



CITY COUNCIL SUMMARY MINUTES

Special Meeting
June 21, 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:

Special Orders of the Day

1. Presentation by the Palo Alto Art Foundation.

Tom Brinck, Palo Alto Art Foundation, reported the community founded the Palo Alto Art Center in 1971 with the Palo Alto Art Center Foundation following in 1973. Renovation of the facility began in 2011 and finished in October 2012. The Art Center engaged more than 150,000 visitors each year, employed approximately 20 Staff and numerous instructional contractors, and partnered with more than 800 volunteers. Programming included exhibitions, Project Look, Cultural Kaleidoscope, Adult Studio, Family Day, classes, workshops, summer camps, teen leadership, and internships. During the pandemic, staff shifted to online programs and modified onsite programs. The Art Center hosted 17 summer camps in 2020 and 88 classes during the fall of 2020 and spring of 2021. Holding It Together, Where the Heart Is, The Butterfly Effect, and The Art of Disability were upcoming exhibitions.

NO ACTION TAKEN

2. Resolution 9967 Entitled, "Resolution of the Council of the City of Palo Alto Expressing Appreciation to Beth Minor Upon her Retirement."

Mayor DuBois read the Resolution into the record. He appreciated Ms. Minor's dedication and service and emphasized the importance of her initiatives to publish Staff Reports 11 days prior to meetings and staff the City Clerk's Office on 9/80 Fridays.

MOTION: Mayor DuBois moved, seconded by Vice Mayor Burt to adopt a Resolution Expressing Appreciation to Beth Minor Upon her Retirement.

MOTION PASSED: 7-0

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Council Member Stone noted Ms. Minor's kindness and respect for all people and thanked her for her years of service.

Council Member Kou wished Ms. Minor a great retirement. The City Clerk's Office was one of the most friendly, welcoming, and inclusive departments in the City.

Vice Mayor Burt remarked that Ms. Minor held the public's trust and wished her well in spending time with her family.

Council Member Cormack described Ms. Minor as gracious and unruffled and appreciated the opportunity to work with her.

Council Member Filseth thanked Ms. Minor for her support and good cheer over the years.

Council Member Tanaka appreciated Ms. Minor's service and hoped she enjoyed retirement.

Marc Berman, Assemblymember commented that Ms. Minor was always unflappable and willing to share information and had a great attitude.

Josh Becker Senator, congratulated Ms. Minor on her retirement and noted the many services she provided the Council and community.

Winter Dellenbach noted everyone always wanted something from Ms. Minor, and she was always nice to everyone. Ms. Minor served the City well.

Karen Holman indicated Ms. Minor was always present with quiet resolve and a can-do attitude. Ms. Minor managed the publication of Council packets very well and initiated a change in the hours for the Clerk's Office.

Doria Summa concurred with prior comments and related that Ms. Minor made her job seem extremely easy.

Jonathan Erman thanked the City Clerk's Office for their service.

Beth Minor, City Clerk, thanked the Council and her family and friends for their support. Working for the City brought her great satisfaction. Over the past 14 years, many Council Members taught her a great deal. She appreciated the teamwork within the City Clerk's Office and across all departments.

Agenda Changes, Additions and Deletions

Mayor DuBois announced the regular meeting of the Council was going to begin at 6:00 p.m.

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Ed Shikada, City Manager, noted an at-places memo addressed a print error in Agenda Item Number 22.

Oral Communications

Jeremy Erman commented that the budget cuts were difficult but necessary. Tickets were on sale for a Children's Theatre performance.

Jonathan Erman hoped everyone had a good day.

Winter Dellenbach remarked that the four police reform bills on the June 22, 2021 Council Agenda were good opportunities for the City and complied with the Council's Legislative Guidelines.

Minutes Approval

3. Approval of Action Minutes for the June 7, 2021 City Council Meeting.

MOTION: Council Member Cormack moved, seconded by Mayor DuBois to approve the Action Minutes for the June 7, 2021 City Council Meeting.

MOTION PASSED: 7-0

Council took a break at 5:48 P.M. and returned at 6:00 PM.

THE COUNCIL CONVENED TO A REGULAR MEETING

Consent Calendar

Council Member Cormack registered a no vote on Agenda Item Number 18.

Council Member Kou registered a no vote on Agenda Item Number 19.

Council Member Tanaka registered a no vote on Agenda Item Number 16.

MOTION: Mayor DuBois moved, seconded by Council Member Stone to approve Agenda Item Numbers 4-21.

4. Adoption of the Fiscal Year 2022 Investment Policy.

5. Approval to Utilize California Department of Technology CALNET Cellular Voice and Data Services Contract (C4-CVD-19-001-03) With Cellco Partnership D/B/A Verizon Wireless Through May 22, 2023 and Including Possible Extension Through May 22, 2027, With an Anticipated Cost of \$350,000 Annually; CALNET Data Networks and Communications Services Contract (C4-DNCS-19-001-40) With AT&T Corporation Through June 30, 2025 and Including Possible Extension Through June

