FY 2017 Proposed Operating Budget

May 12th Recap
Finance Committee
May 17, 2016

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

FY 2017 Proposed Budget Utilities

Item 2.a) Electric Fund
Operating Budget pp. 411-424
Capital Budget pp. 343-434

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)

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

Fiscal Year 2017 Proposed Budget Utilities

Item 2.b) Fiber Optics Fund
Operating Budget pp. 425-431
Capital Budget pp. 435-454

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
FY 2017 Proposed Budget
Utilities

Item 2.c) Gas Fund
Operating Budget pp. 432-443
Capital Budget pp. 455-490

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)

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

FY 2017 Proposed Budget
Utilities

Item 2.d) Wastewater Collection Fund
Operating Budget pp. 444-453
Capital Budget pp. 519-550

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

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

Capital Improvement Funds 48% (101 Projects)
Enterprise Funds 44% (92 Projects)
Internal Service Funds 8% (18 Projects)

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

Buildings & Facilities 44% ($120.9 million)
Traffic & Transportation 23% ($61.3 million)
Streets & Sidewalks 18% ($42.7 million)
Unallocated Salaries & Benefits 5% ($13.5 million)

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

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

Buildings & Facilities 44% (35 Projects)
Parks & Open Space 25% (20 Projects)
Streets & Sidewalks 12% (14 Projects)
Traffic & Transportation 18% (14 Projects)
Unallocated Salaries & Benefits 1% (1 Project)

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

Buildings & Facilities 42% ($30.2 million)
Parks & Open Space 24% ($17.5 million)
Traffic & Transportation 17% ($11.8 million)
Streets & Sidewalks 15% ($10.8 million)
Unallocated Salaries & Benefits 2% ($1.5 million)

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

Transfer from General Fund 30% ($21.4 million)
Infrastructure Reserve 12% ($21.2 million)
Stanford University Medical Center 17% ($12.4 million)
Impact Fees/In-Lieu Fees 1% ($0.4 million)
Gas Tax 2% ($1.4 million)
Debt Financing 9% ($6.1 million)
**Infrastructure Reserve (IR)**

- $11.6 million in FY 2017
- $7.3 million in FY 2018
- $3.0 million in FY 2019
- $5.5 million in FY 2020
- $8.0 million projected in FY 2021

**City Council Infrastructure Plan**

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

<table>
<thead>
<tr>
<th>IBRC “Catch-up” Category</th>
<th>IBRC Final Report “Catch-up” Backlog</th>
<th>“Catch-up” amount funded to date, or included in Proposed CIP</th>
<th>FY 2015-2019 Backlog</th>
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<tbody>
<tr>
<td>Building</td>
<td>$5.0 million</td>
<td>$2.2 million</td>
<td>$2.8 million</td>
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<tr>
<td>Cubberley</td>
<td>$6.9 million</td>
<td>$0.7 million</td>
<td>$6.2 million</td>
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<tr>
<td>Parks</td>
<td>$14.4 million</td>
<td>$6.5 million</td>
<td>$7.9 million</td>
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<tr>
<td>Surface</td>
<td>$14.9 million</td>
<td>$12.1 million</td>
<td>$2.8 million</td>
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<tr>
<td>Total</td>
<td>$41.2 million</td>
<td>$21.5 million</td>
<td>$22.4 million</td>
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### 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.)