



FY 2024 PROPOSED BUDGET HEARINGS INFRASTRUCTURE AND ENVIRONMENT SERVICE AREA

Public Works & Utilities Departments

Please refer to Dept Sections for Page Numbers

MAY 9, 2023

www.cityofpaloalto.org/budget

FY 2024 PROPOSED BUDGET SUMMARY (MAY 9)

Infrastructure & Environment	FY 2023 Adopted	FY 2024 Proposed	% change	FY 2023 Adopted FTE	FY 2024 Proposed FTE	% change
General Fund	\$20.1 M	\$22.8 M	13.4%	50.34	52.19	3.7%
Other Funds	\$663.8 M	\$627.7 M	(5.4%)	403.58	412.90	2.3%

Department	General Fund Revenue	General Fund Expenses	General Fund FTE	All Funds Revenue	All Funds Expenses	All Funds FTE
Utilities	\$0	\$0	0.00	\$413.8M	\$469.2M	285.66
Public Works	\$3.7M	\$22.8M	52.19	\$146.5M	\$181.3M	179.43*

*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

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FY 2024 RECOMMENDED RATES & 5-YEAR OUTLOOK

	FY 2023 ¹	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Electric Utility ²	\$22.70 37%	(\$4.20) -5%	\$3.90 5%	\$4.10 5%	\$4.40 5%	\$4.60 5%
Gas Utility ³	\$2.60 4%	\$5.20 8%	\$4.90 7%	\$3.70 5%	\$3.90 5%	\$4.10 5%
Wastewater	\$1.30 3%	\$4.00 9%	\$4.40 9%	\$4.80 9%	\$4.60 8%	\$3.10 5%
Water Utility	\$8.00 9%	\$5.90 6%	\$4.20 4%	\$3.30 3%	\$3.40 3%	\$5.80 5%
Refuse	\$0.00 0%	\$0.00 0%	\$1.50 3%	\$1.50 3%	\$1.60 3%	\$1.60 3%
Storm Drain ⁴	\$0.60 4%	\$0.80 5%	\$0.70 4%	\$0.70 4%	\$0.70 4%	\$0.80 4%
Monthly Bill Change ⁵	\$35.20 11%	\$11.70 3%	\$19.60 5%	\$18.10 5%	\$18.60 4%	\$20.00 5%

1 FY23 reflect rates in effect as of 1/1/23.

2 FY23 37% includes 4/1/22 hydro rate adjuster (HRA) activation 10%, 7/1/22 5% rate increase, 1/1/23 HRA increase 19%; FY24 –5% includes 21% increase, deactivation of HRA.

3 Gas utility rates shown exclude gas market price changes. FY 24 bill forecast with projected market price changes is (-13%).

4 Storm drain fees increase by CPI index annually per approved 2017 ballot measure.

5 Based on a FY 2023 average monthly bill of \$369.

FY 2024 BUDGET SUMMARY (UTILITIES – ELECTRIC)

Community Impact

Major efforts underway to invest in the electric grid infrastructure to support electrification such as developing an electric grid modernization plan and obtaining grants, in addition to ongoing efforts such as launching the new outage management system and performing a cost of service study.

Major Proposed Changes in Electric Fund

- Budget alignments for the low carbon fuel standard (LCFS) program, which supports electric vehicle (EV) programs to reduce greenhouse gas (GHG) emissions.
- Recognize \$24M one-time revenue from Bureau of Reclamation settlement
- \$25M increase in capital expenses for grid modernization project

FY 2024 DEPARTMENT OUTLOOK

(UTL – ELECTRIC)

- Grid modernization will require heavy investments in contract services, equipment, and staffing
- Implementation of the electric advanced metering infrastructure (AMI) will enhance distribution optimization and distributed energy resources (DER) programs
- Department of Energy (DOE) grants will alleviate some of the funding constraints of electrification
- Electric Cost of Service Analysis (COSA) to inform on rates

FY 2024 BUDGET SUMMARY (UTILITIES – FIBER)

Community Impact

December 2022 Council approval to construct a new fiber backbone and start providing new fiber broadband internet services to the community will significantly impact the allocation of resources in this fund.

Major Proposed Changes in Fiber Fund

- Add key positions to support the dark fiber network expansion and fiber-to-the-premises (FTTP) project to provide new fiber broadband internet services to the community.
 - Assistant Director
 - Sales & Marketing Manager
 - Outside Plant Manager
 - Sr. Network Engineer/Architect

FY 2024 DEPARTMENT OUTLOOK

(UTL – FIBER)

- Add dark fiber in the Foothills to improve City communications
- Invest resources to evaluate cost-sharing construction opportunities with other CIP projects
- Issue construction bids and proposals related to fiber backbone expansion and FTTP summer 2023

FY 2024 BUDGET SUMMARY (UTILITIES - GAS, WASTEWATER, WATER)

Community Impact

The City will need to maintain reserve levels while updating aging infrastructure in spite of rising costs. Efforts to maintain and update utilities infrastructure must be balanced with anticipated changes in future demand, such as shifts in usage from implementing S/CAP initiatives resulting in the phasing out of gas-based consumer end uses.

