



**City Council
Special Meeting
Monday, April 4, 2022
5:00 PM**

**Council Chambers & Virtual
AMENDED**

Amended items appear below in RED

Pursuant to [AB 361](#) Palo Alto City Council meetings will be held as “hybrid” meetings with the option to attend by teleconference/video conference or in person. To maximize public safety while still maintaining transparency and public access, members of the public can choose to participate from home or attend in person. Information on how the public may observe and participate in the meeting is located at the end of the agenda. Masks are strongly encouraged if attending in person.

HOW TO PARTICIPATE

VIRTUAL PARTICIPATION

[CLICK HERE TO JOIN](https://cityofpaloalto.zoom.us/j/362027238) (<https://cityofpaloalto.zoom.us/j/362027238>)

Meeting ID: 362 027 238 Phone: 1(669)900-6833

The meeting will be broadcast on Cable TV Channel 26, live on YouTube at <https://www.youtube.com/c/cityofpaloalto>, and streamed to Midpen Media Center at <https://midpenmedia.org>.

TIME ESTIMATES

Time estimates are provided as part of the Council's effort to manage its time at Council meetings. **Listed times are estimates only and are subject to change at any time, including while the meeting is in progress.** The Council reserves the right to use more or less time on any item, to change the order of items and/or to continue items to another meeting. Particular items may be heard before or after the time estimated on the agenda. This may occur in order to best manage the time at a meeting or to adapt to the participation of the public.

PUBLIC COMMENTS

Public Comments will be accepted both in person and via Zoom meeting. All requests to speak will be taken until 5 minutes after the staff's presentation. Written public comments can be submitted in advance to city.council@cityofpaloalto.org and will be provided to the Council and available for inspection on the City's website. Please clearly indicate which agenda item you are referencing in your email subject line.

CALL TO ORDER

CLOSED SESSION (5:00 PM - 6:00 PM)

Public Comments: Members of the public may speak to the Closed Session item(s); three minutes per speaker.

1. CONFERENCE WITH LABOR NEGOTIATORS City Designated Representatives: City Manager and his Designees Pursuant to Merit System Rules and Regulations (Ed Shikada, Kiely Nose, Rumi Portillo, Sandra Blanch, Nicholas Raisch, Molly Stump, and Terence Howzell) Employee Organization: Employee Organization: Service Employees International Union, (SEIU) Local 521, Utilities Management and Professional Association of Palo Alto (UMPAPA)Palo Alto Peace Officers' Association (PAPOA), Palo Alto Police Management Association (PMA), International Association of Fire Fighters (IAFF) local 1319, Palo Alto Fire Chiefs Association (FCA), Management and Professional Employees (MGMT) ; Authority: Government Code Section 54957.6 (a) ; Authority: Government Code Section 54957.6 (a)

SPECIAL ORDERS OF THE DAY (6:00 PM - 6:15 PM)

2. Adoption of Resolution for Gabriel Mora Upon His Retirement
3. Proclamation Honoring National Public Safety Telecommunicator's Week - April 10-16, 2022

AGENDA CHANGES, ADDITIONS AND DELETIONS

PUBLIC COMMENT (6:15 PM - 6:30 PM)

Members of the public may speak to any item NOT on the agenda. Council reserves the right to limit the duration of Oral Communications period to 30 minutes.

CONSENT CALENDAR (6:30 PM - 6:35 PM)

Items will be voted on in one motion unless removed from the calendar by three Council Members.

4. Approve Minutes from the March 11, 2022 City Council Meeting, March 14, 2022 City Council Meeting, and the March 21, 2022 City Council Meeting
5. Utilities Advisory Commission and Staff Recommend the City Council Adopt Two Resolutions: 1) Approving an Amendment to the Amended and Restated Water Supply Agreement Between the City and County of San Francisco and Wholesale Customers in Alameda County, San Mateo County, and Santa Clara County and Authorizing the City Manager to Execute the Amended Agreement; and 2) Approving a Minimum Purchase Transfer from the City of Mountain View to the City of East Palo Alto
6. Approve Finance Committee Recommendation for FY 2023 to (a) Return to the Customary Pre-Pandemic Business Registry Certificate Requirement and Fee, and (b) Pause for One Year the Downtown Business Improvement District Assessment Program

Public Letters

7. Approve, as Recommended by Policy and Services Committee, the FY2022/2023 Risk Assessment & Audit Plan Reports
8. Adoption of a Resolution Authorizing Use of Teleconferencing for Council Meetings During Covid-19 State of Emergency
9. Approval of Amendment Number 2 to the Power Purchase Agreement for Landfill Gas-Generated Electricity With Ameresco Keller Canyon LLC., Reducing the Facility's Output in Exchange for an Annual \$250,000 Administrative Payment to the City
10. Approval of Contract Amendment Number 1 to Contract Number S22183587 with Fairbanks, Maslin, Maullin, Metz, and Associates (FM3) in the Amount of \$28,500 for One Additional Poll (Three Polls, Total) for the Potential November 2022 Ballot Measure(s) for a Total Not to Exceed Amount of \$113,500 and Approve a Budget Amendment in the General Fund
11. Adoption of a Resolution Authorizing the Submittal of a Financial Assistance Application to the United States Bureau of Reclamation for the WaterSMART: Title XVI Water Reclamation and Reuse Project
12. Approval of Pets in Need's Amended Termination Notice to Extend Termination Date Six Months for Continued Animal Shelter Operations
13. Adoption of a Resolution Amending PUBLIC HEARING: Objections to Weed Abatement and Adoption of a Resolution Ordering Weed Nuisance Abated to Correct an Administrative Error
14. Approval of Construction Contract Number C22181213 with Stronger Building Services in the Amount of \$179,500 for the Mitchell Park Library Roof and Gutter Repair Project; Authorize the City Manager or their Designee to Negotiate and Execute one or more Change Orders for Related Additional but Unforeseen Work Not to Exceed \$17,950; and Approval of a Budget Amendment for the Roofing Replacement Capital Project (PF-00006) in the Capital Improvement Fund

CITY MANAGER COMMENTS (6:35 PM - 6:55 PM)

Presentation

BREAK (6:55 PM - 7:05 PM)

ACTION ITEMS

Include: Reports of Committees/Commissions, Ordinances and Resolutions, Public Hearings, Reports of Officials, Unfinished Business and Council Matters.

- Presentation**
Public Comments
15. Review and Approval of Workplans Implementing 2022 City Council Priorities (7:05 PM – 8:30 PM) *Supplemental Memo Added*
- Presentation**
Public Comments
16. Receive the Police Department’s Annual Report and Discuss and Accept the Staff Update on Radio Encryption as a Follow-up from the Policy and Services Committee Recommendation on February 8, 2022 (8:30 PM – 10:00 PM) *Supplemental Memo Added*
17. Clarification of In-Person Attendance Protocols for Council Committees and Boards and Commissions (10:00 PM – 10:30 PM)

COUNCIL MEMBER QUESTIONS, COMMENTS, ANNOUNCEMENTS

Members of the public may not speak to the item(s)

ADJOURNMENT

OTHER INFORMATION

Standing Committee Meetings

Finance Committee Special Meeting March 28, 2022
Finance Committee Meeting Cancellation April 5, 2022
Public Letters
Schedule of Meetings

AMENDED AGENDA ITEMS

Items that have been added/modified from the original publication of the agenda are listed below. Any corresponding materials are appended to the end of the initial packet. If full items have been added to the Agenda, they will be denoted with a number starting with AA, meaning Amended Agenda item.

15. Review and Approval of Workplans Implementing 2022 City Council Priorities *Supplemental Memo Added*
16. Receive the Police Department’s Annual Report and Discuss and Accept the Staff Update on Radio Encryption as a Follow-up from the Policy and Services Committee Recommendation on February 8, 2022 *Supplemental Memo Added*

PUBLIC COMMENT INSTRUCTIONS

Members of the Public may provide public comments to teleconference meetings via email, teleconference, or by phone.

- 1. Written public comments** may be submitted by email to city.council@cityofpaloalto.org.
- 2. Spoken public comments using a computer** will be accepted through the teleconference meeting. To address the Council, click on the link below to access a Zoom-based meeting. Please read the following instructions carefully.
 - A. You may download the Zoom client or connect to the meeting in-browser. If using your browser, make sure you are using a current, up-to-date browser: Chrome 30+, Firefox 27+, Microsoft Edge 12+, Safari 7+. Certain functionality may be disabled in older browsers including Internet Explorer.
 - B. You may be asked to enter an email address and name. We request that you identify yourself by name as this will be visible online and will be used to notify you that it is your turn to speak.
 - C. When you wish to speak on an Agenda Item, click on "raise hand." The Clerk will activate and unmute speakers in turn. Speakers will be notified shortly before they are called to speak.
 - D. When called, please limit your remarks to the time limit allotted.
 - E. A timer will be shown on the computer to help keep track of your comments.
- 3. Spoken public comments using a smart phone** will be accepted through the teleconference meeting. To address the Council, download the Zoom application onto your phone from the Apple App Store or Google Play Store and enter the Meeting ID below. Please follow the instructions B-E above.
- 4. Spoken public comments using a phone** use the telephone number listed below. When you wish to speak on an agenda item hit *9 on your phone so we know that you wish to speak. You will be asked to provide your first and last name before addressing the Council. You will be advised how long you have to speak. When called please limit your remarks to the agenda item and time limit allotted.

[CLICK HERE TO JOIN](#) **Meeting ID: 362 027 238 Phone:1(669)900-6833**



City of Palo Alto

City Council Staff Report

(ID # 14202)

Meeting Date: 4/4/2022

Title: Adoption of Resolution for Gabriel Mora Upon His Retirement

From: City Manager

Lead Department: Police

Attachments:

- **Attachment2.a:** Attachment A: Gabriel Mora Resolution



Resolution

EXPRESSING APPRECIATION TO GABRIEL MORA UPON HIS RETIREMENT

WHEREAS, Gabriel Mora served the City of Palo Alto and its residents as a member of the Palo Alto Police Department for nearly 24 years years, being hired as a Parking Enforcement Officer (a position later renamed Community Service Officer or CSO) in June 1998; and

WHEREAS, CSO Mora spent the majority of his years of service assigned in parking enforcement, enforcing parking regulations throughout Palo Alto, and also spent two separate stints as a patrol-based CSO between 2001 and 2004 and again from 2019 to 2022, where he responded to a wide variety of non-emergency calls and conducted investigations into thefts, burglaries, vandalisms, non-injury traffic collisions, abandoned vehicles, noise complaints, and more; and

WHEREAS, his fluency in Spanish was a tremendous asset to the Police Department, with CSO Mora often helping police officers and detectives with interviews of crime victims, witnesses, and suspects; and

WHEREAS, CSO Mora assisted patrol officers many times over the years by spotting criminals and wanted subjects as they fled from the scenes of crimes, working in an “observe and report” capacity on their whereabouts until a police officer could arrive to detain the person and continue the investigation, which often led to arrests; and

WHEREAS, CSO Mora received the Police Department’s prestigious Medal of Valor for his actions on October 8, 2003, when at great risk to his own life, he pulled an elderly woman from the path of an oncoming train and saved her life; and

WHEREAS, CSO Mora was always a friendly face to the community, bringing his calm demeanor and easy smile to assist him with his job duties and to help de-escalate tense situations; and

WHEREAS, CSO Mora received several commendations for assisting with dignitary visits and special events; and

WHEREAS, CSO Mora supported his coworkers with a high degree of professionalism and respect that is in alignment with the mission of the Department; and

WHEREAS, CSO Mora deserves a long and happy retirement for all his years of dedicated service; and

NOW, THEREFORE, BE IT RESOLVED, that the City Council of the City of Palo Alto hereby commends the outstanding public service of Community Service Officer Gabriel Mora and records its appreciation, as well as the appreciation of the citizens of this community, upon his retirement.

INTRODUCED AND PASSED: April 4, 2022

ATTEST:

APPROVED:

City Clerk

Mayor

APPROVED AS TO FORM:

City Manager

City Attorney



City of Palo Alto

City Council Staff Report

(ID # 14033)

Meeting Date: 4/4/2022

Title: Proclamation Honoring National Public Safety Telecommunicator's Week - April 10-16, 2022

From: City Manager

Lead Department: Police

Attachments:

- **Attachment3.a:** Attachment A - National Public Safety Telecommunications Week



Proclamation

NATIONAL PUBLIC SAFETY TELECOMMUNICATOR'S WEEK April 10-16, 2022

WHEREAS, emergencies can occur at any time requiring police, fire, or emergency medical services; and

WHEREAS, when an emergency occurs the prompt response of law enforcement, firefighters and paramedics is critical to the protection of life and preservation of property; and

WHEREAS, the safety of our police officers and firefighters is dependent upon the quality and accuracy of information obtained from citizens who telephone the City of Palo Alto Communications Center; and

WHEREAS, public safety dispatchers are the first and most critical contact our citizens have with emergency services; and

WHEREAS, public safety dispatchers are the single vital link for our law enforcement and fire personnel by monitoring their activities by radio, providing them information and ensuring their safety; and

WHEREAS, public safety dispatchers of the City of Palo Alto Communications Center have contributed substantially to the apprehension of criminals, suppression of fires and treatment of patients; and

WHEREAS, each dispatcher has exhibited compassion, understanding and professionalism during the performance of their job in the past year; and

NOW, THEREFORE, I, Patrick Burt, Mayor of the City of Palo Alto on behalf of the entire City Council do hereby proclaim and call upon all citizens of Palo Alto to observe the week of April 10-16, 2022, as "National Public Safety Telecommunicator's Week" and join in honoring the men and women whose diligence and professionalism keep our city and citizens safe.

Presented: April 4, 2022

Patrick Burt
Mayor



City of Palo Alto
Office of the City Clerk
City Council CAO Report

(ID # 14217)

Meeting Date: 4/4/2022

Title: Approve Minutes from the March 11, 2022 City Council Meeting, March 14, 2022 City Council Meeting, and the March 21, 2022 City Council Meeting

From: Lesley Milton, City Clerk

Staff recommends Council to review and approve the minutes as presented.

ATTACHMENTS:

- **Attachment4.a:** Attachment A: 20220311amCCs (PDF)
- **Attachment4.b:** Attachment B: 20220314amCCs (PDF)
- **Attachment4.c:** Attachment C: 20220321amCCs (PDF)



CITY COUNCIL ACTION MINUTES

City Council
Special Meeting
March 11, 2022

The City Council of the City of Palo Alto met on this date in virtual teleconference at 4:00 P.M.

Present: Burt, Cormack, DuBois, Filseth, Kou, Stone, Tanaka

Absent: None

Action Items

1. Interviews for the Architectural Review Board.

The City Council interviewed the following applicants for the Architectural Review Board:

- A. Alfred Mandel
- B. Curtis Smolar
- C. Yingxi Chen
- D. Kendra Rosenberg
- E. Joao (Johnny) Baptista DaRosa
- F. John Kunz

Adjournment: The meeting was adjourned at 5:11 P.M.

ACTION MINUTES

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 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.



CITY COUNCIL DRAFT ACTION MINUTES

Special Meeting
March 14, 2022

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

Present: Burt, Cormack, DuBois, Filseth, Kou, Stone, Tanaka

Absent:

Closed Session

1. CONFERENCE WITH LABOR NEGOTIATORS City Designated Representatives: City Manager and his Designees Pursuant to Merit System Rules and Regulations (Ed Shikada, Kiely Nose, Rumi Portillo, Sandra Blanch, Nicholas Raisch, Tori Anthony, Molly Stump, and Terence Howzell) Employee Organization: Service Employees International Union, (SEIU) Local 521, Utilities Management and Professional Association of Palo Alto (UMPAPA) Palo Alto Peace Officers' Association (PAPOA), Palo Alto Police Management Association.

MOTION: Council Member Filseth moved, seconded by Council Member Cormack to go into Closed Session.

MOTION PASSED: 6-0, DuBois absent

Council went into Closed Session at 5:03 P.M.

Council Member Dubois jointed the meeting at 5:05 PM.

Council returned from Closed Session at 6:38 P.M.

There were no announcements for the public.

Special Orders of the Day

2. Congratulations to Sheryl Klein for designation as Woman of Persistence for Palo Alto.

NO ACTION TAKEN

3. Project Sentinel

DRAFT ACTION MINUTES

NO ACTION TAKEN

AA1. Appointments of Candidates for the Architectural Review Board.

MOTION: Council Filseth motioned, seconded by Mayor Burt to conduct an initial round of voting with the highest votes receiving the full term, and the second highest would receive the unexpired term. If there is no consensus, there would be a second round of voting for the terms.

MOTION PASSED: 7-0

First Round of voting for two positions on the Architectural Review Board; one full term ending March 31, 2025, and one unexpired term ending March 31, 2024.

Candidate Yingxi Chen receiving 6 votes is appointed to the full term expiring March 31, 2025 and Candidate Kendra Rosenberg receiving 5 votes is appointed to the unexpired term ending March 31, 2024.

Study Session

12. Report and Discussion on Community Engagement Activities Planned to Implement the City's Workplans for the 2022 Calendar Year.

NO ACTION TAKEN

Agenda Changes, Additions and Deletions

None

Consent Calendar

Council Member Cormack Registered a No Vote on Item 6.

Council Member Tanaka Registered a No Vote on Items 5-8.

MOTION: Council Member Cormack moved, seconded by Council Member Filseth to approve Agenda Item Numbers 5-10, and Item Number 4 as amended.

4. Approve Minutes from the February 28, 2022 City Council Meeting.
5. Adoption of Side letters of Agreement with Utilities Management and Professional Association of Palo Alto "UMPAPA", International Association of Fire Fighters IAFF "IAFF", Fire Chiefs Association "FCA", Palo Alto Peace Officers' Association (POA), Palo Alto Police Management

DRAFT ACTION MINUTES

Association (PMA); and Updated Salary Schedules for Management and Professional Employees, SEIU Hourly Unit, and Limited Hourly Employees.

6. City Council Approval of the City's Response to the Civil Grand Jury Report Regarding Affordable Housing and Direction to Staff to Submit the Response Letter in Accordance with State Law Prior to the March 16, 2022 Deadline.
7. Approval of Amendment Number 2 to Contract Number C19172119 with Daryl D. Jones, Inc. DBA Telecommunications Engineering Associates (TEA) to Increase the Scope of Services to Include Program Verification and Design Review for the Public Safety Building Project (CIP PE-15001) and, Accordingly, Increase the Contract Amount by \$189,882, for a New Total Not-to-Exceed Amount of \$874,882.
8. Adoption of **Resolution 10023** Amending the Electric Hydro Rate Adjuster (E-HRA) and Activating the E-HRA Rate at the \$0.013/kWh Level, Effective April 1, 2022 and Transmit Information on Preliminary Rate Forecast.
9. Approval of Surveillance Use Policy and Contract for E-Citation Devices/Services with Turbo Data Systems, Not-to-Exceed \$218,545 for Five Years.
10. Approval of Amendment Number 2 to Contract Number C18168129 with Kennedy / Jenks Consultants for Professional Design Services for the Primary Sedimentation Tanks Rehabilitation and Equipment Room Electrical Upgrade Project at the Regional Water Quality Control Plant to Increase Compensation by \$166,747 for a New Maximum Compensation Not to Exceed \$1,131,747, and to Extend the Contract Term Through June 30, 2024 - Capital Improvement Program Project WQ-14003.

MOTION SPLIT FOR THE PURPOSE OF VOTING

ITEMS 4, 10 OF MOTION PASSED: 7-0

ITEMS 5-8 OF MOTION PASSED: 6-1, Tanaka no

ITEM 6 OF MOTION PASSED: 5-2, Cormack, Tanaka no

City Council took a break at 8:55 P.M. and returned at 9:05 P.M.

Action Items

DRAFT ACTION MINUTES

11. City Council Discussion with the Independent Police Auditor and Possible Approval of a Performance Review on Recruitment and Hiring.

MOTION: Council Member DuBois moved, seconded by Mayor Burt to approve the performance review of the Police hiring practices and require the Police Department to provide a written response to future IPA recommendations.

MOTION PASSED: 7-0

13. Discuss Recommended Foothills Fire Mitigation and Safety Improvement Strategies.

MOTION: Mayor Burt moved, seconded by Council Member Cormack to direct Staff to adopt the recommendation as stated:

- A. Pursue funding for eucalyptus tree removal in Foothills Nature Preserve, Pearson Arastradero Nature Preserve, and Esther Clark Park, and Foothills Fire Management Plan (FFMP) mitigation efforts;
- B. Authorize the Fire Chief to determine, in collaboration with CSD, the appropriate restrictions on barbecues and campfires at Foothills Nature Preserve; and
- C. Return to the Council with an Ordinance amendment to modify Municipal Code Section 2.30.620 (Surveillance and Privacy Protection Ordinance) to add the Foothills Fire Early Warning System (FFEWS).

MOTION PASSED: 7-0

Adjournment: The meeting was adjourned at 11:21 P.M.

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 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.



CITY COUNCIL DRAFT ACTION MINUTES

Special Meeting
March 21, 2022

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

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

Absent: DuBois

Special Orders of the Day

1. Tokyo Paralympics Gold Medal Winner Palo Alto Resident Katie Holloway Bridge.

Agenda Changes, Additions and Deletions

None

Consent Calendar

Council Member Tanaka registered a no vote on Agenda Item Number 9.

MOTION: Council Member Cormack moved, seconded by Council Member Filseth to approve Agenda Item Numbers 2-9.

2. Approve Minutes from the March 7, 2022 City Council Meeting.
3. Approval of a Construction Contract With Casey Construction, Inc. for Sewer Lateral Installation, Repair and Replacement and Wastewater Collection System Rehabilitation in a Total Not-to-Exceed Amount of \$2,998,266 for a Three-Year Term Through June 2025.
4. Authorize Transmittal of the 2021 Comprehensive Plan Annual Progress Report to the Office of Planning and Research and the 2021 Housing Element Annual Progress Report to the Department of Housing and Community Development.
5. Accept the Stanford University Medical Center (SUMC) Annual Report for Fiscal Year 2020-2021 and Find the SUMC Parties in Compliance With the Development Agreement.

DRAFT ACTION MINUTES

6. Approval of Task Order Construction Contract C22183580 With MP Nexlevel of California, Inc. in the Amount not to exceed \$8,815,809 for Trenching and Substructure Installation and Materials; Authorization for the City Manager to Negotiate and Execute Related but Unforeseen Change Orders Not-to-Exceed \$881,581, for a Total Not-to-Exceed Amount of \$9,697,390 Over Three Years.
7. Approval of Construction Contract C22184073 with O'Grady Paving Inc. in the Amount of \$1,200,234, and Authorization for the City Manager or Their Designee to Negotiate and Execute Change Orders for Related Additional but Unforeseen Work that May Develop During the Project Up to a Not-to-Exceed Amount of \$118,523, for the Fiscal Year 2022 Asphalt Paving, Capital Improvements Program Projects PE86070, PO-12001, PL-04010 and PO-89003.
8. Approval of Amendment Number One to Contract C19173550 with Accela, Inc. to add the Accela Mobile Office and Accela Electronic Reporting Database Modules to this Online Services Contract, and to Increase the Compensation by an Amount Not-To-Exceed \$57,210 for a New Total Not-to-Exceed Amount of \$848,554.
9. Direct Staff to Relinquish S. Palo Alto Bikeways Project Grant Under OBAG2 and Reapply Under OBAG3 in May, 2022 to Allow For Additional Time to Meet Project Outreach, Design, and CEQA Requirements.

MOTION SPLIT FOR PURPOSES OF VOTING

MOTION PASSED ITEMS 2-8: 6-0, DuBois absent

MOTION PASSED ITEMS 9: 5-1, DuBois absent, Tanaka no

Action Items

10. Adoption of an Interim Ordinance Establishing Objective Urban Lot Split Standards and Further Refinements to SB 9 Development Standards; Authorizing the Public Works Director to Publish Objective Standards Regarding Adjacent Improvements Related to SB 9 Projects; and Direction Regarding Listing Properties Eligible for Historic Status.

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

- A. Review and adopt proposed objective standards for urban lot splits. These standards will only apply to qualifying SB 9 projects within Palo Alto (Attachment A) with the flagpole to be at least 10 feet wide;

DRAFT ACTION MINUTES

- B. Adopt Interim Ordinance Refining SB 9 Regulations and Authorizing the Public Works Director to Publish Objective Standards Regarding Adjacent Public Improvements Related to SB 9 Projects (Attachment B); and
- C. Direct Staff to work with the Historic Resources Board to review the approximately 165 local, state and federal eligible properties and make recommendations for listing on the inventory in accordance with the process set forth in the PAMC and collaborate with the Historic Resources Board for community engagement.

MOTION PASSED: 6-0, DuBois absent

- 11. Approve the Housing Element Working Group and Planning and Transportation Commission Recommendations for the 2023-31 Housing Element Sites and Their Associated Unit Yields as Well as Potential Feedback on Housing Element Policies and Programs, or Other Housing-Related Direction to Staff.

ORIGINAL MOTION: Mayor Burt moved, seconded by Council Member Stone to approve the Planning and Transportation Commission 2023-31 Housing Element sites with their associated unit yields as reflected in Attachment A, incorporating staff recommended adjustments, and the following additional site selection strategies:

- A. Faith Based Institutions Strategy: Require units to be 100% affordable units;
- B. City-owned Parking Lots Strategy: Include strategy in the sites list and its 168 unit yield, providing they are 100% affordable units;
- C. General Manufacturing (GM) Zone Strategy: Encourage Council to plan retail, transit, schools, bike lanes, and parks to support the new neighborhood;
- D. General Manufacturing (GM) Zone Strategy: Council to consider changing portions of the GM zoned sites to a multifamily zone, eliminating general manufacturing uses;
- E. Research, Office, Limited Manufacturing (ROLM) Zone Strategy: Encourage Council to plan retail, transit, schools, bike lanes and parks to support the new neighborhood;
- F. Transit Center Strategy: Increase the unit yield of the Transit Center from 180 units to 270 units;

DRAFT ACTION MINUTES

- G. Transit Center Strategy: The residential units on this site should be primarily developed as affordable units;
- H. Staff to return to the Council for discussion and direction on modifications reducing commercial FAR in combination with increasing housing FAR with a focus on properties in the El Camino Real zone and the two Downtowns; and
- I. Staff to return to Council for discussion engaging with Stanford Research Park on identifying additional housing sites for the coming Housing Element.

MOTION SPLIT FOR THE PURPOSE OF VOTING

MOTION: Mayor Burt moved, seconded by Council Member Stone to approve the following element of the original motion:

- B. City-owned Parking Lots Strategy: Include strategy in the sites list and its 168 unit yield, providing they are 100% affordable units.

MOTION PASSED: 4-2, DuBois absent, Tanaka, Kou no

MOTION: Mayor Burt moved, seconded by Council Member Stone to approve the following element of the original motion:

- A. Faith Based Institutions Strategy: Require units to be 100% affordable units.
- ~~B. City-owned Parking Lots Strategy: Include strategy in the sites list and its 168 unit yield, providing they are 100% affordable units.~~
- ~~C. General Manufacturing (GM) Zone Strategy: Encourage Council to plan retail, transit, schools, bike lanes, and parks to support the new neighborhood.~~
- D. General Manufacturing (GM) Zone Strategy: Council to consider changing portions of the GM zoned sites to a multifamily zone, eliminating general manufacturing uses.
- E. Research, Office, Limited Manufacturing (ROLM) Zone Strategy: Encourage Council to plan retail, transit, schools, bike lanes and parks to support the new neighborhood.
- ~~F. Transit Center Strategy: Increase the unit yield of the Transit Center from 180 units to 270 units.~~

DRAFT ACTION MINUTES

- G. Transit Center Strategy: The residential units on this site should be primarily developed as affordable units
- H. Staff to return to the Council for discussion and direction on modifications reducing commercial FAR in combination with increasing housing FAR with a focus on properties in the El Camino Real zone and the two Downtowns.
- I. Staff to return to Council for discussion engaging with Stanford Research Park on identifying additional housing sites for the coming Housing Element.

MOTION PASSED: 4-2, DuBois absent, Tanaka, Cormack no

MOTION: Mayor Burt moved, seconded by Council Member Stone to approve the Planning and Transportation Commission 2023-31 Housing Element sites with their associated unit yields as reflected in Attachment A, incorporating staff recommended adjustments, and the following additional site selection strategies:

- C. General Manufacturing (GM) Zone Strategy: Encourage Council to plan retail, transit, schools, bike lanes, and parks to support the new neighborhood.
- F. Transit Center Strategy: Increase the unit yield of the Transit Center from 180 units to 270 units.

MOTION PASSED: 5-1, DuBois absent, Tanaka no

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

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 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.



City of Palo Alto City Council Staff Report

(ID # 13421)

Meeting Date: 4/4/2022

Title: Utilities Advisory Commission and Staff Recommend the City Council Adopt Two Resolutions: 1) Approving an Amendment to the Amended and Restated Water Supply Agreement Between the City and County of San Francisco and Wholesale Customers in Alameda County, San Mateo County, and Santa Clara County and Authorizing the City Manager to Execute the Amended Agreement; and 2) Approving a Minimum Purchase Transfer from the City of Mountain View to the City of East Palo Alto

From: City Manager

Lead Department: Utilities

Recommended Motion

The Utilities Advisory Commission (UAC) and Staff recommend the City Council adopt two resolutions (Attachment A and B) as follows:

- 1) Approving the attached “2021 Amended and Restated Water Supply Agreement Between the City and County of San Francisco Wholesale Customers in Alameda County, San Mateo County, and Santa Clara County” ([Linked Document](#)) and authorizing the City Manager to execute such Agreement when final execution copies are prepared and distributed by the Bay Area Water Supply and Conservation Agency (BAWSCA);
- 2) Approving a Minimum Purchase Transfer from the City of Mountain View to the City of East Palo Alto.

Executive Summary

The City purchases water from the San Francisco Regional Water System (System or RWS) and is one of twenty-six BAWSCA members, also known as “Wholesale Customers.” In June 2009, the City entered into a Water Supply Agreement with the City and County of San Francisco (San Francisco) and Wholesale Customers in Alameda County, San Mateo County and Santa Clara County (WSA). There are two proposed WSA amendments for Palo Alto City Council’s consideration.

The primary amendment to the WSA allows for the paired transfer of a portion of an agency’s Minimum Purchase Quantity and Individual Supply Guarantee (ISG) through an expedited procedure. Four Wholesale Customers (Alameda County Water District and the Cities of Milpitas, Mountain View, and Sunnyvale) may purchase water from sources other than San

Francisco Public Utilities Commission (SFPUC), such as State Water Project, local groundwater, or treated water from Valley Water, but they are each obligated to purchase a specific minimum annual quantity of water from the SFPUC (Minimum Purchase Quantity). The amendment safeguards the financial and water supply interests of Wholesale Customers, including Palo Alto, who are not participating in such transfers.

The second proposed amendment to the WSA is a separate proposed minimum purchase obligation transfer between two Wholesale Customers. In 2017, the City of Mountain View (Mountain View) transferred 1 MGD of ISG to the City of East Palo Alto (East Palo Alto). Now, Mountain View and East Palo Alto request a parallel action to the proposed WSA Amendment described above. This separate amendment would apply the expedited process in the proposed WSA Amendment to approve a paired transfer of Minimum Purchase Quantity together with the ISG that Mountain View already transferred to East Palo Alto in 2017. Details of this conversion are outlined in an agreement between Mountain View and East Palo Alto that is available for information purposes in Attachment E. This amendment includes the same safeguards to protect the financial and water supply interests of Palo Alto and other Wholesale Customers who are not participating in the transfer.¹

In addition to the two amendments described above, the proposed WSA Amendment language expands the waiver of minimum purchase obligations during certain declared emergencies. Specifically, the WSA Amendment allows the SFPUC to issue a waiver of minimum purchase obligations if there is a state of emergency declared by the Governor of California that impacts water supply use or deliveries from the System.

Background

The WSA establishes the terms by which the twenty-six Wholesale Customers purchase water from the System. The WSA builds upon the 1984 "Settlement Agreement and Master Water Sales Contract between the City and County of San Francisco and Certain Suburban Purchasers in San Mateo County, Santa Clara County and Alameda County."

In September 2017, BAWSCA and the Water Management Representatives (WMRs) of the BAWSCA member agencies began reviewing the issue of Minimum Purchase Quantities, as described in Section 3.07.C of the WSA, and discussing the creation of a process to transfer Minimum Purchase Quantities. Throughout 2017 and 2018, the WMRs held multiple meetings during which the agencies currently subject to Minimum Purchase Quantity requirements and the other Wholesale Customers shared their interests and concerns regarding changes to the Minimum Purchase Quantity requirements and allowing transfers of Minimum Purchase Quantities.

¹ In 2017, Palo Alto transferred 0.5 MGD of ISG to East Palo Alto. Palo Alto does not have a minimum purchase obligation, so a similar arrangement would not be applicable.

Pursuant to Section 2.03 of the WSA, the WSA may be amended by a minimum of two-thirds of the Wholesale Customers representing at least 75 percent of the quantity of water delivered by San Francisco to all the Wholesale Customers during the fiscal year immediately preceding the amendment.

On March 4, 2019, the Palo Alto City Council passed [Resolution No. 9821](#) to approve the Amended and Restated WSA, at which time the Wholesale Customers expressed a collective interest in working together to develop a process for the expedited and permanent transfer of Minimum Purchase Quantities.

Under Article 3 of the Amended and Restated WSA, the SFPUC agrees to deliver water to the Wholesale Customers up to the amount of 184 million gallons per day (MGD), referred to as the "Supply Assurance," and the Wholesale Customers have allocated shares of the Supply Assurance among themselves, referred to as ISG. Section 3.04 of the Amended and Restated WSA enables a Wholesale Customer that has an ISG to transfer a portion of its ISG to one or more other Wholesale Customers, subject to several conditions.

Paired transfer of a portion of an agency's Minimum Purchase Quantity and ISG

Section 3.07 of the Amended and Restated WSA provides that four Wholesale Customers (Alameda County Water District and the Cities of Milpitas, Mountain View, and Sunnyvale, collectively, the "Minimum Purchase Customers") may purchase water from sources other than the SFPUC, but they are each obligated to purchase a specific minimum annual quantity of water from the SFPUC, referred to as a "Minimum Purchase requirement." If a Minimum Purchase Customer does not meet its minimum purchase requirement in a particular fiscal year, it must pay the SFPUC for the difference between its metered water purchases during the fiscal year and its minimum annual purchase quantity set forth in Attachment E of the Amended and Restated WSA. The Amended and Restated WSA does not currently allow a Minimum Purchase Customer to transfer a portion of its minimum purchase requirement and the associated financial obligation to another Wholesale Customer.

In 2019, the Wholesale Customers directed BAWSCA to draft a proposed amendment to the Amended and Restated WSA to provide a procedure for expedited and permanent transfers of Minimum Purchase Quantities that safeguards the financial and water supply interests of Wholesale Customers not participating in such transfers.

Minimum Purchase Transfer from the City of Mountain View to the City of East Palo Alto

In 2017, Mountain View and East Palo Alto were interested in transferring 1.0 MGD of Mountain View's Minimum Purchase Quantity to East Palo Alto, however, at the time, there was no procedure in the WSA to effectuate such a transfer without amending the WSA. Therefore, the parties elected to execute a water rights transfer agreement ([Linked Document](#))

by which East Palo Alto agreed to pay Mountain View \$5 Million for the permanent transfer of all rights, title, interest to 1.0 MGD of Mountain View's ISG to East Palo Alto.

In 2020, Mountain View and East Palo Alto began discussing a possible future transfer of a portion of Mountain View's Minimum Purchase Quantity to East Palo Alto.

In April 2021 and June 2021 the Councils of East Palo Alto and Mountain View, respectively, each approved the conversion of the 1.0 MGD of Mountain View's ISG sold to East Palo Alto in 2017 into a paired transfer of ISG and up to 1.0 MGD of Mountain View's Minimum Purchase Quantity to East Palo Alto, in increments of 0.25 MGD, subject to the City Councils' approval of an agreement for each incremental transfer and the approval of the Wholesale Customers and San Francisco. East Palo Alto and Mountain View are authorized and prepared to execute a negotiated agreement memorializing a 0.25 MGD transfer of Mountain View's Minimum Purchase Quantity to East Palo Alto.

In conjunction with the larger amendment to allow Wholesale Customers with ISGs to permanently transfer a portion of Minimum Purchase Quantity through an expedited procedure, East Palo Alto and Mountain View propose the Wholesale Customers and San Francisco approve, in advance, the terms and conditions for converting up to 1.0 MGD of Mountain View's ISG purchased by East Palo Alto in 2017 into a paired transfer of 1.0 MGD of ISG together with 1.0 MGD of Mountain View's Minimum Purchase Quantity to East Palo Alto, in 0.25 MGD increments, if Mountain View and East Palo Alto mutually agree to such incremental transfers in the future and provided the conditions outlined below are met. Because the 2017 Mountain View/East Palo Alto ISG transfer predates the Minimum Purchase Amendment, the Mountain View/East Palo Alto Minimum Purchase Transfer must be accomplished separately from the adoption of the Minimum Purchase Amendment.²

Discussion

Main Amendment: Paired Transfer of a Portion of an Agency's Minimum Purchase Quantity and ISG

The proposed amendment, shown with redline changes to Sections 3.04, 3.07, and 2.03 of the Amended and Restated Water Supply Agreement ([Linked Document](#)), allows Wholesale Customers with ISGs and Minimum Purchase obligations to permanently transfer a portion of Minimum Purchase Quantity through an expedited procedure. The proposed amendment offers the following benefits:

1. Procedural safeguards built into the process by which a Wholesale Customer transfers a portion of its Minimum Purchase Quantity and ISG ensure that such transfers will not

² Palo Alto's 2017 transfer of 0.5 MGD of ISG to East Palo Alto did not require Wholesale Customer approval because Palo Alto does not have a minimum purchase obligation.

result in new or different risks to the water supply and financial interests of Wholesale Customers not participating in a transfer.

2. A Minimum Purchase Customer may transfer a portion of its Minimum Purchase Quantity within its respective ISG to reduce its financial obligation to pay for imputed sales for Minimum Purchase water that it did not use.
3. Intra-system water transfers are one potential solution to long term water reliability needs among the Wholesale Customers. This expedited, permanent transfer procedure will allow intra-system water transfers of Minimum Purchase Quantity to occur without a contract amendment approved by the Wholesale Customers, thus removing administrative obstacles to such transfers.
4. Expedited permanent intra-system transfers of portions of Minimum Purchase Quantity and ISG will facilitate the development of new water supplies by the SFPUC that are necessary to support the Cities of San Jose and Santa Clara becoming permanent Wholesale Customers.
5. The Wholesale Customers may increase the 6 MGD cap on the total aggregate amount of Minimum Purchase Quantity that may be transferred by all of the Minimum Purchase Customers over the course of one or multiple transfers if demand for Minimum Purchase Quantity transfers exceeds 6 MGD in the future.

San Francisco, acting by and through the SFPUC, approved the 2021 Amended and Restated Water Supply Agreement, as negotiated by BAWSCA, on January 26, 2021 ([Linked Minutes](#)), pending approval by the requisite number of the Wholesale Customers.

Second Proposed Amendment: Minimum Purchase Transfer from the City of Mountain View to the City of East Palo Alto

The proposed amendment would provide advance approval for the conversion of up to 1.0 MGD of Mountain View's ISG sold to East Palo Alto in 2017, into a transfer of up to 1.0 MGD of Mountain View's ISG plus up to 1.0 MGD of Mountain View's Minimum Purchase Quantity to East Palo Alto, in 0.25 MGD increments, if all of the following terms and conditions are satisfied:

- a. Mountain View will transfer up to 1.0 MGD of its Minimum Purchase Quantity to East Palo Alto, in increments of 0.25 MGD, subject to the Mountain View City Council's and the East Palo Alto City Council's approval of an agreement for each incremental transfer.
- b. For each incremental transfer, a Temporary Modified Minimum Annual Purchase Quantity will be calculated for East Palo Alto that is equal to East Palo Alto's five-year average water use from the SFPUC for the most recent non-drought years prior to the 2017 ISG purchase, plus the incremental transfer amount(s).

- c. For each incremental transfer, Mountain View will maintain, and be responsible for paying any imputed sales for, its current Minimum Purchase requirement in effect at that time, as set forth in Attachment E of the WSA, including up to 1.0 MGD ISG transfer to East Palo Alto, until East Palo Alto's water use meets the Temporary Modified Minimum Annual Purchase Quantity for three consecutive years.
- d. East Palo Alto will not be required to pay imputed sales associated with the Temporary Modified Minimum Annual Purchase Quantity for any incremental transfer of the 1.0 MGD of Mountain View's Minimum Purchase requirement.
- e. For each incremental transfer, once East Palo Alto has met the Temporary Modified Minimum Annual Purchase Quantity for three consecutive years, the incremental portion of Mountain View's Minimum Purchase Quantity transferred to East Palo Alto will become East Palo Alto's Minimum Purchase Quantity, and Mountain View's Minimum Purchase Quantity will be reduced by an equivalent amount. East Palo Alto's new Minimum Purchase Quantity will be included in Attachment E of the WSA and both cities' Individual Water Sales Contracts will be updated to reflect this transfer.
- f. With exception of the incremental transfers that are the subject of this resolution and the agreement between East Palo Alto and Mountain View described herein, any additional transfers of Minimum Purchase Quantity, either from another Wholesale Customer or from Mountain View in excess of the 1.0 MGD, are subject to Section 3.04 of the 2021 WSA.

Additional Language Changes and Annual Reporting

In addition to the two amendments described above, this package incorporates two additional language changes:

- 1) New language in Section 3.04 H to clarify that a transfer of Minimum Purchase and/or ISG that does not satisfy the requirements of Section 3.04 may be implemented via a separate amendment to the WSA.
- 2) New language in Section 3.07 C to expand the waiver of minimum purchase obligations during certain declared emergencies. Based on experience from the previous drought when the State led the call for water use reductions, water use restrictions, and eventual water rationing obligations, SFPUC issued a waiver of Minimum Purchase Requirements “at risk”. The proposed WSA Amendment allows SFPUC to issue a waiver “during a state of emergency declared by the Governor of California that impacts water supply use or deliveries from the Regional Water System”.

The proposed amendment codifies existing reporting and imposes a new reporting requirement in Section 3.07.C that states:

“ . . . After the end of each fiscal year, the SFPUC will send a written notice to each Wholesale Customer that is subject to the minimum annual purchase requirements of this section with a

copy to BAWSCA. The notice will include: (1) the quantity of water delivered to the Wholesale Customer during the previous fiscal year; (2) whether or not the Wholesale Customer met its minimum annual purchase requirement under this section; (3) any Imputed Sales charged to the Wholesale Customer; and (4) the status of any Temporary Modified Minimum Annual Purchase Quantity of the Wholesale Customer, if applicable.” (new)

In addition, BAWSCA will prepare a new annual report that includes a summary of the SFPUC’s annual reports to each Wholesale Customer as well as additional RWS purchase trend information, as available.

Committee Review and Recommendation

On March 2, 2022, the UAC reviewed and discussed the 2021 Amended and Restated Water Supply Agreement and the approval of the Minimum Purchase Transfer from the City of Mountain View to the City of East Palo Alto. Commissioners asked clarifying questions about the regional benefits of the amendment, about the Mountain View and East Palo Alto Minimum Purchase transfer, and asked for information about Palo Alto’s ISG and forecasted water demand. One Commissioner asked about whether Palo Alto’s financial risks will change during a drought and staff explained that Palo Alto’s financial risks during a drought would remain unchanged by the amendment. After the discussion, the UAC voted 5-0, to support the staff recommendation. Attached are the excerpted draft minutes of this meeting ([Linked Minutes](#)).

Resource Impact

Palo Alto is not a participant in a current or future transfer of ISG under this amendment because Palo Alto is not subject to a Minimum Purchase and Palo Alto has sufficient ISG to meet its current and future water demand. This amendment avoids shifting or transferring participating agencies’ contractual costs, or obligations, to Palo Alto and will not result in any new or different financial risks to Palo Alto.

Policy Implications

The execution and administration of the 2021 Amended and Restated WSA reaffirms the water reliability and quality requirements in the WSA and is consistent with the spirit of the 2009 WSA.

Environmental Review

Prior to approval of the WSIP, San Francisco prepared a program environmental impact report (PEIR) for the WSIP in compliance with the California Environmental Quality Act (CEQA) and the San Francisco Planning Commission certified the WSIP Final PEIR in Planning Commission Motion No. 17734 in 2008. The City reviewed the Final PEIR and CEQA findings and adopted them to the extent the findings were relevant to its decision to approve the WSA.

At this time, the City need not take any further action to comply with the requirements of CEQA as the amendments are not a "project" for the purposes of the CEQA. The amendments at issue

involve an administrative activity that does not result in a direct change to the environment (see 14 CCR Section 15378(b)(5)), and would not result in a direct or reasonably foreseeable indirect physical change in the environment (see 14 CCR Section 15060(c)(2)).

Attachments:

- **Attachment5.a:** Attachment A: Draft Resolution Approving an Amendment to the Amended and Restated Water Supply Agreement
- **Attachment5.b:** Attachment B: Draft Resolution Approving a Minimum Purchase Transfer from the City of Mountain View to the City of East Palo Alto

* NOT YET APPROVED*

Attachment A

RESOLUTION NO. _____

Resolution Of The City Council Of The City Of Palo Alto Approving An
Amendment To The Amended And Restated Water Supply Agreement Between
The City And County Of San Francisco And Wholesale Customers In Alameda
County, San Mateo County, And Santa Clara County

R E C I T A L S

A. Water supply agencies in Alameda, San Mateo, and Santa Clara Counties have purchased water from the City and County of San Francisco (San Francisco) for many years.

B. The San Francisco Public Utilities Commission (SFPUC or Commission) operates the Regional Water System, which delivers water to communities in Alameda, San Mateo, and Santa Clara Counties, as well as to customers within San Francisco (collectively, "the Parties").

C. The Parties entered into the "Settlement Agreement and Master Water Sales Contract between the City and County of San Francisco and Certain Suburban Purchasers in San Mateo County, Santa Clara County and Alameda County" in 1984 (1984 Settlement Agreement and Master Water Sales Contract).

D. In April 2003, water supply agencies in Alameda, San Mateo and Santa Clara Counties (collectively referred to as the "Wholesale Customers" or "BAWSCA member agencies") established the Bay Area Water Supply and Conservation Agency (BAWSCA), as authorized by Water Code Section 81300 et seq.

E. Upon expiration of the 1984 Settlement Agreement and Master Water Sales Contract, the Parties entered into the "Water Supply Agreement between San Francisco and Wholesale Customers in Alameda County, San Mateo County, and Santa Clara County" (Water Supply Agreement or WSA) on July 1, 2009, authorized by SFPUC Resolution No. 09-0069, dated April 28, 2009.

F. In 2017, the Wholesale Customers directed BAWSCA to act as its authorized representative in discussions and negotiations with San Francisco to amend the Water Supply Agreement to address a number of substantive issues and these negotiations resulted in the Parties' adoption of the Amended and Restated Water Supply Agreement (Amended and Restated Water Supply Agreement) in 2018, authorized by SFPUC Resolution No. 18-0212, dated December 11, 2018.

G. On March 4, 2019 this Council, by Resolution No. 9821 approved the Amended and Restated Water Supply Agreement.

H. Under Article 3 of the Amended and Restated Water Supply Agreement, the SFPUC agrees to deliver water to the Wholesale Customers up to the amount of 184 million gallons per day (MGD), referred to as the “Supply Assurance,” and the Wholesale Customers have allocated shares of the Supply Assurance among themselves, referred to as Individual Supply Guarantees (“ISG”).

I. Section 3.04 of the Amended and Restated Water Supply Agreement enables a Wholesale Customer that has an ISG to transfer a portion of its ISG to one or more other Wholesale Customers, subject to several conditions.

J. Under Section 3.07 of the Amended and Restated Water Supply Agreement, four Wholesale Customers (Alameda County Water District and the Cities of Milpitas, Mountain View, and Sunnyvale, collectively, the “Minimum Purchase Customers”) may purchase water from sources other than the SFPUC, but they are each obligated to purchase a specific minimum annual quantity of water from the SFPUC, referred to as a “Minimum Purchase requirement”.

K. If a Minimum Purchase Customer does not meet its Minimum Purchase requirement in a particular fiscal year, it must pay the SFPUC for the difference between its metered water purchases during the fiscal year and its minimum annual purchase quantity set forth in Attachment E of the Amended and Restated Water Supply Agreement.

L. The Amended and Restated Water Supply Agreement does not currently allow a Minimum Purchase Customer to transfer a portion of its Minimum Purchase requirement and the associated financial obligation to another Wholesale Customer.

M. In September 2017, BAWSCA and the Water Management Representatives (WMRs) of the BAWSCA member agencies began reviewing the issue of Minimum Purchase Quantities, as described in Section 3.07.C of the Water Supply Agreement, and discussing the creation of a process to transfer Minimum Purchase Quantities.

N. Throughout 2017 and 2018, the WMRs held multiple meetings during which the agencies currently subject to Minimum Purchase Quantity requirements and the other Wholesale Customers shared their interests and concerns regarding changes to the Minimum Purchase Quantity requirements and allowing transfers of Minimum Purchase Quantities.

O. At the time the Amended and Restated Water Supply Agreement was approved, the Parties expressed a collective interest in working together to develop a process for the expedited and permanent transfer of Minimum Purchase Quantities.

P. In 2019, the Wholesale Customers directed BAWSCA to draft a proposed amendment to the Amended and Restated Water Supply Agreement to provide a procedure for expedited and permanent transfers of Minimum Purchase Quantities that safeguards the financial and water supply interests of Wholesale Customers not participating in such transfers.

Q. The Parties recognize that, both before and after the most recent statewide drought, after meeting drought-related conservation mandates, several BAWSCA member agencies were unable to meet their respective Minimum Purchase requirements described in Article 3.07 of the Amended and Restated Water Supply Agreement, which requires payment for water up to the required Minimum Purchase level even if such water is not delivered and used.

R. Several of the Wholesale Customers with Minimum Purchase requirements might be interested in transferring a portion of their Minimum Purchase Quantity within their respective ISGs to reduce the financial obligation to pay for imputed sales for Minimum Purchase water that is not used.

S. With its Alternative Water Supply Program, the SFPUC is in the early stages of planning for fourteen projects to support the Wholesale and Retail Customers' ability to respond to climate change and address future water supply challenges and vulnerabilities, such as regulatory changes, earthquakes, disasters, emergencies, and increases in population and employment.

T. The City of San Jose (San Jose) and the City of Santa Clara (Santa Clara) are temporary, interruptible Wholesale Customers of the SFPUC Regional Water System and both cities wish to become permanent Wholesale Customers.

U. Pursuant to Section 4.06 of the Amended and Restated Water Supply Agreement, by December 31, 2028, San Francisco must complete any necessary California Environmental Quality Act (CEQA) review and must decide whether or not to make San Jose and Santa Clara permanent Wholesale Customers of the Regional Water System with a combined Individual Supply Guarantee (ISG) of 9 million gallons per day (MGD) allocated equally between the two cities, as well as how much water in excess of 9 MGD it will supply to San Jose and Santa Clara.

V. Section 4.06 of the Amended and Restated Water Supply Agreement provides: "San Francisco will make San Jose and Santa Clara permanent customers only if, and to the extent that, San Francisco determines that Regional Water System long term water supplies are available."

W. According to SFPUC's December 2021 Alternative Water Supply Planning Quarterly Update (Quarterly Update), "[f]or San Jose and Santa Clara to become permanent customers of the SFPUC, an additional 9 MGD of new, year-round supplies would be needed to meet historic demand levels and up to 15.5 MGD would be needed to meet planned demand through 2045."

X. According to its December Quarterly Update, SFPUC is planning with the "intention to be able to make San Jose and Santa Clara permanent customers," but is prioritizing instream flow obligations to meet existing permanent customer demands, including drought supplies.

Y. SFPUC has budgeted \$298.3 million over the next ten years to fund water supply projects.

Z. SFPUC, San Jose, Santa Clara, and BAWSCA are actively working together to consider water supply projects that may offer potential sources of supply to support San Jose and Santa Clara as permanent Wholesale Customers.

AA. BAWSCA and SFPUC have identified intra-system water transfers as one potential solution to long term water reliability needs among the Wholesale Customers.

BB. A Minimum Purchase Customer might be more inclined to transfer a portion of its ISG to another Wholesale Customer under Section 3.04 of the Amended and Restated Water Supply Agreement if it was able to include a simultaneous transfer of a portion of its Minimum Purchase requirement and the associated financial obligation.

CC. Allowing simplified permanent intra-system transfers of portions of Minimum Purchase Quantity and ISG will facilitate the development of new water supplies by SFPUC that are necessary to support San Jose and Santa Clara as permanent Wholesale Customers.

DD. The Parties have developed a process to allow for the transfer of a Wholesale Customer's Minimum Purchase Quantity in conjunction with an ISG transfer pursuant to Section 3.04, which ensures that such transfers will not result in new or different risks to the water supply and financial interests of Wholesale Customers not participating in a transfer.

EE. The Parties agree that the total aggregate amount of Minimum Purchase Quantity that may be transferred by all of the Wholesale Customers subject to Minimum Purchase requirements as first specified in Attachment E of the Amended and Restated Water Supply Agreement, over the course of one or multiple transfers, is limited to 6 MGD.

FF. If demand for Minimum Purchase Quantity transfers exceeds 6 MGD in the future, the Parties agree to consider further amending Section 3.04 of the Amended and Restated Water Supply Agreement to increase the total aggregate cap on the amount of Minimum Purchase Quantity that may be transferred.

GG. A proposed transfer that does not meet the requirements of Section 3.04 of the Amended and Restated Water Supply Agreement, as amended by this Resolution, may be presented as an amendment to the Amended and Restated Water Supply Agreement pursuant to Section 2.03 of the Amended and Restated Water Supply Agreement.

HH. The Parties agree to consider a proposal by the City of Mountain View (Mountain View) and the City of East Palo Alto (East Palo Alto) to amend the Amended and Restated Water Supply Agreement to allow for the conversion of Mountain View's 2017 sale of 1 MGD of ISG to East Palo Alto into a transfer of 1 MGD of Mountain View's ISG that includes Minimum Purchase Quantity to East Palo Alto, over a period of time, and in a manner that protects the other Wholesale Customers' financial and water supply interests.

II. If such a conversion is approved by the Parties, the 1 MGD of Mountain View's Minimum Purchase Quantity would be counted towards the total aggregate 6 MGD cap on Minimum Purchase Quantity transfers.

JJ. The Parties now desire to adopt an amendment to the Amended and Restated Water Supply Agreement to permit Wholesale Customers with an ISG to transfer, or accept a transfer, of both a portion of a Wholesale Customer's ISG and its Minimum Purchase Quantity.