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- 30, 2028; CALNET Legacy Telecommunications Voice and Data Services Contract (C4-LEG-12-10-TS-01) With AT&T Corporation Through January 2, 2026 and Including Possible Extension Through January 2, 2029; and CALNET Cellular Voice and Data Services Contract (C4-CVD-19-001-04) With AT&T Mobility Through June 30, 2023 and Including Possible Extension Through June 30, 2027, With an Anticipated Cost of \$300,000 Annually.
6. Approval of Contract Amendment Number 3 to Contract Number C15159248 With Geodesy, to Extend the Term for Three-years Ending June 30, 2024, and add \$535,000 for a new Not-to-Exceed Amount of \$1,930,000, for Geographic Information Systems (GIS) Maintenance, Support, Consulting and Department-specific GIS Data Support Services.
 7. Approval of Contract Amendment Number 1 to Contract Number C19174715 With Swatt Miers Architects, Inc in the Amount of \$89,000 for the Animal Shelter Renovation, Capital Improvement Program Project, PE-19002.
 8. Approve and Authorize the City Manager or Designee to Execute Amendment Number 9 With McCandless Limited LLC for a Three-year Lease Renewal at 1005 and 1007 Elwell Court Ending August 2024.
 9. Approval of Amendment Number 1 to Contract Number C19173980 With Rincon Consultants, Inc. in the Amount of \$27,045 for a Total Not-to-Exceed Amount of \$170,497 and Extend the Term to January 31, 2022, for Preparation of an Initial Study of the Mitigated Negative Declaration for the Cubberley Concept Plan.
 10. Approval of two Blanket Purchase Orders With Bound Tree Medical, LLC and Life-Assist for the Purchase of Medical Supplies and Services Not-to-Exceed \$132,000 per Year, for a Total Not-to-Exceed Amount of \$660,000 for up to Five years.
 11. Resolution 9968 Entitled, "Resolution of the Council of the City of Palo Alto Making Required Findings to Continue Palo Alto's Participation in the Santa Clara County Abandoned Vehicle Abatement Service Authority (AVASA) Program for a Fourth 10-year Term and Continue Collection of a \$1 Fee to Fund the Authority."
 12. Approval of Amendment Number 2 to Contract Number C20176363 With Magellan Advisors, LLC, for: 1) a Detailed Engineering Design of the new Fiber Backbone Expansion and Fiber-to-the-Home; 2) to Increase Compensation for a Total Not-to-Exceed Amount of \$2,914,331; and 3)

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Approval of a Budget Amendment in Fiscal Year 2021 for the Fiber Optics Fund.

13. Approval of Contract Number C21181223A With Integrated Design 360, LLC and Approval of Contract Number C21181223B With Integral Group Holdings, LLC for a Shared Not-to-Exceed Amount of \$750,000, to Provide Sustainability Services for Green Building, Energy Reach Code, and the Sustainability Climate Action Plan for a Term of Three-years Through June 2024.
14. Approval of Construction Contract Number C21181691 With Best Contracting Services, Inc in the Amount of \$1,710,000; and Authorization for the City Manager to Negotiate and Execute Change Orders up to a Not-to-Exceed Amount of \$171,000 for the Municipal Service Center A, B, & C Roof Replacement Project, Capital Improvement Program Project PF-17000.
15. Approval of a Lease Amendment Between 285 Hamilton LLC and the City of Palo Alto for the Premises Located at 285 Hamilton Avenue for a 48-month Term at a Starting Base Rent of \$43,890 per Month and Increasing 3 Percent Annually.
16. Approval of Contract Amendment Number 1 to Contract Number C18169712 With OB Sports Golf Management (Baylands) LLC for a Period of Three-years for a Not-to-Exceed Increase Amount of \$8,878,721 for the Management of Golf Course Operations at the Baylands Golf Links; and Approval of Contract Amendment Number 1 to Contract Number C18171872 With OB Sports Golf Management (Baylands), LLC for a Period of Three-years for Restaurant Licensing to Provide Food and Beverage Services.
17. Staff Recommends the City Council Approve the Board and Commission 2021-2022 Work Plans.
18. Adoption of an Ordinance Establishing Board and Commission Term Limits, Consolidating Appointments to March of Each Year, and Codifying the Human Relations Commission's Existing Role of Recommending Grant Funding; and Resolution 9969 Entitled, "Resolution of the Council of the City of Palo Alto Establishing Term Limits for the Storm Water Management Oversight Committee."
19. Interim Ordinance 5526 Entitled, "Ordinance of the Council of the City of Palo Alto Temporarily Continuing the Expansion of Outdoor Dining, Retail and Other Activities on Public and Private Property and Relaxing Regulations Regarding Onsite Parking, On-site Sale of Alcohol,

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Design/Architectural Review, Permit Fees, and Alcohol Consumption in Public Places, All to Facilitate Such Outdoor use (FIRST READING: June 7, 2021 PASSED: 5-2 DuBois, Kou no)."

20. Resolution 9970 Entitled, "Resolution of the Council of the City of Palo Alto Determining the City's Proposition 4 Appropriations Limit (GANN Limit) for Fiscal Year 2022."
21. Approval of Five 5.5 Year Contracts, Number C21179265A-E for Regional Water Quality Control Plant (RWQCP) On-call Construction Management and Inspection Services With: 1) MNS Engineers, Inc.; 2) CDM Smith; 3) Carollo Engineers; 4) Tanner Pacific, Inc.; and 5) MCK Americas Inc. for a Total Not-to-Exceed Amount of \$1 per Contract; Approval and Authorization of the City Manager or Their Designees to Select one Consultant for Construction Management Services for the Primary Sedimentation Tanks Rehabilitation and Equipment Room Electrical Upgrade Project (WQ-14003) at the Regional Water Quality Control Plant.

MOTION PASSED FOR AGENDA ITEMS 4-15, 17, AND 20-21: 7-0

MOTION PASSED FOR AGENDA ITEM 16: 6-1 Tanaka no

MOTION PASSED FOR AGENDA ITEM 18: 6-1 Cormack no

MOTION PASSED FOR AGENDA ITEM 19: 6-1 Kou no

Council Member Cormack opposed a term limit of nine years.

Council Member Kou hoped an Environmental Impact Report (EIR) was conducted and traffic patterns were reviewed before any additional action was taken.

Council Member Tanaka noted the contract increase of \$8 million and believed it needed to be an Action Item.

