

FISCAL YEAR 2025

ADOPTED OPERATING BUDGET

- ▷ **CLIMATE CHANGE** AND THE NATURAL ENVIRONMENT: PROTECTION & ADAPTATION
- ▷ **COMMUNITY HEALTH, SAFETY, WELLNESS & BELONGING**
- ▷ **HOUSING** FOR SOCIAL AND ECONOMIC BALANCE
- ▷ **ECONOMIC** DEVELOPMENT & TRANSITION



CITY OF
**PALO
ALTO**

ENTERPRISE FUNDS OVERVIEW

Overview

The City of Palo Alto's Utility and Public Works operations are comprised of the Airport, Electric, Fiber Optics, Gas, Refuse, Stormwater Management, Wastewater Collection, Wastewater Treatment, and Water Funds. A financial summary of the funds follows this overview along with discussion and pertinent information in each fund section.

REVENUES

The total budgeted revenue of the Enterprise Funds for FY 2025 is \$630.6 million, which represents a \$105.0 million, or 20.0% increase from the FY 2024 Adopted Budget of \$525.6 million. The major sources of the change are from a \$53.9 million increase in estimated debt financing recorded in Other Revenue, and a \$16.7 million increase in Net Sales. Enterprise Fund services with rate increases for FY 2025 include Electric, Fiber Optics, Gas, Stormwater Management, Wastewater Collection, and Water. Refuse rates will remain the same for FY 2025. Details on these changes and the specific rate increase for each service is discussed below.

EXPENDITURES

The total budgeted expenditure of the Enterprise Funds for FY 2025 is \$724.4 million, which represents a \$97.7 million, or 15.6% increase from the FY 2024 Adopted Budget of \$626.7 million. The primary driver for this year-over-year change is the increase to Capital Improvement Program funding of \$93.4 million, partially offset by a \$4.3 million reduction in debt service and a \$4.2 million decrease in Utility Purchase or commodity costs compared to FY 2024. In addition, increases to Allocated Charges, Contract Services, General Expenses, Equity Transfers, and Salary & Benefits, resulted in a combined increase of \$12.3 million from FY 2024 to FY 2025.

UTILITY RATE CHANGES

The FY 2025 Budget includes rate adjustments for Electric, Fiber Optics, Gas, Stormwater Management, Wastewater Collection, and Water. In general, there has been a gradual upward pressure on rates as commodity and transmission costs continue to rise across all utilities. In addition current models suggest pandemic economic recovery extend through calendar year 2024, with consumption stabilizing on the long run average by 2025. The size and timing of rate adjustments address both current and future revenue requirements, including the purchase of commodities, providing customer service, capital infrastructure investments, and maintenance of adequate reserve levels. Rate adjustments may also help smooth the impacts on customer bills by spreading larger rate adjustments over consecutive or alternate years.

ENTERPRISE FUNDS OVERVIEW

Electric Fund - Scheduled rate increase for median residential customer is 9.0% for FY 2025 due to cost of service analysis which requires rate changes varying by customer class and consumption pattern to reflect the cost to serve. Rate changes vary between a 6% decrease to 9% increase depending on customer class.

Fiber Optics Fund - Scheduled rate increase for customers on the EDF-1 rate is 2.6% for FY 2025, based on Consumer Price Index (CPI) for All Urban Consumers in the San Francisco Bay Area.

Gas Fund - Scheduled rate increase is 12.5% for FY 2025 due to the need to replenish reserves, cover rising capital and operating costs, and support the increased equity transfer to the General Fund.

Refuse Fund - No rate adjustment is scheduled for FY 2025 due to adequate reserves.

Stormwater Management Fund - Scheduled rate increase of 2.6% for FY 2025, based on CPI for All Urban Consumers in the San Francisco Bay Area.

Water Fund - Scheduled rate increase is 9.5% for FY 2025 due to wholesale water supply and capital and operating cost increases.

Wastewater Collection Fund - Scheduled rate increase is 15.0% for FY 2025 due to rising costs driven by the rehabilitation of the Regional Water Quality Control Plant, acceleration of capital main replacements, and replenishment of reserves.

RENT

Enterprise Funds pay market-based rental fees to the General Fund for the sites needed to conduct their business operations. Rent is adjusted on an annual basis consistent with CPI for All Urban Consumers in the San Francisco Bay Area, 2.6% for FY 2025. Despite this rent increase, the overall costs remain unchanged, because the Water Fund's rental costs decreased by \$0.2 million due to no longer needing to pay for two of its well sites. Consequently, the rent paid by the Enterprise Funds to the General Fund remains at \$12.4 million.

EQUITY TRANSFERS

In FY 2009, the City Council adopted a change to the methodology used to calculate the equity transfer from Electric Fund to the General Fund. Beginning in FY 2010, the equity transfer is based on the asset base in the Electric Fund, along with the rate of return for each utility, which is based on Pacific Gas and Electric's (PG&E) rate of return on equity as approved by the California Public Utilities Commission (CPUC).

For FY 2025, no change is projected for the equity transfer of \$15.1 million from the Electric Fund.

The Gas Fund equity transfer to the General Fund was originally authorized by City voters in 1950 (similar to the Electric Fund equity transfer). In November 2022, voters approved Measure L, affirming the continuation of this practice by adding section 2.28.185 to the Municipal Code. Each year the City Council may transfer from the gas utility to the General Fund an amount up to 18% of the gross revenues of the gas utility, though Council may choose to transfer a lesser amount. A 14.5%, or \$10.9 million transfer is programmed for FY 2025, representing an increase of approximately \$3.2 million from the previous year's \$7.7 million. This is within the voter-approved changes codified in PAMC 2.28.185. An annual transfer increase to 18% of gross revenues by FY 2026 is also recommended.

RESERVES

The financial revenue and expense forecasts are estimates at a single point in time. Some Utilities reserves serve as balancing accounts, which mitigate the risk of commodity price swings and insure against default by the City's wholesale suppliers. Other reserves are used to provide funding for capital infrastructure improvement projects, replacement parts during an emergency infrastructure failure or serve as temporary parking for planned expenditures. Reserve levels that are above guidelines may be returned to customers in the form of lower future rates or used to pay for expenses, which also result in lower future rates. Based on the actions included in this budget, the total Enterprise Fund Reserve Balances are projected to end in FY 2025 at \$50.8 million, decreasing by \$93.8 million from a projected FY 2024 ending fund balance of \$144.6 million.

UTILITIES ENTERPRISE FUNDS

Across the Electric, Gas, Water and Wastewater utilities, costs continue to increase, including construction cost inflation, commodity price increases, and the rising cost to transport energy and water. Additionally, infrastructure is aging and investment is needed to maintain the health of utilities and protect reliability. The City absorbed utility cost increases during the pandemic, and increased costs for construction, operations, energy, and water were not fully passed through to customers in FY 2020 - FY 2022 but were instead absorbed from reserves. As a result, revenues are too low to maintain normal operations in all utilities. Reserves are lower than expected, because although the City intended to phase in rate increases more slowly using reserves, rising energy prices, inflation and other factors led to the need to use the reserves more quickly, causing low reserve levels in all utilities.

The City relied on reserves heavily over the past few years to minimize rate increases following Council direction to keep rates flat or minimize rate increases to provide economic relief for residential and commercial customers without compromising the safety and integrity of the utility systems and impacting service delivery. Rate increases ensure the City maintains the ability to replenish depleted reserves and provide sufficient funding for continually increasing expenses in commodity costs to repair and replace the City's aging utility infrastructure through various capital projects; and to achieve Sustainability and Climate Action Plan (S/CAP) goals including grid modernization to support electrification.

