The City Council of the City of Palo Alto met on this date in the Council Chambers at 5:05 P.M.

Present: Cormack, DuBois, Filseth, Fine; Kniss arrived at 5:13 P.M., Kou; Tanaka participating remotely arrived at 5:13 P.M.

Absent:

Study Session

1. Study Session With the City's Federal Lobbyist Related to Federal Legislation.

Steve Palmer, Vice President, Van Scoyoc Associates reported Congress and the President had agreed on a two-year budget framework that eliminated budget sequestration, extended the debt limit for two years, and set spending caps for two years. The threat of a government shutdown continued because of funding for the southern border wall. Gun control was the hot issue in Washington, D.C. The House of Representatives had conducted investigations of the President, and the Senate had confirmed judges. An Infrastructure Bill had not been proposed because there was no consensus on funding it. The current surface Transportation Bill was to expire on September 30, 2020; therefore, Congress was likely to work on a Transportation Bill for Fiscal Year (FY) 2021. In August, the Senate Environmental and Public Works Committee approved a Transportation Bill proposing $287 billion over the next five years for highways and bridges. However, the Highway Trust Fund, which funded those programs, was insolvent. The Transportation Bill included $6 billion for carbon emission reduction strategies. Funding of the Community Development Block Grant (CDBG) Program and the Home Partnership Improvement Program had received strong bipartisan support. Democrats had introduced legislation for low-income housing and affordable housing, but there was no consensus among Republicans to do that. Low-income housing tax credits were in the same situation. In 2018, Congress passed a number of provisions in the Federal Aviation Administration (FAA) Reauthorization Bill to improve noise measurements, enhance community engagement, and create new studies for noise and air quality. Congresswoman Eshoo and Senators Feinstein and Harris had helped advance noise issues. Through Congressional committees, he was working to impose requirements for the FAA to create timelines and
implementation schedules. Congress was funding grade separations through competitive grants. Once the City had developed its plans for grade separations, he would work with Congressional committees and the Department of Transportation (DOT) to prioritize funding for the City's projects. Congresswoman Eshoo and Senator Feinstein had introduced legislation that would overturn the Federal Communications Commission's (FCC) rule that eliminated local authority for small cell facilities and fee structures. The FCC Chairman was supporting standard radio frequency exposure limits that were enacted in 1972. He was going to work with the Joint Powers Authority (JPA) and the City to obtain $10 million from the U.S. Army Corps of Engineers for the Flood Control Project.

Vice Mayor Fine inquired about criteria for grade separation grants.

Mr. Palmer advised that criteria for Better Utilizing Investments to Leverage Development (BUILD) grants were few. Grade separation funding in the House version of the Appropriations Bill was probably going to be distributed to states through a formula.

Vice Mayor Fine indicated a significant amount of freight traveled the Caltrain Corridor.

Council Member Kou asked if Mr. Palmer had any information about the FAA rule to streamline regulations for supersonic test flights.

Mr. Palmer felt the effort to streamline regulations was a long-term proposition because no supersonic jets were flying.

Council Member Kou wanted to oppose the weakening of any existing FAA regulations for sonic booms.

Mr. Palmer promised to provide additional information to Staff. The comment period for rule changes had closed.

Council Member Kou requested Mr. Palmer elaborate regarding the FAA’s noise concerns.

Mr. Palmer related that the FAA had attempted to address flight patterns, community engagement, best practices, and noise measurements. The FAA had included a number of significant steps to understand noise impacts.

Council Member Kou requested information about opportunity zones for redevelopment and tax breaks for businesses.

Mr. Palmer was going to provide information to Staff.
Council Member Cormack asked about actions the City should take with respect to the $6 billion for climate change.

Mr. Palmer clarified that the funding would be allocated to states for carbon reduction initiatives. He would provide information about House and Senate legislation to Staff.

Council Member Cormack asked if Mr. Palmer worked with multiple cities on the same issues in order to have a stronger voice with government officials.

Mr. Palmer replied yes for airplane noise. Some of the California delegation supported the deployment of 5G and were reluctant to overturn FCC rulemaking. Small cell facilities were a partisan issue.

Council Member Cormack requested clarification of the CAP 205 process.

Mr. Palmer explained that it was aimed at relatively small flood control projects. Congress appropriated funding to the Corps of Engineers, and the Corps worked with communities to design and construct flood control projects. The limit on federal funding was $10 million.

Council Member Cormack inquired about ways the community could assist with small cell facility issues.

Mr. Palmer recommended community members show their continued support for Congresswoman Eshoo and Senator Feinstein.

Council Member DuBois inquired whether regional construction authorities would be more likely to obtain grade separation grants than cities.

Mr. Palmer indicated regional projects received more support than an individual city.

Council Member DuBois requested updates of legislation affecting city-owned utilities and city-owned broadband or fiber networks.

Mr. Palmer had no updates for city-owned utilities. There was no program or funding source for city-owned broadband.

Council Member DuBois inquired regarding discussion of potable water recycling at the federal level.

Mr. Palmer was not aware of any regulatory actions.

Council Member Kniss asked who within the DOT had influence with respect to grants for grade separations.
Mr. Palmer stated the Secretary of Transportation and the White House. The Administration had focused on funding rural projects.

Council Member Kniss requested Mr. Palmer advise the Council of any group with whom it could align so that trips to Washington might be successful.

Mr. Palmer commented that Council Member participation in trips to Washington were always valuable.

Council Member Kniss inquired whether easy money might be available for flood control projects.

Mr. Palmer clarified that the process for obtaining grants would be less bureaucratic and would not require Congressional authorization.

Council Member Kniss requested the name of the Culver City person who was working toward a resolution with the League of California Cities.

Mr. Palmer replied Council Member Goran Eriksson.

Council Member Tanaka requested Mr. Palmer's thoughts regarding obtaining additional lobbying resources relevant to airplane noise.

Mr. Palmer indicated the problem had been Congress' lack of attention on airplane noise. The airlines and the FAA were saying safety and efficiency were more important than flight levels and departure and approach patterns. He wanted to expand the FAA's mission such that noise and its impact on communities were a greater part of the mission.

Ed Shikada, City Manager added that Van Scoyoc Associates was working with the City's legal counsel to maximize resources.

Mayor Filseth inquired about the City's best course of action to obtain funding for grade separations.

Mr. Palmer suggested Council Members emphasize the priority of grade separations regionally and locally and favorable outcomes for the Administration when meeting with Federal politicians. In addition, the Council should work with regional partners.

Council Member Kniss remarked that the Council needed to determine an organization with whom they could work.

Council Member Tanaka asked if the FAA was controlled by the Executive Branch.
Mr. Palmer answered yes, but Congress appropriated funding to the FAA and guided the FAA in spending their funds.