City Manager Comments

Ed Shikada, City Manager, announced that Agenda Item Number 17 documented the coordination of work between the Council and Boards and Commission. New Cal/OSHA rules allowed vaccinated individuals to stop wearing masks subject to several exceptions. The County of Santa Clara (County) announced 80 percent of residents received at least one vaccination. City facilities were open, and the Council's Agenda for June 22, 2021 included an item regarding the Proclamation of Emergency. Staff anticipated an extension of the eviction moratorium to September 30, 2021. A number of

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events, but not the Chili Cook Off, were planned for the July 4th holiday. The Library's Summer Reading Program was underway. The Palo Alto Library was partnering with HP to repurpose used Windows laptops. The Council's August 9, 2021 meeting was going to be a hybrid meeting with the Council in the Chambers and public comment either in person or online.

Council Member Filseth inquired regarding hours for the College Terrace Library.

Mr. Shikada advised that additional Staff was needed to reopen College Terrace Library, and recruitments were underway.

Action Items

21A. Approval of an Employment Agreement and Appointment of Lesley Milton to the Position of City Clerk at an Annual Salary of \$175,000.

Mayor DuBois summarized terms of the Employment Agreement as an annual salary of \$175,000 with the City Clerk reporting to the Council.

Molly Stump, City Attorney, added that the at-will position was subject to the Management and Professional Compensation Plan.

Mayor DuBois welcomed Ms. Milton to the City and noted a rich pool of candidates and a rigorous interview process.

Council Member Kou requested Ms. Milton's first day of employment.

Mayor DuBois replied July 26, 2021 was the tentative date.

Council Member Cormack looked forward to Ms. Milton joining the City and continuing Ms. Minor's tradition of service.

MOTION: Vice Mayor Burt moved, seconded by Council Member Kou to approve the Employment Agreement and Appointment of Lesley Milton to the Position of City Clerk at an Annual Salary of \$175,000.

Vice Mayor Burt welcomed Ms. Milton and looked forward to Ms. Milton bringing her experience and innovation to the City.

Council Member Tanaka indicated the recruitment process was thorough and brought in a lot of great candidates. He appreciated Ms. Milton's background in leveraging technology. He expressed concern regarding her compensation given the pending budget cuts.

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Council Member Stone agreed that the recruitment process was competitive and looked forward to working with Ms. Milton.

MOTION PASSED: 7-0

Lesley Milton, City Clerk, expressed excitement and looked forward to working with the Council, Staff, and the community. She committed to honoring Ms. Minor's legacy.

Mayor DuBois announced Agenda Items 22 and 23 were going to be heard together.

22. PUBLIC HEARING: Ordinance 5528 Entitled, "Ordinance of the Council of the City of Palo Alto for Fiscal Year 2022, Including Operating and Capital Budgets and Municipal Fee Schedule;" and Adoption of a Revised Compensation Plan for Management and Professional Employees.
23. Adoption of six Resolutions: 1) Resolution 9971 Entitled, "Resolution of the Council of the City of Palo Alto Approving the Fiscal Year (FY) 2022 Electric Utility Financial Plan, Including Proposed Reserve Transfers, and Amending Utility Rate Schedules E-EEC-1, E-NSE-1, E-2-G, E-4-G and E-7-G;" 2) Resolution 9972 Entitled, "Resolution of the Council of the City of Palo Alto Amending Utility Rate Schedule E-HRA;" 3) Resolution 9973 Entitled, "Resolution of the Council of the City of Palo Alto Approving the FY 2022 Gas Utility Financial Plan, Including Proposed Transfers, Amending the Gas Utility Reserve Management Practices, and Adopting a Gas Rate Increase by Amending Utility Rate Schedules G-1, G-2, G-3 and G-10;" 4) Resolution 9974 Entitled, "Resolution of the Council of the City of Palo Alto Approving the FY 2022 Water Utility Financial Plan and Reserve Transfer;" 5) Resolution 9975 Entitled, "Resolution of the Council of the City of Palo Alto Amending Utility Rate Schedule D-1 Increasing the Storm Water Management Fee by 2.0 Percent per Month per Equivalent Residential Unit for FY 2022;" and 6) Resolution 9976 Entitled, "Resolution of the Council of the City of Palo Alto Amending Utility Rate Schedules EDF-1 and EDF-2 to Increase Dark Fiber Rates 2.0 Percent."

Kiely Nose, Administrative Services Department Director, reported work on the Budget began in December 2020, and the Council received an update in February 2021. The Council, the Finance Committee, and Staff reviewed the Proposed Budget over several meetings in May and June 2021.

Christine Paras, Administrative Services Department Assistant Director, advised that the Budget Stabilization Reserve (BSR) balance was \$36 million or 17.2 percent of the Proposed Budget. The BSR level was \$2.7 million below

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the 18.5 percent target. The Proposed Budget included a net draw from the BSR. After all adjustments, Fiscal Year (FY) 2021-2022 expenditures totaled \$209.2 million, which was a \$12.2 million or 6.2 percent increase over the FY 2021 Adopted Budget. The Budget reduced staffing by 103.58 Full-Time Equivalents (FTE). The FY 2022 Capital Budget totaled \$174.3 million, and the five-year plan for all funds totaled \$747.1 million. Funding of \$3 million for Phase 3 of the Charleston/Arastradero Corridor Project was comprised of \$1.2 million from the Stanford University Medical Center (SUMC) Fund, \$1.5 million from the Bike and Pedestrian Plan capital project, and \$0.3 million from various street maintenance projects. Funding for the Transportation Management Association (TMA) was reduced to \$150,000. Staff recommended funding the Roth Building rehabilitation project with \$2 million from the SUMC Fund, \$1.65 million from Community Center Impact Fees, and \$0.35 million from Park Impact Fees.

Dean Batchelor, Utilities Director, indicated proposed rates for wastewater were postponed to August 9, 2021 due to an issue with the Proposition 218 mailing. The delay affected reserves by approximately \$100,000. Staff revised the mailing procedure to ensure the issue did not occur in the future.