For more information on Utilities Rates, please visit:

<https://www.cityofpaloalto.org/Departments/Utilities/Customer-Service/Utilities-Rates>.

Electric

FY 2025 electric rates are scheduled to increase by 9.0% for the median residential customer. Rate changes vary significantly by customer class from a decrease of 6.0% to an increase of 9.0% depending on consumption patterns. To ensure that electric rates continue to represent the Utility's cost to serve customers, the City completed a cost of service analysis in February 2024. The cost of service analysis showed the need for different changes by customer class ranging from a 6.0% decrease for small nonresidential customers (E-2) to a 2.0% increase for the residential class as a whole. However, recommended changes to the tier structure and the addition of a fixed charge result in a range of changes for residential customers

ENTERPRISE FUNDS OVERVIEW

depending on usage, with the median residential customer seeing a 9.0% increase. Palo Alto residential electric bills are approximately 50% lower than neighboring communities served by PG&E.

Fiber Optics

FY 2025 Fiber optics rates are scheduled to increase by 2.6% for customers on the EDF-1 rate schedule as part of their contractual lease agreement. CPAU provides commercial dark fiber optic services within the boundaries of the City. In September 2006, the City Council approved the Dark Fiber Licensing Agreement with a one-time promotion allowing commercial fiber optic accounts to be enrolled under the EDF-1 rate schedule, which is adjusted annually in accordance with CPI. Subsequent fiber customer enrollments are under the Dark Fiber Licensing Services Rate Schedule EDF-3, which has not changed since 2006. Upon the expiration of contracts on EDF-1 rates, these contracts are renewed and enrolled under the EDF-3 rate. Most contracts on the EDF-1 rates have expired or voluntarily moved from the EDF-1 rate to the EDF-3 rate for cost saving purposes.

Gas

FY 2025 gas rates are scheduled to increase by 12.5% to ensure the utility is recovering its costs of capital projects, operations, and rebuilding reserves. This adjustment also supports the increased equity transfer to the General Fund, which increases to \$10.9 million from \$7.7 million in FY 2024. In FY 2021 and FY 2022, the Gas Utility maintained minimal rate increases, leading to revenues struggling to match the rising expenses, resulting in a significant depletion of reserves. Additionally, costs reflect a longer-term mitigation strategy against potential future gas price spikes such as those experienced in FY 2023, which increased gas bills exponentially.

Water

FY 2025 water rates are scheduled to increase by 9.5%. As part of the water rate increase, the San Francisco Public Utilities Commission (SFPUC) is projecting a wholesale rate increase of 6.5% for FY 2025, which is a pass-through commodity charge to CPAU customers and will impact CPAU water rate increases. Due to the drought and water conservation efforts together with near record-setting precipitation and snowpack in the winter of 2022-2023, the water utility's sales revenue declined in FY 2023 by \$4.9 million or 10% compared with sales revenue in FY 2021. The Water Utility used available reserves to hold rates flat for two years (FY 2021 and FY 2022) while also managing through two years of drought-related sales revenue reductions (FY 2022 and FY 2023).

Wastewater Collection

FY 2025 Wastewater Collection rates are scheduled to increase by 15.0%. Wastewater Collection costs are projected to rise over the forecast due to increasing treatment costs related to capital improvements and operational costs at the Regional Water Quality Control Plant (RWQCP), as well as increasing collection system operational and Capital Improvement Program (CIP) costs. In FY 2023, Operations Reserve ended the year with a negative balance due to higher CIP expenses and lower sales revenues than anticipated. The proposed increase will gradually replenish the reserve and enable a reduced-size 1.25 miles main replacement in FY 2026 to address highest priority mains for replacement. The accelerated 5-mile sewer

main replacement every other year would resume with construction scheduled in FY 2028. This acceleration will allow the Wastewater Collection Utility to replace the last main no more than approximately 10 years beyond its anticipated 100 year life expectancy.

[Content regarding a department other than
Utilities Department operations removed for brevity]

UTILITIES

Mission Statement



The City of Palo Alto Utilities mission is to provide safe, reliable, environmentally sustainable, and cost-effective services.

Purpose

The purpose of the City of Palo Alto Utilities is to provide high quality, cost-effective electric, gas, fiber optics, water and wastewater collection services; promote effective energy and water efficiency programs; support the City's sustainability and climate action goals through greenhouse gas emissions reduction efforts; proactively manage infrastructure needs and replace deteriorated or aging facilities with new technologies to ensure safe and reliable delivery of services; and ensure the City's utilities are in sound financial condition.

financial condition.

UTILITIES

UTILITIES DIRECTOR

Dean Batchelor

ELECTRIC ENGINEERING & OPERATIONS

- 2.00 Administrative Associate II
- 1.00 Assistant Director Utilities
Electric and Fiber
- 1.00 Business Analyst
- 3.00 Coordinator Utilities Projects
- 1.00 Cement Finisher
- 3.00 Electrician Assistant I
- 1.00 Electrician-Lead
- 1.00 Electric Equipment Technician
- 1.00 Electric Heavy Equipment Operator
- 10.00 Electric Project Engineer
- 2.00 Electric Underground Inspectors
- 1.00 Electric Underground Inspector-Lead
- 1.00 Engineering Manager-Electric
- 2.00 Engineer Technician III
- 1.00 Heavy Equipment Operator / Installer
Repairer
- 1.00 Utilities Installer / Repairer
- 10.00 Lineperson / Cable Splicer
- 4.00 Lineperson / Cable Splicer-Lead
- 1.00 Manager Electric Operations
- 2.00 Metering Technician
- 1.00 Metering Technician-Lead
- 2.00 Overhead/Underground Troubleshooter
- 2.00 Utilities System Analyst
- 5.00 Senior Electrical Engineer
- 1.00 Senior Utilities Field Service
Representative
- 1.00 Senior Utilities System Operator
- 4.00 Street Light, Traffic Signal & Fiber
Technician
- 2.00 Street Light, Traffic Signal & Fiber
Technician-Lead
- 6.00 Substation Electrician
- 2.00 Substation Electrician-Lead
- 3.00 Utilities Comp Tech
- 1.00 Utilities Comp Tech-Lead
- 3.00 Utilities Engineer Estimator
- 1.00 Utilities Engineer Estimator-Lead
- 5.00 Utilities Field Service Representative
- 3.00 Utilities Locator
- 6.00 Utilities Supervisor
- 5.00 Utilities System Operator

PALO ALTO FIBER

- 1.00 Assistant Director
- 2.00 Manager, Telecommunications
- 1.00 Manager, Information Technology
- 1.00 Senior Market Analyst

UTILITIES ADMINISTRATION

- 1.00 Administrative Assistant
- 1.00 Administrative Associate II
- 2.00 Business Analyst
- 1.00 Chief Operating Officer
- 1.00 Compliance Manager
- 1.00 Coordinator, Utilities Projects
- 1.00 Management Analyst
- 1.00 Manager Communications
- 1.00 Manager Utilities Telecom
- 1.00 Principal Business Analyst
- 1.00 Principal Utilities Program Manager
- 1.00 Program Assistant
- 1.00 Safety Officer
- 3.00 Senior Business Analyst
- 1.00 Senior Resource Planner
- 1.00 Strategic Business Manager

CUSTOMER SUPPORT SERVICES

- 1.00 Assistant Director Utilities Customer
Support Services
- 2.00 Credit and Collections Specialist
- 2.00 Customer Service Specialist-Lead
- 5.00 Customer Service Representative
- 4.00 Customer Service Specialist
- 1.00 Manager Customer Service
- 1.00 Manager, Utilities Credit and Collections
- 3.00 Meter Reader
- 1.00 Coordinator Utilities Projects