KK. An updated Amended and Restated Water Supply Agreement, reflecting this amendment, in the form negotiated by BAWSCA (2021 Amended and Restated Water Supply Agreement), was presented to and approved by SFPUC on January 26, 2021 pursuant to SFPUC Resolution No. 21-0009.

The Council of the City of Palo Alto does hereby RESOLVE as follows:

SECTION 1. The Council approves the modifications included in the attached "2021 Amended and Restated Water Supply Agreement Between the City and County of San Francisco Wholesale Customers in Alameda County, San Mateo County, and Santa Clara County" dated January 2021 (2021 Amended and Restated Water Supply Agreement).

SECTION 2. The City Manager is authorized and directed to sign the 2021 Amended and Restated Water Supply Agreement, in the form previously approved by the San Francisco Public Utilities Commission and attached hereto.

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SECTION 3. The Council finds that the amendment considered now is not a "project" for the purposes of CEQA as it involves an administrative activity that does not result in a direct change to the environment (see 14 CCR Section 15378(b)(5)), and would not result in a direct or reasonably foreseeable indirect physical change in the environment (see 14 CCR Section 15060(c)(2)).

INTRODUCED AND PASSED:

AYES:

NOES:

ABSTENTIONS:

ATTEST:

City Clerk_____
Mayor

APPROVED AS TO FORM:

APPROVED:

Assistant City Attorney_____
City Manager_____
Director of Utilities_____
Director of Administrative Services

NOT YET APPROVED

Attachment B

RESOLUTION NO. _____

Resolution Of The Council Of The City Of Palo Alto Approving A
Minimum Purchase Transfer From
The City Of Mountain View To The City Of East Palo Alto

R E C I T A L S

A. The City and County of San Francisco ("San Francisco") Public Utilities Commission ("SFPUC" or "Commission") operates the Regional Water System, which delivers water to water supply agencies in Alameda, San Mateo, and Santa Clara Counties (collectively, "the Parties").

B. In April 2003, water supply agencies in Alameda, San Mateo and Santa Clara Counties (collectively, the "Wholesale Customers") established the Bay Area Water Supply and Conservation Agency ("BAWSCA"), as authorized by Water Code Section 81300 et seq.

C. In November of 2018, San Francisco and the Wholesale Customers (the "Parties") entered into the Amended and Restated Water Supply Agreement ("WSA").

D. The Parties have identified intra-system water transfers as one potential solution to long-term water reliability needs among the Wholesale Customers.

E. In 2017, the City of Mountain View ("Mountain View") and the City of East Palo Alto ("East Palo Alto") were interested in transferring 1.0 million gallons per day ("MGD") of Mountain View's Minimum Annual Purchase Quantity ("Minimum Purchase") to East Palo Alto, however, at the time, there was no procedure in the WSA to effectuate such a transfer without amending the WSA.

F. In 2017, Mountain View and East Palo Alto executed a water rights transfer agreement in which East Palo Alto agreed to pay Mountain View \$5 Million for the permanent transfer of all rights, title, interest to 1.0 MGD of Mountain View's Individual Supply Guarantee (ISG) to East Palo Alto.

G. In August 2018, BAWSCA and San Francisco provided the Wholesale Customers a revised Attachment C to the Water Supply Agreement reflecting the updated ISG amounts for Mountain View and East Palo Alto, as a result of the 1.0 MGD transfer of ISG from Mountain View to East Palo Alto.

H. Mountain View continues to be subject to a Minimum Purchase of 8.93 MGD and the financial obligation of paying for imputed sales for the portion of Minimum Purchase that it does not use.

I. In 2020, Mountain View and East Palo Alto began discussing a possible future transfer of a portion of Mountain View's Minimum Purchase to East Palo Alto.

J. On January 26, 2021, the SFPUC adopted the 2021 Amended and Restated Water Supply Agreement ("2021 WSA"), which includes a new procedure by which Wholesale Customers with ISGs may participate in permanent expedited transfers of a portion of Minimum Purchase and ISG, without creating new or different risks to the water supply and financial interests of Wholesale Customers not participating in such transfers.

K. The 2021 WSA has been or will be presented to the governing body of each Wholesale Customer, and if approved, will permit Wholesale Customers with an ISG to transfer and accept a portion of another Wholesale Customer's Minimum Purchase, if certain requirements are satisfied; and

L. On April 20, 2021, East Palo Alto approved the conversion of the 1.0 MGD of Mountain View's ISG sold to East Palo Alto in 2017 into a paired transfer of 1.0 MGD of ISG plus up to 1.0 MGD of Mountain View's Minimum Purchase to East Palo Alto, in increments of 0.25 MGD or other amount, subject to the City Council's approval of an agreement for each incremental transfer and the approval of the Wholesale Customers and San Francisco.

M. On June 8, 2021, Mountain View approved the conversion of the 1.0 MGD of Mountain View's ISG sold to East Palo Alto in 2017 into a paired transfer of 1.0 MGD of ISG plus up to 1.0 MGD of Mountain View's Minimum Purchase to East Palo Alto, in increments of 0.25 MGD, subject to the City Council's approval of an agreement for each incremental transfer and the approval of the Wholesale Customers and San Francisco.

N. East Palo Alto and Mountain View are authorized and prepared to execute a negotiated agreement memorializing the terms and conditions of a 0.25 MGD transfer of Mountain View's Minimum Purchase to East Palo Alto.

O. As noted below, one of the conditions of the negotiated agreement between Mountain View and East Palo Alto is that, in exchange for the 0.25 MGD of Minimum Purchase transfer, Mountain View will provide East Palo Alto with an immediate Right-of-First Refusal for drought water transfers at the same volume as the Minimum Purchase transfer, pursuant to Appendix H of the 2021 WSA.

P. In conjunction with consideration of the 2021 WSA, East Palo Alto and Mountain View propose the Wholesale Customers and San Francisco approve, in advance, the terms and conditions for converting up to 1.0 MGD of Mountain View's ISG purchased by East Palo Alto in 2017 into a transfer of 1.0 MGD of Mountain View's Minimum Purchase to East Palo Alto, in 0.25 MGD increments, if Mountain View and East Palo Alto mutually agree to such incremental transfers in the future and provided the conditions outlined below are met.

Q. If up to 1.0 MGD of Mountain View's ISG purchased by East Palo Alto in 2017 is converted into a transfer of up to 1.0 MGD of Mountain View's Minimum Purchase to East Palo Alto, up to 1.0 MGD of Minimum Purchase, in 0.25 MGD increments, will be counted towards the total Minimum Purchase that may be transferred pursuant to Section 3.04.C.1 of the 2021 WSA.

R. This parallel action continues to require the calculation of a Temporary Modified Minimum Annual Purchase Quantity, set out in Attachment E-1 in the 2021 WSA; however, the transferor, Mountain View, is responsible for the imputed sales associated with transfers to East Palo Alto up to 1.0 MGD, until the terms and conditions outlined below are satisfied.

S. In accordance with the water transfer provisions of the 2021 WSA, Mountain View and East Palo Alto will coordinate with San Francisco and BAWSCA to document Temporary Modified Minimum Annual Purchase Quantities to be included on Attachment E-1, transferred Minimum Annual Purchase Quantities to be included on Attachment E, when timely, and amendments to each cities' Individual Water Sales Contract with San Francisco.

The Council of the City of Palo Alto does hereby RESOLVE as follows:

SECTION 1. The Council approves, in advance, the conversion of up to 1.0 MGD of Mountain View's ISG, sold to East Palo Alto in 2017 into a transfer of 1.0 MGD of Mountain View's ISG, plus up to 1.0 MGD of Mountain View's Minimum Purchase, to East Palo Alto, in 0.25 MGD increments, if all of the following terms and conditions are satisfied:

- a. Mountain View will transfer up to 1.0 MGD of its Minimum Purchase to East Palo Alto, in increments of 0.25 MGD, subject to the Mountain View City Council's and the East Palo Alto City Council's approval of an agreement for each incremental transfer.
- b. For each incremental transfer, a Temporary Modified Minimum Annual Purchase Quantity will be calculated for East Palo Alto that is equal to the City's five-year average water use from the SFPUC for the most recent non-drought years prior to the 2017 ISG purchase, plus the incremental transfer amount(s).
- c. For each incremental transfer, Mountain View will maintain, and be responsible for paying any imputed sales for, its Minimum Purchase requirement in effect at that time, as set forth in Attachment E of the WSA, including up to 1.0 MGD ISG transfer to East Palo Alto, until East Palo Alto's water use meets the Temporary Modified Minimum Annual Purchase Quantity for three consecutive years.

- d. East Palo Alto will not be required to pay imputed sales associated with the Temporary Modified Minimum Annual Purchase Quantity for any incremental transfer of the 1.0 MGD of Mountain View's Minimum Purchase requirement.
- e. For each incremental transfer, once East Palo Alto has met the Temporary Modified Minimum Annual Purchase Quantity for three consecutive years, the incremental portion of Mountain View's Minimum Purchase transferred to East Palo Alto will become East Palo Alto's Minimum Purchase, and Mountain View's Minimum Purchase will be reduced by an equivalent amount. East Palo Alto's new Minimum Purchase will be included in Attachment E and both cities' Individual Water Sales Contracts will be updated to reflect this transfer.
- f. With exception of the incremental transfers that are the subject of this resolution and the agreement between East Palo Alto and Mountain View described herein, any additional transfers of Minimum Purchase, either from another Wholesale Customer or from Mountain View in excess of the 1.0 MGD, are subject to Section 3.04 of the 2021 WSA.

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NOT YET APPROVED

Attachment B

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SECTION 2. The Council finds that approval of a Minimum Purchase transfer from the City of Mountain View to the City to East Palo Alto is not a "project" for the purposes of CEQA as it involves an administrative activity that does not result in a direct change to the environment (*see* 14 CCR Section 15378(b)(5)), and would not result in a direct or reasonably foreseeable indirect physical change in the environment (*see* 14 CCR Section 15060(c)(2)).

INTRODUCED AND PASSED:

AYES:

NOES:

ABSENT:

ABSTENTIONS:

ATTEST:

City Clerk_____
Mayor

APPROVED AS TO FORM:

APPROVED:

Assistant City Attorney_____
City Manager_____
Director of Utilities_____
Director of Administrative Services



City of Palo Alto City Council Staff Report

(ID # 13901)

Meeting Date: 4/4/2022

Title: Approve Finance Committee Recommendation for FY 2023 to (a) Return to the Customary Pre-Pandemic Business Registry Certificate Requirement and Fee, and (b) Pause for One Year the Downtown Business Improvement District Assessment Program

From: City Manager

Lead Department: Administrative Services

Recommendation

The Finance Committee and staff recommend that Council approve the following for FY 2023:

- 1) Return to the historic and routine structure and timeline for the business registry certificate program (BRC) that applied prior to two years of fee waivers during the Covid-19 emergency.
- 2) Pause the business improvement district (BID) program in FY 2023, with anticipation of a program resumption in FY 2024, and direct staff to work with the Chamber of Commerce and the Palo Alto Downtown Business and Professional Association (PADBPA) on the transfer of BID management.

Summary

On March 1, 2022 the Finance Committee discussed options for the FY 2023 BRC and BID processes ([CMR 13902](#); [Minutes](#)). The Committee reviewed three options for the BRC and decided to continue the process in FY 2023 using the established structure used in pre-pandemic years. This structure includes notifying businesses of the renewal due date, past due dates, the \$54 BRC fee, and how to complete the registration process via the online system. The timeline for FY 2023 will need to be revised from the routine timeline, which typically starts in February. For FY 2023 the due date will be June 1, 2022 with a late fee of \$25 applied to payments received after July 1 and an additional late fee of \$25 applied after August 1, 2022. Staff expects to mail BRC renewal notices to businesses in the mid-April timeframe pending final system configuration, which is typically around 30 days.

In 2020 when the pandemic emerged, Council adopted Resolution No. [9885](#), refunding BRC fees that had been paid for FY 2020 and waiving fees that would soon be due for FY 2021. In 2021, Council adopted Resolution No. [9956](#), waiving BRC fees for FY 2022.

Each of these resolutions temporarily waived requirements for a limited period defined in the resolution. After June 30, 2022, the existing waiver will expire and the requirements in the Municipal Code will apply. Accordingly, for the FY 2023 cycle, the BRC program is returning to the full requirements in the Municipal Code, [Chapter 4.6](#).

For the BID the Committee considered three options and decided to pause the BID assessment and program for FY 2023 with anticipation that the program would resume in FY 2024. Staff is directed to work with the Chamber and PADBPA to transition the management of the BID during this time. The Committee heard oral comments from the Chamber and PADBPA that highlighted the need to first build support for a resumption of the BID assessment within the business community before collecting a new assessment and establishing a new management agreement. Both entities supported placing the BID on pause for FY 2023.

Timeline

Staff will return with the required notice of intent not to collect an assessment for the BID for FY 2023 in the May timeframe. This will be followed by the required public hearing on the BID in June.

Resource Impact

With the resumption of the full BRC fee an estimated \$100,000 is expected to be collected through business registration for the FY 2023 cycle, which cover the costs of administering the program including the contract with Avenu for operating the online registration system, collection process and customer support. With the BID on pause an estimated \$80,000 will not be collected and no BID business activities will be provided. With the expectation that the BID will resume in FY 2024 a new cycle of assessments will bring in revenue that can then be used to support activities via the management agreement.

Stakeholder Engagement

Staff has met and coordinated with members of PADBA and the Chamber of Commerce in preparation of these recommendations. In FY 2023 staff will work with these entities to develop a potential new management agreement for the BID.

Environmental Review

The proposed action is not a project for the purposes of the California Environmental Quality Act.



City of Palo Alto City Council Staff Report

(ID # 13914)

Meeting Date: 4/4/2022

Title: Approve, as Recommended by Policy and Services Committee, the FY2022/2023 Risk Assessment & Audit Plan Reports

From: City Manager

Lead Department: City Auditor

Recommendation

The Policy and Services Committee and City Auditor recommends that City approve the following reports:

- 1) Fiscal Year 2022/23 Risk Assessment Report (Attachment A);
- 2) Fiscal Year 2022/23 Audit Plan Report (Attachment B); and
- 3) Task Orders identified in the Audit Plan Report (Attachment B)
 - Remote and Flexible Work Study
 - Cybersecurity Assessment
 - Wastewater Treatment Plant Agreement Audit.

Executive Summary

Baker Tilly conducted a comprehensive Risk Assessment in FY 2021, which was used as the basis the FY2022/2023 Risk Assessment. In order to make updates to the assessment, Baker Tilly reached out to City Council members and executive leadership across 14 departments within the City. Executive leaders were asked to complete a survey that evaluated the potential opportunities and threats to their departments and the City as a whole. Baker Tilly analyzed the results of the survey and conducted additional interviews, as necessary.

The Risk Assessment identifies 15 risks rated as high to the organization among 154 total risks listed. The FY2022/2023 Audit Plan was prepared based on the results of the risk assessment, conversations with leadership, and other matters.

Background

In its capacity serving as the City Auditor function, and in accordance with [Baker Tilly's agreement with the City](#) (Task #2 of the agreement), Baker Tilly performed a citywide risk assessment. The purpose of the assessment was to identify and prioritize risks in order to develop the annual audit plan (Task #1). During the risk assessment, Baker Tilly assessed a wide range of risk areas, including strategic, financial, operational, compliance, technological, and reputation risks. The comprehensive risk matrix is included as an appendix to the report. Baker Tilly will provide a presentation to the Committee to discuss the results of the Risk Assessment and is asking that the Committee recommend approval of the report by City Council.

The Palo Alto Municipal Code ([Section 2.08.130](#)) requires the City Auditor prepare and submit an annual audit plan to the City Council for review and approval. Baker Tilly performed the initial risk assessment after having started to serve as the Office of the City Auditor (OCA) in October 2020 and submitted in early 2021 the FY21-FY22 annual audit plan identifying audit activities across an 18-month horizon (through FY22). The OCA updated the initial risk assessment in January 2022, one year after our initial risk assessment. This audit plan covers the remainder of FY22 as well as FY23 and was prepared based on the results of the updated risk assessment described above.

Baker Tilly presented the audit plan to the Policy and Services Committee, and it was approved unanimously to be sent to for City Council review and approval. Upon approval of the audit plan by City Council, the Task Orders will be approved by the Policy & Services Committee Chair.

Discussion

The attached reports summarize the analysis of the risk assessment and the outline of potential future audit activities derived from the report.

Timeline, Resource Impact, Policy Implications (If Applicable)

Timeline for risk assessment and audit plan is for FY22-23. The audit plan assumes that the Office of the City Auditor will be allocated a similar budget in FY23 as in FY22. The budget will be approved at a future point, and may necessitate review of the Audit Plan. The City Auditor will bring any necessary changes to the Committee and to City Council.

Stakeholder Engagement

The Office of the City Auditor worked with Executive Leaders from 14 Departments across the City and engaged the City Council.

Environmental Review

Environmental review is not applicable to this activity. **Attachments:**

- **Attachment7.a:** Attachment A OCA - Risk Assessment Report FY22-23

- Attachment7.b: Attachment B OCA - FY22-23 Audit Plan



City of Palo Alto

Office of the City Auditor
FY22 Annual Risk Assessment
February 15, 2022

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Introduction

According to City Ordinance of the City of Palo Alto (the City), the mission of the Office of City Auditor (OCA) is to promote honest, efficient, effective, economical, and fully accountable and transparent city government. To fulfill this mission, the OCA conducts performance audits and performs financial/operational analyses of city departments, programs, services, or activities as approved by the City Council. ([Section 2.08.130](#)). In its capacity serving as the City Auditor function, and in accordance with [Baker Tilly's agreement with the City](#) (Task #1 of the agreement), Baker Tilly conducted the FY22 citywide risk assessment in order to develop the FY22/FY23 annual audit plan (Task #2).

The [California Government Code Section 1236](#) requires all cities that conduct audit activities to conduct their work under the general and specified standards prescribed by the Institute of Internal Auditors (IIA) or the Government Auditing Standards (GAO) issued by the Comptroller General of the United States, as appropriate. According to the IIA Standard 2010, the head of internal audit function “must establish a risk-based plan to determine the priorities of the internal audit activity, consistent with the organization’s goals” and consider the input of senior management and a governing board.

The purpose of the risk assessment is to develop an internal audit plan that assigns internal audit resources to the activities that add the most value to the City. The risk assessment process involves identifying, measuring, and prioritizing risks associated with the audit universe (list of specific departments, functions, processes, programs, etc. that can be subject to an audit). Risk is defined as “the possibility of an event or condition occurring that will have an impact on the ability of an organization to achieve its objectives.”¹

Our risk assessment involved collaboration with City Council and executive leadership from 14 main departments across the organization. This report summarizes our risk assessment methodology, analysis, and results. The FY22/FY23 annual audit plan is based on the results of this risk assessment.

Through the risk assessment, we observed certain strengths of the City. Key strengths include:

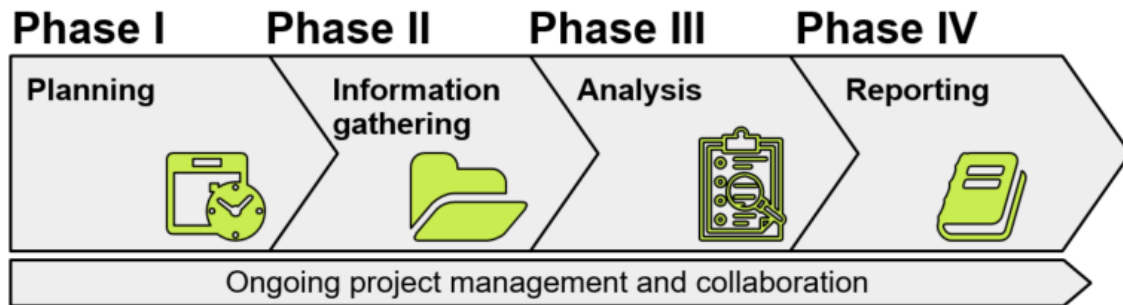
- Commitment to public service
- High value on efficient and effective government
- Focus on long term strategy
- Dedicated and highly professional management and staff
- Demonstrated history of innovation and commitment to sustainability

Additionally, OCA commends the City for its continued response to COVID-19. In particular, we greatly admire all efforts taken to support the health and wellbeing of Palo Alto citizens and Stanford students, as well as the support of essential workers during this time of heightened risk.

¹ Rick A. Wright Jr., CIA, “The Internal Auditor’s Guide to Risk Assessment” The Institute of Internal Auditors Research Foundation (IIARF), 2018

Risk Assessment Approach

Baker Tilly's risk assessment approach consisted of the following phases:



FY22 Risk Assessment Phase

Planning	<ul style="list-style-type: none"> – Discussed a survey using an online survey tool with the City and the Baker Tilly internal resources. – Prepared risk assessment survey questions and the online survey tool.
Information Gathering	<ul style="list-style-type: none"> – Reviewed key documentation such as the capital plan, annual budget, organizational charts, financial statements, and internal audit reports. – Sent a link to the online survey to ELT members, asking them to complete the survey and forward it to their staff members as appropriate. Survey responses were downloaded in Excel spreadsheet. – Updated the risks in the existing risk matrix based on interviews with City Council members and the ELT members, survey responses, and review of critical documents.
Analysis	<ul style="list-style-type: none"> – Analyzed the survey responses. – Scored the risks in the risk matrix based on the likelihood and the impact of potential adverse events. – Identified potential internal audit activities with high risk scores.
Reporting	<ul style="list-style-type: none"> – Summarized the approach and results of the risk assessment.

Baker Tilly conducted an initial comprehensive risk assessment in FY2021 by interviewing all Council members and Executive Leadership Team (ELT) members to create a risk matrix. For the FY2022 risk assessment, we interviewed all available Council members, surveyed all ELT members and some additional members of management, and conducted interviews with key ELT members representing areas of perceived high risk in the current landscape (e.g., Information Technology, Human Resources).

Our initial FY2021 risk assessment primarily measured inherent risk (the risk without mitigating controls/factors). We continue to learn the City's risk responses, processes, controls, and/or other factors in place to mitigate identified risks through internal audit activities. We considered the information gathered to identify risks and determine the likelihood and impact of risks identified.

The risk matrix in [Appendix B](#) includes our risk rating scale and lists all of the identified risks and associated likelihood and impact of potential adverse events.

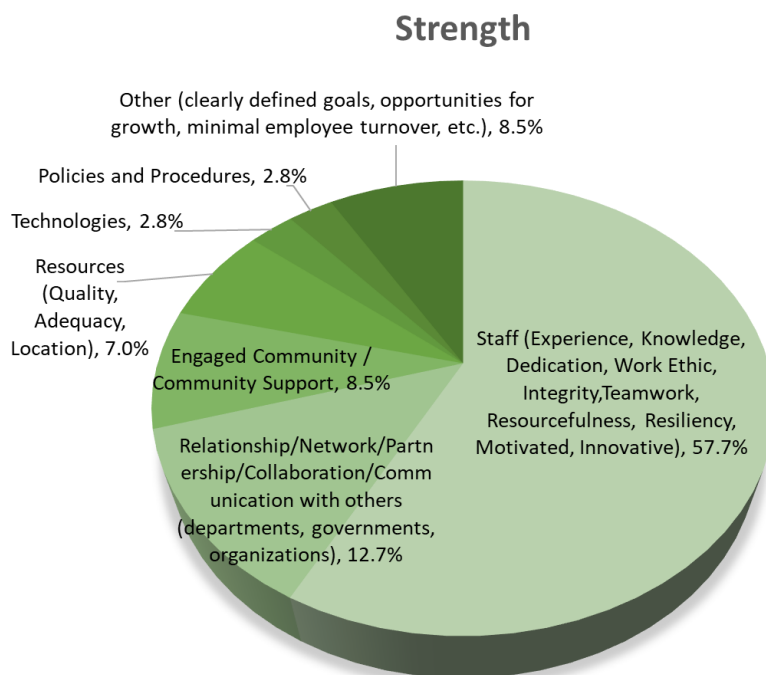
Survey Results

Baker Tilly team conducted an online risk assessment survey to gather management's insights for all City departments and received 24 responses. The survey questions are listed in [Appendix A](#).

Management's View of Strengths and Weaknesses/Threats

Each manager was asked to identify up to three strengths of his/her team/department or the City. The following summary shows that the employees are the strength of the City and that the relationships and collaboration with different departments and organizations are an integral part of the City's operation.

Managers were also asked to identify up to three weaknesses as well as threats for their teams/departments or the City. The results show that the City currently faces various issues related to human capital management. Additionally, economy, rising costs, aging population, and a supply chain issue were listed as some of the threats (unfavorable external factors).



Weakness / Threat



Key Risk Areas Rated by Management

We asked the managers who participated in the survey to rate 38 risk factors across five risk categories, using a scale of 1 (Very Low) to 5 (Very High), to assess their teams/departments. As shown in the table below, five out of top ten risk factors rated high by the City's management belong to the Environmental risk category. Each risk category is summarized below, and the detailed descriptions of risk factors are included in the survey in [Appendix A](#).

Rank	Risk Category: Risk Factor	Average Rating
1	Environmental: Economy	4.04
2	Environmental: Citizen Demands	3.71
3	Organization: Succession Planning	3.63
4	Environmental: Regulatory	3.46
5	Environmental: Reputation	3.42
6	Strategy: Planning and Budgeting	3.38
7	Organization: Human Capital Management	3.33
7	Organization: Governance	3.33
9	Environmental: Legal	3.25
10	Strategy: Strategic Change	3.17

Environmental (Factors external to the organization)

Five out of six risk factors in this category are included in the top ten high-risk factors. External factors, such as the economy and citizen demands, are identified as the highest areas of Environmental risk category. Compliance with laws and standards and the opinions and perceptions of the public and customers towards the City (Regulatory) are also rated higher than other risk factors. Legal risk is the potential for an unforeseen event to cause litigation for the City or its elected leaders, directors, and officers.

Risk Factor	Average Rating
Economy	4.0
Citizen Demands	3.7
Regulatory	3.5
Reputation	3.4
Legal	3.3
Technologies	2.5
Environmental	3.4

Strategy (Planning and decision-making)

Risk Factor	Average Rating
Planning and Budgeting	3.4
Strategic Change	3.2
Resource Allocation	3.1
Compliance Management	3.1
Financial	2.8
Investments	2.8
Inter-government Relations	2.6
Strategy	3.0

The top two risk factors of this risk category concern financial management necessary to achieving the City's goals (Planning and Budgeting) and the City's ability to modify its processes in order to either align with its current strategy or to achieve a different strategic goal (Strategic Change). The Compliance Management risk factor refers to the continuous monitoring of the organization's ability to operate within regulatory requirements and community standards

Organization (Attributes of departments)

Three risk factors in the Organization category are included in the top ten risk factors. The Succession Planning risk factor is rated as the third highest risk factor. It is the planning and processes to ensure that there are highly qualified people in key leadership positions today and in the future. The related risk factor rated as the seventh highest is Human Capital Management that is the set of practices an organization uses for recruiting, managing, developing, and optimizing their human capital. Governance is also rated as the seventh highest overall and relates to the activities providing direction and oversight for the organization.

Risk Factor	Average Rating
Succession Planning	3.6
Governance	3.3
Human Capital Management	3.3
Communication	2.9
Leadership and Authority	2.9
Safety	2.7
Organizational Structure	2.7
Empowerment and Values	2.6
Ethics and Code of Conduct	2.5
Organization	2.9

Process and Operations (Functional effectiveness and policies and procedures)

Risk Factor	Average Rating
Human Resources	3.1
Procurement/Sourcing	3.0
Change Management	3.0
Efficiency	2.9
Information Systems	2.8
Vendor Management	2.8
Fraud	2.5
Contracts	2.5
Accounting	2.3
Payroll	2.2
Process and Operations	2.7

The Process and Operations risk factor was not represented on the top ten risks rated by the City's management. However, the top three risk factors of this category are the 13th through 15th risk factors among all 38 risk factors. Human Resources concerns the knowledge, skills and experiences, and resources among personnel, which allow for the execution of the organization's business plan and achievement of its critical success factors. Procurement/Sourcing pertains to the ability to acquire the necessary goods and services for operation and the process of vetting, selecting and managing supplier, vendors and contractors.

Information (Data governance)

This Information risk category had the lowest average rating among the five categories. The risk factor rated highest by City management in this category is the availability of relevant critical information when needed in order to maintain the organization's critical operations and processes, including when a disaster or unplanned disruption occurs. The Security (any event that could result in the compromise of organizational data) is rated as the second highest risk.

Risk Factor	Average Rating
Information: Availability	2.8
Information: Security	2.7
Information: Retention	2.7
Information (Data Governance): Data Integrity	2.6
Information: Privacy	2.5
Information: Access	2.3
Information	2.6

Significant Changes in FY21

We asked the managers who participated in the survey to describe the significant changes for their teams or departments during the past 12 months. The responses seem to be consistent with the effect of a significant reduction of staff in FY21 as described in the FY22 Adopted Operating Budget as well as the national labor market facing all industries.

Significant Changes During Last 12 Months	% of Respondents
Change in Workload	64%
Workforce Reduction	44%
New Workflows or Business Processes	40%
Change in Compliance Requirements (Due to Changes in Policies/Contracts/Laws/Regulations)	32%
New/additional Staff	32%
Change in Organizational Structure	32%
Other (No Significant Change, Staff Turnover, Mandatory Overtime)	24%
Changes in Processes/Controls/ Information Technology Systems	24%
New Software	20%
Increased Undesirable Performance or Instances (such as Injuries/Complaints/Customer Dissatisfaction)	16%
Change in Culture	16%
Change in Goals/Objectives/ Performance Measures	12%
New Vendors and Contractors	12%
Change in Any Risks Previously Identified for Your Team/Department	4%

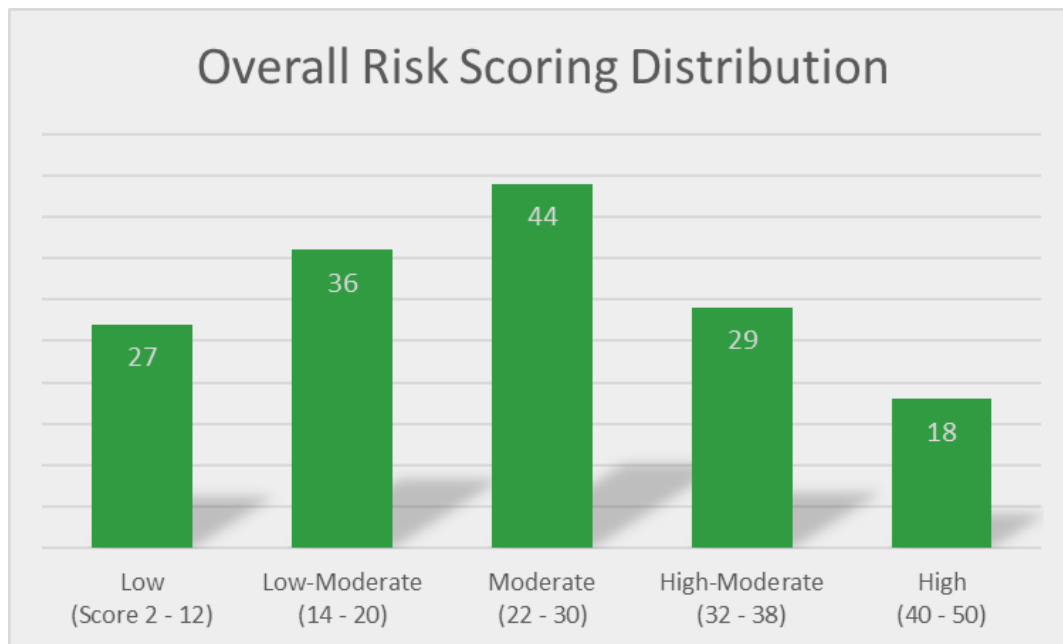
Barriers to Meeting Goals and Objectives in FY22

We asked the managers who participated the survey to describe the possible reasons that prevent their teams or departments from meeting their goals and objectives in FY22. These responses are consistent with the weaknesses and significant changes mentioned by them in this survey.

Barriers to Meeting Goals and Objectives in FY22	% of Respondents
Staffing Constraints	88%
Financial Constraints	48%
Limited Skills/Knowledge/Experience/Training	32%
Constraints due to COVID-19	24%
Community Pressure	24%
Inefficiency in Process and/or Communication	20%
Technology Issue	20%
Other (Changing Priorities/Goals/Assignments Bottlenecks)	16%
State/Federal Regulations	12%
Lack of or Ineffective Internal Controls	4%

Risk Assessment Results

We developed the risk matrix in FY21 during our first risk assessment for the City. For the FY22 risk assessment, we updated the matrix by identifying the changes that have occurred (e.g. City's goals, organizational structure, etc.) over the past 12 months, obtaining input from City Council members and the City's management, and by continuing to learn more about the City's programs, initiatives, and processes. We added additional information to the existing risks, added or removed risks, and adjusted the rating, as necessary. The updated risk matrix is included in [Appendix B](#). The following chart shows the distribution of overall risk scoring in our risk matrix. We do not necessarily seek a normal distribution but do consider distribution to evaluate the effectiveness of our scoring methodology, which has been right-sized to the City.



Listed below are the risks with a score over 36 (out of 50) in the risk matrix, excluding six risks that were audited in FY21 – FY22 or are currently being audited. The list includes 15 areas rated as high risks (with a score between 40 and 50) and 20 areas rated as high-moderate risks (with a score 36 and 38). In determining the audit activities to be performed in FY22 and in FY23, we further review these risks and functional areas and consider risk-based priorities as well as other factors such as requirements by law or regulation, timing of activities, special projects, and requests from City Council and management.

Functional Area	Title	Likelihood (1-5)	Impact (1-5)	Score
City Wide	COVID-19 Response	5	5	50
Org Wide	Employee Retention & Succession Planning	5	4	46
Planning and Development Services	Long Range Planning	5	4	46
Information Technology	Disaster Recovery Preparedness and Testing	3	5	44
Information Technology	Host Intrusion and Malware Defense	3	5	44
Information Technology	Problem Management and Incident Response	3	5	44
Transportation	Contract Management	3	5	44
Org Wide	Workforce	4	4	42
Org Wide	Citywide Risk Management	4	4	42
Administrative Services	Procurement	4	4	42
Fire	Emergency Medical Service	4	4	42
Human Resources	High Cost Claims	4	4	42
Human Resources	Workload	4	4	42
Information Technology	Mobile Device Management	5	3	40
Information Technology	Strategy and Governance	5	3	40
Public Works	Secondary Treatment Upgrades	2	5	38
Public Works	ADA Compliance Upgrade	2	5	38
Administrative Services	Investments, Debt, and Cash Management	2	5	38
Information Technology	Information Security	2	5	38
Information Technology	Operations and Monitoring	2	5	38
Information Technology	Physical and Environmental Controls	2	5	38
Information Technology	Ransomware	2	5	38
Police	Use of Force and Officer Conduct	2	5	38
Org Wide	Governance	3	4	36
Org Wide	Organizational Culture	3	4	36
Administrative Services	ERP System Upgrade	3	4	36
City Wide	Sustainability and Climate Action Plan	3	4	36
Administrative Services	Accounts Receivable	3	4	36
Fire	Fire Suppression	3	4	36
Fire	Fire Prevention - Palo Alto Foothills & Wildland Fire Risk	3	4	36
Public Works	Public Services - Fleet	3	4	36
Public Works	Wastewater Treatment Plant Operations	3	4	36
Public Works	Public Services -Facilities	3	4	36
Utilities	AMI (Advanced Metering Infrastructure) Project	3	4	36
Utilities	Rates and Rate Adjustments	3	4	36

Appendices

Appendix A: Survey Questions

The Office of City Auditor is conducting the FY22 Risk Assessment to identify and prioritize risks in order to update the annual audit plan. As part of our FY22 Risk Assessment, we are conducting a survey. This survey is used primarily to collect information related to changes in operations, emerging issues and risks the City faces, and to gather your perspective on key risks faced by your department. Your candid responses would be greatly appreciated to assess the risks that prevent the City of Palo Alto from achieving its mission, goals, and objectives.

Note: Although we may reach out to some of you to discuss specific topics further, your identity will not be part of our risk assessment report.

1. Please provide your name, title, Department, and e-mail address:

- Name
- Title
- Department
 - City Council
 - City Attorney
 - City Manager's Office – Other than Transportation
 - City Manager's Office – Transportation
 - Administrative Services
 - City Clerk's Office
 - Community Services
 - Emergency Services
 - Fire
 - Human Resources
 - Information Technology
 - Library
 - Planning
 - Police
 - Public works
 - Utilities
- E-mail address

2. Are you a head of your department?

- Yes
- No – Please briefly describe the specific function or process for which you are responsible.

3. Describe any significant changes for your team or department during last 12 months.

- New software
- New workflows or business processes
- Changes in processes, controls. Or information technology systems
- Change in organizational structure
- Change in culture
- Workforce reduction
- New/additional staff
- New vendors and contractors

- Change in workload
- Change in compliance requirements (due to changes in policies, contracts, laws, or regulations)
- Change in goals, objectives, or performance measures
- Increased undesirable performance or instances (such as injuries, complaints, customer dissatisfaction, etc.)
- Change in any risks previously identified for your team/department
- N/A
- Other (please specify)

4. Are there adequate policies and procedures to perform your job responsibilities?

- Yes
- No – Please describe how the responsibilities and requirements are communicated in a clear and consistent manner.

5. Describe what can possibly prevent your team/department from meeting its goals and objectives in FY22.

- Financial constraints
- Staffing constraints
- Limited skills, knowledge, experience, training
- Technology issue
- Inefficiency in process and/or communication
- Ambiguity in roles and responsibilities
- Lack of or ineffective internal controls
- Community pressure
- State/Federal regulations
- Constraints due to COVID-19
- N/A
- Other (please specify)

6. Describe the complexity of the processes in your team or department:

Complexity is a measure of the difficulty in performing a process or function. As a process or function becomes more complex, the greater the opportunity for errors.

- Very high complexity
- High complexity
- Medium complexity
- Low complexity
- Very low complexity

Please provide any comment related to complexity, if necessary.

To help us identify potential risks, please list your team/department's Strengths, Weaknesses, Opportunities, and Threats (SWOT) for achieving its missions, goals, and objectives. Typically, strengths and weaknesses are internal aspects of team/department/organization, while opportunities and threats are found externally.

7. Describe up to three STRENGTHS of your team or department:

Strengths refer to the resources or capabilities that help the team/department accomplish its mission and serve the public. These can be things like competitive advantages, available resources, engaged community, strong balance sheet, utilized technology and so on.

8. Describe up to three WEAKNESSES of your team or department:

Weaknesses refer to the areas where the team/department needs to improve to accomplish its mission. These can include things like deficiencies in resources and capabilities, inefficient use of available technologies, barriers or inability to collaborate among different departments, lack of effective communication, mission or direction, high levels of debt, financial or human resources constraints and so on.

9. Describe up to three OPPORTUNITIES for your team or department:

Opportunities are any area where the team/department can grow. They are often related to the organization's strengths. Outside factors that affect the organization in a favorable way can include things like; offering more products or services to citizens, lower costs through new technology and so on.

10. Describe up to three THREATS for your team or department:

Threats include the level of competition, the overall economy and any other external issue that can harm the team/department. Common threats include things like rising costs for housing/living, increasing competition, tight labor supply, billing rates and so on.

11. Environmental (factors external to the organization): For each risk category described below please assess the potential risk level to your department based on a scale of 1 (Very Low) to 5 (Very High).

- **Reputation** - The opinions and perceptions of the public and customers toward the organization.
- **Regulatory** - Laws and standards, which the organization must comply with in its operations.
- **Citizen Demands** - The effect that current citizens demands have on the decisions made by management for aligning tactical plans with the business strategy and the allocation of resources.
- **Economy** - The effect that current external conditions have on the decisions made by management for aligning tactical plans with the business strategy and the allocation of resources.
- **Legal** - The potential for an unforeseen event to cause civil or criminal litigation for the organization or its elected leaders, directors, officers, and employees.
- **Emerging Technologies** - The evolution of technology both within and outside of the organization's industry.

12. Strategy (planning and decision-making): For each risk category described below please assess the potential risk level to your department based on a scale of 1 (Very Low) to 5 (Very High).

- **Strategic Change** - The ability of the organization to modify its processes in order to either align with its current strategy and business model or to achieve a different strategic goal.
- **Investments** - The portfolio of both intangible and tangible investments held by the organization, and the implications of these assets on the resources, financial viability, and operations of the organization. The effect on liquidity the ability of current assets to meet current liabilities when due.
- **Planning and Budgeting** - Details of the organization's goals and the financial management necessary to achieving those goals.
- **Financial** - The goals of the organization in terms of the structure of its assets and liabilities, including the financing capability based on its credit worthiness, the ability to receive credit and the use of credit lines to achieve its business objectives.
- **Inter-government Relations** - The relationship of the organization with other government agencies that have regulatory and oversight responsibilities and shared services or citizens.
- **Compliance Management** - The continuous monitoring of the organization's ability to operate within regulatory requirements and community standards.
- **Resource Allocation** - The process for assigning and managing assets that support the organizations strategic goals

13. Organization (attributes of departments): For each risk category described below please assess the potential risk level to your department based on a scale of 1 (Very Low) to 5 (Very High).

- **Governance** - The role, composition, and major activities of the governing body of the organization in providing direction and oversight for the organization.
- **Empowerment and Values** - The ability of senior members of the organization to effectively delegate power or authority to other members of the organization.
- **Communication** - The methods of communication commonly used in the organization and the effectiveness of this communication on the operations of the organization.
- **Ethics and Code of Conduct** - The set of rules outlining the ethical practices expected of management and employees of the organization.
- **Leadership and Authority** - The members of the organization who hold power and their ability to exercise this power effectively.
- **Organizational Structure** - The configuration of units and work flows to align the behavior of the units to the higher-level goals of the organization.
- **Succession Planning** - The planning and processes to ensure that there are highly qualified people in key leadership positions today and in the future.
- **Human Capital Management** - The set of practices an organization uses for recruiting, managing, developing, and optimizing employees, including performance management (The process of creating expectations for performance, monitoring progress, and measuring the results) and training (The ability for employees to gain and develop necessary tools to ensure effective operations).
- **Safety** - The organization strives to provide a safe working environment by effectively mitigating the risks to the safety of its employees.

14. Process and Operations (functional effectiveness and policies and procedures): For each risk category described below please assess the potential risk level to your department based on a scale of 1 (Very Low) to 5 (Very High).

- **Contracts** - Contracts are adequately structured to address and mitigate risks.
- **Efficiency** - Processes are up-to-date and efficient, resulting in efficient operations and output.
- **Accounting** - The timely and accurate tracking of the financial position of the organization.
- **Payroll** - The policies, processes, and systems in place to ensure that employee compensation is reliable, timely, and accurate.
- **Fraud** - The organization uses internal controls to prevent and/or detect fraud.
- **Procurement/Sourcing** – The ability to acquire the necessary goods and services for operation and the process of vetting, selecting and managing supplier, vendors and contractors.
- **Human Resources** - The knowledge, skills and experiences, and resources among personnel, which allow for the execution of the organization's business plan and achievement of its critical success factors.
- **Information Systems** - The facilities, systems, and connectivity in place to support data processing.
- **Vendor Management** - The need for the organization to continuously monitor the quality and reliability of vendors it uses in the course of its business.
- **Change Management** - Management adapts appropriately to the evolution of the processes and operations of the organization.

15. Information (data governance): For each risk category described below please assess the potential risk level to your department based on a scale of 1 (Very Low) to 5 (Very High).

- **Data Integrity** - Data used for making management decisions, recording information, and reporting financial activity is accurate, complete, and reliable.
- **Access** - The right to view or manipulate data is carefully granted and monitored to prevent the mishandling of data.
- **Retention** - The policies used by the organization to determine document retention in terms of the form of documents, how these documents are stored, and for how long these should be maintained.
- **Availability** - Relevant critical information is available when needed in order to maintain the organization's critical operations and processes, including when a disaster or unplanned disruption occurs.
- **Privacy** - Organization policies are in place to ensure the correct treatment of sensitive information held by the organization.
- **Security** – Any event that could result in the compromise of organizational data. (I.e. unauthorized use, loss, damage, disclosure or modification of organizational data).

16. Do you feel that adequate internal controls are in place and performed effectively to mitigate the risks your team or department is exposed to?

Internal controls can be segregation of duties, proper approvals, application controls that prevent errors, proper training, timely communication, reconciliation of data/information, review and resolution of exception reports, and so on.

- Yes – Processes and procedure are in place and performed effectively
- Yes – Processes and procedures are in place but NOT always performed effectively
- No – Processes and procedures are not in place to mitigate risks

Please provide any comment related to complexity, if necessary.

17. What would be the potential impact of significant risks not being addressed in your team or department?

- Reputation of the team/department or the City will be damaged
- The team/department or the City will be in noncompliance with contracts, laws or regulations
- The operations or procedures will be inefficient, which may result in more costs and/or decreased level of services
- The team/department will not meet its objectives, goals, and mission
- The consequences may be result in injuries or deaths
- The City may lose assets (cash, properties, equipment, etc.)
- The information provided to the public will be incomplete, inaccurate, and/or untimely.
- No or little impact
- Other (please specify)

18. Please share your thoughts on any risks you think your team/department or City of Palo Alto faces:

For example, risks you identified for other teams or department; risks of frauds (corruption, misappropriation of assets, financial statement fraud); and so on.

19. Please list any potential audit activities you recommend based on the risks you identified.

Appendix B: Risk Matrix

For purposes of scoring risks based on likelihood and impact, Baker Tilly categorized risks in the following manner:

- **Environment, Strategy, and Governance** – Generally speaking, these risks affect the entire organization rather than a specific department or function.
- **Major Projects and Initiatives** – These are risks related to on-going projects and initiatives; generally speaking, the duration of the project lasts only as long as the project itself (i.e., they are not inherent to the organization).
- **Function Specific Risks** – These risks are inherent to a function with no timetable for completion.

Likelihood of an Adverse Event

Likelihood Definitions		
Likelihood	Scale	General
Very Likely	5	Weekly (50+ occurrences annually)
Likely	4	Monthly (10-50 occurrences annually)
Somewhat Likely	3	Annually (>10 occurrences annually)
Unlikely	2	Once every 2 years
Rare	1	Less than once every 2 years

Impact of an Adverse Event

The table below shows the scoring methodology for major initiatives and projects:

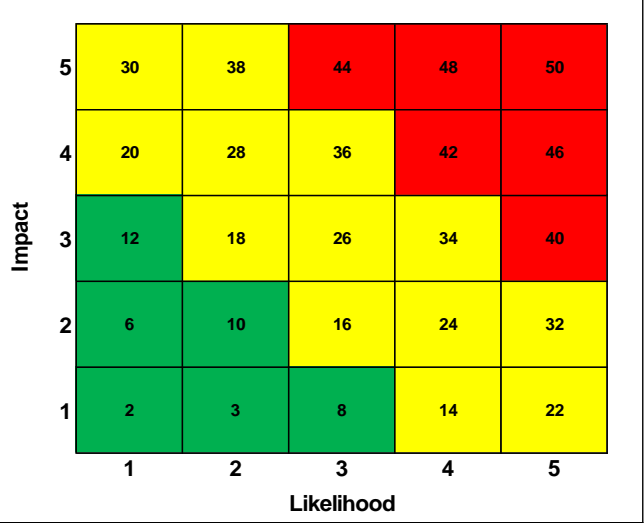
Impact - Major Initiatives		
Impact	Scale	Financial
High	5	\$50M+
Elevated	4	\$25M - \$49.99M
Moderate	3	\$10M - \$24.99M
Minor	2	\$5M - \$9.99M
Insignificant	1	<\$5M

The table below shows the scoring methodology for function specific risks as well as general organization wide risks:

Impact Definitions - General			
Impact	Scale	Financial	General
High	5	Event causes a \$100k or greater impact to revenue, expense, or net revenue	Very significant and long term impact to revenue, profit, brand/company image, and/or people
Elevated	4	Event causes a \$50k - \$100k impact to revenue, expense, or net revenue	Significant and sustained impact to revenue, profit, brand/company image, and/or people
Moderate	3	Event causes a \$25k - \$50k impact to revenue, expense, or net revenue	Moderate and short-term impact to revenue, profit, brand/company image, and/or people
Minor	2	Event causes a \$5k - \$25k impact to revenue, expense, or net revenue	Moderately low impact to revenue, profit, and/or brand/company image which can be overcome w/in 1 year
Insignificant	1	Event causes less than \$5k impact to revenue, expense, or net revenue	Low impact to revenue, profit, and/or brand/company image which can be overcome within one quarter of occurrence

Overall Risk Scoring

Following the scoring of likelihood and impact, each risk is assigned an overall score based on the methodology outlined in *The Internal Auditor’s Guide to Risk Assessment* by Rick Wright Jr. Red represents high risk, yellow represents moderate, and green represents low.



Note: Examples of Potential Risks

Included in the Risk Detail column of the Risk Matrix in the following pages are examples of potential risks. These are examples of risks inherent in the activities before any controls are applied to reduce risks. The inherent risks are identified to understand what could go wrong without mitigating factors or controls.

Risk Matrix - Environment, Strategy, and Governance Risks (Risks 1-13)

The following table summarizes risks related to **Environment, Strategy, and Governance**.

Note: Examples of Potential Risks included in the Risk Detail column of the Risk Matrix on the following pages are examples of potential risks inherent to the function. These are examples of risks in the activities before any controls are applied to reduce risks. The inherent risks are identified to understand what could go wrong without mitigating factors or controls. These are not intended to communicate actual issues or challenges.

