



CITY COUNCIL SUMMARY MINUTES

Special Meeting
May 24, 2021

The City Council of the City of Palo Alto met on this date in virtual teleconference at 5:01 P.M.

Participating Remotely: Burt, Cormack, DuBois, Filseth, Kou, Stone, Tanaka

Absent:

Agenda Changes, Additions and Deletions

Ed Shikada, City Manager, noted an at-places memorandum regarding Agenda Item Number 7 was provided.

Oral Communications

Becky Sanders opposed multi-family development in single-family neighborhoods, particularly Ventura. Developments with a few affordable units were not going to achieve the City's housing goals.

Rebecca Ward requested an Agenda Item regarding jet traffic. The Santa Clara/Santa Cruz Roundtable was suspended. The Council needed to provide the community with a new strategy for reducing aircraft noise.

Winter Dellenbach advised that Council Members and stakeholders interested in the recent fuel spill into Matadero Creek were not notified of the meeting held May 21, 2021, and the update regarding the spill lacked any details. The lack of transparency was disappointing. Joan Baez, a native of Palo Alto, received the Kennedy Center Honor the previous day.

Jeremy Erman expressed concern that the Proposed Budget included labor concessions when the labor unions had yet to agree to the concessions. Management and Professional Staff needed to agree to a pay reduction regardless of any labor concessions. The City/School Liaison Committee discussed cost-sharing between the City and Palo Alto Unified School District (PAUSD), and PAUSD representatives advised that the Board of Education already adopted a budget.

Rebecca Eisenberg felt the disconnect between the Council and the community was growing, and the disconnect was the Council's fault. The Council was making bad choices.

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Minutes Approval

1. Approval of Action Minutes for the May 10, 2021 City Council Meeting.

MOTION: Council Member Cormack moved, seconded by Council Member Kou to approve the Action Minutes for the May 10, 2021 City Council Meeting.

MOTION PASSED: 6-0 Tanaka absent

Consent Calendar

Rebecca Eisenberg, addressing Agenda Item Number 4, remarked that the contract potentially included the installation and technology that enabled the Police Department to encrypt its communications. She questioned whether the Council read and understood the extent of the contract.

Council Member Tanaka registered a no vote on Agenda Item Number 4.

MOTION: Council Member Cormack moved, seconded by Mayor DuBois to approve Agenda Item Numbers 2-6.

2. Approval of a Contract With Wunderlich—Malec Engineering in the Amount of \$186,284 to Upgrade the Software for the Supervisory Control and Data Acquisition System (SCADA) at the Regional Water Quality Control Plant.
3. Approval of a Contract With Hach Company in the Amount Not-to-Exceed \$116,938 to Install and Migrate Software for a Plant Information Management System (PIMS) at the Regional Water Quality Control Plant.
4. Approval of Contract Number C21180768 With Public Safety Innovation, Inc. in an Amount Not-to-Exceed \$250,000 to Provide Specialized Professional Services Across a Facet of Network, Computer, Data, Radio, and Other Telecommunications Systems That Reside in Vehicles, Portable Platforms, and City Facilities, in Support of the Palo Alto Public Safety Team for a Term of Five-years Through April 2026.
5. Adoption of an Ordinance Clarifying Emergency Building and Planning Permit Extensions Granted in Spring 2020 in Response to the COVID-19 Pandemic.
6. Ordinance 5522 Entitled, "Ordinance of the Council of the City of Palo Alto Amending Section 22.04.150(b) of the Palo Alto Municipal Code to Reinstate Preexisting Restrictions on Horses and Bicycles Using Certain Entrances to Foothills Nature Preserve; and Amending the Fiscal Year

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2021 Municipal Fee Schedule to add new Vehicle Entry Fee Categories and Free Passes for Foothills Nature Preserve (FIRST READING: May 10, 2021 PASSED: 7-0)."

MOTION PASSED FOR AGENDA ITEM NUMBERS 2, 3, 5, 6: 7-0

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

Council Member Tanaka expressed concerns regarding a single bid and the amount of the contract.

City Manager Comments

Ed Shikada, City Manager, clarified that Agenda Item Number 4 pertained to the Office of Emergency Services and was not related to radio encryption. Santa Clara County moved to the Yellow Tier. The Tier system was going to end on June 15, 2021. On June 1, 7, and 22, 2021, Staff planned to update the Council regarding public meetings and a variety of other topics, all of which were affected by the easing of restrictions. Finance Committee meetings regarding the Budget continued on May 25, 2021. Budget adoption was scheduled for June 21, 2021. US-101 was going to be closed May 29-30, 2021 for installation of the final segment of the Bike Bridge. Race and equity events continued through June 2021. The City was hosting the Summit on Women and Girls on June 12, 2021.

Council took a break at 5:26 P.M. and returned at 5:41 P.M.