RESOURCE MANAGEMENT

- 1.00 Assistant Director, Resource
Management
- 1.00 Administrative Associate II
- 2.00 Associate Sustainability Program
Administrator
- 1.00 Business Analyst
- 3.00 Key Account Representative
- 2.00 Manager Utilities Program Services
- 5.00 Sustainability Program
Administrator
- 6.00 Resource Planner
- 6.00 Senior Resource Planner

FY 2025 POSITION TOTALS

267.00 - Full-time
12.18 - Hourly

WGW ENGINEERING & OPERATIONS

- 2.00 Administrative Associate II
- 1.00 Assistant Director Utilities WGW
- 2.00 Business Analyst
- 1.00 Cathodic Protection Tech-Asst
- 1.00 Cathodic Technician
- 2.00 Cement Finisher
- 5.00 Coordinator Utilities Projects
- 4.00 Engineer
- 1.00 Engineering Manager – WGW
- 1.00 Engineering Technician III
- 1.00 Heavy Equipment Operator
- 1.00 Gas & Water Meter Measurement and
Control Technician - Lead
- 5.00 Gas & Water Meter Measurement and
Control Technician
- 4.00 Heavy Equipment Operator / Installer
Repairer
- 2.00 Maintenance Mechanic Welding
- 1.00 Manager WGW Operations
- 1.00 Program Assistant
- 5.00 Project Engineer
- 1.00 Restoration Lead
- 5.00 Senior Project Engineer
- 1.00 Senior Mechanic
- 2.00 Utilities Engineer Estimator
- 14.00 Utilities Installer/Repairer
- 1.00 Utilities Installer/Repairer Assistant
- 6.00 Utilities Install/Rep-Lead
- 3.00 Utilities Install/Rep-Welding
- 3.00 Utilities Install/Rep-Welding-Lead
- 6.00 Utilities Supervisor
- 5.00 WGW Heavy Equipment Operator
- 5.00 WGW Utilities Field Inspector

This organizational chart represents citywide Full-Time Equivalents (FTEs) for this department. The Department Summary tables summarize FTEs by position allocation.

Description

The City of Palo Alto offers a full array of utility services to its citizens and businesses. Because of this, the City has a unique opportunity to partner with the Palo Alto community to enjoy the benefits and achievements of reliable, home-grown, and environmentally focused utilities. Palo Alto has a tradition of over 125 years of successful public utility operations. It is a tradition that continues to provide the Palo Alto community with safe and reliable utilities service, local decision-making over policies, utility rate-making, environmental programs, and customized services.

The City of Palo Alto Utilities (CPAU) continues to focus on customer service, infrastructure reliability, regulatory compliance, and cost containment. CPAU also supports the City's sustainability goals by building a low-carbon energy supply through renewable energy, carbon emission offsets and by promoting programs to help customers use energy and water more efficiently, reduce their carbon footprint, and help them integrate new technologies.

At CPAU, our people empower tomorrow's ambitions while caring for today's needs. We make this possible with our outstanding professional workforce, leading through collaboration, and optimizing resources to ensure a sustainable and resilient Palo Alto.

ADMINISTRATION

Utilities Administration is responsible for the overall management of CPAU including communication, regulatory compliance, strategic planning, budget coordination, legislation and regulatory policy analysis, and personnel and administrative support to the entire Department.

CUSTOMER SUPPORT SERVICES

Customer Support Services annually bills approximately \$350 million for the City's electric, natural gas, water, commercial fiber optic, wastewater collection (operated by CPAU), storm water management, and refuse (operated by Public Works) services; operates the Customer Service Call Center with 75,000 annual customer interactions; reads 90,000 utility meters per month; and implements Credit and Collection policies and financial assistance programs.

UTILITIES

ENGINEERING

Engineering is responsible for managing all phases of CPAU's capital improvement projects which include providing new or upgrading existing service to customers and replacing and rehabilitating the City's electric, fiber, gas, water, and wastewater distribution systems.

OPERATIONS

Utilities Operations is responsible for the operations, maintenance, and emergency response for the electric, fiber, gas, water, and wastewater distribution systems.

RESOURCE MANAGEMENT

Resource Management is responsible for the long-term resource acquisition plans for electricity, natural gas, and water; contract negotiations to acquire renewable resources; financial planning; rate development; energy efficiency and water conservation programs; and management of key accounts.

Accomplishments

- Established pilot area boundaries for Grid Modernization (Grid Mod) and Fiber-to-the-Premise (FTTP) projects. The pilot will determine the most efficient, least disruptive and most cost-effective way to implement residential electrification and provide fiber-speed internet services in residential neighborhoods. The pilot will serve approximately 1,200 residences. Once the pilot is completed the Grid Mod and FTTP projects will be expanded to approximately 5,000 additional residences.
- Execution of a public/private partnership with Tesla to expedite construction upgrade of Hanover Substation to increase electrical capacity to support new electrical load.
- Awarded \$16.5 million federal grant for Natural Gas Distribution Infrastructure Safety and Modernization to replace existing polyvinyl chloride (PVC) material distribution mains and services (gas main replacement projects).
- Succession planning and concerted efforts are underway to recruit, train, and retain line-workers, system operators, engineers, inspectors to maintain system and respond to outages effectively. Staff have also contracted with third-party contractors to supplement staff to undertake emergency response, maintenance, and capital improvement projects.
- Installed approximately 38,000 or 40% of advanced or smart electric, gas, and water meters as part of the Advanced Metering Infrastructure (AMI) project. The AMI meters will empower customers to more efficiently utilize energy and water, better enable customer adoption of distributed energy resources (DER) such as solar photovoltaics, energy storage, and electric vehicles, and enable the timely detection of water leaks. AMI will also enable Utilities to optimize operations and improve reliability by reducing restoration time for outages.
- New outage management system has substantially improved Utilities' ability to notify customers and mobilize resources in response to electric outages and emergencies.
- Approval of the Reliability and Resiliency Strategic Plan for the Electric Distribution Utility. The plan addresses the need for a modernized electric system with enhanced reliability to support an electrified community and a desire among community members for ways to maintain some level of electric supply during outages, particularly with an electrified home.
- 430 residents have installed or signed contracts to install a heat pump water heater. Nine multi-family (MF) properties representing 415 housing units (about 4% of all multi-family units in Palo Alto) have installed EV chargers facilitated through the City's EV programs.

Initiatives

- Complete construction of the Grid Mod and FTTP pilot to enable residential electrification and offer Palo Alto Fiber internet service to the 1,200 residences.
- Complete the development of the One Water Plan for Palo Alto to evaluate alternative water supplies, define existing and future uncertainties and supply risks, and identify community needs and priorities and serve as a long-term guide to better prepare for future uncertainties like multi-year drought.
- Add resources in the Development Service Center and continue collaboration with other City departments on efforts to streamline the permitting process related to rooftop solar, energy storage, building electrification, and electric vehicle charging infrastructure.
- Complete the 2023/2024 Sanitary Sewer Management Plan to comply with new state regulations applicable to the management of the City's sewer system.
- Complete deployment of the remaining 43,000 AMI electric, gas and water meters. Enable customers to view their daily interval utility consumption on the Utilities customer account services portal MyCPAU and subscribe to water leak alerts.
- Complete testing to comply with updated state and federal Lead and Copper Rule regulations requiring all water service lines be verified prior to October 2024.
- Commence a natural gas study to evaluate the preferred approach for downsizing the gas system and identifying potential locations to conduct as a proof of concept.
- Issue debt financing and continue to explore grant opportunities to fund phase 1 of the Grid Mod project.
- Continue working with the Utilities Advisory Commission (UAC), City Council, City departments, and community to implement and adopt initiatives and programs on the Sustainability and Climate Action Plan (S/CAP) and Utilities Reliability and Resiliency Strategic Plan.