Risk ID	Functional Area	Risk Title	Municipal Code Reference (From City Municipal and Process Ordinances)	Risk Detail (From documents provided, audit reports, interviews)	Likelihood (1-5)	Impact (1-5)	Score	Risk Areas
1	Org Wide	Ethics	Title 2 - Administrative Code, Part 7 Ethics in Contracting Title 2 - Administrative Code, Chapter 2.09 Conflict of Interest for Designated Positions	Ethics is mentioned directly in the City Code as it pertains to purchasing/contracting. The City Code intends to prevent conflicts of interest in the purchasing process and requires employees from withdrawing from participation in a purchasing or contracting activity where a real or perceived conflict exists. Additionally, the City has adopted a Conflict of Interest Code in accordance with the CA Political Reform Act. The City of Palo Alto has a Fraud, Waste, and Abuse Hotline in place and corresponding administrative policy. The objective of the Hotline is to encourage anonymous reporting of potential instances of fraud, waste, and abuse. The Hotline is monitored by a committee consisting of the 3 members - the City Manager, City Auditor, and City Attorney. Examples of Potential Risks (Note): >Instance of fraud, waste, or abuse involving a City employee or contractor engaged by the City >Conflict of interest in the purchasing process whereby a City employee improperly influences a City purchasing decision	1	5	30	Financial Legal & Compliance Reputation
2	Org Wide	Governance	Charter of the City of Palo Alto, Article III. Council Charter of the City of Palo Alto, Article III. Council, Section 9	FY22 Risk Updates: In the risk assessment survey, Governance was rated as the seventh highest risk by management. Some of the risk assessment interviewees have a concern about governance, and some have a concern about risk management. FY21 Risks: The City of Palo Alto is governed first and foremost by its citizens. The citizens of Palo Alto elect seven members of City Council, who in turn elect the Mayor and Vice Mayor. The City Council is the governing body of the City and is responsible for all legislation. The Council also sets the strategic direction and priorities of the City. It approves the budget, adopts ordinances and resolutions, and functions as a board of appeals. The City Council also appoints the City Manager, City Attorney, City Clerk, and City Auditor. The City Council has committees including the Policy & Services Committee and the Finance Committee. The City Council also appoints members to Boards and Commissions including the Human Relations Commission, the Utilities Advisory Commission, and the Public Art Commission. The Executive Leadership Team is the administrative function of the City and is made up of leaders from different departments across the City. The Executive Leadership Team is led by the City Manager. Examples of Potential Risks (Note): >Acting outside the bounds of delegated authority >Misuse and abuse of authority for personal gain >Conflicts of interest in appointees by City Council >Non-compliance with the City Charter	3	4	36	Strategic Operational Legal & Compliance Reputation Political & Economic
3	Org Wide	Labor Environment		City of Palo Alto employees are represented by seven unions and collective bargaining agreements. Palo Alto must maintain ongoing negotiations, handle disputes, and mitigate conflicts from becoming larger, more costly issues. Labor contracts include: >International Association of Fire Fighters (IAFF) >Management and Professional Personnel and Council Appointees (MGMT) >Fire Chief's Association (FCA) >Palo Alto Peace Officers' Association (PAPOA) >Palo Alto Police Management Association (PAPMA) >Service Employees International Union (SEIU) >Utilities Management and Professional Association of Palo Alto (UMPAPA) The City also adheres to other compensation plans including: >Limited Hourly Employees Compensation Plan Examples of Potential Risks (Note): >Non-Compliance with California Labor Code >Long-term financial pressures, including unfunded pension liabilities >Agreement oversight and administrative burden >Service disruptions due to extended contract negotiations	3	3	26	Operational Financial Legal & Compliance Reputation Political & Economic

Risk ID	Functional Area	Risk Title	Municipal Code Reference (From City Municipal and Process Ordinances)	Risk Detail (From documents provided, audit reports, interviews)	Likelihood (1-5)	Impact (1-5)	Score	Risk Areas
4	Org Wide	Financial Planning and Budgeting	Title 2 - Administrative Code, Chapter 2.28 Fiscal Procedures	<p>The adopted budget is released annually in August. The preparation of the budget begins in September of the prior year. The Office of Management and Budget (OMB) in the Administrative Services Department develops the operating and capital budgets. The OMB works with senior management and the City Manager to develop budgets accordingly. Per the Capital Budget for FY21, there are six sources that inform the budget:</p> <p>>The City Council's top priorities and other City Council directives, such as the 2014 Infrastructure Plan >Organizational financial status and budgetary guidelines >Service level and infrastructure prioritization, as identified by the City Manager >Community input (e.g. Infrastructure Blue Ribbon Commission) >The City's policies regarding land use and community design, transportation, housing, natural environment, business, and economics, as outlined in the Comprehensive Plan.</p> <p>Examples of Potential Risks (Note): >Disagreement among City leadership and/or City Council regarding budgetary priorities >Non-compliance with City Code >Long-term financial pressures, including unfunded pension liabilities</p>	2	4	28	Strategic Operational Financial
5	Org Wide	Public-Private Partnerships		<p>Palo Alto partners with private organizations and non-profits. In particular, the City has established partnerships with non-profits in the administration of senior services, the animal shelter, urban forestry, local history museum, suicide prevention activities, the Zoo, and others.</p> <p>Examples of Potential Risks (Note): >Reputational damage done to the City based on actions of a partner >Financial impact of any inefficiencies >Agreement oversight and administrative burden</p>	3	4	36	Strategic Operational Financial Reputation
6	Org Wide	Compliance and Regulatory Environment		<p>FY22 Risk Update: In the risk assessment survey, Regulatory was rated as the fourth highest risk by management.</p> <p>FY21 Risks: Palo Alto has numerous laws and regulations, ordinances, and policies and procedures that the organization and its employee must abide by. These laws are promulgated at the Federal, State, and Local level.</p> <p>Examples of Potential Risks (Note): >Failure to track and update relevant regulations may lead to external audit findings, fines, and other punitive measures by federal and state agencies >Changing regulations may add complexity to operations and strategic planning >Non-compliance leading to enforcement action</p>	3	3	26	Legal & Compliance Political & Economic
7	Org Wide	Employee Retention & Succession Planning	Title 2 - Administrative Code, Chapter 2.36 Personnel Procedures	<p>FY22 Risk Updates: Recruitment and retention challenges and lack of succession plan were identified as weaknesses by many managers who took our risk assessment survey. Palo Alto living situation (Long commute, Cost of living) was listed as threat. Some of the risk assessment interviewees are concerned about succession planning</p> <p>FY21 Risks: Many factors impact employee recruitment and retention within the City.</p> <p>The Public Employee Pension Reform Act of 2013 (PEPRA) ultimately made public employment less attractive in the State. The new benefits structure lowered retirement benefits to State employees.</p> <p>Palo Alto and the surrounding area has a high cost of living. For many employees, it is difficult to afford to live in or near Palo Alto, and any employees commute great distances to work for the City. For certain positions, it is difficult to recruit candidates, as there are other employment options in more affordable communities. This is especially difficult for those employees with skills in high demand, such as linemen and other employees in the trades.</p> <p>Examples of Potential Risks (Note): >Lack of succession planning or cross training may result in knowledge loss after employee separations >High levels of turnover may result in expensive hiring/training >Inability to recruit for key positions >Inability to hire qualified candidates due to greater competition from other companies/communities</p>	5	4	46	Strategic Operational Financial

Risk ID	Functional Area	Risk Title	Municipal Code Reference (From City Municipal and Process Ordinances)	Risk Detail (From documents provided, audit reports, interviews)	Likelihood (1-5)	Impact (1-5)	Score	Risk Areas
8	Org Wide	Stanford University		<p>Palo Alto provides Stanford University with a variety of services, including, but not limited too; police, fire, ambulance, disaster preparedness, land use, and utilities.</p> <p>Stanford directly and indirectly serves as a revenue source for the City. Stanford University is the largest source of property taxes within the City, with \$5.5M in taxable assets for the City.</p> <p>The City and Stanford also partner on various community issues, relationships and projects. Stanford Medical and Stanford University are the first and third largest employer in Palo Alto, respectively. Palo Alto is responsible for providing services to students, facility, staff and visitors of the University every day, as well as providing increased services for special events held by or at Stanford University every year.</p> <p>Examples of Potential Risks (Note):</p> <ul style="list-style-type: none"> > Reliance on revenues generation directly and indirectly tied to Stanford University > Shared blame or reputational impact for instances that occur on or by Stanford persons or property, and City services are involved 	1	4	20	Financial Reputation Political & Economic
9	Org Wide	Organizational Culture		<p>FY22 Risk Updates: Burnout / Low Moral, Multiple competing priorities, Lack of Diversity, and Lack of Communication (Among departments) were identified as weaknesses by many managers who took our risk assessment survey.</p> <p>FY21 Risks: General risk description: Culture is the system of values, beliefs and behaviors that shape how things get done within an organization. Culture risk results form potential misalignments between the values and beliefs of an organization and day to day operations.</p> <p>Examples of Potential Risks (Note):</p> <ul style="list-style-type: none"> >Acceptance of deviations from policies and procedures >Culture of long hours leading to employee dissatisfaction >Lack of ethical tone at the top 	3	4	36	Operational Reputation Political & Economic
10	Org Wide	Workforce		<p>FY22 Risk Update: - FY22 Adopted Operating Budget reflects a net reduction of 86 full-time staff (equivalent of 78.85 FTE) and 102 part-time staff (equivalent of 24.73 FTE) - Workload and Limited Resources were identified as weaknesses by many managers who took our risk assessment survey.</p> <p>FY21 Risks: There are vacancies throughout the organization at all levels. Vacancies have increased workload of current employees, who must cover the same amount of work with fewer FTE's. Nationwide staffing and workforce shortages, combined with the generational highest resignations have also contributed to the City's difficulties finding potential employees.</p> <p>Examples of Potential Risks (Note):</p> <ul style="list-style-type: none"> > Inability to be proactive in handling situations and concerns for the City > Burnout and resentment of staff > Exhaustion and increased safety concerns for field employees 	4	4	42	Operational
11	Org Wide	State Legislative Issues		<p>FY22 Risk Update: One of the risk assessment interviewees is concerned about unfunded state mandates. There is uncertainty with those mandates.</p> <p>FY21 Risks: State priorities and legislative action impact have increased in recent years, as the State priorities and mandates, particularly related to housing, land usage and development have become more robust. The City has to balance local priorities with legal regulations and usage from the State.</p> <p>Policies around the use of land, housing developments, low-income housing and green initiatives require additional legal action and planning considerations.</p> <p>Examples of Potential Risks (Note):</p> <ul style="list-style-type: none"> > Litigation from improver use of land or housing requirements > Inability to properly grow and develop the City based on local priorities and community values > Non-compliance to State regulations resulting in delays in development, sanctions and citations 	3	3	26	Financial Legal & Compliance Reputation
12	Org Wide	Procurement and Supply Chain		<p>Worldwide raw materials and supply shortages from COVID-19 and the lack of available workforce, will continue to produce challenges for the City. There is also an associated increase in products as a result of the lack of available materials.</p> <p>Examples of Potential Risks (Note):</p> <ul style="list-style-type: none"> > Increased costs of goods not incorporated into project budgets > Project schedule times will increase, increasing labor costs, opportunity costs and financial constraints > Impact to community trust and understanding as community services take longer to fulfill 	4	3	34	Strategic Operational Financial

Risk ID	Functional Area	Risk Title	Municipal Code Reference (From City Municipal and Process Ordinances)	Risk Detail (From documents provided, audit reports, interviews)	Likelihood (1-5)	Impact (1-5)	Score	Risk Areas
13	Org Wide	Aging Population		<p>Palo Alto's community continues to age. Rising costs of living and the limited available housing have limited the ability for younger families and individuals to move into the area.</p> <p>Examples of Potential Risks (Note):</p> <ul style="list-style-type: none">> Loss of population that impacts revenues> Changing demographics that result in change of City priorities and community needs	1	1	2	Environmental Political & Economic
14	Org Wide	Citywide Risk Management		<p>Some of the risk assessment interviewees have a concern about risk management and expressed a need for citywide risk assessment.</p> <p>The City currently has some risk management processes in Human Resources department for insurance and in Utilities department for safety.</p> <p>Excerpt from IIA position paper THE ROLE OF INTERNAL AUDITING IN ENTERPRISE-WIDE RISK MANAGEMENT</p> <p>"Enterprise-wide risk management (ERM) is a structured, consistent and continuous process across the whole organization for identifying, assessing, deciding on responses to and reporting on opportunities and threats that affect the achievement of its objectives.</p> <p>Responsibility for ERM</p> <p>The board has overall responsibility for ensuring that risks are managed. In practice, the board will delegate the operation of the risk management framework to the management team, who will be responsible for completing the activities below. There may be a separate function that co-ordinates and project-manages these activities and brings to bear specialist skills and knowledge.</p> <p>Benefits of ERM</p> <p>ERM can make a major contribution towards helping an organization manage the risks to achieving its objectives. The benefits include:</p> <ul style="list-style-type: none">• Greater likelihood of achieving those objectives;• Consolidated reporting of disparate risks at board level;• Improved understanding of the key risks and their wider implications;• Identification and sharing of cross business risks;• Greater management focus on the issues that really matter;• Fewer surprises or crises;• More focus internally on doing the right things in the right way;• Increased likelihood of change initiatives being achieved;• Capability to take on greater risk for greater reward and• More informed risk-taking and decision-making."	4	4	42	Strategic Operational Legal & Compliance Reputation Political & Economic

Risk Matrix - Major Projects & Initiatives (Risks 15-44)

The following table summarizes risks related to **Major Projects and Initiatives**.

Note: Examples of Potential Risks included in the Risk Detail column of the Risk Matrix on the following pages are examples of potential risks inherent to the function. These are examples of risks in the activities before any controls are applied to reduce risks. The inherent risks are identified to understand what could go wrong without mitigating factors or controls. These are not intended to communicate actual issues or challenges.

Risk ID	Functional Area	Risk Title	Municipal Code Reference (From City Municipal and Process Ordinances)	Risk Detail (From documents provided, audit reports, interviews)	Likelihood (1-5)	Impact (1-5)	Score	Risk Areas
15	City Wide	COVID-19 Response		<p>Palo Alto has operated under emergency response orders in some capacity since March 2020. Mitigation and control of COVID-19 is imperative for citizen and employee safety and continued operation of City services.</p> <p>COVID-19 has created additional needs and hurdles for the City, including:</p> <ul style="list-style-type: none"> > Compliance with Federal vaccination requirements > Increased demand for public services > Transition to a hybrid virtual and in-person environment > More centralized need for internal and external communications > Discontinued shuttle services <p>Examples of Potential Risks (Note):</p> <ul style="list-style-type: none"> > Inability to meet citizens demands given current financial and operational constraints > Transition of communications and operations to normal operational status > Health and safety of citizens and employees 	5	5	50	Strategic Operational Financial Legal & Compliance Reputation Political & Economic
16	Uplift Local Program	Parking Revenue		<p>FY22 Risk Updates: Length of time of road closures and suspending parking payments increased the City's risk for removing those regulations and reintroducing parking payments for Citizens. Prolonged lack of parking revenues may also impact the City's ability to fund existing projects and budgeted items. Citizens and businesses may also push-back on reopening streets and reinstating parking payments.</p> <p>FY21 Risks: The City has closed or partially closed several streets to allow restaurants and patrons more space for socially distanced outdoor dining. The City has also removed parking meters and garage parking fees during this time. The City implemented the Uplift Local Program to help support the economy and local businesses, residents and visitors.</p> <p>Examples of Potential Risks (Note):</p> <ul style="list-style-type: none"> > Loss of revenues from closure or suspending parking meter and parking garage fees > Logistics for reopening of closed streets after sustained closures > Resistance from businesses and vendors on reopening streets and stopping outdoor dining and shopping 	5	2	32	Operational Financial Legal & Compliance Reputation Political & Economic
17	Administrative Services	ERP System Upgrade		<p>FY22 Risk Updates: ERP system upgrade is still planned to be done. Noted as a risk area by a risk assessment interviewee</p> <p>FY21 Risks: The City of Palo Alto is currently undergoing an upgrade of the ERP system. This includes two phases of efforts. The first phase is migrating upgrading to a new version of SAP. The second phase focuses on process improvement through use of the upgraded system.</p> <p>Examples of Potential Risks (Note):</p> <ul style="list-style-type: none"> > Unforeseen barriers in implementation requiring change orders that delay the process and increase overall expenses > Strain on capacity associated with the level of attention required by ERP implementation > Data loss during system upgrade or subsequent efforts > System downtime leading to stoppage in the ability to provide services 	3	4	36	Operational Financial Legal & Compliance IT Reputational
18	Public Safety	Public Safety Building Construction		<p>The City approved the FY22-FY26 Capital Improvement Plan, which includes construction of the Public Safety Building. The total project budget is \$118M, \$9.4M is budgeted from FY22-FY26. Justification for the project was included in the 2014 Council approved Infrastructure Plan, which was preceded by a recommendation by the Infrastructure Blue Ribbon Commission report in 2011. Construction Contract was awarded in early 2021, with plans to complete construction in Summer 2023.</p> <p>Examples of Potential Risks (Note):</p> <ul style="list-style-type: none"> > Design and operating effectiveness of internal controls over various financial aspects of the construction project > Adherence to construction contract terms and conditions > Mathematical accuracy of project related costs > Justification for change orders or changes in delivery schedules 	3	5	44	Operational Financial

Risk ID	Functional Area	Risk Title	Municipal Code Reference (From City Municipal and Process Ordinances)	Risk Detail (From documents provided, audit reports, interviews)	Likelihood (1-5)	Impact (1-5)	Score	Risk Areas
19	Public Works	Newell Road/San Francisquito Creek Bridge Replacement		<p>The City approved the FY22-FY26 Capital Improvement Plan, which includes the continued replacement of the Newell Road/San Francisquito Creek Bridge. The total project budget is \$18.2M, \$15.0M is budgeted from FY22-FY26. Removal of the existing bridge is a necessary element of the San Francisquito Creek Joint Powers Authority (JPA) comprehensive flood management program.</p> <p>Examples of Potential Risks (Note):</p> <ul style="list-style-type: none">>Increased costs related to project delays and need to coordinate with other agencies>Design and operating effectiveness of internal controls over various financial aspects of the construction project>Adherence to construction contract terms and conditions>Mathematical accuracy of project related costs>Justification for change orders or changes in delivery schedules	2	3	18	Operational Financial Legal & Compliance Reputation
20	Public Works	Fire Station 4 Replacement		<p>The City approved the FY22-FY26 Capital Improvement Plan, which includes construction of Fire Station 4. The total project budget is \$10.2M, all of which is budgeted from FY22-FY26. This project provides funding to replace Fire Station #4 at the corner of Middlefield Road and East Meadow Drive. The replacement facility will be based on the prior Replacement Study and Needs Assessment prepared in 2005 and the station being operationally and technologically deficient.</p> <p>Examples of Potential Risks (Note):</p> <ul style="list-style-type: none">>Design and operating effectiveness of internal controls over various financial aspects of the construction project>Adherence to construction contract terms and conditions>Mathematical accuracy of project related costs>Justification for change orders or changes in delivery schedules	2	3	18	Operational Financial Legal & Compliance Reputation
21	Public Works	Street Maintenance		<p>FY22 Risk Updates: The City approved the FY22-FY26 Capital Improvement Plan, which includes the continued upkeep and repair of various City streets. The total project budget is \$26.0M, all of which is budgeted from FY22-FY26. This project provides funding for annual resurfacing, slurry sealing, crack sealing, and reconstruction of various City streets. Using Pavement Maintenance Management Systems (PMMS) and Metropolitan Transportation Agency's Street Saver software, streets determined to be below the pavement condition index (PCI) standard minimum of 60, are to be repaired. The City Council established a goal of achieving an average City-wide PCI of 85,and intends to bring all City streets to a PCI of 85 or greater.</p> <p>Examples of Potential Risks (Note):</p> <ul style="list-style-type: none">>Design and operating effectiveness of internal controls over various financial aspects of the construction project>Adherence to construction contract terms and conditions>Mathematical accuracy of project related costs>Justification for change orders or changes in delivery schedules	2	4	28	Operational Financial Legal & Compliance Reputation
22	Office of Transportation	Railroad Grade Separation and Safety Improvements		<p>The City approved the FY22-FY26 Capital Improvement Plan, which includes the construction and upkeep of safety measure at railroad crossings. The total project budget is \$15.9M, \$11.7M is budgeted from FY22-FY26. Connecting Palo Alto, is a community-based process to advance the railroad grade crossing circulation study and context sensitive solutions study envisioned by the City Council.</p> <p>Examples of Potential Risks (Note):</p> <ul style="list-style-type: none">>Design and operating effectiveness of internal controls over various financial aspects of the construction project>Adherence to construction contract terms and conditions>Mathematical accuracy of project related costs>Justification for change orders or changes in delivery schedules	2	3	18	Operational Financial Legal & Compliance Reputation
23	Public Works	Airport Apron Reconstruction		<p>The City approved the FY22-FY26 Capital Improvement Plan, which includes the repaving of airport pathways. The total project budget is \$41.9M, \$.49M is budgeted from FY22-FY26, with \$17.8M being distributed in FY21. The project includes the total re-pavement of airport runways, taxiways and pavement surfaces critical to airport safety. Average pavement condition index (PCI) for the airport was 36, below the industry standard minimum of 60, and below the City's goal of a PCI of 85. A PCI of 36 indicated a need for full pavement reconstruction.</p> <p>Examples of Potential Risks (Note):</p> <ul style="list-style-type: none">>Design and operating effectiveness of internal controls over various financial aspects of the construction project>Adherence to construction contract terms and conditions>Mathematical accuracy of project related costs>Justification for change orders or changes in delivery schedules	2	1	3	Operational Financial Legal & Compliance Reputation
24	Utilities	Electric Customer Connections		<p>The City approved the FY22-FY26 Capital Improvement Plan, which includes the installations of services, transformers and meters for new customers. The total project budget is \$13.5M, all of which is budgeted from FY22-FY26. During a typical year, over 200 electric services are installed or upgraded in the City. This is a recurring CIP.</p> <p>Examples of Potential Risks (Note):</p> <ul style="list-style-type: none">>Design and operating effectiveness of internal controls over various financial aspects of the construction project>Adherence to construction contract terms and conditions>Mathematical accuracy of project related costs>Justification for change orders or changes in delivery schedules	2	3	18	Operational Financial Legal & Compliance Reputation

Risk ID	Functional Area	Risk Title	Municipal Code Reference (From City Municipal and Process Ordinances)	Risk Detail (From documents provided, audit reports, interviews)	Likelihood (1-5)	Impact (1-5)	Score	Risk Areas
25	Utilities	Electrical Systems Improvement		<p>The City approved the FY22-FY26 Capital Improvement Plan, which includes improve the Electrical Distribution System. The total project budget is \$12.6M, all of which is budgeted from FY22-FY26. Typical activities include: increasing system capacity for load growth, replacing deteriorated capital facilities, reconfiguring/adding to the system to improve service reliability, repairing and replacing storm damaged equipment, and making general improvements to the system. This is a recurring CIP.</p> <p>Examples of Potential Risks (Note):</p> <ul style="list-style-type: none">>Design and operating effectiveness of internal controls over various financial aspects of the construction project>Adherence to construction contract terms and conditions>Mathematical accuracy of project related costs>Justification for change orders or changes in delivery schedules	2	3	18	Operational Financial Legal & Compliance Reputation
26	Utilities	Smart Grid Technology Installation		<p>The City approved the FY22-FY26 Capital Improvement Plan, which includes building a smart grid. The total project budget is \$17.6M, \$17M is budgeted from FY22-FY26. Smart grid technology, including the Smart Grid Road Map leads to cost operation savings and energy conservation.</p> <p>Examples of Potential Risks (Note):</p> <ul style="list-style-type: none">>Design and operating effectiveness of internal controls over various financial aspects of the construction project>Adherence to construction contract terms and conditions>Mathematical accuracy of project related costs>Justification for change orders or changes in delivery schedules	2	3	18	Operational Financial Legal & Compliance Reputation
27	Utilities	Fiber To The Home		<p>The City has been exploring the possibility of providing the option for residents to connect to a fiber optic network for faster internet. This would involve expanding the current fiber optic network and formalizing a new utility function. Interest in the service has been rising and the Utilities Department have been exploring the possibility of implementing a greater network of fiber optic.</p> <p>The City has engaged a consultant to perform a feasibility study.</p> <p>Examples of Potential Risks (Note)</p> <ul style="list-style-type: none">>Financial loss associated with learning curve of new service>Resources associated with operating the new service>Risk of misalignment with broader City strategy	2	4	28	Operational Financial Legal & Compliance Reputation
28	Utilities	Gas Main Replacements		<p>FY22 Risk Updates: The City is replacing gas mains that may be leaking, inadequately sized, and/or structurally deficient based on the City's Distribution Integrity Management Plan's mathematical model. The model is used to evaluate risks presented by PVC and steel facilities located within business districts that have been assigned the highest probability and consequence scores. The project will target replacing PVC mains and services located in business districts and steel mains and services with ineffective corrosion protection, also known as catholic protection. Targeted streets will be coordinated with the Public Works Street Maintenance Program to complete replacement before streets are paved.</p> <p>Gas main replacements totals \$22.46M, includes four projects</p> <ul style="list-style-type: none">> Project 23: 21,700 linear feet, at \$.46M (remaining from FY21)> Project 24: 20,209 linear feet, at \$9M> Project 25: 31,260 linear feet, at \$11M> Project 26: 13,471 linear feet, at \$2M <p>Examples of Potential Risks (Note):</p> <ul style="list-style-type: none">>Design and operating effectiveness of internal controls over various financial aspects of the construction project>Adherence to construction contract terms and conditions>Mathematical accuracy of project related costs>Justification for change orders or changes in delivery schedules	2	3	18	Operational Financial Legal & Compliance Reputation
29	Public Works	Wastewater Collection System Rehabilitation/ Augmentation		<p>FY22 Risk Updates: The City is replacing wastewater mains for outdated, rusted and under capacity wastewater systems. The 2004 Collection System Master Plan update indicated facilities that are in need of augmentation to handle growth and peak flow increases. Priority will be given to areas identified by Public Works are targeted work zones.</p> <p>Wastewater aim replacement total \$11.3M , includes four projects</p> <ul style="list-style-type: none">> Project 29: 9,965 linear feet, at \$.35M> Project 30: 8,778 linear feet, at \$4.1M> Project 31: 10,474 linear feet, at \$5.2M> Project 32: 9,756 linear feet, at \$1.65M <p>Examples of Potential Risks (Note):</p> <ul style="list-style-type: none">>Design and operating effectiveness of internal controls over various financial aspects of the construction project>Adherence to construction contract terms and conditions>Mathematical accuracy of project related costs>Justification for change orders or changes in delivery schedules	2	3	18	Operational Financial Legal & Compliance Reputation

Risk ID	Functional Area	Risk Title	Municipal Code Reference (From City Municipal and Process Ordinances)	Risk Detail (From documents provided, audit reports, interviews)	Likelihood (1-5)	Impact (1-5)	Score	Risk Areas
30	Public Works	New Laboratory and Environment Services Building		<p>The City approved the FY22-FY26 Capital Improvement Plan, which includes construction of the Wastewater Laboratory and Environmental Services building. The total project budget is \$24.1M, \$23.8M is budgeted from FY22-FY26. The existing laboratory does not have adequate space for staff, instruments, chemical storage, and microbiology testing, the new building will allow for consolidation of staff in a single building and a larger updated lab.</p> <p>Examples of Potential Risks (Note):</p> <ul style="list-style-type: none"> >Design and operating effectiveness of internal controls over various financial aspects of the construction project >Adherence to construction contract terms and conditions >Mathematical accuracy of project related costs >Justification for change orders or changes in delivery schedules 	3	3	26	Operational Financial
31	Public Works	Advanced Water Purification Facility		<p>The project provides funding for an Advanced Water Purification Facility, with a total project budget of \$20.2M, \$17.2M is budgeted from FY22-FY26. The Regional Water Quality Control Plant (RWQCP) provides recycled water to the City, and currently have a TDS level of 800-900 mg/L. In 2010 City Council adopted a goal to reduce TDS to 600 mg/L, with approximately 40 potential users of recycled water waiting for connection still pending until TDS levels are lowered.</p> <p>Examples of Potential Risks (Note):</p> <ul style="list-style-type: none"> >Design and operating effectiveness of internal controls over various financial aspects of the construction project >Adherence to construction contract terms and conditions >Mathematical accuracy of project related costs >Justification for change orders or changes in delivery schedules 	2	3	18	Operational Financial
32	Public Works	Headworks Facility Replacement		<p>The City approved the FY22-FY26 Capital Improvement Plan, which includes the replacement of the Headworks Facility. The total project budget is \$49.1M, with the entire amount budgeted from FY22-FY26. The project was identified in the Long Range Facilities Plan and adopted by City Council in 2012. The project will replace pumping, suction and discharge pipes, manifolds, valve and additional control system and equipment of the water facility.</p> <p>Examples of Potential Risks (Note):</p> <ul style="list-style-type: none"> >Design and operating effectiveness of internal controls over various financial aspects of the construction project >Adherence to construction contract terms and conditions >Mathematical accuracy of project related costs >Justification for change orders or changes in delivery schedules 	2	4	28	Operational Financial
33	Public Works	Outfall Line Construction		<p>The project provides funding for the construction of a new parallel outfall pipe of the San Francisco Bay. The total project budget is \$10.7M, with \$10.6M budgeted for FY22-FY26. The Long Range Facilities Plan identified the need for the construction of the water line, as the system has a 54-inch outfall line and a 36 in-inch legacy outfall line, which is inadequate in passing the Plant's peak wet-weather hydraulic flow capacity of 8- million gallons per day.</p> <p>Examples of Potential Risks (Note):</p> <ul style="list-style-type: none"> >Design and operating effectiveness of internal controls over various financial aspects of the construction project >Adherence to construction contract terms and conditions >Mathematical accuracy of project related costs >Justification for change orders or changes in delivery schedules 	2	2	10	Operational Financial
34	Public Works	RWQCP Plant Repair, Retrofit and Equipment Replacement		<p>This project provides funding for the assessment, repair, and retrofit of the Regional Water Quality Control Plant's (RWQCP) concrete and metal structures; the replacement of necessary RWQCP equipment and ancillary facilities to maintain treatment reliability and existing infrastructure; and the replacement of large diameter flow meters built into the wastewater treatment system on sewers, pipes, wires, transformers, switches and components of medium voltage electrical equipment.</p> <p>The budget from FY22-FY26 is \$23.2M.</p> <p>Examples of Potential Risks (Note):</p> <ul style="list-style-type: none"> >Design and operating effectiveness of internal controls over various financial aspects of the construction project >Adherence to construction contract terms and conditions >Mathematical accuracy of project related costs >Justification for change orders or changes in delivery schedules 	2	3	18	Operational Financial Legal & Compliance Reputation
35	Public Works	Secondary Treatment Upgrades		<p>FY22 Risk Updates: Upgrades to the Secondary Treatment process at the Regional Water Quality Control Plant (RWQCP). The existing Secondary Treatment process has two main components: the Fixed Film Reactors (FFR) and the Activated Sludge (AS) Process. This project includes the reconfiguration of the aeration basins, modification of the AS Process, and the elimination of the FFRs.</p> <p>Justification of the project was identified in the Long-Range Facilities Plan accepted by Council in 2012. The components of the Secondary Treatment process are between 35 and 45 years old and show signs of wear and structural weakness. In FY22 the project was expanded to address the sea level rise policy implications.</p> <p>The budget from FY22-FY26 is \$126.0M, with a total project budget of \$129.0M.</p> <p>Examples of Potential Risks (Note):</p> <ul style="list-style-type: none"> >Design and operating effectiveness of internal controls over various financial aspects of the construction project >Adherence to construction contract terms and conditions >Mathematical accuracy of project related costs >Justification for change orders or changes in delivery schedules 	2	5	38	Operational Financial Legal & Compliance Reputation

Risk ID	Functional Area	Risk Title	Municipal Code Reference (From City Municipal and Process Ordinances)	Risk Detail (From documents provided, audit reports, interviews)	Likelihood (1-5)	Impact (1-5)	Score	Risk Areas
36	Utilities	Water Tank Seismic Upgrade and Rehabilitation		<p>The City approved the FY22-FY26 Capital Improvement Plan, which includes upgrades and repairs to the water tank seismic system. The total project budget is \$26.3M, \$15.6M is budgeted from FY22-FY26.</p> <p>Work at the reservoir sites will also include the installation of: new seismic shut off valves between the reservoirs and valve vaults, new plug valves, piping and pipe supports in the valve vaults, and recoating of the interior and exterior reservoir walls.</p> <p>Examples of Potential Risks (Note):</p> <ul style="list-style-type: none">>Design and operating effectiveness of internal controls over various financial aspects of the construction project>Adherence to construction contract terms and conditions>Mathematical accuracy of project related costs>Justification for change orders or changes in delivery schedules	2	3	18	Operational Financial Legal & Compliance Reputation
37	Utilities	Water Main Replacement		<p>FY22 Risk Updates: The project will fund the design and replacement of structurally deficient water mains and appurtenances in Fiscal Years 2024 and 2026. Mains are selected by researching the maintenance history of the system and identifying those that are undersized, corroded, and subject to breaks.</p> <p>Water main replacements totals \$29.9M, include four projects</p> <ul style="list-style-type: none">> Project 28:18,985 linear feet, at \$11.1M> Project 29:13,425 linear feet, at \$9.4M> Project 30:13,025 linear feet, \$9.4M <p>Examples of Potential Risks (Note):</p> <ul style="list-style-type: none">>Design and operating effectiveness of internal controls over various financial aspects of the construction project>Adherence to construction contract terms and conditions>Mathematical accuracy of project related costs>Justification for change orders or changes in delivery schedules	2	4	28	Operational Financial Legal & Compliance Reputation
38	Public Works	Scheduled Vehicle and Equipment Replacement		<p>The ongoing replacement of City fleet vehicles and equipment is prescribed by the City's policy on vehicle replacement, which includes guidelines based on age, mileage accumulation, and obsolescence. Timely replacement of vehicles lowers maintenance costs, helps to maintain or even increase the productivity of client departments, and allows the City to take advantage of new technology.</p> <p>The largest vehicle replacement costs are scheduled for FY23-FY26. Total budget amounts for FY22-FY26 is \$15.1M.</p> <ul style="list-style-type: none">> FY22: \$1.4M> FY23: \$3.4M> FY24: \$3.5M> FY25: \$3.4M> FY26: \$3.4M <p>Examples of Potential Risks (Note):</p> <ul style="list-style-type: none">>Design and operating effectiveness of internal controls over various financial aspects of the construction project>Adherence to contract terms and conditions>Justification for change orders or changes in delivery schedules>On-going funding for replacement	2	3	18	Operational Financial Legal & Compliance Reputation
39	Utilities	Gas Main Replacements		<p>The City is replacing gas mains that may be leaking, inadequately sized, and/or structurally deficient based on the City's Distribution Integrity Management Plan's mathematical model. The model is used to evaluate risks presented by PVC and steel facilities located within business districts that have been assigned the highest probability and consequence scores. The project will target replacing PVC mains and services located in business districts and steel mains and services with ineffective corrosion protection, also known as catholic protection. Targeted streets will be coordinated with the Public Works Street Maintenance Program to complete replacement before streets are paved.</p> <p>Gas main replacements totals \$29.6M, include three projects</p> <ul style="list-style-type: none">> Project 23: 21,700 linear feet, at \$7.6M> Project 24:33,050 linear feet, at \$11M> Project 25:31,260 linear feet, at \$11M <p>Examples of Potential Risks (Note):</p> <ul style="list-style-type: none">>Design and operating effectiveness of internal controls over various financial aspects of the construction project>Adherence to construction contract terms and conditions>Mathematical accuracy of project related costs>Justification for change orders or changes in delivery schedules	2	4	28	Operational Financial Legal & Compliance Reputation

Risk ID	Functional Area	Risk Title	Municipal Code Reference (From City Municipal and Process Ordinances)	Risk Detail (From documents provided, audit reports, interviews)	Likelihood (1-5)	Impact (1-5)	Score	Risk Areas
40	Public Works	ADA Compliance Upgrade		<p>According to Palo Alto's ADA Transition Plan, the ADA Transition "project identifies potential noncompliant items and other physical barriers at City buildings, parking lots, and recreational facilities. The work to be performed under this contract includes the evaluation of site and program accessibility compliance to provide the basis for identification, prioritization, budgeting, and implementation of plans, as well as an updated plan and database which will be used in continuing efforts to comply with accessibility requirements as established by the ADA and State of California Building Code (CBC) accessibility provisions." This will be a multi-decade project to upgrade City-owned properties to align with ADA requirements.</p> <p>Examples of Potential Risks (Note):</p> <ul style="list-style-type: none"> >Unforeseen costs associated with a multi-decade project, consuming greater Capital Improvement funds than expected >Changes in ADA regulations during the course of the project, requiring changes to the existing plan 	2	5	38	Operational Financial Legal & Compliance Reputation
41	City Wide	Sustainability and Climate Action Plan		<p>FY22 Risk Update:</p> <ul style="list-style-type: none"> - FY22 Adopted Operating Budget reports one of the four priorities City Council selected was Climate Change (Protection and Adaptation). - Two of the risk assessment interviewees are concerned about sea level rise and one of them is concerned about climate risk in terms of adaptation of the plan and funding and the other is concerned about wildland fire. <p>FY21 Risks:</p> <p>Palo Alto's goal is to reduce our greenhouse gas emissions 80 percent below 1990 levels by 2030. In early 2020, the City launched an update to the Sustainability and Climate Action Plan (S/CAP) to help meet our sustainability goals, including our goal of reducing GHG emissions 80 percent below 1990 levels and being completely carbon neutral by 2030. The plan includes goals and key actions in seven areas: Energy, Mobility, Electric Vehicles, Water, Climate Adaptation and Sea Level Rise, Natural Environment, and Zero Waste.</p> <p>The City currently has 100% renewable energy resource through several power purchase agreements. Next steps include electrification of cars and elimination of natural gas use in home and commercial electric appliances. As of 2019,</p> <p>Examples of Potential Risks (Note):</p> <ul style="list-style-type: none"> >Reputational risk of not achieving stated goals >Costs associated with marginal improvements in greenhouse gas emission reductions 	3	4	36	Operational Financial Reputation
42	City Wide	Noise Pollution		<p>FY22 Risk Updates: Palo Alto is impacted by three arrival routes into San Francisco International Airport (SFO). These routes have had an ongoing negative health impact on our community and intensified due to the implementation of the Federal Aviation Administration's NextGEN Initiative.</p> <p>The City is committed to working with our citizens, Congress, the Federal Aviation Administration (FAA), SFO, SFO's Community Roundtable, neighboring city and county agencies, regional airports, noise groups, and all stakeholders associated with air traffic in Silicon Valley to find solutions which restore the quality of life of our community.</p> <p>Examples of Potential Risks (Note):</p> <ul style="list-style-type: none"> >Health and safety risk associated with noise pollution. >Property value reductions >Community trust and engagement 	4	3	34	Financial Legal & Compliance Reputation
43	City Wide	College Terrace Market		<p>The PC ordinance (5069), and the associated Restrictive Covenant, require that a grocery store must be in continuous operation. If the grocery store ceases operations, a new grocery operator must be found. There is a six-month grace period for the property owner to find a new grocery tenant.</p> <p>Starting on February 13, 2020, daily fines of \$2,157/day began to be assessed against the property owner for its failure to have a grocery store in operation. This requirement for the continuous operation of a grocery store was established by PC Ordinance 5069 and was further amended by a restrictive covenant put in place in 2015.</p> <p>Examples of Potential Risks (Note):</p> <ul style="list-style-type: none"> >Inability to identify and retain a tenant >Reputational risk associated requiring a grocery store 	2	2	10	Legal & Compliance Reputation
44	City Wide	Race & Equity Initiative		<p>In June 2020, the City Council adopted a resolution affirming that Black lives matter and committed to address systemic racism and bias, and honored the lives of George Floyd, Breonna Taylor, Ahmaud Arbery, and others that have fallen victim to violence at the hands of authorities. The City Council also approved the Race & Equity Framework and action plan and a series of actions including reviewing policing practices, making changes to use-of-force policies to reduce the potential for violence, and engaging the community in ongoing, thoughtful dialogue and leadership.</p> <p>Examples of Potential Risks (Note):</p> <ul style="list-style-type: none"> >Inaction causing reputational damage >Improper use of force 	2	4	28	Financial Legal & Compliance Reputation

Risk Matrix - Function Specific Risks (Risks 45 -154)

The following table summarizes **Function Specific Risks**.

Note: Examples of Potential Risks included in the Risk Detail column of the Risk Matrix on the following pages are examples of potential risks inherent to the function. These are examples of risks in the activities before any controls are applied to reduce risks. The inherent risks are identified to understand what could go wrong without mitigating factors or controls. These are not intended to communicate actual issues or challenges.

Risk ID	Functional Area	Risk Title	Municipal / State Code Reference	Risk Detail (From documents provided, audit reports, interviews)	Likelihood (1-5)	Impact (1-5)	Score	Risk Areas
45	Administrative Services	Real Estate and Property Management	2.08.150 Department of Administrative Services	<p>FY22 Risk Updates: The Real Estate team started using a new database called Spacebase to centrally manage all lease agreements. The requirements of GASB 87 (Leases) are effective for the City's fiscal year ending June 30, 2022.</p> <p>FY21 Risks: The City of Palo Alto handles many different real estate and property agreements such as easements, rights of way, leases, tie back agreements, and more. The Real Property team provides expertise on real estate matters and partners with client departments on specific real estate needs.</p> <p>Examples in which the Real Property team coordinates with client department include leases at the Cubberley Community Center and hangar space at the airport.</p> <p>Examples of Potential Risks (Note): >Inadequate technology to manage lease agreements >Lack of capacity to manage and ensure accuracy in real estate agreements >Revenue collection errors >Failure to properly implement GASB 87</p>	4	3	34	Operational Financial Legal & Compliance
46	Administrative Services	P-Card Program	2.08.150 Department of Administrative Services 2.30.240 Designated Employees' Use of Petty Cash, P-Card, or Other Credit Card	<p>The City of Palo Alto uses P-Cards throughout the organization to leverage purchasing power and improve purchasing processes. The organization has hundreds of P-Cards assigned to individuals throughout the City. P-Cards can be requested through purchasing and require supervisor approval for use. Transactions have a threshold of \$10k.</p> <p>Examples of Potential Risks (Note): >Personal expenditures on City P-Cards for items that could be interpreted as business expenses >Circumventing policy, such as splitting transactions to fall below the \$10K threshold >Information technology purchases that do not allow for proper IT oversight or governance</p>	4	2	24	Financial Legal & Compliance
47	Administrative Services	Vendor Master File	2.08.150 Department of Administrative Services	<p>At City of Palo Alto, segregation of duties as it pertains to changes to the Vendor Master File are segregated such that one individual cannot process payments and modify the vendor master file.</p> <p>Examples of Potential Risks (Note): >Accounts Payable changing payment information to a personal bank account routing number >Erroneous Vendor data leading improper payments</p>	1	3	12	Financial Reputation
48	Administrative Services	Print and Mail Services	2.08.150 Department of Administrative Services	<p>The City of Palo Alto operates a print and mail services department, managing the mailing of all utility bills, acting as a central receiving area in City Hall, and also completing any printing services. The print services division handles printing of Council packets for City Council members.</p> <p>Examples of Potential Risks (Note): >Financial and operational opportunity costs of running in-house mail services department compared to outsourcing the function</p>	2	2	10	Strategic Operational Financial
49	Attorney	Claims & Claim Reserves	2.28.240 Settlement of Claims and Actions 2.08.120 Office and Duties of the City Attorney State of California Tort Claims Act	<p>As provided in Section 935.4 of the Government Code of California, the City Attorney is designated to perform the functions of the City Council relative to claims and actions against the City or any of its officers or employees under the provisions of Division 3.6 of the Government Code.</p> <p>The City may be liable for a variety of claims including: >Torts Claims >Law Claims >Labor and Employment Claims >Contract Claims</p> <p>Risk to the City is mitigated though the City's membership in the Authority for California Cities Excess Liability (ACCEL) pool, though which the insures itself.</p> <p>Examples of Potential Risks (Note): >Property damage resulting from City actions >Motorist injuries due to an interaction with a Palo Alto staff member acting within scope of her/his employment >An employee suffers an injury while performing their job duties</p>	3	3	26	Legal & Compliance

Risk ID	Functional Area	Risk Title	Municipal / State Code Reference	Risk Detail (From documents provided, audit reports, interviews)	Likelihood (1-5)	Impact (1-5)	Score	Risk Areas
50	Clerk	Public Records Requests	2.08.110 Office and Duties of the City Clerk 2.08.300 Books and records. (Ord. 4274 § 1 (part), 1995)	The City receives upwards of 400 requests for information every year. Public records requests come in a variety of ways; written, in person, online and over the phone. Compliance with the Freedom of Information Act (FOIA) and state and local jurisdiction dictate the availability of requests and outlines the procedures for providing documents to the public. Examples of Potential Risks (Note) >Incoming requests are decentralized, leaving possibility for requests to go unfulfilled >Fulfilling of requests is centralized, burdening the department and causing inefficiencies >Noncompliance with applicable laws	2	3	18	Financial Legal & Compliance Reputation
51	Clerk	Elections	Chapter 2.40 Municipal Elections	The City Clerk is the local Filing Officer for the State of California. All local campaign Committees are required to file Campaign Statements with the City Clerk. The City Clerk maintains regulations and forms under the State of California Fair Political Practices Commission. Examples of Potential Risks (Note) >Non-compliance with regulatory requirements	1	2	6	Reputation
52	Clerk	Records Management	2.08.110 Office and Duties of the City Clerk 2.08.300 Books and records. (Ord. 4274 § 1 (part), 1995)	The City Clerk is the Records Manager for the City and is responsible for maintaining the City's Records Retention Schedule and for providing departments with guidance on policies and best practices of records management. The City Clerk's Office records official actions and legislation of the municipal government and retains other legal and historical records. The City Clerk manages the proper maintenance and disposition of City records and information according to statute, and helps to preserve City history. Formalized Standard Operating Procedures (SOPs) communicate the correct way of carrying out records management activities. SOPs help the organization operate efficiently, maintain consistency, and communicate clearly. The City Clerk does not have current SOPs detailing records management and retention practices. A modern/centralized records management system may increase efficiency and offer functionality such as analytics and reporting capability. Without a centralized repository, employees use paper based files and multiple online platforms. The City of Palo Alto operates on a decentralized records management process. Examples of Potential Risks (Note) >Damage to documents from improper storage >Inability for documents and information to be accurately recorded and sourced for public information requests and public is given inaccurate information about the availability of documents >Institutional knowledge is lost when employees retire or leave the department >Records are destroyed prematurely or stored longer that legally necessary	4	2	24	Operational Legal & Compliance Reputation
53	Communications	Social Media Management	Brown Act (California Government Code Section 54950 et seq.)	Social media accounts are handled and managed by separate, decentralized departments. Content published by these accounts are not generated from a central office, but are monitored by the Communications Office. Additionally, elected official's social media posts may be considered public record and may be subject to State law. The majority of instances include the use of personal platforms to promote City agenda, issues and positions. Examples of Potential Risks (Note): >False or misleading information is published by City owned accounts >Conflicting information is provided by multiple City owned accounts >Lack of internal controls for publishing content on City owned accounts >Publishing of inappropriate or inaccurate content >Inaccurately holding and/or of managing public information for records management	3	3	26	Strategic Legal & Compliance Reputation Political & Economic
54	Communications	Digital Marketing		Digital platforms, such as websites, social media, online platforms, blog posts (Palo Alto Connect) and digital newsletters are used to disperse information and inform community members and City employees. Additionally, these platforms are used to advertise City services and events. Examples of Potential Risks (Note): >False and/or misleading information is published by the City >Publishing of inappropriate or inaccurate content	1	3	12	Strategic Legal & Compliance Reputation Political & Economic
55	Communications	External Affairs		Relations with the media and general public are primarily handled by the Communications Office. The City of Palo Alto works to timely and accurately inform the media, including a monthly newsletter, presses releases, interviews, news releases to 400 media contacts and statements on behalf of departments and the City. Requests for information from media is decentralized, with the majority of responses for comments and communication coming from the Communications Department. Multiple channels are used by the City to build relationships and inform the citizens of Palo Alto and surrounding communities. The City works to engage stakeholders and provide a positive public perception by: >Communicating through its multiple platforms >Hosting community service events >Maintaining open and transparent government Examples of Potential Risks (Note): >False or misleading information is published by the City	2	2	10	Strategic Legal & Compliance Reputation Political & Economic

Risk ID	Functional Area	Risk Title	Municipal / State Code Reference	Risk Detail (From documents provided, audit reports, interviews)	Likelihood (1-5)	Impact (1-5)	Score	Risk Areas
				>Conflicting statements made by City officials >Lack of internal controls for managing media requests				
56	Communications	Website		<p>FY22 Risk Updates: 1) City website updated 2) Website maintained centrally with records of who has back-end access</p> <p>FY21 Risks: The City's website and affiliated websites are maintained and updated in conjunction with the Communications Office and the Information Technology Department. Both departments work with website host to update information and publish new webpages. Additionally, Individual departments have access to back-end website publishing.</p> <p>Examples of Potential Risks (Note) >Lack of internal controls for website access >Publishing of inappropriate or inaccurate content</p>	2	2	10	Legal & Compliance Reputation IT
57	Communications	Internal Communications	18.79.010 Purposes	<p>Communications oversees formal internal communications, including creation and/or review of Citywide emails, internal newsletters and communications. A centralized place of issuance for organization wide communication including City Manager and department head presentations and reporting.</p> <p>Examples of Potential Risks (Note): >Conflicting information is provided to City Employees >Internal communications are improperly published to the community</p>	2	1	3	Operational
58	Community Services	Contract Monitoring	2.30 Contracts and Purchasing Procedures	<p>FY22 Risk Updates: 1) Non-profit agreements internal audit 2) Updated internal controls for contract and vendor management 3) Diversification of contractors 4) Updated software</p> <p>FY21 Risks: Community Services relies on third-party contractors to manage the animal shelter, deliver recreational services (i.e. swimming pool, athletic fields, the golf course), and provide arts and theatre programs. As a result, Community Services oversees dozens of contracts and independent contractors.</p> <p>Examples of Potential Risks (Note): >Loss of revenue due to overpayments on contracts >Reputational risk associated with actions of a 3rd party >Failure to adhere to contract terms including scope of work and other critical provisions >Failure to monitor vendor performance</p>	3	4	36	Strategic Operational Financial Legal & Compliance Reputation
59	Community Services	Background Check Procedures	2.08.210 Department of community services.	<p>Community Services offers a variety of programs where workers may come into contact with children. The following is a non-inclusive list of screening practices the City uses: local criminal record check, state criminal record check, FBI criminal record check, employment reference checks, and personal reference checks.</p> <p>Examples of Potential Risks (Note): >Hiring of unqualified individuals >Employing an individual that should be ineligible for employment involving interactions with children</p>	3	3	26	Operational Legal & Compliance Reputation
60	Community Services	Recreations Services		<p>Recreation Services has a focus on youth wellbeing. Facilities include the historic Lucie Stern Community Center, Mitchell Park Community Center, Cubberley Community Center, and Rinconada Pool. Recreation Services also coordinates a variety of recreation programs including middle school athletics, the Teen Center, Palo Alto Youth Leadership programs, year-round Life-Long Learning classes, adult sports leagues, dynamic summer camp and aquatics program.</p> <p>Examples of Potential Risks (Note): >Resources are expended on services that are not of sufficient benefit to the community >Employing an individual that should be ineligible for employment involving interactions with children >Improper payment for services (e.g., a referee)</p>	2	3	18	Strategic Financial Legal & Compliance Reputation

Risk ID	Functional Area	Risk Title	Municipal / State Code Reference	Risk Detail (From documents provided, audit reports, interviews)	Likelihood (1-5)	Impact (1-5)	Score	Risk Areas
61	Community Services	Human Services	2.08.210 Department of community services.	<p>The Office of Human Services provides services and works toward enhancing the quality of life in Palo Alto in a variety of ways. Services relate to the following areas:</p> <ul style="list-style-type: none"> >Children Resources >Family Resources >Tenant/Landlord >Human Services Grants >Emerging Needs Funds <p>Examples of Potential Risks (Note):</p> <ul style="list-style-type: none"> >Resources are expended on services that are not of sufficient benefit to the community >Ineligible program participation >Fraud/waste/abuse of public funds 	1	3	12	Operational Financial Legal & Compliance Reputation
62	Community Services	Children's Theatre	2.08.210 Department of community services.	<p>Palo Alto's Children Theatre serves more than 57,000 community members each year with theatrical productions and programs for youth ages 3 through high school. Performing arts education opportunities include onsite classes, camps, and production experiences, as well as theatrical Outreach Productions (grades 3-5) and Dance in Schools classes (grades K-2) in all twelve PAUSD Elementary Schools.</p> <p>Children's Theatre offers a variety of programs where workers may come into contact with children.</p> <p>Examples of Potential Risks (Note):</p> <ul style="list-style-type: none"> >Resources are expended on services that are not of sufficient benefit to the community >Employing an individual that should be ineligible for employment involving interactions with children 	1	3	12	Strategic Financial Legal & Compliance Reputation
63	Community Services	Open Space, Parks, & Baylands Golf Links		<p>The City of Palo Alto has almost 4,000 acres of open space to explore, recreate and relax in. Park Services handles the maintenance of 162 developed acres of urban parklands. Individual parks range in size from under two acres to large community parks such as Rinconada Park, Mitchell Park, and Greer Park. Besides maintaining urban parks, Parks Services handles landscape maintenance of libraries, community centers, business districts and utility sub-stations.</p> <p>Troon, previously OB Sports, manages the newly constructed Baylands Golf Links. According to the contract, Troon is responsible for course maintenance, leases a cafe from the City, and manages a pro shop. The City receives a percentage of revenue from the pro shop. This approach to golf course management is new to the City within the past few years.</p> <p>The City has a contract with Brightview for maintenance and landscaping services on other open space and parks land.</p> <p>Examples of Potential Risks (Note):</p> <ul style="list-style-type: none"> >Resources are expended on services that are not of sufficient benefit to the community >3rd party management of City resources, such as the golf course 	1	3	12	Strategic Financial Legal & Compliance Reputation
64	Community Services	Palo Alto Art Center	2.08.210 Department of community services. 2.18 Public Art Commission	<p>The Palo Alto Art Center has a partnership with the Palo Alto Art Center (PAAC) Foundation Board. Successful fundraising efforts of the PAAC Foundation are necessary, in addition to City funds, to sustain the Art Center. The Art Center measures its progress based on the following priorities:</p> <ul style="list-style-type: none"> >Community Engagement >Financial Sustainability >Leadership capacity <p>Examples of Potential Risks (Note):</p> <ul style="list-style-type: none"> >Resources are expended on services that are not of sufficient benefit to the community >Employing an individual that should be ineligible for employment involving interactions with children 	1	2	6	Strategic Financial Legal & Compliance Reputation
65	Community Services	Junior Museum & Zoo	2.08.210 Department of community services.	<p>The Palo Alto Junior Museum & Zoo has a partnership with the Friends of Palo Alto Junior Museum & Zoo. Successful fundraising efforts of Friends of Palo Alto Junior Museum & Zoo are necessary, in addition to City funds, to sustain the museum and zoo. The JMZ is owned and operated by the City of Palo Alto. The JMZ hosts more than 17,000 local students annually from schools, science camps, and field trips. In total, the JMZ has approximately 180,000 visitors per year.</p> <p>The City is exploring potential opportunities to relinquish day-to-day operations responsibilities to Friends of Palo Alto Junior Museum & Zoo. These discussions are still early stage.</p> <p>Examples of Potential Risks (Note):</p> <ul style="list-style-type: none"> > Resources are expended on services that are not of sufficient benefit to the community >Transferring operating responsibilities to a non-profit may result in legal challenge from existing City employees >Failure to properly manage the JMZ may result in negative publicity and reputational damage 	1	2	6	Strategic Financial Legal & Compliance Reputation
66	Community Services	Public Art Program	Chapter 2.26 15.61.110 Public Art Fund 2.26.070 Public Art for Municipal Projects 2.26.030 Duties of the Public Art Commission	<p>The Public Art Program operates in accordance with Chapter 2.26 of Palo Alto Municipal Code to provide opportunities for the placement of permanent and temporary site-specific public art projects in municipal projects across Palo Alto. Additionally, the Program oversees the implementation of the Ordinance requirement to incorporate public art in private development projects. The Public Art Commission (PAC) reviews and advises the Public Art Program on selection, placement, and care of public art throughout the City of Palo Alto.</p> <p>The City collection of public art is comprised of approximately 100 permanently sited works and approximately 200 portable works of art in a diverse range of media. All works are commissioned and acquired through a public process.</p>	1	2	6	Strategic Financial

Risk ID	Functional Area	Risk Title	Municipal / State Code Reference	Risk Detail (From documents provided, audit reports, interviews)	Likelihood (1-5)	Impact (1-5)	Score	Risk Areas
				<p>Examples of Potential Risks (Note):</p> <p>>Resources are expended on services that are not of sufficient benefit to the community</p>				
67	Emergency Services	Disaster Response	2.08.185 Office of Emergency Services.	<p>The mission of the Office of Emergency Services is to prevent, prepare for, mitigate, respond to, and recover from all hazards. This involves:</p> <p>>Executing a training plan for designated staff</p> <p>>Maintaining emergency management facilities, critical infrastructure, and essential equipment</p> <p>>Coordinating with private sector, non-governmental organizations to promote continuity of operations</p> <p>>Maintaining disaster plans for the City</p> <p>The City has developed many resources and have placed them on the website: www.cityofpaloalto.org/thira.</p> <p>Example of Potential Risks (Note):</p> <p>>Inadequate response to an emergency such as an earthquake, fire, urban flood, or active shooter situation may result in injury, loss of life, financial hardship, and reputational damage to the City and its employees</p>	1	5	30	Strategic Operational Financial Legal & Compliance Reputation Political & Economic
68	Emergency Services	Emergency Volunteer Coverage	<p>Palo Alto Municipal Code (PAMC) Sec. 2.12.070</p> <p>2.08.185 Office of Emergency Services.</p>	<p>FY22 Risk Updates:</p> <p>1) On-going pandemic has impacted the ability to find volunteers</p> <ul style="list-style-type: none"> • Additional COVID19 protocols • Apprehension of working with the community during the pandemic • Availability of vaccinated or proven negative volunteers <p>2) Aging population</p> <p>FY21 Risks:</p> <p>In the case of emergency, the Office of Emergency Services may enlist the assistance of the community through a volunteer network. The mission of the Palo Alto Emergency Services Volunteers (ESV) is to: 1) provide supplemental resources to the professional first responders of the City and surrounding communities and 2) facilitate means for neighbors to help neighbors (including business and other entities). Emergency Service Volunteers are often times geographically concentrated in some, but not all, neighborhoods.</p> <p>Examples of Potential Risks (Note):</p> <p>>Lack of volunteer participation across the City/concentration of volunteers leading to inconsistent emergency response depending on location</p>	3	3	26	Strategic Operational Financial Legal & Compliance Reputation Political & Economic
69	Administrative Services	Tax Revenue	2.08.150 Department of Administrative Services	<p>FY22 Risk Updates:</p> <p>In the risk assessment survey, Economy was rated as the seventh highest risk by management. One of the risk assessment interviewees wants the structure of revenue sources to be looked at.</p> <p>FY21 Risks:</p> <p>The City of Palo Alto's largest sources of revenue include property taxes, sales taxes, and transient occupancy taxes. These three main sources of tax revenue. Palo Alto has been a hub for large technology businesses which bring in visitors to hotels, restaurants, and retail. These visitors and daytime population help feed the sales and transient occupancy taxes. Palo Alto property values have also risen over the last few decades, driving an increase in property tax revenue.</p> <p>Examples of Potential Risks (Note):</p> <p>>Large businesses moving to other locations or decreasing the focus on in-person interactions at headquarters lowers the daytime population and visitors</p> <p>>Decreasing real estate values due to external factors decreases City revenues from property taxes</p>	3	5	44	Strategic Financial Political & Economic
70	Administrative Services	Asset Management	2.08.150 Department of Administrative Services	<p>FY22 Risk Updates:</p> <p>The requirements of GASB 87 (Leases) and GASB 89 (Interest Cost) are effective for the City's fiscal year ending June 30, 2022.</p> <p>FY21 Risks:</p> <p>The City manages assets to ensure that all assets are properly accounted for both operationally and financially. Asset management is important to the accounting function as well to ensure that depreciation on all assets is being properly tracked and applied as well as classification of various assets.</p> <p>Examples of Potential Risks (Note):</p> <p>>Misclassification of assets, hampering the ability to properly account for depreciation and other accounting requirements</p> <p>>Lack of internal controls in managing and accounting for assets</p>	3	4	36	Operational Financial