Council Member Tanaka suggested lobbying was needed to influence executives of the FAA and DOT.

Mr. Palmer reported the FAA’s Air Traffic Organization was in charge of the air traffic control system and operated with input from advisory committees and stakeholders. The challenge with altering flight patterns were the effects on other communities.

Council Member Tanaka requested the name of the person responsible for moving flight paths over Palo Alto.

Mr. Palmer recalled the FAA stating the decision-making process for the Northern California metroplex was complete.

Council Member Tanaka wished to identify the FAA committee or group that was responsible for modifying flight paths in order to lobby the group or committee to reconsider the modifications.

Michelle Flaherty, Deputy City Manager clarified that Council Members had met with the FAA people responsible for implementing NextGen.

Council Member Kou requested to know the California cities with whom Mr. Palmer was working for airplane noise issues.

Mr. Palmer replied Culver City; Tempe, Arizona; East Point, Georgia; and San Diego County.

Closed Session

2. CONFERENCE WITH CITY ATTORNEY-EXISTING LITIGATION
Santa Clara County Superior Court Case No. 18CV328469
(One Case, as Defendant)—Jay Greer v. City of Palo Alto
Authority: Government Code Section 54956.9(d)(1).

MOTION: Council Member Cormack moved, seconded by Vice Mayor Fine to go into Closed Session.

MOTION PASSED: 7-0

Council went into Closed Session at 5:59 P.M.

Council returned from Closed Session at 6:25 P.M.
Mayor Filseth announced no reportable action.

**Agenda Changes, Additions and Deletions**

Ed Shikada, City Manager recommended the Council hear Agenda Item Number 10 prior to Agenda Item Number 7.

**City Manager Comments**

Ed Shikada, City Manager reported the bidding process for the Highway 101 bike bridge had been extended for one week. Staff was going to present an Energy REACH Code to the Council for adoption on November 4. Utility Staff was participating in a study with Pacific Gas & Electric (PG&E) to inform Staff's recommendations regarding building electrification. The City and Hewlett Packard had celebrated completion of the City's largest Solar Array Project. The *Cache Me If You Can* temporary art installation would open on September 17. The City of Palo Alto and Family YMCA were hosting Welcome Week. Friday Night at the Art Center was scheduled for September 20. A SunShares workshop and the EV Ride and Drive event would be held on Saturday and Sunday respectively.

Mayor Filseth related that the City of Sunnyvale's new City Hall would be a Zero Net Energy building.

**Oral Communications**

David Coale invited the public to the tenth annual Bike Palo Alto event on September 29.

**Consent Calendar**

Council Member Kou registered no votes on Agenda Item Numbers 4 and 6.

Council Member DuBois wanted to ensure the City Attorney reviewed Agenda Item Number 4 for incomplete information.

Beth Minor, City Clerk explained that Mr. Borock's email arrived while Staff was in route to the Council meeting.

Molly Stump, City Attorney advised that Staff would amend Agenda Item Number 4 to insert the City's contact information.

Herb Borock, speaking regarding Agenda Item Number 4 remarked that the action before the Council was approval of the name included in the agreement. The Council was entitled to see the name.
Council Member Kniss inquired whether Staff’s response that the City would receive a one-time advance was incorrect in that the City had received an advance.

Ed Shikada, City Manager did not recall receiving an advance.

Council Member Kniss asked if Staff had not received an advance.

Philip Kamhi, Chief Transportation Official clarified that the City could not claim an advance until the Council approved a Resolution.

**MOTION:** Council Member Cormack moved, seconded by Mayor Filseth to approve Agenda Item Numbers 3-6.

3. Approval of Contract Number C20174826 With Monterey Mechanical Co. in an Amount Not-to-Exceed $450,000 to Provide On-call Emergency and Critical Construction Services at the Regional Water Quality Control Plant, Wastewater Treatment Fund Capital Improvement Program Project WQ-19002.

4. Approval of a Funding Agreement With the Santa Clara Valley Transportation Authority (VTA) for 2016 Measure B Local Streets and Roads Program Funding.

5. Approval of Contract Number S19175846 With WRA, Inc. in an Amount Not-to-Exceed $93,237 to Conduct a Matadero Creek Study for the North Ventura Coordinated Area Plan (NVCAP).

6. Vote to Endorse the Slate of Candidates for the Peninsula Division’s Executive Committee for 2018-19 and Direct the City Clerk to Forward to Seth Miller, the Regional Public Affairs Manager for the Peninsula Division, League of California Cities the Completed Ballot for the City of Palo Alto.

**MOTION PASSED FOR AGENDA ITEM NUMBER 3, 5: 7-0**

**MOTION PASSED FOR AGENDA ITEM NUMBER 4: 6-1 Kou no**

**MOTION PASSED FOR AGENDA ITEM NUMBER 6: 6-1 Kou no**

Council Member Kou commented that funds were being applied to grade separations, but congestion continued. Local Streets and Roads (LSR) funds were utilized for congestion relief projects. She wanted to ensure the City had funding for congestion relief. With respect to Agenda Item Number 6, some of the candidates believed in one-size-fits-all methods to impose growth and development.
MOTION: Council Member Kniss moved, seconded by Council Member Cormack to move Agenda Item Number 10 forward to be heard at this time.

MOTION PASSED: 7-0


MOTION: Council Member Kniss moved, seconded by Vice Mayor Fine to appoint Lydia Kou as a Voting Delegate and Council Member Kniss as an alternate for the League of California Cities Annual 2019 Conference.

MOTION PASSED: 7-0

Action Items

7. Staff and Utilities Advisory Commission Recommends That the City Council Adopt a Resolution Amending Rule and Regulation 20 to Allow Neighborhood Self-funding of Certain Subsurface Equipment.

