



CITY OF PALO ALTO CITY COUNCIL FINAL MINUTES

Special Meeting
June 17, 2019

The City Council of the City of Palo Alto met on this date in the Council Chambers at 5:00 P.M.

Present: Cormack, DuBois, Filseth, Fine, Kniss, Kou, Tanaka

Absent:

Closed Session

1. CONFERENCE WITH CITY ATTORNEY - EXISTING LITIGATION
Subject: Gustavo Alvarez v. City of Palo Alto, et al.
United States District Court, Northern District of California,
Case No. 5:19-cv-02328-NC
Authority: Government Code Section 54956.9(d)(1)
2. CONFERENCE WITH LABOR NEGOTIATORS
City Representatives: City Manager and his Designees Pursuant to Merit System Rules and Regulations (Ed Shikada, Molly Stump, Kiely Nose, Rumi Portillo)
Unrepresented Employee Group: Management, Professional and Confidential Employees
Authority: Government Code Section 54957.6

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

MOTION PASSED: 7-0

Council went into Closed Session at 5:02 P.M.

Council returned from Closed Session at 6:52 P.M.

Mayor Filseth announced no reportable action.

Agenda Changes, Additions and Deletions

None.

FINAL MINUTES

City Manager Comments

Ed Shikada, City Manager, reported Caltrans issued an Encroachment Permit for the Highway 101 Bike Bridge the prior week, but Caltrans needed to approve the E-76 form. The Palo Alto Utilities Department won a 2019 Energy Innovator award for its Home Energy Genie Program from the American Public Power Association. On June 18, 2019 the City was going to host an inauguration ceremony for construction on California Avenue. Community meetings for the Newell Bridge Environmental Impact Report (EIR) were scheduled for June 18 and 19, 2019. The Caltrans required public hearing for the EIR was scheduled for July 18, 2019. The expanded Community Advisory Panel for grade separations planned on meeting June 19, 2019. Friday night at the Arts Center was going to be held June 21, 2019. On June 23, 2019 a ribbon cutting ceremony for the new table tennis equipment at Lytton Plaza was planned.

Minutes Approval

3. Approval of Action Minutes for the May 20, 2019 Council Meeting.

MOTION: Mayor Filseth moved, seconded by Council Member Kniss to approve the Action Minutes for the May 20, 2019 Council Meeting.

MOTION PASSED: 7-0

Oral Communications

David Matheson, Evergreen Park Neighborhood Association remarked regarding the plans to remove street trees in Evergreen Park. Neighbors and Stanford University reached an agreement regarding the trees. He requested the Council affirm and direct that clear cutting trees was an option of last resort.

Mary-Jo Fremont expressed disappointment with the Council's decision not to file a lawsuit against the Federal Aviation Administration (FAA). She requested the Council publish its roll call vote of the decision not to sue the FAA.

Darlene Yaplee hoped the length of the Closed Session implied the Council held a rigorous discourse regarding litigation against the FAA. The Council needed to pursue regional collaboration as well as legislation and litigation. She urged the Council to issue its roll call vote regarding the decision not to sue the FAA.

FINAL MINUTES

Brian Tucker expressed dismay regarding the Council's decision not to sue the FAA. Perhaps someone was able to summarize the arguments and the reasons around the Council's decision.

Terry Holzemer requested the 1700 Embarcadero Road Project be removed from the June 24, 2019 Council Agenda as the Architectural Review Board (ARB) had not issued a ruling on the project.

Joe Hirsch concurred with Mr. Holzemer's comments. The project did not comply with the Municipal Code and was not ripe for review or discussion. He encouraged the Council to finalize an extension of its lease with Palo Alto Unified School District (PAUSD) regarding Cubberley Community Center so that tenants knew whether they needed to relocate. The Council needed to proceed with redeveloping its eight acres of the Cubberley site independent of PAUSD.

Jeff Levinsky requested the Council reschedule the Mercedes Audi item. The Municipal Code stated the ARB was to create a recommendation for the Council, but the ARB did not.

Andie Reed expressed concerns regarding the massing and brightness of the Mercedes Audi Project as it was located at the gateway to the Baylands. She asked the Council not to rush the project as the ARB had not made a recommendation.

Karen Holman reiterated that the ARB did not approve the Mercedes Audi Project. Members of the ARB stated they could not make the findings for the project and did not have sufficient materials to make the findings.

Neva Yarkin wanted the Council to wait for an ARB recommendation regarding the Mercedes-Benz Dealership Project.

Suzanne Keehn concurred with comments regarding the Mercedes Project. The Council needed to review the video and minutes of the ARB meeting.

Alexandra Lee suggested the Council encourage people to take action to lower their carbon footprints and to become more aware of the impact of each action.

Zoe Wong-Vanharen remarked regarding reach Codes for fossil-free construction. All electric homes are less expensive to build, cleaner, and safer. She invited the Council to Project Green Home.

Sven Theisen noted scientists were referring to climate crisis and global heating rather than climate change and climate warming. The Council

FINAL MINUTES

needed to prohibit the installation of natural gas in new residential construction and set a date to end the natural gas utility.

Consent Calendar

MOTION: Vice Mayor Fine moved, seconded by Council Member Kniss to approve Agenda Item Numbers 4-9.

4. Approval of Contract Number C19174797 With Palo Alto Housing Corporation for the Provision of Below Market Rate (BMR) Administration Services for \$290,000 Over a Two-year Period.
5. Approval of a Side Letter With the Palo Alto Peace Officers' Association (PAPOA) Regarding Trainee pay Rates-administrative Cleanup.
6. Approval of an Exemption From Competitive Solicitation and Approval of Contract Number C19175498 With Integrated Design 360 for Development and Support of: 1) Sustainability Implementation Plan, 2) Green Building Program, 3) Deconstruction and Source Separation Program, 4) Dewatering Monitoring Program, and 5) Utilities On-call Services Through June 30, 2020 for a Total Not-to-Exceed Amount of \$576,000.
7. Request for Authorization to Increase the Existing Legal Services Agreement With the Law Firm of Jarvis, Fay & Gibson for Litigation Defense Services by an Additional \$200,000 for a Total Not-to-Exceed Amount of \$695,000, and to Extend the Term of the Agreement to June 30, 2021.
8. Ordinance 5469 Entitled "Ordinance of the Council of the City of Palo Alto for Pickleball Courts at Mitchell Park (FIRST READING: June 3, 2019, PASSED: 7-0)."
9. Ordinance 5470 Entitled "Ordinance of the Council of the City of Palo Alto Amending the Zoning Map of the City of Palo Alto for 2321 Wellesley Street to Change the Zoning From R-1 (Single Family Residential) to RMD (NP) (Two Unit Multiple-family Residential District With Neighborhood Preservation Overlay) Zoning District (FIRST READING: June 3, 2019, PASSED 7-0)."

MOTION PASSED: 7-0

Mayor Filseth reported June 24, 2019 was the Council's final meeting prior to the summer recess. The Consent Calendar for June 24, 2019 meeting was

FINAL MINUTES

to contain many items. He suggested Council Members areview the Consent Calendar early.