Key Performance Measures

COMPARABLE AND COST-EFFECTIVE SERVICES

Goal	Ensure fiscally sound and cost-effective services.				
Objective	Reduce the cost of delivering services through best management practices.				
	FY 2022 Actuals	FY 2023 Actuals	FY 2024 Adopted Budget	FY 2024 Estimated	FY 2025 Adopted Budget
Palo Alto's average residential monthly utility bill above/below the median of neighboring cities	(20)%	(12)%	(10)%	(12)%	(12)%
Description	This compares the average residential monthly utility bill which includes electricity, gas, water, and wastewater services to the nearby communities (Menlo Park, Mountain View, Santa Clara, Hayward, Redwood City).				
Purpose	This measure compares the City's average utility rates charged to residents to other comparable cities (e.g., similar size, similar commodity purchase options, similar geography).				
Status	The monthly median utility bill for Palo Alto at the end of calendar year 2023 was lower compared to nearby communities (Menlo Park \$421, Redwood City \$388, Mountain View \$346, Hayward \$327, Santa Clara \$248). Palo Alto's monthly average residential utility bill was \$304, and for all the communities combined the average was \$346. Electric rates were significantly lower than PG&E though higher than Santa Clara. Natural gas rates were slightly higher than PG&E due to the price spike in the winter of 2022/23. Water rates were higher primarily due to differing system characteristics, levels of infrastructure investment, and sources of supply. Palo Alto's water supply comes from the San Francisco Public Utilities Commission (SFPUC), which is undergoing a \$4.8 billion improvement project, and Palo Alto is also investing more than other communities in improving our local distribution pipelines and enhancing our emergency water supply system.				

Key Performance Measures

CUSTOMER SATISFACTION

Goal	Provide excellent customer service.				
Objective	Maintain a high level of customer satisfaction, equal to or greater than 83 percent of Palo Alto citizens rating satisfaction of utility services as "Excellent" or "Good" in the Palo Alto Community Survey.				
	FY 2022 Actuals	FY 2023 Actuals	FY 2024 Adopted Budget	FY 2024 Estimated	FY 2025 Adopted Budget
Percent rating services (electric, gas, wastewater, and water) "Good" or Excellent"	85%	79%	85%	79%	79%
Description	This data is collected as part of the Palo Alto Community Survey that is conducted annually.				
Purpose	To get feedback on whether customers are satisfied with the nature, extent and delivery of services provided, using random-selection survey processes that include a good cross-section of the customer base.				
Status	The most recent Palo Alto Community Survey was completed in September 2023. The full report can be found on the City website: https://www.cityofpaloalto.org/Departments/City-Manager/Community-Engagement/Palo-Alto-Community-Survey .				

Workload Measures

	FY 2022 Actuals	FY 2023 Actuals	FY 2024 Adopted Budget	FY 2024 Estimated	FY 2025 Adopted Budget
Total cost of Capital Improvement Program annually (Millions)	\$27.20	\$35.00	\$123.60	\$99.00	\$68.00

UTILITIES

Budget Summary

	FY 2022 Actuals	FY 2023 Actuals	FY 2024 Adopted Budget	FY 2025 Adopted Budget	FY 2025 Change \$	FY 2025 Change %
Dollars by Fund						
Electric Fund	191,981,933	206,174,744	267,028,976	281,206,576	14,177,600	5.3%
Fiber Optics Fund	3,695,645	3,147,057	29,148,398	31,689,607	2,541,209	8.7%
Gas Fund	54,491,097	72,639,470	76,100,312	74,585,345	(1,514,967)	(2.0)%
Wastewater Collection Fund	19,163,957	24,819,213	25,375,497	25,108,669	(266,828)	(1.1)%
Water Fund	47,864,059	50,760,603	76,757,131	63,818,946	(12,938,184)	(16.9)%
Total Dollars by Fund	\$317,196,690	\$357,541,086	\$474,410,315	\$476,409,144	\$1,998,829	0.4%
Revenues						
Charges for Services	363,196	478,018	260,000	260,000	—	—%
Charges to Other Funds	388,740	357,665	337,970	337,970	—	—%
From Other Agencies	1,588,358	561,362	576,632	576,632	—	—%
Net Sales	269,707,701	333,653,237	345,541,823	359,968,805	14,426,982	4.2%
Operating Transfers-In	2,613,966	4,836,286	2,635,966	2,466,125	(169,841)	(6.4)%
Other Revenue	11,722,006	33,734,695	35,740,500	50,819,000	15,078,500	42.9%
Return on Investments	3,496,674	3,858,370	4,694,000	5,785,500	1,091,500	23.3%
Total Revenues	\$289,880,641	\$377,479,633	\$389,786,891	\$420,214,032	\$30,427,141	7.8%
Positions by Fund						
Electric Fund	113.58	121.42	121.61	128.65	7.04	5.8%
Fiber Optics Fund	6.90	6.55	10.55	10.55	—	—%
Gas Fund	53.57	55.35	54.86	56.10	1.24	2.3%
Utilities Administration Fund	19.46	20.46	22.29	22.15	(0.14)	(0.6)%
Wastewater Collection Fund	27.50	28.67	28.76	28.71	(0.05)	(0.2)%
Water Fund	46.83	47.65	47.59	49.10	1.51	3.2%
Total Positions by Fund	267.84	280.10	285.66	295.26	9.60	3.4%

ELECTRIC FUND

Description

On January 16, 1900, the City of Palo Alto began operation of its own electric system. A steam engine was the initial source of the City's electricity and was replaced by a diesel engine in 1914. As demand for electricity and the population continued to grow, the City of Palo Alto Utilities (CPAU) connected to the Pacific Gas and Electric distribution system and purchased power from additional sources.

The integrity of the infrastructure required for achieving a high level of reliability and value for customers is of paramount importance to CPAU. The Electric Fund strives to enhance the customer service connection experience, increase energy efficiency participation, and increase the percentage of electric supply obtained from renewable energy supplies. The City has entered into a number of contracts with producers of wind, landfill gas, and solar energy for more than 15-year terms.

Accomplishments

- 430 residents have installed or signed contracts to install a heat pump water heater (228 through the full-service Heat Pump Water Heater Pilot Program, 44 residents on their own, receiving a rebate from the City).
- As of June 2024, twelve multifamily properties representing 453 residential units (representing 4% of all multifamily units in Palo Alto) have installed a total of 82 charging ports facilitated through the City's EV programs, with another 15 multifamily projects in the pipeline representing an additional 1,021 multifamily units and 372 charging ports.
- Installed over 13,000 electric Advanced Metering Infrastructure (AMI) total meters as part of the AMI project.
- Overhead to Underground conversion project for wildfire mitigation efforts in the Foothills. This project is to reduce fire risks related to utility infrastructure and support reliability and resiliency. Phase 1 and 2 are completed, Phase 3 of this project is at approximately 70% completion.
- Electric operations launched a fault indicator program to improve reliability and reduce service interruptions. Utilizing fault detection devices and equipment will be a key component for grid modernization. The addition of fault indicators will enhance our grid in reducing outage times and provides engineering with circuit analysis.
- Due to the increased emphasis on the proactive infrastructure replacement program(s) and grid modernization, replacing infrastructure before failure is key to supporting reliability and resiliency. 65 electric utility poles were replaced in FY 2023 and 46 were completed in the FY 2024 cycle.