Debra Lloyd, Utilities Assistant Director Engineering reported property owners petitioned for an underground district for Green Acres I in 1972 and paid 25 percent of the cost for underground equipment. All the original equipment remained in use and was significantly beyond its expected lifespan. City of Palo Alto Utilities (CPAU) attempted to replace equipment prior to its failure. In a pad-mounted scenario, wires remained underground, but electrical equipment was installed aboveground on concrete pads. In an underground scenario, electrical equipment was placed in vaults located underground. Staff had held several meetings with the community and the Green Acres Board. The Green Acres Board had indicated its interest in underground equipment only. Pad-mounted equipment was the industries and the City's standard. Rule and Regulation 20 allowed the allocation of additional costs for special facilities to the customer that requested special facilities. Rule and Regulation 20 was not applicable to a neighborhood that petitioned for a change in utility standards. Staff had reviewed mitigations for safety issues associated with underground equipment. Additional costs would result from placing equipment in multiple vaults. Because underground equipment was no longer the industry standard, only two vendors were able to provide and maintain underground equipment. Usually, the City received only one response to a Request for Proposals (RFP) for underground equipment. When maintaining underground equipment, Staff did not track repairs. Thus, Staff had no evidence that underground equipment required more minor repairs and maintenance than pad-mounted equipment. Staff worked
with property owners to identify discrete locations for pad-mounted equipment. Current Rules and Regulations did not allow property owners to request the replacement of underground equipment with underground equipment. Staff and the Utilities Advisory Commission (UAC) recommended an option for property owners to request underground equipment without burdening ratepayers with additional costs. Staff was going to provide a courtesy notice to property owners of equipment replacement. At least five property owners had to request and file a petition form. Staff was going to prepare a petition form with a project description, and project proponents had 45 days to obtain the signatures of at least 60 percent of property owners and return the petition form along with sufficient funds to pay for Staff's preparation of a cost estimate for an underground installation. Project proponents had 90 days to pay the difference in cost between pad-mounted and underground equipment. Project proponents also paid a Special Facilities Fee to cover maintenance and repair costs over an estimated 30-year lifespan. The proposed Rule’s and Regulation’s amendment applied to primarily residential underground utility districts with underground equipment. Staff had identified nine districts, including Green Acres I, with underground equipment. Based on costs for the Green Acres I district, Staff estimated additional upfront equipment and labor costs for underground equipment was going to total $4.2 million or a 1 percent rate impact. Staff also estimated the ongoing cost of ownership was going to total $5 million over the 30-year lifespan of the equipment. Staff had converted Districts 6 and 7 from underground to pad-mounted equipment. Should State or Federal authorities promulgate safety rules and regulations requiring pad-mounted equipment in the future, Staff had to respond to those rules and regulations. Underground projects were to be designed to meet forecasted electric capacity needs in a district. However, circumstances within districts changed over time, and Staff made no promise to provide underground equipment in perpetuity.

Mayor Filseth requested the City's policy for installing electrical wires underground.

Ms. Lloyd explained that CPAU had an undergrounding program to relocate pole-mounted wires to underground. Future underground projects were planned for commercial areas.

Mayor Filseth asked if CPAU's standard for electrical wires was above or below-ground.

Ms. Lloyd advised that new development was required to install electrical wires underground.
Mayor Filseth requested CPAU's standard for electrical equipment.

Ms. Lloyd indicated CPAU's current standard was pad-mounted electrical equipment in underground districts, but there were exceptions. Electrical wires were underground in an underground district, and electrical equipment could be underground or pad-mounted in an underground district.

Mayor Filseth inquired about the location of electrical equipment when electrical wires were pole-mounted.

Ms. Lloyd explained that electrical equipment could be pole-mounted or pad-mounted with overhead wires.

Mayor Filseth requested the number of residential underground districts with underground electrical equipment.

Ms. Lloyd replied nine including Green Acres I.

Mayor Filseth asked if the other eight underground districts paid for underground equipment.

Ms. Lloyd reported only District 25 paid for underground equipment.

Mayor Filseth asked why the other districts did not pay for underground equipment.

Ms. Lloyd explained that Staff had determined that underground equipment in those districts provided a public benefit.

Mayor Filseth understood the question before the Council was whether the neighborhood or all ratepayers would pay the incremental cost of underground equipment.

Ms. Lloyd concurred. Prior to the mid-1990s, the industry standard was underground electrical equipment.

Mayor Filseth noted the UAC had discussed whether the electrical equipment in Green Acres I was at the end of its useful life. He inquired whether the equipment was at the end of its lifespan.

Ms. Lloyd stated the electrical equipment had exceeded its life expectancy by a few decades. Equipment failures had not occurred, by CPAU's mandate was to replace equipment prior to its failure. Once equipment began to fail, it failed frequently.
Vice Mayor Fine inquired whether there was currently an option for a rebuild to include underground equipment.

Ms. Lloyd answered no.

Vice Mayor Fine asked if a special exception was the only method for CPAU to install equipment underground.

Ms. Lloyd replied yes.

Vice Mayor Fine inquired whether there were additional costs and maintenance for underground equipment.

Ms. Lloyd responded yes.

Vice Mayor Fine asked if the proposed Rule and Regulation would allow an underground district to maintain underground equipment if the property owners paid the marginal costs.

Ms. Lloyd answered yes.

Vice Mayor Fine asked if the Council could institute a policy for all ratepayers rather than the property owners to pay the marginal costs.

Ms. Lloyd replied yes.

Vice Mayor Fine requested Staff comment regarding payment options for property owners.

Ms. Lloyd reported Staff's proposal mirrored the existing requirements for a single customer requesting a special facility. Use of governmental authority to collect from all property owners within a district could be challenged.

Vice Mayor Fine asked if neighbors within a district would share the incremental cost or whether one neighbor could pay the full incremental cost.

Ms. Lloyd responded yes.

Vice Mayor Fine asked if the Utilities Director could set the timing of the petition and payment.

Ms. Lloyd answered yes. Allowing the property owners to finance the incremental cost raised some legal concerns.
Council Member DuBois asked if underground equipment in Green Acres I provided a local benefit only.

Ms. Lloyd answered yes.

Council Member DuBois inquired whether a historic district would be considered a public benefit.

Ms. Lloyd read the criteria for public benefit from the Rules and Regulations.

Council Member DuBois asked if locating electrical equipment near parks would qualify as a public benefit.

Ms. Lloyd responded no.

Council Member DuBois asked how public benefit was applied.

Ms. Lloyd explained that Staff had negotiated an agreement with AT&T and Comcast to define public benefit and cost-sharing. If property owners petitioned for underground electric service that provided a local benefit only, the property owners would pay 100 percent of the costs for undergrounding communications wires and 75 percent of the costs for undergrounding electric wires.

Mayor Filseth wondered if property owners, AT&T, Comcast, and the City had agreed to underground electric and communications wires, would the electrical equipment be pad-mounted.

Ms. Lloyd replied yes.

Council Member DuBois inquired whether Rule and Regulation 17 applied to electrical equipment.

Ms. Lloyd responded yes.

Council Member DuBois asked if AT&T would have to agree to underground service in a scenic area.

Mr. Batchelor clarified that electrical equipment would be pad-mounted in a scenic or park area. In 1996, the Council adopted a Resolution requiring pad-mounted electrical equipment with a few exceptions.

Council Member DuBois inquired whether underground electrical equipment in areas of heavy concentration would be considered a public benefit.
Ms. Lloyd indicated electric equipment could be placed underground in vaults where there was no space for pad-mounted equipment. Pad-mounted equipment was utilized in scenic areas, parks, and near schools.

Council Member DuBois felt the terminology was outdated. He wondered if pad-mounted equipment was utilized Downtown.

Ms. Lloyd clarified that pad-mounted equipment was utilized Downtown when there was sufficient space for the equipment.