Action Items

7. Approval of Contract Number C21174926 With GreenWaste Recovery, Inc. for Solid Waste Processing and Disposal Services With an 8.5 Year Term and an Estimated Average Annual Amount of \$4.82 million; Resolution 9961 Entitled, "Resolution of the Council of the City of Palo Alto adopting the Negative Declaration" for Palo Alto Solid Waste Processing Contract as Adequate and Complete Under the California Environmental Quality Act (CEQA); and Approval of an Amendment to the Second Memorandum of Understanding With the Cities of Sunnyvale and Mountain View Regarding the Sunnyvale Materials Recovery and Transfer Station.

Brad Eggleston, Public Works Department Director, noted that the at-places memorandum responded to concerns regarding recyclable material and overseas processing.

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Paula Borges Fujimoto, Solid Waste Manager, reported the Sustainability and Climate Action Plan (S/CAP) and Zero Waste Plan contained goals of achieving 95 percent diversion of waste from landfills by 2030. Senate Bill (SB) 1383 required a reduction of organic materials sent to landfills in order to reduce methane emissions. The 2017 Waste Characterization found that 67 percent of black cart contents were recyclable or compostable. Staff continued to prioritize domestic markets for recyclable materials, when markets were available. GreenWaste collected all materials and processed recyclables, compostables, and construction and demolition waste. The Sunnyvale Materials Recovery and Transfer (SMaRT) Station processed solid waste with GreenWaste disposing of the residue. Staff recommended consolidation of the processing and disposal of solid waste under one contract with GreenWaste. The SMaRT Station currently diverted 30 percent of waste from landfills and planned to increase the diversion rate to 45 percent. GreenWaste's contract guaranteed a minimum diversion rate of 50 percent, and its historical diversion rate was 70 percent. The total estimated cost of an eight-year contract with the SMaRT Station was \$4.6 million more than an eight-year contract with GreenWaste.

Bob Wenzlau related that 60 percent of recyclables was transported overseas without documentation of the environmental management of the material. The process to recycle paper created an effluent that was untreated and damaged the environment, and 25 percent of residual material was sent to landfills. He urged the Council not to export paper recyclables unless environmental management of materials was consistent with U.S. standards.

Rebecca Eisenberg concurred with Mr. Wenzlau's comments.

Council Member Kou requested Staff review the at-places memorandum.

Ms. Borges explained that paper material placed in the black cart was considered contaminated and was composted rather than recycled. Essentially, limited data regarding the disposal of recyclable materials overseas was available. Some plastics were recycled domestically depending on cleanliness, amount, and availability of markets. The memorandum listed recyclable materials and their disposal domestically or overseas.

Council Member Kou requested reasons for GreenWaste not responding to the contract requirement for data.

Ms. Borges advised that GreenWaste provided the primary markets but not the secondary markets. In the spring of 2020, Staff planned to present an amendment to the GreenWaste contract but changed their plans due to the pandemic and budgetary concerns.

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Mr. Eggleston clarified that in the spring of 2020, a domestic processor of mixed paper had capacity for additional material for a short time. GreenWaste was working with Staff to obtain information and maximize opportunities to utilize domestic markets.

Ed Shikada, City Manager, added that if the Council wished, Staff was able to return with an item to authorize the City Manager to utilize a domestic market.

Council Member Kou felt community engagement regarding changes to the GreenWaste contract was important.

Mr. Eggleston noted that the SMaRT Station sent more materials overseas than GreenWaste. Community engagement occurred during the presentation of the Zero Waste Plan, which included the decision process regarding the SMaRT Station.

Council Member Kou inquired regarding GreenWaste's annual reporting.

Ms. Borges indicated that GreenWaste provided reports to Staff. The contract contained a penalty for late reporting.

Council Member Filseth requested the outcome for materials that the SMaRT Station diverted from the landfill.

Ms. Borges reported the material was sent overseas or composted.

Council Member Filseth asked if the SMaRT Station and GreenWaste sent overseas the same types of material.

Ms. Borges replied yes, except GreenWaste utilized domestic markets for certain plastics.

Council Member Filseth remarked that the change to the GreenWaste contract resulted in a higher diversion rate and slightly lower cost. He inquired whether most material sent overseas was not recycled.

Ms. Borges advised that the outcomes for mixed-paper material sent overseas was not fully known.

Council Member Filseth inquired whether sending material overseas was better than sending it to the landfill.

Ms. Borges explained that China restricted receipt of materials because the material was dirty and was not able to be processed. GreenWaste was utilizing technology to provide cleaner materials for processing overseas.

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Council Member Filseth asked if verification of materials being recycled overseas was possible.

Ms. Borges responded yes, because there was a market for recycled paper.

Council Member Filseth requested a best guess of the percentage of material recycled overseas.

Ms. Borges did not have a guess because of the lack of information.

Council Member Filseth asked if the lack of information from overseas warranted landfilling material rather than attempting to recycle it.

Ms. Borges did not have sufficient information to make such a decision.

Vice Mayor Burt asked if past Council direction included providing recycling reports to the Council and public.

Mr. Eggleston answered no.

Vice Mayor Burt requested the percentage of material being sent overseas.

Ms. Borges reported GreenWaste sent 40 percent of materials to domestic markets and 60 percent to overseas markets.