UTILITIES

- Completed the 2023 Integrated Resource Plan to ensure Palo Alto will have sufficient resources to reliably meet forecasted customer electrical energy and capacity needs in the most cost-effective way while satisfying environmental and other public policy objectives.
- Council approved extending the current 2009 Long-Term Layoff Agreement for the City's California-Oregon Transmission Project rights for ten years until February 1, 2034. The agreement represents approximately \$13 million in savings for Palo Alto.
- Completed the electric cost of service analysis.
- Added a new long-term contract for a geothermal electricity resource to help diversify the supply portfolio and acquire additional local capacity and round-the-clock renewable electricity.
- Sold 160,000 MWh of PCC1 (in-state) renewable energy credits, swapping them for less expensive PCC3 (out-of-state) renewable energy credits, yielding over \$3 million in net revenue to be applied to local decarbonization programs.

Initiatives

- Continue pursuing federal and state grant opportunities for electric grid modernization, electric vehicle chargers, sustainability and climate initiatives, and electrification programs.
- Develop and implement an electric grid modernization plan to increase system capacity and resiliency and allow community-wide electrification, including a phased roll out plan over the next several years.
- Collaborate with the Planning Department to develop new codes and ordinances to facilitate electrification in existing buildings and new construction projects where feasible.
- Develop electric rates compatible with electrified homes, Electric Vehicle (EV) charging, and solar + storage microgrid customers.
- Expand EV charging access for multi-family and income-qualified residents.
- Convert all Palo Alto municipal vehicles to EVs when feasible and when the replacement is operationally acceptable.
- Partner with employers and business districts to promote commuter EV adoption and EV charging access as well as alternative commute promotion.
- Design and identify pilot area for whole residential home electrification and gas decommissioning.
- Enhance and promote the Advanced Heat Pump Water Heater Pilot Program with the goal of reaching at minimum 10 installations per week on average by the end of 2024 (500 per year), and ideally 20 per week (1,000 per year).
- Continue progress on a new potential 115kV electric interconnection, which would enhance City electric power reliability and resilience. Efforts will involve risk analysis, power flow studies, and formal requests to the California Independent System Operator (CAISO).
- Continue undergrounding the new 12kV Electric and Fiber Optic distribution system in the foothills. This multi-year project will be conducted in one to two miles sections and is scheduled to be completed in FY 2025.
- Rebalance the electric portfolio including reaching a decision regarding the City's Western Resource.
- Conduct a preliminary analysis of the cost of 24x7 carbon-free electricity.
- Add additional carbon-free electric resources to the supply portfolio.

Goals and Objectives

Goal 1

Provide safe and reliable delivery of electric services to customers.

Objectives:

- Develop a plan to complete a second electric transmission line source to improve service reliability.
- Accelerate network component upgrade (wire, cable, transformers, and substation equipment) to support new electrification load through the Grid Modernization (GMOD) effort.
- Implement activities outlined in the Utilities Wildfire Mitigation Plan to reduce the possibility of fires in the western foothills of Palo Alto caused by overhead electric lines.
- Increase emphasis on the proactive infrastructure replacement program, replacing infrastructure before failure, to support reliability and resiliency.
- Enhance planned maintenance programs for all utilities through clearly defined maintenance plans, improved management reporting, and developing innovative ways to ensure efficient completion of all maintenance.
- Implement activities from the Reliability and Resiliency Strategic Plan to maintain and enhance community reliability, resiliency, grid capacity, and grid modernization

Goal 2

Increase environmental sustainability and promote efficient use of resources.

Objectives:

- Achieve cumulative 10-year energy efficiency savings of 4.4 percent of the electric load by 2031.
- Facilitate the acceleration of Electric Vehicle (EV) adoption by both Palo Alto-based and inbound vehicles by providing EV education and outreach, incentives for electric infrastructure upgrades and more charging infrastructure.
- Expand effort to lower greenhouse gas emissions by promoting electrification of buildings in Palo Alto.

UTILITIES

Key Performance Measures

ENVIRONMENTAL SUSTAINABILITY

Goal	Support environmental sustainability and promote efficient use of resources.				
Objective	Achieve Renewable Portfolio Standard (RPS) of at least 50 percent by 2030.				
	FY 2022 Actuals	FY 2023 Actuals	FY 2024 Adopted Budget	FY 2024 Estimated	FY 2025 Adopted Budget
Percent of retail electric sales volume provided by renewable supply resources under long-term PPAs	39%	39%	39%	41%	44%
Description	This measures the fraction of the City's retail electric sales volume that is provided by renewable supply resources that are under long-term power purchase agreements (PPAs).				
Purpose	The Clean Energy and Pollution Reduction Act (SB 350) of 2015 raised the state's renewable portfolio standard (RPS) to 50 percent by 2030 and required a doubling of energy efficiency savings by 2030.				
Status	The City sold Bucket 1 renewable energy credits (RECs) in Q1-Q4 FY 2023 accordingly, which caused the City's RPS levels to drop to a new norm (compared to the levels in FY 2019 and other previous years), but the City still remains in compliance with its RPS requirements. Under the updated Carbon Neutral Plan that was approved by Palo Alto City Council in August 2020, the City was authorized to sell all Bucket 1 RECs exceeding the amount required to comply with the City's RPS requirements, and to replace them with Bucket 3 REC purchases. RPS compliance is based on aggregate RPS procurement over the entire compliance period (2021-2024), which ensures that the City is still in compliance with the state RPS requirements.				

ENVIRONMENTAL SUSTAINABILITY - SOLAR

Goal	Support environmental sustainability and promote efficient use of resources.				
Objective	Increase the penetration of local solar installations.				
	FY 2022 Actuals	FY 2023 Actuals	FY 2024 Adopted Budget	FY 2024 Estimated	FY 2025 Adopted Budget
Cumulative installed capacity of photovoltaic (PV) systems measured in megawatts (MW)	16	19	16	20	21
Description	This represents the cumulative installed capacity of PV systems in Palo Alto, measured in MW. It includes PV systems installed prior to the passage of California Senate Bill 1 (SB1), which enacted the Million Solar Roofs Initiative and expands upon the current California Solar Initiative (CSI) and the Energy Commission's New Solar Homes Partnership (NSHP).				
Purpose	This measure supports the City's goal of achieving a 100 percent carbon neutral electric supply portfolio, meeting 4 percent of the City's electricity needs through local solar by 2023, and complying with California Senate Bill 1 (SB1) to increase PV installations. Increasing the cumulative installed capacity of PV systems will also benefit the environment and expand the flexibility of the City's electric generation portfolio.				

Key Performance Measures

Status	In FY 2023, a total of 171 residential PV systems and 5 nonresidential PV systems were installed, bringing the cumulative total to 1,342 residential PV installations and 106 nonresidential PV installations since 1999 when CPAU launched the PV Partners Program to incentivize local PV system installations.
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SYSTEM RELIABILITY

Goal	Provide safe and efficient delivery of electric services to customers.				
Objective	Provide exceptional system reliability.				
	FY 2022 Actuals	FY 2023 Actuals	FY 2024 Adopted Budget	FY 2024 Estimated	FY 2025 Adopted Budget
Average duration of customer outages in minutes as reported using industry guidelines	80	115	100	120	120
Description	System Average Interruptible Duration Index (SAIDI) is a measure of outage duration. It measures the number of minutes over the year that the average customer is without power.				
Purpose	Reliability indices were introduced in order to keep track of utility performance. This information will help Utilities prioritize capital and operating spending so that reliability can be improved without increasing costs.				
Status	There were a total of 64 outages experienced in FY 2023, of which 51 outages were weather-related and 13 were equipment failures. As of June 2024, there were 62 outages; of that 32 were weather-related. It is anticipated that the equipment-related outages will decline over time as aged infrastructure are replaced.				