Eric Keniston, Utilities Department Senior Resource Planner, related that Staff recommended a 0 percent rate increase for the Electric Utility, a 3 percent rate increase for the Gas Utility, a 0 percent rate increase for the Water Utility, and 2 percent increases for the Dark Fiber and Stormwater Utilities. Projections indicated 5 percent electric rate increases in FY 2023 and 2024, 5 percent gas rate increases in FY 2023, 2024, and 2025, and 5 percent water rate increases in FY 2023, 2024, 2025, and 2026, .

Public Hearing opened at 6:46 P.M.

Aram James commented that the Palo Alto Police Department did not institute any substantive reforms. Rather than hiring five sworn officers, the City needed to hire crisis intervention people. The community needed a robust discussion of police reform prior to the City hiring sworn officers.

Lauren Angelo, Friends of the Palo Alto Junior Museum and Zoo (JMZ), urged the Council to adopt the Finance Committee's recommended fee changes for the JMZ.

Jonathan Erman remarked that changing the price of admission for the JMZ did not account for the JMZ's mission. The Council needed to consider its priorities.

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Mora indicated more than 3,000 people signed her petition to restore funding for Community Services programs. She suggested a Budget process that engaged the community earlier in the process.

Public Hearing closed at 6:53 P.M.

Council Member Cormack inquired regarding a potential delay in the Fire Station Number 4 project.

Ms. Nose did not anticipate a delay for the project. It was scheduled in the out years of the Capital Improvement Program (CIP).

Council Member Cormack asked Staff to explain the effect of changing JMZ admission prices on Enterprise Funds.

Ms. Nose did not believe Enterprise Funds were affected by the changes. Staff realigned the utility costs for the JMZ reopening. She clarified that Staff delayed the Fire Station Number 4 project to align funding with available funds. The delay was not increased.

Council Member Cormack asked when the Council delayed the project.

Ed Shikada, City Manager, reported the Proposed Budget delayed the project by one year.

Council Member Cormack asked if the delay was contained in the initial Proposed Budget.

Mr. Shikada replied yes.

Council Member Cormack requested explanation of the \$1 million added to the California Avenue Parking Garage.

Ms. Nose suggested it was a reappropriation.

Council Member Cormack requested explanation of the 80 hours of vacation accrual for Management and Professional Staff.

Mr. Nose advised that the vacation accrual limit was extended by 80 hours in 2020 due to the pandemic. The extension was scheduled to sunset at the end of FY 2021. The current proposal changed the sunset date to June 30, 2022.

Mr. Shikada clarified that managers were required to be absent without pay for 13 days in FY 2021. The extension recognized that managers were not able to take time off beyond the 13 days.

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Vice Mayor Burt recalled that the Council discussed a modest rate increase for the Electric Utility. He expressed concern that electric rates were going to need to increase significantly in the coming years. He preferred to increase rates now and invest in reliability and resilience. He asked if there was a reason not to return the Fire Station Number 4 project to its original schedule and debt finance the project.

Mr. Shikada noted that Staff made the recommendation to defer the project with the understanding that the major expense for construction was going to occur in approximately three years. Given the uncertainty of the return of Sales Tax and Transient Occupancy Tax (TOT) revenues, Staff recommended against proceeding with design work.

Vice Mayor Burt asked if Staff was allowed to include the design cost in the amount financed.

Mr. Shikada related that debt financing was not a part of the strategy at that time.

Vice Mayor Burt suggested the Council reconsider the timeline for the Fire Station Number 4 project in the next several months. He inquired whether Staff needed additional funding for measures to reduce the risk of wildfire.

Ken Dueker, Office of Emergency Services Director, explained that most measures were on schedules of one year or longer. The bulk of the work was completed in the past few months. Public Works Staff was currently implementing roadside measures. The Utilities Department was also doing a significant amount of work.

Kristen O’Kane, Community Services Department Director, reported the Arastradero Eucalyptus trees were located on property owned by Stanford University.

Council Member Tanaka asked if funding for Fire Station Number 4 was reallocated to the Roth Building rehabilitation project.

Mr. Shikada clarified that the recommendation to delay Fire Station Number 4 project was made as part of reducing the CIP. Later, the Council targeted some increased funding for projects and programs, one of which was the Roth Building.

Council Member Tanaka inquired whether it was possible to advance Fire Station Number 4 if the Council did not fund the Roth Building.

Mr. Shikada indicated design work but not construction was possible.

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Brad Eggleston, Public Works Director, added that construction of the fire station was funded in FY 2024 and 2025.

Council Member Tanaka asked if Certificates of Participation (COP) were a method for funding the fire station.

Mr. Shikada answered yes.

Council Member Tanaka commented that the COPs could have funded Fire Station Number 4 rather than the Public Safety Building (PSB).

Mr. Shikada stated that was not a possibility because there was no design for the fire station.

Council Member Tanaka inquired whether the Council had the ability to require unpaid furlough days for Management and Professional Staff because the group was not represented.

Nick Raisch, Human Resources Department, responded yes. Changes to the Management and Professional Compensation Plan had to be adopted by the Council only.

Council Member Tanaka commented that asking labor groups to forego wage increases was difficult without asking Management and Professional Staff to do the same. He proposed retaining Item 3 regarding unpaid furlough days in the Management and Professional Compensation Plan. He requested the cost savings that resulted from his proposal.

Mr. Raisch reported the Management and Professional Compensation Plan contained a 0 percent compensation increase.

Council Member Tanaka clarified that in FY 2021 Management and Professional Staff agreed to 13 unpaid furlough days. Management and Professional Staff was not going to have 13 unpaid days in FY 2022 and, thus, was going to be paid more. To reduce costs, the Council needed to require 13 unpaid furlough days in FY 2022.

Council Member Stone inquired about the effects of restoring four Library Staff positions on operating hours.

Ms. Nose advised that restoring the four positions maintained the service level that was adopted in the FY 2021 Budget. The service level was three days per week for College Terrace, Children's, and Downtown Libraries. The four positions were currently vacant.