Risk ID	Functional Area	Risk Title	Municipal / State Code Reference	Risk Detail (From documents provided, audit reports, interviews)	Likelihood (1-5)	Impact (1-5)	Score	Risk Areas
71	Administrative Services	Investments, Debt, and Cash Management	2.08.150 Department of Administrative Services 2.28.140 Depositories and Investments	<p>FY22 Risk Updates: Based on the FY2022 survey and interview, investments is an area where the City may benefit from an internal audit. There is a need to update the City's investment policy to increase flexibility based on the current environment.</p> <p>FY21 Risks: Palo Alto manages their investment, debt, and cash portfolio through a single internal investment manager. This investment manager maintains the City's investment portfolio subject to the investment policy, including limits on holdings of various financial products. Maintaining an internal investments manager allows for the City of Palo Alto to avoid commissions/fees.</p> <p>In addition, the investment manager also performs cash management and cash flow modeling, executes wire transactions, serves as the bank custodian, and performs a daily cash flow reconciliation.</p> <p>Examples of Potential Risks (Note): >Financial opportunity cost from an optimized portfolio managed by an outsourced firm >Operational inefficiencies due to lack of economies of scale in comparison to an outsourced firm >Fraud/misuse/abuse risk associated with lacking or failed internal controls in regards to investments >Noncompliance with the investment policy >Over reliance on one individual to manage City investments</p>	2	5	38	Strategic Financial Legal & Compliance
72	Administrative Services	Accounts Receivable	2.08.150 Department of Administrative Services	<p>FY22 Risk Updates: > There is a lack of communication and transparency with other City Departments. >The department has goals that change frequently which may result in the inability to focus and follow through with any one goal. > The department struggles is attracting and retaining staff. > Public meetings increase pressure on the department to perform.</p> <p>FY21 Risks: The Revenue Collection and General Accounting teams manage the City's accounts receivable function. This function ensures that bills are timely, accurate and include adequate information for those who paying the City. Additionally, this function manages what payments are expected, any overdue payments, and any necessary collections. Note that this function is not responsible for utility billing.</p> <p>Examples of Potential Risks (Note): >Outstanding balances for extended periods of time >Redirected payments to personal accounts</p>	3	4	36	Operational Financial Legal & Compliance
73	Administrative Services	Credit & Debt	2.08.150 Department of Administrative Services	<p>Palo Alto's credit rating is currently AAA, the highest rating a municipality can receive. This is due in large part to high fund balances and low debt burdens. Healthy fund balances and low reliance on debt equips the City to face economic hardships or other external factors outside the City's control.</p> <p>Example of Potential Risks (Note): >Sustained decreasing revenues may require the City to diminish fund balances and rely more heavily on debt >Operational inefficiencies may result from sustained economic prosperity, leaving the City vulnerable to inefficient uses of debt and fund balances during times of economic hardship</p>	2	4	28	Financial Reputation Political & Economic
74	Administrative Services	General Accounting	2.08.150 Department of Administrative Services	<p>FY22 Risk Updates: There is a lack of skills and/or time to implement new accounting pronouncements / GASB's, which may result in being noncompliant with applicable laws.</p> <p>FY21 Risks: Palo Alto's accountants ensure that the City has accurate financial information with which to make decisions and to report to the public. The accounting function ensures that the financial statements reflect the true operations and financial state of the City.</p> <p>Examples of Potential Risks (Note): >Misstatement on financial statements >Lack of internal controls to catch accounting errors</p>	3	3	26	Strategy Operational Financial Legal & Compliance
75	Administrative Services	Budget Management	2.08.150 Department of Administrative Services	<p>FY22 Risk Updates: > There can be challenges with the OMB due to the need for coordination between City Departments and City Leadership to ensure information/requests provided align with the needs of the department to provide services in addition to that fact that various financial systems are used to maintain the budget. > OMB staff have been tasked with updating policies and procedures when changes occur to keep them current; however, turnover in staff and the decentralization of where policies are stored has caused some documentation to be updated more slowly. > There is a need for a central budgeting tool and specialized budget training.</p> <p>One of the risk assessment interviewees has a concern about lack of a plan around funding for infrastructure</p>	3	3	26	Operational Financial

Risk ID	Functional Area	Risk Title	Municipal / State Code Reference	Risk Detail (From documents provided, audit reports, interviews)	Likelihood (1-5)	Impact (1-5)	Score	Risk Areas
76	Administrative Services	Accounts Payable	2.08.150 Department of Administrative Services	<p>FY22 Risk Updates:</p> <ul style="list-style-type: none"> > There have been fraud attempts surrounding the wire payments process. Currently, the City is working to establish a formal for this process. > Staffing changes are impacting the department. There is a need to better define staff responsibilities. <p>FY21 Risks:</p> <p>The Accounts Payable division handles payment of vendor invoices, p-card transactions, and other payments. The Accounts Payable department issues payments in a number of manners, including ACH and Checks. Accounts Payable is managed in SAP and any paper invoices are inputted into the system.</p> <p>Examples of Potential Risks (Note):</p> <ul style="list-style-type: none"> >Late payment of invoices in the event invoices are not inputted into SAP >Invoices entered into the system with incorrect information, such as dates miskeyed 	4	2	24	Financial Legal & Compliance
77	Administrative Services	Procurement	2.08.150 Department of Administrative Services 2.30.040 Centralized Purchasing	<p>FY22 Risk Updates:</p> <ul style="list-style-type: none"> > Staffing constraints may prevent the department from meeting its goals and objectives. > Financial constraints may prevent the department from meeting its goals and objectives. > Some of the risk assessment interviewees mentioned the inefficient procurement process. > Procurement/Sourcing was rated 14th highest risk factor (out of 38 risk factors) in the risk assessment <p>FY21 Risks:</p> <p>Palo Alto has detailed policies and procedures in place for purchasing and procurement. The process includes internal controls to ensure that the organization is protected against fraud, misuse and abuse in the purchasing process. If any areas within the purchasing process are missing controls, it opens an opportunity for unethical, fraudulent, or erroneous activities. If the purchasing process has too many controls, the City may be missing opportunities for cost savings and operational efficiencies.</p> <p>Examples of Potential Risks (Note):</p> <ul style="list-style-type: none"> >Burdensome internal controls slowing the purchasing process down, discouraging good vendors from bidding on projects >Lack on internal purchasing controls, opening opportunities for fraud, misuse and abuse 	4	4	42	Operational Financial Legal & Compliance
78	Administrative Services	Payroll	2.08.150 Department of Administrative Services	<p>Payroll ensures that all City employees are paid on time and with accuracy. Payroll must ensure that all benefit deductions, taxes, withholdings, and other individual differences in paychecks are proper and included in paychecks. This includes ensuring that any changes to employee statuses are properly reflected in paychecks.</p> <p>Examples of Potential Risks (Note):</p> <ul style="list-style-type: none"> >Lack of audit prior to payroll disbursements leading to errors in paychecks, including over or under payments >Not accounting for updates to qualifying events such as marriage or new children 	4	2	24	Operational Financial Legal & Compliance
79	Administrative Services	Grants Management	2.08.150 Department of Administrative Services	<p>Grants Management include the pursuit of grants, the tracking of outstanding grant decisions, reporting managing any awards and associated reporting and spending deadlines.</p> <p>The City of Palo Alto does not have a centralized Grant Management Function. Rather, each department pursues grant opportunities applicable to a specific program or the department as a whole and manages the grant in accordance with the grant agreement and applicable law.</p> <p>The Administrative Services Department prepares pertinent financial reports including the Schedule of Expenditures of Federal Awards (SEFA).</p> <p>Examples of Potential Risks (Note):</p> <ul style="list-style-type: none"> >Missed grant reporting deadlines >Use of grant funding on ineligible expenses >Missed grant opportunities due to inaction or delays in application writing 	3	2	16	Operational Financial Legal & Compliance
80	Administrative Services	Proposition 13	2.08.150 Department of Administrative Services	<p>Proposition 13, or "The Peoples Amendment to Control Taxation", caps property tax rates according to a percentage of the property value or the Consumer Product Index. This proposition limits the amount that residents can be taxed on their property in the midst of rising property values, while also limits the ability for the City to collect revenue at a rate in pace with the Palo Alto real estate market.</p> <p>Examples of Potential Risks (Note):</p> <ul style="list-style-type: none"> >Lost revenue for the City to fund City services with Prop 13 in place >High taxation on residents due to increased property values, especially long term Palo Alto residents, in the absence of Prop 13 	1	3	12	Financial Reputation Political & Economic

Risk ID	Functional Area	Risk Title	Municipal / State Code Reference	Risk Detail (From documents provided, audit reports, interviews)	Likelihood (1-5)	Impact (1-5)	Score	Risk Areas
81	Fire	Emergency Medical Service	State of California Senate Bill 201 2.08.180 Fire department.	<p>FY22 Risk Update: Various changes were noted in responses to the risk assessment survey.</p> <ul style="list-style-type: none">- There have been numerous employee reductions- Redeployed the resources to optimize our response with less personnel (based on predictive analysis with previous years incident data and response times).- Had a higher than normal number of personnel on injury, likely from fatigue related to COVID- The increase in mandatory overtime due to personnel reductions.- The goals identified in the 5 year strategic plan and other work flows were negatively impacted due to COVID responses and reduction in staff and line positions. <p>FY21 Risks: The Fire Department operates an ambulance transfer service. The EMS Director oversees equipment, staffing, training, and all other activities associated with this ambulance function. The City is implementing an Ambulance Subscription Fee Program. The program will be voluntary and proposes to waive the insurance co-pay participants would otherwise be charged when transported to the hospital by ambulance.</p> <p>Examples of Potential Risks (Note): >Compliance with EMS Act, including Section 201 and service level requirements >Proper billing and collection of subscription fees</p>	4	4	42	Operational Financial Legal & Compliance Reputation
82	Fire	Fire Suppression	2.08.180 Fire department.	<p>FY22 Risk Update: Various changes were noted in responses to the risk assessment survey.</p> <ul style="list-style-type: none">- There have been numerous employee reductions- Redeployed the resources to optimize our response with less personnel (based on predictive analysis with previous years incident data and response times).- Had a higher than normal number of personnel on injury, likely from fatigue related to COVID- The increase in mandatory overtime due to personnel reductions.- The goals identified in the 5 year strategic plan and other work flows were negatively impacted due to COVID responses and reduction in staff and line positions. <p>Other</p> <ul style="list-style-type: none">- A technical rescue over a hillside or a large structure fire can be very technical.- Response time data is regularly reviewed, and an annual update is completed to the accreditation (CFAI - Commission on Fire Accreditation International) that details the performance in relation to the benchmarks established by council. <p>===</p> <p>Respond to emergency and non-emergency calls Palo Alto's Hazardous Materials Team responds to calls involving hazardous materials.</p> <p>Examples of Potential Risks (Note): >Inadequate training, and certification >Improper staffing of firetruck and ambulance units</p>	3	4	36	Operational Legal & Compliance
83	Fire	Fire Prevention - Palo Alto Foothills & Wildland Fire Risk	2.08.180 Fire department.	<p>FIRE PREVENTION BUREAU Improve the quality of life for the Palo Alto community through risk assessment, code enforcement, fire investigation, public education, and hazardous materials management.</p> <p>FY22 Risk Update:</p> <ul style="list-style-type: none">- Current workforce constraints for the City and surrounding communities, as well as larger workforce shortages impact the response time or availability for mutual support.- Fire department's initiative includes rigorous wildland fire drills and trainings in order to prepare for the increased risk of a longer and more intense California fire season (FY22 Operating Budget)- One focus of climate adaption is preparation for and protection from wildfires (City of Palo Alto website)- One of the risk assessment interviewees mentioned a wildland fire risk and the effect on the climate.- One of the risk assessment survey respondents wants to see study of staffing and compensation package among similar departments. Another respondent suggests a review of the Self-Assessment Manual and a review of the current training facilities. <p>FY21 Risks: The City includes land west of Highway 280, including Foothills Park. This area is served by Fire Station 8. When Fire Station 8 is not staffed, the City is heavily reliant on mutual aid.</p> <p>Examples of Potential Risks (Note): >Lack of staffing to respond to emergencies in the Foothills Park area</p>	3	4	36	Operational Legal & Compliance Reputation

Risk ID	Functional Area	Risk Title	Municipal / State Code Reference	Risk Detail (From documents provided, audit reports, interviews)	Likelihood (1-5)	Impact (1-5)	Score	Risk Areas
84	Fire	Fire/EMS Training	2.08.180 Fire department.	<p>EMPLOYEE FIRE/EMS CERTIFICATION TRAINING</p> <p>Provide training to certify that staff maintain safe, efficient, and effective practices when responding to emergencies. Ensure personnel are familiar with and able to utilize the most up-to-date and proven techniques. Training specific to required EMT and/or Paramedic re-certification is also incorporated.</p> <p>FY22 Risk Update:</p> <p>Current workforce constraints for the City and larger shortage of EMT/EMS workers impacts the ability for the City to hire and/or train employees for proper staffing of EMT's.</p> <p>FY21 Risks:</p> <p>The majority of City of Palo Alto Firefighters are also certified as either EMT's or Paramedics. Palo Alto offers training for firefighters to be certified as EMT's. Paramedics and EMT's both respond to medical/rescue and fire calls. Paramedics are trained to perform additional medical services that EMT's are not certified to perform, including; starting IV's, administering medication and beginning intubation.</p> <p>According to NFPA safety standards and best practices, two paramedics and two EMT or BLS trained individuals should be on scene for every event.</p> <p>Examples of Potential Risks (Note):</p> <p>>Inadequate training facilities and staff training and certification</p>	2	3	18	Operational Legal & Compliance Reputation
85	Human Resources	High Cost Claims	2.08.160 Department of human resources.	<p>Managing high-cost claimants, including individuals suspected of "gaming the system" is critical for controlling benefits costs. Staffing models should plan for high-cost scenarios such as employees with chronic illnesses and sick leave abuse. High cost claims include both expensive chronic medical conditions and acute conditions. Major cost drivers include:</p> <p>>Cardiovascular disease</p> <p>>Pulmonary conditions</p> <p>>Neurological conditions</p> <p>Examples of Potential Risks (Note):</p> <p>>Public safety employees may place a significant financial burden on the City given the dangerous nature of the role</p>	4	4	42	Financial Legal & Compliance
86	Human Resources	Workload	2.08.160 Department of human resources.	<p>Due to departmental workload, there is a risk of employees may experience the below.</p> <p>Examples of Potential Risks (Note):</p> <p>> Lower morale</p> <p>> Employee health (e.g. physical, mental and emotional)</p> <p>> Poor communication</p> <p>> Human error</p>	4	4	42	Human Capital Management
87	Human Resources	Staffing Levels	2.08.160 Department of human resources.	<p>FY22 Risk Updates:</p> <p>The HR department experiences some technology issues that prevent the department from meeting its goals and objectives. The City is still at risk for losing HR professionals.</p> <p>FY21 Risks:</p> <p>Multiple departments within the City expressed challenges with staffing levels. Hiring limitations in response to COVID-19 worsened these existing challenges.</p> <p>Example of Potential Risk:</p> <p>>Relying on unqualified employees to perform critical tasks due to an unfilled vacancy</p> <p>>Non-compliance with state and federal laws due to capacity limitations</p> <p>>Reductions in service quality due to capacity limitations</p>	4	3	34	Operational Legal & Compliance
88	Human Resources	Employee Separation and Offboarding		<p>The City adheres to a detailed offboarding process including a formalized employee termination checklist. Departmental management, Human Resources, and IT coordinate to gather necessary paperwork, update IT permissions and access rights, discuss knowledge transfer, schedule and conduct an exit interview, and recover city-owned assets. This process is not supported in SAP. Instead, it involves multiple workflows and manual communications.</p> <p>Example of Potential Risks (Note):</p> <p>>Payroll fraud</p> <p>>Compliance with relevant laws and regulations regarding employee separation</p> <p>>On-going, improper physical access or business/information systems</p>	3	3	26	Strategic Operational Financial Legal & Compliance Reputation

Risk ID	Functional Area	Risk Title	Municipal / State Code Reference	Risk Detail (From documents provided, audit reports, interviews)	Likelihood (1-5)	Impact (1-5)	Score	Risk Areas
89	Human Resources	Hiring	2.08.160 Department of human resources.	<p>FY22 Risk Updates: City Council Staff Report #11973 meeting date 3/15/2021 - Finding and recommendation for fire departments in Santa Clara County: Increase the recruitment and hiring of more female firefighters Lack of diversity in Fire or Police departments were noted in the survey response and one of interviews we conducted. It was noted that the actions are being taken to correct the issue.</p> <p>FY21 Risks: The Human Resources Department oversees the hiring process. The hiring process starts with departments submitting a requisition to fill a vacancy. Upon receipt of approval from the Budget Office, Human Resources goes through a planning process with the department to identify urgency, develop a timeline, and agree on a process. Most positions are governed by merit rule and require public posting. At this stage, the City details position requirements including whether exams are necessary.</p> <p>Human Resources completes an initial review to eliminate candidates that fail to meet minimum requirements. Screening processes (i.e. phone, paper-based) differ depending on the position. Interview processes are structured and questions require sign-off from Human Resources. Human Resources works with departments to conduct a job analysis and author interview questions tied to job duties. To score interviews, the City uses a scoring matrix.</p> <p>Human Resources has plans to promote diversity, for example, blind resume reviews. To address issues related to diversity, the City focuses on job outreach to encourage a diverse candidate pools.</p> <p>Examples of Potential Risk: >Hiring of unqualified individuals >Employing an individual that should be ineligible for employment >Litigation due to an illegal interview question >Implicit bias in the hiring process</p>	3	3	26	Operational Legal & Compliance Reputation
90	Human Resources	Records Management	<p>2.08.160 Department of human resources.</p> <p>CA Labor Code Section 226 - Record Keeping Requirements</p>	<p>Human Resources lacks a centralized repository for employee records. As a result, tracking employee data is oftentimes cumbersome. Within the past three years, Human Resources started converting files in an effort to go paperless. Due to issues with the vendor partner, the department has been unable to complete this transition. Completing this transition would enhance the department's ability to store, retrieve, and archive information.</p> <p>In addition, it is unclear whether the department has policy language detailing proper handling of personal identifiable information (PII). This topic is covered through annual trainings.</p> <p>Examples of Potential Risks (Note): >Failure to establish clear record keeping guidelines increases the likelihood the City will be noncompliant with state and federal record keeping requirements such as USCIS, the EEOC, and numerous federal employment acts (such as ERISA, ADA, FMLA and OSHA) >Increased difficulty responding to various legal actions and unemployment claims</p>	3	3	26	Legal & Compliance
91	Human Resources	Succession Planning	2.08.160 Department of human resources.	<p>FY22 Risk Updates: Succession Planning is noted as a risk</p> <p>FY21 Risks: The City used to conduct "people-focused" succession planning exercises and is considering a transition to a more "skill-focused" approach. This process may include: >Determining current and short-term departmental needs >Compiling critical skillsets >Analyzing the current in-house talent pool >Assessing risk of turnover for critical positions</p> <p>Examples of Potential Risks (Note): >Successors may lack readiness >Loss of institutional knowledge >Costs associated with recruiting a replacement</p>	3	3	26	Strategic
92	Human Resources	Systems and Technology	2.08.160 Department of human resources.	<p>FY22 Risk Updates: 1) Changes in compliance related to COVID-19 workplace regulations. 2) Vacancies in HR due to turnover. 3) The City has not yet acquired a centralized Human Resources Information System (HRIS). i.e., HRIS is not fully utilized Noted as a risk area by a risk assessment interviewee</p> <p>FY21 Risks: The City does not have a centralized HRIS. Instead, Human Resources relies on multiple systems and software, especially the finance system powered by SAP. Due to system limitations, Human Resources is required to conduct critical processes manually. These processes include adjusting hazard pay and bilingual worker pay. In addition, Human Resources experiences challenges coordinating with the pension system and making salary adjustments when certain employee types are promoted.</p> <p>Example of Potential Risks (Note): >Human error due to manual processes >Inaccurate calculation of employee compensation and pension balance</p>	3	3	26	Operational

Risk ID	Functional Area	Risk Title	Municipal / State Code Reference	Risk Detail (From documents provided, audit reports, interviews)	Likelihood (1-5)	Impact (1-5)	Score	Risk Areas
93	Human Resources	Class and Comp	2.08.160 Department of human resources.	<p>Due to COVID-19, cost of living increases (COLA) and merit-based increases are frozen for non-union, management-level employees. For unionized employees, the City has contractual obligations to adhere to agreed upon pay structures and step advancements.</p> <p>In the case of union employees, classification and compensation are determined through market analysis based on agreed upon comparable firms. In some instances, agreeing upon these comparable firms has been an obstacle.</p> <p>Examples of Potential Risks (Note):</p> <ul style="list-style-type: none"> >Choosing an inappropriate market sample may result in an noncompetitive salary ranges >Noncompetitive salary ranges on the high end may result in an increased financial burden on the City >Noncompetitive salary ranges on the low end may result in difficulties with recruitment and retention 	3	3	26	Operational
94	Human Resources	Standard Operating Procedures	2.08.160 Department of human resources.	<p>FY22 Risk Updates:</p> <p>A flow chart of hiring process was presented to Council meeting.</p> <p>There is a restrictive merit fuels and policy was noted as a weakness in the risk assessment survey</p> <p>Need a study of remote positions which affect recruitment and retention as many people prefer remote positions</p> <p>Safety is a concern of HR department especially during COVID-19 pandemic since the City does not have a Safety Officer</p> <p>FY21 Risks:</p> <p>Formalized SOPs are a critical tool as they communicate the correct way of carrying out HR activities. SOPs help the organization operate efficiently, maintain consistency, and communicate clearly. Based on interviews, it is unclear whether SOPs cover all critical processes and are updated.</p> <p>Examples of Potential Risks (Note):</p> <ul style="list-style-type: none"> >A lack of standard operating procedures detailing appropriate HR practices >A lack of standard operating procedures may result in loss of institutional knowledge if an employee leaves the organization >A lack of standard operating procedures related to employee safety may result in preventable injury claims 	2	3	18	Strategic Operational Financial Legal & Compliance
95	Human Resources	Contract Employees	State of California Assembly Bill (AB) 5	<p>State of California Assembly Bill (AB) 5 requires the application of the "ABC test" to determine if workers in California are employees or independent contractors. Under the ABC test, a worker is considered an employee and not an independent contractor, unless the hiring entity satisfies all three of the following conditions:</p> <ol style="list-style-type: none"> 1. The worker is free from the control and direction of the hiring entity in connection with the performance of the work, both under the contract for the performance of the work and in fact; 2. The worker performs work that is outside the usual course of the hiring entity's business; and 3. The worker is customarily engaged in an independently established trade, occupation, or business of the same nature as that involved in the work performed <p>Some City departments rely on third-party contractors to deliver services. For example, Community Services relies on third-party contractors to manage the golf course, deliver recreational services (i.e. swimming pool, athletic fields) and provide arts and theatre programs. The City uses a variety of methods to mitigate risk in this area including management-level trainings led by the City Attorney and detailed reviews by Procurement. The City relies on a variety of "flags" such as previous employees trying to work as contractors. In these cases, the City can share the contract with CalPERS for review.</p> <p>Examples of Potential Risks (Note):</p> <ul style="list-style-type: none"> >Litigation against the City for improper employment practices 	3	2	16	Strategic Operational Financial Legal & Compliance
96	Human Resources	Onboarding Employee Set-up	2.08.160 Department of human resources.	<p>The City relies on NEOGOV HR Software to assist with the onboarding process and Check to assist with the background check process. Before the implementation of the NEOGOV onboarding module, the onboarding process was more paper-based. Once an employee is selected for hiring, their information is transferred from the applicant tracking system to the onboarding system.</p> <p>The City leverages the onboarding tool to ensure candidates receive benefits, payroll, and tax documents along with critical policies and procedures. The NEOGOV system allows the City to share paperwork with new employees before their first day and eliminate the step of creating applicant packets.</p> <p>Human Resources oversees a two-day onboarding training with new employees. In the past, the City conducted this training monthly thus allowing for a natural cohort structure. Employees would receive a tour, meet key employees, meet their union representative, and attend a variety of trainings reviewing policies and other key information. Since COVID-19, the City has shifted to an on demand hiring approach instead of the cohort model.</p> <p>Examples of Potential Risk:</p> <ul style="list-style-type: none"> >New hires do not understand critical policies and procedures >New hires do not gain access to important employment documents in a timely manner 	3	2	16	Strategic Operational Legal & Compliance
97	Human Resources	Performance Management	2.08.160 Department of human resources.	<p>The performance management process is predominantly manual. The City has not transitioned to an automated process that would assist with critical steps such as notifying supervisors and employees about upcoming evaluation deadlines.</p> <p>Performance evaluations for non-union, management employees is less structured and involves greater discretion to determine merit based increases. Departments conduct these reviews on the anniversary of the employee's first day to determine if an employee moves to the next step.</p> <p>Examples of Potential Risks (Note):</p> <ul style="list-style-type: none"> >Failure to eliminate unconscious bias from the performance appraisal process may increase the risk of litigation against the City based on the Lilly Ledbetter Act (2009) and/or the State of California Fair Pay Act (2016) >Failure to accurately track and recognize employee performance may lead to reduced engagement, especially among high-performers >Failure to recognize employee performance may result in unwanted turnover of high-performers 	3	2	16	Strategic Operational Financial Legal & Compliance Reputation Political & Economic IT

Risk ID	Functional Area	Risk Title	Municipal / State Code Reference	Risk Detail (From documents provided, audit reports, interviews)	Likelihood (1-5)	Impact (1-5)	Score	Risk Areas
98	Information Technology	Disaster Recovery Preparedness and Testing	2.08.240 Department of information technology.	<p>FY22 Risk Updates: Risk rating for this risk area was High in the internal audit report, IT Risk Management Report Noted as a risk area by a risk assessment interviewee</p> <p>FY21 Risks: This area focuses on the IT department's preparations and testing for disaster recovery (DR). In-scope activities include the following:</p> <ul style="list-style-type: none">• Disaster recovery strategy and alignment with the organization's business continuity plans• Disaster recovery plan preparation• Disaster recovery testing <p>Examples of Potential Risks (Note):</p> <ul style="list-style-type: none">> Inability to establish a formal disaster recovery team that has the authority to declare a disaster and does not have defined roles during an event may result in financial penalties for service level misses> Inadequate disaster recovery preparedness may result in a disruption of essential process and service delivery thus preventing business continuity> Lack of restoration testing may result in false assurance that your organization has functional backups to restore operations in the event of an emergency	3	5	44	Strategic Operational Reputational IT
99	Information Technology	Host Intrusion and Malware Defense	2.08.240 Department of information technology.	<p>FY22 Risk Updates: Risk rating for this risk area was High in the internal audit report, IT Risk Management Report One of the risk assessment interviewees is interested in understanding the risk the City faces in comparison with the risks others face</p> <p>FY21 Risks: This area focuses on the IT department's practices for protecting network connected computers, telephones, printers and infrastructure hardware devices from intrusive activity and malicious software exploitation. In-scope activities include the following:</p> <ul style="list-style-type: none">• Intrusion detection and prevention deployment, operation, and monitoring• Malware defense deployment, operation (e.g., signature updating), and monitoring for hosts and applications (e.g., spam email) <p>Examples of Potential Risks (Note):</p> <ul style="list-style-type: none">> Loss of system/application availability and integrity> Possible data breach and hijacking (ransomware) of organization data> Lack of intrusion detection and protection controls may result in the untimely identification of an attack	3	5	44	Strategic Operational Financial Legal & Compliance Reputational IT
100	Information Technology	Problem Management and Incident Response	2.08.240 Department of information technology.	<p>FY22 Risk Updates: Risk rating for this risk area was High in the internal audit report, IT Risk Management Report</p> <p>FY21 Risks: This area focuses on the IT department's practices for managing problems and incidents. In scope are the following activities:</p> <ul style="list-style-type: none">• The method(s) by which IT problems are reported and resolved• Problem tracking, reporting and communication• Incident response preparation and response testing• Incident identification, triaging, containment, eradication and recovery <p>Examples of Potential Risks (Note):</p> <ul style="list-style-type: none">>Loss of IT asset confidentiality, integrity and availability>Inability to properly identify the root cause of an incident thus preventing the ability to implement the appropriate corrective controls to reduce the risk a future incidents	3	5	44	Strategic Operational Reputational IT
101	Information Technology	Mobile Device Management	2.08.240 Department of information technology.	<p>FY22 Risk Updates: Risk rating for this risk area was Medium in the internal audit report, IT Risk Management Report Noted as a risk area by a risk assessment interviewee</p> <p>FY21 Risks: This area focuses on the IT department's management of mobile devices. In-scope activities include the following:</p> <ul style="list-style-type: none">>Authorization to use mobile devices>Mobile device provisioning, monitoring, support and de-provisioning>Mobile device incident response <p>Examples of Potential Risks (Note):</p> <ul style="list-style-type: none">>Unauthorized device access due to compromised security PINs>Unauthorized access by installed mobile applications to stored email, text messages, media and data>Unauthorized user access to stored email, text messages, media and data as well as network applications via VPN>Lack of mobile device monitoring may result in the untimely identification of an incident	5	3	40	Operational IT

Risk ID	Functional Area	Risk Title	Municipal / State Code Reference	Risk Detail (From documents provided, audit reports, interviews)	Likelihood (1-5)	Impact (1-5)	Score	Risk Areas
102	Information Technology	Strategy and Governance	2.08.240 Department of information technology.	<p>FY22 Risk Updates: Risk rating for this risk area was High in the internal audit report, IT Risk Management Report Noted as a risk area by a risk assessment interviewee</p> <p>FY21 Risks: This area focuses on IT strategy and governance practices. In-scope activities include the following:</p> <ul style="list-style-type: none"> • Development, maintenance and approval of an IT strategic plan that is aligned with the organization's business strategy • Development and execution of tactical IT plans that are aligned to the IT strategy • Development, maintenance and approval of an IT operating budget • Recurring performance and risk reporting to Executive Management and the Board of Directors • Oversight of IT operation and resource consumption by Executive Management and the Board of Directors <p>Examples of Potential Risks (Note):</p> <ul style="list-style-type: none"> >Executive management and the Board of Directors are unaware of IT risks and their severity >IT service delivery is misaligned with the organization and/or over-spends and under-delivers 	5	3	40	Strategic Operational, Reputational IT
103	Information Technology	Information Security	2.08.240 Department of information technology.	<p>FY22 Risk Updates: Risk rating for this risk area was Medium in the internal audit report, IT Risk Management Report Noted as a risk area by a risk assessment interviewee</p> <p>FY21 Risks: This area focuses on the IT department's practice of information security. Information security programs are developed to protect an organization's information systems and information from plausible threats and vulnerability exploitation that could result in one or more losses of security: confidentiality, integrity, availability, authenticity and/or non-repudiation. Programs should address the following:</p> <ul style="list-style-type: none"> • Policy development and enforcement • Identity and access management • Threat identification and management • Vulnerability identification and management • Security roles and responsibilities • Security training and awareness for IT and non-IT personnel <p>Examples of Potential Risks (Note):</p> <ul style="list-style-type: none"> > Increased probability that the systems and data within the systems are not adequately protected from technical and malicious threats. > Lack of security awareness training may result in internal employees exposing the organization to security threats. > Lack of vulnerability monitoring may result in untimely threat identification and a lag in response time 	2	5	38	Strategic Operational Financial Legal & Compliance Reputational IT
104	Information Technology	Operations and Monitoring	2.08.240 Department of information technology.	<p>FY22 Risk Updates: Risk rating for this risk area was Medium in the internal audit report, IT Risk Management Report</p> <p>FY21 Risks: This area focuses on the IT department's practices for operating, monitoring and maintaining the computer systems and supporting infrastructure that are used by the work staff. In-scope activities include the following:</p> <ul style="list-style-type: none"> >Capacity management > Hardware and software maintenance <p>Examples of Potential Risks (Note):</p> <ul style="list-style-type: none"> >Increased costs due to insufficient planning and forecasting >Disruption of business processes and service delivery >Financial penalties for service level misses 	2	5	38	Operational IT
105	Information Technology	Physical and Environmental Controls	2.08.240 Department of information technology.	<p>FY22 Risk Updates: Risk rating for this risk area was Medium in the internal audit report, IT Risk Management Report</p> <p>FY21 Risks: This area focuses on IT physical and environmental safeguards that are deployed to protect the organization's application systems and information. In scope activities include the following:</p> <ul style="list-style-type: none"> • Deployment and monitoring of physical access controls that protect IT assets • Deployment and monitoring of environmental controls that protect IT assets <p>Examples of Potential Risks (Note):</p> <ul style="list-style-type: none"> >Inappropriate or unauthorized physical access to data centers, server rooms, wiring closets, or facilities containing end-user IT hardware >Inappropriate or unauthorized physical access to IT hardware >IT hardware and/or infrastructure loss due to poor environmental controls 	2	5	38	Strategic Operational Legal & Compliance IT

Risk ID	Functional Area	Risk Title	Municipal / State Code Reference	Risk Detail (From documents provided, audit reports, interviews)	Likelihood (1-5)	Impact (1-5)	Score	Risk Areas
106	Information Technology	Asset Management	2.08.240 Department of information technology.	<p>FY22 Risk Updates: Risk rating for this risk area was Medium in the internal audit report, IT Risk Management Report</p> <p>FY21 Risks: This area focuses on the IT department's asset management practices. In-scope activities include the following:</p> <ul style="list-style-type: none">• Tracking information technology assets from procurement through disposal.• Reusing and decommissioning information technology assets• Ensuring information technology assets have an assigned owner, who is a stakeholder in the asset's protection• Ensuring information technology assets are properly maintained to maximize their useful life• Tracking software usage and ensuring that vendors' software license agreements are followed <p>Examples of Potential Risks (Note):</p> <ul style="list-style-type: none">> Inadequate security management of untracked IT assets> Lack of asset longevity and usefulness of assets> Data loss due to unsecured assets	3	3	26	Strategic Operational Financial IT
107	Information Technology	Compliance Management	2.08.240 Department of information technology.	<p>FY22 Risk Updates: Risk rating for this risk area was Medium in the internal audit report, IT Risk Management Report</p> <p>FY21 Risks: This area focuses on the IT department's practices for complying with IT-related contract requirements, governmental regulations (e.g., HIPAA Security Rule) and industry standards (e.g., PCI Data Security Standard). In-scope are the following activities:</p> <ul style="list-style-type: none">• Compliance program development and maintenance• Compliance program monitoring and reporting <p>Examples of Potential Risks (Note):</p> <ul style="list-style-type: none">> Poor compliance management practices may result in regulatory fines and oversight stemming from non-compliance.> Inability to management compliance requirements may result in increased operating expenses (e.g., payment card transaction costs).> Legal costs and ramifications that damage reputation and hinder business operations	3	3	26	Legal & Compliance IT
108	Information Technology	Procurement and Service Provider Management	2.08.240 Department of information technology.	<p>FY22 Risk Updates: Risk rating for this risk area was Medium in the internal audit report, IT Risk Management Report Noted as a risk area by a risk assessment interviewee</p> <p>FY21 Risks: This area focuses on the IT department's practices for procuring hardware, soft-ware, facilities and services as well as managing the contracted service providers. In scope are the following activities:</p> <ul style="list-style-type: none">>Procurement strategy> Vendor and service provider due diligence and performance monitoring <p>Examples of Potential Risks (Note):</p> <ul style="list-style-type: none">>Insufficient oversight of procurement strategy and methods could result in the failure to optimize the cost and effectiveness of IT asset and service purchases>Insufficient oversight of service provider contract performance could result in the non-timely detection of product/service delivery problems>Insufficient oversight of service provider activity and security controls could cause security problems including a data breach	3	3	26	Strategic Operational Financial Legal & Compliance Reputational IT
109	Information Technology	Risk Management	2.08.240 Department of information technology.	<p>FY22 Risk Updates: Risk rating for this risk area was Medium in the internal audit report, IT Risk Management Report</p> <p>FY21 Risks: This area focuses on the IT department's risk management practices. In-scope activities include IT risk identification, triaging, treatment, tracking and management reporting.</p> <p>Examples of Potential Risks (Note):</p> <ul style="list-style-type: none">>Reputational damage>Monetary loss and penalties>Inadequate risk identification may lead to unmitigated threats to the organization	3	3	26	Strategic Operational Reputational IT
110	Information Technology	Application Management	2.08.240 Department of information technology.	<p>FY22 Risk Updates: Risk rating for this risk area was Medium in the internal audit report, IT Risk Management Report</p> <p>FY21 Risks: This area focuses on the management of the organization's business applications – how they are developed, procured, modified and managed as well as how application security is performed and the role of the IT department in managing an application.</p> <p>Examples of Potential Risks (Note):</p> <ul style="list-style-type: none">> Inability to implement application changes and provide application support in a timely manner due to critical staff shortage or turn-over> Disruption of core business functions due to application downtime> Shared or generically named and/or shared among a group of users, the lack of accountability may result in inappropriate activity	2	3	18	Operational IT

Risk ID	Functional Area	Risk Title	Municipal / State Code Reference	Risk Detail (From documents provided, audit reports, interviews)	Likelihood (1-5)	Impact (1-5)	Score	Risk Areas
111	Information Technology	Architecture and Deployment	2.08.240 Department of information technology.	<p>FY22 Risk Updates: Risk rating for this risk area was Medium in the internal audit report, IT Risk Management Report</p> <p>FY21 Risks: This area focuses on the architecture and deployment of organization's information technology. In-scope elements include:</p> <ul style="list-style-type: none"> • The network architecture and deployed technology that is used to provide intra-site, inter-site connectivity and Internet connectivity • The organization's server and storage infrastructure • The computer hardware that is deployed for end-users <p>Examples of Potential Risks (Note): > Poor or unreliable IT service delivery that may result in customer dissatisfaction</p>	2	3	18	Strategic Operational IT
112	Information Technology	Change Management	2.08.240 Department of information technology.	<p>FY22 Risk Updates: Risk rating for this risk area was Medium in the internal audit report, IT Risk Management Report</p> <p>FY21 Risks: This area focuses on the IT department's practices for controlling changes to the IT environment. In-scope activities include the following:</p> <ul style="list-style-type: none"> • Management of infrastructure hardware, software and configuration changes • Management of host system software and configuration changes • Management of normal and emergency changes • Application release management • Delineation of the activities that are controlled by change management versus help desk request ticketing <p>Examples of Potential Risks (Note): > Inappropriate, unauthorized, under-planned and/or under-tested system changes may be implemented that negatively impact agency operations and/or reputation > Lack of managements approval prior to moving changes into production may result in disruptions in business operations. > Lack of a formal documented change management process may result in the inconsistent application of changes. > Lack of segregation of duties between environments related to development, testing and production can result in inappropriate changes that may disrupt operations</p>	2	3	18	Strategic Operational IT
113	Information Technology	Database and Data Management	2.08.240 Department of information technology.	<p>FY22 Risk Updates: Risk rating for this risk area was Medium in the internal audit report, IT Risk Management Report Noted as a risk area by risk assessment interviewees</p> <p>FY21 Risks: This area focuses on the IT department's practices for controlling changes to the IT environment. In-scope activities include the following:</p> <ul style="list-style-type: none"> • Management of infrastructure hardware, software and configuration changes • Management of host system software and configuration changes • Management of normal and emergency changes • Application release management • Delineation of the activities that are controlled by change management versus help desk request ticketing <p>Examples of Potential Risks (Note): > Inappropriate, unauthorized, under-planned and/or under-tested system changes may be implemented that negatively impact agency operations and/or reputation > Lack of managements approval prior to moving changes into production may result in disruptions in business operations. > Lack of a formal documented change management process may result in the inconsistent application of changes. > Lack of segregation of duties between environments related to development, testing and production can result in inappropriate changes that may disrupt operations</p>	2	3	18	Operational IT
114	Information Technology	Organizational Architecture	2.08.240 Department of information technology.	<p>FY22 Risk Updates: Risk rating for this risk area was Medium in the internal audit report, IT Risk Management Report Noted as a risk area by a risk assessment interviewee</p> <p>FY21 Risks: This area focuses on the organization of the IT department, its placement within the organization and its approach to staffing.</p> <p>Examples of Potential Risks (Note): >A decentralized IT Department may result in inefficient operations by resulting in shadow IT. >Unaligned organizational structure may result in inefficient service delivery resulting in increased operating costs and potential service disruption >Lack of cross-training to backfill critical job roles and tasks may result in inadequate staffing >Lack of professional development for staff may result in the inability to recruit and retain qualified talent</p>	2	3	18	Strategic Operational IT

Risk ID	Functional Area	Risk Title	Municipal / State Code Reference	Risk Detail (From documents provided, audit reports, interviews)	Likelihood (1-5)	Impact (1-5)	Score	Risk Areas
115	Information Technology	Project Management	2.08.240 Department of information technology.	<p>FY22 Risk Updates: Risk rating for this risk area was Low in the internal audit report, IT Risk Management Report</p> <p>FY21 Risks: This area focuses on the IT department's project management practices. In-scope activities include: >Initiating, planning, executing, controlling, and closing projects >Managing projects' scope, milestones, quality and budget >Ensuring projects are adequately staffed >Reporting project progress and issues on a recurring basis to management and stakeholders</p> <p>Examples of Potential Risks (Note): >Poor project deliverable quality >Project cost overruns and late project completion >Inadequate project management may lead to fines due to unmet project milestones or non-compliance</p>	2	2	10	Operational IT
116	Information Technology	End-User Support and Perceptions	2.08.240 Department of information technology.	<p>FY22 Risk Updates: Risk rating for this risk area was Medium in the internal audit report, IT Risk Management Report</p> <p>FY21 Risks: This area focuses on the IT department's scope and approach for providing end-user support as well as the perceptions that end-users have regarding IT service delivery. In-scope activities include the following: • End-user request intake • Help Desk triaging of end-user requests and problems • Help Desk request tracking and reporting • End-user notification of request handling progress and completion • Requesting and receiving end-user feedback on completed or abandoned service requests</p> <p>Examples of Potential Risks (Note): > Loss of end-user sponsorship and partnership in IT initiatives > Inefficient help desk processes related to request in-take, triaging, tracking and reporting may result in end-user dissatisfaction</p>	3	1	8	Operational Reputational IT
117	Information Technology	Ransomware	2.08.240 Department of information technology.	<p>FY22 Risk Updates: Noted as a risk area by a risk assessment interviewee</p> <p>FY21 Risks: Governments are subject to cybersecurity threats, including but not limited to hacking, malware, ransomware. These crimes are becoming more common and costly for local governments to detect and deter.</p> <p>Examples of Potential Risk: >Financial loss as a result of a cyber attacker demanding a monetary payment in exchange organization data. >Service delivery disruption as a result of organizational data being held ransom thus preventing employee access to essential data.</p>	2	5	38	Reputational IT
118	Information Technology	Business Continuity Plan (BCP) and Disaster Recovery Plan (DRP)	2.08.240 Department of information technology.	<p>FY22 Risk Updates: Reference notes under "Disaster Recovery Preparedness and Testing"</p> <p>FY21 Risks: As a best practice, the City can benefit from a BCP which includes a DRP that is communicated to all staff. There is a lack of awareness across several functions on whether or not the City has a formal BCP and DRP. Failure to establish a plan leaves the potential for an interruption in services and the inability for all parties to know their roles, responsibilities and sequence of operations in the instance of an identified disasters.</p> <p>Examples of Potential Risks (Note): >Less effective and timely recovery from disaster events resulting in increased disruption of business operations or service delivery, increased expenditures for system recovery and potentially reputational damage</p>	2	4	28	Strategic Financial IT
119	Information Technology	IT Roadmap	2.08.240 Department of information technology.	<p>FY22 Risk Updates: • The City's three-year IT strategy is ending in 2021. Also, reference "Strategy and Governance"</p> <p>FY21 Risks: As a best practice, an IT Department's 1-3 year strategic roadmap is recommended to specifically align with the City's strategic goals. Failure to implement a documented roadmap may result in an insufficient use of limited resources and the inability of the department to support the overall business operations of the City. This can reveal itself when operations tend to be more reactive in nature. Proactive measures such as a roadmap will support alignment of network security, replacing aging application with new systems, hardware and software and technical items with the business goals of the City.</p> <p>Examples of Potential Risks (Note): >Absence of a formal IT Capital Plan approach has limited the transparency into the IT Capital Plan budget and misses the opportunity to facilitate a cohesive, City-wide IT investment strategy</p>	2	3	18	Strategic Legal & Compliance Reputational IT

Risk ID	Functional Area	Risk Title	Municipal / State Code Reference	Risk Detail (From documents provided, audit reports, interviews)	Likelihood (1-5)	Impact (1-5)	Score	Risk Areas
120	Library	Events	2.08.230 Department of libraries.	<p>Throughout the year, the library hosts many events, holiday parties and seminars. These events are interactive, often involving food, music and performances. Events are hosted by the library in conjunction with external non-profits, community agencies, faith-based organizations and individual persons and groups. The library also works with internal departments such as Police and Fire to host events. Events are designed to be educational and to help engage the community.</p> <p>Examples of Potential Risks (Note):</p> <ul style="list-style-type: none">>Health and safety for gatherings of large groups of individuals>Culturally insensitive events	1	3	12	Strategic Legal & Compliance Reputation
121	Library	Inventory Management	2.08.230 Department of libraries.	<p>The largest business of the library involves the management of the book inventory (check-in and check-out). An inherent risk to lending is the ability to recoup and collect items loaned. The City does not charge late fees for book rentals but does impose fines and fees for replacement of books that are 42 days late. Laptop's and other library collection items are subject to late fees and replacement costs.</p> <p>Examples of Potential Risks (Note):</p> <ul style="list-style-type: none">>Book return process and inventory management	3	2	16	Financial
122	Library	Library Programs	2.08.230 Department of libraries.	<p>Palo Alto's library offers hundreds of adult, children and family programs and services. These programs and services are open to any member of the community or library card holder. These programs include;</p> <ul style="list-style-type: none">>Book Clubs>ESL Classes>Writers workshops and contests>Arts and Crafts>Story Times <p>Library offered programs are services are traditionally in person and virtual. Programs may require pre-registration, while others are readily available online, to be used at any time.</p> <p>Examples of Potential Risks (Note):</p> <ul style="list-style-type: none">>Program demand	1	3	12	Strategic Financial Legal & Compliance Reputation
123	Library	Privacy	2.08.230 Department of libraries.	<p>Privacy is a concern for both the City and its citizens. Holding and storing of personal information safely, even for minimal periods of time, is essential. The library collects personal information from residents when evaluating citizens requests for a library card, no information is retained by any of the City's libraries.</p> <p>Examples of Potential Risks (Note):</p> <ul style="list-style-type: none">>Users do not log off when using the library computers//hardware>Private information regarding uses of libraries and its services is stored improperly	3	1	8	Legal & Compliance Reputation IT
124	Library	Locations Management	2.08.230 Department of libraries.	<p>FY22 Risk Updates:</p> <p>The Libraries organizational structure was reorganized and diminished during previous rounds of budgeting. Limited staff has increased workload on existing staff without changes in technology for inventory management.</p> <p>FY21 Risks:</p> <p>Palo Alto has 5 library branches spaced throughout the City. Each library has unique services and function and is situated near other City services. The placement and special function of each library is to best serve the local community surrounding the library. Individuals are able to use any library and may request books from another library be transferred to their chosen community library for reservation and check-out. Additionally, books may be returned to any library or book-drop, regardless of where the book was originally checked-out.</p> <p>Examples of Potential Risks (Note):</p> <ul style="list-style-type: none">>Internal management of book returns and logistics is inefficient, and books are temporarily or permanently lost>Balance of staff and service offerings	3	1	8	Strategic Operational Financial Reputational
125	Planning and Development Services	Long Range Planning	<p>2.08.220 Department of planning and development services</p> <p>Chapter 16.65 CITYWIDE AFFORDABLE HOUSING REQUIREMENTS</p> <p>Chapter 19.04 PLANNING COMMISSION</p>	<p>FY22 Risk Updates:</p> <ul style="list-style-type: none">• Uncertainty of aging population• Workforce constraints• Economic uncertainty• Inflation• State mandated initiatives and/or funding requirements <p>FY21 Risks:</p> <p>The Long Range Planning division within the Department of Planning & Development Services guides and develops visioning and implementation programs for the City's community development policies and programs. Division areas of focus include:</p> <ul style="list-style-type: none">>Affordable housing>Housing planning and policies>Land Use and zoning>Weatherization>Comprehensive Planning>Community Block Grants <p>Examples of Potential Risks (Note):</p> <ul style="list-style-type: none">>Unforeseen changes in economic or political conditions leading to required changes and inability to forecast future circumstances	5	4	46	Strategic Operational Financial Legal & Compliance Reputation Political & Economic

Risk ID	Functional Area	Risk Title	Municipal / State Code Reference	Risk Detail (From documents provided, audit reports, interviews)	Likelihood (1-5)	Impact (1-5)	Score	Risk Areas
126	Planning and Development Services	Current Planning	2.08.220 Department of planning and development services	<p>FY22 Risk Updates:</p> <ul style="list-style-type: none">• Internal audit review of permitting processes, specific to solar panels• Updated ERP syst6em for tracking permitting, and payments <p>FY21 Risks: For anyone desiring to build in Palo Alto, they will first need to receive a building permit. The planning function will provide building permits based on the function's broader Comprehensive Plan 2030, compliance with the California Environmental Quality Act (CEQA), Plan Review (a fully outsourced service) and other codes and regulations. There is also an Architecture Review Board that consults on the decision for new proposals. All of these factors are considered when making decisions regarding proposals and requests.</p> <p>Examples of Potential Risks (Note):</p> <ul style="list-style-type: none">>Disagreement amount interpretation of current codes and regulations increasing the amount of discretion necessary in decision making>High quantities of new building proposals required for review, putting pressure on existing staff and lowering overall quality	4	3	34	Strategic Operational Financial Legal & Compliance Reputation
127	Planning and Development Services	Development Services	2.08.220 Department of planning and development services	<p>FY22 Risk Updates:</p> <ul style="list-style-type: none">• Internal audit review of permitting processes, specific to solar panels• Updated ERP syst6em for tracking permitting, and payments <p>FY21 Risks: Development Services includes the Development Center, Plan Review Services, and the Inspection program. Permits are filed in person at City Hall or through the new Online Permit Services System. Permits and inspections are mandated before construction and/or remodeling for a variety of projects.</p> <p>Examples of Potential Risks (Note):</p> <ul style="list-style-type: none">>Individuals and businesses do not request permits or inspections before initiating projects>Delays or backlogs in providing permitting and inspection services	3	3	26	Operational Financial Legal & Compliance Reputation
128	Planning and Development Services	Code Enforcement	2.08.220 Department of planning and development services	<p>The Code Enforcement Division of the Department of Planning & Development Services is responsible for enforcement of property maintenance, zoning, and building codes throughout Palo Alto.</p> <p>Examples of Potential Risks (Note):</p> <ul style="list-style-type: none">>High volume of development and/or renovations without adequate capacity to enforce all codes>Inability to respond to all complaints made by community members	3	2	16	Operational Legal & Compliance Reputation
129	Planning and Development Services	Building Division	2.08.220 Department of planning and development services	<p>The City of Palo Alto Building Division serves as a resource for homeowners, businesses, designers and contractors. The goal is to help customers build safe, healthy and sustainable buildings that comply with applicable codes and regulations.</p> <p>Examples of Potential Risks (Note):</p> <ul style="list-style-type: none">>Volume of requests due to high demand for new builds and renovation, leading to lower quality of advice or inability to answer all incoming questions	3	2	16	Operational Legal & Compliance Reputation
130	Planning and Development Services	Historic Preservation	2.08.220 Department of planning and development services 18.12.140 Historical Review and Incentives 18.10.130 Historical Review and Incentives	<p>The City of Palo Alto looks to preserve and protect its culturally, historically and architecturally significant places in order to create a vibrant and sustainable community that fully reflects Palo Alto's diverse past. The City of Palo Alto's Historic Preservation Program began in 1979 and currently boasts four National Register Districts and hundreds of individually significant resources.</p> <p>Examples of Potential Risks (Note):</p> <ul style="list-style-type: none">>Cultural significance of historic homes and architecturally significant places increases reputational risk related to preservation>Process efficiency and customer service	1	2	6	Financial Legal & Compliance Reputation Political & Economic
131	Police	Use of Force and Officer Conduct	2.08.170 Police department.	<p>The Independent Police Auditor has the authority to review and assess for objectivity, thoroughness, and appropriateness of disposition citizen complaint investigations of misconduct and internal affairs investigations associated with the Police Department and makes recommendations to the Police Chief.</p> <p>Loss of trust in law enforcement is a common externality. Research shows that perceived legitimacy of law enforcement is critical to effective law enforcement.</p> <p>High profile officer-involved interactions carry with them a variety of risks.</p> <p>Examples of Potential Risks (Note):</p> <ul style="list-style-type: none">>Litigation due to perceived or actual misconduct may result in legal action and expensive settlements>Reputational harm from improper use of force	2	5	38	Operational Financial Reputation

