



FY 2021 PROPOSED BUDGET HEARINGS INFRASTRUCTURE AND ENVIRONMENT SERVICE AREA

Public Works & Utilities Departments

Ops Pg. 247-282 & 283-321

Cap Pg. 325-447; 469-491; 517-557

FY 2021 BASELINE BUDGET SUMMARY (APRIL 20)

Department	General Fund Revenue	General Fund Expenses	General Fund FTE	All Funds Revenue	All Funds Expenses	All Funds FTE
Utilities	\$0	\$0	0.00	\$296,146,086	\$326,003,756	267.84
Public Works	\$3,026,635	\$19,691,803	51.20	\$117,274,156	\$145,821,982	173.89



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

Operating Pg. 283-321

Capital Pg. 325-447, 469-491, 517-559

FY 2021 BUDGET SUMMARY (UTILITIES – ELECTRIC)

Balancing Strategy

To achieve two years of 0% rate increases without large rate increases in future years, the Electric Fund may need to implement actions listed below.

Major Proposed Changes in Electric Fund

- Revenue loss from 0% rate increase (~\$18 M)
- Reduce commodity purchases due to 10% load loss (-\$9 M)
- Postpone installation of advanced metering infrastructure (-\$12 M)
- Postpone Utilities Department support for building electrification (-\$500,000)
- Reduce 1.85 FTE vacant positions (-\$379,000)
- Postpone non-critical capital investments: utility undergrounding rebuilds (\$3.6 M)
- Reduce renewable energy purchase below 100% Carbon Neutral (~\$3 M - \$6 M/yr)

FY 2021 DEPARTMENT OUTLOOK

(UTL – ELECTRIC)

- Without major service or program reductions, Electric will be required to drawdown ~ \$14 M in supply, distribution and CIP reserves.
- Maintain electrical services, investments in critical infrastructure, continued customer service support, outreach programs and communications.
- Continued implementation of Sustainability and Climate Action Plan (S/CAP) over two years

FY 2021 BUDGET SUMMARY (UTILITIES – FIBER)

Balancing Strategy

Fiber Fund has adequate reserves of approximately \$34 M that may be drawn upon for Fiber expansion efforts, if needed.

Major Proposed Changes in Fiber Fund

- Forego annual CPI increase of 2.5% (reduces revenue by -\$41,000)
- Reduce 0.25 FTE vacant positions (-\$69,000)
- Pause Fiber Optics Network Rebuild CIP (-\$300,000)

FY 2021 DEPARTMENT OUTLOOK (UTL – FIBER)

- The Fiber Utility recommends foregoing the annual CPI increase for pre-2006 EDF-1 business fiber rate customers.
- The majority of Fiber customers are on EDF-3 rates and unaffected by CPI increases this year.
- There will be no service level impact, Fiber customer connections are anticipated to continue, as well as Fiber network expansion efforts.

FY 2021 BUDGET SUMMARY (UTILITIES - GAS)

Balancing Strategy

For a 0% rate change, the gas utility would need to make \$13.8 million reductions over two years. The Finance Committee has recommended a 3% increase on May 5, the final action by Council will determine the impacts below.

Major Proposed Changes in Gas* Fund

- Revenue loss (-\$3 M)
- Postpone or reduce project scope of work of gas main PVC pipe replacement (-\$5 M)
- Suspend the City's Carbon Neutral Gas carbon offset program (-\$1 M)
- Postpone or eliminate cross-bore inspections (-\$1 M)
- Postpone installation of advanced metering infrastructure & meter replacement (-\$650,000)
- Reduce 1.15 FTE vacant positions (-\$368,000)

FY 2021 DEPARTMENT OUTLOOK (UTL – GAS)

- The Finance Committee and Utilities Advisory Commission (UAC) recommended a 3% instead of a 0% Gas rate increase for FY 2021 to address the Gas CIP reserves.
- At 3% rate increase, PVC main replacement and cross-bore inspection program to continue as planned.
- At 0% rate increases, Utilities would defer the PVC main replacement cross-bore projects and increase the frequency of citywide gas surveying (mobile and walking) for gas leaks.

FY 2021 BUDGET SUMMARY (UTILITIES – WASTEWATER COLLECTION)

Balancing Strategy

Staff would not recommend cuts to sewer cleaning, maintenance, and inspection activities. If capital investment were postponed, staff would need to focus additional maintenance efforts on areas of the system in poorer condition that are currently scheduled for replacement. Bond financing of CIP projects is an option to take advantage of potentially lower construction prices during a recession.