Vice Mayor Burt noted that the concerns about recycling materials overseas was the amount of material actually recycled and environmental damage caused by recycling processes. He inquired about a potential process to determine the amount of materials recycled and compliance with environmental regulations.

Mr. Eggleston stated Staff discussed next steps such as using GPS trackers, hiring agents, and traveling to determine the final destination of materials.

Vice Mayor Burt suggested Staff work with other GreenWaste cities to require GreenWaste to provide verification.

Council Member Stone inquired whether modification of the GreenWaste contract was possible if the Council later did not receive requested information or whether delaying the contract was possible.

Ms. Borges explained that the collection contract contained provisions that allowed the City to modify the contract if the City found other resources for recyclable materials or found that environmental impacts were too great. She needed to review the solid waste contract, which was before the Council, to determine whether it also contained provisions for modification.

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Council Member Stone wanted the solid waste contract to contain provisions for modification because of concerns about environmental impacts. He asked if the compost giveaway at Eleanor Pardee Community Gardens was at risk of elimination due to Budget cuts.

Ms. Borges answered no, because the service was funded through the Refuse Fund.

Council Member Stone inquired whether Staff anticipated an increase in the annual amount of waste collected in Palo Alto.

Ms. Borges explained that a constant amount of solid waste was used to provide a realistic comparison of facilities. The actual cost of the contract was going to vary based on actual amounts collected, but hopefully the amounts were going to decrease over time.

Council Member Tanaka inquired whether Staff compared Palo Alto's costs and rates with those charged in nearby cities. He noted Palo Alto's residential monthly trash rates were higher than those charged in Mountain View and Menlo Park, and Palo Alto's expenses were greater than revenues. He requested the number of bids Staff received.

Mr. Eggleston answered one bid.

Council Member Tanaka felt it was important to obtain more than one bid due to the contract amount and refuse rates. He inquired whether the City purchased trucks for GreenWaste.

Mr. Eggleston replied yes.

Mr. Shikada noted Staff did not provide the rate information for Council Member Tanaka's comparison.

Mr. Eggleston reported a direct comparison of refuse rates was not possible due to differences in the quality and level of services provided, such as Palo Alto's refuse rates funded street sweeping services and the annual clean-up day.

Council Member Cormack concurred with the Vice Mayor Burt's comments regarding working with other jurisdictions. Staff made a comprehensive effort to notify potential vendors of the bid. Garbage trucks were going to travel further to the landfill, but calculations determined that the environmental impact was less than significant.

Mayor DuBois inquired regarding the quality of Staff's relationship with GreenWaste.

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Ms. Borges indicated the relationship was good. GreenWaste developed its own environmental goals for sustainability and was prioritizing domestic markets.

Mayor DuBois inquired regarding the need for an amendment to utilize a domestic processor.

Mr. Eggleston advised that using a domestic processor increased the cost.

Mayor DuBois asked if GreenWaste planned to continue utilizing the Los Altos Treatment Plant site.

Ms. Borges indicated that was not part of the contract before the Council.

Mayor DuBois asked if GreenWaste was considering electric or cleaner trucks.

Ms. Borges related that GreenWaste was exploring an electric vehicle for a long-haul truck.

Mayor DuBois suggested the community review his letter and the Sierra Club's apology letter regarding the City being green. The proposed contract provided a better alternative for recyclable materials, reduced the City's cost, and recycled more material. He encouraged Staff to continue educating the public. GreenWaste's reports needed to be provided to the Council. He inquired whether it was possible to include goals for tracing recyclable materials in the contract.

Vice Mayor Burt inquired about a comparison of Palo Alto's diversion rate with other cities' diversion rates.

Ms. Borges reported 82 percent of Palo Alto's waste was diverted, but she did not have the information for other cities.

Vice Mayor Burt remarked that residents were charged for collection of the black cart only. Council Member Tanaka's rate comparison was misleading. Senator Becker was considering legislation that benefited California's recycling industry.

MOTION: Vice Mayor Burt moved, seconded by Mayor DuBois to:

- A. Approve and authorize the City Manager or their designee to execute an agreement with GreenWaste Recovery, Inc. for solid waste processing and disposal services to begin January 1, 2022 with an 8.5-year Term and estimated average annual amount of \$4.82 million over the contract term;

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- B. Adopt the Negative Declaration for Palo Alto Solid Waste Processing Contract as Adequate and Complete Under the California Environmental Quality Act”;
- C. Approve an Amendment to the Second Memorandum of Understanding (MOU) between the cities of Palo Alto, Mountain View, and Sunnyvale for processing solid waste at the Sunnyvale Materials Recovery and Transfer Station, to extend the end of the term of the MOU from October 15, 2021 to December 31, 2021;
- D. Pursue, with other cities, to have GreenWaste provide greater accounting of secondary markets that they utilize;
- E. Direct the City Manager to return with an amendment to authorize a quick response to opportunities to utilize domestic mixed-use paper recycling;
- F. Provide GreenWaste reports to the public and City Council on a regular basis; and
- G. Work with other cities on legislation to spur domestic or in-state recycling.