Council Member DuBois suggested Staff negotiate with AT&T to share the cost of undergrounding electric service in Green Acres because a scenic park was located in the underground district.

Ms. Lloyd stated AT&T had already undergrounded its communications wires and utilized pad-mounted equipment in the Green Acres underground district.

Council Member DuBois asked if ratepayers paid monthly maintenance fees.

Ms. Lloyd answered yes.

Council Member DuBois inquired whether that was accounted for in the facilities charge/maintenance fees.

Ms. Lloyd explained that the costs of maintenance and repairs for underground electrical equipment had not been tracked.

Council Member DuBois noted the facilities charge was greater than the equipment and labor costs. He asked if the Facilities Fee accounted for maintenance fees paid as part of rates.

Greg McKernan, Utilities Electric Project Engineer advised that Staff was confident in the assumptions used to calculate the Facilities Fee.

Ms. Lloyd added that Staff was confident in the assumptions used for calculating additional loss of electricity. The rates group calculated the special Facilities Fee.

Council Member DuBois asked if Staff estimated the incremental cost.

Ms. Lloyd indicated costs were based on actual quotes for equipment and labor.
Council Member DuBois inquired whether property owners would have to pay additional costs if the actual costs escalated between preparation of the estimate and construction of the project.

Ms. Lloyd answered no. Property owners would pay only the amount shown on the estimate.

Council Member DuBois asked if the fees included overhead costs.

Mr. McKernan related that an incidental cost was included in the fees.

Ms. Lloyd indicated administrative costs were not included in the fees.

Council Member DuBois inquired whether five property owners served by one transformer could petition for and obtain underground service when the remainder of the property owners in the district did not agree to underground service.

Ms. Lloyd reported the intent was to rebuild the entire district.

Council Member DuBois inquired about the size of the district.

Ms. Lloyd explained that each district had its own definition.

Council Member DuBois asked if a rebuild could be smaller than the entire district.

Ms. Lloyd advised that it was technically possible, but it would split a defined and recognized district.

Council Member DuBois inquired about a technical requirement for a district.

Ed Shikada, City Manager explained that each transformer served eight to ten homes. There were some options for undergrounding electrical equipment.

Council Member Cormack asked if there were safety differences between pad-mounted and underground equipment for residents.

Ms. Lloyd replied no.

Council Member Cormack asked if there were safety differences for workers.

Ms. Lloyd answered yes. The Occupational Safety and Health Administration (OSHA) circulated different requirements for workers repairing and maintaining pad-mounted and underground equipment.
Mr. McKernan added that additional workers were needed to repair underground equipment. The limited space and flooding in underground equipment created additional hazards for employees.

Council Member Cormack asked if the reliability of underground and pad-mounted equipment was the same.

Ms. Lloyd explained that underground equipment typically had a shorter lifespan.

Council Member Cormack inquired about differences between underground and pad-mounted equipment with respect to capacity.

Ms. Lloyd reported electrical equipment was built to supply the forecasted demand growth; however, growth was able to meet or exceed forecasts.

Council Member Cormack asked if the existing underground equipment could meet forecasted capacity growth.

Ms. Lloyd replied no.

Council Member Cormack requested Staff's definition of a property owner with respect to signatures for a petition.

Ms. Lloyd indicated a property owner would be one signature per property.

Council Member Cormack asked if pad-mounted equipment could be screened.

Mr. McKernan advised that the front of equipment should be accessible to workers.

Council Member Cormack asked if the equipment could be painted.

Mr. McKernan responded yes.

Council Member Cormack inquired about a required distance between landscaping and equipment.

Mr. McKernan related that the standard distance was 3 feet, but 2 feet had been acceptable in some situations.

Council Member Cormack asked if there were 100 homes in the Green Acres district.

Ms. Lloyd answered yes.
Council Member Cormack inquired whether the costs would be different for each district.

Ms. Lloyd replied yes.

Mr. McKernan explained that the number of transformers and the pieces of equipment would be different for each district.

Council Member Kou requested the districts with underground wires and electrical equipment.

Ms. Lloyd responded Districts 26, 25, 23, 28, 30, 31, 32, 33, 34, and 29.

Council Member Kou inquired about notification provided to underground districts where pad-mounted electrical equipment could be installed in the future.

Ms. Lloyd explained that rebuild projects for those districts were not underway; therefore, Staff had not provided any notifications.

Council Member Kou asked if Staff had provided alternatives to Green Acres residences.

Ms. Lloyd indicated the UAC considered cost sharing.

Council Member Kou inquired about health and noise concerns related to pad-mounted equipment.

Ms. Lloyd advised that studies had not found any health concerns, and Staff was not aware of any noise concerns.

Council Member Kou inquired about the lack of maintenance records.

Ms. Lloyd clarified that maintenance records were available, but Staff had not tracked maintenance for underground and pad-mounted equipment separately. In addition, Staff did not always record each repair or maintenance item.

Mr. Batchelor added that records showed repairs and maintenance items for transformers, but nothing in the records indicated the transformers were pad-mounted or underground.

Council Member Kou asked if the standard for pad-mounted equipment applied to commercial properties.
Ms. Lloyd answered yes. However, in some built-out commercial areas, space for pad-mounted equipment was not available.

Council Member Kou asked about methods to contain explosions in pad-mounted equipment.

Mr. Batchelor reported a transformer had not exploded in the City. An explosion in pad-mounted equipment would be contained within the metal box. An explosion of underground equipment was possible because there was no cover around the transformer.

Council Member Kou inquired about the need to place danger warnings on pad-mounted equipment.

Mr. Batchelor advised that the equipment housed high-voltage electric lines, and the public had to be cautioned about that.

Council Member Kou asked if someone could be electrocuted by touching the box.

Mr. Batchelor related that someone would have to break into the box in order to be electrocuted.

Mayor Filseth remarked that the only way one neighborhood could have underground equipment without paying for it was for ratepayers as a whole to pay for the underground equipment.

Nina Bell, Green Acres I Board, related that Staff had not acknowledged Green Acres residents' investment in underground equipment and wires. Green Acres residents were the only residents in the City to invest in underground equipment. Under the proposed modification to Rule and Regulation 20, Green Acres residents did not have to pay for underground equipment again.

Nancy Steinbeck requested the Council continue the item so that a discussion of the modification to Rule and Regulation 20 could occur. CPAU had not informed residents that they would have to pay for underground equipment again.