Workload Measures

	FY 2022 Actuals	FY 2023 Actuals	FY 2024 Adopted Budget	FY 2024 Estimated	FY 2025 Adopted Budget
Number of Customer Accounts (Electric)	29,863	30,002	30,112	30,138	30,138
Number of momentary outages*	1	0	0	1	0
Percent of residents surveyed who rate the quality of the Electric Utility as "Good" or "Excellent"	80%	74%	90%	74%	74%
Total Number of Outages	22	64	25	65	40

*The most recent Palo Alto Community Survey was completed in September 2023. The full report can be found on the City website: <https://www.cityofpaloalto.org/Departments/City-Manager/Community-Engagement/Palo-Alto-Community-Survey>.

FIBER OPTICS FUND

Description

In 1996, the City built a dark fiber ring around Palo Alto capable of supporting multiple network developers and service providers with significant growth potential. The fiber backbone network was routed to pass by and provide access to key City facilities and the Palo Alto business community, including research centers and commercial properties.

Dark fiber optics service consists of providing the fiber optics cabling, splice points, service connections, and other infrastructure providing high-capacity bandwidth needed to transport large quantities of data. This service excludes the transmitters, receivers, and data itself, which are owned and operated by each customer.

Accomplishments

- Completed first iteration of a fiber management system (FMS) to plan, design, construct, and manage the City's fiber network.
- Dedicated internal resources to implement and coordinate Fiber-to-the-Premise (FTTP) project and Electric Grid Modernization project to implement the pilot.
- Finalized the pilot area for FTTP and Grid Mod at Embarcadero Rd, Louis Rd, Colorado Ave, Greer Rd, and West Bayshore Rd servicing about 1,200 customers.
- Finalized fiber construction drawings, reviewed bids, and awarded contract for the Fiber Hut.
- Secured space at the Equinix data center for FTTP network equipment and connections to Internet providers.

Initiatives

- Expanding the fiber backbone and undergrounding fiber in the Foothills to provide internet service to residents, wireless communication to City staff, and fiber connectivity for advanced metering infrastructure (AMI) and water reservoir.
- Issue invitations for bids for construction and request for proposals for operations for Phase 1 of FTTP, which may reach an additional 5,000 customers, from 1,200 customers to 6,200.
- Determine best mix of existing resources, new hires and strategic vendors for FTTP.
- Launch FTTP to residents and businesses offering fast speed, reliable, and affordable internet service in the pilot and phase 1 areas.

UTILITIES

- Begin building a new fiber backbone to support utilities, City departments, dark fiber customers and FTTP.
- Conduct a cost and benefit analysis and market comparison of dark fiber pricing.

Goals and Objectives

Goal 1

Increase the value of fiber utility services to customers through the City's Fiber-to-the-Premise (FTTP) business.

Objectives:

- Provide high-quality, competitively priced fiber optic utility services to City departments and commercial customers in the City of Palo Alto.
- Manage costs and add new dark fiber license agreements with commercial customers.
- Offer affordable, fast, reliable and secure internet service to residents and businesses.

Goal 2

Expand capacity and enhance reliability of the City's fiber network.

Objectives:

- Ensure sufficient fiber optic cables are available to meet future City and customer needs.
- Reinvest and make system enhancements to prevent damage from outside sources and improve reliability.

Key Performance Measures

CUSTOMER SATISFACTION

Goal	Provide excellent customer service.				
Objective	Provide high-quality and competitively-priced fiber optic utility services to City departments and commercial customers in the City of Palo Alto.				
	FY 2022 Actuals	FY 2023 Actuals	FY 2024 Adopted Budget	FY 2024 Estimated	FY 2025 Adopted Budget
Number of commercial fiber connections	168	169	157	164	170
Description	This measure shows the growth of the Fiber Enterprise based on customers and connections. Estimates are based on analyzing the number of upcoming developments, anticipating how many customers would sign on for Fiber, and taking into account how many existing connections may result in disconnections such as companies leaving. Some customers may also have multiple fiber connections at various locations.				
Purpose	The purpose of this measure is to add value to companies doing business in Palo Alto by providing a cost-effective, world class telecommunications system. The goal is to build out and fully leverage the fiber network to add value to the business and other communities as needed.				
Status	The Fiber enterprise Utility has 137 commercial customer connections and 32 City customer connections. As part of the City's fiber expansion project, there will be opportunities to add new dark fiber leasing to commercial customers in areas where the existing dark fiber ring does not serve.				

Workload Measures

	FY 2022 Actuals	FY 2023 Actuals	FY 2024 Adopted Budget	FY 2024 Estimated	FY 2025 Adopted Budget
Number of Customer Accounts (Fiber)	45	42	45	41	39
Number of Wholesale re-sellers	14	12	14	13	14

GAS FUND

Description

The municipal natural gas system began operations in 1917 when Palo Alto acquired a privately-owned gas business. During the early years, gas was manufactured from coal tar. Gas supplied by coal tar was replaced in the 1920s by natural gas supplied from Pacific Gas and Electric (PG&E). Today, all gas for the City of Palo Alto is purchased from PG&E. The Gas Utility is responsible for planning, designing, and budgeting the operations, maintenance, and constructing major capital improvements for the City's gas distribution system.

Accomplishments

- Awarded \$16.5 million from Department of Transportation funding from the Natural Gas Distribution Infrastructure Safety and Modernization program to enhance safety of the City's natural gas distribution infrastructure.
- Implemented winter 2023-24 strategy for mitigating potential gas commodity price spikes.
- Completed the Gas Main Replacement 24A (GS-14003) project around the Stanford Shopping Center, with replacement of approximately 2,500 linear feet of 4" Polyvinyl Chloride (PVC) gas main with 4" Polyethylene (PE) gas main and associated services.
- Retrofitted over 12,000 gas Advanced Metering Infrastructure (AMI) total meters as part of the AMI project.
- Replaced a 400 foot section of steel gas main on Seneca St between Forest Ave and Homer Ave.
- Started construction on Gas Main Replacement 24B (GS-14003) project to replace 18,000 linear feet of PVC gas main with PE gas main in various neighborhoods throughout the City of Palo Alto.

Initiatives

- Commence a study in FY 2025 to evaluate the preferred approach for downsizing the gas system and identifying potential locations to conduct as a proof of concept.
- Complete the construction of Gas Main Replacement Project 24B (GS-14003) portion of the project, in March of 2025 to replace 18,000 linear feet of gas mains and natural gas service pipelines made of Polyvinyl Chloride (PVC).
- Retrofit the remaining 16,000 gas meters to make them AMI-compatible.
- Apply for subsequent years of the Natural Gas Distribution Infrastructure Safety Modernization multi-year grant to accelerate gas main replacement capital projects and enhance safety of the City's natural gas distribution infrastructure.
- Recommend a long-term gas hedging strategy to Council to mitigate future gas commodity price spikes.

UTILITIES

- Begin phase IV of the cross-bore verification program to inspect 400-500 sewer laterals in areas with high density and where gas service and sewer lateral are within 15 feet or less.

Goals and Objectives

Goal 1

Provide safe and efficient delivery of natural gas to customers.

Objectives:

- Continue repairing 100 percent of laterals damaged by crossbore within 24 hours.
- Remove and replace the remaining Polyvinyl Chloride (PVC) pipe with Polyethylene (PE) pipe.
- Complete a mobile gas leak survey of all distribution mains annually and complete a walking gas leak survey of all gas services, for 50 percent of the City, each year. Complete a walking leak survey of all gas services within business districts each year.

Goal 2

Increase environmental sustainability and promote efficient use of natural gas resources.

Objectives:

- Reduce the carbon intensity of the gas portfolio in accordance with the Sustainability and Climate Action Plan (S/CAP) using offsets.