Risk ID	Functional Area	Risk Title	Municipal / State Code Reference	Risk Detail (From documents provided, audit reports, interviews)	Likelihood (1-5)	Impact (1-5)	Score	Risk Areas
132	Police	Staffing Levels	2.08.170 Police department.	<p>FY22 Risk Updates: In the survey, an audit of hiring, recruiting, and retention was recommended. Some interviewees noted lack of diversity, which they are currently trying to address.</p> <p>FY21 Risks: As of November 2020, nine employees are eligible for retirement and the City recently offered a retirement incentive. In addition, PD is also experiencing attrition among line-level officers, some of whom make lateral moves to work in other communities. Due to hiring constraints, turnover typically results in prolonged position vacancies.</p> <p>Examples of Potential Risks (Note): >Costs associated with position vacancy including lost productivity, overtime paid to officers, and training costs</p>	3	3	26	Strategic Operational Financial Legal & Compliance Reputation Political & Economic IT
133	Police	Overtime	2.08.170 Police department.	<p>FY22 Risk Updates: Staffing shortages for police officers and first responders are common across the State and within the City. Additionally, public pressure to not grow police forces, and the retirement of City Officers.</p> <p>FY21 Risks: Unpaid overtime claims are the largest category of complaints filed under California's wage and hours laws. Palo Alto police officers frequently work overtime. A common issue is having step based officers working dispatch during times of need.</p> <p>Examples of Potential Risks (Note): >Increased stress and fatigue among officers >Increased financial burden on the City as officers are paid at a higher rate</p>	4	2	24	Strategic Operational Financial Legal & Compliance Reputation Political & Economic IT
134	Police	Records Management	2.08.170 Police department.	<p>Law enforcement records management systems are a valuable source of information essential to the investigative, arrest, and judicial processes. Failure to manage records can affect the successful prosecution of criminal violators, resulting in liability or loss of public confidence.</p> <p>The City of Palo Alto Police Department relies on Sun Ridge Systems, Inc. to manage its police records.</p> <p>Examples of Potential Risks (Note): >Mismanagement of records, resulting in non-compliance from federal and/or State standards >Insufficient record retainage for important, highly visible cases</p>	2	3	18	Strategic Operational Financial Legal & Compliance Reputation Political & Economic IT
135	Police	Dispatch	2.08.170 Police department.	<p>The City of Palo Alto uses the dispatch function within the Police Department in order to dispatch for multiple functions, including police calls, Stanford matters, utilities, fire, and others. This dispatching service provides a conduit from citizens to City public safety and emergency services.</p> <p>Examples of Potential Risks (Note): >Mishandling of emergency calls from the public could lead to unfavorable views of City Police and other services >Multiple services addressed by dispatch may raise the risk for errors or bottlenecks in dispatching processes >Inaccurate allocation of dispatch related costs to other departments or organizations</p>	3	2	16	Operational Reputation
136	Police	Onboarding/Training	2.08.170 Police department.	<p>FY22 Risk Updates: Staffing shortages for police officers and first responders are common across the State and within the City. Additionally, given the actual or perception of public pressure for law enforcement, training is increasingly important for public trust.</p> <p>FY21 Risks: Officers are required to reach a minimum of 32 hours of ongoing professional training every 24 months. Officer training is integrated into officers' schedules throughout the year. Trainings are both in-person and virtual, and can be in both group or individual settings. Additionally, training and onboarding of a new officer recruit can take upwards of 18 months.</p> <p>Examples of Potential Risks (Note): >Noncompliance with training requirements >Inadequately trained personnel resulting in improper handling of public safety matters</p>	2	3	18	Operational Legal & Compliance Reputation

Risk ID	Functional Area	Risk Title	Municipal / State Code Reference	Risk Detail (From documents provided, audit reports, interviews)	Likelihood (1-5)	Impact (1-5)	Score	Risk Areas
137	Public Works	Engineering Services	12.04.030 Public Works 2.30.100 Public Works Contracts 2.30.300 Public Works Contracts 2.08.190 Department of Public Works	<p>FY22 Risk Updates:</p> <ul style="list-style-type: none"> • Collective cost of repairs, upgrades and new building projects has increased • Pipeline monies from State and Federal dollars • Supply chain constraints for raw materials and supplies • Cost of materials and labor, particularly for contracted work <p>The internal audit report, Construction Project Controls Assessment, provided recommendations in the following areas:</p> <ul style="list-style-type: none"> • Project Reporting • Document Control • Prevailing Wage Monitoring • Schedule Management • Allowance Usage <p>FY21 Risks:</p> <p>The Engineering Services Division designs and constructs City-owned facilities, streets, sidewalks, storm drains and parks infrastructure; provides engineering support to City Departments and the private development community for construction in the public right of way.</p> <p>The City oversees approximately 400,000 square feet of City-owned facilities including multiple community centers and libraries. Usage and maintenance patterns differ for each of these facilities. For example, the City leases space within the Cubberley Community Center to a variety of long-term leases.</p> <p>Examples of Potential Risks (Note):</p> <ul style="list-style-type: none"> >Lack of funding may cause some capital projects to be significantly delayed and risk cost over-run from lack of continuous activities (i.e. start-up/shut-down operations) >Unfavorable contract terms resulting in unexpected expenses 	2	5	38	Strategic Operational Financial Legal & Compliance Reputation Political & Economic IT
138	Public Works	Public Services - Fleet	2.30.100 Public works contract.	<p>FY22 Risk Updates:</p> <ul style="list-style-type: none"> • Supply chain constraints for raw materials and supplies • Cost of materials and labor, particularly for contracted work <p>FY21 Risks:</p> <p>The Public Services Division maintains the City's fleet. Due to spending restrictions because of the COVID-19 pandemic, the City has limited fleet maintenance efforts as a cost savings measure.</p> <p>The City maintains a pool of vehicles that may be used for City business.</p> <p>Examples of Potential Risks (Note):</p> <ul style="list-style-type: none"> >An ageing fleet may result in increased maintenance costs >Lack of funding stability may harm the City's ability to maintain and replace vehicles >Charges to user departments may not sufficiently cover the City's full fleet costs >Policies and procedures that fail to clearly define replacement criteria may result in inefficient replacement methods 	3	4	36	Strategic Operational Financial Legal & Compliance Reputation
139	Public Works	Wastewater Treatment Plant Operations		<p>The City operates the Regional Water Quality Control Plant (RWQCP), which cleans and treats wastewater before it is discharged to San Francisco Bay. The plant is owned and operated by the City of Palo Alto, and it treats wastewater for the communities of Los Altos, Los Altos Hills, Mountain View, Palo Alto, Stanford University and the East Palo Alto Sanitary District. There is an agreement in place to allocate costs to each community.</p> <p>Examples of Potential Risks (Note):</p> <ul style="list-style-type: none"> >Accuracy of cost allocation to each community >Compliance with applicable environmental laws 	3	4	36	Operational Financial Legal & Compliance
140	Public Works	Airport	2.30.100 Public works contract.	<p>FY22 Risk Updates:</p> <p>In the survey, the following opportunity was identified: New Airport technologies for streamlining administrative processes</p> <p>FY21 Risks:</p> <p>The Airport Division operates and maintains the Palo Alto Airport, the 3rd busiest airport in the Bay Area. The Air Traffic Control Tower is operated by the Federal Aviation Administration.</p> <p>The Airport generates revenues through tie-down fees and hangar rentals. The fee schedule is updated periodically.</p> <p>The Airport Division is overseeing a multi-phase apron reconstruction project. Construction began in 2018 and is expected to be complete in 2021. Construction of Phase I was completed in June 2018. Construction of Phase II began in December 2018 and was completed in January 2020.</p> <p>Examples of Potential Risks (Note):</p> <ul style="list-style-type: none"> >Unfavorable contract terms may result in in unexpected expenses >Failure to reconcile contractor invoices may result in overpayments >Poor project planning may result in expensive change orders >Improper billing or management of fees for service >Impact of repayment plan established by Airport to the General Fund causing impacts on airport operations 	2	4	28	Strategic Operational Financial Legal & Compliance

Risk ID	Functional Area	Risk Title	Municipal / State Code Reference	Risk Detail (From documents provided, audit reports, interviews)	Likelihood (1-5)	Impact (1-5)	Score	Risk Areas
141	Public Works	Public Services - Facilities		<p>FY22 Risk Updates: State requirements to maintain facilities that are related to environmental impacts and controls have increased and oversight has changed. Larger workforce issues for the City and for outside Vendors.</p> <p>FY21 Risks: The City must prioritize capital projects based on a variety of factors. The 2011 Blue Ribbon Commission (IBCR) report highlighted conclusions the City uses to assist with project prioritization and funding models. Key conclusions include: >The City underfunded its infrastructure maintenance in the amount of over \$2 million per year. >The City permitted the infrastructure underfunding to accumulate, building a backlog of "catch-up" needs totaling over \$40 million. >Five major City-owned facilities fell below current standards of safety, capacity, and functionality.</p> <p>Examples of Potential Risks (Note): >Inadequate preventative maintenance resulting in long-term financial burden of managing emergency maintenance needs >Failure to adhere to an infrastructure management system may hinder the City's ability to track the condition and use of all City infrastructure >Failure to effectively maintain City-owned facilities may result in more costly long-term repairs and replacement in the future</p>	3	4	36	Operational Financial
142	Public Works	Environmental Services	2.30.100 Public works contract.	<p>FY22 Risk Updates: The City incorporated the building of a new Environmental Laboratory and Environmental Services Building. The building will allow for new technology and testing for water, wastewater and stormwater systems.</p> <p>FY21 Risks: The Environmental Services division operates and maintains the Regional Water Quality Control Plant; maintains a Pretreatment Program for control of industrial and commercial dischargers; provides pollution prevention information and programs to residents and businesses; manages the City's solid waste programs. Environmental Services helps implement Zero Waste Palo Alto's mission, to help the community virtually eliminate waste being buried or burned. This effort involves garbage collection and sorting, recycling, and composting. Environmental Services contracts out these waste collection and sorting services.</p> <p>Examples of Potential Risks (Note): >Failure to detect non-compliant industrial dischargers may result in preventable pollution >Failure to achieve Zero Waste goals may harm the City's reputation</p>	3	3	26	Strategic Operational Financial Legal & Compliance Reputation
143	Public Works	Urban Forestry		<p>The Public Works Urban Forestry Section maintains nearly 66,000 trees of Palo Alto's urban forest. The urban forest provides a variety of benefits including: >Reduce the effects of urban density >Increase property values >Assist with storm water mitigation >Remove air pollutants >Assist with greenhouse gas sequestration</p> <p>The City has established a Urban Forest Master Plan, which was adopted in February 2019. The "Implementation Plan" includes planning for: >Budget need >Inter-departmental collaboration >Municipal Code updates >Monitoring</p> <p>Examples of Potential Risks (Note): >Risks associated with contract management</p>	1	3	12	Operational Legal & Compliance Reputation
144	Public Works	Building Deconstruction	2.30.100 Public works contract.	<p>As part of an ongoing effort to reduce waste in Palo Alto, City Council approved a Deconstruction Ordinance. The goal is for building materials to be reused or recycled, so workers will have to disassemble structures instead of wrecking buildings. Two of the largest components of landfill waste are food waste and construction and demolition (C&D) related materials. C&D materials represent more than 40% of Palo Alto debris that gets disposed in landfills.</p> <p>Examples of Potential Risks (Note): >This ordinance may place a financial burden on residential, commercial, and industrial property owners interested in demolishing a building >The City may weaken its reputation as "business-friendly" >Property owners may avoid needed upgrades to circumvent additional costs</p>	2	2	10	Financial Reputation Political & Economic
145	Transportation	Safety Improvement Projects and Traffic Operations	2.08.260 Office of transportation.	<p>FY22 Risk Updates: The California Department of Transportation's mission was changed in FY22 to make transportation more equitable and defend the climate. State missions and funding streams will be used to advance this mission.</p> <p>FY21 Risks: The Office of Transportation works to enhance quality of life and improve the safety of the users of all modes of transportation. To achieve these goals, the Office manages safety improvement projects, collects transportation data, sets speed limits, follows signage and striping best practices, and implements traffic control measures.</p> <p>Examples of Potential Risks (Note): >Improper roadway safety and operations decisions may result in preventable roadway incidents with legal ramifications for the City >Failure to obtain community support for a project may result in expensive change orders and reputational harm</p>	2	4	28	Strategic Financial Legal & Compliance Reputation

Risk ID	Functional Area	Risk Title	Municipal / State Code Reference	Risk Detail (From documents provided, audit reports, interviews)	Likelihood (1-5)	Impact (1-5)	Score	Risk Areas
146	Transportation	Contract Management	2.08.260 Office of transportation.	<p>FY22 Risk Updates: The contract with Duncan Solution was amended to implement ALPR technology and the Surveillance Use Policy were approved by City Council on 2/22/2021. There is a public's concern about privacy, and the contract is to comply with SB 210. The policy states, "ALPR system audits will be conducted on a regular, annual basis." Staff anticipates being able to procure the essential hardware by April 2021 or shortly thereafter, with full implementation expected to launch by late Summer 2021.</p> <p>FY21 Risks: The Office of Transportation relies on contracted services for a variety of areas including construction, parking enforcement, and permitting. Noteworthy contractors include Serco and Duncan Solutions.</p> <p>The Serco contract is three years, in an amount not-to-exceed \$2,322,285 for residential preferential parking enforcement services. The Duncan Solution contract is \$627,000 over a five-year term to develop, implement, support and maintain a parking permit and citation management system.</p> <p>Examples of Potential Risks (Note): >Unfavorable contract terms resulting in unexpected expenses >Contract compliance and cost control issues >Failure to reconcile contractor invoices may result in overpayments</p>	3	5	44	Operational Financial Legal & Compliance
147	Utilities	Workforce & Succession Planning	2.08.200 Department of Utilities	<p>FY22 Risk Updates - The department may be impacted by a loss of institutional knowledge due to long-term staff retirements creating position vacancies which results in the hiring of new staff that is unaware of the City's processes. There are also challenges with attracting and retaining staff due to non-competitive salaries. - One of the risk assessment interviewees mentioned that a salary is being increased as a currently vacant position cannot be filled.</p> <p>FY21 Risks: With Palo Alto's high cost of living, the City has had trouble recruiting and retaining positions such as lineman and operations crew as there are other organizations (such as investor-owned utilities) in more affordable areas that are also in need of these positions. These employees can oftentimes make the same or higher salaries at other organizations with lower costs of living. This creates an issue for the City in regards to recruiting and retaining positions in high demand such as linemen.</p> <p>Examples of Potential Risks (Note): >Sustained high vacancy of positions decrease the ability for Palo Alto to maintain pace of capital improvements and maintenance >High turnover of employees increases personnel expenses associated with onboarding and training >Difficulty hiring high-quality employees in these types of positions</p>	2	3	18	Operational Financial Reputation Political & Economic
148	Utilities	AMI Project	2.08.200 Department of Utilities	<p>FY22 Risk Updates: The City has the opportunity to improve its metering process.</p> <p>FY21 Risks: Palo Alto is moving towards an implementation of AMI technology for meter reading. AMI will allow for the City to conduct meter readings with more efficiency and accuracy. The costs associated with such an implementation are significant. Any implementation with such an effort may run into unexpected challenges and barriers to implementation. Additionally, redeploying current meter readers is also a challenge.</p> <p>Examples of Potential Risks (Note): >Customers desiring to opt out of AMI technology may introduce additional challenges in creating efficient meter reading processes >Implementation of AMI can introduce financial risks for unexpected challenges</p>	3	4	36	Strategic Operational Financial IT
149	Utilities	Work Order & Asset Management	2.08.200 Department of Utilities	<p>For any operations and maintenance, a proper work order system is vital to the operations of the utility. Modern day technology and automation can improve the work order process and reduce the number of steps required from employees.</p> <p>Examples of Potential Risks (Note): >Implementation of an automated work order system can be costly and disruptive >Lack of an automated work order system can create efficiency issues and opportunities for human error >Improper use of the work order system resulting in improper classification of assets</p>	3	3	26	Operational IT
150	Utilities	Rebates and Programs	2.08.200 Department of Utilities	<p>FY22 Risk Updates: - FY22 Adopted Operating Budget document states that it assumes various rate changes. - One of the risk assessment interviewees is concerned about capacity and costs to increase renewable energy.</p> <p>FY21 Risks: The City offers both residential and commercial utility customers rebates and programs to assist with efficiency and cost savings. In particular, both residential and commercial customers can take advantage of city resources to learn more about solar energy. The City also offers tips and tricks regarding energy efficiency. For residential customers, you can receive landscape rebates, rebates for outdoor surveys, home water surveys, EV rebates, heat pump water heater rebates, permeable pavement rebates just to name a few. Commercial customers also can receive water rebates and other business specific rebates. Commercial can also take advantage of the fiber program, renewable energy program and others.</p> <p>Examples of Potential Risks (Note): >Decreased consumption impacting rates >Rebates and programs become cost inefficient, producing less benefits than inputs required to run the program</p>	3	3	26	Operational Financial Reputation

Risk ID	Functional Area	Risk Title	Municipal / State Code Reference	Risk Detail (From documents provided, audit reports, interviews)	Likelihood (1-5)	Impact (1-5)	Score	Risk Areas
151	Utilities	Purchase Power Contract Management	2.08.200 Department of Utilities	<p>FY22 Risk Updates (Based on PPA Audit):</p> <ul style="list-style-type: none">> There is no formal process to monitor and document vendor compliance with Power Purchase Agreements.> Changes made to the front office model do not require approvals, which may increase the likelihood of inaccurate reporting.> The OCA identified during process interviews that CPAU does not have a process in place to validate NCPA settlement processes that include the verification of invoice calculations, contract rates, and matching ARB amounts on behalf of the City. <p>FY21 Risks:</p> <p>The City purchases all of their power from external sources, without any generation operations of their own. This requires a greater effort in monitoring these Purchase Power Agreements. Monitoring these agreements is important both from a compliance standpoint, ensuring that state and local requirements are being met, as well as a financial standpoint, ensuring that costs are reasonable.</p> <p>Examples of Potential Risks (Note):</p> <ul style="list-style-type: none">>The cost of purchased power exceeding the cost of generating power>Noncompliance with purchase power agreements	4	4	42	Strategic Financial Legal & Compliance
152	Utilities	Rates and Rate Adjustments	2.08.200 Department of Utilities	<p>FY22 Risk Updates:</p> <p>The City needs improvement with processing large rate adjustments.</p> <p>FY21 Risks:</p> <p>Palo Alto owns and operates its own utilities. However, the City purchases all of its electric, water, and gas from other sources. The City must set its rates according to the cost to purchase power, water, and gas as well all O&M and capital costs associated with administering the utilities. For example, the City purchases water from a different source than its neighbors and subsequently has higher water rates.</p> <p>Examples of Potential Risks (Note):</p> <ul style="list-style-type: none">>Competitive rates in neighboring communities may provide incentive for any prospective residents to choose neighboring communities>Rising rates may indicate operational inefficiencies that contribute to a greater cost of service>Compliance with regulatory requirements in the rate setting process>Reputational risk associated with rate setting>Delay in cost recovery after provider's cost increase>Allocation of costs across utilities	3	4	36	Strategic Operational Financial Reputation
153	Utilities	Utility Bill Collections	2.08.200 Department of Utilities	<p>As a practice, the City of Palo Alto does not currently shut off utilities for those who are regularly missing payments. This includes both commercial and residential customers. The City maintains financial reserves that fluctuate over time, but attempt to remain above 70 days. Continued customers who do not pay their bills will reduce financial reserves.</p> <p>Examples of Potential Risks (Note):</p> <ul style="list-style-type: none">>Continued practices of no water shut offs may encourage late payments or missed payments>The City may not have the option to complete water shut offs during times like COVID-19, or may not want to complete shut offs due to reputational risk	3	2	16	Financial Legal & Compliance Reputation Political & Economic
154	Utilities	Customer Service	2.08.200 Department of Utilities	<p>The City of Palo Alto Utilities Customer Service supports the Utilities mission to provide safe, reliable, environmentally sustainable and cost effective services. Customer Services supports residential and commercial customers with questions about the Utilities services: electric, fiber optics, natural gas, water, and wastewater. Customer Services helps customers pay their bill, start new services, and access rebates.</p> <p>Examples of Potential Risks (Note):</p> <ul style="list-style-type: none">>Negative customer interactions reflect poorly upon the City>COVID-19 and other emergency utility disconnection moratoriums cause a financial burden for the City>Improper handling of customer accounts	3	2	16	Operational Reputation



City of Palo Alto

Office of the City Auditor

FY22/FY23 Annual Audit
Plan

February 15, 2022

Overview

Introduction

The purpose of the audit activities performed by the Office of the City Auditor (OCA) for the City of Palo Alto (the City) is “to ensure that city management is using its financial, physical, and informational resources effectively, efficiently, economically, ethically, and equitably, and in compliance with laws, regulations, contract and grant requirements, and city policies and procedures”, according to the Palo Alto Municipal Code ([Section 2.08.130](#)). It requires the City Auditor prepare an annual audit plan for the City Council’s approval at the beginning of each fiscal year.

In accordance with Task #2 of the Baker Tilly agreement ([City of Palo Alto Contract No. C21179340](#)), Baker Tilly US, LLP (Baker Tilly) performed the initial risk assessment after having started to serve as OCA in October 2020 and submitted in early 2021 the FY21-FY22 annual audit plan identifying audit activities across an 18-months horizon (through FY22).

The OCA updated the initial risk assessment in January 2022, one year after our initial risk assessment. This audit plan for the remaining FY22 and FY23 was prepared based on the results of the updated risk assessment. The OCA will seek approval of contract task orders iteratively during that timeframe in order to remain agile and accommodate changes to the plan as time passes.

Other activities are addressed in separate task orders corresponding to the tasks in the Baker Tilly agreement. For example, the City Auditor performs follow up on audit findings and recommendations, as outlined in Task #5.

Conformance with Local Ordinances and Standards

Section 2.08.130 of the Palo Alto Municipal Code defines that the mission of OCA is to promote honest, efficient, effective, economical, and fully accountable and transparent city government. Audits are to be conducted and nonaudit services provided in accordance with Government Auditing Standards, as established by the Comptroller General of the United States, Governmental Accountability Office.

The following duties of the City Auditor exist regarding the plan and scope of internal audits.

[Palo Alto City Charter](#)

Article IV Sec. 12 requires the City Auditor to perform the following:

- Conduct audits in accordance with a schedule approved by the City Council and may conduct unscheduled audits from time to time.
- Conducts internal audits of all the fiscal transactions of the City.

[Title 2 Administrative Code](#)

Section 2.08.130 requires the City Auditor to perform the following:

- Prepare an annual audit plan for city council approval.
- Identify the preliminary objectives of each audit to be performed, reflecting the purpose of the engagement and a preliminary description of the areas that may be addressed.
- Conduct performance audits and perform nonaudit services of any city department, program, service, or activity as approved by the city council.

[California Government Code](#)

Section 1236 requires all cities that conduct audit activities to conduct their work under the general and specified standards prescribed by the Institute of Internal Auditors (IIA) or the Government Auditing Standards (GAO) issued by the Comptroller General of the United States, as appropriate.

Audit Activity Types

OCA will conduct performance audits and perform financial/operational analyses of any City department, program, service, or activity as approved by the City Council in accordance with the Baker Tilly agreement.

Performance Audits

According to the Government Auditing Standards ([GAO-18-568G](#), Section 1.21 and 1.22, page 10-12), performance audits provide objective analysis, findings, and conclusions to assist management and those charged with governance and oversight with, among other things, improving program performance and operations, reducing costs, facilitating decision making by parties responsible for overseeing or initiating corrective action, and contributing to public accountability. Performance audits may include the following four (4) audit objectives:

- Program effectiveness and results
- Internal control design and effectiveness
- Compliance with laws, regulations, and policies
- Prospective analysis

Audit Planning Considerations

While maintaining its independence and objectivity in accordance with standards, the City Auditor considers a variety of matters when developing the Annual Audit Plan, including but not limited to:

- Risk assessment – OCA performed a risk assessment and summarized the results in a separate report (Task #2). Generally speaking, audit activities target high(er) risk areas. The results are shown the following page.
- Ability to add value – audit seeks to add value through independent and objective analysis.
- City Council – the City Auditor reports to the City Council and seeks input on audit priorities.
- Coverage and Prior Audits – the City Auditor considers prior audits conducted by OCA, the financial audit, and other audit and consulting reports recently issued.
- “Ripeness” and On-Going Initiatives – certain risk areas may be addressed through operational activities, which could mean they are not be ripe for audit to add value.
- Scheduling – the City Auditor takes into consideration the timing of an audit and other on-going initiatives that directly relate. Putting an undue burden on City staff may exacerbate the risk at hand or other interrelated risks.

Risk Assessment Results

The OCA performed a citywide risk assessment to plan for FY22 and FY23 audit activities and documented the methodology and the detailed results in a separate Risk Assessment Report. In summary, we identified the following areas rated as High or High-Moderate risks. In determining the audit activities to be performed in FY22 and in FY23, we further reviewed these risks and functional areas and considered the matters listed in the previous page.

Functional Area	Title	Likelihood (1-5)	Impact (1-5)	Score
City Wide	COVID-19 Response	5	5	50
Org Wide	Employee Retention & Succession Planning	5	4	46
Planning and Development Services	Long Range Planning	5	4	46
Information Technology	Disaster Recovery Preparedness and Testing	3	5	44
Information Technology	Host Intrusion and Malware Defense	3	5	44
Information Technology	Problem Management and Incident Response	3	5	44
Transportation	Contract Management	3	5	44
Org Wide	Workforce	4	4	42
Org Wide	Citywide Risk Management	4	4	42
Administrative Services	Procurement	4	4	42
Fire	Emergency Medical Service	4	4	42
Human Resources	High Cost Claims	4	4	42
Human Resources	Workload	4	4	42
Information Technology	Mobile Device Management	5	3	40
Information Technology	Strategy and Governance	5	3	40
Public Works	Secondary Treatment Upgrades	2	5	38
Public Works	ADA Compliance Upgrade	2	5	38
Administrative Services	Investments, Debt, and Cash Management	2	5	38
Information Technology	Information Security	2	5	38
Information Technology	Operations and Monitoring	2	5	38
Information Technology	Physical and Environmental Controls	2	5	38
Information Technology	Ransomware	2	5	38
Police	Use of Force and Officer Conduct	2	5	38
Org Wide	Governance	3	4	36
Org Wide	Organizational Culture	3	4	36
Administrative Services	ERP System Upgrade	3	4	36
City Wide	Sustainability and Climate Action Plan	3	4	36
Administrative Services	Accounts Receivable	3	4	36
Fire	Fire Suppression	3	4	36
Fire	Fire Prevention - Palo Alto Foothills & Wildland Fire Risk	3	4	36
Public Works	Public Services - Fleet	3	4	36
Public Works	Wastewater Treatment Plant Operations	3	4	36
Public Works	Public Services -Facilities	3	4	36
Utilities	AMI (Advanced Metering Infrastructure) Project	3	4	36
Utilities	Rates and Rate Adjustments	3	4	36

Proposed Audit Activities for FY2022-2023

Included in the tables below are the proposed audit activities for the remainder of FY2022 and FY2023. Each audit activity corresponds to a risk rated as High or Moderate in the Risk Assessment Report and selected based on other factors outlined on page 3.

The preliminary audit objectives are described for each audit listed. These objectives and scope of each audit activity will be further defined based on the result of a project planning risk assessment processes performed at the beginning of each activity.

Audits are planned in three overall phases – note that the timing may differ slightly for each audit activity:

- **Phase I** – Activities projected to start before March 2022 and end by June 2022
- **Phase II** – Activities projected to start in March 2022 and end by December 2022
- **Phase III** – Activities projected to start in June 2022 or January 2023 and end by June 2023

Amendments to the proposed audit plan will be proposed either as needed or after conducting an annual risk assessment and update the audit plan, as needed, during FY23. Amendments may be proposed in response to changes in the City's environment such as organizational structure, operations, risks, systems, and controls. Please note that the City Auditor will actively manage projects and overall budgets and workload in its execution of the workplan.

For each audit activity, a task order is submitted to the City Council for approval before the work is commenced. We have prepared and attached to this report multiple task orders that correspond to audit activities we have prioritized (e.g., those in Phase I). Those audit activities for are marked with an "X" in the 'Seeking Approval' column of the table below, and the Task Orders are included in the Appendix.

Phase I Activities

Seeking Approval	Function	Project Title	Audit Objectives	Timeline	Estimated Hours	FY22 Cost	FY23 Cost (*)	Total Cost FY21+22+23
	Administrative Services	Economic Recovery Advisory (Task Order 4.7)	<ul style="list-style-type: none"> Review the City's long-term financial planning model and offer recommendations for improvement. Identify and evaluate key revenue sources categories that present long term risk to the City's financial sustainability. Perform scenario analysis and advise in the development of long term financial projections. 	March - December 2021	400	\$64,663		\$64,663
	Public Works	Public Safety Building - Construction Audit (Task Order 4.8)	<ul style="list-style-type: none"> Monthly invoice review Change order testing Contingency and allowance testing Lien waiver control Compliance with insurance requirements 	March 2021 - June 2023	420	\$26,633	\$26,633	\$51,266
	Planning and Development Services	Building Permit & Inspection Process Review (Task Order 4.9)	<ul style="list-style-type: none"> Identify highest impact area to focus the assessment (e.g., specific permit type(s), specific sub-processes, etc.). Document corresponding process(es) and evaluate for efficiency and effectiveness. Benchmark operational performance against industry practices and established standards. 	April – September 2021	360	\$48,300		\$48,300
	Citywide	Nonprofit Agreements Risk Management Review (Task Order 4.10)	<ul style="list-style-type: none"> Evaluate controls in place to ensure that nonprofit organizations are properly vetted prior to selection and monitored through the life of an agreement. Assess the performance monitoring process against the best practice. Follow up on relevant audit findings from past audit work. 	May – September 2021	400	\$55,246		\$55,246
	Utilities	Utility Work Order & Process Review (Task Order 4.11)	<ul style="list-style-type: none"> Determine whether adequate controls are in place and working effectively around the work order process Assess the work order process against best practices 	January - December 2022	400	\$81,400		\$81,400
	Administrative Services / Information Technology	Wire Payment Process and Controls (Task Order 4.12)	<ul style="list-style-type: none"> Determine whether adequate controls are in place and working effectively to ensure that all disbursements are valid and properly processed in compliance with City's policies and procedures Determine whether end user security awareness training is sufficient to prevent erroneous payments caused by phishing 	February - June 2022	270	\$54,550		\$54,550
Phase I Sub Total					2,250	\$329,792	\$26,633	\$355,425

* For the purpose of audit plan preparation, OCA used the FY22 budget amount for FY23

Phase II Activities

Seeking Approval	Function	Project Title	Audit Objectives (preliminary objectives for audits not currently subject to approval)	Timeline	Estimated Hours	FY22 Cost	FY23 Cost (*)	Total Cost
X	Human Resources	Remote and Flexible Work Study	<ul style="list-style-type: none"> Assess employee and management perspectives for long-term remote and flexible work viability and associated challenges Evaluate positive outcomes and challenges for managing a mixed location workforce Identify policies, processes, management practices and work culture improvements that may improve the City's ability to manage a remote workforce 	March - December 2022	285	\$50,000	\$10,000	\$60,000
X	Information Technology	Cybersecurity Assessment	<ul style="list-style-type: none"> Map current state security capabilities to the NIST Cybersecurity Framework and evaluate the maturity of current security processes Identify current risks related to weaknesses in the City's cybersecurity program Identify target state objectives utilizing the Capability Maturity Model (CMMI) and develop recommendation to meet the objectives 	March - December 2022	525	\$90,000	\$20,000	\$110,000
X	Public Works	Wastewater Treatment Plant Agreement Audit	<ul style="list-style-type: none"> Evaluate whether direct and indirect costs incurred by the City are properly allocated to the operation of the Wastewater Treatment Plant. Review whether costs are properly allocated to the various parties to the Wastewater Treatment Plant Agreement. 	March 2022 - December 2022	400	\$60,000	\$2,250	\$62,250
Phase II Sub Total					1,210	\$194,000	\$38,250	\$232,250

* For the purpose of audit plan preparation, OCA used the FY22 budget amount for FY23

Phase III Activities

Seeking Approval	Function	Project Title	Preliminary Audit Objectives	Timeline	Estimated Hours	FY22 Cost	FY23 Cost (*)	Total Cost
	Transportation	Contract Management - ALPR Technology	<ul style="list-style-type: none"> Determine whether policies and procedures are implemented effectively to protect the privacy of personal information gathered using ALPR technology for the City's parking management. Determine whether the City monitors the vendor's performance to ensure the compliance with contract terms and applicable laws and regulations related to data privacy. 	June 2022 - January 2023	400		\$82,500	\$82,500
	Administrative Services	Investment Management	<ul style="list-style-type: none"> Determine whether adequate controls are in place and operating effectively to ensure that investments are managed in accordance with the investment management and other relevant policies. Assess the organizational structure and operations of the investment portfolio management function against best practice. 	June 2022 - January 2023	350		\$61,550	\$61,550
	Information Technology	Disaster Recovery Preparedness	<ul style="list-style-type: none"> Determine whether a formal disaster recovery plan exists and aligns with the City's needs for business continuity Determine whether a disaster recovery plan is periodically tested and updated to ensure a successful recovery 	January - June 2023	400		\$87,500	\$87,500
	Administrative Services	Procurement Process	<ul style="list-style-type: none"> Determine whether adequate controls are in place and working effectively to ensure that the appropriate vendors are selected properly to achieve desired objectives Identify the opportunities to improve the efficiency and effectiveness of the procurement process 	January - June 2023	350		\$61,550	\$61,550
	Planning and Development Services	Long Range Planning	<ul style="list-style-type: none"> Review progress against intended goals and identify any gaps Determine whether an effective control environment exists for the Long Range Planning group to maintain City's Comprehensive Plan Determine whether adequate controls are in place and working effectively for data analyses 	January - June 2023	400		\$82,500	\$82,500
	Public Works	ADA Compliance	<ul style="list-style-type: none"> Determine whether improvements have been made to make facilities, programs, and services accessible in accordance with the Transition Plan and Self-Evaluation Final Study to ensure compliance with the Americans with Disabilities Act (ADA) OF 1990 	January - June 2023	350		\$61,550	\$61,550
	TBD	TBD / Ad Hoc Requests	TBD	TBD	TBD			
Phase III Sub Total					2,300	\$0	\$458,100	\$458,100
Phase I + II + III TOTAL					5,760	\$523,792	\$521,983	\$1,045,775
FY22 - FY23 Budget						\$600,000	\$560,000	\$1,160,000
FY23 Ad Hoc / Contingency						\$76,208	\$38,017	\$114,225

* For the purpose of audit plan preparation, OCA used the FY22 budget amount for FY23

Appendix: Task Orders

Audit Activity 4.13 – Remote and Flexible Work Study

PROFESSIONAL SERVICES TASK ORDER

TASK ORDER FY22-004.13

Consultant shall perform the Services detailed below in accordance with all the terms and conditions of the Agreement referenced in Item 1A below. All exhibits referenced in Item 8 below are incorporated into this Task Order by this reference. The Consultant shall furnish the necessary facilities, professional, technical and supporting personnel required by this Task Order as described below.

CONTRACT NO. C21179340

OR PURCHASE ORDER REQUISITION NO. (AS APPLICABLE)

- 1A. MASTER AGREEMENT NO. (MAY BE SAME AS CONTRACT / P.O. NO. ABOVE):
- 1B. TASK ORDER NO.: FY22-004.13
2. CONSULTANT NAME: Baker Tilly US, LLP
3. PERIOD OF PERFORMANCE: START: March 1, 2022 COMPLETION: December 31, 2022
4. TOTAL TASK ORDER PRICE: \$60,000
BALANCE REMAINING IN MASTER AGREEMENT/CONTRACT \$TBD
5. BUDGET CODE _____
COST CENTER _____
COST ELEMENT _____
WBS/CIP _____
PHASE _____
6. CITY PROJECT MANAGER'S NAME & DEPARTMENT:
Greer Stone, Chair of the City Council's Policy and Services Committee
7. DESCRIPTION OF SCOPE OF SERVICES (Attachment A)
MUST INCLUDE:
 - SERVICES AND DELIVERABLES TO BE PROVIDED
 - SCHEDULE OF PERFORMANCE
 - MAXIMUM COMPENSATION AMOUNT AND RATE SCHEDULE (as applicable)
 - REIMBURSABLE EXPENSES, if any (with "not to exceed" amount)
8. ATTACHMENTS: A: Task Order Scope of Services B (if any): N/A

I hereby authorize the performance of the work described in this Task Order.

I hereby acknowledge receipt and acceptance of this Task Order and warrant that I have authority to sign on behalf of Consultant.

APPROVED:
CITY OF PALO ALTO

APPROVED:
COMPANY NAME: _____

BY: _____
Name _____
Title _____
Date _____

BY: _____
Name _____
Title _____
Date _____

Attachment A

DESCRIPTION OF SCOPE OF SERVICES

Introduction

Attachment A, the Description of Scope of Services, contains the following four (4) elements:

- Services and Deliverables To Be Provided
- Schedule of Performance
- Maximum Compensation Amount and Rate Schedule (*As Applicable*)
- Reimbursable Expenses, if any (With “Not To Exceed” Amount)

Services & Deliverables

Baker Tilly’s approach to conducting the Construction Controls Assessment involves four (3) primary steps:

- Step 1: Audit Planning
- Step 2: Control review and analysis
- Step 3: Reporting

Step 1 – Audit Planning

This step consists of the tasks performed to adequately plan the work necessary to address the overall audit objective and to solidify mutual understanding of the audit scope, objectives, audit process, and timing between stakeholders and auditors. Tasks include:

- Gather information to understand the environment under review
 - Understand the organization structure and objectives
 - Review the codes, regulations, policies, and other standards and expectations
 - Review the prior audit results, if any
 - Review previously conducted employee engagement and satisfaction surveys
 - Issue an employee survey centered on remote work capabilities
 - Issue a management survey centered on remote work capabilities
 - Review additional documentation and conduct interviews as necessary
- Assess the audit risk
- Write an audit plan and audit program
 - Define audit objectives and scope
 - Identify the audit procedures to be performed and the evidence to be obtained
- Announce the initiation of the audit and conduct a kick-off meeting with key stakeholders
 - Discuss audit objectives, scope, audit process, timing, resources, and expectations
 - Discuss documentation and interview requests for the audit

Step 2 – Control Review and Testing

This step involves executing the procedures in the audit program to gather information, interview individuals, and analyze the data and information to obtain sufficient evidence to address the audit objectives. The preliminary audit objective is to: (1) Assess employee and management perspectives for long-term remote and flexible work viability and associated challenges; (2) Evaluate positive outcomes and challenges for managing a mixed location workforce; (3) Identify policies, processes, management practices and work culture improvements that may improve the City's ability to manage a remote workforce. Tasks include but are not limited to:

- Analyze employee and management surveys to identify management and policy change opportunities and barriers for managing a mixed location workforce
- Interview (focus group and/or individual) the Human Resources, employee representatives and management representatives to understand the current state, benefits and barriers to
- Review relevant policies and procedures as well as the position eligibility standards for remote work to identify the criteria to be used for evaluation of control design and effectiveness
- Research best practices and practices of surrounding communities
- Analyze available data to assess current practices impact on recruitment and retention
- Validate analysis with Human Resources

Step 3 – Reporting

In Step 3, the project team will perform tasks necessary to finalize audit working papers and submit a final audit report. Tasks include:

- Develop findings, conclusions, and recommendations based on the supporting evidence gathered
- Validate findings with the appropriate individuals
- Complete the supervisory review of working papers and a draft audit report
- Distribute a draft audit report and conduct a closing meeting with key stakeholders
 - Discuss the audit results, findings, conclusions, and recommendations
 - Discuss management responses
- Obtain written management responses and finalize a report

Deliverables:

The following deliverable will be prepared as part of this engagement:

- Audit Report with remote and flexible work data analysis and best practice recommendation

Schedule of Performance

Anticipated Start Date: March 1, 2022

Anticipated End Date: December 31, 2022

Maximum Compensation Amount and Rate Schedule

The not-to-exceed maximum, inclusive of reimbursable expenses (as summarized below) for this Task is \$60,000. The not-to-exceed budget is based on an estimate of 285 total project hours, of which 16 are estimated to be completed by the City Auditor.

Reimbursable Expenses

If circumstances allow, Baker Tilly anticipates planning one on-site fieldwork. Given this possibility, Baker Tilly could incur reimbursable expenses for this Task.

The not-to-exceed maximum for reimbursable expenses for this Task is \$5,000.

The following summarizes anticipated reimbursable expenses:

- Round-trip Airfare – \$1,200
- Rental Car - \$600
- Hotel accommodation - \$2,500 (8 nights)
- Food and incidentals – \$700

Note that, if current restrictions associated with COVID-19 continue, an on-site visit may not be possible. The project team will work with the City to consider circumstances at the time.

Audit Activity 4.14 – Cybersecurity Assessment

PROFESSIONAL SERVICES TASK ORDER

TASK ORDER FY22-004.14

Consultant shall perform the Services detailed below in accordance with all the terms and conditions of the Agreement referenced in Item 1A below. All exhibits referenced in Item 8 below are incorporated into this Task Order by this reference. The Consultant shall furnish the necessary facilities, professional, technical and supporting personnel required by this Task Order as described below.

CONTRACT NO. C21179340

OR PURCHASE ORDER REQUISITION NO. (AS APPLICABLE)

- 1A. MASTER AGREEMENT NO. (MAY BE SAME AS CONTRACT / P.O. NO. ABOVE):
- 1B. TASK ORDER NO.: FY22-004.14
2. CONSULTANT NAME: Baker Tilly US, LLP
3. PERIOD OF PERFORMANCE: START: March 1, 2022 COMPLETION: December 31, 2022
4. TOTAL TASK ORDER PRICE: \$110,000
BALANCE REMAINING IN MASTER AGREEMENT/CONTRACT \$TBD
5. BUDGET CODE _____
COST CENTER _____
COST ELEMENT _____
WBS/CIP _____
PHASE _____
6. CITY PROJECT MANAGER'S NAME & DEPARTMENT:
Greer Stone, Chair of the City Council's Policy and Services Committee
7. DESCRIPTION OF SCOPE OF SERVICES (Attachment A)
MUST INCLUDE:
 - SERVICES AND DELIVERABLES TO BE PROVIDED
 - SCHEDULE OF PERFORMANCE
 - MAXIMUM COMPENSATION AMOUNT AND RATE SCHEDULE (as applicable)
 - REIMBURSABLE EXPENSES, if any (with "not to exceed" amount)
8. ATTACHMENTS: A: Task Order Scope of Services B (if any): N/A

I hereby authorize the performance of the work described in this Task Order.

I hereby acknowledge receipt and acceptance of this Task Order and warrant that I have authority to sign on behalf of Consultant.

APPROVED:
CITY OF PALO ALTO

APPROVED:
COMPANY NAME: _____

BY: _____
Name _____
Title _____
Date _____

BY: _____
Name _____
Title _____
Date _____

Attachment A DESCRIPTION OF SCOPE OF SERVICES

Introduction

Attachment A, the Description of Scope of Services, contains the following four (4) elements:

- Services and Deliverables To Be Provided
- Schedule of Performance
- Maximum Compensation Amount and Rate Schedule (*As Applicable*)
- Reimbursable Expenses, if any (With “Not To Exceed” Amount)

Services & Deliverables

Cybersecurity Maturity Assessment

Baker Tilly’s approach to conducting a cybersecurity assessment and developing a cybersecurity program strategy involves four (4) primary steps:

- Step 1: Assessment Planning and Kick-off
- Step 2: Information Gathering
- Step 3: Cybersecurity Capability Analysis and Recommendations
- Step 4: Reporting

Step 1 – Assessment Planning and Kick-off

This step consists of the tasks performed to adequately plan the work necessary to address the overall assessment objective and to solidify mutual understanding of the assessment scope, objectives, assessment process, and timing between stakeholders and assessors. Tasks include:

- Baker Tilly will work with the City to finalize the assessment scope and project timeline. Baker Tilly will also provide the City with an initial interview and documentation request list.
- Finally, Baker Tilly will perform a project kick-off discussion with the City to ensure alignment with the project timeline, interview schedule, and deliverables.

Step 2 – Information Gathering

This step involves conducting interviews with identified IT security personnel and key stakeholders to identify security capabilities, processes, and currently implemented technologies.

Baker Tilly will also review current IT security policy and procedure documentation, as well as network and infrastructure architecture documents.

Step 3 – Cybersecurity Capability Analysis and Recommendations

This step involves mapping current state security capabilities to the NIST Cybersecurity Framework and evaluate the maturity of current security processes. Baker Tilly will also identify current risks related to weaknesses in the City’s cybersecurity program.

Baker Tilly will then review current state capabilities and risks with the City to ensure alignment on Baker Tilly’s initial analysis and identify target state objectives utilizing the Capability Maturity Model (CMMI)

Finally, Baker Tilly will take the identified improvement areas and target state maturity objectives to develop our recommendations for the City’s cybersecurity program to meet its target state objectives.

Step 4 – Reporting

The project team will perform tasks necessary to finalize the initial draft cybersecurity assessment report and review a draft report with the stakeholders. Additionally, the team will submit a final assessment report to the City. Tasks include:

- Develop findings, conclusions, and recommendations based on the supporting evidence gathered
- Validate findings with the appropriate individuals
- Distribute a draft assessment report and conduct a closing meeting with key stakeholders
 - Discuss the assessment results, findings, conclusions, and recommendations
- Obtain written management responses and finalize a report

Deliverables:

The following deliverable will be prepared as part of this engagement:

- Cybersecurity Assessment Report and Program Strategy

External Penetration Testing

Baker Tilly will perform external penetration testing on behalf of the City. Baker Tilly’s approach to conducting these security testing activities involves four (4) primary steps:

- Step 1: Assessment Planning and Kick-off
- Step 2: Open-Source Information Gathering and Reconnaissance
- Step 3: External Penetration Testing
- Step 4: Reporting

Step 1 – Assessment Planning and Kick-off

This step consists of the tasks performed to adequately plan the work necessary to address the overall testing objective and to solidify mutual understanding of the testing scope, objectives, testing process, and timing between stakeholders and assessors. Tasks include:

- Baker Tilly will work with the City to finalize the testing scope and project timeline.
- Baker Tilly will perform a project kick-off discussion with the City to ensure alignment with the project timeline, testing approach, and deliverables.
- Baker Tilly will provide the City with an ISP authorization form and Rules of Engagement documents for signature to confirm testing scope and activities.

Step 2 – Open-Source Information Gathering and Reconnaissance

This step involves conducting interviews with identified IT security personnel and key stakeholders to identify security capabilities, processes, and currently implemented technologies.

Baker Tilly will also review current IT security policy and procedure documentation, as well as network and infrastructure architecture documents.

Step 3 – External Penetration Testing

Baker Tilly will conduct external penetration testing on up to 300 active and 208 dormant external IP addresses provided by the City. External penetration testing services include:

- Confirmation of active versus dormant IP addresses
- Identification of services and service versions running on each active system;
- Automated vulnerability discovery scanning for each active system;
- Penetration attempts on systems identified that have known exploitable vulnerabilities; and
- Deep dive exploitation of any identified exploitable vulnerabilities to gain unauthorized access to internal systems and/or data.

Step 4 – Reporting

The project team will perform tasks necessary to finalize our security testing report and review a draft report with City stakeholders. Additionally, the team will submit a final testing report to the City. Tasks include:

- Develop findings, conclusions, and recommendations based on the supporting evidence gathered
- Validate findings with the appropriate individuals
- Distribute a draft testing report and conduct a closing meeting with key stakeholders
 - Discuss the testing results, findings, conclusions, and recommendations
- Obtain written management responses and finalize a report

Deliverables:

The following deliverable will be prepared as part of this engagement:

- External Penetration Testing Report

Schedule of Performance

Anticipated Start Date: March 1, 2022

Anticipated End Date: December 31, 2022

Maximum Compensation Amount and Rate Schedule

The not-to-exceed maximum, inclusive of reimbursable expenses (as summarized below) for this Task is \$110,000. The not-to-exceed budget is based on an estimate of 525 total project hours, of which 30 are estimated to be completed by the City Auditor.

Reimbursable Expenses

We plan to complete the audit work remotely, including all interviews and documentation review. However, if the City requests the assessment team to travel on-site for meetings, interviews, or assessment report readouts, these travel related expenses will be billed in addition to the fees above.

Audit Activity 4.15 – Wastewater Treatment Plant Agreement

PROFESSIONAL SERVICES TASK ORDER

TASK ORDER FY22-004.15

Consultant shall perform the Services detailed below in accordance with all the terms and conditions of the Agreement referenced in Item 1A below. All exhibits referenced in Item 8 below are incorporated into this Task Order by this reference. The Consultant shall furnish the necessary facilities, professional, technical and supporting personnel required by this Task Order as described below.

CONTRACT NO. C21179340

OR PURCHASE ORDER REQUISITION NO. (AS APPLICABLE)

- 1A. MASTER AGREEMENT NO. (MAY BE SAME AS CONTRACT / P.O. NO. ABOVE):
- 1B. TASK ORDER NO.: FY22-004.14
2. CONSULTANT NAME: Baker Tilly US, LLP
3. PERIOD OF PERFORMANCE: START: March 1, 2022 COMPLETION: December 31, 2022
4. TOTAL TASK ORDER PRICE: \$110,000
BALANCE REMAINING IN MASTER AGREEMENT/CONTRACT \$TBD
5. BUDGET CODE _____
COST CENTER _____
COST ELEMENT _____
WBS/CIP _____
PHASE _____
6. CITY PROJECT MANAGER'S NAME & DEPARTMENT:
Greer Stone, Chair of the City Council's Policy and Services Committee
7. DESCRIPTION OF SCOPE OF SERVICES (Attachment A)
MUST INCLUDE:
 - SERVICES AND DELIVERABLES TO BE PROVIDED
 - SCHEDULE OF PERFORMANCE
 - MAXIMUM COMPENSATION AMOUNT AND RATE SCHEDULE (as applicable)
 - REIMBURSABLE EXPENSES, if any (with "not to exceed" amount)
8. ATTACHMENTS: A: Task Order Scope of Services B (if any): N/A

I hereby authorize the performance of the work described in this Task Order.

I hereby acknowledge receipt and acceptance of this Task Order and warrant that I have authority to sign on behalf of Consultant.

APPROVED:
CITY OF PALO ALTO

APPROVED:
COMPANY NAME: _____

BY: _____
Name _____
Title _____
Date _____

BY: _____
Name _____
Title _____
Date _____

Attachment A DESCRIPTION OF SCOPE OF SERVICES

Introduction

Attachment A, the Description of Scope of Services, contains the following four (4) elements:

- Services and Deliverables To Be Provided
- Schedule of Performance
- Maximum Compensation Amount and Rate Schedule (*As Applicable*)
- Reimbursable Expenses, if any (With “Not To Exceed” Amount)

Services & Deliverables

Baker Tilly’s approach to conducting a Wasterwater Treatment Plant Agreement Review involves three (3) primary steps:

- Step 1: Audit Planning
- Step 2: Process and Control Review
- Step 3: Reporting

Step 1 – Audit Planning

This step consists of the tasks performed to adequately plan the work necessary to address the overall audit objective and to solidify mutual understanding of the audit scope, objectives, audit process, and timing between stakeholders and auditors. Tasks include:

- Gather information to understand the environment under review
 - Understand the organizational structure and objectives
 - Review the City code, regulations, and other standards and expectations
 - Review prior audit results, as applicable
 - Review additional documentation and conduct interviews as necessary
- Assess the audit risk
- Write an audit planning memo and audit program
 - Refine audit objectives and scope
 - Identify the audit procedures to be performed and the evidence to be obtained and examined
- Announce the initiation of the audit and conduct kick-off meeting with key stakeholders
 - Discuss audit objectives, scope, audit process, timing, resources, and expectations
 - Discuss documentation and interview requests for the audit

Step 2 – Process and Control Review

This step involves executing the procedures in the audit program to gather information, interview individuals, and analyze the data and information to obtain sufficient evidence to address the audit objectives. The preliminary audit objective is to: (1) Determine whether adequate controls are in place and working effectively to ensure that costs for treatment plan operations are properly accounted for and allocated; (2) Assess the compliance with contracts and regulations. Procedures include:

- Interview the appropriate individuals to understand the process, the information system used, and internal controls related to accounting and allocation of costs for treatment plan operations.
- Review the contracts, policies and procedures as well as the regulations and standards to identify the criteria to be used for evaluation of compliance and control design and effectiveness
- Review the documents (such as contracts and supporting documents for allocation) for the selected allocation transactions
- Compare the cost accounting and allocation methodology against the requirements

Step 3 – Reporting

In Step 3, the project team will perform tasks necessary to finalize audit working papers, prepare and review a draft report with the stakeholders, and submit a final audit report. Tasks include:

- Develop findings, conclusions, and recommendations based on the supporting evidence gathered
- Validate findings with the appropriate individuals and discuss the root cause of the identified findings
- Complete supervisory review of working papers and a draft audit report
- Distribute a draft audit report and conduct a closing meeting with key stakeholders
 - Discuss the audit results, findings, conclusions, and recommendations
 - Discuss management responses
- Obtain written management responses and finalize a report
- Review report with members of City Council and/or the appropriate Council Committee
- Present the final report to the City Council and/or appropriate Council Committee

Deliverables:

The following deliverable will be prepared as part of this engagement:

- Audit Report

Schedule of Performance

Anticipated Start Date: March 1, 2022
Anticipated End Date: December 31, 2022

Maximum Compensation Amount and Rate Schedule

The not-to-exceed maximum, inclusive of reimbursable expenses (as summarized below) for this Task is \$82,500. The not-to-exceed budget is based on an estimate of 400 total project hours, of which 20 are estimated to be completed by the City Auditor.

Reimbursable Expenses

If circumstances allow, Baker Tilly anticipates planning one on-site fieldwork week. Given this possibility, Baker Tilly could incur reimbursable expenses for this Task.

The not-to-exceed maximum for reimbursable expenses for this Task is \$4,750.

The following summarizes anticipated reimbursable expenses (for three team members):

- Round-trip Airfare – \$1500
- Rental Car - \$400
- Hotel accommodation - \$2500 (4 nights)
- Food and incidentals – \$750

Note that, if current restrictions associated with COVID-19 continue, an on-site visit may not be possible. The project team will work with the City to consider circumstances at the time.



City of Palo Alto
Office of the City Clerk
City Council CAO Report

(ID # 13931)

Meeting Date: 4/4/2022

Title: Adoption of a Resolution Authorizing Use of Teleconferencing for Council Meetings During Covid-19 State of Emergency

From: Mahealani AhYun, Deputy City Clerk

Recommendation

Adopt a Resolution (**Attachment A**) authorizing the use of teleconferencing under Government Code Section 54953(e) for meetings of the Council and its committees due to the Covid-19 declared state of emergency.

Background

In February and March 2020, the state and the County declared a state of emergency due to the Covid-19 pandemic. Both emergency declarations remain in effect.

On September 16, 2021, the Governor signed AB 361, a bill that amends the Brown Act, effective October 1, 2021, to allow local policy bodies to continue to meet by teleconferencing during a state of emergency without complying with restrictions in State law that would otherwise apply, provided that the policy bodies make certain findings at least once every 30 days.

AB 361, codified at California Government Code Section 54953(e), empowers local policy bodies to convene by teleconferencing technology during a proclaimed state of emergency under the State Emergency Services Act in any of the following circumstances:

- (A) The legislative body holds a meeting during a proclaimed state of emergency, and state or local officials have imposed or recommended measures to promote social distancing.
- (B) The legislative body holds a meeting during a proclaimed state of emergency for the purpose of determining, by majority vote, whether as a result of the emergency, meeting in person would present imminent risks to the health or safety of attendees.