Action Items

10. Ordinance 5471 Entitled "Ordinance of the Council of the City of Palo Alto for Fiscal Year 2020, Including Adoption of the Operating and Capital Budgets and the Municipal Fee Schedule."

Ed Shikada, City Manager reported the Proposed Budget advanced the City Council's direction to structurally address the City's long-term pension liabilities through contributions in addition to the contributions required by the California Public Employees' Retirement System (CalPERS), to implement a more conservative discount rate, and to allocate \$6.2 million annually to a Section 115 Pension Trust Fund. Since January, 2017 contributions to the Pension Trust Fund totaled \$22 million. These actions required \$4.7 million in ongoing expense reductions in the General Fund and a 4.6 percent reduction in the General Fund workforce since Fiscal Year (FY) 2018. Some of the reductions were offset by necessary reprioritization of key services and initiatives identified by the City Council. Areas of focus were: establishment of the Office of Transportation; continued adaptation of the City's service delivery systems; and workforce stabilization. The focus on overall fiscal sustainability was applied to all funds.

Kiely Nose, Director of Administrative Services noted adoption of the Capital Budget did not appropriate funds beyond FY 2020. The City Charter and the Municipal Code required the Council adopt the Proposed Budgets, Table of Organization and Municipal Fee Schedule by July 1, 2019. The Finance Committee had twice reviewed the referral to amend the City's Cost Recovery Policy. Amending the 2014 Infrastructure Plan was to prioritize the Transient Occupancy Tax (TOT) revenues from any new hotels and the most-recent increase of the TOT towards the 2014 Infrastructure Plan.

Steve Guagliardo, Director for the Office of Management and Budget advised that the Proposed Budget was the first budget to incorporate structural contributions to the Section 115 trust. All future budgets were to include the lower discount rate. Since FY 2015, 6.5 Full-Time Equivalents (FTE) were added to Transportation Staff. Labor contracts were secured through FY 2020. An additional \$750,000 was allocated in the General Fund to workforce initiatives in FY 2020. If other funds were leveraged, the investment in workforce initiatives would total \$1.5 million. The total cost of the Infrastructure Plan was \$280.6 million, and \$180.4 million was included in the five year Capital Improvement Program (CIP) for the Infrastructure Plan. Since FY 2018, 11 Firefighter positions were eliminated, 7 positions for

FINAL MINUTES

public-private partnerships were created and 5.5 positions were created in Public Works for public services and vehicle staffing. Three things the City did was they partnered with Pets in Need to provide animal care services; Team Sheeper was a chosen provider for the aquatics program; and there was cross-staffing for the Fire apparatus. The FY 2020 Budget adjusted the Fire Department model by cross-staffing an additional apparatus, there was a reduction of an additional position in the Library Department, there was an increase in the replacement cycle for emergency response equipment in the Office of Emergency Services (OES), there was consolidated landscape maintenance, and the City transitioned Project Safety Net to a Community Collaborative Program. Citywide sources or all funds totaled \$721.4 million for FY 2020. Utility purchases represented approximately a quarter of Citywide expenses. Salary and benefits and the CIP were significant components of Citywide expenses. The reduction of 6.5 FTEs resulted in a savings of approximately \$2.1 million in the General Fund for salaries and benefits and approximately \$2.3 million across all funds for salaries and benefits. Internal Service Funds caused increases of 8.8 percent in the General Fund and 5.8 percent increase across the organization. Increases in the General Liability Fund and the Workers' Compensation Fund allocated charges that represented a standardization of a one-time rate pass realized in FY 2019. The FY 2020 General Fund revenues totaled \$232.1 million, two-thirds of which were received from taxes. FY 2020 General Fund expenses included a \$1.3 million contribution to the Budget Stabilization Reserve (BSR). Salaries and benefits comprised 58.3 percent of General Fund expenses. The Proposed Budget utilized a one-time savings as a strategy to ensure Staff had sufficient time to evaluate ongoing strategies and their implications for the organization. Special Revenue Funds totaled \$725,000 in Community Development Block Grant (CDBG) Funds. Street Improvement Funds included \$2.6 million for transportation and street maintenance. As directed by the Finance Committee, employee parking permit rates increased by 7.5 percent. Staff estimated the monthly residential utility bill to increase by \$15.65, to a total of \$312.15.

Paul Harper, Principal Management Analyst noted the second through the fifth years of the CIP were provided to the Council for planning and forecasting purposes. The five-year CIP had more than \$750 million programmed over the five years, with approximately \$192 million programmed in FY 2020. The General Capital Improvement Fund totaled approximately \$342 million over five years, with \$86 million programmed for FY 2020. Three fund types, Capital Project, Internal Service and Enterprise, including 216 other projects, were all comprised in the CIP. The CIP contained 13 new projects, seven of which were funded in FY 2020. The total cost of the five-year CIP was relatively flat compared to the prior five-year CIP. This was mainly due to Utilities Staff recommending the stagger

FINAL MINUTES

of water, wastewater and gas projects. The CIP was focused on completing the Infrastructure Plan projects within five years, while appropriating funding for catch-up and keep-up work related to current infrastructure. Another focus was to ensure ongoing operating and maintenance costs were related to capital projects and were detailed in order to bring forward those costs and align those projects during development of the Operating Budget. Two of the three new Enterprise Fund projects were Stormwater Management Projects that the voters approved in April, 2017. The Regional Water Quality Control Plant (RWQCP) needed major infrastructure improvements for which Staff was exploring funding options such as State revolving fund loans and revenue bonds. The Infrastructure Plan was originally approved with nine projects. The FY 2020 Budget recommended a tenth project, the Downtown Automated Parking Guidance System.

Mayor Filseth requested clarification of the Infrastructure Plan projects noted as halted.

Mr. Harper explained that the Downtown Parking Garage and the Bicycle and Pedestrian Transportation Plan were awaiting Council direction. Both projects were funded in the five year CIP.

Mr. Guagliardo related that the year-over-year increase for Municipal Fees was approximately 7.5 percent as a result of proactive contributions to pensions, CalPERS' increase to its discount rate, benefits other than pensions and salaries. Staff recommended the Cost Recovery Policy be updated to clarify that certain City programs and services were not subject to State law that limited user fees to the City's costs. Fees for recreation classes, facility rentals, equipment rentals and other services and programs were not subject to a cost-basis ceiling. The Library Advisory Commission (LAC) was going to discuss library fines on June 27, 2019. Staff anticipated providing an update regarding the Bicycle and Pedestrian Transportation Plan and the appropriate price levels for tickets to the Junior Museum and Zoo in the fall of 2019 and returning to the Finance Committee to strategize the use of uncommitted funds from the Stanford University Medical Center (SUMC) Development Agreement.