Michael Maurier commented that CPAU had installed underground equipment in Downtown and along major thoroughfares. CPAU had not documented any safety concerns for underground equipment. CPAU had not provided notice to districts with underground equipment of the rule modification or its impact on residents.
Vice Mayor Fine noted maintenance of the Green Acres underground district was a cost to the City and ratepayers. The residents' payment for underground utilities was not made for eternity. At some point, utilities had to be replaced. In 1973, Green Acres I residents paid 25 percent of the incremental cost, and the City paid the remaining 75 percent, which meant ratepayers subsidized the project. Absent the rule modification, the City installed pad-mounted equipment, which Green Acres residents did not want. The cost to install underground equipment needed to be borne by the residents served by that equipment. The funding mechanism was based on the Special Facilities Fee for other utility hookups.

**MOTION:** Vice Mayor Fine moved, seconded by Mayor Filseth to approve a Resolution amending Utility Rule and Regulation 20 to allow Neighborhoods to Self-Fund Certain Subsurface Projects.

Mayor Filseth recalled a lengthy discussion of safety issues at the UAC meeting. The Green Acres residents had made an investment in underground utilities. The equipment had surpassed its useful life, and another investment had to be made. Other districts with underground electrical equipment needed to receive notice of the conversion to pad-mounted equipment well in advance of any project.

Council Member Kniss believed assessing the incremental cost to residents was the fairest approach.

Council Member DuBois felt Staff followed a public process through hearings before the UAC and Council. The major issue was maintenance fees were insufficient to pay for replacement costs. Residents were not expected to pay once and receive replacement equipment in perpetuity without maintenance fees. If utilities were undergrounded throughout the City, then all ratepayers needed to pay the costs. However, utilities in many parts of the City were never going to be undergrounded. He suggested the Council direct Staff to camouflage pad-mounted equipment.

Mr. Batchelor reported Staff had spoken with residents about camouflaging equipment and locating equipment away from sidewalks. Staff was going to work with residents to screen the eight transformers needed in the district.

Council Member DuBois asked if screening should be a City policy.

Mr. Batchelor advised that Staff always worked with residents to screen equipment.

Council Member DuBois expressed concern that the Facilities Fee was larger than the cost for labor and parts. He was interested in considering
undergrounding parts of a defined district. Staff needed to update the Council regarding the underground policy for cables and transformers.

**INCORPORATED INTO THE MOTION WITH THE CONSENT OF THE MAKER AND SECONDER** to direct Staff to return to Council with an overview of the City’s underground utilities policy related to cables and transformers.

**INCORPORATED INTO THE MOTION WITH THE CONSENT OF THE MAKER AND SECONDER** to direct Staff to include in the Rules and Regulations efforts to camouflage cables and transformers.

Council Member DuBois requested Staff comment regarding undergrounding a part or parts of an entire underground district.

Mr. Batchelor advised that Staff had not considered a part or parts of a district.

Council Member Kou felt the Council was moving too quickly to modify the Rules and Regulations.

**SUBSTITUTE MOTION:** Council Member Kou moved, seconded by Council Member XX to postpone adoption of the Resolution and direct Staff to return to Council after communicating the new policy to residents.

**SUBSTITUTE MOTION FAILED DUE TO THE LACK OF A SECOND**

Mayor Filseth clarified that the Resolution provided a mechanism for property owners in a district to fund and obtain underground equipment.

Council Member Kou noted one of the City's sustainability goals was to encourage all-electric homes. The City needed to seek State funding for upgrading electric facilities. Pad-mounted equipment was ugly and noisy and large.

Council Member Cormack asked if rates assumed replacement equipment would be pad-mounted.

Ms. Lloyd answered yes.

Council Member Cormack inquired about the frequency of Staff's calculation of the Special Facilities Fee.

Mr. McKernan explained that any request for a design other than pad-mounted engendered a Special Facilities Fee. Staff processed about one request per year.
Ms. Lloyd clarified that one assumption was removed from the Special Facilities Fee calculation for the Green Acres I neighborhood.

Council Member Tanaka inquired whether the issue was cost rather than technology.

Ms. Lloyd responded yes.

Council Member Tanaka asked if costs would decrease if underground equipment was the norm.

Ms. Lloyd replied no. The cost was driven by the equipment costs and vaults.

Mayor Filseth remarked that amortizing replacement costs in the Maintenance Fee could preclude residents from deciding they did not want underground utilities.

Council Member DuBois reiterated that the replacement cost anticipated pad-mounted equipment.

Council Member Tanaka asked if any cities routinely utilized underground equipment.

Ms. Lloyd reiterated that the industry standard was to underground wires and pad-mount equipment. Cities were able to have an Ordinance that required the use of underground equipment.

Council Member Tanaka wanted to know if any city required underground equipment.

Mr. Batchelor related that Florida Power and Duke Power utilized pad-mounted equipment in underground areas. Only two manufacturers in the United States were building subsurface transformers.

Council Member Tanaka inquired about public outreach or polling that occurred when the Council first proposed undergrounding utilities.

Molly Stump, City Attorney cautioned the Council that the undergrounding policy was not before the Council.

Council Member Tanaka believed the community should determine whether they wanted to pay higher rates for underground utilities.

**MOTION AS AMENDED RESTATED:** Vice Mayor Fine moved, seconded by Mayor Filseth to:
A. Approve a Resolution amending Utility Rule and Regulation 20 to allow Neighborhoods to Self-Fund Certain Subsurface Projects;

B. Direct Staff to return to Council with an overview of the City’s underground utilities policy related to cables and transformers; and

C. Direct Staff to include in the Rules and Regulations efforts to camouflage cables and transformers.

MOTION AS AMENDED PASSED: 6-1 Kou no

Council took a break at 8:51 P.M. and returned at 9:05 P.M.

8. Evaluation and Discussion of Potential Revenue Generating Ballot Measures and Confirmation of Finance Committee Recommended Parameters for Tax Structure and Further Analysis; and Approval of a Budget Amendment in the General Fund.

Kiely Nose, Administrative Services Director reported in April the Council approved a workplan for potential revenue-generating proposals. The Finance Committee (Committee) discussed a wide variety of potential tax options in June and narrowed Staff’s focus to research Head Count, Square Footage, Payroll, and Parcel Taxes and their impacts on the business environment. Staff provided the Committee with revenue estimates for Parcel, Sales, Business, Hotel, and Utility Taxes and a Vehicle Registration Fee. Staff created an Equity, Administrability, Stability, and Economic Benefits (EASE) framework to ensure tax impacts were measured consistently. In August, the Committee reviewed General Obligation (GO) Bonds, a Parcel Tax, a General Business Tax, a Special Business Tax, and a citizen initiative and eliminated GO Bonds.

Christine Paras, Administrative Services Assistant Director, advised that GO Bonds and Parcel Taxes passed with mixed results in 2018 while all General Business Taxes passed. The Committee had recommended GO Bonds and a flat tax be considered at a later date for unfunded infrastructure projects and directed Staff to research and analyze a Square Footage Tax.