INCORPORATED INTO THE MOTION WITH THE CONSENT OF THE MAKER AND SECONDER to add to Motion, Part E, “... the appropriate contract to authorize a quick response.”

Council Member Filseth related that Staff made a compelling case for the partnership with GreenWaste. The City needed to work with GreenWaste to learn about the end result of recyclable materials.

Council Member Kou suggested the Council consider landfilling recyclables if information was not forthcoming.

Vice Mayor Burt requested Staff provide a timeframe for GreenWaste to provide information before the matter returned to the Council.

Mr. Eggleston advised that, when the Council received GreenWaste's reports, it was able to discuss progress or lack of progress toward obtaining information.

Vice Mayor Burt believed that landfilling recyclables may not be the correct environmental decision, but it was a possibility.

INCORPORATED INTO THE MOTION WITH THE CONSENT OF THE MAKER AND SECONDER to include, “If GreenWaste is unable to provide

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additional secondary market accounting, direct Staff to return to Council for consideration of further actions.” (New Part H).

Council Member Cormack indicated the Motion moved the City in the right direction at the right pace. Residents needed to batch deliveries to reduce the amount of mixed-paper placed in the recyclable cart.

Council Member Tanaka did not support the Motion on environmental grounds. Refuse rates in other cities also funded additional services. Palo Alto's refuse rates were high for lower-income residents. Staff needed to advertise bids more in order to increase the number of responses.

Council Member Stone concurred with Council Member Cormack's comments.

MOTION AS AMENDED: Vice Mayor Burt moved, seconded by Mayor DuBois to:

- A. Approve and authorize the City Manager or their designee to execute an agreement with GreenWaste Recovery, Inc. for solid waste processing and disposal services to begin January 1, 2022 with an 8.5-year Term and estimated average annual amount of \$4.82 million over the contract term;
- B. Adopt the Negative Declaration for Palo Alto Solid Waste Processing Contract as Adequate and Complete Under the California Environmental Quality Act;
- C. Approve an Amendment to the Second Memorandum of Understanding (MOU) between the cities of Palo Alto, Mountain View, and Sunnyvale for processing solid waste at the Sunnyvale Materials Recovery and Transfer Station, to extend the end of the term of the MOU from October 15, 2021 to December 31, 2021;
- D. Pursue, with other cities, to have GreenWaste provide greater accounting of secondary markets that they utilize;
- E. Direct the City Manager to return with an amendment to the appropriate contract to authorize a quick response to opportunities to utilize domestic mixed-use paper recycling;
- F. Provide GreenWaste reports to the public and City Council on a regular basis;
- G. Work with other cities on legislation to spur domestic or in-state recycling; and

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H. If GreenWaste is unable to provide additional secondary market accounting, direct Staff to return to Council for consideration of further actions.

MOTION AS AMENDED PASSED: 6-1 Tanaka no

8. Review of the Fiber Network Expansion Plan and Fiber-to-the-Home (FTTH) Business Case, Provide Feedback on the FTTH Business Model, and Direction That Includes Building Community Awareness, Engagement and Survey, and Funding Options.

Dean Batchelor, Utilities Department Director, reported the Council previously approved Phases I and III of Fiber to the Home (FTTH).

John Honker, Magellan Advisors, advised that the fiber backbone was the core infrastructure that the City owned and operated. The backbone benefited the City, and expansion was the basis for utility modernization, Smart City infrastructure, commercial fiber leasing, and broadband FTTH. An expanded backbone provided the foundation for FTTH and provided flexibility to deploy fiber incrementally. New infrastructure was designed to cover the major corridors and increase the capacity of City of Palo Alto Utilities (CPAU). The total cost of expansion, including a 20-percent contingency, was \$22 million.

Mayor DuBois requested the state of the existing backbone.

Mr. Honker indicated it was running low on capacity, which prevented the addition of connections and created a risk for existing services.

Vice Mayor Burt inquired whether the expansion was likely to generate revenue from commercial customers before fiber reached residences.

Mr. Honker answered yes. Conservative projections were a 2 percent annual increase in revenue for the City.

Vice Mayor Burt asked if the expansion was going to increase the Electric Utility's reliability.

Mr. Honker indicated that the expansion was designed to fortify substation connectivity and increase redundancy.

Mr. Batchelor added that FTTH provided opportunities for new technologies and responding to outages more quickly. If the Council chose not to rebuild the existing backbone, cellular backhauling was going to be needed and was going to increase costs.