Council Member DuBois reported the Finance Committee had conducted a lengthy review of each department and achieved a balanced Budget. Funding the voluntary pension payments required some cost cutting in projects and positions. The Finance Committee had reviewed the Municipal Fee Schedule in detail, particularly fees set at less than full cost recovery. They allocated additional funding to the Human Resources (HR) Department for recruitment and performance management tools, restored some of the proposed reductions in "out-sourced services" for the Information

FINAL MINUTES

Technology (IT) Department, and eliminated the proposed closure of Children's Library on Sundays. Monies that were budgeted but not allocated were utilized to fund these changes. The Finance Committee agreed to a substantial increase in funding for the Transportation Management Association (TMA) and recommended a 7.5 percent increase in Employee Parking Permit Fees to pay for the TMA increase. The Finance Committee allocated funding for the Parking Wayfinding Project and recommended it be added to the Infrastructure Plan. The Finance Committee discussed the Legal Liability Fund and decided not to allocate additional funds to it. The proposed rate increases reflected the ongoing maintenance of infrastructure for the Utilities Department. The Finance Committee identified approximately \$5.4 million of funds from the SUMC Development Agreement that had not been committed and requested a future discussion of the use of the funds. There were no plans for the Cubberley Community Center, grade separation and other things. After adoption of the Budget, the Finance Committee and Staff were going to explore performance reviews of various City services to identify potential additional savings.

MOTION: Council Member DuBois moved, seconded by Council Member Kniss to:

- A. Adopt the Fiscal Year 2020 Budget Ordinance, which includes:
 - i. City Manager's Fiscal Year 2020 Proposed Operating and Capital Budgets, previously distributed at the April 22nd City Council meeting;
 - ii. Amendments to the City Manager's Fiscal Year 2020 Proposed Operating Budget;
 - iii. Amendments to the City Manager's Fiscal Year 2020 Proposed Capital Budget;
 - iv. Fiscal Year 2020 City Table of Organization;
 - v. Fiscal Year 2020 Municipal Fee Changes;
- B. Amend the Municipal Fee Cost Recovery Policy 1-57/ASD to include language clarifying that certain types of fees are not subject to state laws limiting fees to cost recovery; and
- C. Accept the 2020-2024 Capital Improvement Plan including: the addition of the Automated Parking Guidance System to the 2014 Council approved Infrastructure Plan, allocation of new hotel Transient Occupancy Tax (TOT) revenues, and the November 2018 voter

FINAL MINUTES

approved increase in TOT revenues towards ensuring sufficient funding for this plan; and

- D. Return to the Finance committee to strategize the use of uncommitted fund from the Stanford University Medical Center (SUMC) Development Agreement.

Vice Mayor Fine noted salaries and benefits appeared to increase substantially, but the increase resulted from the more accurate CalPERS discount rate. Of the \$4 million reduction, \$2.3 million resulted from structural changes. In particular, funds for the Parking Wayfinding System Project were allocated in the CIP and hopefully were to be implemented in 2019 or early 2020. The HR and Fire Departments appeared to be under some strain.

Public Hearing opened at 8:08 P.M.

Radha Ramanathan shared graphs comparing Palo Alto's Budget with budgets of neighboring cities. Based on a comparison of Palo Alto's revenues to the Standard & Poor's (S&P) 500 growth rate, achieving the projected revenue targets for FY 2020 was unlikely.

Priya Hariharan shared her analysis of the cost per employee for Palo Alto, Mountain View and Menlo Park. The average City employee earned more than an entire household of a City resident. Menlo Park and Mountain View had a higher revenue growth in comparison to Palo Alto. Palo Alto's employee cost grew faster than revenues.

Public Hearing closed at 8:13 P.M.

Council Member Kniss inquired whether the Highway 101 Bike Bridge would be completed in the next few years.

Mr. Shikada replied yes.

Council Member Kniss suggested the Council increase funding for the TMA from \$660,000 to \$750,000. She requested the estimated cost for the Downtown Parking Garage.

Ms. Nose answered approximately \$20 to \$30 million.

Council Member Kniss noticed that \$90,000 for the TMA in comparison to \$30 million for a parking garage sounded like a bargain. The TMA was able to utilize all \$90,000 to remove another 50 cars from the road. The Council needed to do all it could to alter the outcome of cars in and out of the City. She inquired about monies, other than those resulting from an increase in

FINAL MINUTES

Employee Parking Permit Fees that were able to fund her proposed increase for the TMA.

Ms. Nose reported the University Avenue Parking Fund balance totaled approximately \$3 million, and the Council could allocate \$90,000 from the Fund to the TMA.

Council Member Kniss advised that the City of East Palo Alto was very enthusiastic about the prospect of a sub-regional TMA or cooperative effort to reduce traffic.

Council Member DuBois inquired whether \$90,000 from the Council Contingency Fund could be allocated to the TMA.

Ms. Nose indicated the balances of the Budget Uncertainty Reserve and Council Contingency Fund were \$72,000 and \$125,000 respectively.

Council Member DuBois related that the TMA asked the Finance Committee to explore methods to enforce participation in the TMA. He supported an additional \$90,000 for the TMA for one year, but the Council needed to reduce business parking in the Residential Preferential Parking Permit (RPP) Program and encourage businesses to fund the TMA.

INCORPORATED INTO THE MOTION WITH THE CONSENT OF THE MAKER AND SECONDER to continue with \$660,000 budgeted for the TMA but increase the funding by \$90,000 for a total amount of \$750,000 for a period of one year.

Council Member Kniss commented that the Council needed data to support additional funding for the TMA.

Vice Mayor Fine inquired regarding the funding source for the \$90,000.

Council Member DuBois suggested Staff allocate \$72,000 from the Budget Uncertainty Reserve and the remainder from the University Avenue Parking Fund.

Vice Mayor Fine asked if all funds in the University Avenue Parking Fund were allocated.

Ms. Nose explained that approximately \$3.2 million of the University Avenue Parking Fund had not been reserved. She did not recommend an increase in parking fees to fund a one-time allocation to the TMA.

FINAL MINUTES

Vice Mayor Fine asked if a 7.5 percent increase in parking fees, \$72,000 from the Budget Uncertainty Reserve, and \$18,000 from the University Avenue Parking Fund were going to fund the TMA allocation.

Ms. Nose responded that the Council would select the funding source for the TMA allocation.

Mayor Filseth noted Downtown Parking Permit Fees were approximately one-eighth the cost of parking permit fees in San Francisco. He requested the rationale for not increasing parking permit fees to 10 percent to fund the full \$90,000 for the TMA.

Council Member Cormack explained that Staff had informed the Finance Committee that a Parking Work Plan that incorporated this would be presented to the Policy and Services Committee (P&S). The Finance Committee deferred a decision to P&S so that P&S could make a holistic decision.

Mayor Filseth asked when it would be presented to the Council.

Mr. Shikada answered that it would be in the fall.

Council Member DuBois commented that a 10 percent increase would be \$19 more than a 7.5 percent increase. The Finance Committee discussion concerned policies around relative pricing of RPP permits and garage permits. He preferred P&S to determine a sustainable policy for the TMA.

Council Member Cormack added that the 7.5 percent increase was consistent with the increase in salaries and benefits, which seemed a reasonably absent policy change.

Council Member Kou requested clarification of the \$4,000 transfer from the Utilities Fund to the University Avenue Fund.