Key Performance Measures

GAS LEAKS REPAIRED

Goal	Provide safe and efficient delivery of natural gas to customers.				
Objective	Respond to and repair all Grade 1 gas leaks immediately.				
	FY 2022 Actuals	FY 2023 Actuals	FY 2024 Adopted Budget	FY 2024 Estimated	FY 2025 Adopted Budget
Percentage of Grade 1 leaks responded to within 24 hours	100%	100%	100%	100%	100%
Description	This measures the total response time to Grade 1 leaks found during the walking and mobile (vehicle) surveys and any reported leaks classified as Grade 1. The City's policy is to respond and repair Grade 1 leaks within 24 hours. Grade 1 leaks are hazardous leaks that pose an immediate hazard to persons or property and require continuous action until conditions are no longer hazardous.				
Purpose	Leaks are assigned priority gradings according to location, extent of migration, gas concentration, potential for concentration, ignition sources, and potential hazard to the public and property. These priority grades are intended only as guidelines.				
Status	Utilities Operations responds immediately to Grade 1 leaks. The average repair time can vary depending on the size and location of the gas leak.				

Key Performance Measures

GAS SAFETY

Goal	Provide safe and efficient delivery of natural gas to our customers.				
Objective	Complete a walking gas leak survey for 50 percent of the City and a mobile gas leak survey of services in business districts and 100 percent of the City’s gas mains on an annual basis.				
	FY 2022 Actuals	FY 2023 Actuals	FY 2024 Adopted Budget	FY 2024 Estimated	FY 2025 Adopted Budget
Percentage of gas system surveyed by mobile (vehicle)	100%	100%	100%	100%	100%
Percentage of gas system surveyed by walking	100%	100%	100%	100%	100%
Description	A walking survey is conducted to check for gas leaks on service/gas meters and covers one-half of the City (approximately 105 miles of gas mains and 36 miles of service lines) every year, so that the entire City’s gas service system can be reviewed in a two-year period. The Federal Department of Transportation (DOT) regulations require a survey of the entire City once every five years. In addition to a walking survey, a mobile (vehicle) survey of all gas mains and some gas service lines (services in the business district) are conducted annually.				
Purpose	To ensure the safety of all who live and work in Palo Alto and to comply with Federal DOT requirements.				
Status	The department is meeting the requirements and repairing all discovered gas leaks in a timely manner.				

Workload Measures

	FY 2022 Actuals	FY 2023 Actuals	FY 2024 Adopted Budget	FY 2024 Estimated	FY 2025 Adopted Budget
Number of Customer Accounts (Gas)	23,781	23,837	23,818	23,818	23,818
Number of gas leaks repaired	102	102	110	90	100

WASTEWATER COLLECTION FUND

Description

In 1898, Palo Alto approved \$28,000 in bond money to fund construction of the City's first sewer network, which was completed in 1899. Private cesspools and privies were banned, and the City Health Officer had residents connected to the sewer system within a few years.

Wastewater Collection's staff is responsible for design, construction, operation, and maintenance of approximately 216 miles of sewer mains and approximate 18,000 City-owned laterals. Staff continues overlapping the design and construction elements of rehabilitation and augmentation projects. Wastewater Collection's priorities are: maintaining infrastructure reliability; identifying problems in mains and service laterals through expanded use of video technology; complying with all regulatory requirements; and maintaining its excellent safety record.

Accomplishments

- Completed Sanitary Sewer Replacement Project 31 (WC-19001) on time and under budget which consists of replacement of approximately 10,924 linear feet of sanitary sewer mains and associated laterals on El Camino Real between Page Mill Road and Cesano Court.
- Awarded professional services contract to update the 2004 Sewer Master Plan Study of the wastewater collection system. The sewer master plan study will evaluate the City's existing wastewater collection system, flows, and flow patterns to determine the adequacy of the system's hydraulic capacity to meet current and anticipated future wastewater flow demands.

Initiatives

- Complete replacement of sanitary sewer overflow monitoring units in 39 sewer manholes throughout the City.
- Complete the 2024-2025 Sewer Master Plan Study of the wastewater collection system. The study will consist of flow analysis, recalibration of the sewer system hydraulic model, and prioritize capital improvement projects. The anticipated completion is in the spring of 2025.

UTILITIES

- Monitor the financial health of the Wastewater Collection Fund and make structural adjustments to replenish reserves and accelerate sewer main replacements from 1 mile to 2.5 miles per year.

Goals and Objectives

Goal 1

Maintain and provide reliable and cost-effective wastewater services to customers.

Objectives:

- Clean and maintain sewer mains in commercial areas on a quarterly basis.
- Clean and video a minimum of 17% of the City-owned laterals annually to comply with the City's Sewer Overflow Reduction Plan.
- Maintain the integrity of the City's wastewater collection system by replacing mains and laterals as identified in the Wastewater Collection System Rehabilitation/Augmentation Capital Improvement Project plan.
- Minimize sanitary sewer overflows and stoppages.
- Maintain a fleet of dependable vehicles to provide high quality cleaning and servicing of the sewer system.

Key Performance Measures

MAINTAIN AND PROVIDE RELIABLE SERVICES

Goal	Maintain and provide a reliable wastewater system to customers.				
Objective	Clean and video a minimum of 17 percent of the City-owned laterals annually to comply with the City's Sewer Overflow Reduction Plan.				
	FY 2022 Actuals	FY 2023 Actuals	FY 2024 Adopted Budget	FY 2024 Estimated	FY 2025 Adopted Budget
Percentage of sewer laterals inspected annually	23%	16%	17%	13%	13%
Description	The purpose of the Sewer System Management Plan (SSMP) is to maintain and improve the condition of the collection system infrastructure; control infiltration and provide appropriate sewer capacity; and minimize the number and impact of sanitary sewer overflows. The goal is to perform sewer main cleaning of the entire collection system every 30 months (81.6 miles per year). This measures inspections and maintenance of 17 percent of City-owned laterals annually using closed-circuit television (CCTV) inspection data, including results of the on-going crossbore lateral inspection program, to target sewer mains and lower laterals for rehabilitation and replacement.				
Purpose	To prevent blockage, sewer overflows, and to comply with the City's SSMP, all the City's sewer mains must be cleaned within 30 months.				
Status	The City has not met the objectives of its SSMP in FY 2024 due to staffing resources. Staff anticipate that staffing levels will return to normal in FY 2025.				

Workload Measures

	FY 2022 Actuals	FY 2023 Actuals	FY 2024 Adopted Budget	FY 2024 Estimated	FY 2025 Adopted Budget
Number of Customer Accounts (Wastewater)	22,393	22,499	22,482	22,482	22,482
Number of miles of sewer lines cleaned/ treated in a fiscal year	82	99	90	90	95
Percent of sewage spill responses within two hours	96%	98%	100%	95%	95%
Percent of surveyed residents rating the quality of the Sewer Service as good/ excellent*	95%	85%	86%	87%	90%
Number of sewage overflows	52	37	50	50	50
Percent of miles of sewer lines replaced	0.40%	0.00%	0.95%	1.00%	0.00%

* The most recent Palo Alto Community Survey was completed in September 2023. The full report can be found on the City website: <https://www.cityofpaloalto.org/Departments/City-Manager/Community-Engagement/Palo-Alto-Community-Survey>.