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Gayathri Kanth, Acting Library Director, added that Mitchell Park Library and Rinconada Library were going to be open six days a week. Vacant positions had to be filled prior to reopening the libraries.

Council Member Stone inquired about a timeframe for filling those positions.

Ms. Nose answered three to six months.

Mayor DuBois asked if the Know Your Neighbors Grant Program was funded in the Budget.

Ms. O’Kane answered no. Funding was eliminated a few years ago and was not restored.

Mayor DuBois wanted to restore funding in the amount of \$25,000 to the Know Your Neighbor Grant Program. Community building was important for addressing the fundamental issues of systemic racism. The City's labor groups with the exception of Service Employees International Union (SEIU) agreed to pay cuts in both 2020 and 2021. The language in Number V of the Management and Professional Compensation Plan needed to be revised. The utility rate increases were projected to be 15 percent in both FY 2023 and 2024. The Council previously discussed smoothing the rates.

Mr. Batchelor explained that a 1 percent increase generated approximately \$1.3 million and added about \$2 per \$100 to residential bills and \$3 to \$6 to commercial bills. The Utilities Department did not have the Staff to manage additional projects; therefore, rate increases were going to be placed in reserves.

Mayor DuBois inquired whether the Rinconada Park Improvement Project remained fully funded.

Ms. Nose responded yes.

Mayor DuBois requested clarification of JMZ funding.

Ms. Nose reported JMZ funding was adjusted based on a \$10 ticket price and a reopening date in October 2021. Staff originally proposed a 50 percent reduction in JMZ marketing, but the Council preferred a 25 percent reduction. The ultimate General Fund impact was approximately \$1.3 million.

Mr. Eggleston advised that Staff recommended proceeding with the full Rinconada Park Improvement Project and the Ramos and Cameron Park Projects. Bids for the Rinconada Park Improvement Project were within budget.

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Council Member Kou asked if the Federal Aviation Administration (FAA) reimbursed the City for Airport improvements.

Mr. Eggleston indicated eligible expenses for the apron project were 100 percent reimbursable, but the electrical improvements were usually reimbursable at 90 percent.

Council Member Kou inquired regarding the adjustments for the Downtown Parking Garage.

Ms. Nose related that the new Downtown Parking Garage was funded in the CIP with impact fees.

Council Member Cormack recalled that public safety labor groups received 0 percent pay increases in FY 2021, but SEIU received its scheduled pay increase in December 2020.

Mr. Raisch clarified that public safety groups deferred their 3 percent pay increase for one year. Management Staff took a 5 percent decrease in the form of 13 unpaid furlough days.

Ms. Nose stated if the SEIU contract ends with no successor contract, the Budget assumed no changes in wages or compensation.

Mr. Raisch reported leadership and the Council's position established the parameters for negotiations with SEIU, which were scheduled to begin in August 2021.

Council Member Cormack inquired whether \$432,000 was being returned to the BSR in lieu of a pay increase for Management and Professional Staff.

Ms. Nose responded yes.

Council Member Cormack requested the frequency that a hydroelectric adjuster rate was utilized and the change in the rate.

Mr. Keniston advised that the rate was initiated July 1, 2018, but was never activated. Depending on hydroelectric generation, the rate added \$0.013 or \$0.0065 per kilowatt hour to bills

Jonathan Abendschein, Utilities Assistant Director, added that it was a 4 percent to 5 percent increase for the lower level and an 8 percent to 9 percent increase for the upper level.

Council Member Cormack inquired about the source of replacement electricity.

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Mr. Abendschein stated Staff purchased power from the market.

Vice Mayor Burt commented that revenues were stronger than expected, and in all likelihood \$1.5 million was going to be returned to the BSR. Reductions made in FY 2021 were not fully restored. He concurred with funding the Know Your Neighbors Grant Program with \$25,000.

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

- A. Adopt the Fiscal Year (FY) 2022 Budget Ordinance, which includes:
 - a. City Manager's FY 2022 Proposed Operating and Capital Budgets, previously released on April 30, 2021 and presented at the May 3rd City Council Meeting;
 - b. Amendments to the City Manager's FY 2022 Proposed Operating Budget;
 - c. Amendments to the City Manager's FY 2022 Proposed Capital Budget;
 - d. Allocated Charge Amendments to the City Manager's FY 2022 Proposed Operating and Capital;
 - e. FY 2022 City Table of Organization;
 - f. FY 2022 Municipal Fee Changes;
 - g. In the General Fund budget, amend as follows:
 - i. Increase the appropriation for the Community Services Department expenses by \$25,000 for the Know Your Neighbors Grant Program;
 - ii. Decrease the appropriation for the Non-Departmental section expenses City Council Recovery Reserve by \$25,000; and
- B. Accept the FY 2022 – 2026 Capital Improvement Plan; and
- C. Adopt the attached cover letter altering the Management and Professional Personnel and Council Appointees Compensation Plan for one Fiscal Year (FY 2022) and extending it to June 30, 2022; and
- D. Approve the tentative funding plan for the ROTH building rehabilitation project and direct Staff to return to Council with refined level of impact

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fee fund eligibility based on actual construction cost & facility usage in consultation with the Palo Alto Museum; and

- E. Approve and adopt the following Utility Financial Plans and Rate Resolutions:
 - a. Approving the FY 2022 Electric Utility Financial Plan, including reserve transfers, and amending Utility Rate Schedules E-EEC-1, E-NSE-1, E-2-G, E-4-G and E-7-G;
 - b. Amending Utility Rate Schedule E-HRA;
 - c. Approving the FY 2022 Gas Utility Financial Plan, including reserve transfers, amending the Gas Utility Reserve Management Practices, and adopting a Gas Rate Increase by Amending Utility Rate Schedules G-1, G-2, G-3 and G-10;
 - d. Approving the FY 2022 Water Utility Financial Plan, and reserve transfer;
 - e. Amending Utility Rate Schedules EDF-1 and EDF-2 to increase Dark Fiber Rates 2.0 percent;
 - f. Amending Utility Rate Schedule D-1 increasing the Storm Water Management Fee by 2.0 percent per month per Equivalent Residential Unit for FY 2022; and
- F. Direct Staff to return after the summer recess with:
 - a. A systematic communication plan to provide customers with rate histories, trends, and competitive standing compared to other jurisdictions and forward to the Utilities Advisory Commission for review and recommendation;
 - b. The evaluation of the Electric Bill Utility reliability history and comparative performance to other jurisdictions to the extent that is available and forward to the Utilities Advisory Commission for review and recommendation; and
- G. Direct Staff to evaluate debt financing for Fire Station 4 and moving forward the construction date.