Mr. Guagliardo reported the transfer represented the Utilities Department's payment for employee parking permits.

Council Member Kou inquired whether that amount would be specified for employees or commingled with the TMA Fund.

Ms. Nose advised that the amount would not necessarily be specified for employees. It was specified by the Council's appropriation.

Council Member Kou wanted to track the number of City employees that utilized the TMA so that the Council could see the success generated by the additional funding for TMA.

FINAL MINUTES

Ms. Nose clarified that City employees would not necessarily benefit from TMA programming.

Council Member Kou requested the difference between the City Council's Budget Uncertainty Reserve and the City Council Contingency Fund.

Mr. Guagliardo indicated \$125,000 was allocated annually to the City Council Contingency Fund. Given the service delivery impacts included in the FY 2020 Budget, \$300,000 was set aside for the Finance Committee to allocate to areas it identified as being too greatly impacted. The Finance Committee allocated that funding to areas in the HR and Library Departments.

Council Member Kou requested the amount allocated to the Know Your Neighbors Grants.

Mr. Guagliardo stated it was reduced from \$50,000 to \$25,000, which corresponded to the amounts of grants the Community Services Department had awarded over the past few years.

Council Member Kou inquired about the time period to which the \$25,000 amount applied.

Mr. Guagliardo answered July 1, 2019 to June 30, 2020.

Council Member Kou proposed allocating \$50,000 from the Council Contingency Fund to engage someone to assist the City in creating programming and events and community engagement for children and adults with disabilities.

Council Member DuBois asked if Council Member Kou proposed allocating \$50,000 to the Know Your Neighbor Grants.

Council Member Kou replied no, a new program with summer camps and activities that would engage youth and young adults with disabilities.

Council Member Kniss asked if the proposal was related to the TMA.

Council Member Kou responded no.

Council Member DuBois inquired whether Council Member Kou wanted to create a new program.

Council Member Kou suggested the proposed program could be offered through the "Community Services Department Enjoy!" catalog. The City did not have any programs specific to children with disabilities. Members of the

FINAL MINUTES

public had requested such programming at the Human Relations Commission's (HRC) retreat.

Council Member DuBois remarked that it could be a good program, but a program needed to be defined and have an appropriate amount of funding determined.

Council Member Kniss inquired whether the program would be implemented during the summer of 2019.

Council Member Kou replied no. She wanted to engage someone to begin developing programming.

Council Member Kniss suggested Council Member Kou consult with Kristen O'Kane, Community Services Director.

Council Member Kou added that Ms. O'Kane or Minka van der Zwaag would have information about the public's request.

Mr. Shikada reported that Ms. O'Kane or Ms. van der Zwaag may be aware of existing Staff work that could be prepared for Council action. In the absence of existing Staff work, this type of initiative should be evaluated for programming and ongoing funding sources.

Council Member Kou requested the process for Staff to evaluate such an initiative.

Mr. Shikada believed Staff would need to evaluate the initiative against other priorities and the impact of allocating funding from another program to the initiative. This type of initiative could be presented in a Colleagues' Memo or as a proposal from the department.

Mayor Filseth did not want to use the meeting to air new programs.

Council Member Kou inquired whether the Community Services Department could explore an initiative.

Kristen O'Kane, Community Services Director advised that Staff recognized the City did not offer therapeutic recreation programs. The Recreation team was exploring such programs.

Mayor Filseth asked if the Community Services Department might develop a concept and determine an appropriate funding amount that could be included in the FY 2021 Budget.

Ms. O'Kane responded yes.

FINAL MINUTES

Council Member Kou wanted to implement a pilot program in 2019 or hire a consultant to begin developing a program. There was a large group of disabled youth that was not engaged in the community.

Mr. Shikada suggested Staff work with the Parks and Recreation Commission to develop recommendations. The Council was able to refer the matter to Staff.

AMENDMENT: Council Member Kou moved, seconded by Council Member XX to allocate \$50,000 from the Council Contingency Fund to engage someone who can assist the City with development of programs for persons with disabilities.

AMENDMENT WITHDRAWN BY THE MAKER

Council Member Cormack suggested the Staff Report for the FY 2021 Budget begin with a high-level summary of the Budget. She requested clarification of the Council action for the TOT revenues.

Ms. Nose reported that in November, 2018 the community approved an increase in the TOT rate from 14 percent to 15.5 percent. The revenues associated with the increase would be transferred to the Infrastructure Plan. The City utilized TOT revenues to leverage debt.

Council Member Cormack noted the Staff Report referenced two new hotels.

Ms. Nose clarified that when approving the Infrastructure Plan, the Council identified two new hotels from which all TOT revenues would be utilized for the Infrastructure Plan. The 2020-2024 CIP assumed all TOT revenues from the two hotels located on San Antonio and slated to open in 2021 would be utilized for the Infrastructure Plan.

Council Member Cormack asked if 3.5 percent or 15.5 percent of TOT revenues from other new hotels would be applied to the Infrastructure Plan.

Ms. Nose understood the Hotel Parmani was a redevelopment project; therefore, 3.5 percent of TOT revenues from it were to be applied to the Infrastructure Plan.

Council Member Cormack emphasized the list of items that were not funded. Based on the relative usage of the Rinconada and Mitchell Park Libraries, she was comfortable with the funding allocated to the Library Department.

Council Member Kniss requested the status of the golf course's finances.

FINAL MINUTES

Mr. Guagliardo advised that Staff anticipated the golf course would generate a small profit through FY 2020.

Council Member Tanaka requested to know the amount of funds remaining in the Council Contingency Fund.

Ms. Nose understood no funds had been allocated from the Council Contingency Fund.

Council Member Tanaka requested typical uses of the Council Contingency Fund.

Ms. Nose answered airplane noise, disaster relief and the Barron Park donkeys.

Council Member Tanaka proposed utilizing the Council Contingency Fund to survey the community so that the Council could learn the opinions of the wider community.

Council Member DuBois felt the Council Contingency Fund should be used for unexpected items.

Council Member Tanaka clarified that surveys may not necessarily be conducted during the year.

Council Member DuBois was unsure how a survey would be conducted and who would write the questions for a survey. If Council Member Tanaka was suggesting a new program, it needed to be developed through the usual process.

AMENDMENT: Council Member Tanaka moved, seconded by Council Member XX to allocate \$50,000 from the Council Contingency Fund toward surveying residents.

AMENDMENT FAILED DUE TO THE LACK OF A SECOND

Council Member Tanaka inquired whether the Council voted to defer work on the Bicycle and Pedestrian Transportation Plan and, if so, when the vote occurred.

Mr. Shikada reported components of the Bicycle and Pedestrian Transportation Plan were proceeding. To be specific, the construction contract for Phase I of the Ross Road Project was deferred.

Council Member Tanaka requested the date the Council voted to halt the Downtown Parking Garage Project.

FINAL MINUTES

Brad Eggleston, Director of Public Works advised that the vote occurred early in 2019, perhaps in late February.

Council Member Tanaka commented that several small businesses had related difficulties they suffered because of the construction work Downtown. He requested Staff's plan to provide parking for customers of Downtown businesses.

