



# FY 2026 PROPOSED BUDGET HEARINGS

## INFRASTRUCTURE AND ENVIRONMENT SERVICE AREA

### Utilities & Public Works Departments

Please refer to Dept Sections for Page Numbers

**MAY 7, 2025**

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# FY 2026 PROPOSED BUDGET SUMMARY

Infrastructure & Environment	FY 2025 Adopted	FY 2026 Proposed	% change	FY 2025 Adopted FTE	FY 2026 Proposed FTE	% change
General Fund	\$24.9 M	\$25.7 M	3.2%	53.49	53.70	0.4%
Other Funds	\$741.0 M	\$669.8 M	-9.6%	423.19	429.49	1.5%

Department	General Fund Revenue	General Fund Expenses	General Fund FTE	All Funds Revenue	All Funds Expenses	All Funds FTE
Utilities	\$0	\$0	0.00	\$472.3 M	\$515.9 M	299.59
Public Works	\$3.9 M	\$25.7 M	53.70	\$107.8 M	\$179.6 M	183.60*

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



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

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# FY 2026 RECOMMENDED RATES & 5-YEAR OUTLOOK

## Residential Median Bill

Fiscal Year		Proposed	Proposed w/ Gas Climate Credit	Projections			
		2026	2026	2027	2028	2029	2030
Electric Utility	\$7.00 9%	\$5.00 6%	\$5.00 6%	\$4.90 6%	\$7.50 8%	\$8.10 8%	\$6.30 6%
Gas Utility <sup>(1)</sup>	\$7.80 13%	\$15.20 21.6%	\$9.10 13%	\$9.90 13%	\$5.50 6%	\$6.00 6%	\$5.90 6%
Water Utility	\$9.80 9%	\$11.40 10%	\$11.40 10%	\$12.50 10%	\$13.70 10%	\$15.10 10%	\$16.60 10%
Wastewater	\$7.30 15%	\$11.20 20%	\$11.20 20%	\$11.40 17%	\$11.80 15%	\$4.50 5%	\$4.70 5%
Refuse	\$0.00 0%	\$0.00 0%	\$0.00 0%	\$1.50 3%	\$1.50 3%	\$1.60 3%	\$1.60 3%
Stormwater <sup>(2)</sup>	\$0.40 3%	\$0.40 2%	\$0.40 2%	\$0.40 2%	\$0.40 2%	\$0.40 2%	\$0.50 2%
Monthly Bill Change <sup>(3)</sup>	\$34.50 9%	\$44.70 11%	\$38.40 9%	\$42.00 9%	\$41.80 9%	\$37.30 7%	\$37.10 7%

**Climate Credit:**  
One-time flat \$73.20 credit to residential G-1 customers only. The total cost is about \$1.6M from the Cap-and-Trade Reserve, enough to fund whole home electrification incentives for about 182 homes.

- 1) Gas rate in FY 2026 based on General Fund transfer of 18% of gross revenue in FY 2024; changes shown with commodity rates held constant; actual gas commodity rates vary monthly; FY 2026 incorporates results of cost-of-service analysis
- 2) Stormwater fees increase by CPI index annually per approved 2017 ballot measure (2.4% in FY 2026)
- 3) Based on projected FY 2025 monthly residential bill of \$404

# FY 2026 BUDGET SUMMARY (UTILITIES DEPARTMENT)

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## Community Impact

The FY 2026 budget for Utilities is largely a status quo budget, with continued focus on upgrades for grid modernization, fiber-to-the-premises, and rates stabilization.

## Major Proposed Changes in Utilities Department

- Complete construction of the electric grid modernization pilot serving 1,000 residents; begin phase 1 to support electrification for an additional 5,000 residents
- Develop a natural gas transition strategy
- Continue to align construction of Palo Alto Fiber internet service with electric grid modernization; evaluate and refine service delivery strategies and product offerings in pilot
- Replace aging gas, sewer, and water mains to enhance safety and reliability

## FY 2026 UTILITIES OUTLOOK

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- Invest in long-term delivery strategies while mitigating risks and containing costs
  - No requests for new FTEs
  - Continue to maintain a safe and reliable systems through proactive inspections, replacements or upgrades
  - Issue new competitive IFBs and RFPs to get best value through prequalified vendors, economies of scale and detailed scope of work
  - Negotiate and pre-order long lead time equipment that could be impacted by tariffs
  - Negotiate and evaluate new supply contracts



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# **PUBLIC WORKS**

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# FY 2026 BUDGET SUMMARY (PUBLIC WORKS)

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## Community Impact

The FY 2026 General Fund budget for Public Works is largely a status quo budget, while adding capacity to support traffic control needs.