WATER FUND

Description

From 1895 until 1928, the City's water supply came from deep wells. When the groundwater supply started to decline, water was purchased from the San Francisco Regional Water System to supplement the local water system. Since 1962, when Palo Alto's wells were discontinued as the primary water system, 100 percent of the water has come from the Regional Water System: 85 percent derived from snow melt flowing into the Hetch Hetchy Reservoir and the balance from runoff stored in San Francisco Bay Area reservoirs. The Water Fund focuses on increasing infrastructure reliability and responsiveness to meet the City's water supply needs during an emergency; maintaining high-quality and reliable sources of water; updating water efficiency goals; and implementing water efficiency programs and services. Additionally, the Engineering Division is implementing a seismic upgrade to the existing reservoirs, wells and receiving stations to increase supply reliability during catastrophic emergencies.

Accomplishments

- Completed construction of Water Main Replacement Project 28 (WS-14001) and replaced approximately 13,700 linear feet of water main pipelines in various locations throughout the City.
- Completed design of Water Main Replacement Project 29 (WS-15002) to replace approximately 8,000 linear feet of water main pipelines in Evergreen Park and Ventura neighborhoods, as well as California Business District. The construction of this project started in November 2023 and the anticipated completion is in August 2024.
- Exchanged or retrofitted over 13,000 water Advanced Metering Infrastructure (AMI) total meters as part of the AMI project.
- Completed the two turnouts (a.k.a. water receiving stations) Project (WS-07000). The work at California Avenue turnout included a seismic retrofit of the facility, replacement of all piping, electrical and SCADA upgrades, added roof access from street, drainage improvements, and lead paint removal. Page Mill Turnout included work to restrain a valve to remove an unsafe condition to operators working in the vault.
- Began the One Water Plan, a long-term 20 year water supply plan to address supply reliability, droughts, and climate change. Held two community workshops on community water needs and priorities as well as exploring water supply options. Developing initial results to share with the community in spring/summer 2024. More information and links are available on Palo Alto's One Water Plan website: <https://www.cityofpaloalto.org/Departments/Utilities/Sustainability/Water-Efficiency/One-Water-Plan>

Initiatives

- Complete the development of the One Water Plan for Palo Alto to evaluate alternative water supplies, define existing and future uncertainties and supply risks, and identify community needs and priorities and serve as a long-term guide to better prepare for future uncertainties like multi-year drought.
- Complete the tests for lead and copper in water service laterals in elementary schools and childcare facilities by Oct 2024 and to comply with the revised Environmental Protection Agency's lead and copper rule.
- Complete construction of Water Main Replacement Project 29 (WS-15002). The project will complete replacement of approximately 8,600 linear feet of water main pipelines and associated services on streets around California Avenue, downtown, and along Park Avenue.
- Complete design of Water Main Replacement Project 30 (WS-15002) to replace approximately 8,000 linear feet of water main pipelines and associated services on streets around Towle Place, Christine Drive, and Lambert Avenue.
- Exchange or retrofit the remaining 13,000 water meters to make them AMI-compatible.
- Allocate more resources to the Backflow Prevention Program to ensure wastewater does not flow back into the potable water distribution system and to comply with the State Water Resource Control Board's backflow program requirements.
- Execute contract for engineering design for the seismic retrofit of Park and Dahl Reservoirs.

Goals and Objectives

Goal 1

Provide safe and clean drinking water for customers.

Objectives:

- Ensure drinking water meets all regulatory standards.
- Maintain and update water infrastructure to ensure reliable service.
- Educate customers about backflow prevention as part of the City's Cross Connection Control Program.
- Ensure adequate water supplies are available to meet existing and future water demands.
- Complete storage and supply upgrades to water system (e.g. reservoirs, receiving stations, and wells).

Goal 2

Increase environmental sustainability of the water supply system.

Objective:

- Increase water conservation and efficiency participation.
- Complete the One Water Plan which will identify the best water supply alternatives.

Key Performance Measures

PROVIDE SAFE AND CLEAN DRINKING WATER FOR OUR CUSTOMERS

Goal	Provide safe and clean drinking water for customers.				
Objective	Ensure drinking water meets all regulatory standards.				
	FY 2022 Actuals	FY 2023 Actuals	FY 2024 Adopted Budget	FY 2024 Estimated	FY 2025 Adopted Budget
Percent of customer-owned water backflow prevention devices in compliance	89%	90%	90%	90%	90%
Description	Customer-owned and maintained backflow devices are an integral part of the City's Cross Connection Control Program, which began in early 2010. The devices help to ensure that no contaminants of any kind (e.g. chemicals, debris, reclaimed water) enter the potable water system.				
Purpose	The California Department of Public Health provides regulations for the City and its customers through California Code of Regulations, Title 17. These regulations specify the types of hazards that require backflow devices.				
Status	The City is achieving a compliance rate of up to 90 percent on an annual basis. There are 4,632 active backflow devices in compliance. This number is growing every year as current codes require backflow installation for residences as well as commercial properties.				

WATER EFFICIENCY

Goal	Increase environmental sustainability of the water supply system.				
Objective	Increase water conservation and efficiency participation.				
	FY 2022 Actuals	FY 2023 Actuals	FY 2024 Adopted Budget	FY 2024 Estimated	FY 2025 Adopted Budget
Annual savings achieved through water efficiency programs as a percentage of total sales	1.31%	1.38%	0.70%	1.35%	1.40%
Description	The department measures specific savings achieved by the installation of water efficiency improvements through the programs that the City offers through the Santa Clara Valley Water District. The California drought greatly affected the City's water savings numbers with the largest amount of savings attributed to the non-residential installation of drought tolerant landscapes and water efficient irrigation hardware.				
Purpose	Improving water efficiency for homes and businesses can result in water supply, water operations, and wastewater processing savings. This measure supports the Water Fund's long-term goal to exceed the Making Conservation a California Way of Life requirements by 5%. Previously, this measure supported the ten-year goal to reduce expected water use by 20 percent by 2020.				
Status	Water savings were high in FY 2023, led by savings from the Landscape Conversion Rebate Program.				

UTILITIES

Key Performance Measures

WATER QUALITY

Goal	Ensure the provision of safe and clean drinking water for customers.				
Objective	Safe testing of drinking water to meet all regulatory standards.				
	FY 2022 Actuals	FY 2023 Actuals	FY 2024 Adopted Budget	FY 2024 Estimated	FY 2025 Adopted Budget
Percentage of samples passed from all sampling stations	100%	100%	100%	100%	100%
Description	The City of Palo Alto (CPA) regularly collects and tests water samples from connection points between the San Francisco Public Utilities Commission/City of Palo Alto (SFPUC/CPA), storage reservoirs, emergency wells, residential areas, and sample station locations within the distribution system to ensure that the water quality meets all California Department of Public Health (CDPH) and U.S. Environmental Protection Agency (EPA) prescribed regulations that limit the amount of contaminants in the drinking water. The City has 18 sampling stations and collects 84-105 samples monthly to test levels of chlorine residual, coliform and pH levels are within regulatory guidelines. All sample results are reported to CDPH on a monthly basis.				
Purpose	Complying with regulations guarantees the City maintains its high standards of water quality and avoids fines.				
Status	Palo Alto drinking water continues to be in complete compliance with all existing county, state, and federal standards for water quality.				

Workload Measures

	FY 2022 Actuals	FY 2023 Actuals	FY 2024 Adopted Budget	FY 2024 Estimated	FY 2025 Adopted Budget
Percent of miles of water mains replaced	0.20%	0.00%	0.7%	0.66%	0.00%
Number of Customer Accounts (Water)	20,650	20,533	20,616	20,616	20,616
Percent of surveyed rating the quality of the Drinking Water (Water) as "Good" or "Excellent"*	91%	87%	89%	87%	90%

* The most recent Palo Alto Community Survey was completed in September 2023. The full report can be found on the City website: <https://www.cityofpaloalto.org/Departments/City-Manager/Community-Engagement/Palo-Alto-Community-Survey>.