Mr. Shikada indicated the parking guidance system would ensure the best use of existing Downtown parking while Staff evaluated options for adding parking supply.

Council Member Tanaka noted the Staff presentation indicated Citywide revenue sources totaled \$721.4 million, but Page 37 of the Proposed Budget indicated total Citywide revenues totaled \$631.8 million.

Ms. Nose explained that the Staff presentation was amended, but the Proposed Budget was not. The Use of Reserves/Fund Balance was not pure revenue, but it was a revenue source.

Council Member Tanaka asked if the 12.4 percent of Citywide revenue sources categorized as Use of Reserves/Fund Balance was essentially an \$89 million drain of Reserve Funds.

Ms. Nose answered yes, if Council Member Tanaka's calculation was correct.

Council Member Tanaka remarked that in a good economy, one would assume monies would be deposited into Reserve Funds rather than withdrawn from Reserve Funds. The withdrawal from Reserve Funds seemed strange.

Ms. Nose clarified that oftentimes monies were appropriated but not spent at the end of the fiscal year. Those monies were allocated to a Reserve and were re-appropriated the following year. Of the 12.4 percent, approximately \$71 million were to be carried over for capital projects.

Council Member Tanaka noted that the withdrawal from Reserve Funds was \$18.4 million. Fiscal sustainability was a Council Priority. The Staff presentation indicated Citywide expenses totaled \$721.4 million, while Page 39 of the Proposed Budget indicated expenses totaled \$699 million.

Ms. Nose reiterated that the Staff presentation was amended while the Proposed Budget was not. The primary driver of the difference was capital re-appropriations of approximately \$18.9 million.

FINAL MINUTES

Council Member Tanaka stated the expenses in the Adopted Budget totaled \$711 million while the expenses in the Proposed Budget totaled \$699 million. The total expenses increased approximately \$22 million from the Proposed Budget to the amended Proposed Budget. He requested the reason for the \$22 million increase in expenses.

Ms. Nose explained that the majority of the \$22 million increase or approximately \$18.8 million was driven by the capital re-appropriations that Staff recommended. The remaining portion of the increase was likely changes recommended by Staff and the Finance Committee.

Mr. Shikada added that Staff gained a much better understanding of expenses since the Proposed Budget was released in April, 2019.

Council Member Tanaka preferred the City save funds during good economic times. While the City was paying down its pension liability, it was doing so by drawing down Reserve Funds. He did not understand why the Council would do this. He proposed the Council reduce expenses by \$18.4 million.

Council Member DuBois did not believe the proposal was responsible when the City had many financial resources.

Mayor Filseth added that most of the Reserve Funds were Utility Rate Stabilization Reserve Funds.

Ms. Nose reported the \$18.4 million reduction affected non-General Fund activities.

Council Member DuBois was not sure how the Council would make the reductions.

AMENDMENT: Council Member Tanaka moved, seconded by Council Member XX to reduce budget expenditures by \$18.4 million.

AMENDMENT FAILED DUE TO THE LACK OF A SECOND

Council Member Tanaka remarked that neighboring cities provided services similar to those that Palo Alto provided. Staff proposed a 5 percent rate increase for utilities, which was higher than the rate of inflation. He requested Staff provide comparisons to the City's direct neighbors and inquired whether comparisons would be made in the future.

Council Member DuBois believed the Council had comparisons with other cities for the next Agenda Item.

FINAL MINUTES

Council Member Tanaka clarified that he wanted financial comparisons as well as utility rate comparisons.

Council Member DuBois advised that the performance service reviews included review of effective Key Performance Indicators (KPI).

Council Member Tanaka requested the amount of revenue from leases of City-owned properties and the rate per square foot.

Ms. Nose did not believe Staff could provide an average rate per square foot because the City leased some of its assets at market value and some at considerably less than market value.

Mr. Shikada indicated Staff had specific Council policy to charge less than the market rate in some circumstances as well as specific Council direction regarding individual properties.

Council Member Tanaka related that the Mayor of Mountain View recently said that approximately 15 percent of Mountain View's revenues were obtained from the leasing of city-owned properties. He wanted to understand the percentage of total revenue the City received from leases and the total square footage of the City's leased properties. Perhaps the City was able to utilize its leases better in an effort to generate additional revenue.

Ms. Nose referred to the Rental Income Category in the General Fund. The largest sources for Rental Income were the Enterprise Funds paying their fair share of rents associated with the usage of City Hall and the Cubberley leases. In the General Fund, \$16.4 million was generated by lease revenue.

Council Member Tanaka requested to know the square footage of City-owned property that was or could be leased.

Ms. Nose did not have that number.

Council Member Cormack reported Staff provided the Finance Committee with a list of City assets leased or operated by nonprofits. The Finance Committee requested Staff add a dollar column to the list.

Mr. Shikada added that Staff would have to determine the square footage of airport tie-downs and the like as Council Member Tanaka was requesting the square footage of all City assets leased or available for lease. He did not believe the information would be informative. Compiling the information required a substantial Staff effort. Relative to an organization such as Mountain View or San Jose, lease revenue was not a significant component

FINAL MINUTES

of the City's portfolio because the City did not acquire significant excess assets that were not used or needed.

Mayor Filseth asked who owned the property occupied by Google.

Council Member Tanaka responded Mountain View. He requested the number of vacant positions.

Ms. Nose seemed to recall the vacancy rate was almost 15 percent.

Council Member Tanaka asked how many of the positions were vacant for more than five years.

Ms. Nose reported the Finance Committee had received a chart of all vacancies and the vacancy date as of April, 2019. Very few of the positions were vacant for five years.

Council Member Tanaka requested to know the number of positions that were vacant for more than three years.

Ms. Nose indicated the majority of positions were vacant since 2018. Staff provided the Council with the Memorandum regarding supplemental budget information from the May 15, 2019 Finance Committee meeting.

Council Member Tanaka suggested the Council consider closing positions that had been vacant for three or more years.

Vice Mayor Fine expressed concern regarding the City's engagement with and ability to understand and support the business community and nonprofits in Palo Alto. A number of retail sites in the City were vacant and obtaining a permit and license to open a business in Palo Alto took years. The City had not engaged small businesses in the RPP process. The Finance Committee was going to consider the first steps towards a Business Tax the following evening. The Business Registry did not appear to be adequate for use in implementing a Business Tax. The business community needed a voice in deliberations regarding a Business Tax. He proposed allocating \$100,000 for business development and engagement services. The City Manager's Office had some economic development functions; therefore, the City Manager needed flexibility to spend some of the \$100,000 for consultants, contracts or engagements.

Council Member DuBois reiterated that proposing a new program at the end of the Budget process was not appropriate.

FINAL MINUTES

Vice Mayor Fine wanted to provide the City Manager's Office with leeway to spend funds as it saw fit for those functions. He was not proposing a new program.

Council Member DuBois requested to know Vice Mayor Fine's proposed source of funds.

Vice Mayor Fine suggested the Council Contingency Fund or the Budget Uncertainty Reserve.

Council Member DuBois wanted to preserve the Council Contingency Fund.