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

- Accelerate sewer replacement schedule from 1 to 2.5 miles to replace aging pipes
- Lead and copper testing for water service laterals to comply with new Environmental Protection Agency (EPA) regulation
- Continue Gas Cross Bore Inspections Program to investigate remaining sewer lateral inspections

FY 2024 DEPARTMENT OUTLOOK

(UTL - WGW)

- Invest resources to study the downsizing of gas in anticipation of changes in future uses
- Continue to maintain a safe and reliable system for delivering existing services through ongoing inspections and replacements or upgrades, where necessary
- Obtain alternative funds, such as the DOE grant for natural gas distribution infrastructure safety and modernization



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PUBLIC WORKS

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FY 2024 BUDGET SUMMARY (PUBLIC WORKS)

Community Impact

FY 2024 budget proposals address staffing levels for maintenance of City facilities and changes as the new Public Safety Building opens. The proposals also support electrification of City facilities and appropriate staffing for development plan review.

Major Proposed Changes in General Fund

- Add 1.0 FTE Project Manager
- Add 1.0 FTE Facilities Technician
- Initial funding for City Hall security services when new PSB opens
- Convert 1.0 FTE Engineering Technician III to 1.0 FTE Associate Engineer

FY 2024 DEPARTMENT OUTLOOK (PUBLIC WORKS)

- Recover from unprecedented staff vacancies that have impacted service and project delivery capacity
- Pivot from three years of S/CAP Update work to implementation and 3-Year Workplan following Council approval
- Continue implementation of new Tree Protection Ordinance while evaluating potential modifications
- Continue delivery of 2014 Council Infrastructure Plan capital projects, with opening of Public Safety Building and completion of Fire Station 4 design

FY 2024 BUDGET SUMMARY (PUBLIC WORKS – OTHER FUNDS)

Community Impact

Proposals address staffing needed for increased workloads at the RWQCP, and to efficiently deliver landfill maintenance and fleet maintenance functions.

Major Proposed Changes in Enterprise and Internal Service Funds

- Add 1.0 FTE Project Engineer and 1.0 Engineer in the Wastewater Treatment Fund
- Add a 1.0 FTE Chemist in the Wastewater Treatment Fund
- Convert a 1.0 FTE Street Maintenance Assistant in the Refuse Fund to a 1.0 FTE Landfill Technician
- Convert a 0.48 FTE Maintenance Assistant in the Vehicle Replacement and Maintenance Fund to a 1.0 FTE Equipment Maintenance Service Person

FY 2024 DEPARTMENT OUTLOOK

(PW-OTHER FUNDS)

- Make progress on the Airport Long Range Facilities and Sustainability Plan and implement unleaded aviation fuel
- Negotiate and complete Valley Water agreements for the purified water facility at LATP Area B
- Renew focus on flood protection and preparedness: Newell Road Bridge, JPA Reach 2 projects, winter preparation
- Continue implementation of City fleet electrification through vehicle replacements and charger infrastructure deployment



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SUSTAINABILITY AND CLIMATE ACTION PLAN

Office of Transportation (OOT) Operating Budget Page 180,
Public Works (PW) Operating Budget Page 352,
Utilities (UTL) Operating Budget Page 447

FY 2024 BUDGET SUMMARY (Sustainability and Climate Action Plan)

Community Impact

The FY 2024 budget requests will enable the City to begin preparing the electric and gas systems to accommodate widespread vehicle and building electrification and will improve facilities to enable more bicycling and walking. The City will be able to lead by example by implementing electrification in City facilities.

Major Proposed Changes to Various Funds

Fund	Description	Cost	Council Priority
General	Staffing for bicycle and pedestrian projects and Caltrain crossings (1.0 Sr Planner)	\$196,000 (ongoing)	Climate (m)
Electric	Grid Modernization	\$25M (ongoing, varies)	Climate (p)
Gas	Gas decommissioning studies and implementation – contract costs + staffing	\$250,000 (one time) + \$150,000 (ongoing)	Climate (p)
Various Funds	Staffing for City facility electrification (1.0 Project Manager)	General Fund expenditure \$72,000 per year	Climate (S/CAP work plan)

FUTURE PROGRAM OUTLOOK (Sustainability and Climate Action Plan)

Additional requests may be forthcoming in FY 2025 budget or as budget amendment ordinances for individual programs based on 2023 planning efforts. Potential areas include:

- Expansion of existing electrification programs, expansion of program sales and marketing efforts, new programs
- Mobility: new program proposals (e.g. on-demand transit program extension) and plan implementation (e.g. Bicycle / Pedestrian Plan, Vision Zero)
- City facility electrification project budgets
- Water/wastewater proposals related to recycled water or other new sources
- Sea Level Rise Plan implementation and/or flood protection efforts
- Zero waste, urban canopy, low carbon construction
- Green stormwater infrastructure plan implementation