



**FY 2023 PROPOSED BUDGET
HEARINGS
INFRASTRUCTURE AND
ENVIRONMENT SERVICE AREA**

Public Works & Utilities Departments

Ops Pg. 291-348 & 349-415

MAY 11, 2022

www.cityofpaloalto.org/budget

FY 2023 PROPOSED BUDGET SUMMARY (MAY 11)

Infrastructure & Environment	FY 2022 Adopted	FY 2023 Proposed	% change	FY 2022 Adopted FTE	FY 2023 Proposed FTE	% change
General Fund	\$18.8 M	\$19.9 M	6.1%	49.19	49.10	(0.2%)
Other Funds	\$454.0 M	\$637.6 M	40.4%	389.14	402.58	3.5%

Department	General Fund Revenue	General Fund Expenses	General Fund FTE	All Funds Revenue	All Funds Expenses	All Funds FTE
Utilities	\$0	\$0	0.00	\$311.6 M	\$357.6 M	279.10
Public Works	\$3.3 M	\$19.9 M	49.10	\$292.3 M	\$299.9 M	172.58*

*This table does not reflect positions in the Capital Improvement Fund nor the Cubberley Property Infrastructure Fund.



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UTILITIES DEPARTMENT ELECTRIC, FIBER, GAS, WASTEWATER COLLECTION, AND WATER FUNDS

Operating Pg. 349-415

Capital Pg. 287-395, 427-450, 487-526

FY 2023 RECOMMENDED RATES & 5-YEAR OUTLOOK

	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Electric Utility	\$0.00 0.0%	\$2.87 5.0%	\$3.61 6.0%	\$3.83 6.0%	\$4.06 6.0%	\$4.30 6.0%
Gas Utility ¹	\$1.60 3.0%	\$2.62 4.0%	\$2.73 4.0%	\$2.84 4.0%	\$2.95 4.0%	\$2.30 3.0%
Wastewater	\$2.00 3.0%	\$1.30 3.0%	\$2.23 5.0%	\$2.34 5.0%	\$2.46 5.0%	\$2.58 5.0%
Water Utility	\$0.00 0.0%	\$8.05 8.9%	\$6.70 6.8%	\$2.42 2.3%	\$2.47 2.3%	\$0.00 0.0%
Refuse	\$0.00 0.0%	\$0.00 0.0%	\$1.50 3.0%	\$1.55 3.0%	\$1.59 3.0%	\$1.64 3.0%
Storm Drain ^{2, 3}	\$0.30 2.0%	\$0.64 4.2%	\$0.48 3.0%	\$0.49 3.0%	\$0.51 3.0%	\$0.52 3.0%
Monthly Bill Change ⁴	\$3.90 1.2%	\$15.48 4.7%	\$17.25 4.9%	\$13.47 3.7%	\$14.05 3.7%	\$11.35 2.9%

¹ Gas rate changes shown with commodity rates held constant. Actual gas commodity rates vary monthly.

² Storm Drain fees increase by CPI or 6.0%, whichever is lower, annually per approved 2017 ballot measure.

³ Fiber EDF-1 rates increase by CPI, which is 4.2% for FY 2023.

⁴ Based on FY 2022 total monthly bill of \$332.75.

FY 2023 BUDGET SUMMARY (UTILITIES – ELECTRIC)

Balancing Strategy

Proposing 5% rate increase for increasing transmission costs and capital investment for sustainability electrification. Consumption currently 10% below long-term consumption trends but anticipated to stabilize by FY 2025.

Major Proposed Changes in Electric Fund

- Net +2.90 FTE proposed to support building electrification, S/CAP, advanced metering infrastructure, and staffing alignments
- FY 2023 rate increase requires activation of temporary Hydro Rate Adjuster and use of Hydro Stabilization and Electric Special Project reserves
- \$1.9 M for building electrification programs (water heating, space heating, cooking)
- Electric distribution system and grid modernization assessment

FY 2023 DEPARTMENT OUTLOOK (UTL – ELECTRIC)

- Cost of service analysis including electrification and Time of Use rates
- Increasing investment in infrastructure in anticipation of electrification and S/CAP implementation ~ \$150 M in the outer years of the forecast
- Estimated rate increase of 6% starting in FY 2024 to fund grid modernization and electrification projects
- 31 vacancies or 35% in Engineering and Operations; work with Human Resources and Council on new recruitment and retainment strategies

FY 2023 BUDGET SUMMARY (UTILITIES – FIBER)

Balancing Strategy

FY 2023 CPI rate increase of 4.2% proposed for EDF-1 rate per contractual agreement. Majority of Fiber customers (90%) are on EDF-3 rates and unaffected by CPI increase. Fiber Fund reserves of approximately \$33.6 M may be drawn for Fiber expansion efforts.