Ms. Nose advised that \$72,000 remained in the Budget Uncertainty Reserve.

Council Member DuBois proposed the \$72,000 be utilized for business development.

Vice Mayor Fine concurred.

INCORPORATED INTO THE MOTION WITH THE CONSENT OF THE MAKER AND SECONDER to allocate \$72,000 from the Budget Uncertainty Reserve (City Council) toward business development and engagement.

Council Member Cormack understood the \$72,000 had been allocated.

Ms. Nose reported the Council should decide whether to allocate the \$72,000 to the TMA or Business Development. An alternative funding source for the TMA was the University Avenue Parking Fund. Staff needed specific direction regarding the allocation of funds.

Vice Mayor Fine suggested an allocation of \$90,000 from the University Avenue Parking Fund to the TMA and an allocation of \$72,000 from the Budget Uncertainty Reserve to business development.

Mayor Filseth inquired whether the City Manager could spend \$72,000 for business development.

Mr. Shikada indicated Staff was developing a focus for business development and engagement. With the reorganization of the Planning and Community Environment and Development Services Departments, Deputy City Manager Michelle Flaherty had some capacity to explore the use of funds.

Mayor Filseth noted General Fund revenue growth was \$18 million while expense growth was \$20 million.

FINAL MINUTES

Mr. Guagliardo explained that the FY 2019 one-time actions to save approximately \$5.3 million were restored in FY 2020. Additional pension contributions, additional transfers to the Infrastructure Fund, and cost increases for labor agreements were additional factors in the total expense amount. In the FY 2019 Adopted Budget, revenues exceeded expenses by approximately \$2 million.

Mayor Filseth remarked that having faster expense growth over revenue growth was not sustainable for long periods of time.

Council Member Kniss felt it was important for the public to know the Council was allocating funds toward the City's pension liability.

MOTION AS AMENDED: Council Member DuBois moved, seconded by Council Member Kniss to:

- A. Adopt the Fiscal Year 2020 Budget Ordinance, which includes:
 - i. City Manager's Fiscal Year 2020 Proposed Operating and Capital Budgets, previously distributed at the April 22nd City Council meeting;
 - ii. Amendments to the City Manager's Fiscal Year 2020 Proposed Operating Budget;
 - iii. Amendments to the City Manager's Fiscal Year 2020 Proposed Capital Budget;
 - iv. Fiscal Year 2020 City Table of Organization;
 - v. Fiscal Year 2020 Municipal Fee Changes;
- B. Amend the Municipal Fee Cost Recovery Policy 1-57/ASD to include language clarifying that certain types of fees are not subject to state laws limiting fees to cost recovery;
- C. Accept the 2020-2024 Capital Improvement Plan including: the addition of the Automated Parking Guidance System to the 2014 Council approved Infrastructure Plan, allocation of new hotel Transient Occupancy Tax (TOT) revenues, and the November 2018 voter approved increase in TOT revenues towards ensuring sufficient funding for this plan;
- D. Return to the Finance Committee to strategize the use of uncommitted funds from the Stanford University Medical Center (SUMC) development agreement;

FINAL MINUTES

- E. Continue with \$660,000 budgeted for the TMA, but increase the funding by \$90,000 from the University Avenue Parking Permit Fund for a total amount of \$750,000 for a period of one year; and
- F. Allocate \$72,000 from the Budget Uncertainty Reserve (City Council) toward business development and engagement services.

MOTION AS AMENDED PASSED: 6-1 Tanaka no

Council took a break at 9:35 P.M. and returned at 9:46 P.M.

11. PUBLIC HEARING & PROPOSITION 218 HEARING: Staff Recommendation That the City Council Adopt the Following Resolutions: Resolution 9837 Entitled "Resolution of the Council of the City of Palo Alto Approving the Fiscal Year (FY) 2020 Electric Utility Financial Plan;" Resolution 9838 Entitled "Resolution of the Council of the City of Palo Alto Adopting an Electric Rate Increase and Amending Utility Rate Schedules E-1, E-2, E-2-G, E-4, E-4-G, E-4 TOU, E-7, E-7-G, E-7 TOU, E-14, E-EEC and E-NSE;" Resolution 9839 Entitled "Resolution of the Council of the City of Palo Alto Approving the FY 2020 Gas Utility Financial Plan;" Resolution 9840 Entitled "Resolution of the Council of the City of Palo Alto Adopting a Gas Rate Increase and Amending Utility Rate Schedules G-1, G-2, G-3 and G-10;" Resolution 9841 Entitled "Resolution of the Council of the City of Palo Alto Approving the FY 2020 Wastewater Collection Utility Financial Plan;" Resolution 9842 Entitled "Resolution of the Council of the City of Palo Alto Adopting a Wastewater Collection Rate Increase and Amending Utility Rate Schedules S-1, S-2, S-6 and S-7;" Resolution 9843 Entitled "Resolution of the Council of the City of Palo Alto Approving the FY 2020 Water Utility Financial Plan;" Resolution 9844 Entitled "Resolution of the Council of the City of Palo Alto Adopting a Water Rate Increase and Amending Utility Rate Schedules W-1, W-2, W-3, W-4 and W-7;" Resolution 9845 Entitled "Resolution of the Council of the City of Palo Alto Amending Utility Rate Schedule D-1 to Increase Storm Drain Rates 4.5 Percent per Month per Equivalent Residential Unit for FY 2020;" Resolution 9846 Entitled "Resolution of the Council of the City of Palo Alto Adopting a Dark Fiber Rate Increase of 4.5 Percent;" and Amending Utility Rate Schedules EDF-1 and EDF-2.

Eric Keniston, Senior Resource Planner reported residential rate increases were approximately 4 percent for electric, 8 percent for gas, 7 percent for wastewater and 4 percent for water. The average bill increase for customers was approximately 5 percent or \$15-\$16 per month. Compared to the rates

FINAL MINUTES

of neighboring agencies, Palo Alto's rates fell in the median range. Commercial rate increases were 5-9 percent for electric, 2-3 percent for gas, 7 percent for wastewater, (-1)-3 percent for water and 4.5 percent for storm drain.

Molly Stump, City Attorney advised that the water and wastewater collection rate hearing followed the requirements of Proposition 218. Notice of the hearings for water and wastewater were mailed to affected customers on May 3, 2019. The City Clerk was accepting written protests against the proposed rates and would continue to accept protests until the close of the public input portion of the current meeting. After the close of the hearing and the objection period, the City Clerk counted the number of written protests. If a majority of the affected customers in either group or both groups filed signed and written protests against the proposed rate increases, the proposed rate increases could not be imposed. Otherwise, the City Council was able to consider and oppose the proposed rate increases by Resolution if the Council wished.

Public Hearing opened and closed without public comment at 9:51 P.M.

Mayor Filseth noted the final opportunity to submit written protests was at hand. He closed the public hearing on the Water and Wastewater Collection Rates. He inquired regarding the number of written protests submitted to the City Clerk.

Beth Minor, City Clerk received four written protests for the Water Rate increase and two written protests for the Wastewater Collection Rate increase.

