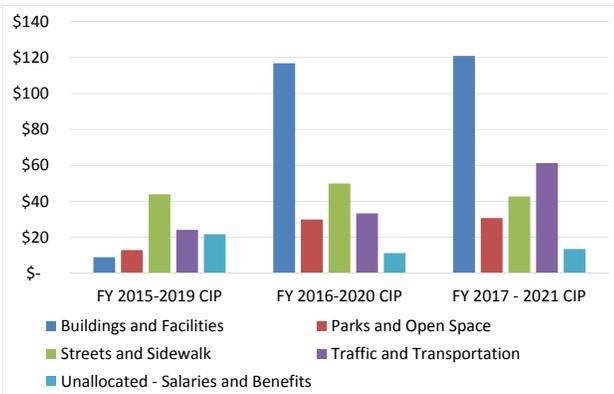
FY 2017 – 2021 Proposed Projects by Fund Type (211 Projects)



FY 2017-2021 General Capital Improvement Fund (\$269.2 million)



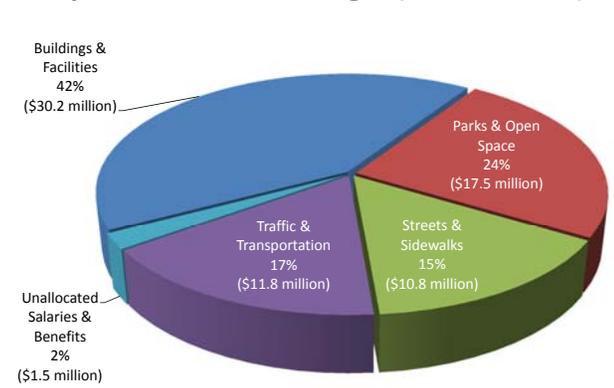
5-Year General Capital Improvement Fund Planned Expenditures (\$ millions)



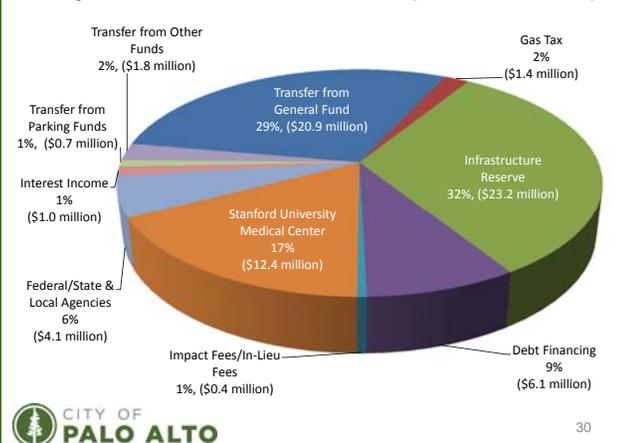
FY 2017 Proposed General Capital Improvement Fund Projects by Category (79 Projects)



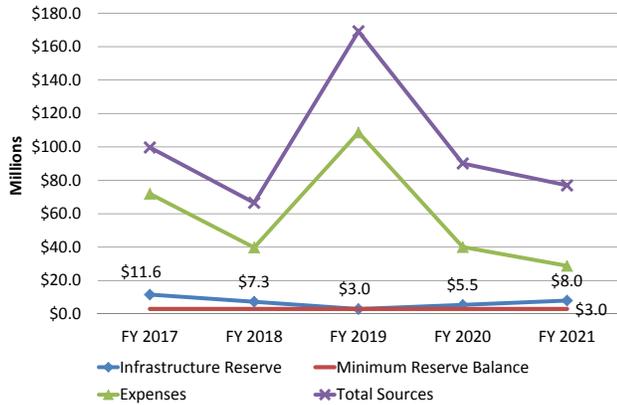
FY 2017 Proposed General Capital Improvement Fund Budget (\$71.9 million)



FY 2017 Proposed General Capital Improvement Fund Sources (\$71.9 million)



Infrastructure Reserve (IR)



City Council Infrastructure Plan

Project	5- Year Plan (in millions)
Public Safety Building	\$ 57.0
Bicycle Pedestrian Transportation Plan	20.0
Replacement of Fire Stations 3 & 4	14.2
Downtown Parking Garage	13.0
California Avenue Parking Garage	9.6
Charleston/Arastradero Corridor Improvements	7.5
Highway 101 Bicycle/Pedestrian Bridge (Gap Funding)	4.7
Byxbee Park Completion	2.8
Infrastructure Contingency Reserve	30.0

Infrastructure Plan Program Management Consultant

- Nova Partners selected after RFP process
- Council approval of contract in June
- Nova Partners successfully managed construction of:
 - Children’s Library
 - College Terrace Library
 - Art Center
 - Rinconada Library
 - El Camino Park Restoration

Infrastructure Plan Program Management Consultant (Cont’d.)

- \$4 million contract over three years to assist in management of \$129 million program
- Augment staff to provide:
 - Project management, design and constructability reviews, design consultant management, schedule and budget management, quality assurance, project communication, reporting
- Goal: Ensure successful and transparent implementation of Infrastructure Plan, adhering to scope, schedule and budget

New Projects

- Baylands Boardwalk Improvements: **\$1.4 million**
- Mitchell Park Adobe Creek Bridge: **\$0.25 million**
- City Hall Floor Remodel for floors 4 and 5: **\$0.75 million**
- Civic Center Electrical Upgrades and EV Charger Installation: **\$0.65 million**
- Railroad Grade Separation: **\$1.9 million**
- Downtown Mobility and Safety Improvements: **\$1.45 million**
- Foothills Park, Arastradero Preserve and Esther Clark Park Comprehensive Conservation Plan: **\$0.3 million**
- Baylands Flood Protection Levee Improvements: **\$1.0 million**

Other Impacts NOT Included

- Additional Golf Course reconstruction costs
- Potential acquisition of Downtown Post Office
- University Ave. Parking Fund revenues currently programmed to fund projects in FY2018-2021:
 - Downtown Automated Parking Guidance Systems, Access Controls & Revenue Collection Equipment (\$2.0 million, PL- 15002)
 - Downtown Parking Management Study Implementation (\$2.3 million, PL-16002)

Progress of IBRC “Catch-up” Backlog

IBRC “Catch-up” Category	IBRC Final Report “Catch-up” Backlog	“Catch-up” amount funded to date, or included in Proposed CIP	FY 2015-2019 Backlog
Building	\$5.0 million	\$2.2 million	\$2.8 million
Cubberley	\$6.9 million	\$0.7 million	\$6.2 million
Parks	\$14.4 million	\$6.5 million	\$7.9 million
Surface	\$14.9 million	\$12.1 million	\$2.8 million
Total	\$41.2 million	\$21.5 million	\$22.4 million

Cubberley Property Infrastructure Fund

- *Cubberley Community Center Master Plan*
(Fiscal Year 2017: \$0.3 million)
- *Cubberley Field Restrooms*
(Fiscal Year 2017: \$0.3 million)
- *Cubberley Amenities Improvements - (Reserve)*
(Fiscal Year 2017: \$1.0 million)
- *Cubberley Repairs*
(Fiscal Year 2017: \$0.3 million).
- *Cubberley Roofing Replacements projects*
(Fiscal Year 2017: \$0.8 million; 5-year CIP: \$2.7 mil.)