Major Proposed Changes in Wastewater Collection Fund

- Defer construction for Sewer Sanitary Rehabilitation project #30 to FY23 (-\$1.2 M)
- Revenue loss from zero rate increase (-\$719,000)
- Work with Regional Water Quality Control Plant to delay wastewater treatment upgrade projects that are charged to the Wastewater Collection Fund

FY 2021 DEPARTMENT OUTLOOK (UTL – WWC)

- 2020 cost of service study for the Wastewater Collection Utility almost complete
- Wastewater is limited in the types of service reductions it can make to hold rates flat for two years. With the postponement of capital investment, staff will continue assessing and designing future capital improvement projects.

FY 2021 BUDGET SUMMARY (UTILITIES - WATER)

Balancing Strategy

SFPUC projects a water supply rate increases of 9% and 13% in FY 2023 and FY 2024 respectively. These increases, together with capital investment needs such as one-time needed reservoir replacements, will place upward pressure on Palo Alto's water rates in the future years FY 2026 – FY 2028.

Major Proposed Changes in Water Fund

- Revenue loss due to no rate change and load reduction (-\$1.3 M)
- Postpone meter replacement related to AMI project (-\$1 M)
- Reduced commodity purchases (-\$750,000)
- Hold vacant 1.15 FTE positions (-\$268,000)

FY 2021 DEPARTMENT OUTLOOK

(UTILITIES – WATER)

- Water Utility expects revenue losses due to reduced consumption and holding rates flat for two years
- No anticipated cost reductions or projected supply rate increases from SFPUC until FY 2023
- Seismic water tank replacement and main replacement projects will continue as planned



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PUBLIC WORKS

Operating Pg. 247-282

Capital Pg. 303-323, 449-468, 493-515, 593-617

FY 2021 BUDGET SUMMARY (PUBLIC WORKS)

Balancing Strategy

The strategy evaluated the balance of in-house work, capital improvement program construction work, and contractor work to identify services that could be reduced in the short term without serious long-term consequences, including reduction of vacant positions.

Major Proposed Changes in General Fund

- Two-year freeze of the citywide sidewalk program reducing to only emergency repairs (Sidewalks; Capital Projects- GF Streets and Sidewalks) (-\$700,000 rev / -\$1.6 M exp)
- Reduce contract tree trimming work by 50% for Fiscal Year 2021 and 2022 (Urban Forestry) (-\$654,000)
- Reduce 2.0 positions (Custodial; Capital Projects- GF Buildings and Facilities) (-\$327,000)

FY 2021 DEPARTMENT OUTLOOK (PUBLIC WORKS)

- Facilities will provide maintenance and custodial services for City Buildings with an added emphasis on supporting COVID-19 recovery
- Urban Forestry will optimize and augment the reduced tree trimming contract services, and continue implementation of the Urban Forest Master Plan
- Sidewalks and Streets groups will work closely with the capital program to mitigate temporary reduction to capital projects
- Work on the S/CAP will continue, with a department emphasis on planning for electrification of the Fleet, and City Buildings

FY 2021 BUDGET SUMMARY (PUBLIC WORKS – OTHER FUNDS)

Balancing Strategy

Reductions are not proposed for Public Works enterprise funds. Refuse Fund planning assumes no rate increases for FY 2021 and FY 2022. A FY 2021 rate increase of 2.5% is proposed for the Stormwater Management Fund.

Major Proposed Changes in Enterprise and Internal Service Funds

- Two-year 60% reduction in vehicle replacements and corresponding allocated charges to all City funds (revenue changes -\$2.3 M, expense changes -\$3.2 M)
- Airport Apron Reconstruction Project (AP-16000) construction funding for Phase III of the project supported by a State Department of Transportation (DOT) Loan (revenue changes \$2 M, expense changes \$2.9 M)
- Electric vehicle charger and location study (revenue changes \$50,000, expense changes \$100,000)

FY 2021 DEPARTMENT OUTLOOK (PW-OTHER FUNDS)

- Fleet will work closely with all departments to respond to the reduction in vehicle replacements
- The Airport will begin the third and final phase of the Airport Apron project, expected to include a 100% FAA match
- Initiatives to rebuild the RWQCP will continue with commencement of two capital projects
- The first of the 13 high priority Stormwater Management projects will be constructed, with the next 3 commencing design

SERVICE AREA SUMMARY

	General Fund FY 2021 Baseline (as of 4/20/20)	General Fund FY 2021 Revised (as of CMR #11322)	% change	All Funds FY 2021 Baseline	All Funds FY 2021 Revised	% change
Infrastructure & Environment	\$19.7 M	\$16.8 M	(14.7%)	\$471.8 M	\$450.4 M	4.5%