Mayor Filseth stated the number of written protests submitted to the City Clerk did not constitute a majority of the affected customers.

Council Member Kou asked if a letter notifying residents of the opportunity to protest rate increases was sent to all residents.

Mr. Keniston replied yes. The notice was mailed 45 days prior to the date of the meeting.

Council Member Kou asked if the neighborhood associations were engaged.

Mr. Keniston related that Staff sent a letter to every property owner and renter.

Council Member Kou asked if notification was also published.

FINAL MINUTES

Mr. Keniston answered that the notice was published in the newspapers ten days prior to the date of the meeting.

Council Member Tanaka inquired whether Palo Alto's rates were much lower than the rates charged by surrounding cities.

Mr. Keniston clarified that Palo Alto's rates were comparable to the rates charged by surrounding cities.

Council Member Tanaka expected Palo Alto's rates to be significantly lower because Palo Alto owned the utilities.

Mr. Keniston explained that Palo Alto's electric rates were 35-40 percent lower than PG&E's electric rates.

Council Member Tanaka requested the Page number of the comparison and wanted a comparison of electric bills inclusive of all charges and fees.

Mr. Keniston did not have a bill comparison of all utilities.

Council Member Tanaka noted his residential electric bill was actually higher than surrounding cities when he included all fees and charges.

Mr. Keniston clarified that Staff compared median bills for each utility. For example, the median water usage in Palo Alto was approximately 9 ccf, and Staff compared the rate for 9 ccf against all other water utilities. The comparison included both the fixed and variable rates.

Council Member Tanaka requested the comparisons for the remaining utilities.

Mr. Keniston reported Palo Alto's residential gas bills were approximately 10 percent lower than PG&E's gas bills.

Council Member Tanaka asked if the electric comparison held true for commercial customers.

Mr. Keniston indicated the comparison for commercial electric customers was more difficult because the City had different rate schedules for commercial customers. Palo Alto's median residential water bill was higher than the bills of some cities and lower than others. Palo Alto's wastewater bills were lower than other cities' bills.

MOTION: Mayor Filseth moved, seconded by Council Member DuBois to approve and adopt the following Resolutions:

FINAL MINUTES

- A. Approving the Fiscal Year 2020 Electric Financial Plan and proposed transfers;
- B. Adopting an Electric Rate Increase and Amending Utility Rate Schedules E-1, E-2, E-2-G, E-4, E-4-G, E-4 TOU, E-7, E-7-G, E-7 TOU, E-14, E-EEC and E-NSE;
- C. Approving the Fiscal Year 2020 Gas Utility Financial Plan and proposed transfers;
- D. Adopting a Gas Rate Increase and Amending Utility Rate Schedules G-1, G-2, G-3 and G-10;
- E. Approving the Fiscal Year 2020 Wastewater Collection Utility Financial Plan and proposed transfers;
- F. Adopting a Wastewater Collection Rate Increase and Amending Utility Rate Schedules S-1, S-2, S-6 and S-7;
- G. Approving the Fiscal Year 2020 Water Utility Financial Plan and proposed transfers;
- H. Adopting a Water Rate Increase and Amending Utility Rate Schedules W-1, W-2, W-3, W-4 and W-7;
- I. Amending Utility Rate Schedule D-1 to Increase Storm Water Management Fee Rates by 4.5 Percent per Month per Equivalent Residential Unit for Fiscal Year 2020; and
- J. Adopting a Dark Fiber Rate Increase of 4.5 Percent and Amending Utility Rate Schedules EDF-1 and EDF-2.

Council Member Tanaka reiterated his request for the Packet Page on which the comparison charts could be found.

Mr. Keniston agreed to provide the Packet Pages at a later time. The comparisons were found in one of the attachments to the financial plans or the proposals. He said the charts may have been shown as links to the charts.

Council Member Tanaka requested Staff provide the fixed and variable costs for each proposed rate increase in future Staff Reports. He suggested the notices could contain a chart comparing Palo Alto's rates to the rates of surrounding cities for each utility.

FINAL MINUTES

Mr. Keniston advised that links to the Finance Committee's Staff Reports were found on Pages 3-4 of the Staff Report. The comparison data was located within the Finance Committee's Staff Reports and financial plans for each utility.

Council Member DuBois reported the Finance Committee reviewed the propose rate increases in detail, the comparison charts and multiyear maintenance and construction plans for each utility. He remained interested in budget billing for water customers because it motivated residents to manage water usage and water customers were able to have lower water bills in drought years. A discussion of budget billing with the Utilities Advisory Commission (UAC) was good.

Council Member Cormack requested Staff comment regarding investments in alternating years.

Mr. Keniston explained in the gas, water and wastewater utilities, Staff was able to plan a large main replacement project every other year, which reduced construction costs and allowed Staff to smooth the rate trajectory for each utility. If Staff planned a \$10 million main replacement project in two years' time, Staff was able to allocate \$5 million to a Capital Improvement Program (CIP) Reserve Fund in each of the two years so that CIP funding could be more consistent each year.

Council Member Kniss requested information regarding the Dark Fiber Rate increase of 4.5 percent.

Mr. Keniston advised that the City laid dark fiber lines throughout Palo Alto but mainly to business districts. The City did not utilize dark fiber for data transmission. The customer was responsible for turning on the dark fiber and for providing all equipment. The dark fiber rate increased each year by the Consumer Price Index (CPI) for grandfathered contracts.

Council Member Kniss asked if the City's rates for dark fiber were comparable to the rates of another city with the same service.

Dean Batchelor, Director of Utilities related that the City had approximately 210 dark fiber customers. The customer negotiated monthly costs with an Internet Service Provider (ISP). The City charged the customer for use of the fiber, and the amount increased annually by the CPI.

Council Member Kniss requested to know the return on investment to the City.

FINAL MINUTES

Mr. Batchelor indicated the City received approximately \$2.5 million annually and spent \$400,000 to \$500,000 on maintenance annually.

Council Member Kniss noted the revenues had not changed in quite a while. She thought there should be some way the City could take advantage of dark fiber differently and requested the Chair of the Finance Committee explore the issue further.

Council Member Kou said there was a proposed rate increase for all utilities and asked if Staff would propose rate increases for each utility, every year through 2024.

Mr. Keniston reported Staff performed new cost of service studies for the Gas and Water Funds in 2018. Staff was updating the existing cost of Service Study for the Electric Fund. Assuming there were no changes in consumption levels between classes, the rate increases in future years was expected to be the same for everyone across the board. For example, if commercial usage increased or decreased significantly, relative to residential usage in a particular fund, the allocation that a particular customer class received could change.

Council Member Kou asked if customers should expect rate increases.

Mr. Keniston answered yes.

Council Member Kou remarked that customers who practiced conservation measures seemed to receive higher bills, which was counterintuitive.

Mr. Keniston explained that the customer's bill decreased for lower usage; however, distribution costs tended to be fixed. Spreading the same amount of distribution costs over fewer units of usage resulted in a higher bill.

Council Member Kou asked if the issue could be corrected.

Mr. Keniston commented that the customer's bill would increase with conservation measures, but not as much as it would without the conservation measures.