(C) The legislative body holds a meeting during a proclaimed state of emergency and has determined, by majority vote, pursuant to subparagraph (B) (B), that, as a result of the emergency, meeting in person would present imminent risks to the health or safety of attendees. (Gov. Code § 54953(e)(1).)

In addition, Section 54953(e)(3) requires that policy bodies using teleconferencing reconsider the state of emergency within 30 days of the first teleconferenced meeting after October 1, 2021, and at least every 30 days thereafter, and find that one of the following circumstances exists:

1. The state of emergency continues to directly impact the ability of the members to meet safely in person.
2. State or local officials continue to impose or recommend measures to promote social distancing.

Discussion

At this time, the circumstances in Section 54953(e)(1)(A) exist. The Santa Clara County Health Officer continues to recommend measures to promote outdoor activity, physical distancing and other social distancing measures, such as masking, in certain contexts. (See August 2, 2021 [Order](#).) In addition, the California Department of Industrial Relations Division of Occupational Safety and Health (Cal/OSHA) has promulgated Section 3205 of Title 8 of the California Code of Regulations, which requires most employers in California, including in the City, to train and instruct employees about measures that can decrease the spread of COVID-19, including physical distancing and other social distancing measures.

Accordingly, Section 54953(e)(1)(A) authorizes the City to continue using teleconferencing for public meetings of its policy bodies, provided that any and all members of the public who wish to address the body or its committees have an opportunity to do so, and that the statutory and constitutional rights of parties and the members of the public attending the meeting via teleconferencing are protected.

To comply with public health directives and promote public safety, Palo Alto policy bodies have been meeting via teleconference since March 2020. On September 27, 2021, Council considered the format for future Council, committee, and Board and Commission meetings. Council determined that beginning November 1, 2021, Council meetings would be conducted using a hybrid format that allows Council Members and the public to decide whether to attend in person, following masking and distancing protocols, or participate via teleconference. Council directed that Council standing and ad-hoc committees and Boards and Commissions would continue meeting via teleconference through January 2022.

Adoption of the Resolution at **Attachment A** will make the findings required by Section 54953(e)(3) to allow the continued use of teleconferencing for Council meetings (for those Council Members who elect to participate remotely) and for Council standing and ad hoc committees. Each Board and Commission will consider and make similar findings.

ATTACHMENTS:

- **Attachment8.a:** Attachment A: Resolution Allowing Hybrid In-Person and Teleconferenced Meetings under Section 54953(e) (PDF)

NOT YET APPROVED

Resolution No. _____

Resolution Making Findings to Allow Teleconferenced Meetings Under California Government
Code Section 54953(e)

R E C I T A L S

A. California Government Code Section 54953(e) empowers local policy bodies to convene by teleconferencing technology during a proclaimed state of emergency under the State Emergency Services Act so long as certain conditions are met; and

B. In March 2020, the Governor of the State of California proclaimed a state of emergency in California in connection with the Coronavirus Disease 2019 (“COVID-19”) pandemic, and that state of emergency remains in effect; and

C. In February 2020, the Santa Clara County Director of Emergency Services and the Santa Clara County Health Officer declared a local emergency, which declarations were subsequently ratified and extended by the Santa Clara County Board of Supervisors, and those declarations also remain in effect; and

D. On September 16, 2021, the Governor signed AB 361, a bill that amends the Brown Act to allow local policy bodies to continue to meet by teleconferencing during a state of emergency without complying with restrictions in State law that would otherwise apply, provided that the policy bodies make certain findings at least once every 30 days; and

E. While federal, State, and local health officials emphasize the critical importance of vaccination and consistent mask-wearing to prevent the spread of COVID-19, the Santa Clara County Health Officer has issued at least one order, on August 2, 2021 (available online at [here](#)), that continues to recommend measures to promote outdoor activity, physical distancing and other social distancing measures, such as masking, in certain contexts; and

F. The California Department of Industrial Relations Division of Occupational Safety and Health (“Cal/OSHA”) has promulgated Section 3205 of Title 8 of the California Code of Regulations, which requires most employers in California, including in the City, to train and instruct employees about measures that can decrease the spread of COVID-19, including physical distancing and other social distancing measures; and

G. The Palo Alto City Council has met remotely during the COVID-19 pandemic and can continue to do so in a manner that allows public participation and transparency while minimizing health risks to members, staff, and the public that would be present with in-person meetings while this emergency continues; now, therefore,

The Council of the City of Palo Alto RESOLVES as follows:

1. As described above, the State of California remains in a state of emergency due to the COVID-19 pandemic. At this meeting, the Palo Alto City Council has considered the circumstances of the state of emergency.
2. As described above, State and County officials continue to recommend measures to promote physical distancing and other social distancing measures, in some settings.

AND BE IT FURTHER RESOLVED, That for at least the next 30 days, meetings of the Palo Alto City Council and its committees will occur in a hybrid format, where both members of the policy body and members of the public may elect to be present in person, utilizing appropriate distancing and masking practices, or participate by teleconferencing technology. Such meetings of the Palo Alto City Council and its committees that occur using teleconferencing technology will provide an opportunity for any and all members of the public who wish to address the body its committees and will otherwise occur in a manner that protects the statutory and constitutional rights of parties and the members of the public attending the meeting via teleconferencing; and, be it

FURTHER RESOLVED, That the City Clerk is directed to place a resolution substantially similar to this resolution on the agenda of a future meeting of the Palo Alto City Council within the next 30 days. If the Palo Alto City Council does not meet within the next 30 days, the City Clerk is directed to place a such resolution on the agenda of the immediately following meeting of Palo Alto City Council.

INTRODUCED AND PASSED:

AYES:

NOES:

ABSENT:

ABSTENTIONS:

ATTEST:

City Clerk

Mayor

APPROVED AS TO FORM:

APPROVED:

City Attorney

City Manager



City of Palo Alto City Council Staff Report

(ID # 14042)

Meeting Date: 4/4/2022

Title: Approval of Amendment Number 2 to the Power Purchase Agreement for Landfill Gas-Generated Electricity With Ameresco Keller Canyon LLC., Reducing the Facility's Output in Exchange for an Annual \$250,000 Administrative Payment to the City

From: City Manager

Lead Department: Utilities

Recommendation

Staff recommends the Council approve and authorize the City Manager or their designee to execute the attached amendment ([Attachment A](#)) to the Power Purchase Agreement (PPA) with Ameresco Keller Canyon LLC (Keller Canyon) to permit Keller Canyon to reduce the output from the facility that it delivers to the City in exchange for an annual \$250,000 "Administrative Fee" (payment) from Keller Canyon to the City, with additional considerations possible.

Executive Summary

The City signed a 20-year PPA with Keller Canyon in 2005 to purchase a 50% share¹ of the output from a landfill gas electric generating facility (the LFG Project), and the LFG Project has been reliably delivering its output to the City since August 2009.

Keller Canyon intends to build, own, and operate a new facility at the LFG Project site that will process landfill gas for sale as renewable natural gas (RNG) to third parties. The RNG processing facility will require a significant amount of electrical power to operate, and Keller Canyon would like to supply this power from the LFG Project, which will drastically reduce the amount of renewable energy that Keller Canyon is able to provide to the City for the remainder of the City's PPA term.

In exchange for authorizing Keller Canyon to reduce the output it provides to the City under the PPA, Keller Canyon will provide an annual Administrative Fee of \$250,000 to the City, along with additional compensation in the event that the amount of Resource Adequacy capacity (RA) that the LFG Project provides to the City is reduced as a result of the RNG processing facility's

¹ The City of Alameda purchases the other 50% of the Project's output, under terms that are essentially identical to those of the City's PPA.

operations or in the event that the scheduling variability of the LFG Project causes the City to be assessed charges from the grid operator.

When the RNG processing facility begins operating, the LFG Project's output is expected to decrease by about 85% (from providing about 1.7% to providing 0.3% of the City's total electric needs). Because the contract price of the Keller Canyon PPA now exceeds the market value of the LFG Project's output, this reduction will result in a net value to the City of approximately \$420,000 per year, in addition to the \$250,000 per year Administrative Fee (payment) provided to the City through this amendment. Staff therefore recommends that the Council approve the attached amendment to the Keller Canyon PPA.

Discussion

In August 2005, Council approved the PPA with Keller Canyon to obtain a 50% share of the electric output of a 3.8 MW landfill gas electric generating facility located in Contra Costa County over a 20-year term ([Resolution 8552](#), CMR 350:05).

One of the provisions of the PPA (Section 2.2(a)) is that Keller Canyon must transfer all of the output of the LFG Project to the two PPA off-takers (the Cities of Palo Alto and Alameda); they are not allowed to use any of the output or sell it to any other party. However, Keller Canyon intends to build, own, and operate a new RNG processing facility at the LFG Project site, which would require using a large share (estimated at 85%) of the LFG Project's power output, in violation of the PPA. What follows is a discussion of the various implications that this revised arrangement would have for the City, and the amendment provisions that staff negotiated with Keller Canyon to protect the City from the potential adverse impacts of this change. (Note that the RNG processing facility is expected to begin operating in mid-2023, and the City will not experience any of these financial impacts until that point. These impacts will therefore be included in the City's electric supply budgets for FY 2024 and onward.)

Reduced Energy Costs

Because this is one of the City's oldest renewable energy PPAs—negotiated about a decade before the sharp drop in solar and wind energy prices of the past several years—the Keller Canyon contract rate is somewhat higher than the current market price for renewable energy contracts.² As a result of this contract being priced above-market, reducing the output that the City receives (and pays for) from the project represents a significant cost savings. Although the output of this project is relatively small compared to the City's total electric supply needs (currently about 1.4%), reducing its output as proposed in this amendment would yield an **annual cost savings to the City of about \$420,000, exclusive of the Administrative Fee the City will receive from Keller Canyon as described below.**

Reduced RA Capacity

² Over the remaining years of the Keller Canyon PPA term, the contract rate is approximately \$82/MWh. Current renewable energy market prices are approximately \$30-\$40/MWh for solar and wind resources, or about \$50-\$60/MWh for baseload renewable energy resources like the Keller Canyon LFG project.

In addition to renewable energy, another valuable commodity that the Keller Canyon LFG project provides to the City under the current PPA is local RA capacity, which the City then uses to satisfy its regulatory requirements for RA capacity procurement. However, when the RNG plant begins operating, the LFG project's output will not only be greatly reduced but also become far less predictable. As a result, staff expects that the LFG project will no longer qualify as an RA capacity resource, thus eliminating one of the sources of value provided by the PPA. To mitigate this, staff proposed that Keller Canyon provide compensation to make the City financially whole for any loss of RA value incurred (with a cap of \$135,000 per year). Staff expects the financial impact of reduced RA Capacity to be less than the \$135,000 cap; therefore the lost RA capacity from the LFG project is expected to have **no negative financial impact on the City.**

Energy Scheduling Uncertainty

As noted in the section above, when the RNG plant begins operating the LFG project's output is likely to become less predictable. Large increases in output are possible if the RNG plant stops operating (and thus consuming electric power). If changes to expected output are known at least a day in advance, the LFG project's energy schedules can be adjusted accordingly, and there will be no negative financial impact to the City. But if expected output changes with less than a day's notice, the City will be unable to adjust the project's day-ahead energy schedules and will be exposed to real-time energy prices for the deviation in output.³ To mitigate the real-time energy market price risk resulting from changes in project output, Keller Canyon will provide compensation to make the City financially whole during the first 18 months of the RNG plant's operations (with a cap of \$50,000 on the total compensation).⁴ Staff expects the financial impact of energy scheduling uncertainty to be less than the \$50,000 cap; therefore the energy scheduling uncertainty is expected to have **no negative financial impact on the City.**

Administrative Fee (Payment to City)

In exchange for reduced project output and in recognition of the significant amount of staff time and scheduling complexity resulting from the operational changes to the project, Keller Canyon will provide the City an **annual "Administrative Fee" of \$250,000.**

If Council does not approve this second amendment to the Keller Canyon PPA, the operational changes will still occur; the RNG plant construction would still move forward, but Keller Canyon would not use the output of the LFG project to power it. As a result, the Keller Canyon PPA would continue in its current form, with the City receiving (and paying for) all of its share of the LFG project's output, and not receiving the negotiated \$250,000 per year Administrative Fee. This alternative is less financially beneficial to the City.

³ In situations where the LFG project's output increases after the day-ahead energy schedules have been submitted, if real-time prices are greater than the day-ahead market prices were, this works to the City's advantage. However, it is often the case that real-time market prices are lower than day-ahead prices, in which case the City would receive less revenue for that output than if it had been scheduled on a day-ahead basis.

⁴ Keller Canyon staff aver that the issues with unpredictable LFG project output will be worked out within the first six months of the RNG plant's operations, but City staff insisted that this real-time market exposure mitigation provision extend for 18 months.

Resource Impact

Approving the recommendation is expected to result in an increase in value to the City of approximately \$670,000 per year (an estimated \$420,000 per year in reduced energy costs and \$250,000 per year from a direct Administrative Fee payment). Because there will be approximately six years remaining in the term of the Keller Canyon PPA when the RNG plant begins operating, the total resource impact to the City is expected to be a benefit of approximately \$4.0 million dollars (over the FY 2024 through FY 2029 timeframe). The recommendation in this report does expose the City to potential financial risk based on reduced RA capacity and output changes on short notice, in that if unexpected conditions occur throughout the remaining term, the City could be responsible for expenses that would reduce the net benefit of this amendment to the agreement. However, based on staff analysis and historical trends, the potential impact of those risks is estimated to be fully offset by their corresponding negotiated compensation.

Policy Implications

This recommendation does not represent any change to existing City policies.

Environmental Review

Approval of the second amendment to the Ameresco Keller Canyon LLC contract does not meet the definition of a project, pursuant to Section 21065 of the California Environmental Quality Act (CEQA), therefore no environmental assessment is required.

Attachments:

- **Attachment9.a:** Attachment A: Ameresco Keller Canyon PPA Contract, Amendment #2

**AMENDMENT NO. 2 TO POWER PURCHASE AGREEMENT BETWEEN THE CITY
OF PALO ALTO AND AMERESCO KELLER CANYON LLC**

This Amendment No. 2 to the Power Purchase Agreement dated as of August 8, 2005, as amended by Amendment No. 1 dated as of March 10, 2008 (the “Contract”), is entered into this _____ of _____, 2022 (“Effective Date”), between the City of Palo Alto, a chartered city and a municipal corporation of the State of California (“Buyer”) and Ameresco Keller Canyon LLC, a Delaware limited liability company, located at Framingham MA (“Seller”) (individually a “Party”, and together with Buyer, the “Parties”).

WHEREAS, the Parties entered into the Contract for the provision of electricity and environmental attributes from a landfill gas to energy project; and

WHEREAS, Ameresco Keller Canyon RNG LLC (“Ameresco”), an affiliate of Seller, intends to design, build, own, and operate gas processing facilities located on or adjacent to the Site that will process landfill gas for sale to third parties (the “RNG Plant”);

WHEREAS, Ameresco desires to use all or a portion of the Output to power the RNG Plant which is anticipated to be online in the second quarter of 2023, and Buyer is willing, subject to the terms and conditions of this Amendment No. 2 (i) to allow Seller to sell all or a portion of the Output to Ameresco or its affiliate to power the RNG Plant and (ii) to continue to purchase any remaining Output in accordance with the Contract; and

WHEREAS, the Parties desire to amend the Contract accordingly.

NOW, THEREFORE, in consideration of the covenants, terms, conditions, and provisions of this Amendment No. 2, the Parties mutually agree as follows:

1. Capitalized terms used in this Amendment No. 2 and not defined herein have the meanings assigned to them in the Contract. The Recitals are incorporated into this Amendment No. 2.
2. Purchase and Sale of Output.
 - a. Notwithstanding any provisions to the contrary in the Contract, from the date of mechanical completion of the RNG Plant and during the remainder of the Term, Seller shall have the right to use up to 100% of the Output to power the RNG Plant.
 - b. Seller shall provide Buyer 30-days written notice of the anticipated date of mechanical completion of the RNG Plant (the “RNG MC Date”).

- c. In the event that Ameresco does not use 100% of the Output to power the RNG Plant, any remaining Output shall be delivered to the Point of Interconnection and Buyer shall purchase, accept and pay for its Percentage Share of the Output delivered to the Point of Interconnection.
 - d. For the purposes of this Amendment No. 2 and Section 2.2 of the Contract, Buyer's "Percentage Share of the Output" shall mean the Buyer's Percentage Share of the Output delivered to the Point of Interconnection and Buyer's "Percentage Share of the Environmental Attributes" shall mean Buyer's Percentage Share of the Environmental Attributes related to the Energy delivered to the Point of Interconnection.
 - e. Seller's use of Output to power the RNG Plant shall not impact the calculation of the Availability Threshold or be deemed an Outage.
 - f. Seller's sale or transfer of Output to power the RNG Plant shall not be an Event of Default under Section 7.2(d).
3. Administrative Fee. In consideration of the costs and expenses associated with the review, evaluation, negotiation, execution and/or delivery of any and all documents, consents, amendments, modifications or restatements related to the amendment and administrative costs associated with the implementation of changes as set forth in this Amendment No. 2, beginning on the RNG MC Date, Seller shall pay Buyer \$250,000/year for each year (prorated for partial years) remaining in the Term (the "Administrative Fee"), with the first annual Administrative Fee due within 30 business days of the RNG MC Date, and by that date every year thereafter for the remainder of the Term.
4. RA Capacity. The Parties acknowledge that due to the proposed changes set forth in this Amendment No. 2, Seller may no longer provide Buyer with capacity contributions towards Buyer's resource adequacy requirements ("RA Capacity") to the extent that the Output will be diverted to the RNG Plant. Beginning on the RNG MC Date, Seller shall compensate Buyer for the loss of this RA Capacity during the Term in an amount equal to Buyer's share of the monthly Net Qualifying Capacity ("NQC") amounts for the landfill gas electric facility for calendar year 2021 multiplied by the Local RA Capacity price approved by the NCPA Commission for the NCPA Capacity Pool for each month of the Term (the "RA Capacity Compensation"). Seller shall pay the RA Capacity Compensation to Buyer within 30 business days after the NCPA Commission approves the NCPA Capacity Pool price for Local RA Capacity each year for the duration of the Term or in the event that the NCPA Commission does not approve a Local RA Capacity price in any given year, the RA Capacity Compensation for that year shall be equivalent to the CPM Soft Offer Cap, as that term is defined at Section 43A of the CAISO Tariff; provided that in no event shall the RA Capacity Compensation exceed \$135,000/year.

5. Scheduling. Section 3 (“Daily modifications to forecasts”) of Appendix D (“Scheduling Protocols”) of the Contract states “Unless otherwise mutually agreed, Seller may make changes to the Weekly forecast by providing such changes to NCPA prior to 08:00 am Pacific Time two (2) workdays before the active scheduling day.” Through this Amendment No. 2, the Parties mutually agree to amend Section 3 of Appendix D to state that “Seller may make changes to the Weekly forecast by providing such changes to NCPA prior to 06:00 am Pacific Time one (1) workday before the active scheduling day.” In addition, for the first 18 months after the RNG MC Date, to the extent that the actual Output of the Plant delivered to the Point of Interconnection deviates from the forecasted amount provided to NCPA pursuant to the Appendix D Scheduling Protocols, and as a result Buyer or NCPA incur any CAISO charges associated with FMM Instructed Imbalance Energy (FMM IIE), RTD Instructed Imbalance Energy (RTD IIE), Uninstructed Imbalance Energy (UIE) or Penalties for Uninstructed Imbalance Energy (as those capitalized terms are defined in the CAISO Tariff and at Section 11.5.1, Section 11.5.2 and Section 11.23 of the CAISO Tariff, respectively, as may be amended from time to time), Seller shall compensate Buyer in an amount equivalent to the settlement of such charges for FMM IIE, RTD IIE, UIE and Penalties for Uninstructed Imbalance Energy. Such compensation to Buyer for FMM IIE, RTD IIE, UIE charges and Penalties for Uninstructed Imbalance Energy assessed against Buyer or NCPA for Seller’s deviation from the forecasted amounts shall be subject to a maximum (cap) of \$50,000.
6. Entire Agreement; Governing Law. This Amendment No. 2 shall be governed by the laws of the State of California.
7. Authority. Each Party represents and warrants to the other Party that it has the power, right and authority to enter into this Amendment No. 2 and to consummate the transactions contemplated hereby.
8. The Parties may execute this Amendment No. 2 in counterparts, which shall, in the aggregate, when signed by both Parties constitute one and the same instrument; and, thereafter, each counterpart shall be deemed an original instrument as against any Party who has signed it. Delivery of an executed counterpart of this Amendment No. 2 by facsimile transmission or by other electronic transmission shall be effective as delivery of a manually executed counterpart of this Amendment No. 2.
9. Except as modified and amended in this Amendment No. 2, the Contract remains in full force and effect, and the Parties hereby ratify and re-affirm the Contract in all respects.

[signatures follow]

IN WITNESS WHEREOF, the Seller and Buyer have executed this Amendment No. 2 as of the Effective Date.

AMERESCO KELLER CANYON LLC
a Delaware Limited Liability Company
By: Ameresco LFG Holdings III LLC, its sole member
By: Ameresco, Inc., its sole member

By: 
Michael T. Bakas Executive Vice President

APPROVED AS TO FORM

CITY OF PALO ALTO

Assistant City Attorney

City Manager

Director of Utilities



City of Palo Alto City Council Staff Report

(ID # 14078)

Meeting Date: 4/4/2022

Title: Approval of Contract Amendment Number 1 to Contract Number S22183587 with Fairbanks, Maslin, Maullin, Metz, and Associates (FM3) in the Amount of \$28,500 for One Additional Poll (Three Polls, Total) for the Potential November 2022 Ballot Measure(s) for a Total Not to Exceed Amount of \$113,500 and Approve a Budget Amendment in the General Fund

From: City Manager

Lead Department: Administrative Services

Recommendation

Staff recommends that the City Council:

- 1) Approve and authorize the City Manager or their designee to execute an amendment (**Attachment A**) to Contract No. S22183587 (**Attachment B**) with Fairbanks, Maslin, Maullin, Metz and Associates (FM3) to extend the scope of services to include one additional poll and increase the contract not-to-exceed amount from \$85,000 to \$113,500 for consultant services related to potential November 2022 revenue generating ballot measure(s), and
- 2) Amend the Fiscal Year 2022 Budget Appropriation for the General Fund by:
 - a. Increasing the Administrative Services Department contractual services appropriation by \$20,400, and
 - b. Decreasing the Non-Departmental Strategic Investment Reserve appropriation by \$20,400.

Background

As part of its Fiscal Sustainability Workplan ([Staff Report 10267](#)) and Community and Economic Recovery Workplan (2021) the Council has been exploring potential revenue measures for the November 2022 ballot. The City has retained Fairbank, Maslin, Maulin & Associates (FM3) to conduct public opinion research on the potential ballot measure(s). The contract with FM3 totaled \$85,000 for two polls and was approved by City Manager, based on contract award authority in the municipal code ([PAMC 2.30.210](#)). In addition, these services were exempted from solicitation under the City Manager's authority ([PAMC 2.30.360\(b\)\(2\)](#)) based on the timelines established in the Ballot Measure Workplan and known expertise of FM3 with the City and other surrounding agencies. The City's Ballot Measure Workplan outlined two polls to be completed, and on January 24, 2022, the City Council directed staff to include an additional poll ([Staff Report 13770](#); [Draft Action Minutes](#); [Video](#)). Adding a third poll increases the not-to-

exceed amount of the contract from \$85,000 to \$113,500, requiring Council approval.

Discussion

FM3 has completed one poll to-date and, as of the time of drafting this staff report, is finalizing the second poll. The initial polling survey was conducted in late November and into early December. Over 800 residents responded to the survey, using e-mailed online surveys and phone outreach. The survey asked respondents to share their perspective on the major issues currently facing Palo Alto and to provide feedback on business and utility tax proposals, including potential uses of funds. The response of survey recipients to various arguments for and against the measures was assessed. The survey questions were developed based on the Finance Committee and Council's feedback. Summary results were presented at the January 18, 2022 Finance Committee meeting ([Staff Report 13875](#); [Presentation](#); [Action Minutes](#); [Video](#)) and the January 24, 2022 Council meeting ([Staff Report 13770](#); [Staff Report 13963](#); [Presentation](#); [Draft Action Minutes](#); [Video](#))

In response to the January 24, 2022 Council action, a poll is now planned for February / March 2022, with the goal of presenting results at a March 2022 Finance Committee meeting and Council in April 2022, depending on the pace of survey completion. This poll was not included in the original contract with FM3 and will require a contract amendment of \$28,500, bringing the total contract limit to \$113,500.

The third and final poll is planned for May 2022 and will test potential ballot language. This poll is included in the original FM3 contract.

Resource Impact

The original FM3 contract was one of several contracts funded by a \$200,000 transfer from the Council's Strategic Investment Reserve for exploration of November 2022 revenue measures. Amendment Number One requires an additional \$28,500 in funding. Staff achieved savings with one of the contract vendors, freeing up \$8,500 of the \$200,000 for additional polling. Funding the remainder will require an amendment to the General Fund budget, transferring \$20,400 from the Strategic Investment Reserve to the Administrative Services Department. After this approval of this amendment, the balance of the Strategic Investment Reserve will be \$254,600.

Stakeholder Engagement

The Ballot Measure Workplan integrates stakeholder engagement through constituent polling and direct stakeholder outreach. Staff, throughout the process and from previous conversations, has solicited input and feedback with the Finance Committee, the City Council, residents, and the business community is continuing to do so through June 2022 via focus groups, polls, mailers, e-mail and social media, and other outreach. The City has engaged FM3 for the polling element of this engagement plan.

Environmental Impact

This contract is exempt under California Environmental Quality Act (CEQA) as defined in CEQA Guidelines, section 15378, because it has no potential for resulting in either a direct or reasonably foreseeable indirect physical change in the environment.

Attachments:

- **Attachment10.a:** Attachment A: Amendment Number 1 to Contract Number S22183587 with FM3
- **Attachment10.b:** Attachment B: Contract Number S22183587 with FM3

Attachment A

**AMENDMENT NO. 1 TO CONTRACT NO. S22183587
BETWEEN THE CITY OF PALO ALTO AND
FAIRBANK, MASLIN, MAULLIN, METZ, & ASSOCIATES INC.**

This Amendment No. 1 (this "Amendment") to Contract No. S22183587 (the "Contract" as defined below) is entered into as of April 4, 2022, by and between the **CITY OF PALO ALTO**, a California chartered municipal corporation ("CITY"), and **FAIRBANK, MASLIN, MAULLIN, METZ, & ASSOCIATES INC.**, a California Corporation, located at 1999 Harrison Street, Suite 2020, Oakland, CA 94612 ("CONSULTANT"). CITY and CONSULTANT are referred to collectively as the "Parties" in this Amendment.

RECITALS

A. The Contract (as defined below) was entered into by and between the Parties to assess and conduct research on public response to potential revenue generating ballot measures, as detailed therein.

B. The Parties now wish to amend the Contract in order to add the Scope of Services, increase the total not-to-exceed compensation amount by Twenty-Eight Thousand Five Hundred Dollars (\$28,500), from Eighty-Five Thousand (\$85,000) to a new not-to-exceed compensation amount of One Hundred Thirteen Thousand Five Hundred Dollars (\$113,500), and update the Schedule of Performance, as detailed herein.

NOW, THEREFORE, in consideration of the covenants, terms, conditions, and provisions of this Amendment, the Parties agree:

SECTION 1. Definitions. The following definitions shall apply to this Amendment:

- a. **Contract.** The term "Contract" shall mean Contract No. S22183587 between CONSULTANT and CITY, dated September 30, 2021.
- b. **Other Terms.** Capitalized terms used and not defined in this Amendment shall have the meanings assigned to such terms in the Contract.

SECTION 2. Section 4, "NOT TO EXCEED COMPENSATION," of the Contract is hereby amended to read as follows:

"The compensation to be paid to CONSULTANT for performance of the Services shall be based on the compensation structure detailed in Exhibit C, entitled "COMPENSATION," including any reimbursable expenses specified therein, and the maximum total compensation shall not exceed **Ninety-Eight Thousand Dollars (\$98,000.00)**. The hourly schedule of rates, if applicable, is set out in Exhibit C-1, entitled "SCHEDULE OF RATES." Any work performed or expenses incurred for which payment would result in a total exceeding the maximum compensation set forth in this Section 4 shall be at no cost to the CITY.

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☒ Optional Additional Services Provision (This provision applies only if checked and a not-to-exceed compensation amount for Additional Services is allocated below under this Section 4.)

In addition to the not-to-exceed compensation specified above, CITY has set aside the not-to-exceed compensation amount of **Fifteen Thousand Five Hundred Dollars (\$15,500.00)** for the performance of Additional Services (as defined below). The total compensation for performance of the Services, Additional Services and any reimbursable expenses specified in Exhibit C, shall not exceed **One Hundred Thirteen Thousand Five Hundred Dollars (\$113,500.00)**, as detailed in Exhibit C.

"Additional Services" means any work that is determined by CITY to be necessary for the proper completion of the Project, but which is not included within the Scope of Services described at Exhibit A. CITY may elect to, but is not required to, authorize Additional Services up to the maximum amount of compensation set forth for Additional Services in this Section 4. CONSULTANT shall provide Additional Services only by advanced, written authorization from CITY as detailed in this Section. Additional Services, if any, shall be authorized by CITY with a Task Order assigned and authorized by CITY's Project Manager, as identified in Section 13 (Project Management). Each Task Order shall be in substantially the same form as Exhibit A-1, entitled "PROFESSIONAL SERVICES TASK ORDER". Each Task Order shall contain a specific scope of services, schedule of performance and maximum compensation amount, in accordance with the provisions of this Agreement. Compensation for Additional Services shall be specified by CITY in the Task Order, based on whichever is lowest: the compensation structure set forth in Exhibit C, the hourly rates set forth in Exhibit C-1, or a negotiated lump sum.

To accept a Task Order, CONSULTANT shall sign the Task Order and return it to CITY's Project Manager within the time specified by the Project Manager, and upon authorization by CITY (defined as counter-signature by the CITY Project Manager), the fully executed Task Order shall become part of this Agreement. The cumulative total compensation to CONSULTANT for all Task Orders authorized under this Agreement shall not exceed the amount of compensation set forth for Additional Services in this Section 4. CONSULTANT shall only be compensated for Additional Services performed under an authorized Task Order and only up to the maximum amount of compensation set forth for Additional Services in this Section 4. Performance of and payment for any Additional Services are subject to all requirements and restrictions in this Agreement."

SECTION 3. The following exhibits to the Contract are hereby amended, as indicated below, to read as set forth in the attachments to this Amendment, which are hereby incorporated in full into this Amendment and into the Contract by this reference:

- a. Exhibit "A" entitled "SCOPE OF SERVICES, AMENDMENT NO. 1", AMENDED, REPLACES PREVIOUS.

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- b. Exhibit "B" entitled "SCHEDULE OF PERFORMANCE, AMENDMENT NO. 1", AMENDED, REPLACES PREVIOUS.
- c. Exhibit "C" entitled "COMPENSATION, AMENDMENT NO. 1", AMENDED, REPLACES PREVIOUS.

SECTION 4. **Legal Effect.** Except as modified by this Amendment, all other provisions of the Contract, including any exhibits thereto, shall remain in full force and effect.

SECTION 5. **Incorporation of Recitals.** The recitals set forth above are terms of this Amendment and are fully incorporated herein by this reference.

(SIGNATURE BLOCK FOLLOWS ON THE NEXT PAGE.)

SIGNATURES OF THE PARTIES

IN WITNESS WHEREOF, the Parties have by their duly authorized representatives executed this Amendment effective as of the date first above written.

CITY OF PALO ALTO

City Manager

APPROVED AS TO FORM:

City Attorney or designee

Contracts Administrator

FAIRBANK, MASLIN, MAULLIN, METZ & ASSOCIATES, INC.

DocuSigned by:
DAVID METZ
587F78C39FB6406...
Officer 1

By: 3/17/2022

Name: DAVID METZ

Title: President

DocuSigned by:
Curtis Below
7BF832D9DC5A49E...
Officer 2

By: 3/17/2022

Name: Curtis Below

Title: Partner and COO

Attachments:

EXHIBIT "A" entitled "SCOPE OF SERVICES, AMENDMENT NO. 1" (AMENDED, REPLACES PREVIOUS)

EXHIBIT "B" entitled "SCHEDULE OF PERFORMANCE, AMENDMENT NO. 1" (AMENDED, REPLACES PREVIOUS)

EXHIBIT "C" entitled "COMPENSATION, AMENDMENT NO. 1" (AMENDED, REPLACES PREVIOUS)

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EXHIBIT A
SCOPE OF SERVICES, AMENDMENT NO. 1
(AMENDED, REPLACES PREVIOUS)

CONSULTANT shall provide the Services detailed in this Exhibit A, entitled “SCOPE OF SERVICES”.

CONSULTANT shall conduct research assessing potential approaches for revenue measures for the CITY to consider in the November 2022 election. Research will be performed as follows:

Task 1:

CONSULTANT shall conduct surveys with the following specifications:

Questionnaire: Three (3) 15-to 20-minute questionnaires to assess public reactions to various components of a potential tax options. Work includes drafting polling outlines and questions, for staff, public outreach consultant, and City Council review, prior to conducting the survey:

Questionnaire #1: An exploratory 15-to 20-minute survey to assess public reactions to various components of a potential business tax. Assuming there is not a need for extensive split-sampling paired with demographic subgroup analysis, the first survey will be a 400-voter sample, robust enough to examine major demographic differences.

Questionnaire #2: A second exploratory 15-to 20-minute survey to assess public reactions to various components of a potential business tax, with the second survey to be informed by the results of the first as well as City and stakeholder input. Assuming there is not a need for extensive split-sampling paired with demographic subgroup analysis, the second survey will be a 400-voter sample, robust enough to examine major demographic differences.

Questionnaire #3: A more refined feasibility survey to test a selection of more fully developed model measures. A larger, 800-voter sample will be conducted for the second survey so that the survey can be split into several approaches and retain a relatively low margin of error.

Sample Size: Sample size of 400 to 800 interviews among likely November 2022 voters in the City of Palo Alto.

Task 2:

Following completion of the survey, the CONSULTANT shall provide the following deliverables:

- A questionnaire with the topline results of the survey for easy reference.
- A complete set of crosstabs in an easy-to-read, comprehensive format.
- Verbatim responses to any open-ended questions.

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- A complete analysis of survey results in PowerPoint.
- A presentation of the survey results.

EXHIBIT A-1 PROFESSIONAL SERVICES TASK ORDER

CONSULTANT shall perform the Services detailed below in accordance with all the terms and conditions of the Agreement referenced in Item 1A below. All exhibits referenced in Item 8 are incorporated into this Task Order by this reference. CONSULTANT shall furnish the necessary facilities, professional, technical and supporting personnel required by this Task Order as described below.

CONTRACT NO.

OR PURCHASE ORDER REQUISITION NO. (AS APPLICABLE)

- 1A. MASTER AGREEMENT NO. (MAY BE SAME AS CONTRACT / P.O. NO. ABOVE):
 - 1B. TASK ORDER NO.:
 2. CONSULTANT NAME:
 3. PERIOD OF PERFORMANCE: START: COMPLETION:
 4. TOTAL TASK ORDER PRICE: \$ _____
BALANCE REMAINING IN MASTER AGREEMENT/CONTRACT \$ _____
 5. BUDGET CODE _____
COST CENTER _____
COST ELEMENT _____
WBS/CIP _____
PHASE _____
 6. CITY PROJECT MANAGER'S NAME & DEPARTMENT: _____
 7. DESCRIPTION OF SCOPE OF SERVICES (Attachment A)
MUST INCLUDE:
 - SERVICES AND DELIVERABLES TO BE PROVIDED
 - SCHEDULE OF PERFORMANCE
 - MAXIMUM COMPENSATION AMOUNT AND RATE SCHEDULE (as applicable)
 - REIMBURSABLE EXPENSES, if any (with "not to exceed" amount)
 8. ATTACHMENTS: A: Task Order Scope of Services B (if any): _____
-

I hereby authorize the performance of the work described in this Task Order.

I hereby acknowledge receipt and acceptance of this Task Order and warrant that I have authority to sign on behalf of Consultant.

APPROVED:
CITY OF PALO ALTO

APPROVED:
COMPANY NAME: _____

BY: _____
Name _____
Title _____
Date _____

BY: _____
Name _____
Title _____
Date _____

EXHIBIT B
SCHEDULE OF PERFORMANCE, AMENDMENT NO. 1
(AMENDED, REPLACES PREVIOUS)

CONSULTANT shall perform the Services so as to complete each milestone within the number of days/weeks specified below. The time to complete each milestone may be increased or decreased by mutual written agreement of the Project Managers for CONSULTANT and CITY so long as all work is completed within the term of the Agreement. CONSULTANT shall provide a detailed schedule of work consistent with the schedule below within 2 weeks of receipt of the notice to proceed ("NTP") from the CITY.

CONSULTANT shall perform the Services as specified in Exhibit "A" Scope of Services during the Term defined in Section 2 of this Agreement.

Milestones	Completion Date
1. Task 1: Questionnaire 1 and Deliverables	October 2021 to January 2022
2. Task 2: Questionnaire 2 and Deliverables	February 2022 to April 2022
3. Task 3: Questionnaire 3 and Deliverables	April 2022 to June 2022

☒ Optional Schedule of Performance Provision for On-Call or Additional Services Agreements. (This provision only applies if checked and only applies to on-call agreements per Section 1 or agreements with Additional Services per Section 4.)

The schedule of performance shall be as provided in the approved Task Order, as detailed in Section 1 (Scope of Services) in the case of on-call Services, or as detailed in Section 4 in the case of Additional Services, provided in all cases that the schedule of performance shall fall within the term as provided in Section 2 (Term) of this Agreement.

EXHIBIT C
COMPENSATION, AMENDMENT NO. 1
(AMENDED, REPLACES PREVIOUS)

CITY agrees to compensate CONSULTANT for Services performed in accordance with the terms and conditions of this Agreement, and as set forth in the budget schedule below. Compensation shall be calculated based on the schedule of rates attached as Exhibit C-1 up to the not to exceed budget amount for each task in the budget schedule set forth below.

CITY's Project Manager may approve in writing the transfer of budget amounts between any of the tasks or categories listed below, provided that the total compensation for the Services, including any specified reimbursable expenses, and the total compensation for Additional Services (if any, per Section 4 of the Agreement) do not exceed the amounts set forth in Section 4 of this Agreement.

CONSULTANT agrees to complete all Services, any specified reimbursable expenses, and Additional Services (if any, per Section 4), within this/these amount(s). Any work performed or expenses incurred for which payment would result in a total exceeding the maximum amount of compensation set forth in this Agreement shall be at no cost to the CITY.

BUDGET SCHEDULE

TASK	NOT TO EXCEED AMOUNT
Task 1: Questionnaire 1 and Deliverables	\$28,500.00
Task 2: Questionnaire 2 and Deliverables	\$41,000.00
Task 3: Questionnaire 3 and Deliverables	\$28,500.00
Sub-total for Services	\$98,000.00
Reimbursable Expenses (if any)	\$0.00
Total for Services and Reimbursable Expenses	\$98,000.00
Additional Services (if any, per Section 4)	\$15,500.00
Maximum Total Compensation	\$113,500.00

REIMBURSABLE EXPENSES

CONSULTANT'S ordinary business expenses, such as administrative, overhead, administrative support time/overtime, information systems, software and hardware, photocopying, telecommunications (telephone, internet), in-house printing, insurance and other ordinary business expenses, are included within the scope of payment for Services and are not reimbursable expenses hereunder.

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Attachment A

Reimbursable expenses, if any are specified as reimbursable under this section, will be reimbursed at actual cost. The expenses (by type, e.g. travel) for which CONSULTANT will be reimbursed are: **NONE** up to the not-to-exceed amount of: **\$0.00**.

EXHIBIT C-1**SCHEDULE OF RATES**

CONSULTANT's schedule of rates is as follows:

Estimated Survey Costs for Questionnaires and Associated Deliverables

Survey Length	Number of Interviews		
	400	600	800
15 Minutes	\$25,500	\$31,000	\$36,000
20 Minutes	\$28,500	\$35,000	\$41,000

Attachment B

CITY OF PALO ALTO CONTRACT NO. S22183587

AGREEMENT FOR PROFESSIONAL SERVICES

BETWEEN THE CITY OF PALO ALTO AND FAIRBANK, MASLIN, MAULLIN,
METZ, & ASSOCIATES INC.

This Agreement for Professional Services (this "Agreement") is entered into as of the 30th day of September, 2021 (the "Effective Date"), by and between the CITY OF PALO ALTO, a California chartered municipal corporation ("CITY"), and FAIRBANK, MASLIN, MAULLIN, METZ, & ASSOCIATES INC., a California Corporation, located at 1999 Harrison Street, Suite 2020, Oakland, CA 94612 ("CONSULTANT").

The following recitals are a substantive portion of this Agreement and are fully incorporated herein by this reference:

RECITALS

A. CITY intends to develop potential approaches for a revenue generating ballot measure (the "Project") and desires to engage a consultant to assess and conduct research on public response in connection with the Project (the "Services", as detailed more fully in Exhibit A).

B. CONSULTANT represents that it, its employees and subconsultants, if any, possess the necessary professional expertise, qualifications, and capability, and all required licenses and/or certifications to provide the Services.

C. CITY, in reliance on these representations, desires to engage CONSULTANT to provide the Services as more fully described in Exhibit A, entitled "SCOPE OF SERVICES".

NOW, THEREFORE, in consideration of the recitals, covenants, terms, and conditions, in this Agreement, the parties agree as follows:

SECTION 1. SCOPE OF SERVICES. CONSULTANT shall perform the Services described in Exhibit A in accordance with the terms and conditions contained in this Agreement. The performance of all Services shall be to the reasonable satisfaction of CITY.

SECTION 2. TERM.

The term of this Agreement shall be from October 1, 2021 through July 1, 2022 unless terminated earlier pursuant to Section 19 (Termination) of this Agreement.

SECTION 3. SCHEDULE OF PERFORMANCE. Time is of the essence in the performance of Services under this Agreement. CONSULTANT shall complete the Services within the term of this Agreement and in accordance with the schedule set forth in Exhibit B, entitled "SCHEDULE OF PERFORMANCE". Any Services for which times for performance are not specified in this Agreement shall be commenced and completed by CONSULTANT in a reasonably prompt and timely manner based upon the circumstances and direction communicated to the CONSULTANT.

Attachment B

CITY's agreement to extend the term or the schedule for performance shall not preclude recovery of damages for delay if the extension is required due to the fault of CONSULTANT.

SECTION 4. NOT TO EXCEED COMPENSATION. The compensation to be paid to CONSULTANT for performance of the Services shall be based on the compensation structure detailed in Exhibit C, entitled "COMPENSATION," including any reimbursable expenses specified therein, and the maximum total compensation shall not exceed **Sixty-Nine Thousand Five Hundred Dollars (\$69,500.00)**. The hourly schedule of rates, if applicable, is set out in Exhibit C-1, entitled "SCHEDULE OF RATES." Any work performed or expenses incurred for which payment would result in a total exceeding the maximum compensation set forth in this Section 4 shall be at no cost to the CITY.

☒ Optional Additional Services Provision (This provision applies only if checked and a not-to-exceed compensation amount for Additional Services is allocated below under this Section 4.)

In addition to the not-to-exceed compensation specified above, CITY has set aside the not-to-exceed compensation amount of **Fifteen Thousand Five Hundred Dollars (\$15,500.00)** for the performance of Additional Services (as defined below). The total compensation for performance of the Services, Additional Services and any reimbursable expenses specified in Exhibit C, shall not exceed **Eighty-Five Thousand Dollars (\$85,000.00)**, as detailed in Exhibit C.

"Additional Services" means any work that is determined by CITY to be necessary for the proper completion of the Project, but which is not included within the Scope of Services described at Exhibit A. CITY may elect to, but is not required to, authorize Additional Services up to the maximum amount of compensation set forth for Additional Services in this Section 4. CONSULTANT shall provide Additional Services only by advanced, written authorization from CITY as detailed in this Section. Additional Services, if any, shall be authorized by CITY with a Task Order assigned and authorized by CITY's Project Manager, as identified in Section 13 (Project Management). Each Task Order shall be in substantially the same form as Exhibit A-1, entitled "PROFESSIONAL SERVICES TASK ORDER". Each Task Order shall contain a specific scope of services, schedule of performance and maximum compensation amount, in accordance with the provisions of this Agreement. Compensation for Additional Services shall be specified by CITY in the Task Order, based on whichever is lowest: the compensation structure set forth in Exhibit C, the hourly rates set forth in Exhibit C-1, or a negotiated lump sum.

To accept a Task Order, CONSULTANT shall sign the Task Order and return it to CITY's Project Manager within the time specified by the Project Manager, and upon authorization by CITY (defined as counter-signature by the CITY Project Manager), the fully executed Task Order shall become part of this Agreement. The cumulative total compensation to CONSULTANT for all Task Orders authorized under this Agreement shall not exceed the amount of compensation set forth for Additional Services in this Section 4. CONSULTANT shall only be compensated for Additional Services performed under an authorized Task Order and only up to the maximum amount of compensation set forth for Additional Services in this Section 4. Performance of and payment for any Additional Services are subject to all requirements and restrictions in this Agreement.

Attachment B

SECTION 5. INVOICES. In order to request payment, CONSULTANT shall submit monthly invoices to the CITY describing the Services performed and the applicable charges (including, if applicable, an identification of personnel who performed the Services, hours worked, hourly rates, and reimbursable expenses), based upon Exhibit C or, as applicable, CONSULTANT's schedule of rates set forth in Exhibit C-1. If applicable, the invoice shall also describe the percentage of completion of each task. The information in CONSULTANT's invoices shall be subject to verification by CITY. CONSULTANT shall send all invoices to CITY's Project Manager at the address specified in Section 13 (Project Management) below. CITY will generally process and pay invoices within thirty (30) days of receipt of an acceptable invoice.

SECTION 6. QUALIFICATIONS/STANDARD OF CARE. All Services shall be performed by CONSULTANT or under CONSULTANT's supervision. CONSULTANT represents that it, its employees and subcontractors, if any, possess the professional and technical personnel necessary to perform the Services required by this Agreement and that the personnel have sufficient skill and experience to perform the Services assigned to them. CONSULTANT represents that it, its employees and subcontractors, if any, have and shall maintain during the term of this Agreement all licenses, permits, qualifications, insurance and approvals of whatever nature that are legally required to perform the Services. All Services to be furnished by CONSULTANT under this Agreement shall meet the professional standard and quality that prevail among professionals in the same discipline and of similar knowledge and skill engaged in related work throughout California under the same or similar circumstances.

SECTION 7. COMPLIANCE WITH LAWS. CONSULTANT shall keep itself informed of and in compliance with all federal, state and local laws, ordinances, regulations, and orders that may affect in any manner the Project or the performance of the Services or those engaged to perform Services under this Agreement, as amended from time to time. CONSULTANT shall procure all permits and licenses, pay all charges and fees, and give all notices required by law in the performance of the Services.

SECTION 8. ERRORS/OMISSIONS. CONSULTANT is solely responsible for costs, including, but not limited to, increases in the cost of Services, arising from or caused by CONSULTANT's errors and omissions, including, but not limited to, the costs of corrections such errors and omissions, any change order markup costs, or costs arising from delay caused by the errors and omissions or unreasonable delay in correcting the errors and omissions.

SECTION 9. COST ESTIMATES. If this Agreement pertains to the design of a public works project, CONSULTANT shall submit estimates of probable construction costs at each phase of design submittal. If the total estimated construction cost at any submittal exceeds the CITY's stated construction budget by ten percent (10%) or more, CONSULTANT shall make recommendations to CITY for aligning the Project design with the budget, incorporate CITY approved recommendations, and revise the design to meet the Project budget, at no additional cost to CITY.

SECTION 10. INDEPENDENT CONTRACTOR. CONSULTANT acknowledges and agrees that CONSULTANT and any agent or employee of CONSULTANT will act as and shall be deemed at all times to be an independent contractor and shall be wholly responsible for the manner in which CONSULTANT performs the Services requested by CITY under this Agreement.

Attachment B

CONSULTANT and any agent or employee of CONSULTANT will not have employee status with CITY, nor be entitled to participate in any plans, arrangements, or distributions by CITY pertaining to or in connection with any retirement, health or other benefits that CITY may offer its employees. CONSULTANT will be responsible for all obligations and payments, whether imposed by federal, state or local law, including, but not limited to, FICA, income tax withholdings, workers' compensation, unemployment compensation, insurance, and other similar responsibilities related to CONSULTANT's performance of the Services, or any agent or employee of CONSULTANT providing same. Nothing in this Agreement shall be construed as creating an employment or agency relationship between CITY and CONSULTANT or any agent or employee of CONSULTANT. Any terms in this Agreement referring to direction from CITY shall be construed as providing for direction as to policy and the result of CONSULTANT's provision of the Services only, and not as to the means by which such a result is obtained.

SECTION 11. ASSIGNMENT. The parties agree that the expertise and experience of CONSULTANT are material considerations for this Agreement. CONSULTANT shall not assign or transfer any interest in this Agreement nor the performance of any of CONSULTANT's obligations hereunder without the prior written approval of the City Manager. Any purported assignment made without the prior written approval of the City Manager will be void and without effect. Subject to the foregoing, the covenants, terms, conditions and provisions of this Agreement will apply to, and will bind, the heirs, successors, executors, administrators and assignees of the parties.

SECTION 12. SUBCONTRACTING.

☒ **Option A: No Subcontractor:** CONSULTANT shall not subcontract any portion of the Services to be performed under this Agreement without the prior written authorization of the City Manager or designee. In the event CONSULTANT does subcontract any portion of the work to be performed under this Agreement, CONSULTANT shall be fully responsible for all acts and omissions of subcontractors.

SECTION 13. PROJECT MANAGEMENT. CONSULTANT will assign David Metz, Email: dave@fm3research.com as the CONSULTANT's Project Manager to have supervisory responsibility for the performance, progress, and execution of the Services and represent CONSULTANT during the day-to-day performance of the Services. If circumstances cause the substitution of the CONSULTANT's Project Manager or any other of CONSULTANT's key personnel for any reason, the appointment of a substitute Project Manager and the assignment of any key new or replacement personnel will be subject to the prior written approval of the CITY's Project Manager. CONSULTANT, at CITY's request, shall promptly remove CONSULTANT personnel who CITY finds do not perform the Services in an acceptable manner, are uncooperative, or present a threat to the adequate or timely completion of the Services or a threat to the safety of persons or property.

CITY's Project Manager is Christine Paras, Administrative Services Department, Purchasing Division, 250 Hamilton Avenue Palo Alto, CA, 94301, Telephone: (650) 329-2486, Email: Christine.Paras@CityofPaloAlto.org. CITY's Project Manager will be CONSULTANT's point of contact with respect to performance, progress and execution of the Services. CITY may designate an alternate Project Manager from time to time.

Attachment B

SECTION 14. OWNERSHIP OF MATERIALS. All work product, including without limitation, all writings, drawings, studies, sketches, photographs, plans, reports, specifications, computations, models, recordings, data, documents, and other materials and copyright interests developed under this Agreement, in any form or media, shall be and remain the exclusive property of CITY without restriction or limitation upon their use. CONSULTANT agrees that all copyrights which arise from creation of the work product pursuant to this Agreement are vested in CITY, and CONSULTANT hereby waives and relinquishes all claims to copyright or other intellectual property rights in favor of CITY. Neither CONSULTANT nor its subcontractors, if any, shall make any of such work product available to any individual or organization without the prior written approval of the City Manager or designee. CONSULTANT makes no representation of the suitability of the work product for use in or application to circumstances not contemplated by the Scope of Services.

SECTION 15. AUDITS. CONSULTANT agrees to permit CITY and its authorized representatives to audit, at any reasonable time during the term of this Agreement and for four (4) years from the date of final payment, CONSULTANT's records pertaining to matters covered by this Agreement, including without limitation records demonstrating compliance with the requirements of Section 10 (Independent Contractor). CONSULTANT further agrees to maintain and retain accurate books and records in accordance with generally accepted accounting principles for at least four (4) years after the expiration or earlier termination of this Agreement or the completion of any audit hereunder, whichever is later.

SECTION 16. INDEMNITY.

16.1. To the fullest extent permitted by law, CONSULTANT shall indemnify, defend and hold harmless CITY, its Council members, officers, employees and agents (each an "Indemnified Party") from and against any and all demands, claims, or liability of any nature, including death or injury to any person, property damage or any other loss, including all costs and expenses of whatever nature including attorney's fees, experts fees, court costs and disbursements ("Claims") resulting from, arising out of or in any manner related to performance or nonperformance by CONSULTANT, its officers, employees, agents or contractors under this Agreement, regardless of whether or not it is caused in part by an Indemnified Party.

16.2. Notwithstanding the above, nothing in this Section 16 shall be construed to require CONSULTANT to indemnify an Indemnified Party from a Claim arising from the active negligence or willful misconduct of an Indemnified Party that is not contributed to by any act of, or by any omission to perform a duty imposed by law or agreement by, CONSULTANT, its officers, employees, agents or contractors under this Agreement.

16.3. The acceptance of CONSULTANT's Services and duties by CITY shall not operate as a waiver of the right of indemnification. The provisions of this Section 16 shall survive the expiration or early termination of this Agreement.

SECTION 17. WAIVERS. No waiver of a condition or nonperformance of an obligation under this Agreement is effective unless it is in writing in accordance with Section 29.4 of this Agreement. No delay or failure to require performance of any provision of this Agreement shall constitute a waiver of that provision as to that or any other instance. Any waiver granted shall apply solely to the specific instance expressly stated. No single or partial exercise of any right or remedy will preclude any other or further exercise of any right or remedy.

SECTION 18. INSURANCE.

18.1. CONSULTANT, at its sole cost and expense, shall obtain and maintain, in full force and effect during the term of this Agreement, the insurance coverage described in Exhibit D, entitled "INSURANCE REQUIREMENTS". CONSULTANT and its contractors, if any, shall obtain a policy endorsement naming CITY as an additional insured under any general liability or automobile policy or policies.

18.2. All insurance coverage required hereunder shall be provided through carriers with AM Best's Key Rating Guide ratings of A-:VII or higher which are licensed or authorized to transact insurance business in the State of California. Any and all contractors of CONSULTANT retained to perform Services under this Agreement will obtain and maintain, in full force and effect during the term of this Agreement, identical insurance coverage, naming CITY as an additional insured under such policies as required above.