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Mr. Honker related that, for the purposes of the presentation, FTTH was synonymous with broadband and high-speed internet. Currently, 63 cities across the United States owned fiber infrastructure and provided internet services directly; 286 cities provided dark fiber only; and 71 cities owned fiber infrastructure and provided internet services with a partner. Two business model options for FTTH were available for the City: the City owned and operated the network or leased the network to a partner. The partner model was relatively new, but a few cities with populations of less than 20,000 utilized it. A market analysis found that the City's rates were able to compete with existing providers' rates and generally 5 to 10 percent less competitors' rates. The City was able to create a sustainable business if 32 percent of residents subscribed to fiber services. Capital costs totaled approximately \$86 million in the City model with a 32 percent take rate and \$80.5 million in the partner model with a 43 percent take rate. With a working capital set-aside, required funding totaled approximately \$98.5 million in the City model and \$86.5 million in the partner model. Utilizing \$17.5 million from the Fiber Fund and a \$15 million loan from the Electric Special Projects Reserve Fund, the City needed to finance \$66 million in the City model and \$54 million in the partner model. Projections for the City model indicated total revenues grew to \$11 million in Year 5 and \$14 million in Year 20. With debt service of \$3.4 million per year and repayment of the Electric Special Projects Reserve Fund of \$1.7 million in Years 3 through 10, the cumulative fund balance grew from \$10 million in Year 1 to \$70.6 million in Year 20. In the partner model, the cumulative fund balance grew from \$7 million in Year 1 to \$47 million in Year 20. Key risks for the City model were retail prices, take rates, operating costs, and construction costs. A take rate of 24 percent in the City model allowed the City to break even. Deploying FTTH without the City taking on new debt required the City to build out the network over a longer period, reinvest excess revenues into expansion, and utilize companion projects wherever possible to reduce costs. With new debt, FTTH was available to 100 percent of homes and businesses in five years. Without new debt, FTTH was available to 13,000 homes and business in three years and another 7,500 homes and businesses in ten years with alternative funding strategies needed for FTTH to reach the remaining 7,500 homes and businesses. Next steps included community engagement and education. The Utilities Advisory Commission (UAC) recommended build out of the fiber backbone utilizing the City model and acceleration and completion of community education and engagement.

Don Jackson, speaking as an individual, did not recommend the network provide telephone or television service and questioned holding the upfront costs to a standard of profitability. Costs were reasonable and manageable.

Andy Poggio suggested the City assess public interest in FTTH after completion of a community awareness and marketing campaign. *Palo Alto Online's* article

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regarding FTTH was inaccurate. He supported building out the fiber network now.

Loren Smith supported Citywide implementation of an augmented and robust fiber backbone and a City-owned network that delivered FTTH service. The pandemic demonstrated the need for a more reliable and resilient broadband service.

Subodh Lyengar supported FTTH expansion and the City model. Simple and inexpensive service plans were key to the take rate.

Rohit Mediratta supported the FTTH project. The presentation did not indicate uplink speeds and whether the bandwidth coming into the City needed to be expanded when FTTH was complete.

Rebecca Eisenberg urged the City to invest in a municipal internet service provider (ISP) and to provide services to everyone.

David Terrell supported FTTH as a public ISP. CPAU's customer service and availability of services were vastly superior to other utility providers.

Daniel Dulitz supported FTTH with the City model. Currently, broadband service was not available to homes in the Foothills area, and satellite service did not accommodate video conferences or real-time work.

Council took a break at 8:25 P.M. and returned at 8:36 P.M.

Council Member Cormack believed holding a Study Session prior to an Action Item was likely to have benefited the Council. The Citizens Survey reflected the community's desire for good internet service. At this point, everyone needed internet service. The information about construction was interesting, and the Council needed to understand the costs of construction. She inquired about the reasons for aerial construction versus underground construction.

Mr. Batchelor explained that in areas where utilities were undergrounded, there were no poles, and fiber was going to be undergrounded as well. In the remaining areas of the City, fiber was going to utilize the existing poles.

Council Member Cormack inquired regarding the utilities currently utilizing poles.

Mr. Batchelor responded the Electric Utility, AT&T, Comcast, and in some areas dark fiber.

Mayor DuBois asked if CPAU was going to utilize fiber to connect to utilities at homes.

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Mr. Batchelor answered yes.

Mayor DuBois inquired whether the consultants considered a model that omitted connections for homes that did not commit to fiber service.

Mr. Honker advised that construction of a fiber drop occurred when a residence subscribed to service.

Mayor DuBois expressed concern that rebuilding the existing backbone was going to exhaust the Fiber Fund. He asked if it was possible to underground fiber using a single 2-inch duct.

Mr. Honker answered yes. The design included two or three 2-inch ducts to accommodate future needs without having to dig a second time.

Mayor DuBois inquired whether the no new debt model considered charging a higher rate for homes located in hard to reach areas.

Mr. Honker replied no, but it was a possibility. Charging a premium or a connection fee were options to charging a higher rate.

Mayor DuBois noted that the \$2 million for the next phase was funded with \$0.5 million from the Electric Fund and \$1.5 million from the Fiber Fund and inquired regarding the split between multiple uses and potential benefits.

Mr. Honker explained that the split was based on the amount of infrastructure each department utilized. Fiber provided the Electric Utility with reliability and resiliency, and 25 to 33 percent of costs was attributed to the Electric Utility based on total fibers utilized in the system and utilized by electric-only infrastructure.

Vice Mayor Burt asked if the full roll-out served homes and small businesses.

Mr. Honker responded yes.