Mayor Filseth advised that a customer's bill would increase if everyone else conserved water more than customers' conserved or if everyone conserved water and the customer did not. If the customer conserved more water than everyone else, then the customer's bill would decrease.

Council Member Tanaka requested the Mayor split the question.

FINAL MINUTES

Ms. Stump reported the items should be split and wanted to know if a request to split was made.

MOTION SPLIT FOR THE PURPOSE OF VOTING

MOTION: Mayor Filseth moved, seconded by Council Member DuBois to approve and adopt the following Resolutions:

- E. Approving the Fiscal Year 2020 Wastewater Collection Utility Financial Plan and proposed transfers; and
- F. Adopting a Wastewater Collection Rate Increase and Amending Utility Rate Schedules S-1, S-2, S-6 and S-7.

MOTION PASSED: 7-0

MOTION RESTATED: Mayor Filseth moved, seconded by Council Member DuBois to approve and adopt the following Resolutions:

- A. Approving the Fiscal Year 2020 Electric Financial Plan and proposed transfers;
- B. Adopting an Electric Rate Increase and Amending Utility Rate Schedules E-1, E-2, E-2-G, E-4, E-4-G, E-4 TOU, E-7, E-7-G, E-7 TOU, E-14, E-EEC and E-NSE;
- C. Approving the Fiscal Year 2020 Gas Utility Financial Plan and proposed transfers;
- D. Adopting a Gas Rate Increase and Amending Utility Rate Schedules G-1, G-2, G-3 and G-10;
- G. Approving the Fiscal Year 2020 Water Utility Financial Plan and proposed transfers;
- H. Adopting a Water Rate Increase and Amending Utility Rate Schedules W-1, W-2, W-3, W-4 and W-7;
- I. Amending Utility Rate Schedule D-1 to Increase Storm Water Management Fee Rates by 4.5 Percent per Month per Equivalent Residential Unit for Fiscal Year 2020; and
- J. Adopting a Dark Fiber Rate Increase of 4.5 Percent and Amending Utility Rate Schedules EDF-1 and EDF-2.

MOTION PASSED: 5-2 Kou, Tanaka no

FINAL MINUTES

12. Resolution 9847 Entitled "Resolution of the Council of the City of Palo Alto Amending Objective Standards for Wireless Communications Facilities in the Public Rights of Way (Continued From June 3, 2019) to Delete Inadvertently Added Language, Clarify Existing Standards, and Adopt an Interim Setback from Schools."

Ed Shikada, City Manager reported Agenda Item Number 12 was removed from the June 3, 2019 Consent Calendar. Staff included an interim standard to establish a 300 foot setback from public schools.

Jeff Saunders remarked that the greater the distance between a cell phone and a cell tower, the more radiation the phone emitted to reach the tower. With a higher density of cell antennas, each antenna and each cell phone emitted at a lower power. More towers equaled less total radiation.

Jalene Nordella Salus urged the Council to revise the setback provision by eliminating the word "public" from "public school property" and by changing the setback distance to 1,500 feet.

Celia Boyle concurred with Ms. Salus' comments and requested a setback of 300 feet for residences.

John Melnychuk, United Neighbors concurred with prior comments and requested Standard 22 be retained. He objected to the aesthetics of any radiation-emitting device being placed by the hundreds throughout the City.

Leo Pavalotsky, United Neighbors urged the Council to retain the language regarding the horizontal plane and upper-story openings. Alternatively, the language applied to any opening on a residence rather than only upper-story openings.

Jerry Fan, United Neighbors reiterated the requests for revisions to the proposed Resolution.

Council Member DuBois noted the City was granted easements for power poles at the rear of residences, but the easements were not considered public rights-of-way. The design guidelines for streetlight poles and wooden poles did not need to be the same because streetlight poles typically were located over streets. He inquired whether Staff proposed design guidelines for WCF because guidelines were easier to amend than an Ordinance.

Molly Stump, City Attorney advised that Federal law changed to allow a city to enforce objective standards only. Staff recommended objective standards be established through a Resolution because a Resolution and thus the standards could be amended more easily than an Ordinance.

FINAL MINUTES

Council Member DuBois felt the issue of a pole being located directly in front of a residence remained. He wanted to see an aesthetic preference to choose poles near property lines. He encouraged Staff to present the Council with design guidelines as they were ready for review rather than waiting until all guidelines were ready for review.

MOTION: Council Member Kou moved, seconded by Council Member XX to adopt the Resolution with the following changes:

- a. Take no action on Standard 22;
- b. WCF nodes shall not be placed 1,000 feet from any parcel containing a Grade K-12 school;
- c. WCF shall not be placed within 300 feet of a residence.

MOTION FAILED DUE TO THE LACK OF A SECOND

Council Member Kniss inquired about a standard distance for a setback.

Ms. Stump explained that the distance depended upon the technology utilized by the carriers. She inquired whether Council Member Kniss' query pertained to the distance at which the network would not be available inside the school.

Council Member Kniss responded yes. Most children owned cell phones so that parents could be reassured. She wanted to understand the distance at which children could be safe from radiation while still having access to a network.

Ms. Stump reported Staff could not answer the question at the current time.

Council Member Kniss inquired whether Staff would obtain the answer and provide it to the Council.

Ms. Stump responded yes. The City's permissible basis for regulating WCF was aesthetics. The community had expressed concerns about health, but the Council was not permitted to consider that.

MOTION: Council Member DuBois moved, seconded by Council Member Cormack to adopt a Resolution amending the recently adopted objective standards for Wireless Communications Facilities (WCFs) attached to wood utility poles in the public rights-of-way to delete a standard inadvertently included through an administrative error.

FINAL MINUTES

Council Member Cormack remarked that the Motion did not provide the action the community hoped for, but it complied with the action the Council was allowed to take.

Mayor Filseth inquired whether an issue with the proposed language was it could be easily avoided.

Ms. Stump answered yes. The language was not protective.

MOTION PASSED: 6-1 Kou no

State/Federal Legislation Update/Action

Council Member Kniss requested an update regarding pending legislation.

Ed Shikada, City Manager reported Staff was preparing an analysis of pending legislation. At the current time, Staff was planning an informational item only.

Council Member Questions, Comments and Announcements

Council Member DuBois requested clarification of the development project being placed on the Council's June 24, 2019 Agenda when the Architectural Review Board (ARB) had not prepared a recommendation.

Ed Shikada, City Manager advised that the Planning Department would prepare an At-Places Memo or Supplemental Information that clarified the process and information about the ARB's deliberations. The Council had the discretion to take action on the project.

Council Member DuBois preferred to defer a Council discussion until the ARB provided its recommendation.

Mr. Shikada indicated Staff felt the project was ripe for Council discussion.

Molly Stump, City Attorney added that the Council could consider the matter or request additional process on June 24, 2019.

Mayor Filseth inquired whether the City could review the agreement between the neighbors and Stanford University regarding removal of street trees.

Mr. Shikada agreed to look into the matter.

Adjournment: The meeting was adjourned at 10:50 P.M.