Ms. Nose explained that data for a Square Footage Parcel Tax was taken from a subscription real estate database. Staff was working with the County of Santa Clara (County) to obtain and compare actual Parcel Tax data. The City calculated the tax, and the County collected it.

Ms. Paras indicated Staff had presented the Committee potential Business Taxes based on head count, square footage, and payroll expense. The
Committee had directed Staff to provide more information regarding the Head Count and Square Footage Business Taxes.

Alan Pennington, Vice President, Matrix Consulting Group related that he had worked with Staff to develop a list of Bay Area cities comparable to Palo Alto. Business License Tax revenue as a percent of the total General Fund ranged from 0.5 percent to 9 percent among comparable cities. Cupertino was the only comparable city that based its Business License Tax on square footage; the other cities used head counts. All comparable cities adopted a Business License Tax as a General Tax and administered it in-house and provided exemptions. State law exempted charitable and nonprofit organizations from Business License Taxes. A Head Count Tax could generate about $3.6 million. A Square Footage Tax could generate $1-$3.2 million.

Michelle Poché Flaherty, Deputy City Manager stated the tax burdens placed on residents, businesses, and visitors should balance. Commercial properties occupied less than 10 percent of Palo Alto parcels but generated 30 percent of Property Tax revenue. The loss of a large commercial entity could significantly reduce Property Tax and Sales Tax revenues. Technology companies had a lower tolerance for a Business Tax as startups moved to San Francisco, rather than Silicon Valley.

Ms. Nose shared additional variables that should be considered, such as the business environment, competing ballot measures, financing options, timing, community/stakeholder feedback, enforcement, and administrative elements. Next steps included stakeholder outreach and additional feasibility analyses. The Committee had recommended the Council consider a General or Specific Business Tax measure focused on head count or square footage, a Parcel Tax based on square footage, allocation of potential revenue proceeds to transportation and/or affordable housing, potential exemptions and tiered rate structures, and stakeholder engagement and polling.

Molly Stump, City Attorney reported Council Members could discuss the Committee's recommendations without worry about conflicts of interest. If the discussion veered significantly away from the Committee's recommendations, Staff had to limit Council discussion to research potential conflicts of interest.

Council Member DuBois related that the Committee had considered a broad range of options and narrowed them. The Committee had eliminated the Payroll Tax and emphasized a simple and enforceable tax. Next steps included polling to inform a tax structure.
Dan Kostenbauder, Silicon Valley Leadership Group noted a split roll measure would be on the November 2020 ballot, which could significantly increase taxes on Palo Alto businesses and increase tax revenues for the City. The Faster Bay Area Tax was a 1 percent Sales Tax increase for transportation infrastructure in the Bay Area. Approximately a decade ago, the Chamber of Commerce found businesses paid 59 percent of tax revenues and received approximately 41 percent of benefits. Increasing the Property Tax affected small businesses. Residents ultimately paid many of the potential taxes. He urged the Council to utilize a Special Tax.

Robert Moss preferred a General Tax on businesses. A tax on gross receipts seemed to provide the greatest revenues.

Barbara Gross, Palo Alto Downtown Business and Professional Association understood revenues from a Business Tax would fund grade separations. The business community believed the community should pay for grade separations. The City Council had made promises regarding use of the Transient Occupancy Tax (TOT) increase, but those promises had yet to be fulfilled. The business community wanted to be part of the tax measure discussion.

Georgie Gleim commented that a Business Tax would increase the taxes paid by hotels again. Taxes needed to be shared by businesses and residents.

Tiffany Griego, Stanford Research Park Managing Director encouraged the Council to analyze the need for a tax on businesses. In 2018, Stanford Research Park generated approximately $36 million in tax revenues for the City of Palo Alto and Palo Alto Unified School District (PAUSD) and approximately $4 million in Point-of-sale Tax revenues. The Council needed to take care to retain businesses that generated Point-of-sale Tax revenues. She questioned whether a Business Tax affected Stanford Research Park employers' willingness to fund Transportation Demand Management (TDM) programs.

Judy Kleinberg, Palo Alto Chamber of Commerce recommended the Council begin with a problem statement rather than a tax. If businesses were taxed, tax revenues needed to support business development. Any potential tax had to be a Special Tax. The Council had to identify a nexus between the tax and the taxpayer. The timing for a 2020 measure was completely wrong.

Pat Burt stated the notion that businesses would leave the Bay Area for a 1 percent premium to locate in Silicon Valley was out of kilter.
Mark Mullineaux remarked that when the value accrues to landowners, recapturing the value was both fair and efficient. The Council needed to tax landowners.

Mayor Filseth recommended the Council continue Agenda Item Number 9 to September 23, 2019.

Ed Shikada, City Manager concurred.

**MOTION:** Mayor Filseth moved, seconded by Council Member Kniss to continue Agenda Item Number 9, “Caltrain Business Plan - Direction to Staff Regarding...” to September 23, 2019.

Council Member Cormack requested Staff schedule the item early on September 23.

Council Member DuBois noted the Council could schedule a meeting for September 30 or October 14 if needed.

**MOTION PASSED:** 7-0

Council Member DuBois believed the Council should authorize polling of voters and businesses so that data could inform the Council's decisions. The Council was attempting to solve the problems of transportation and affordable housing. The Council needed to provide direction regarding the level of taxation, and polling could help inform that. The Council needed additional analysis of San Francisco and East Palo Alto. Average cities were not good comparable cities for Palo Alto. The Council needed to explore a percentage of the level of taxation in San Francisco. With tax revenues of $50 million a year, $30 million was allocated to grade separations, $10 million to a Citywide Transportation Management Association (TMA) and shuttle buses, $8 million to affordable housing, and $2 million to the General Fund. He thought the Committee may have eliminated the Payroll Tax option prematurely. A Business Tax could be used to help the City fiscally by offsetting impacts.

**MOTION:** Council Member DuBois moved, seconded by Council Member Kou to:

A. Review, provide comments, and direct Staff to continue work regarding a potential revenue generating ballot measure with the following parameters:

   1) Consider a general business tax measure focused on head count or square footage as the units of measure;
2) Consider a parcel tax measure focused on square footage as the unit of measure;

3) Potential revenue proceeds allocations to transportation and/or affordable housing shall be determined at a later date and informed by polling;

4) Continue further refined analysis on potential exemptions and tiered tax rate structures with the following guidance: maintaining estimated revenue generation between 1 and 6 percent of General Fund revenues, focus on implications regarding retail, restaurants, hospitality, and medical industries, and keeping potential tax structures simple and modern minimizing exemptions;

5) Continue to review any potential ballot measures as either a general tax (with nonbinding advisory language on intended use of funds) or a special tax measure;

6) Consider a parcel tax or General Obligation (GO) Bond for unfunded infrastructure projects at a later date;

7) Discuss next steps including continued stakeholder engagement and potential polling;

8) Do additional analysis and research, benchmarking against San Francisco and East Palo Alto using an average tax revenue per working metric; and

9) Develop a round of polling to test the type of taxation, levels of taxation, a phase-in period and tiering based on type of business

   a) Test payroll, headcount, and square footage taxes; and
   
   b) Remove range of 1 - 6 percent and test a broader range up to 50 percent of SF average tax per employee

B. Amend the Fiscal Year 2020 Budget Appropriation Ordinance for the General Fund by:

   a. Increasing the Administrative Services Department appropriation for contractual services in the amount of $75,000; and

   b. Decreasing the Budget Stabilization Reserve in the amount of $75,000.
Council Member DuBois wanted to benchmark against East Palo Alto because East Palo Alto had one of the highest Businesses Taxes on the Peninsula.