Vice Mayor Burt suggested reverting to the name Fiber to the Premise (FTTP) so that the public understood that small businesses were going to be served as well as homes. He inquired whether \$30 million or \$34 million was the correct balance of the Fiber Fund.

David Yuan, Utilities Strategic Business Analyst, replied \$35 million, but \$2 million was set aside for the next phase. The models utilized a fund balance of \$30 million.

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Vice Mayor Burt understood that the Fiber Fund was an Enterprise Fund, and the use of Enterprise Funds was restricted. He inquired whether that was correct.

Molly Stump, City Attorney, advised that legally the rate charged for fiber services was allowed to exceed the cost of providing fiber services, and the Council had discretion to utilize the funds for a variety of purposes. Propositions 218 and 26 did not limit the use of funds generated by fiber to the fiber utility only.

Vice Mayor Burt remarked that the Council missed an opportunity to utilize the Fiber Fund to offset Budget cuts. He expressed interest in a discussion of utilizing a portion of the Fiber Fund to fill the Budget gap, particularly as the Fiber Fund contained \$5 million more than modeling assumed.

Council Member Stone requested explanations of a "dig once" policy and micro trenching.

Mr. Honker explained that the City's Dig Once Ordinance required other utilities to be notified of projects involving trenches in the right-of-way so that utilities installed infrastructure in the same trench. The Dig Once Ordinance was not applicable to directional drilling to place conduit because it did not involve trenches. Micro trenching typically involved a 12-inch cut in sidewalk pavement to install conduit. The success of micro trenching depended upon the depth of the cut and the quality of pavement restoration.

Council Member Stone asked if it was possible to determine the success of micro trenching prior to performing the work.

Mr. Honker related that the engineering phase was going to note opportunities for micro trenching and determine if the cost/benefit was sufficient to utilize micro trenching.

Mr. Batchelor added that micro trenching was better utilized in rural areas. In Palo Alto, micro trenching occurred against the curb and just above underground utility services. In repairing underground utility services, the chance of damaging fiber conduits was high.

Council Member Stone inquired whether the range for construction costs was based on these types of construction methods.

Mr. Honker reported the \$22 to \$28 million range was an interim analysis that considered 2-inch and 4-inch conduit. The analysis found that 2-inch conduit was cost-effective for the City. The \$22 million construction cost included

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multiple installations of 2-inch conduit and directional boring for the majority of the work.

Council Member Filseth asked if AT&T and Comcast were active in cities that provided fiber.

Mr. Honker replied yes.

Council Member Filseth requested the response of telecommunication and cable companies when cities began providing broadband service.

Mr. Honker indicated that the companies released negative campaigns, increased marketing funds, and lobbied city officials until projects were approved, at which time they began competing for accounts. The biggest challenge for cable and telecommunication companies was their own negative reputations.

Council Member Filseth asked if fiber cities met their take rate goals despite the competition.

Mr. Honker responded yes.

Council Member Filseth asked if residents switched to fiber because of price and brand image.

Mr. Honker answered yes. Speed, price, and brand were the three determining factors.

Council Member Filseth inquired whether telecommunication and cable companies offered gigabit services.

Mr. Honker replied yes. In most cases, the companies offered gigabit services after cities began providing it.

Council Member Filseth inquired regarding the degree that live television service was an issue.

Mr. Honker reported live television was less of an issue now than two years ago. Older residents were more likely to want television service. There were ways to offer television service at low cost and low overhead.

Council Member Tanaka asked Mr. Honker to comment regarding open access.

Mr. Honker explained that open access allowed multiple ISPs to operate on a network at the same time. Open access worked well in Europe because it was an established model. In the United States, ISPs were less interested in open

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access because each ISP received a small share of the market. A small number of ISPs operated on open access networks. The technology for open access was not 100 percent mature.

Council Member Tanaka inquired about a model in which the City offered ISPs a discounted rate in exchange for providing the last mile of infrastructure and open access.

Mr. Honker related that the model was used, but construction costs and the return on investment for ISPs were challenging. If the City helped fund construction costs, the return on investment was still a challenge.

Council Member Tanaka clarified his question, indicating the City funded a portion of construction costs in exchange for ISPs providing open access for other ISPs so that consumers had a choice of providers.

Mr. Honker indicated the return on investment remained a factor in profitability for ISPs. The question was whether the City was able to fund a large enough portion of construction costs. As to open access, the ISP provided capital funding and competed with other ISPs that contributed no capital funding.

Council Member Tanaka remarked that the ISP charged the other ISPs for access.

Council Member Kou inquired whether open access was similar to the City having multiple ISP partners.

Mr. Honker replied no. The City owned and operated the network, and the ISPs offered network services to customers.

Council Member Kou asked if the disadvantages of open access were similar to those for the partner model.

Mr. Honker indicated the disadvantages of open access were greater than the disadvantages of the City and partner models.

Council Member Kou inquired whether pole replacement was included in the construction cost.

Mr. Honker advised that it was included in the \$3.5 million contingency.

Council Member Kou asked if the Fiber Fund was going to fund the backbone.