Mayor DuBois supported an evaluation of debt financing because interest rates were historically low.

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Council Member Cormack noted the City relied on visitors to pay for City services and facilities. The Proposed Budget was based on hope and did not align with her value for fiscal sustainability. She did not oppose the restoration of services.

Council Member Stone agreed that the Know Your Neighbors Grant Program fulfilled a critical need.

Council Member Tanaka felt the Management and Professional Staff needed to set the tone for other employees. Wildfire mitigation measures were important, and Fire Station Number 4 was more important than a new PSB. Other projects were more important than the Roth Building rehabilitation project. Budget cuts in future years were going to be even worse.

MOTION PASSED: 4-3 Cormack, Filseth, Tanaka no

24. Approve and Authorize the City Manager or Their Designee to Execute a Seven-year License Agreement With two Five-year Renewal Options and Monthly Rent Payments of \$2,100 Between the City and Tesla, Inc. for a 19-stall Tesla Supercharging Station in the Bryant/Lytton Garage at 445 Bryant Street; Review and Provide Direction on a Draft Administrative Policy on Unsolicited Proposals.

Ed Shikada, City Manager, reported the proposal reflected a number of interests shared by the City and Tesla. The Sustainability and Climate Action Plan (S/CAP) heavily depended on a dramatic growth in electric vehicles (EV). A key tool to support growth was providing charging stations in centrally located facilities. Charging stations were an amenity that supported economic recovery and growth.

Sonny Tong, Administrative Services Department, Real Property Manager, advised that the initial term of the agreement was seven years with two automatic extensions of five years each. Either party was allowed to terminate the agreement with 90 days' notice. Monthly rent was \$2,100 per month. Tesla was responsible for utilities and maintenance of superchargers and the premises. The 19 parking stalls served as both charging stalls and general parking. Twenty-one parking stalls on the third floor of the garage were going to be converted to supercharging stalls. The Unsolicited Proposals Procedures established a framework for the City to respond to unsolicited proposals for use of City property and ensured public transparency.

Jonathan Erman noted the disparate treatment of the Tesla agreement and community center agreements.

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Vice Mayor Burt commented that Tesla was buying the right to install an EV charger in a parking stall. Charging stations were previously installed in prime locations but not utilized.

MOTION: Vice Mayor Burt moved, seconded by Council Member Stone to:

- A. Approve and authorize the City Manager, or their designee, to sign a license agreement, with Tesla, Inc. to install and operate a 19-stall Tesla Supercharging Station within a portion of the city-owned Bryant/Lytton Garage located at 445 Bryant Street for an initial term of seven years, with two options to extend for five years each, and a monthly rent of \$2,100;
- B. Delegate authority to the City Manager, or their designee, to execute on behalf of the City, any documents necessary to administer the agreement; and
- C. Review the attached framework regarding Unsolicited Proposals for Use of City Property and provide direction to Staff:
 - a. Direct Staff to add to Procedure 5 in the Unsolicited Proposals Attachment, "... or if the proposal raises a policy issue."

Council Member Stone commented that EV adoption was an important component for the City to reach its 80 by '30 goal. Many renters did not purchase EVs because they were unable to charge them. The location was logical for residents and visitors. He asked if any vehicle could park in the charging stalls.

Mr. Shikada answered yes. Signage was going to indicate a preference for EV use.

Council Member Cormack stated only Tesla vehicles were able to use the chargers. This was a way to reduce the number of gas-powered vehicles traveling into Palo Alto. She inquired whether all unsolicited proposals raised policy issues.

Mr. Shikada did not believe all proposals were going to raise policy issues.

Council Member Kou requested the methodology for calculating the monthly rent.

Mr. Tong indicated Tesla proposed the amount based on \$100 per parking stall.

SUMMARY MINUTES

Council Member Kou noted the cost of constructing a parking stall was considerably more than \$100. She inquired about the rationale for not including a provision to increase the rental rate.

Mr. Shikada explained that the proposed agreement involved a license. Only Tesla vehicles were able to utilize the charging stations, but any vehicle was able to park in the stalls.

Council Member Kou inquired regarding the City's responsibilities under the scope of work.

Mr. Tong related that the City was responsible for upgrading the transformer at a cost of \$150,000 to \$200,000. Tesla was responsible for all other work.

Mayor DuBois felt the City needed to invest in charging infrastructure. People were able to charge their EVs while shopping. He questioned the calculation of the monthly rate and the amount not escalating. He suggested the City utilize value-based pricing. He inquired whether general parking was allowed because of the way the garage was funded.

Kiely Nose, Administrative Services Department Director, recalled that the garage was debt financed, which required a level of public use and limited private use. The license agreement did not pertain to the parking stall, but to the space for the supercharger.

Mayor DuBois asked if the ChargePoint spaces were exclusive to EVs.

Ms. Nose answered yes.

Mr. Shikada added that the City operated the ChargePoint chargers.

Mayor DuBois inquired whether parking in the spaces was limited to all day or a few hours.

Mr. Shikada replied three hours.