Ms. Nose advised that Staff had not prepared a timeline for polling.

Council Member Kou agreed with beginning polling and using the 2016 polling as a baseline. Focusing tax revenues towards transportation and affordable housing was important given that State laws were determined to eliminate Development Impact Fees.

Vice Mayor Fine stated the average tax revenue per worker was a good metric. San Francisco and East Palo Alto were not great comparable cities. Testing a Head Count Tax of $1,500 per employee was exceptional. He requested the reason the Committee eliminated Payroll and Gross Receipts Taxes.

Ms. Nose reported defining gross receipts and obtaining the data point would be difficult given the current business climate. Again, defining payroll was difficult.

Vice Mayor Fine remarked that a tax of 50 percent of San Francisco's average tax per employee would certainly draw the business community's attention. Increasing the General Fund by 25 percent with that tax was irresponsible and greedy. A Square Footage Tax may scale naturally and may be passed to tenants. A Head Count Tax had a nexus to transportation and housing. An exemption for utilities prevented the City of Palo Alto Utilities (CPAU) from passing the tax to ratepayers. The Council had to have the ability to suspend a tax in the event of a recession or high vacancy rates. The Council needed to understand whether there was a revenue or spending problem. He favored a Special Tax. A good argument was to allocate some tax revenues to business development. He inquired whether there was a method to estimate or test the reduction of business activity due to a Business Tax.

Ms. Nose replied not currently.

Vice Mayor Fine suggested the Council consider the portability of a tax. He inquired regarding a method to credit a Point-of-sale Tax against a Business Tax.

Ms. Flaherty needed to do some research.

Vice Mayor Fine asked if a Head Count Tax could be based on Full-Time Equivalents (FTE).
Ms. Nose advised that it would depend on the data source.

Ms. Stump wanted to review the matter.

Vice Mayor Fine suggested Staff fashion a structure to engage the business community.

Council Member Kniss did not agree with benchmarking the City against San Francisco and East Palo Alto or testing a tax of 50 percent of San Francisco's average tax per employee. She reiterated public comments regarding a recession, the shortage of employees, and the vacancy rate for office space. She supported defining employees as FTEs or workers and a Special Tax. Tax revenues of $50 million were too high.

Council Member Cormack inquired whether the 2009 Business Tax failed.

Ms. Nose responded yes.

Council Member Cormack requested the reason it failed and details of the tax measure.

Tarun Narayan, Treasury Manager reported the Business Tax was too complex with two methodologies and several tiers.

Council Member Cormack asked about the estimated revenue from the Business Tax.

Mr. Narayan needed to research the issue.

Council Member Cormack indicated a Payroll Tax could be naturally progressive and might not need exemptions. Something besides the taxation rate was drawing startups to San Francisco. She supported placing a tax measure on the 2020 ballot. She inquired about the source of vacancy rates.

Ms. Flaherty related that Staff had the information but may not be allowed to publish it publicly.

Council Member Cormack stated to the extent any of the Business License Taxes enabled the City to obtain accurate data, the tax would have value separate from revenue. The City needed to invest heavily in transportation infrastructure and services. She was not comfortable with the Motion's provision for benchmarking.

**INCORPORATED INTO THE MOTION WITH THE CONSENT OF THE MAKER AND SECONDER** to amend Part A. h. to state “… including
benchmarking against San Francisco and East Palo Alto’s average tax revenue per worker metric …”

Council member Cormack asked if Staff sought input regarding stakeholder engagement.

Ms. Nose answered yes. The Motion directed Staff to poll both residents and business groups.

Council Member Cormack suggested businesses be surveyed rather than polled.

Mr. Shikada reported Staff would seek the services of a polling consultant. Polling on the variety of issues mentioned was going to be difficult. Polling needed to focus on priorities for spending revenues and general concepts.

Council Member Cormack proposed the use of focus groups.

Council Member DuBois requested language for Subparts A.g or A.i.

Council Member Cormack suggested language of "conduct focus groups with multiple business types" for Subpart A.g.

Ms. Flaherty indicated the word "multiple" implied a range of different types of businesses.

Council Member DuBois inquired whether focus groups were too prescriptive.

Mr. Shikada suggested Staff return to the Council with a recommended approach for engagement based on the parameters contained in the Motion.

**INCORPORATED INTO THE MOTION WITH THE CONSENT OF THE MAKER AND SECONDER** to amend Part A. g. to state “Discuss next steps including continued stakeholder engagement with multiple business types.”

Council Member Cormack believed polling would have to be iterative.

Council Member DuBois noted the Staff presentation showed polling occurring in October, 2019 and January, 2020.

Council Member Cormack asked if Staff could present a list of polling questions to the Committee for review.

Ms. Flaherty recommended the Council consider narrowing the range of concepts for polling.
Council Member Cormack believed Subpart A.i.a had to include a Head Count Tax. In Subpart A.i.b, the range helped Staff quantify the average tax. She was not comfortable with testing a broader range up to 50 percent.

Council Member DuBois clarified that San Francisco's average tax per employee was more likely $1,500. Palo Alto's average was likely $500 to $750.

Vice Mayor Fine wanted to utilize the same unit of measure.

Council Member DuBois did not want to implement a 6 percent cap until more data was available.

**INCORPORATED INTO THE MOTION WITH THE CONSENT OF THE MAKER AND SECONDER** to remove Part A. i. b).

Vice Mayor Fine stated the dollar target could be measured as percentage of the General Fund. A per worker figure was helpful. Subpart A.i.b utilized two styles of analysis.

Council Member DuBois proposed deleting references to 1-6 percent.

Council Member Cormack asked if the average tax revenue per worker metric could be the control for all.

Council Member DuBois responded yes.

Council Member Cormack clarified that the three metrics should be used to evaluate the reasonableness of each of the proposals.

Vice Mayor Fine commented that the Council should first select a specific amount of tax revenues to raise through a Business Tax.