Mr. Honker clarified that a portion of the Fiber Fund was going to be used to finance the backbone.

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Council Member Kou asked if Magellan Advisers planned to help with pricing and branding.

Mr. Honker reported that was a possibility if the Council wished.

Council Member Kou inquired regarding community outreach.

Mr. Honker explained that he planned to work with the Communications Officer to utilize existing campaigns and platforms to make the community aware of fiber and to engage the community in the survey process.

Council Member Kou requested the timeframe for community engagement.

Mr. Honker indicated the end of June to December 2021.

Mr. Batchelor advised that Staff was considering neighborhood ambassadors, new tools to launch two-way communications, and focus groups and interviews within neighborhoods.

Mayor Dubois believed FTTH was going to generate revenue, save residents money, and enable businesses. The City's Fiber Fund was a unique advantage. Construction costs had to be identified and reduced as much as possible. He was interested in obtaining commitments rather than survey responses from residents. Cities in the region were building community-based networks. The business case for the City model was strong.

MOTION: Mayor DuBois moved, seconded by Council Member Kou to approve and direct Staff to pursue build out of the City fiber backbone in a manner designed to support citywide Fiber-to-the-Home (FTTH), including approve the near-term 12-month workplan outlined in the report and establish a City-operated Internet Service Provider (ISP) model to offer FTTH service within five years.

A. Perform the following tasks by March 31, 2022:

- i. Combine Phases 2 and 4 of the Magellan contract (C20176363) to provide detailed engineering design of the City's fiber backbone and FTTH distribution network;
- ii. Complete a detailed City-operated ISP model, to include a combination of insource and outsource functions;
- iii. Complete a residential and commercial broadband survey;
- iv. Complete a risk and mitigation analysis of City-operated ISP model;

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- v. Determine the best financing model, including availability of federal and state funding options;
- B. Establish a City-operated Internet Service Provider (ISP) model to offer FTTH service within five years; and
- C. Per Council prior direction as part of the Community and Economic Recovery work plan, Staff will prioritize and accelerate community education and engagement regarding FTTH.

Council Member Cormack suggested the messaging contain terms that laypeople understood. She inquired whether the four-year ramp up was based on the take rate changing over time or the rate that the network was built out.

Mr. Honker replied both.

Council Member Cormack requested an estimate of the date on which the first customer was going to connect to FTTH.

Mr. Honker answered the middle of 2023. If the Council chose to utilize a pilot program, the first connection date was sooner.

Council Member Cormack inquired whether homes with underground utilities were able to access better internet service.

Mr. Honker related that the survey was going to provide that type of information.

Council Member Cormack requested the anticipated method of financing FTTH.

Mr. Yuan replied a revenue bond.

Council Member Cormack asked if capital markets considered Enterprise Funds independent of the City or as a part of the City.

Mr. Shikada reported more work was needed regarding financing.

Council Member Cormack felt exploring FTTH without incurring debt was prudent. She was not prepared to direct Staff to establish the model until the results of the next phase were available.

Vice Mayor Burt remarked that bonding against the profits of the backbone was possible, and interest rates were favorable. He recalled prior information that three competing ISPs saved consumers approximately \$10 million annually, whether consumers selected a commercial or municipal ISP.

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Mr. Honker advised that consumers typically saved approximately \$10 per month through additional competition in the market.

Vice Mayor Burt believed messaging needed to emphasize the benefit of increased competition for all internet consumers. The backbone not only increased revenue but also increased the value of being located in Palo Alto for businesses. He reiterated that moving forward with FTTH and utilizing funds from the Fiber Fund to restore vital City services were possible.

Council Member Stone concurred with Mayor DuBois' comments and consideration of utilizing the Fiber Fund for City services. The past year in a pandemic demonstrated needs for better internet service and a diversity of revenue streams. He inquired whether revenue from FTTH was consistent through economic downturns.

Mr. Honker replied yes.

Council Member Stone inquired whether municipal ISPs achieved a higher market share than private ISPs.

Mr. Honker related that municipal take rates averaged 40 to 50 percent.

Council Member Tanaka asked if the Motion approved FTTH service despite the results of Part A of the Motion.

Mayor DuBois clarified that the Council needed to approve detailed plans and a business model prior to FTTH being implemented.

Mr. Batchelor added that Staff and the consultant were going to prepare the items in Part A and return to the Council with the findings to discuss costs.

Council Member Tanaka expressed concern regarding the City taking on additional debt at the current time and broadband becoming obsolete technology. He wanted to understand the impact of the capital cost on the monthly rate. He asked about plans to streamline the permitting process for ISPs other than the City.

Mr. Batchelor reported Staff did not consider that.

Council Member Tanaka was interested in increasing competition and lowering rates for consumers.

AMENDMENT: Council Member Tanaka moved, seconded by Council Member XX to add to the Motion, "look at streamlining the process for FTTH."

AMENDMENT FAILED DUE TO THE LACK OF A SECOND

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Council Member Tanaka asked if the Motion referred to a dig once policy.