## Major Proposed Changes in General Fund

- Proposed changes in the General Fund are minimal for FY 2026
- FY 2026 includes a strategic package of position adds and drops to accomplish an overall modest increase in general fund expenses while expanding traffic control maintenance citywide
- This package includes adding a 1.0 FTE Traffic Control Maintainer II, dropping a 1.0 FTE Coordinator Public Works Projects, and dropping a 0.48 FTE Hourly Staff Specialist



# FY 2026 DEPARTMENT OUTLOOK

## (PUBLIC WORKS)

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- Continue implementation of the S/CAP 3-Year Workplan and develop plan for 2026-2027
- Continue enhanced Downtown cleanliness and medium-term improvement efforts
- Begin construction on the Newell Road Bridge Replacement project
- Continue delivery of 2014 Council Infrastructure Plan capital projects including completing design on the new Downtown Parking Structure project and starting construction on Fire Station No. 4

# FY 2026 BUDGET SUMMARY (PUBLIC WORKS – OTHER FUNDS)

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## Community Impact

Proposals modestly supplement existing staff and budget resources to continue progress on key initiatives addressing multiple Council priority objectives.

## Major Proposed Changes in Enterprise and Internal Service Funds

- Funding for atmospheric lead monitoring services and noise monitoring software at the Palo Alto Airport
- Funding for an Organizational Assessment to ensure efficient operations at the Regional Water Quality Control Plant (RWQCP)
- Add 3.0 FTE offset by reducing 0.96 FTE vacant hourly positions for enhanced operations and maintenance at the RWQCP
- Position adds include an Instrumentation Electrician, a Senior Operator WQC, and an Environmental Specialist

## FY 2026 DEPARTMENT OUTLOOK (PW-OTHER FUNDS)

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- Continue to promote the sales of unleaded fuels and implement the unleaded fuel transition plan at the airport
- Continue implementing the 13 high-priority Stormwater Management projects outlined in the Storm Water Management Fee ballot measure including the completion of three projects and start of construction on Hamilton Avenue System Upgrades
- Continue implementation of City fleet electrification through vehicle replacements and charger infrastructure deployment
- Continue update of the RWQCP Long-range Facilities Plan to plan out the next 50 years of the facility, with a FY 2026 focus on updating the Biosolids Facility Plan

# Sustainability and Climate Action Plan (S/CAP) FY 2026 Requests

## FY 2026 Budget Request: \$3.6 million

- Total S/CAP Electrification Program Cost: \$8.4 million (\$3.6 million new, \$4.8 million from existing budgets)
- Funding Sources: Gas Cap & Trade (\$4.1 million), LCFS (\$3.1 million), Electric Public Benefits (\$1.3 million)

Funding Source(s)	Description	FY 2026 Cost	2023-25 S/CAP Work Plan
Gas Cap & Trade	Advanced Commercial Rooftop HVAC Pilot Program: 13 projects, 500 tons of space heating	\$1.1 million	Work Item 2.2B
Low Carbon Fuel Standard (LCFS)	Multi-family Electric Vehicle Charger Program: 9 site, 466-unit program with a focus on affordable housing	\$3.1 million	Work Item 2.1K
Gas Cap & Trade	Advanced Whole Home Electrification Program (Phase 2) – adds turnkey service to 150 home electrification pilot	\$1.5 million	Work Item 2.2B
Gas Cap & Trade, Elec Public Benefit	Major facility emissions reduction grant program – goal of upgrades yielding 125 MT/yr CO2-e of emissions cuts	\$1.0 million	Work Item 2.2C
Elec Public Benefit	Central space and water heating pilot program	\$1.0 million	Priority 4
Gas Cap & Trade	Gas decommissioning / block-scale electrification pilots	\$0.7 million	Work Item 5.D
		\$8.4 million	