18.3. Certificates evidencing such insurance shall be filed with CITY concurrently with the execution of this Agreement. The certificates will be subject to the approval of CITY's Risk Manager and will contain an endorsement stating that the insurance is primary coverage and will not be canceled, or materially reduced in coverage or limits, by the insurer except after filing with the Purchasing Manager thirty (30) days' prior written notice of the cancellation or modification. If the insurer cancels or modifies the insurance and provides less than thirty (30) days' notice to CONSULTANT, CONSULTANT shall provide the Purchasing Manager written notice of the cancellation or modification within two (2) business days of the CONSULTANT's receipt of such notice. CONSULTANT shall be responsible for ensuring that current certificates evidencing the insurance are provided to CITY's Chief Procurement Officer during the entire term of this Agreement.

18.4. The procuring of such required policy or policies of insurance will not be construed to limit CONSULTANT's liability hereunder nor to fulfill the indemnification provisions of this Agreement. Notwithstanding the policy or policies of insurance, CONSULTANT will be obligated for the full and total amount of any damage, injury, or loss caused by or directly arising as a result of the Services performed under this Agreement, including such damage, injury, or loss arising after the Agreement is terminated or the term has expired.

SECTION 19. TERMINATION OR SUSPENSION OF AGREEMENT OR SERVICES.

19.1. The City Manager may suspend the performance of the Services, in whole or in part, or terminate this Agreement, with or without cause, by giving ten (10) days prior written notice thereof to CONSULTANT. If CONSULTANT fails to perform any of its material obligations under this Agreement, in addition to all other remedies provided under this Agreement or at law, the City Manager may terminate this Agreement sooner upon written notice of termination. Upon receipt of any notice of suspension or termination, CONSULTANT will discontinue its performance of the Services on the effective date in the notice of suspension or termination.

19.2. In event of suspension or termination, CONSULTANT will deliver to the City Manager on or before the effective date in the notice of suspension or termination, any and

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all work product, as detailed in Section 14 (Ownership of Materials), whether or not completed, prepared by CONSULTANT or its contractors, if any, in the performance of this Agreement. Such work product is the property of CITY, as detailed in Section 14 (Ownership of Materials).

19.3. In event of suspension or termination, CONSULTANT will be paid for the Services rendered and work products delivered to CITY in accordance with the Scope of Services up to the effective date in the notice of suspension or termination; provided, however, if this Agreement is suspended or terminated on account of a default by CONSULTANT, CITY will be obligated to compensate CONSULTANT only for that portion of CONSULTANT's Services provided in material conformity with this Agreement as such determination is made by the City Manager acting in the reasonable exercise of his/her discretion. The following Sections will survive any expiration or termination of this Agreement: 14, 15, 16, 17, 19.2, 19.3, 19.4, 20, 25, 27, 28, 29 and 30.

19.4. No payment, partial payment, acceptance, or partial acceptance by CITY will operate as a waiver on the part of CITY of any of its rights under this Agreement, unless made in accordance with Section 17 (Waivers).

SECTION 20. NOTICES.

All notices hereunder will be given in writing and mailed, postage prepaid, by certified mail, addressed as follows:

To CITY: Office of the City Clerk
 City of Palo Alto
 Post Office Box 10250
 Palo Alto, CA 94303

With a copy to the Purchasing Manager

To CONSULTANT: Attention of the Project Manager at the address of
CONSULTANT recited on the first page of this Agreement.

CONSULTANT shall provide written notice to CITY of any change of address.

SECTION 21. CONFLICT OF INTEREST.

21.1. In executing this Agreement, CONSULTANT covenants that it presently has no interest, and will not acquire any interest, direct or indirect, financial or otherwise, which would conflict in any manner or degree with the performance of the Services.

21.2. CONSULTANT further covenants that, in the performance of this Agreement, it will not employ subcontractors or other persons or parties having such an interest. CONSULTANT certifies that no person who has or will have any financial interest under this Agreement is an officer or employee of CITY; this provision will be interpreted in accordance with the applicable provisions of the Palo Alto Municipal Code and the Government Code of the State of California, as amended from time to time. CONSULTANT agrees to notify CITY if any conflict arises.

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21.3. If the CONSULTANT meets the definition of a “Consultant” as defined by the Regulations of the Fair Political Practices Commission, CONSULTANT will file the appropriate financial disclosure documents required by the Palo Alto Municipal Code and the Political Reform Act of 1974, as amended from time to time.

SECTION 22. NONDISCRIMINATION; COMPLIANCE WITH ADA.

22.1. As set forth in Palo Alto Municipal Code Section 2.30.510, as amended from time to time, CONSULTANT certifies that in the performance of this Agreement, it shall not discriminate in the employment of any person due to that person’s race, skin color, gender, gender identity, age, religion, disability, national origin, ancestry, sexual orientation, pregnancy, genetic information or condition, housing status, marital status, familial status, weight or height of such person. CONSULTANT acknowledges that it has read and understands the provisions of Section 2.30.510 of the Palo Alto Municipal Code relating to Nondiscrimination Requirements and the penalties for violation thereof, and agrees to meet all requirements of Section 2.30.510 pertaining to nondiscrimination in employment.

22.2. CONSULTANT understands and agrees that pursuant to the Americans Disabilities Act (“ADA”), programs, services and other activities provided by a public entity to the public, whether directly or through a contractor or subcontractor, are required to be accessible to the disabled public. CONSULTANT will provide the Services specified in this Agreement in a manner that complies with the ADA and any other applicable federal, state and local disability rights laws and regulations, as amended from time to time. CONSULTANT will not discriminate against persons with disabilities in the provision of services, benefits or activities provided under this Agreement.

SECTION 23. ENVIRONMENTALLY PREFERRED PURCHASING AND ZERO WASTE REQUIREMENTS. CONSULTANT shall comply with the CITY’s Environmentally Preferred Purchasing policies which are available at CITY’s Purchasing Department, hereby incorporated by reference and as amended from time to time. CONSULTANT shall comply with waste reduction, reuse, recycling and disposal requirements of CITY’s Zero Waste Program. Zero Waste best practices include, first, minimizing and reducing waste; second, reusing waste; and, third, recycling or composting waste. In particular, CONSULTANT shall comply with the following Zero Waste requirements:

(a) All printed materials provided by CONSULTANT to CITY generated from a personal computer and printer including but not limited to, proposals, quotes, invoices, reports, and public education materials, shall be double-sided and printed on a minimum of 30% or greater post-consumer content paper, unless otherwise approved by CITY’s Project Manager. Any submitted materials printed by a professional printing company shall be a minimum of 30% or greater post-consumer material and printed with vegetable-based inks.

(b) Goods purchased by CONSULTANT on behalf of CITY shall be purchased in accordance with CITY’s Environmental Purchasing Policy including but not limited to Extended Producer Responsibility requirements for products and packaging. A copy of this policy is on file at the Purchasing Department’s office.

(c) Reusable/returnable pallets shall be taken back by CONSULTANT, at no additional cost to CITY, for reuse or recycling. CONSULTANT shall provide documentation from the facility accepting the pallets to verify that pallets are not being disposed.

SECTION 24. COMPLIANCE WITH PALO ALTO MINIMUM WAGE ORDINANCE.

CONSULTANT shall comply with all requirements of the Palo Alto Municipal Code Chapter 4.62 (Citywide Minimum Wage), as amended from time to time. In particular, for any employee otherwise entitled to the State minimum wage, who performs at least two (2) hours of work in a calendar week within the geographic boundaries of the City, CONSULTANT shall pay such employees no less than the minimum wage set forth in Palo Alto Municipal Code Section 4.62.030 for each hour worked within the geographic boundaries of the City of Palo Alto. In addition, CONSULTANT shall post notices regarding the Palo Alto Minimum Wage Ordinance in accordance with Palo Alto Municipal Code Section 4.62.060.

SECTION 25. NON-APPROPRIATION. This Agreement is subject to the fiscal provisions of the Charter of the City of Palo Alto and the Palo Alto Municipal Code, as amended from time to time. This Agreement will terminate without any penalty (a) at the end of any fiscal year in the event that funds are not appropriated for the following fiscal year, or (b) at any time within a fiscal year in the event that funds are only appropriated for a portion of the fiscal year and funds for this Agreement are no longer available. This Section shall take precedence in the event of a conflict with any other covenant, term, condition, or provision of this Agreement.

SECTION 26. PREVAILING WAGES AND DIR REGISTRATION FOR PUBLIC WORKS CONTRACTS.

☒ 26.1. **This Project is not subject to prevailing wages and related requirements.** CONSULTANT is not required to pay prevailing wages and meet related requirements under the California Labor Code and California Code of Regulations in the performance and implementation of the Project if the contract:

- (1) is not a public works contract;
- (2) is for a public works construction project of \$25,000 or less, per California Labor Code Sections 1782(d)(1), 1725.5(f) and 1773.3(j); or
- (3) is for a public works alteration, demolition, repair, or maintenance project of \$15,000 or less, per California Labor Code Sections 1782(d)(1), 1725.5(f) and 1773.3(j).

SECTION 27. CLAIMS PROCEDURE FOR “9204 PUBLIC WORKS PROJECTS”. For purposes of this Section 27, a “9204 Public Works Project” means the erection, construction, alteration, repair, or improvement of any public structure, building, road, or other public improvement of any kind. (Cal. Pub. Cont. Code § 9204.) Per California Public Contract Code Section 9204, for Public Works Projects, certain claims procedures shall apply, as set forth in Exhibit F, entitled “Claims for Public Contract Code Section 9204 Public Works Projects”.

☒ **This Project is not a 9204 Public Works Project.**

SECTION 28. CONFIDENTIAL INFORMATION.

28.1. In the performance of this Agreement, CONSULTANT may have access to CITY’s Confidential Information (defined below). CONSULTANT will hold Confidential Information in strict confidence, not disclose it to any third party, and will use it only for the performance of its obligations to CITY under this Agreement and for no other purpose. CONSULTANT will maintain reasonable and appropriate administrative, technical and physical

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safeguards to ensure the security, confidentiality and integrity of the Confidential Information. Notwithstanding the foregoing, CONSULTANT may disclose Confidential Information to its employees, agents and subcontractors, if any, to the extent they have a need to know in order to perform CONSULTANT's obligations to CITY under this Agreement and for no other purpose, provided that the CONSULTANT informs them of, and requires them to follow, the confidentiality and security obligations of this Agreement.

28.2. "Confidential Information" means all data, information (including without limitation "Personal Information" about a California resident as defined in Civil Code Section 1798 et seq., as amended from time to time) and materials, in any form or media, tangible or intangible, provided or otherwise made available to CONSULTANT by CITY, directly or indirectly, pursuant to this Agreement. Confidential Information excludes information that CONSULTANT can show by appropriate documentation: (i) was publicly known at the time it was provided or has subsequently become publicly known other than by a breach of this Agreement; (ii) was rightfully in CONSULTANT's possession free of any obligation of confidence prior to receipt of Confidential Information; (iii) is rightfully obtained by CONSULTANT from a third party without breach of any confidentiality obligation; (iv) is independently developed by employees of CONSULTANT without any use of or access to the Confidential Information; or (v) CONSULTANT has written consent to disclose signed by an authorized representative of CITY.

28.3. Notwithstanding the foregoing, CONSULTANT may disclose Confidential Information to the extent required by order of a court of competent jurisdiction or governmental body, provided that CONSULTANT will notify CITY in writing of such order immediately upon receipt and prior to any such disclosure (unless CONSULTANT is prohibited by law from doing so), to give CITY an opportunity to oppose or otherwise respond to such order.

28.4. CONSULTANT will notify City promptly upon learning of any breach in the security of its systems or unauthorized disclosure of, or access to, Confidential Information in its possession or control, and if such Confidential Information consists of Personal Information, CONSULTANT will provide information to CITY sufficient to meet the notice requirements of Civil Code Section 1798 et seq., as applicable, as amended from time to time.

28.5. Prior to or upon termination or expiration of this Agreement, CONSULTANT will honor any request from the CITY to return or securely destroy all copies of Confidential Information. All Confidential Information is and will remain the property of the CITY and nothing contained in this Agreement grants or confers any rights to such Confidential Information on CONSULTANT.

28.6. If selected in Section 30 (Exhibits), this Agreement is also subject to the terms and conditions of the Information Privacy Policy and Cybersecurity Terms and Conditions.

SECTION 29. MISCELLANEOUS PROVISIONS.

29.1. This Agreement will be governed by California law, without regard to its conflict of law provisions.

29.2. In the event that an action is brought, the parties agree that trial of such

Attachment B

action will be vested exclusively in the state courts of California in the County of Santa Clara, State of California.

29.3. The prevailing party in any action brought to enforce the provisions of this Agreement may recover its reasonable costs and attorneys' fees expended in connection with that action. The prevailing party shall be entitled to recover an amount equal to the fair market value of legal services provided by attorneys employed by it as well as any attorneys' fees paid to third parties.

29.4. This Agreement, including all exhibits, constitutes the entire and integrated agreement between the parties with respect to the subject matter of this Agreement, and supersedes all prior agreements, negotiations, representations, statements and undertakings, either oral or written. This Agreement may be amended only by a written instrument, which is signed by the authorized representatives of the parties and approved as required under Palo Alto Municipal Code, as amended from time to time.

29.5. If a court of competent jurisdiction finds or rules that any provision of this Agreement is void or unenforceable, the unaffected provisions of this Agreement will remain in full force and effect.

29.6. In the event of a conflict between the terms of this Agreement and the exhibits hereto (per Section 30) or CONSULTANT's proposal (if any), the Agreement shall control. In the event of a conflict between the exhibits hereto and CONSULTANT's proposal (if any), the exhibits shall control.

29.7. The provisions of all checked boxes in this Agreement shall apply to this Agreement; the provisions of any unchecked boxes shall not apply to this Agreement.

29.8. All section headings contained in this Agreement are for convenience and reference only and are not intended to define or limit the scope of any provision of this Agreement.

29.9. This Agreement may be signed in multiple counterparts, which, when executed by the authorized representatives of the parties, shall together constitute a single binding agreement.

SECTION 30. EXHIBITS. Each of the following exhibits, if the check box for such exhibit is selected below, is hereby attached and incorporated into this Agreement by reference as though fully set forth herein:

- ☒ EXHIBIT A: SCOPE OF SERVICES
- ☒ EXHIBIT A-1 PROFESSIONAL SERVICES TASK ORDER

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- ☒ EXHIBIT B: SCHEDULE OF PERFORMANCE
- ☒ EXHIBIT C: COMPENSATION
- ☒ EXHIBIT C-1: SCHEDULE OF RATES
- ☒ EXHIBIT D: INSURANCE REQUIREMENTS

THIS AGREEMENT IS NOT COMPLETE UNLESS ALL SELECTED EXHIBITS ARE ATTACHED.

(SIGNATURE BLOCK FOLLOWS ON THE NEXT PAGE.)

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CONTRACT No. SS22183587 SIGNATURE PAGE


IN WITNESS WHEREOF, the parties hereto have by their duly authorized representatives executed this Agreement as of the date first above written.

CITY OF PALO ALTO

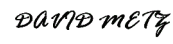
DocuSigned by:

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Purchasing Manager

APPROVED AS TO FORM:

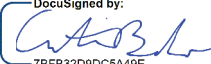
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City Attorney or designee

FAIRBANK, MASLIN, MAULLIN,
METZ & ASSOCIATES, INC.

DocuSigned by:

587F78C39FB6406...
By: 10/26/2021

Name: David Metz

Title: President

DocuSigned by:

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By: 10/26/2021

Name: Curtis Below

Title: Partner and COO

Attachment B**EXHIBIT A
SCOPE OF SERVICES**

CONSULTANT shall provide the Services detailed in this Exhibit A, entitled "SCOPE OF SERVICES".

CONSULTANT shall conduct research assessing potential approaches for revenue measures for the CITY to consider in the November 2022 election. Research will be performed as follows:

Task 1:

CONSULTANT shall conduct surveys with the following specifications:

Questionnaire: Two (2) 15-to 20-minute questionnaires to assess public reactions to various components of a potential tax options. Work includes drafting polling outlines and questions, for staff, public outreach consultant, and City Council review, prior to conducting the survey:

Questionnaire #1: An exploratory 15-to 20-minute survey to assess public reactions to various components of a potential business tax. Assuming there is not a need for extensive split-sampling paired with demographic subgroup analysis, the first survey will be a 400-voter sample, robust enough to examine major demographic differences.

Questionnaire #2: A more refined feasibility survey to test a selection of more fully developed model measures. A larger, 800-voter sample will be conducted for the second survey so that the survey can be split into several approaches and retain a relatively low margin of error.

Sample Size: Sample size of 400 to 800 interviews among likely November 2022 voters in the City of Palo Alto.

Task 2:

Following completion of the survey, the CONSULTANT shall provide the following deliverables:

- A questionnaire with the topline results of the survey for easy reference.
- A complete set of crosstabs in an easy-to-read, comprehensive format.
- Verbatim responses to any open-ended questions.
- A complete analysis of survey results in PowerPoint.
- A presentation of the survey results.

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EXHIBIT A-1 PROFESSIONAL SERVICES TASK ORDER

CONSULTANT shall perform the Services detailed below in accordance with all the terms and conditions of the Agreement referenced in Item 1A below. All exhibits referenced in Item 8 are incorporated into this Task Order by this reference. CONSULTANT shall furnish the necessary facilities, professional, technical and supporting personnel required by this Task Order as described below.

CONTRACT NO.

OR PURCHASE ORDER REQUISITION NO. (AS APPLICABLE)

- 1A. MASTER AGREEMENT NO. (MAY BE SAME AS CONTRACT / P.O. NO. ABOVE):
- 1B. TASK ORDER NO.:
2. CONSULTANT NAME:
3. PERIOD OF PERFORMANCE: START: COMPLETION:
4. TOTAL TASK ORDER PRICE: \$ _____
BALANCE REMAINING IN MASTER AGREEMENT/CONTRACT \$ _____
5. BUDGET CODE _____
COST CENTER _____
COST ELEMENT _____
WBS/CIP _____
PHASE _____
6. CITY PROJECT MANAGER'S NAME & DEPARTMENT: _____
7. DESCRIPTION OF SCOPE OF SERVICES (Attachment A)
MUST INCLUDE:
 - SERVICES AND DELIVERABLES TO BE PROVIDED
 - SCHEDULE OF PERFORMANCE
 - MAXIMUM COMPENSATION AMOUNT AND RATE SCHEDULE (as applicable)
 - REIMBURSABLE EXPENSES, if any (with "not to exceed" amount)
8. ATTACHMENTS: A: Task Order Scope of Services B (if any): _____

I hereby authorize the performance of the work described in this Task Order.

I hereby acknowledge receipt and acceptance of this Task Order and warrant that I have authority to sign on behalf of Consultant.

APPROVED:
CITY OF PALO ALTO

APPROVED:
COMPANY NAME: _____

BY: _____
Name _____
Title _____
Date _____

BY: _____
Name _____
Title _____
Date _____

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**EXHIBIT B
SCHEDULE OF PERFORMANCE**

CONSULTANT shall perform the Services so as to complete each milestone within the number of days/weeks specified below. The time to complete each milestone may be increased or decreased by mutual written agreement of the Project Managers for CONSULTANT and CITY so long as all work is completed within the term of the Agreement. CONSULTANT shall provide a detailed schedule of work consistent with the schedule below within 2 weeks of receipt of the notice to proceed ("NTP") from the CITY.

CONSULTANT shall perform the Services as specified in Exhibit "A" Scope of Services during the Term defined in Section 2 of this Agreement.

Milestones	Completion Date
1. Task 1: Questionnaire 1 and Deliverables	October 2021 to January 2022
2. Task 2: Questionnaire 2 and Deliverables	January 2022 to June 2022

☒ Optional Schedule of Performance Provision for On-Call or Additional Services Agreements.
(This provision only applies if checked and only applies to on-call agreements per Section 1 or agreements with Additional Services per Section 4.)

The schedule of performance shall be as provided in the approved Task Order, as detailed in Section 1 (Scope of Services) in the case of on-call Services, or as detailed in Section 4 in the case of Additional Services, provided in all cases that the schedule of performance shall fall within the term as provided in Section 2 (Term) of this Agreement.

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EXHIBIT C COMPENSATION

CITY agrees to compensate CONSULTANT for Services performed in accordance with the terms and conditions of this Agreement, and as set forth in the budget schedule below. Compensation shall be calculated based on the schedule of rates attached as Exhibit C-1 up to the not to exceed budget amount for each task in the budget schedule set forth below.

CITY's Project Manager may approve in writing the transfer of budget amounts between any of the tasks or categories listed below, provided that the total compensation for the Services, including any specified reimbursable expenses, and the total compensation for Additional Services (if any, per Section 4 of the Agreement) do not exceed the amounts set forth in Section 4 of this Agreement.

CONSULTANT agrees to complete all Services, any specified reimbursable expenses, and Additional Services (if any, per Section 4), within this/these amount(s). Any work performed or expenses incurred for which payment would result in a total exceeding the maximum amount of compensation set forth in this Agreement shall be at no cost to the CITY.

BUDGET SCHEDULE

TASK	NOT TO EXCEED AMOUNT
Task 1: Questionnaire 1 and Deliverables	\$28,500.00
Task 2: Questionnaire 2 and Deliverables	\$41,000.00
Sub-total for Services	\$69,500.00
Reimbursable Expenses (if any)	\$0.00
Total for Services and Reimbursable Expenses	\$69,500.00
Additional Services (if any, per Section 4)	\$15,500.00
Maximum Total Compensation	\$85,000.00

REIMBURSABLE EXPENSES

CONSULTANT'S ordinary business expenses, such as administrative, overhead, administrative support time/overtime, information systems, software and hardware, photocopying, telecommunications (telephone, internet), in-house printing, insurance and other ordinary business expenses, are included within the scope of payment for Services and are not reimbursable expenses hereunder.

Reimbursable expenses, if any are specified as reimbursable under this section, will be reimbursed at actual cost. The expenses (by type, e.g. travel) for which CONSULTANT will be reimbursed are: **NONE** up to the not-to-exceed amount of: **\$0.00**.

Attachment B

**EXHIBIT C-1
SCHEDULE OF RATES**

CONSULTANT's schedule of rates is as follows:

Estimated Survey Costs for Questionnaires and Associated Deliverables

Survey Length	Number of Interviews		
	400	600	800
15 Minutes	\$25,500	\$31,000	\$36,000
20 Minutes	\$28,500	\$35,000	\$41,000

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EXHIBIT D INSURANCE REQUIREMENTS

CONSULTANTS TO THE CITY OF PALO ALTO (CITY), AT THEIR SOLE EXPENSE, SHALL FOR THE TERM OF THE CONTRACT OBTAIN AND MAINTAIN INSURANCE IN THE AMOUNTS FOR THE COVERAGE SPECIFIED BELOW, **AFFORDED BY COMPANIES WITH AM BEST'S KEY RATING OF A-VII, OR HIGHER, LICENSED OR AUTHORIZED TO TRANSACT INSURANCE BUSINESS IN THE STATE OF CALIFORNIA.**

AWARD IS CONTINGENT ON COMPLIANCE WITH CITY'S INSURANCE REQUIREMENTS AS SPECIFIED HEREIN.

REQUIRED	TYPE OF COVERAGE	REQUIREMENT	MINIMUM LIMITS	
			EACH OCCURRENCE	AGGREGATE
YES YES	WORKER’S COMPENSATION EMPLOYER’S LIABILITY	STATUTORY STATUTORY	STATUTORY	STATUTORY
YES	GENERAL LIABILITY, INCLUDING PERSONAL INJURY, BROAD FORM PROPERTY DAMAGE BLANKET CONTRACTUAL, AND FIRE LEGAL LIABILITY	BODILY INJURY	\$1,000,000	\$1,000,000
		PROPERTY DAMAGE	\$1,000,000	\$1,000,000
		BODILY INJURY & PROPERTY DAMAGE COMBINED.	\$1,000,000	\$1,000,000
YES	AUTOMOBILE LIABILITY, INCLUDING ALL OWNED, HIRED, NON-OWNED	BODILY INJURY AND PROPERTY DAMAGE, COMBINED	\$1,000,000	\$1,000,000
YES	PROFESSIONAL LIABILITY, INCLUDING, ERRORS AND OMISSIONS, MALPRACTICE (WHEN APPLICABLE), AND NEGLIGENT PERFORMANCE	ALL DAMAGES	\$1,000,000	
YES	THE CITY OF PALO ALTO IS TO BE NAMED AS AN ADDITIONAL INSURED: CONSULTANT, AT ITS SOLE COST AND EXPENSE, SHALL OBTAIN AND MAINTAIN, IN FULL FORCE AND EFFECT THROUGHOUT THE ENTIRE TERM OF ANY RESULTANT AGREEMENT, THE INSURANCE COVERAGE HEREIN DESCRIBED, INSURING NOT ONLY CONSULTANT AND ITS SUBCONSULTANTS, IF ANY, BUT ALSO, WITH THE EXCEPTION OF WORKERS’ COMPENSATION, EMPLOYER’S LIABILITY AND PROFESSIONAL INSURANCE, NAMING AS ADDITIONAL INSUREDS CITY, ITS COUNCIL MEMBERS, OFFICERS, AGENTS, AND EMPLOYEES.			

I. INSURANCE COVERAGE MUST INCLUDE:

- A. A CONTRACTUAL LIABILITY ENDORSEMENT PROVIDING INSURANCE COVERAGE FOR CONSULTANT'S AGREEMENT TO INDEMNIFY CITY.

II. THE CONSULTANT MUST SUBMIT CERTIFICATES(S) OF INSURANCE EVIDENCING REQUIRED COVERAGE AT THE FOLLOWING URL: [HTTPS://WWW.PLANETBIDS.COM/PORTAL/PORTAL.CFM?COMPANYID=25569](https://www.planetbids.com/portal/portal.cfm?companyid=25569)

III. ENDORSEMENT PROVISIONS WITH RESPECT TO THE INSURANCE AFFORDED TO ADDITIONAL INSURED:

A. PRIMARY COVERAGE

WITH RESPECT TO CLAIMS ARISING OUT OF THE OPERATIONS OF THE NAMED INSURED, INSURANCE AS AFFORDED BY THIS POLICY IS PRIMARY AND IS NOT ADDITIONAL TO OR CONTRIBUTING WITH ANY OTHER INSURANCE CARRIED BY OR FOR THE BENEFIT OF THE ADDITIONAL INSURED.



City of Palo Alto City Council Staff Report

(ID # 14090)

Meeting Date: 4/4/2022

Title: Adoption of a Resolution Authorizing the Submittal of a Financial Assistance Application to the United States Bureau of Reclamation for the WaterSMART: Title XVI Water Reclamation and Reuse Project

From: City Manager

Lead Department: Public Works

Recommendation

Staff recommends that Council approve a resolution (Attachment A) authorizing the submittal of a Financial Assistance Application to the United States Bureau of Reclamation for the WaterSMART: Title XVI Water Reclamation and Reuse Projects.

Executive Summary

In 2018, the City of Palo Alto (City) applied for, but was not awarded, federal funds to design and construct an Advanced Water Purification System (AWPS Local Plant) at the Regional Water Quality Control Plant (RWQCP). The AWPS Local Plant will reduce the salt content of the recycled water used in Palo Alto and by the City of Mountain View (Staff Report ID [#9420](#)). The federal government has authorized more funding for the WaterSMART grant. Staff is submitting an updated application. Since the original application in 2018, the City contracted a design engineer and anticipates completing the design by the end of Calendar Year 2022, which makes the project a better candidate for funding because it is ready for construction. Staff has submitted the grant application by the due date of March 15, 2022, however, within 60 days of application, this confirming resolution approved by Council is required.

Background

The City of Palo Alto (City) operates the RWQCP for six partner agencies and currently supplies tertiary-treated recycled water to several City-owned parks and facilities, truck-fill standpipes, Caltrans, and the City of Mountain View's North of Bayshore distribution system. Current and potential future recycled water customers have expressed concerns with the quality of the recycled water produced at RWQCP, particularly the level of total dissolved solids (TDS) being too high for irrigation of salt-sensitive species such as redwood trees. Consequently, in 2010 Council passed Resolution [No. 9035](#), Resolution of the Council of the City of Palo Alto Establishing a Salinity Reduction Policy for Recycled Water. The resolution established a goal of reducing TDS concentrations to below 600 milligrams per liter (mg/L). Since 2010, the City and its RWQCP partner agencies have significantly reduced TDS concentrations by controlling

infiltration of saline groundwater into the sewer collection system. Despite these efforts, TDS concentrations remain above the 600 mg/L goal (2021 annual average was 775 mg/L) and require additional treatment processes at the RWQCP to further reduce TDS concentrations and achieve the goal.

In 2017, the City collaborated with Santa Clara Valley Water District (Valley Water) and the City of Mountain View to complete a feasibility study and preliminary design for an AWPS Local Plant to be located at RWQCP ([Staff Report ID #6458](#)). The Final Advanced Water Purification System Feasibility Study indicated additional treatment through micro- or ultra-filters and reverse osmosis membranes would sufficiently reduce TDS concentrations when blended with the current recycled water to produce enhanced recycled water. A preliminary design (10 percent design level) was completed in December 2017 for a 1.125 million gallons per day (MGD) AWPS local plant that could be scaled up in a second construction phase to 2.25 MGD. In partnership with Valley Water and the City of Mountain View, the AWPS is currently in design for the two-phase facility.

The United States Department of the Interior's WaterSMART Program (Program) provides a framework for federal leadership and assistance to stretch and secure water supplies for future generations in support of the Department's priorities. Through WaterSMART, the Bureau of Reclamation leverages federal and non-federal funding to support stakeholder efforts to stretch water supplies and avoid conflicts over water. Through the Title XVI Water Reclamation and Reuse Program (Title XVI), the Bureau of Reclamation provides financial and technical assistance to local water agencies for the planning, design, and construction of water reclamation and reuse projects that have been congressionally authorized. The Water Infrastructure Improvements for the Nation Act (WIIN) was enacted in December 2016 to address water resources infrastructure that is critical to the nation's economic growth, health, and competitiveness. WIIN expands the Title XVI to allow water recycling projects that have not been congressionally authorized to be eligible to receive federal funding. The City's AWPS Local Project has not been congressionally authorized and therefore is eligible for a portion of the current funding opportunity of \$240 million for Title XVI projects authorized under section 4009(c) of the WIIN Act.

Discussion

Staff recommends that Council approve a resolution authorizing the submittal of a financial assistance application for construction for the AWPS Local Plant. The application and resolution do not commit the City to accepting funds. Such a commitment would be required if and when the City entered into a grant agreement, a decision that would return to Council for approval if the grant is secured. Additionally, if the AWPS Local Plant is selected for funding and Council then approves the grant agreement, the City is required to provide the 75 percent local match. It is anticipated that the local match will consist of monetary contributions from the City as well as from the City of Mountain View and Valley Water; some or all of the local matching funds will be financed from a State Revolving Fund loan. This loan program is compatible with the

local match requirements. To be eligible for this funding, the City is required to submit the attached resolution by May 13, 2022.

The purpose of the resolution is to verify:

1. The identity of the official with legal authority to enter into an agreement;
2. The board of directors, governing body, or appropriate official who has reviewed and supports the application submitted;
3. The capability of the applicant to provide the amount of funding and/or in-kind contributions specified in the funding plan; and
4. That the applicant will work with United States Bureau of Reclamation to meet established deadlines for entering into a grant or cooperative agreement.

Timeline

Staff has applied for the grant by the March 15, 2022 deadline and as required by the program to complete the application, pending Council approval, staff will submit the adopted resolution within 60 days, which is May 13, 2022.

Resource Impact

Approval of the resolution recommended in this report will not have any impact on financial resources. A financial commitment would be required if and when the City entered into a grant agreement, a decision that would return to Council for approval if the grant is secured. Additionally, if the AWPS Local Plant is selected for funding and Council then approves the grant agreement, the City is required to provide the 75 percent local match.

Policy Implications

Applying for funding does not carry any policy implications, however the project supports the Sustainability/Climate Action Plan goals of increasing recycled water from the RWQCP.

Stakeholder Engagement

Engagement for this project occurs at the Joint Recycled Water Committee meetings between Palo Alto, Valley Water, the City of Mountain View, and East Palo Alto. In addition, during the City's annual budget review this project, Advanced Water Purification Facility (WQ-19003), has been discussed with Council as part of the five-year Capital Improvement Plan in the Wastewater Treatment Fund. Previous engagement occurred as part of the Northwest County Recycled Water Strategic Plan public workshops in 2018 – 2019.

Environmental Review

Submittal of a grant application with no requirement to accept the grant if approved is not a project under section 15378(b)(4) of the California Environmental Quality Act (CEQA) Guidelines because the grant application is a funding mechanism that does not involve any commitment to any specific project which may result in a potentially significant impact on the environment. The AWPS Local Plant has completed environmental review by November 18, 2019 date approved

by Council ([Staff Report ID #10627](#)).

Attachments:

- **Attachment11.a:** Attachment A: Resolution WIIN Grant Application 2022 DRAFT

NOT YET APPROVED

Resolution No. _____

Resolution of the Council of the City of Palo Alto Authorizing the
City's Submittal of a Financial Assistance Application to the United
States Bureau of Reclamation for
The WaterSMART: Title XVI WIIN Act Water Reclamation and Reuse Projects

RECITALS

A. The United States Department of the Interior, Bureau of Reclamation has a program entitled "WaterSMART: Title XVI WIIN Act Water Reclamation and Reuse Projects" that provides funding assistance through cooperative agreements or grants for the planning, design, and construction of water reclamation and reuse facilities that have completed a Title XVI- compliant approved Feasibility Study.

B. The City of Palo Alto (the "City") has an approved Title XVI Feasibility Study for its project titled "Advanced Water Purification System, Local Project".

C. The City wishes to submit an application for a funding award to cover a portion of the cost of the Advanced Water Purification System, Local Project.

D. The Bureau of Reclamation requires, as part of the City's application, an official resolution adopted by the Council verifying 1) the identity of the official with legal authority to enter into an agreement, 2) the board of directors, governing body, or appropriate official who has reviewed and supports the application submitted, 3) the capability of the applicant to provide the amount of funding and/or in-kind contributions specified in the funding plan, and 4) that the applicant will work with the Bureau of Reclamation to meet established deadlines for entering into a grant or cooperative agreement.

The Council of the City of Palo Alto RESOLVES as follows:

SECTION 1. The Council hereby finds that it is in the City and the public's interest in the health, safety and welfare of the community to apply for a funding award from the WaterSMART: Title XVI WIIN Act Water Reclamation and Reuse Projects program.

SECTION 2. The City Council verifies:

(a) The City Manager or his designee, including the Director of Public Works, is authorized to enter into an agreement with the Bureau of Reclamation a financial assistance award; and

(b) The City Council has received and supports the application that will be submitted on or before the 15th day of March, 2022

(c) The City is able to provide the minimum 75% non-federal cost share and/or in-kind funding contributions specified in the funding plan for the application.

(d) The City will work with the Bureau of Reclamation to meet established deadlines for entering into a grant or cooperative agreement.

SECTION 3. The Council hereby authorizes and directs the City Manager or his designee, including the Director of Public Works, to:

- (a) File and sign, for and on behalf of the City of Palo Alto, a Financial Assistance Application for a financing agreement from Reclamation for the Advanced Water Purification System, Local Project.
- (b) Provide the assurances, certifications, and commitments required for the financial assistance application, including negotiating a financial assistance agreement and any amendments or changes thereto.
- (c) Represent the City in carrying out the City's responsibilities under the financing agreement to be approved by the Council, including certifying disbursement requests on behalf of the city and compliance with applicable state and federal laws.
- (d) Work with the Bureau of Reclamation to meet established deadlines required for entering into a cooperative agreement to obtain the aforementioned grant funding.

INTRODUCED AND PASSED:

AYES:

NOES:

ABSENT:

ABSTENTIONS:

ATTEST:

City Clerk

Mayor

APPROVED AS TO FORM:

APPROVED:

Asst. City Attorney

City Manager

Director of Public Works



City of Palo Alto City Council Staff Report

(ID # 14096)

Meeting Date: 4/4/2022

Title: Approval of Pets in Need's Amended Termination Notice to Extend Termination Date Six Months for Continued Animal Shelter Operations

From: City Manager

Lead Department: Community Services

Recommendation

Staff recommends that Council approve Pets in Need's amended termination notice of the operating agreement for the Palo Alto Animal Shelter for a period of six months, extending the termination date to May 14, 2023.

Background

Pets in Need (PIN) has been operating the Palo Alto Animal Shelter since January 2019 through an operating Agreement approved by City Council in November 2018. The Agreement was originally for a five-year term with a total compensation to PIN of \$3.4 million. Several capital improvement projects were identified in the Agreement to be completed by the City including renovation of the medical suite, installation of a modular building, minor improvements to the existing kennels, and construction of a new kennel building. The City has completed all projects with the exception of construction of the new kennel building and has spent \$1.8 million to date.

On November 15, 2021, Pets in Need (PIN) provided formal notification to the City that it would exercise its right to terminate the Agreement without cause in 12 months time as allowed in Section 19.2 of the Agreement. PIN stated delays in completing the capital improvement projects as the reason for terminating the Agreement. Since that time, PIN has experienced a change in its Executive Director leadership and both parties have been working collaboratively to reset the relationship and to ensure shelter and veterinary services continue to be available to residents and partner agencies.

Additional background information on the Animal Shelter and Agreement with Pets in Need can be found in the following reports:

- [November 26, 2018, Staff Report ID # 9822](#): Animal Shelter Operating Agreement with Pets in Need (PIN)
- [February 14, 2022, Staff Report ID # 13952](#): Provide Direction to Staff on Negotiations with Pets in Need for Operations and Capital Improvements at the

City's Animal Shelter

Discussion

On [February 14, 2022](#), City staff provided an update on the the agreement with Pets in Need and requested the Council provide direction on negotiations with PIN for operations and capital improvements at the Animal Shelter. At the February 14th meeting, the Council approved the following motion:

- A. That as a condition for continuing good faith negotiations, that Pets in Need would agree to extend the notice of termination six months beyond the current date;
- B. Proceed with negotiations with Pets in Need for a long-term contract agreement for animal services in Palo Alto;
- C. Evaluate the necessary kennel size for community partners that we serve;
- D. Include some form of trap and neuter program;
- E. Include a small animal area in the renovation plans;
- F. Assure that the contract agrees upon hours of operation and services provided;
- G. That the parties agree to pursue a fundraising program to supplement existing capital commitments for the shelter; and
- H. Explore the transition to a new database.

On March 9, 2022 the PIN Board approved the attached amended termination notice (Attachment A) to extend the termination date by six months to May 15, 2023. Both the City and PIN have identified areas of concern that need to be addressed and staff are ready to begin negotiating new agreement terms to successfully move forward with a long-term partnership. PIN has indicated that construction of a new and redesigned kennel building as well as a renovated cat/small animal area is a top priority to be able to move forward with the Agreement. The City will need assurances that the shelter and medical clinic are open and available to the public during agreed upon times, and that animal care and welfare is of the highest quality. These areas of concern are described in the February 14th staff report and are reflected in the Council motion above.

Timeline

If the Council approves the amended notice, staff and PIN will begin negotiating new agreement terms immediately.

Resource Impact

In the current Agreement, the City is committed up to \$3.4 million in capital improvements to the Animal Shelter and has spent \$1.8 million to date. New agreement terms that increase the scope of shelter improvements (Staff Report ID # 13952) would require additional funding. The total amount of additional funding needed is unknown at this time but are estimated to be an additional \$3 - \$4 million in capital costs. As

directed in the February 14, 2022 Council motion, a fundraising plan will be pursued to support the additional costs.

Stakeholder Engagement

Staff from the Community Services, Public Works, and Police Departments have been working closely with PIN Interim Executive Director and PIN staff to discuss terms for a new agreement and to ensure Animal Shelter operations continue.

Environmental Review

This discussion and direction are not a “project” within the meaning of CEQA. Should any future action involving the Animal Shelter require environmental review or approval by Council, staff will return at the appropriate time.

Attachments:

- **Attachment12.a:** Attachment A: Pets in Need Amended Termination Notice

March 10, 2022

City of Palo Alto, City Manager's Office
 250 Hamilton Avenue
 Palo Alto, CA 94301
 Attn: Ed Shikada, City Manager

Dear Ed:

Pets in Need ("PIN") hereby amends its letter to the City of Palo Alto ("City"), dated November 15, 2021 ("termination letter"), attached again here for reference, in which PIN gave City a one-year notice of termination without cause under the contract between the City and PIN (City contract no. C19174493).

PIN hereby amends the termination letter as follows:

1. PIN extends the notice period by six (6) months so that the termination will now take effect at 11:59 p.m. on May 15, 2023.
2. PIN reiterates that it will perform its obligations under the Agreement through May 15, 2023, and expects the City to do the same.

This amended termination letter comes after PIN staff and City staff have met and agreed to use the additional time to negotiate whether the City and PIN will remain under contract past May 15, 2023. However, nothing in this amended termination letter binds either PIN or the City to any specific process or outcome regarding whether PIN and the City remain under contract past May 15, 2023. Nothing in this amended termination letter alters any rights or obligations of the parties under the contract or at law.

SIGNATURE OF ACCEPTANCE BY PETS IN NEED

Pets In Need accepts and agrees to the provisions of this amended termination letter, which was approved by the PIN Board of Directors on March 9, 2022.

BY: Valerie Wilson McCarthy

Valerie McCarthy
 Interim Executive Director

SIGNATURE OF ACCEPTANCE BY THE CITY OF PALO ALTO

The City of Palo Alto accepts and agrees to the provisions of this amended termination letter, which was approved by the City Council on March ____, 2022.

BY: _____
 Ed Shikada
 City Manager

Attachment:

Pets In Need Letter to City of Palo Alto, dated November 15, 2021



November 15, 2021

City of Palo Alto, City Manager's Office
250 Hamilton Avenue
Palo Alto, CA 94301
Attn: Ed Shikada

Dear Ed:

This letter provides one year's formal notice to the City of Palo Alto that Pets In Need is terminating the Agreement between the City of Palo Alto and Pets In Need for Professional Services, City of Palo Alto Contract No. C19174493, in accordance with Section 19.2 of same.

PIN plans to perform its obligations under the Agreement during the next year and expects the City to do the same. Further, this termination does not constitute a waiver of any of PIN's rights under the Agreement or at law or equity.

As PIN has continuously advised you and your team, our operations in Palo Alto have been significantly hampered by the egregious failure of the City to meet the timelines for the construction and renovation projects specified in the Agreement. Failure in particular to meet the expected completion date of March 15, 2019 for renovation of the existing kennels has caused injury to both dogs and staff. This is a clear breach of the City's duty set forth in Exhibit A, Section III.1 to "[p]rovide an adequate and safe facility for [PIN] to perform the Services."

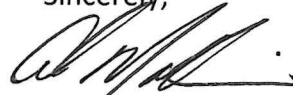
In fact, Cheryl Nolan, PIN's attorney, sent a letter to the City on May 11, 2021 advising the City, among other things, that "PIN urgently requires repairs and renovations to its existing dog kennels to keep staff and the dogs residing there from continuing to be injured....The existing kennels and kennel house are neither adequate nor safe." Ms. Nolan sent a draft amendment to the Agreement with the letter, setting forth new deadlines for each project, and penalties for late performance. She advised the City that if an amendment wasn't signed within 28 days, PIN would have no choice but to consider all available remedies, including filing suit.

In response, you and other City officials assured PIN that the renovations and construction of the new kennels would be given top priority. In reliance on your assurances, PIN elected not to pursue the amendment or file a formal notice of breach of contract, but to continue working

with the City to expedite these vitally important projects. In point of fact, in spite of those assurances and the continuing entreaties of PIN staff, the City has not even begun the actual renovations. In addition, your officials have informed us that there are no longer adequate funds to construct a new kennel house, which was clearly understood to be the centerpiece capital improvement project when we negotiated the contract with the City.

PIN is terminating the Agreement without cause in recognition of the fact that it would likely take about a year, if not longer, for its breach claim to be resolved. We prefer to spend the effort, time, and money it would take to pursue that claim on saving animals and improving the lives of both animals and people.

Sincerely,

A handwritten signature in black ink, appearing to read 'Al Mollica', with a stylized flourish at the end.

Al Mollica
Executive Director

cc: Kristen O'Kane, City Project Manager
Robert Kalman, President, Pets In Need Board of Directors



City of Palo Alto City Council Staff Report

(ID # 14171)

Meeting Date: 4/4/2022

Title: Adoption of a Resolution Amending PUBLIC HEARING: Objections to Weed Abatement and Adoption of a Resolution Ordering Weed Nuisance Abated to Correct an Administrative Error

From: City Manager

Lead Department: Fire

Recommendation

Staff recommends that Council adopt the attached resolution (Attachment A), ordering the abatement of weed nuisances in the City of Palo Alto – reflecting the Council’s action taken on February 28, 2022 after a public hearing.

Discussion

The Santa Clara County Department of Agriculture and Resource Management maintains the contract for abatement of weeds within the City of Palo Alto. Upon notification of the City Council’s January 24, 2022, declaring weeds to be a nuisance and ordering abatement thereof, the Department of Agriculture and Resource Management took steps to notify each property owner by mail of the proposed weed abatement action on respective properties and posted, on the public notice bulletin board, a list of the properties affected. The Department of Agriculture and Resource Management furnished copies of the property listing to the City Clerk and the City Fire Marshal. The City Clerk also posted and published notice of the February 28, 2022 public hearing as required.

The Council conducted a public hearing on February 28, 2022, and all persons desiring to be heard were given an opportunity to be heard, and all matters and things pertaining to weed abatement were fully heard and considered by Council.

After the close of the public hearing, the Council ordered by resolution the abatement of weed nuisances in the City of Palo Alto. Due to an administrative error, the resolution submitted to Council with its February 28, 2022 agenda had already been previously approved by Council on January 24, 2022.

The attached resolution corrects this administrative error and reflects the Council’s action taken on February 28, 2022.

Attachments:

- **Attachment13.a:** Attachment A Resolution of the Council of the City of Palo Alto Ordering Weed Nuisance Abated

NOT YET APPROVED

ATTACHMENT A

Resolution No ____

Resolution of the Council of the City of Palo Alto Ordering
Weed Nuisance Abated

R E C I T A L S

A. On January 24, 2022, the Palo Alto City Council adopted Resolution No. ____ declaring weeds to be a nuisance and setting February 28, 2022, at 6:00 p.m. or as soon thereafter as the matter may be heard, in the Civic Center as the time and place for a hearing of objections to the proposed destruction and removal of weeds; and

B. In accordance with said Resolution, notice of such hearing was given in the manner provided by law, as appears from the affidavits on file in the Office of the City Clerk; and

C. All persons desiring to be heard were given an opportunity to be heard, and all matters and things pertaining to said weed abatement were fully heard and considered by this Council.

NOW, THEREFORE, the Council of the City of Palo Alto RESOLVES as follows:

SECTION 1. Any and all objections to the proposed destruction and removal of such weeds are overruled.

SECTION 2. The Fire Chief hereby is ordered to do all things necessary and authorized in Chapter 8.08 of the Palo Alto Municipal Code to abate such nuisance, or cause the same to be abated by contract with the County of Santa Clara.

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NOT YET APPROVED

ATTACHMENT A

SECTION 3. The County of Santa Clara as lead agency has determined that this project is exempt from the provisions of the California Environmental Quality Act ("CEQA") under CEQA Guidelines Section 15308 as an action by regulatory agencies authorized by state or local ordinance to assure the maintenance, restoration, enhancement, or protection of the environment.

INTRODUCED AND PASSED:

AYES:

NOES:

ABSENT:

ABSTENTIONS:

ATTEST:

City Clerk

Mayor

APPROVED AS TO FORM:

APPROVED:

City Attorney or designee

City Manager

Fire Chief

Director of Administrative Services



City of Palo Alto City Council Staff Report

(ID # 14049)

Meeting Date: 4/4/2022

Title: Approval of Construction Contract Number C22181213 with Stronger Building Services in the Amount of \$179,500 for the Mitchell Park Library Roof and Gutter Repair Project; Authorize the City Manager or their Designee to Negotiate and Execute one or more Change Orders for Related Additional but Unforeseen Work Not to Exceed \$17,950; and Approval of a Budget Amendment for the Roofing Replacement Capital Project (PF-00006) in the Capital Improvement Fund

From: City Manager

Lead Department: Public Works

Recommendation

Staff recommends that Council:

1. Approve and authorize the City Manager or their designee to execute a construction contract with Stronger Building Services ([Contract No. C22181213](#)) in the amount of \$179,500 for the Mitchell Park Library Roof and Gutter Repair Project, Capital Improvement Program Roofing Replacement Project PF-00006;
2. Authorize the City Manager or their designee to negotiate and execute one or more change orders to the contract with Stronger Building Services for related additional but unforeseen work which may develop during the project, the total value of which shall not exceed \$17,950; and
3. Amend the Fiscal Year 2022 budget appropriation (by a 2/3 vote) for the Capital Improvement Fund by:
 - a) Decreasing the Library Bond Proceeds Reserve in the Capital Improvement Fund Infrastructure Reserve (Ending Fund Balance) by \$197,450; and
 - b) Increasing the Roofing Replacement Project (PF-00006) appropriation by \$197,450.

Background

The existing roof and gutter design at the northeast corner of the Mitchell Park Library has caused substantial water intrusion into the building. A temporary repair has been made to prevent further water damage. Staff worked with the original design consultants (at no cost to the City) to develop a permanent redesign solution for this roof and gutter area of the building.

Discussion

Project Description

This project will reconstruct the roof and gutter system on the northeast corner of the Mitchell Park Library to prevent further water intrusion into the building. This CMR requests use of \$197,450 of the remaining funds from the 2013 GO Bonds Project funding to complete this work under Project PF-00006. The remaining bond funds were not needed for the completion of the Mitchell Park Library and Community Center Project (PE-09006); however, the need for potential future repairs was identified during the close out of the project, and the remaining bond funding was retained in the Capital Improvement Fund as a Library Bond Proceeds Reserve. The City received the Bond Counsel's legal clearance to use the GO Bond project funds for this repair.

Bid Process

On December 20, 2021, a notice inviting formal bids for the Mitchell Park Library Roof and Gutter Repair Project was posted online on the PlanetBids website. The bidding period was 44 days. Three responsive bids were received from contractors on February 1, 2022, as listed on the attached Bid Summary (Attachment A).

Summary of Bid Process

<i>Bid Name/Number</i>	Mitchell Park Library Roof and Gutter Repair Project, Capital Improvement Program Project PF-00006 / IFB #181213
<i>Proposed Length of Project</i>	60 calendar days
<i>Total Days to Respond to Bid</i>	44
<i>Pre-Bid Meeting</i>	January 12, 2022 at 9:00 A.M.
<i>Number of Company Attendees at Pre-Bid Meeting</i>	5
<i>Number of Bids Received:</i>	4
<i>Bid Price Range</i>	\$179,500 – \$ 428,600

Staff reviewed all bids submitted and recommends that the bid of \$179,500 submitted by Stronger Building Services be accepted and that Stronger Building Services be declared the lowest responsive and responsible bidder. The award of contract includes the base bid. The low bid is 2.6 percent above the engineer's estimate of \$175,000. The contingency amount of \$17,950 (which equals 10 percent of the total contract) is requested for related, additional but unforeseen work which may develop during the project. Staff confirmed with the Contractor's State License Board that the contractor has an active license on file. Staff also contacted the listed references for Stronger Building Services and found that they have performed satisfactorily on past construction projects for other clients.

Resource Impact

Funding for the Mitchell Park Library Roof and Gutter Repair Project is available in the Library Bond Proceeds Reserve in the Capital Improvement Fund Infrastructure Reserve (Ending Fund Balance). These funds represent leftover bond funding from the Mitchell Park Library and

Community Center Project (PE-09006). When construction was completed on the new Mitchell Park Library and Community Center in 2014, the need for potential future repairs was known. Rather than return the leftover bond funding, it was decided to retain this funding for any necessary repairs in the future. In total \$197,450 of these funds will be appropriated for the roofing repairs, leaving approximately \$400,000 for additional repair needs at the Mitchell Park Library and Community Center.

Policy Implications

The recommendation does not represent any changes to existing City policy.

Stakeholder Engagement

The Mitchell Park Library Roof and Gutter Repair Project has been coordinated with the Library Department and does not conflict with any upcoming Public Works, Library, or Utilities Department projects. Construction is scheduled for 30 days. City staff will work with the contractor to schedule the most disruptive work during Library closed hours.

Environmental Review

This project is categorically exempt from the provisions of the California Environmental Quality Act (CEQA) under Section 15301 of the CEQA Guidelines as repair, maintenance and/or minor alteration of existing facilities and no further environmental review is necessary.

Attachments:

- **Attachment14.a:** Attachment A: Bid Summary

Bid Results for Project: **Mitchell Park Library Roof &
Gutter Repair** IFB181213

Issued on 12/20/21
Bid Due on February 1, 2022
3:00 PM (Pacific)

Required:
C-39 Roofing
Contractor

Prime

Vendor Name	Bid Form Signed	Questionnaire Signed	SubCon List	Non-Collusion	Bid Bond	Addendum 1	CSLB (CCL)	CSLB Class	DIR	California Secretary State liencse	BID FORM Bid Amount	PLANET BIDS Bid Amount	Bid Award
Andy's Roofing Co., Inc.	X	X	Missing	X	X	X	521860	C-39/B	1000002720	C1590682	\$ 169,640.00	\$169,640.00	Nonresponsive
Stronger Building Services	X	X	X	X	X	X	955618	C-39/B	1000002136	C3325262	\$ 179,500.00	\$179,500.00	Lowest Responsible Bidder
VNH Builders	X	X	X	X	X	X	1064244	B/C-10	PW-LR-1000631655	C4787555	\$ 227,129.00	\$227,129.00	Responsive
S&H Construction, Inc.	X	X	X	X	X	X	786358	B/C9/C20/C10	1000000362	C2464229	\$ 428,600.00	\$428,600.00	Responsive

Budget: \$85,000.00



City of Palo Alto City Council Staff Report

(ID # 14103)

Meeting Date: 4/4/2022

Title: Review and Approval of Workplans Implementing 2022 City Council Priorities

From: City Manager

Lead Department: City Manager

Recommendation

Staff recommends that Council review and approve the list of major projects associated with the 2022 City Council Priorities.

Executive Summary

This report transmits workplans for the four priorities identified by the Council during the February 2022 retreat for the 2022 calendar year (CY). The workplans are designed to both identify the work ahead while also serving as a tool to track progress on those tasks. The individual workplans of the four priorities are briefly described in the body of this report. Attachment A to this report transmits a breakdown of workplan elements to be completed within each priority area within the first six months of 2022, within the second half of 2022, and those not yet resourced or otherwise on hold.

As noted on March 14, 2022, details provided at the study session on community engagement relate to and connect with the City Council priorities workplan. As priorities evolve and workplans develop, engagement and other activities to implement these workplans will also evolve.