Mayor DuBois recalled that portions of the garage were available for all-day permits, but the majority of spaces was limited to three hours. He encouraged Staff to think about pricing for City property subject to a long-term agreement.

Council Member Stone asked if the three-hour time limit ended at a particular time of day.

Mr. Shikada responded yes.

SUMMARY MINUTES

Council Member Stone inquired whether residents were allowed to park overnight in the charging spaces.

Mr. Shikada answered yes.

Council Member Stone requested the party responsible for removing the superchargers when the agreement ended.

Mr. Tong related that Tesla was responsible for removing the chargers and restoring the area to its original condition.

Council Member Stone asked if the agreement addressed updates or replacement of outdated superchargers.

Mr. Tong advised that nothing in the agreement required Tesla to upgrade to the latest technology. With City approval, Tesla was allowed to upgrade the facility.

MOTION PASSED: 7-0

Council took a break at 8:39 P.M. and returned at 8:50 P.M.

25. Colleagues Memo Regarding the Palo Alto Museum (Roth Building) From Council Members Kou and Stone, and Vice Mayor Burt.

Council Member Stone reported the Colleagues' Memo addressed the importance of the Roth Building and Palo Alto Museum's (PAM) efforts to raise funds and work with the City. The Roth Building was an historic City property. It was time for the City to honor its commitment to PAM. Staff identified funding for the rehabilitation project.

Vice Mayor Burt advised that a new lease agreement with PAM was needed, and the terms had to be negotiated. Hopefully, negotiations were concluded quickly so that work began soon. Public amenities were going to be located in the building.

Rich Green, Palo Alto History Museum, remarked that any delay was going to affect construction costs. PAM's building permit and grant funding were subject to time limits.

Council Member Cormack requested the action the Council was considering.

Council Member Kou related that PAM fulfilled its commitments. PAM's attorneys and the City Attorney were preparing a lease agreement for Council approval.

SUMMARY MINUTES

Council Member Cormack inquired regarding the timeframe for completing the lease agreement.

Molly Stump, City Attorney, indicated potentially four to six months. Elements of the project changed. The original lease option was prepared 15 years ago and needed updating. The Council needed to direct Staff to prepare a lease agreement for the property.

Council Member Cormack asked if PAM was going to pay rent.

Ms. Stump stated the original agreement did not contemplate rental payments, but the Council was able to provide direction for payments.

Council Member Cormack inquired about Palo Alto Unified School District (PAUSD) becoming a partner in the project.

Council Member Kou felt PAM needed to engage PAUSD and other districts for school programs.

Council Member Cormack requested the status of the café.

Mr. Green indicated the Parkside Café was going to be located on the first floor facing the park.

Council Member Cormack asked if the initial agreement contained a provision for the City to provide no more than \$1 million.

Kiely Nose, Administrative Services Department Director, advised that the original Request for Proposals (RFP) stated no cost to the City.

Council Member Cormack wanted a lease agreement that clearly stated the City's financial responsibilities for the Roth Building.

Council Member Filseth related that the proposal was consistent with the Fiscal Year (FY) 2022 Adopted Budget.

MOTION: Council Member Kou moved, seconded by Vice Mayor Burt to:

- A. Direct Staff to issue a lease between the City and the Palo Alto Museum (PAM) which would allow for donor and restricted funds for the rehabilitation pursuant to the Secretary of the Interior's Standards and County grants to be released for construction of Phase 1 (Phase 1 is the rehabilitation and build out of the facility to make it suitable for occupancy also known as a "warm shell" estimated at \$10.5 million);

SUMMARY MINUTES

- B. Release the amended Lease Agreement to the PAM for timely review and finalization; and
- C. Commit to a partnership with the PAM for the rehabilitation of the Roth Building and for mutual long-term success of the project.

Council Member Kou noted that PAM was going to house the City archives, space for students to study local history, a public restroom, and community meeting space.

Vice Mayor Burt reported PAM was responsible for the interior buildout. The museum was going to benefit social equity issues and discussions.

Ed Shikada, City Manager, suggested the Council provide explicit direction for the terms of the agreement.

Mr. Green remarked that the terms were usually negotiated. Specific directions may limit the negotiations.

Mayor DuBois commented that the attorneys were going to negotiate the terms of the agreement. The intent was to craft an agreement that was similar to the City's agreement with Avenidas.

INCORPORATED INTO THE MOTION WITH THE CONSENT OF THE MAKER AND SECONDER to change Motion, Part A, "Direct Staff to negotiate a lease" and "for the Roth Building."

INCORPORATED INTO THE MOTION WITH THE CONSENT OF THE MAKER AND SECONDER to remove from the Motion, Part A, "... pursuant to the Secretary of the Interior's Standards and County grants to be released for construction of Phase 1 (Phase 1 is the rehabilitation and build out of the facility to make it suitable for occupancy also known as a "warm shell" estimated at \$10.5 million)."

Council Member Cormack expressed concern that the "mutual long-term success of the project" was not defined and requested the Mayor split the Motion.

INCORPORATED INTO THE MOTION WITH THE CONSENT OF THE MAKER AND SECONDER to add to Motion, Part A, "... long-term lease."

Council Member Filseth concurred with splitting the Motion.

MOTION AS AMENDED: Council Member Kou moved, seconded by Vice Mayor Burt to:

SUMMARY MINUTES

- A. Direct Staff to negotiate a long-term lease between the City and the Palo Alto Museum (PAM) for the Roth Building, which would allow for donor and restricted funds for the rehabilitation;
- B. Release the amended Lease Agreement to the PAM for timely review and finalization; and
- C. Commit to a partnership with the PAM for the rehabilitation of the Roth Building and for mutual long-term success of the project.