Mayor DuBois indicated the Dig Once Ordinance was applicable.

INCORPORATED INTO THE MOTION WITH THE CONSENT OF THE MAKER AND SECONDER to change Motion, Part B to read as, "Direct Staff to return to Council with a City-operated"

MOTION AS AMENDED: Mayor DuBois moved, seconded by Council Member Kou to approve and direct Staff to pursue build out of the City fiber backbone in a manner designed to support citywide Fiber-to-the-Home (FTTH), including approve the near-term 12-month workplan outlined in the report and establish a City-operated Internet Service Provider (ISP) model to offer FTTH service within five years.

- A. Perform the following tasks by March 31, 2022:
 - i. Combine Phases 2 and 4 of the Magellan contract (C20176363) to provide detailed engineering design of the City's fiber backbone and FTTH distribution network;
 - ii. Complete a detailed City-operated ISP model, to include a combination of insource and outsource functions;
 - iii. Complete a residential and commercial broadband survey;
 - iv. Complete a risk and mitigation analysis of City-operated ISP model;
 - v. Determine the best financing model, including availability of federal and state funding options;
- B. Direct Staff to return to Council with a City-operated Internet Service Provider (ISP) model to offer FTTH service within five years; and
- C. Per Council prior direction as part of the Community and Economic Recovery work plan, Staff will prioritize and accelerate community education and engagement regarding FTTH.

MOTION AS AMENDED PASSED: 7-0

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9. Colleagues' Memo Requesting Council Refer to the Policy and Services Committee a Proposed Program Allowing Neighbors to Directly Connect With Each Other, and a Potential Volunteer Network for the City.

Council Member Stone remarked that the Colleagues' Memo was intended to strengthen and embolden residents, neighborhoods, neighborhood groups, and volunteer programs through understanding services provided by volunteers, identifying gaps in services, and engaging the community in next steps. Community members provided some helpful suggestions in response to the Colleagues' Memo.

Council Member Cormack noted many people were already doing this work, and providing a method for them to connect and support the City was going to be helpful. This was also a way for students to engage in community service.

Annette Glanckopf requested the Council not refer the Colleagues' Memo to the Policy and Services Committee (P&S) but support existing programs. The Colleagues' Memo duplicated existing programs. An additional program requiring Staff support was not feasible given the proposed Budget cuts.

Sandra Slater hoped the proposed project helped coordinate and amplify various existing programs and led people to volunteer with existing programs.

Council Member Kou related that the Block Preparedness Coordinator's (BPC) role was to communicate with neighbors and prepare for disasters when there was no emergency. The proposal duplicated existing services.

Vice Mayor Burt felt the City needed to provide more support for neighborhood volunteers and the community. The Know Your Neighbor Grant Program and Town Halls were eliminated. The City needed to invest in engaging residents of multifamily dwellings and ethnic and immigrant communities. He supported a program that focused on the City leveraging and engaging neighborhood groups and volunteers and identifying gaps in services. However, the first goal was to restore vital programs throughout the City.

Mayor DuBois was more supportive of assessing current volunteer structures. He suggested the Council review a previous Colleagues' Memo regarding strengthening neighborhood volunteers. The BPC Program needed strengthening and reinvigorating. He supported resuming the Know Your Neighbor Grant Program.

MOTION: Vice Mayor Burt moved, seconded by Council Member Cormack to refer to the Policy and Services Committee to:

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- A. Recommend strategies to support and strengthen neighborhood programs and associations;
- B. Identify gaps in existing neighborhood-based services; and
- C. Evaluate new strategies, including those proposed in the Colleague's Memo and others, to expand the role of neighborhood volunteers.

Vice Mayor Burt hoped to restore funding for programs that fostered engagement among neighbors.

Council Member Cormack believed existing volunteers needed a way to connect. The Emergency Services Volunteers (ESV) Program needed to be reviewed to ensure training produced the desired outcomes. The community's desire to help needed direction.

Council Member Stone commented that the Motion encapsulated the spirit of the Colleagues' Memo. The goal was to improve volunteer groups and to promote greater volunteerism.

MOTION PASSED: 7-0

Council Member Questions, Comments and Announcements

Council Member Cormack reported as of May 17, 2021, the regional water supply was below the average normal level. The San Francisco Public Utilities Commission (SFPUC) requested consumers voluntarily reduce water use. Drought conditions were worse in other areas of California.

Council Member Kou suggested Council Members serving as Block Preparedness Coordinators (BPC) introduce themselves to neighbors.

Adjournment: The meeting was adjourned at 10:38 P.M. in honor of Joan Baez.

ATTEST:

APPROVED:

City Clerk

Mayor

NOTE: Action minutes are prepared in accordance with Palo Alto Municipal Code (PAMC) 2.04.160(a) and (b). Summary minutes (sense) are prepared in accordance with PAMC Section 2.04.160(c). Beginning in January 2018, in accordance with [Ordinance No. 5423](#), the City Council found action minutes

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and the video/audio recordings of Council proceedings to be the official records of both Council and committee proceedings. These recordings are available on the City's website.