Council Member DuBois explained that 0.1 percent of payroll in Palo Alto was $15 million per year; therefore, 0.3 percent would be $45 million. The Council needed to review a wide range of revenues, such as $10-$50 million, and the total business taxation rate.

Mayor Filseth advised that 1 percent of the General Fund was $2 million. Now, there was a five-eighths increase on the bottom.

Council Member Cormack indicated the numbers were far larger than the numbers to which the Committee agreed.

Mayor Filseth did not wish to preclude the Committee from revisiting the issue.
Mr. Shikada reported part of the rationale for having a number or a range was to provide stakeholders with tangible information. The wider the range, the more difficult it was going to be for stakeholders to form an opinion. Comparing the total tax burden among jurisdictions was problematic and complex without narrow boundaries.

Mayor Filseth related that the average tax per employee could be used to benchmark jurisdictions.

Mr. Shikada suggested the Council use an iterative process to test the public's acceptance of a range. If public acceptance was high, the Council was able to test a higher range.

Council Member Tanaka asked if City revenues were decreasing.

Ms. Nose answered no.

Council Member Tanaka remarked that the Council was attempting to increase revenues without having identified a problem.

Mr. Shikada stated the Council was attempting to identify the extent to which a Business Tax could fund a list of priorities.

Council Member Tanaka proposed the Motion address the need for a Business Tax.

Mayor Filseth advised that the City had looming expenses, particularly for transportation, which the City could not fund. The Council did not have time to finalize preferred alternatives for grade separations and then discuss funding before the 2020 ballot.

Council Member Tanaka reiterated the need to identify a problem.

Council Member DuBois felt polling could inform the process.

Council Member Kniss related that the pollster could guide the Council in selecting questions that would get the desired results.

Council Member Tanaka proposed Staff return with the amount the business community contributed to the City's Budget.

Mayor Filseth indicated that data was available even though it was a few years old.

Council Member Tanaka requested the percentage the business community contributed to the City's Budget.
Mayor Filseth referred Council Member Tanaka to the study.

Council Member Tanaka recommended polling businesses before residents.

Council Member DuBois did not want linear polling.

Council Member Tanaka suggested comparing Palo Alto to Cupertino and Sunnyvale rather than San Francisco and East Palo Alto.

Council Member DuBois stated Cupertino and Sunnyvale were listed as comparable cities.

Council Member Tanaka clarified that Cupertino and Sunnyvale should be the comparable cities in Subpart A.h.

Council Member DuBois explained that Subpart A.h pertained to all Business Taxes.

Ms. Flaherty advised the Council that the discussion had covered different elements that would not be comparable or would be difficult to define.

Council Member DuBois indicated the Council was discussing business-specific taxes, not General or Parcel Taxes.

Ms. Flaherty reported an analysis of total tax burden for different jurisdictions that utilized different Business Taxes would be exponentially complex.

Council Member Tanaka reiterated his suggestion to utilize Cupertino and Sunnyvale.

**INCORPORATED INTO THE MOTION WITH THE CONSENT OF THE MAKER AND SECONDER** to amend Part A. d. to state “… estimated revenue generation between 1 and 10 percent …”

Council Member DuBois was interested in understanding specific Business Taxes in total.

Ms. Nose explained that Business-related Taxes covered the gamut from Business License Taxes to Parcel Taxes on commercial businesses.

Council Member DuBois clarified that it would be taxes levied on businesses only.

Ms. Flaherty asked if the range had moved to all options.
Council Member DuBois indicated East Palo Alto had implemented a commercial office Business Tax. San Francisco had recently passed a Business Tax for affordable housing.

Vice Mayor Fine asked if Council Member DuBois was attempting to compare total tax revenues received by cities from businesses divided by the number of employees.

Council Member DuBois answered yes, for specific Business Taxes.

**INCORPORATED INTO THE MOTION WITH THE CONSENT OF THE MAKER AND SECONDER** to amend Part A. h. to state, “Direct Staff to get an information sheet on San Francisco and East Palo Alto’s various business taxes.”

Council Member Tanaka requested the amount of TOT revenues received from the most-recent measure.

Ms. Nose did not have a full year of data to compare actual revenues with estimated revenues.

Council Member Tanaka requested Staff compare TOT revenues for April through August in the years 2018 and 2019.

**MOTION AS AMENDED RESTAT**ED: Council Member DuBois moved, seconded by Council Member Kou to:

A. Review, provide comments, and direct Staff to continue work regarding a potential revenue generating ballot measure with the following parameters:
   a. Consider a general business tax measure focused on head count or square footage as the units of measure;
   b. Consider a parcel tax measure focused on square footage as the unit of measure;
   c. Potential revenue proceeds allocations to transportation and/or affordable housing shall be determined at a later date and informed by polling;
   d. Continue further refined analysis on potential exemptions and tiered tax rate structures with the following guidance: maintaining estimated revenue generation between 1 and 10 percent of General Fund revenues, focus on implications regarding retail, restaurants, hospitality, and medical industries,
and keeping potential tax structures simple and modern minimizing exemptions;

e. Continue to review any potential ballot measures as either a general tax (with nonbinding advisory language on intended use of funds) or a special tax measure;

f. Consider a parcel tax or General Obligation (GO) Bond for unfunded infrastructure projects at a later date;

g. Discuss next steps including continued stakeholder engagement with multiple business types;

h. Direct Staff to get an information sheet on San Francisco and East Palo Alto’s various business taxes; and

i. Develop a round of polling to test the type of taxation, levels of taxation, a phase in period and tiering based on type of business

a) Test payroll, headcount, and square footage taxes

B. Amend the Fiscal Year 2020 Budget Appropriation Ordinance for the General Fund by:

a. Increasing the Administrative Services Department appropriation for contractual services in the amount of $75,000; and

b. Decreasing the Budget Stabilization Reserve in the amount of $75,000.

**MOTION AS AMENDED PASSED:** 6-1 Tanaka no

Mr. Shikada inquired whether Staff should return to the Committee or the Council.

Mayor Filseth answered the Committee. He hoped the Council would proceed with a ballot measure for 2020. The Council was not able to rely on Faster Bay Area to solve the City's transportation needs.


State/Federal Legislation Update/Action

None.
Council Member Questions, Comments and Announcements

Vice Mayor Fine reported Council Member Kniss and he had visited Albi, France, to celebrate the 25th anniversary of the Sister City relationship.

Council Member Cormack shared data from Santa Clara County's Reversing the Vaping Epidemic, which Council Member Kou and she attended. The Board of Supervisors was going to hear the Stanford University General Use Permit (GUP) on September 24.

Council Member DuBois indicated Council Member Kniss, Council Member Tanaka and he had toured Stanford Hospital. The Midtown Residents Association held its ice cream social the prior weekend.

Adjournment: The meeting was adjourned at 11:49 P.M.