MOTION AS AMENDED SPLIT FOR THE PURPOSE OF VOTING

MOTION AS AMENDED FOR PARTS A AND B PASSED: 6-1 Tanaka no

MOTION AS AMENDED FOR PART C PASSED: 4-3 Cormack, Filseth, Tanaka no

- 26. Colleagues Memo on Affordable Housing Commercial Impact Fees From Council Members Filseth and Kou.

Council Member Filseth recalled a balance in the Affordable Housing Fund of \$40 million, which supported projects for Wilton Court, Buena Vista Mobile Home Park, and Grant Avenue Teacher Housing. Most residents wanted more projects like Wilton Court. Historically, jurisdictions set their fees well below the actual impact. Studies revealed that the office-generated demand for affordable housing subsidies was \$100 to \$200 per square foot of office space. Recent studies in Palo Alto found the office impact for affordable housing was more than \$200 per square foot. An impact fee of \$68.50 was reasonable. There was no disadvantage to exceeding the feasible amount. Housing was not developed in Palo Alto because the economics of office development was much better than the economics of housing development. The City needed to utilize a fee of \$68.50.

Jeremy Erman commented that the real problem for affordable housing was greed. The situation was not going to improve until greed was addressed.

Jonathan Lait, Planning and Development Services Director, reported Staff was ready to initiate a feasibility study to evaluate an impact fee for affordable housing. A 2016 nexus study found the maximum fee was about \$60 per square foot.

Mayor DuBois asked if the study was going to consider all types of zoning.

Mr. Lait replied commercial, office, research and development (R&D) office space, technology office space, life science, medical office, and hotels. Staff was going to rely on the 2016 nexus study.

SUMMARY MINUTES

Mayor DuBois asked if the study was going to look at 2021 market rates.

Mr. Lait related that contemporary numbers were going to be used in the feasibility study.

Mayor DuBois recalled that the Council raised the impact fee in 2016 and subsequently reduced it. He inquired whether the study was going to be a waste of work if the Council revised the fee at the current time.

Mr. Lait indicated that the agenda item did not include revising the fee. Staff planned to return in September or October 2021 with a fee revision or the study results.

Council Member Stone believed retaining the current low fee was not logical. He requested the consequences of the Council adopting a fee of \$68.50.

Molly Stump, City Attorney, advised that the Council did not have the evidentiary basis to exceed \$60. Staff recommended the Council authorize a feasibility study to provide the evidentiary basis.

Council Member Stone inquired whether the Council was expected to adopt the amount indicated by the feasibility study.

Ms. Stump explained that in a nexus study, the expert looked at the amount of affordable need that was generated by the activity at issue. A feasibility analysis looked at the amount that was feasible to allow the underlying development to occur. The impact fee was required to be feasible. The difference between the two amounts was significant.

Mr. Lait added that the feasibility study provided the qualitative relationship between the fee the Council wanted to charge and the impact that development had. If the Council was interested in discouraging a certain type of development, the Council could adjust zoning rather than impose a fee that did not align with the feasibility study.

Council Member Filseth related that if development occurred with a fee that was lower than the actual impact, the City was subsidizing development. He inquired whether the Council was legally required to proceed with a subsidy.

Ms. Stump reported the alternative was to adjust zoning so that the type of development did not occur.

Council Member Stone inquired whether the recommendation was to adopt an impact fee greater than \$68 if the feasibility study supported it.

Council Member Filseth replied yes.

SUMMARY MINUTES

Council Member Kou answered yes.

Council Member Filseth understood Staff was suggesting the Council start with \$60 and revise the amount to align with the feasibility study.

Ms. Stump advised that that action was permissible. Staff was suggesting the Council delay action until the feasibility study was available.

Vice Mayor Burt interpreted the discussion as the Council was not allowed to set zoning and a fee structure such that the fee structure made the zoning infeasible. The City lost millions of dollars toward affordable housing because the Council in 2017 reduced the impact fee. The Council needed to significantly increase the rate of affordable housing construction.

Council Member Cormack preferred to wait until the feasibility study was ready.

MOTION: Council Member Filseth moved, seconded by Council Member Kou to direct Staff to conduct a feasibility study and target returning to Council in early October.

Council Member Tanaka requested the net new square footage of office projects in the pipeline.

Mr. Lait estimated 50,000 square feet of office development in the pipeline.

Council Member Tanaka asked if Staff anticipated growth in office development.

Mr. Lait indicated there was not a lot of office activity lately, and the trend seemed to be a decrease in office development.

Council Member Tanaka requested possible reasons for that.

Mr. Lait noted that the Council adopted policies intended to slow office development.

Council Member Tanaka asked if Staff had information regarding office vacancy rates.

Mr. Lait advised that information regarding vacancies was previously presented to the Council.

Vice Mayor Burt explained that the difference between the cost of the study and affordable housing numbers was orders of magnitude.

SUMMARY MINUTES

MOTION PASSED: 6-1 Tanaka no

Council Member Questions, Comments and Announcements

Council Member Cormack reported the Cubberley Ad Hoc Committee was meeting monthly with Palo Alto Unified School District (PAUSD) and senior Staff.

Council Member Stone requested information regarding the anticipated extension of the eviction moratorium.

Ed Shikada, City Manager, indicated the moratorium may be extended in the next few days.

Vice Mayor Burt advised that the Santa Clara Valley Transportation Authority (VTA) hoped to return light rail service in the next three weeks or so. An Ad Hoc Committee of the City/School Liaison Committee was working to draft a document for collaboration between the City and Palo Alto Unified School District (PAUSD). The Bay Conservation and Development Commission (BCDC) opposed a recommendation to approve a study of a Baylands beach area in Richmond.

Mayor DuBois related that the Council's Housing Ad Hoc Committee received an update on the Housing Element Working Group and recommended Council approve a member representing the homeless. World Music Month continued through June 28, 2021. The American Cancer Society was scheduled to present a leadership award to Council Member Kou.

Adjournment: The meeting was adjourned at 10:19 P.M.