Major Proposed Changes in Fiber Fund

- Net change (0.10) FTE proposed to add engineering support and remove a fiber technician
- Adding fiber conduit in foothills in conjunction with the Foothills Rebuild (Fire Mitigation) capital project (EL-21001)
- Joint Council/UAC study session for Fiber-to-the-Home (FTTH) business plan scheduled for August 2022

FY 2023 DEPARTMENT OUTLOOK (UTL – FIBER)

- Launched Palo Alto Fiber hub site:
fiber.cityofpaloalto.org/
- Conduct residential and commercial broadband survey in May/June 2022
- Develop a business plan and financing model for Fiber to the Home (FTTH)
- Explore governance model for FTTH

FY 2023 BUDGET SUMMARY (UTILITIES - GAS, WASTEWATER, WATER)

Balancing Strategy

Gas Proposing 4% rate increase

Wastewater Proposing 3% rate increase

Water Proposing 9% rate increase for first year of commodity pass through

Major Proposed Changes in Gas, Water, & Wastewater Collection Funds

- Net +2.78 FTE proposed to support building electrification, S/CAP, advanced metering infrastructure, and staffing alignments
- 4% rate increases through FY 2026 to bring reserves back to target guidelines (Gas Fund)
- Regional Water Quality Control Plant rehabilitation resulting in ~7.7% annual increase in treatment costs from FY 2021 to FY 2027 (Wastewater Collection Fund)
- SFPUC projects rate increase of 15.9% due to water use reduction and capital investment (Water Fund)

FY 2023 DEPARTMENT OUTLOOK (UTL - WGW)

- Gas Main Replacement #23 will be carried forward to FY 2023
- Phase 3 of the crossbore inspection program is scheduled to be completed in September 2022; Phase 4 to start in FY 2023
- Evaluate number of miles per sewer main replacement project and impact to rates; life expectancy of clay pipe is ~ 100 years
- Purchase of emergency generators for pump station and reservoir in foothills as part of the wildfire mitigation plan
- Completion of Corte Madera Reservoir evaluate rehabilitation or replacement of Park Reservoir and Dahl Reservoir



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PUBLIC WORKS

Operating Pg. 291-348

Capital Pg. 51-239, 241-257, 261-285, 397-426, 451-486, 557-581

FY 2023 BUDGET SUMMARY (PUBLIC WORKS)

Reinvestment Strategy

The strategy for reinvestment in Public Works services evaluated the balance of in-house work and staff capacity, capital improvement program construction work, and contractor work to identify services that could and should be restored most urgently.

Major Proposed Changes in General Fund

- Base budget restoration of the tree trimming contract to pre-pandemic level funding, resulting in a 7-year cycle (exp \$687,000).
- Restore 1.0 FTE Engineer in the Capital Improvement Fund for Transportation, Streets, and Sidewalks activities (exp \$170,000).
- Replace gas powered leaf blowers with electric models (exp \$32,000). (Citywide effort coordinated with Community Services Department)

FY 2023 DEPARTMENT OUTLOOK (PUBLIC WORKS)

- Facilities will continue to provide maintenance and custodial services for City Buildings emphasizing COVID-19 recovery, with the goal to return to pre-pandemic service and response times.
- Sidewalks and Streets groups will work to begin to return to pre-pandemic workloads after two years of budget and corresponding service reductions.
- Continue working toward the goals and objectives identified in the Urban Forest Master Plan, with an emphasis on updates to the tree protection ordinance.
- Work on the S/CAP will be a priority, with a department-level emphasis on planning for electrification of the Fleet and City Buildings.

FY 2023 BUDGET SUMMARY (PUBLIC WORKS – OTHER FUNDS)

Reinvestment Strategy

Refuse Fund is not proposing a rate increase for FY 2023. A FY 2023 rate increase of 4.2% is proposed for the Stormwater Management Fund.

Major Proposed Changes in Enterprise and Internal Service Funds

- Restore the budget for vehicle replacements to pre-pandemic level (exp \$1.8M).
- Convert a 0.48 FTE Administrative Specialist in the Airport Fund to a 1.0 FTE Administrative Associate (exp \$67,000).
- Add a 1.0 FTE Facilities Technician in the Airport Fund (exp \$128,000).
- EV charging station installation at the LATP site (Refuse Fund exp \$390,000).
- Energy procurement for organic waste per SB1383 (Refuse Fund exp \$400,000).
- Domestic mixed paper processing (Refuse Fund exp \$700,000).

FY 2023 DEPARTMENT OUTLOOK (PW-OTHER FUNDS)

- Fleet will continue to coordinate with departments to prioritize vehicle replacements in response to supply chain constraints.
- Implementation of Fleet EV opportunities and charger infrastructure needs identified in the completed study.
- The Airport will complete the Airport Layout Plan and begin the Temporary Office Buildings and Zero Emission Vehicle Replacement projects.
- Initiatives to rebuild the RWQCP will continue with commencement of two significant capital projects.
- Complete construction on the second high priority Stormwater Management project.