Background

Each year, the City Council reviews its priorities for the upcoming calendar year at its annual Council Retreat. A Council priority is defined as a topic that will receive significant attention during the year. The Palo Alto City Council convened to set its 2022 priorities on February 5, 2022, informed in part by community feedback. The community was able to contribute through an online survey, e-mails to Councilmembers, and public participation in the City Council retreat on February 5. The City Council adopted four priorities for 2022, including: Economic Recovery and Transition (ERT), Climate Change – Protection and Adaptation (CCPA), Housing for Social and Economic Balance (HSEB), and Community Health and Safety (CHS).

The major workplan elements for each priority are listed and discussed in the body of this report. These workplan elements, or “major projects”, provide context and enumerate the anticipated projects that will be completed. Behind the scenes, in addition to these major projects, there is a great deal of work being completed on other high priority projects as directed by the City Council.

Examples of major projects not outlined in this report but identified as high-priority projects includes but is not limited to:

- Analysis, engagement, and drafting of potential ballot measures for November 2022;
- Workforce environment, recruitment, and retention, ensuring an employer of choice status;
- Audits as approved previously and expected to be approved for the FY 2022/23 Audit Workplan;
- A review and streamlining of the citywide procurement process;
- Rebuilding of the Regional Water Quality Control Plant;

To support the major projects discussed in this report, other high-priority initiatives such as those listed above, and core city services, administrative resources are also required. In this time of constrained resources, the City will continue to focus on services with the greatest community impact, maintaining core city services, and managing the vulnerabilities and risks associated with constraints while pursuing the major projects listed in this report.

Discussion

Based on the City Council’s four (4) 2022 adopted priorities, the following discussion presents the major workplan elements involved. For each priority, the items are divided into three categories:

- Projects already underway or scheduled to begin by June 2022
- Projects scheduled to begin July-December 2022, and
- Projects that have been identified as priorities but where resources are not currently available or that are otherwise “on hold.”

Projects that are listed as scheduled to begin in January – June 2022 are not necessarily anticipated to conclude by June 2022; similarly, projects listed as beginning in July – December 2022 are not necessarily anticipated to conclude by December 2022. While actual completion dates will vary, the workplan communicates the breadth and volume of concurrent activities. Projects that have been identified as priorities but where resources are not currently available are anticipated to be considered as part of the development of the FY 2023 Budget development process to assess the allocation and appropriation of resources for projects where additional resources would expedite the work.

A brief description of the overall priority, a list of each project in that priority area, and the current status of each project is included in the body of this report. Attachment A of this report provides an additional table that displays projects by priority area by timeline.

	Jan – June 2022	July – Dec 2022	Not Yet Resourced	Total
ERT: Economic Recovery & Transition	9	2	2	13
CCPA: Climate Change Protection & Adaptation	7	1	0	8
HSEB: Housing For Social & Economic Balance	12	5	7	24
CHS: Community Health & Safety	14	5	1	20
TOTAL	42	13	10	65

**ERT: ECONOMIC RECOVERY AND TRANSITION;
I. COHESIVE VISION FOR OUR COMMERCIAL CORES**

Economic Recovery and Transition reflects evolution of the Community and Economic Recovery priority set by the City Council in 2021, and the ongoing work in this priority area aligns closely with the workplan that was approved and continues for this topic. The 2022 priority also includes looking at a cohesive vision for Palo Alto's commercial cores.

The following are projects that are currently under way or are scheduled to begin during the first half of 2022:

ERT1. Downtown Business Improvement District (BID): Work with the Chamber of Commerce and Palo Alto Downtown Business and Professional Association (PADBPA) on the FY 2023 program and transfer of BID management.

ERT2. Economic Development Request for Proposal (RFP): Complete a Request for Proposal (RFP) for economic development studies in alignment with the draft scope approved by the City Council in 2021.

ERT3. Economic Development Committees for Downtown and California Avenue: Collaboratively partner with the Palo Alto Chamber of Commerce to create and support committees focused on economic development for the Downtown and California Avenue commercial cores.

ERT4. Retail and Retail-Like Land Uses & CUP Thresholds: Codify interim retail ordinance regulations with minor modifications related to permitted and conditionally permitted retail land use.

ERT5. University Avenue Streetscape Design Project: Complete data collection, develop concept alternatives, and prepare cost estimates, while implementing the community engagement strategy approved by Council in the consultant contract.

ERT6. California Avenue Closure: Council has asked staff to return with a short-term recommendation on an interim design strategy for California Avenue to explore whether the streets should remain closed or should open to vehicular traffic. A longer-term recommendation is pending a consultant feasibility study.

ERT7. Ramona Avenue Closure: Council has also asked staff to return with a short-term recommendation on whether Ramona should remain closed or should open to vehicular traffic. A longer-term recommendation for Ramona is also pending a consultant feasibility study.

ERT8. Build Out Fiber Backbone as Foundation for Fiber-to-the-Premises (FTTP): Resident and business engagement continues with survey to consumers to understand the value placed on broadband and fiber and report results during a joint Utility Advisory Committee and City Council meeting in August, 2022.

ERT9. Electronic Plan Review: Conduct a Request for Proposals (RFP) to secure a vendor to provide electronic plan review services that integrates with the City's Accela permitting system.

The following are projects that are scheduled to begin work during the second half of calendar year 2022:

ERT10. Development of New Parking Facilities in the University Avenue Downtown: Issue a Request for Information (RFI) from private partners regarding development of parking using parking in-lieu fees; potentially in conjunction with affordable housing, as directed by the City Council December 6, 2021 (CMR [#13633](#)).

ERT11. California Avenue Subscription Parking Program (Commercial Uses): Explore opportunities to allow for some intensification of land uses along California Avenue using a new subscription-based program. Such a program would be subject to available public parking resources in the California Avenue area and designed to alleviate parking construction requirements on businesses in the California Avenue area.

The following are projects that have been identified as priorities, but for which resources have not yet been identified:

ERT12. Citywide Retail Recovery Ordinance: Direction to staff and the Planning and Transportation Commission (PTC) to quickly evaluate and propose changes to enable Diverse Retail Uses in more retail sites, including food, medical, educational, financial, and professional office uses citywide or by district, and evaluate ways the City can curate a strong retail mix.

ERT13. Retail Preservation: Direction to staff and the PTC to evaluate and propose the geography of the Retail Preservation ordinance.

CCPA. CLIMATE CHANGE – PROTECTION AND ADAPTATION

Climate Change – Protection and Adaptation reflects the continuation of the Council priority set by the City Council in 2021. The ongoing work in this priority area continues the accomplishments achieved in calendar year 2021 and reflects next steps as part of that workplan and Council direction thus far.

The following are projects that are currently under way or are scheduled to begin during the first half of 2022:

CCPA1. Municipal Code Amendments to Facilitate PV, ESS, EVCS and Heat Pump (Water/Furnace) Installations: Identify municipal code amendments that may impede installation of electrification systems and recommend changes after public review before the Utilities Advisory Commission (UAC) and Parking and Transportation Commission (PTC) and transmit recommendations to the City Council.

CCPA2. Permit/Inspection Streamlining for Electrification Projects: Implement a variety of measures to streamline application processing and ensure consistency in plan review and inspection services.

CCPA3. Valley Water Purified Water Facility at LATP Area B: In partnership with Valley Water, discuss the project at a Council study session, and negotiate agreements between the City and Valley Water necessary for the project to proceed.

CCPA4. Sustainability/Climate Action Plan (S/CAP) update: Conclude the work of the S/CAP *Ad Hoc* Committee and complete the S/CAP update in fall 2022, with Council approval of the S/CAP Goals and Key Actions and strategy for residential electrification and expected Council adoption of the full S/CAP update and CEQA document in spring 2023.

CCPA5. Residential Home Electrification Strategy: In parallel with the overall S/CAP process, the S/CAP *Ad Hoc* Committee and four working group teams will develop a strategy to advance residential electrification for Council's approval

and begin implementation of a pilot program by late 2022.

CCPA6. Grid Modernization to Prepare for Electrification: Staff anticipates providing an update during the first half of 2022 for the City's planned grid modernization including the development of the systematic grid modernization project and incorporation of Goals and Key Actions for preparing the grid for widespread electrification in support of the S/CAP goal of an 80 percent carbon reduction by 2030.

CCPA7. Advanced Metering Infrastructure (AMI): Continue working to implement advanced metering, including the set-up and detailed design of the infrastructure project. Through CY 2022, approximately 50% of the work related to integration of the back-end billing system will be completed and approximately 1,000 meters will be installed and tested, with full deployment being completed by the end of CY 2024.

The following are projects that are scheduled to begin work during the second half of calendar year 2022:

CCPA8. Commercial Electrification Retrofit: As part of the upcoming building code update to advance commercial electrification efforts; the City has entered into a contract with a private energy services provider to run a limited number of pilot projects with commercial kitchen electrification and electrification of commercial air conditioning (specifically rooftop packaged heating, ventilation, and air conditioning (HVAC) units).

In this priority, there are no projects that have identified as priorities but for which resources have not been identified or that are otherwise 'on hold'. However, continued investment in resources to sustain and further these projects were recently approved as part of the FY 2022 Mid-Year Budget Review, and more are planned for consideration as part of the FY 2023 Proposed Operating Budget to ensure these projects can continue at the desired pace.

HSEB. HOUSING FOR SOCIAL AND ECONOMIC BALANCE

Housing for Social and Economic Balance reflects the continuation of the Council priority set by the City Council in 2021. The ongoing work in this priority area continues the accomplishments achieved in calendar year 2021 and reflects next steps as part of that workplan and Council direction thus far.

The following are projects that are currently under way or are scheduled to begin during the first half of 2022:

HSEB1. HomeKey Application: Complete, submit, and support review of an application with LifeMoves, to the State of California for the development of

housing on a portion of the City's LATP site.

HSEB2. Parking In Lieu Downtown Office Parking Ban: Consideration of an ordinance prohibiting office development above ground floor from participating in the City's Downtown Parking In Lieu program.

HSEB3. SB35 Objective Standards Ordinance: Convert existing subjective development standards to objectives standards for qualifying housing and mixed-use housing projects.

HSEB4. NVCAP: Create a coordinated area plan for North Ventura to facilitate development of a walkable, mixed-use neighborhood with multifamily housing, commercial services, and well-defined connections to transit, bicycle, and pedestrian facilities.

HSEB5. Housing Element Update: Prepare for Council adoption and California Department of Housing and Community Development (HCD) certification of an updated housing element that advances the City's housing policy interests, meets applicable state housing requirements, and demonstrates compliance with the City's regional housing needs assessment. The Housing Element will incorporate prior Council direction on other housing topics, including outstanding items from the 2018/2019 Housing Work Plan and recent renter protection policy initiatives adopted by the City Council. The Housing Element will include an implementation schedule to complete various policies over the next eight-year housing cycle.

HSEB6. Respond to Grand Jury Report Recommendations 10a, 9b, 12b: Explore efforts to streamline affordable housing projects, consider -as part of the budget process and fiscal sustainability efforts- additional resources necessary to help the City achieve/advance its affordable housing goals, and discuss with Santa Clara County the possibility of entering a memorandum of understanding to leverage Measure A funds. One position was added in the FY 2021 Preliminary Q1 Financial Status Report to support citywide housing and unhoused initiatives.

HSEB7. SB-9 Urban Lot Split Interim Ordinance / SB-9 Historic Resources Policy Discussion & Follow Up Action: Prepare interim and emergency ordinances establishing objective development standards for R1 urban lot splits (subdivision) authorized by SB 9 and present and provide information regarding potential implications for potentially historic resources.

HSEB8. City/Sobrato Ad Hoc Discussion Regarding 340 Portage (and Related Code Interpretation): Engage representatives of the Sobrato Organization in discussions about possible redevelopment of 340 Portage.

HSEB9. Accessory Dwelling Unit Regulations (Ordinance Update): Prepare an

ordinance(s) that responds to changes required by HCD to ensure the City's local Accessory Dwelling Units (ADU) regulations comply with State law; propose other ordinance modifications based on Council direction for additional community outreach.

HSEB10. Downtown Housing Master Plan: Council to consider accepting an \$800K grant from Metropolitan Transportation Commission (MTC) to develop a downtown housing master plan intended to spur greater housing production in proximity to fixed transit centers.

HSEB11. Renter Protection - Tenant Relocation Assistance: Enhance property-owner provided financial assistance to renters subject to no-fault evictions in developments with 10 or more units.

HSEB12. Safe Parking Program: Prepare an ordinance that codifies interim safe parking regulations with recommended adjustments learned from the current pilot program.

The following are projects that are scheduled to begin work during the second half of calendar year 2022:

HSEB13. LifeMoves Operating/Lease Agreement: In collaboration with the City's partner for its Project HomeKey application, negotiate and reach agreement on an operating agreement and/or lease agreement to memorialize the partnership and operating and financial terms.

HSEB14. SB-9 Permanent Ordinance (Objective Standards / Urban Lot Splits): Prepare an ordinance to codify SB-9 objective development and urban lot split standards based on additional public outreach and public hearings before the PTC.

HSEB15. Renter Protection – Rental Survey: Begin discussion with Policy and Services Committee to expand, redesign, and recommend an implementation strategy for an updated rental survey including, proposed fees, resources, and a timeline.

HSEB16. Renter Protection – Just Cause Eviction: Prepare an ordinance to amend just cause eviction regulations to include properties built within the last 15 years, excluding units occupied less than a year or single-family homes not owned by a corporation or renters who live in a duplex when one unit is owner occupied.

HSEB17. Grand Jury Report Recommendation 3: Submit a recommended communication strategy to the City Council to increase community support for affordable housing.

The following are projects that have been identified as priorities, but for which resources have not yet been identified:

HSEB18. Retail and Residential Parking Adjustment: Return to Council with an ordinance for the special commercial (CS) and CDC zones to reduce rental housing parking requirements to one space/unit and allow a maximum 1,500 square feet of retail use when more is required by the City's Retail Preservation Ordinance; these changes are intended to facilitate a 15% and 20% inclusionary requirement for rental housing in these districts respectively.

HSEB19. PHZ/PC Amendment to Allow Greater Height: Amend the code to allow greater height for Planned Home Zone (PHZ) projects beyond 50 feet and encroach into transitional height limits.

HSEB20. Inclusionary Housing Program: Engage the PTC and explore possible zoning amendments or other factors that could support a future 20 percent inclusionary requirement for ownership and rental housing.

HSEB21. Streamline Application Pre-Screening Processing: Council direction to look at ways to streamline the pre-screening process.

HSEB22. Commercial Office Zoning Adjustments: Adjust commercial zoning standard to further incentivize housing and disincentivize office development including, but not limited to, the CC2 district

HSEB23. Residential Zoning Name Change: Review changes to the designation of R-1 Zoning to reflect the current zoning allowances for two Accessory Dwelling Units per parcel.

HSEB24. Grand Jury Report Recommendations 4 & 8: Update format of future comprehensive plan and housing element annual reports; conduct a 'lessons learned' analysis of the NVCAP process.

CHS.	COMMUNITY I. CRIME, MENTAL HEALTH, BELONGING	HEALTH AIR	AND QUALITY, NOISE,	SAFETY: SENSE OF
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Community Health and Safety has been interwoven in prior City Council priorities, including the previous priorities of Economic Recovery, Community Wellness and Wellbeing. As the community continues to recover from the effects of the pandemic, this priority highlights the importance of quality-of-life variables in the community. Projects in this Council priority reflect the ongoing work that the City continuously focuses on through Community Services and Public Safety, continuation of items established in 2021 for community wellness and wellbeing, and areas for new focus.

The following are projects that are currently under way or are scheduled to begin during the first half of 2022:

CHS1. Palo Alto Animal Shelter Services Review: In collaboration with the City's current service provider Pets in Need (PIN), work to review services, infrastructure needs, and determine next steps such as contract negotiations and approvals. Council directed staff to proceed with negotiating a long-term contract with Pets in Need for animal services on February 14, 2022.

CHS2. Cubberley Next Steps: Return to the Council for direction on next steps regarding use of the Cubberley Community Center, specifically the City-owned portion and implementation of direction. Council considered February 14, 2022.

CHS3. Improve Fire Safety in Foothills: Staff is working on various efforts related to improving the City's planning in collaboration with Santa Clara County and other allied agencies and entities. Efforts include not only emergency planning, but also early warning technology, and updating operational and procedural elements within the City organization to mitigate the risks associated with a fire in the foothills.

CHS4. Computer Aided Dispatch (CAD) Upgrade: The Police Department is working with its consortium partners (Mountain View and Los Altos) to identify a new CAD system to replace the legacy system version. Staff will return to Council with a recommendation for purchasing a new CAD system.

CHS5. Complete Reopening of Libraries: Further open libraries to include weekend and additional open days in alignment with service levels authorized as part of the annual budget. At the time of writing this report, adopted service levels remain below levels prior to the onset of the pandemic.

CHS6. Hire Ahead up to Five Police Officers: As authorized by Council as part of the FY 2022 Mid-Year Budget review, maintain a pipeline of recruits for police officer staffing including up to an additional five (5) officers via a hire-ahead program.

CHS7. Rinconada Park Improvement Project: Complete Rinconada Park project, and in partnership with Community Services Department and City Manager's Office organize a joint Rinconada Park/Palo Alto Junior Museum & Zoo completion community event in Spring 2022.

CHS8. Tree Protection Ordinance Update: Following community engagement and technical review, adopt Tree Protection Ordinance Update to complement current policy documents, strengthen requirements and procedures for when protected tree removals are proposed, and comply with new state legislation.

CHS9. Public Safety Building Capital Project: Continue construction of the new

facility in the California Avenue area including build and fixtures, furniture, and equipment, with the Public Safety Building construction scheduled to be completed in fall 2023.

CHS10. Newell Road Bridge Replacement Project: Complete design and right-of-way acquisition, obtain regulatory permits, and seek programming of construction funding by Caltrans to allow construction to begin in calendar year 2023.

CHS11. Monitor and Respond to SFO/FAA Airplane Noise Issues: Complete consultant review of SFO Ground Based Augmentation System (GBAS) proposal and consider submitting a comment letter, while tracking other issues that may arise.

CHS12. Provide and Promote Use of Unleaded Fuel at Palo Alto Airport: Complete upgrades at airport facilities to provide for the sale of unleaded fuel, bring unleaded fuel to the airport, and work with users to promote use of the fuel.

CHS13. Sewer System Replacement Project 30: Construction is anticipated to begin on this project on March 28 and complete in the fall of 2022.

CHS14. Evaluate Gym Feasibility: The Parks and Recreation Commission and staff presented this item to Council on March 7, 2022. Council directed staff and the Parks and Recreation Commission to conduct public outreach on a new gym, including location, siting, gym features, cost estimates, funding timeline, demand assessment and prioritization of projects, and to investigate fundraising.

The following are projects that are scheduled to begin work during the second half of calendar year 2022:

CHS15. Emergency Plans Updates: OES will be coordinating with the County on updates to emergency plans, including the Palo Alto Local Hazard Mitigation Plan (LHMP). See also CHS3.

CHS16. Gas-Powered Leaf Blower Amendment: Specifically cite those that employ and those that operate gas-powered blowers in residential districts; modify citation authority that prevents immediate citation issuance upon violation.

CHS17. Fire Station 4 Project: Following Council approval of the design contract currently scheduled for April 11, complete schematic design and begin design development stage on a schedule to allow construction to begin in Fiscal Year 2024.

CHS18. Sewer System Laterals Repair and Replacement throughout the City: Begin capital improvement work on repair and replacement activities citywide upon

Council approval of contract agreement.

CHS19. Water Main Replacement Project 28: Council approved this work item on February 28, 2022. Project to commence in May and anticipated completion in Spring 2023.

The following are projects that have been identified as priorities, but for which resources have not yet been identified:

CHS20. Seismic and Resiliency Ordinance: Comprehensively update the City's seismic rehabilitation ordinance with mandatory and voluntary measures to seismically strengthen vulnerable buildings.

Resource Implications

Although there are no additional direct resource implications for the projects described as occurring during the 2022 calendar year, a number of projects in this report are identified as either not yet being resourced or temporarily 'on hold'. In order to appropriate resources for such projects, staff would need to be reallocated from existing work to those projects and additional appropriation actions would likely be necessary.

Stakeholder Engagement

Significant stakeholder engagement is planned across each of these workplan elements both internally and externally. Major community engagement plans were outlined in a Study Session with the City Council on March 14, 2022 at which time staff received Council input. To the extent the workplan elements are changed, adjustments to the community engagement plans will be evaluated based on staffing resources available and changes made within existing budgetary constraints, where possible. The staff report outlining engagement can be found here on page 181: <https://www.cityofpaloalto.org/files/assets/public/agendas-minutes-reports/agendas-minutes/city-council-agendas-minutes/2022/20220314/20220314pccsm-amended-final-revised-ppt.pdf>

Environmental Review

The recommended action is not a project for the purposes of the California Environmental Quality Act.

Attachments:

- **Attachment15.a:** CY 2022 City Council Priorities Major Projects by Timeline

CY 2022 City Council Priorities: Major Projects by Priority by Timeline

15.a

Jan - June 2022	July - Dec 2022	Not Yet Resourced	Priority Area, Project Number, and Project Name
ERT - ECONOMIC RECOVERY AND TRANSITION			
X			ERT1. Downtown Business Improvement District (BID)
X			ERT2. Economic Development Request for Proposal (RFP)
X			ERT3. Economic Development Committees for Downtown and California Avenue
X			ERT4. Retail and Retail-Like Land Uses and CUP Thresholds
X			ERT5. University Avenue Streetscape Design Project
X			ERT6. California Avenue Closure
X			ERT7. Ramona Avenue Closure
X			ERT8. Build Out Fiber Backbone as Foundation for Fiber-to-the-Premises (FTTP)
X			ERT9. Electronic Plan Review
	X		ERT10. Development of New Parking Facilities in the University Avenue Downtown
	X		ERT11. California Avenue Subscription Parking Program (Commercial Uses)
		X	ERT12. Citywide Retail Recovery Ordinance
		X	ERT13. Retail Preservation
CCAP - CLIMATE CHANGE: PROTECTION AND ADAPTATION			
X			CCPA1. Municipal Code Amendments to Facilitate PV, ESS, EVCS and Heat Pump (Water/Furnace) Installations
X			CCPA2. Permit/Inspection Streamlining for Electrification Projects
X			CCPA3. Valley Water Purified Water Facility at LATP Area B
X			CCPA4. Sustainability/Climate Action Plan (S/CAP) update
X			CCPA5. Residential Home Electrification Strategy
X			CCPA6. Grid Modernization to Prepare for Electrification
X			CCPA7. Advanced Metering Infrastructure (AMI)
	X		CCPA8. Commercial Electrification Retrofit
HSEB - HOUSING FOR SOCIAL AND ECONOMIC BALANCE			
X			HSEB1. HomeKey Application
X			HSEB2. Parking in Lieu Downtown Office Parking Ban
X			HSEB3. SB35 Objective Standards Ordinance
X			HSEB4. NVCAP
X			HSEB5. Housing Element Update
X			HSEB6. Respond to Grand Jury Recommendations 10a, 9b, 12b
X			HSEB7. SB-9 Urban Lot Split Interim Ordinance / SB-9 Historic Resources Policy Discussion and Follow-up Action
X			HSEB8. City/Sobrato Ad Hoc Discussion Regarding 340 Portage (& Related Code Interpretation)
X			HSEB9. Accessory Dwelling Unit Regulations (Ordinance Update)
X			HSEB10. Downtown Housing Master Plan
X			HSEB11. Renter Protection - Tenant Relocation Assistance
X			HSEB12. Safe Parking Program
	X		HSEB13. LifeMoves Operating/Lease Agreement
	X		HSEB14. SB-9 Permanent Ordinance (Objective Standards / Urban Lot Splits)
	X		HSEB15. Renter Protection - Rental Survey
	X		HSEB16. Renter Protection - Just Cause Eviction
	X		HSEB17. Grand Jury Report Recommendation #3
		X	HSEB18. Retail and Residential Parking Adjustment
		X	HSEB19. PHZ/PC Amendment to Allow Greater Height
		X	HSEB20. Inclusionary Housing Program
		X	HSEB21. Streamline Application Pre-Screening Processing
		X	HSEB22. Commercial Office Zoning Adjustments
		X	HSEB23. Residential Zoning Name Change
		X	HSEB24. Grand Jury Report Recommendations #4 and #8
CHS - COMMUNITY HEALTH AND SAFETY			
X			CHS1. Palo Alto Animal Shelter Services Review
X			CHS2. Cubberley Next Steps
X			CHS3. Improve Fire Safety in Foothills
X			CHS4. Computer Aided Dispatch (CAD) Upgrade
X			CHS5. Complete Reopening of Libraries
X			CHS6. Hire Ahead up to Five Police Officers
X			CHS7. Rinconada Park Improvement Project
X			CHS8. Tree Protection Ordinance Update
X			CHS9. Public Safety Building Capital Project
X			CHS10. Newell Road Bridge Replacement
X			CHS11. Monitor and Respond to SFO/FAA Airplane Noise Issues
X			CHS12. Provide and Promote Use of Unleaded Fuel at Palo Alto Airport
X			CHS13. Sewer System Replacement Project 30
X			CHS14. Evaluate Gym Feasibility
	X		CHS15. Emergency Plans Updates
	X		CHS16. Gas-Powered Leaf Blower Amendmnt
	X		CHS17. Fire Station 4 Project
	X		CHS18. Sewer System Laterals Repair and Replacement throughout the City
	X		CHS19. Water Main Replacement Project 28
		X	CHS20. Seismic and Resiliency Ordinance
42	13	10	Total (65)



City of Palo Alto City Council Staff Report

(ID # 14168)

Meeting Date: 4/4/2022

Title: Receive the Police Department's Annual Report and Discuss and Accept the Staff Update on Radio Encryption as a Follow-up from the Policy and Services Committee Recommendation on February 8, 2022

From: City Manager

Lead Department: Police

Recommended Motion

Staff recommends that the City Council receive the Police Department's Annual Report and discuss and accept the staff update on radio encryption (Attachment A) as a follow-up from the Policy and Services Committee Recommendation on February 8, 2022.

Executive Summary

The Palo Alto Police Department (PAPD) typically shares accomplishments on an annual basis through a published report which the department presents at a study session with the City Council. This year's 2021 Annual Report is similar in content as past updates. It also provides information on radio encryption based on a follow-up request from the Policy and Services Committee discussion on February 8, 2022 for City Council to be updated on this matter.

Background

The Department strives to provide a published annual report to the City Council and public as done in [2018](#) and [2019](#). [The 2019 report](#) was published and presented in a [Study Session on February 24, 2020](#). Since the shelter-in-place and subsequent changes to the Department, the next report for the calendar year 2020 was presented as a [staff report](#) at the [April 5, 2021 City Council Meeting](#). This study session [presented](#) work done regarding police reform including:

- City Council and Ad Hoc Meetings to work in a public forum on police reform measures including policy changes
- [Message of inclusion and hope](#) June 1, 2020
- Added a [Race and Equity page](#) on the City website
- Added an [Accountability page](#) on the [Police Department website](#)
- Live-streamed 3 educational videos on Zoom on PAPD's [Use of Force Policy](#), [Laws of Arrest and Search and Seizure](#), and [Accountability in PAPD](#)
- Listened and participated in online community roundtables and Q&A sessions on [July 1, 2020](#) and [July 29, 2020](#)

- Collaboration with Stanford’s Social Psychological Answers to Real-World Questions (SPARQ) program.

This year’s annual report is similar to the last report which focuses on major department updates and is not presented in the published format (like the 2019 report) due to COVID and competing priorities.

As additional background, at the [annual retreat on February 5, 2022](#), the City Council selected “crime” as one of five city sub-categories of priorities under the [“Community Health and Safety” priority](#) (the other sub-set priorities were mental health, air quality, noise, and sense of belonging). Community members have expressed concern about a perceived rise in crime, with a handful of high-profile incidents during 2021 focusing attention on Palo Alto and safety, which will be addressed as part of the City Council’s annual workplan consideration scheduled for April 4, 2022.

Discussion

The following report provides a summary of 2021 initiatives, statistical trends, and accomplishments. It also provides a report on radio encryption as reviewed and recommended by the Policy and Services Committee. The initial Committee direction was to hold a study session to “discuss police radio encryption, and how best to allow the public and the media to be rapidly informed for calls to service.”

The [FY 2022 Adopted Operating Budget](#) lists the most recent initiatives adopted by the Department (beginning on PDF page 357) to include:

- Continued partnership with stakeholders on race and equity initiatives [Status: In process]
- Purchase an updated Computer Aided Dispatch (CAD) system [Status: Pending - Council action forthcoming]
- Implement Racial and Identity Profiling Act (RIPA) [Status: In process – data collection has begun. First state [RIPA Board report](#) with Palo Alto data will be published April 2023]
- Implement the Psychiatric Emergency Response Team (PERT) [Status: Deployed]
- Focus on hiring critical positions including police officer and public safety dispatch positions [Status: In process]

In 2021, the Department had a net 125.33 FTE full-time positions (149 FTE less 23.67 FTE frozen positions). The net result was 80.0 FTE sworn positions, and a net 45.33 FTE non-sworn positions, along with 1.08 hourly FTE’s that include a net 5 reserve police officers. The Department is divided into three divisions: Field Services, including Patrol squads, Mental Health Intervention and Patrol Community Service Officers; Technical Services, including Communications/Dispatch Center and Records; and Investigative Services, including the Detective Bureau, Evidence/Property staff, Animal Services, and Community Service Officer Parking Enforcement. The Police Department typically responds to more than 50,000 calls for service annually, though calls have been lower during the pandemic. The Department Dispatch Center call volume is the fourth busiest in Santa Clara County (behind Santa Clara County, City

of San Jose and City of Santa Clara). Call volume is driven by the multi-disciplinary nature of Palo Alto's dispatch center which supports Palo Alto police and fire, Stanford Campus, Palo Alto Animal Services, and Palo Alto Utilities calls.

In summary, the Police Department was able to implement several important initiatives during 2021:

- Started the new Psychiatric Emergency Response Team (PERT)
- [Implemented a records management system](#) featuring electronic field reporting that improves staff efficiency and allows for implementation of the Racial and Identity Profiling Act (RIPA)
- Launched a new [Police Calls for Service Interactive Map](#)
- Continued focus on public communications and awareness including continuing responsiveness to inquiries from media partners
- Unveiled a [redesigned website](#) that is easier to navigate and that contains updated, refreshed information
- Collaborated with the Independent Police Auditor (IPA) to implement an expanded scope of services.

Additional details on these efforts and more are listed below:

Crime Statistics

While crime trends tend to be cyclical, overall, Palo Alto continues to have a very low rate of violent crime per capita (violent crime defined as homicides, rapes, robberies and assaults). Most classifications of crime cases are the same as or less than previous years. It should be noted that the ten-year trend has been increasing, consistent with national statistics.

The 24-hour dispatch center processed 137,642 total calls (which include all calls to police, fire, EMS, public works, utilities, animal control, and others) in calendar year 2021. A total of 38,346 were emergency calls placed to 9-1-1 or the cell phone emergency line; 99.44% of the 9-1-1 calls were answered within 10 seconds. The following represents calendar year activity (not fiscal year).

Work Activity	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Police Calls for Service	62,783	65,861	59,773	58,243	52,366	54,926	55,798	51,417	44,654	38,189
Offense Reports	5,607	5,764	6,058	6,729	5,534	5,938	5,715	5,611	4,665	4,588
Collisions Reports	1,001	1,173	1,108	1,025	969	952	993	836	446	523
Crimes										
Homicide	-	-	1	1	1	-	-	1	1	-
Rape	5	4	4	13	10	11	6	10	12	5
Robbery ¹	26	30	26	26	28	39	30	46	39	41
Assault	23	21	24	27	35	40	38	29	30	29
Burglary ²	332	242	273	212	221	215	234	179	243	179
Larceny-Theft ³	1,048	1,179	975	1,407	1,161	1,477	1,197	1,724	1,571	1,356
Stolen Vehicle	48	69	68	87	65	92	83	83	112	98
Arson	12	10	3	5	8	6	9	8	22	30
Totals	1,494	1,555	1,374	1,778	1,529	1,880	1,597	2,080	2,030	1,738

¹ Robbery is defined as the felonious taking of personal property in the possession of another, from his person or immediate presence, and against his will,

² This category includes commercial and residential burglaries, but not auto burglaries

³ This category comprises thefts, which include auto burglaries

Notable Incidents in 2021

To review public safety incidents in 2021, visit the Police Department's website and read the news releases at www.cityofpaloalto.org/PAPDnews.

Here are some highlights of the effective work that Police Department personnel performed in 2021:

- [Attempted murder arrest](#). Officers arrested a suspect who randomly attacked a juvenile female victim on a downtown Palo Alto street, stabbing her with a knife.
- [Organized retail crime arrests](#). Officers arrested two suspects immediately following a late-night commercial burglary attempt in downtown Palo Alto, where a group of 30 to 40 suspects in 20 cars arrived to commit the crime but were deterred by a prompt call from a security guard and a quick response by officers.
- [Arrest for shooting BB gun onto a school campus](#). Officers arrested a man who shot an elementary-school age child who was playing at recess with a BB gun fired from his own backyard.
- [Armed juvenile suspect arrested after robbery](#). Officers arrested a juvenile suspect and recovered a loaded firearm and drugs on him after he threatened and robbed a man who was walking his dog.
- [Armed robbery suspect arrested](#). Officers worked collaboratively with other law enforcement agencies to charge the suspect who committed an armed robbery at Baskin Robbins within two days of the crime, after he had committed other robberies in other cities.
- [Sexual assault suspect arrested](#). Officers arrested a suspect in a violent sexual assault that occurred in a downtown parking lot.
- [Robbery suspect arrested](#). Officer arrested a suspect after he beat and robbed an elderly man at the downtown train station.
- Hate crime arrests. Officers made unrelated arrests in two separate violent attacks on random victims that were apparently motivated by hate. Refer to news releases about those arrests [here](#) and [here](#).

Managing Current Budget and Staff Limitations

The [FY 2022 Adopted Operating Budget](#) lists details adopted by City Council (beginning on PDF page 357).

Authorized Positions											
by Division	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Administration	6.33	6.00	8.00	7.40	7.40	8.40	9.40	9.40	9.52	9.52	7.30
Field Services	66.30	71.80	68.80	66.80	68.80	61.80	73.55	73.55	73.55	73.55	64.15
Investigations	50.69	43.86	44.18	45.18	45.18	51.18	38.43	38.43	31.75	32.23	24.78
Technical	37.87	36.67	37.13	37.00	37.00	37.00	37.00	37.00	37.00	37.00	29.12
Total	161.19	158.33	158.11	156.38	158.38	158.38	158.38	158.38	151.82	152.30	125.35

Budget (in thousands)

Revenue	\$ 4,691	\$ 4,203	\$ 4,541	\$ 4,245	\$ 4,324	\$ 4,188	\$ 4,409	\$ 4,524	\$ 4,352	\$ 4,200	\$ 4,016
Staff Cost	\$ 26,599	\$ 27,149	\$ 28,091	\$ 29,314	\$ 31,810	\$ 32,029	\$ 35,293	\$ 36,134	\$ 38,814	\$ 35,229	\$ 37,461
Other Cost	\$ 5,319	\$ 5,183	\$ 4,482	\$ 4,762	\$ 5,049	\$ 6,108	\$ 7,040	\$ 6,214	\$ 5,852	\$ 5,147	\$ 5,654
Total Expenses	\$ 31,918	\$ 32,332	\$ 32,573	\$ 34,076	\$ 36,859	\$ 38,137	\$ 42,333	\$ 42,348	\$ 44,666	\$ 40,376	\$ 43,115

Since the [reduction of positions](#) (net 25.89 FTE) within the Police Department, initiated in FY 2021, City Council has restored, restarted or provided temporary resources for the Department to continue to focus on its main priorities focused on public safety and notably at the [February 7, 2022 City Council meeting](#), the City Council approved the Department to “hire-ahead” five (5) police officer candidates in anticipation of attrition.

Police and Diversity

The Department and City Management recognize the topic of Police and Diversity is important; the following work underway is just a sampling of the work underway at this time:

- The Independent Police Auditor (IPA), OIR Group, will [conduct a performance review of the Police hiring practices](#) and report back to the City Council
- The Department will work with the City Manager’s Office to engage an outside contractor to process RIPA data and report an analysis of the data to the City Council
- Staff continues to work on the demographic data dashboard which includes information on the racial and gender identities of all staff citywide including the Police Department

The Department has been actively recruiting for a broad applicant pool and continues to have success hiring staff with diverse backgrounds. Currently, as one form of highlighting the diverse backgrounds, the Department has 32 police staff who are cumulatively bilingual in 11 languages beyond English (Spanish, German, Korean, Russian, Mandarin, Urdu, Tagalog, Portuguese, Cantonese, Vietnamese, and Farsi). This is just one way the Department can better engage with the community.

Lastly, the City Manager, in the [listening sessions](#) on recruiting for the next Chief of Police, has heard many members of the community shared an interest in the new Police Chief keeping these topics of diversity, equity, and inclusion as a priority in the operations of the Department.

Independent Police Auditor (IPA) Revised Scope of Work

The IPA is an independent, third-party [contractor](#) who conducts secondary reviews of the Department’s investigations regarding police contacts, complaints and personnel. Historically, the IPA has reviewed three categories of Police Department investigations: (a) complaints from members of the public, (b) Department-initiated internal affairs investigations, and (c) all TASER deployments, regardless of whether a complaint was filed. At [City Council’s direction](#) the IPA’s scope of services was expanded in 2021 and now includes reviews of all of the following uses of force reports: where a baton, chemical agent, TASER, less-lethal projectile, canine, or firearm is used, and all cases where the subject’s injuries necessitate any treatment beyond minor

medical treatment in the field. The expanded scope of services also now includes review of internal complaints against sworn officers regarding misconduct related to harassment, discrimination, or retaliation. In addition, the IPA now attends and confers with City Council two times per year, following publication of the [IPA's report](#). The IPA can perform one audit of process each year – the most recent being an audit of police hiring practices.

[State law](#) requires all police agencies to receive and investigate complaints made by the public against police officers. However, having independent review of police investigations is a choice made by the City of Palo Alto in 2006 and is not required by law. While large agencies like the City of San Jose work with an independent police auditor, it is rare for smaller cities to retain a police auditor or contract for services. The IPA reviews police investigations for objectivity, thoroughness, and appropriateness of disposition, and can also make recommendations to the Police Chief regarding further investigation, processes, and dispositions. At the conclusion of the review, the IPA shares a public report with the City Council. As required by state law, the reports do not name or identify uniformed officers. It should be noted, members of the public have considerable discretion under the Brown Act when speaking in public comment and may name individual officers or speculate about particular Department personnel, however, members of the public should understand the IPA, City staff and Council Members, and Boards and Commission members cannot respond to requests from the public for information about individual officers in accordance with state law.

All reports dating back to the inception of the IPA in 2006 are viewable on the [Police Department's website](#).

Police Use of Force Annual Report

The City joined jurisdictions across the country in re-evaluating its approach to police accountability in the aftermath of the George Floyd murder and subsequent movement for change. As part of that, the City now publishes an annual report on uses of force (UOF) in conjunction with the February Independent Police Auditor (IPA) report. In the annual UOF report released by the Police Department on [February 14, 2022](#) (page 299), there are details on the types of physical force used since the last update. From November 16, 2020, until the end of 2021, PAPD officers used force requiring a “Supervisor’s Report on Use of Force” a total of 16 times. During this same period, Palo Alto Police Officers responded to 42,405 calls for service; this equates to officers using force on 0.03 percent of dispatched calls. See the full December 2020-December 2021 UOF report released by the Police Department [here](#).

Launch of Psychiatric Emergency Response Team & Other Mental Health Intervention Options

In November 2021, in conjunction with the Santa Clara County Behavioral Health Services Department, the Police Department launched a Psychiatric Emergency Response Team (PERT). PERT consists of a police officer partnered with a license mental health clinician, combining the unique resources available from each profession to provide the highest possible level of service to someone in mental health crisis before the situation worsens or requires hospitalization. PERT is tasked with responding to calls for service involving people in acute mental health crisis

and getting them the help they need in the most comprehensive and compassionate way possible. PERT is an important element in furthering the City's Race and Equity priorities by reinforcing Palo Alto's commitment to supplementing law enforcement response options.

Palo Alto is the second law enforcement agency and first city in the County to launch a PERT team; earlier in 2021, the Santa Clara County Sheriff's Office became the first and is currently fielding two PERT teams. Future teams are planned in other cities and Palo Alto will have to wait for access to a second County clinician.

PERT also serves as the Police Department's regular main point of contact for long-term and ongoing concerns with the City's unhoused population. PERT also conducts follow-up visits on past clients as necessary and accepts referrals from other Police Department employees who encounter someone who may benefit from the services of the team. PERT self-responds to appropriate calls throughout their shift and can also be summoned by a police supervisor to any scene where their expertise would be of benefit. The team operates in an unmarked police car, with the assigned officer wearing a plainclothes-style uniform to be distinct from a regular patrol officer.

In the first full four months of the team's operation, the team handled 99 calls for service, conducted 68 follow-up visits on past clients, offered resources to 87 additional people, placed 20 people on involuntary psychiatric evaluations, facilitated 6 voluntary psychiatric evaluations, and diverted 22 people from what likely would have been psychiatric hospitalizations. The team has not had to make a single criminal arrest, and has not used any form of force at any time. The Police Department and the Santa Clara County Behavioral Health Services Department will be conducting robust analysis of all PERT statistics as the team's operation continues.

The City successfully advocated to be included in [Santa Clara County's new Community Mobile Response Program](#) — known as the Trusted Response Urgent Support Team (TRUST) — which is a non-law enforcement response resource for lower-level mental health crises. The program seeks to de-escalate crisis situations and divert individuals away from hospital emergency rooms or jail, and toward alternative means such as counseling, a sobering center, a respite program or mediation through a crisis stabilization unit. This program continues to be developed by the County. Palo Alto staff stays in contact with the County staff about the implementation. In addition to the PERT program and the TRUST program, the County is also adding an additional Mobile Crisis Response Team (MCRT) in north county. New staffing, expected to start this summer, will serve north county and west foothill areas, which include Los Gatos, Monte Sereno, Palo Alto, Los Altos, Los Altos Hills, Mountain View, Cupertino, Saratoga and portions of San Jose.

Launch of New Records Management System and Data Collection

In December 2021, the Department launched an updated internal records management system (RMS). This robust system allows personnel to complete their reports electronically, reducing paper waste and increasing staff efficiency. Officers are now able to complete their reports

digitally, in their patrol cars or the police station, and submit them to supervisors electronically for review and to our Records Unit for data entry. This replaces the previous paper-based process. The launch of this new system was a major endeavor requiring multiple days of training for all staff, and promises to provide benefits for years to come. The RMS database also provides an interface for officers to comply with the provisions of [RIPA](#).

RMS was designed to comply with the Racial and Identity Profiling Act (RIPA) – AB953. This state law requires state law enforcement agencies to collect and report on 16 different data elements on every police contact (including perceived race) and the reason for the contact. Since January 2022, the data is collected and reported to California Department of Justice (DOJ) at the end of every shift per policy. Annually, the data is compiled by a separate board, the [RIPA Board](#), and reported to the public. Agencies the size of PAPD will be added to the report published in or around April of 2023. Palo Alto data will be reported with all law enforcement agencies in the state so the Department plans to provide City Council with a summary report of Palo Alto specific data. By the end of January 2022, PAPD had submitted approximately 353 stop data records. This is a very important step in helping the City of Palo Alto to collect accurate racial identity data for Police contacts with members of the public.

Option for Public to File Police Reports Online Continues for First Full Year

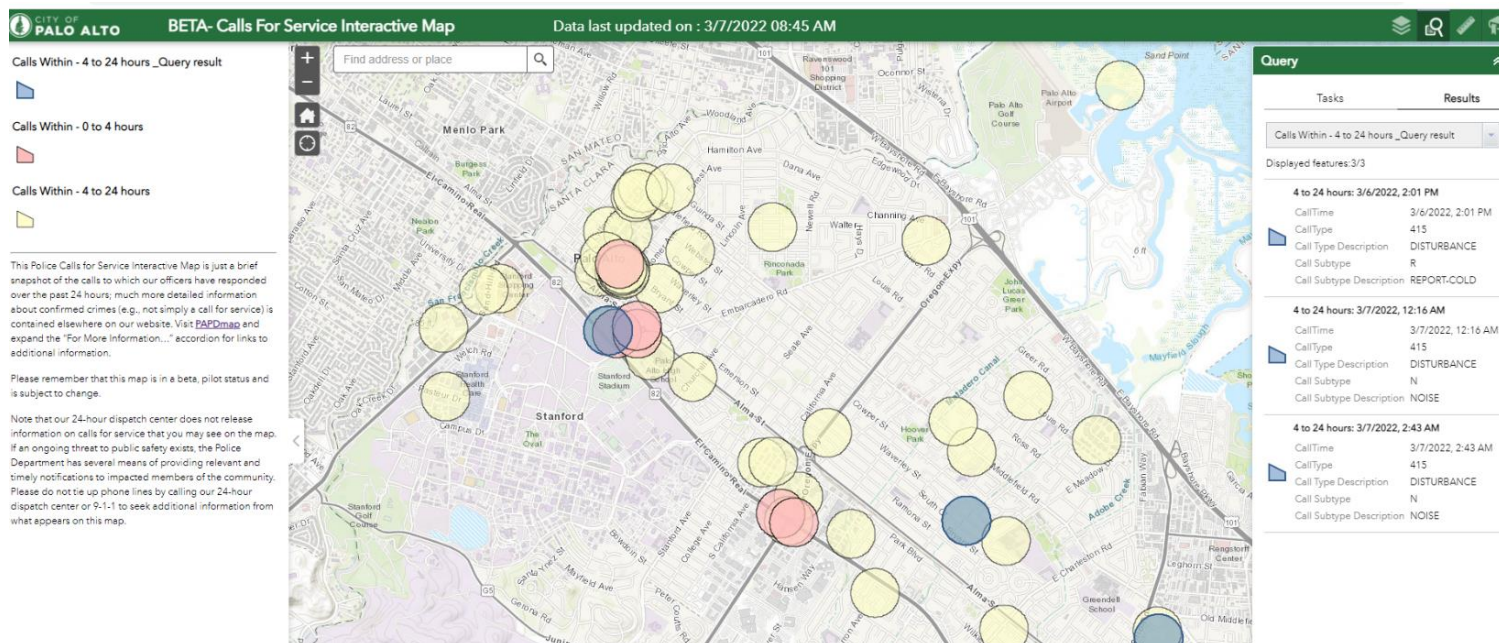
In December 2020, the Police Department launched a new online reporting tool, giving the public the ability to file their own online police reports for a wide array of minor crimes and non-injury traffic collisions. The tool has been extremely well-received by the public and has been widely used during 2021: the system received 1,340 reports filed online, increasing convenience for the public and saving approximately 2,010 hours of officer time. This creates efficiencies for officers and Community Service Officers to respond to more urgent calls for service. For access to the online reporting tool, visit www.cityofpaloalto.org/online-reports.

Launch of Police Calls-for-Service Interactive Map

The Department launched a new online interactive map, providing a near real-time snapshot of the types and locations of calls for service to which Palo Alto police officers have responded over the past 24 hours. The map offers enhanced community awareness on police calls for service while protecting personal identifying information and was developed as an alternative after the California Department of Justice required encryption of police radio transmissions containing personally identifiable information and protected criminal justice information (See Attachment A for further information).

The Police Calls for Service Interactive Map, available for viewing now at www.cityofpaloalto.org/PAPDmap, draws data directly from the Department's Computer-Aided Dispatch (CAD) system. It shows the general locations of calls for service from the community, and displays the time the call was received, the call type, and a subtype if applicable. The calls are displayed once the incident is closed to provide the most accurate information and remain visible for 24 hours. The vast majority of the Department's calls for service are closed within an hour. The exact geographic location of the call is not provided to ensure the confidentiality of possible crime victims.

The new interactive map was a concept discussed last year and since that time, City staff have



been developing the online prototype. The pilot platform offers a new online look at calls for service that builds on the Police Department's key priorities including increasing public information, building community awareness and furthering the community's understanding about public safety services in Palo Alto.

While several municipal police departments in the Bay Area provide some level of police call data online, the Palo Alto Police Calls for Service Interactive Map offers more call details at near real-time than these other online platforms.

Continued Handling of Media Inquiries While Managing Constrained Resources

The Department conducted an internal review of its responsiveness to media inquiries. After monitoring the process and activity for several months, the examination revealed that for the vast majority of media inquiries, reporters receive a response the same day, often within 90 minutes. By way of recent example, in February 2022, the Police Department received 33 separate inquiries from the media. Over 90% of those (30) received a response from a Public Information Officer the same day; for the remaining three, the inquiries received a response the following day. The longest response time to any inquiry in February was about 18 hours.

One-third, or 33% (11 of 33), of the total inquiries received a response within 30 minutes, and 64% (21 of 33) received a response within 90 minutes. In 82% of the inquiries (27 of 33), the Public Information Officer sent a response via e-mail to the reporter; in the remaining 18% of the inquiries (6 of 33), they called the reporter on the phone.

The Police Department offers an online [Media Request Form](#) or [Public Information Portal](#) that includes the [Police Report Log](#) - published every weekday. Local press organizations are aware they have access to designated police personnel who can respond to press inquiries every day of the week, as outlined by Chief Jonsen in a [May 21, 2021 post](#):

"...three things occurred to cause us to transition to a new temporary operating procedure for handling media inquiries: the elimination of the Public Affairs Manager position; a renewed commitment to have our sergeants in the field actively supervising our field personnel (not in the police station, reviewing reports to distill the legally-releasable information); and a necessity to have our officers in the field responding to calls and conducting patrols due to reduced staffing levels. As a result, we re-assigned public information duties to our two patrol Watch Commanders, police lieutenants who have command responsibility over our patrol division.

New Expedited Web Form Process Deployed

We appreciate the media's flexibility in using a web form to submit their initial request. This helps us immediately route the information to those charged with responding, so they can research the inquiry and respond to the reporter. Our Watch Commanders strive to answer the inquiry as soon as they can, and the responses most often occur within 24 hours (and frequently within a handful of hours). This is the same timing as before our staffing reductions. Of course, responses are quicker on a police incident where there is a danger to public safety, or on a case where we have proactively distributed a news release. The web form allows us to keep track of the inquiries to ensure they are handled properly and in a timely way. Reporters who have follow-up questions are welcome to continue the conversation with the Watch Commander who responds to their inquiry, to ensure that all of their questions are appropriately addressed, and they have the information they need to complete their story."

Sharing Critical Alerts with the Community

Implemented Department of Justice Requirements Related to Personally Identifiable Information (PII)

Staff is prepared to discuss aspects of radio encryption with the City Council on April 4, 2022 including ways that the Department ensure the public and media have real time information about the Department's calls for service. **Attachment A** provides more details about this topic for City Council discussion and consideration.

In summary, in early 2021, the [Palo Alto Police Department](#) encrypted its radio transmissions to comply with a mandate from the [California Department of Justice](#) that requires all California law enforcement agencies to protect personally identifiable information. The Palo Alto Police Department was not the first law enforcement agency in Santa Clara County to comply with this

state mandate, and since that time, every law enforcement agency in Santa Clara County is using encryption.

The California Department of Justice mandate is designed to protect the privacy of the people with whom law enforcement officers may come into contact. Personally identifiable information includes such things like names, driver license numbers, and social security numbers. The DOJ policy also mandates protection for Criminal Justice Information, which is confidential information contained in federal and state criminal justice databases. When broadcast on an open and unencrypted radio frequency, PII and CJI can be accessed and used for any purpose by anyone using a commercially-available radio scanner. Using an encrypted radio frequency to broadcast this information safeguards that information. The Department of Justice bulletin describing these mandates, can be viewed [here](#).

As noted earlier, the Police Department continues to respond to press inquiries for public information; produce [a police report log](#) every business day; distribute [news releases](#); post information on the City's website like [crime statistics](#), [monthly activity reports](#), [Policy Manual](#); and, manage many [social media platforms](#) to ensure the public is aware of police activities and ways to stay safe.

Popular Web Links in 2021

[2022 Operating Budget](#)

[2021 City Council Study Session on PAPD](#)

[Police Public Information Portal including News Releases](#)

[Psychiatric Emergency Response Team \(PERT\)](#)

[Hate Crimes and Incidents](#)

[Police Accountability](#)

[PAPD Policy Manual](#)

[PAPD Contacts](#)

[2019 PAPD Annual Report](#)

Resource Impact

The Department used over 100 hours of staff time to create this report and accompanying attachments. No other resources are being requested at this time.

Stakeholder Engagement

For Attachment A, staff communicated with the California Department of Justice, SVRIA, regional and statewide agencies, Palo Alto Police Officers Association, State Senator Becker's office, and the City Attorney's Office while receiving feedback from community and media partners.

Environmental Review

The recommended action is not considered a Project as defined by the California Environmental Quality Act.

Attachments

Along with the PAPD Annual Report, the Department is taking this opportunity to discuss Radio Encryption. Attachments A and B provide context for that conversation.

Attachments:

- **Attachment16.a:** Attachment A: Background on Palo Alto Police Radio Encryption
- **Attachment16.b:** Attachment B: DOJ CJIS Notification

Report on Radio Encryption

Executive Summary

The following report provides details to the encryption of Palo Alto Police Department's radios and the complexity on this topic. Department discussions with DOJ confirmed that agencies that had the technical capability and infrastructure in place to transmit [Personally Identifying Information](#) (PII) and [Criminal Justice Information](#) (CJI) radio transmissions over encrypted channels must do so, to protect confidential information. In response to the DOJ mandate released in October 2020 (Attachment B), and, along with the Silicon Valley Regional Interoperability Authority partners (all police agencies in Santa Clara County), the City updated the law enforcement radio channel to an encrypted frequency to conduct law enforcement operations in January 2021.

Based on the continued conversations with local law enforcement agencies, regional partners and the State DOJ, it is staff's conclusion that there are no other feasible options available at this time to implement "unencrypted" radio transmissions. It should be noted that this issue is fluid and even as early as last week, state lawmakers have introduced legislation that could change the legal requirements on this issue. At this time, however, to help inform the City Council on this complex issue, staff does not recommend changes to the operational decision to encrypt radios, as there are other options to providing public information in near-real time.

In addition, the potential impacts of not abiding by the State mandate include:

- Risk losing law enforcement database ([California Law Enforcement Telecommunications System](#), or CLETS) access, which is the database all law enforcement agencies use to support investigations and ensure the safety of local communities
- Risk of jeopardizing the City's regional partnership with Mountain View and Los Altos (who share the Records Management System with Palo Alto)
- Financial risk of having to move to the City's own radio network outside the Silicon Valley Regional Interoperability Authority, which all Santa Clara County law enforcement agencies participate in
- Staffing impacts and risks associated with operational and financial efficiencies lost by reverting back to unencrypted radio channel, affecting 9-1-1 dispatchers and police officers

Background

The Policy and Services Committee (P&S) met on [February 8, 2022 to receive an update on Race and Equity work since September 2021 and the Committee discussed staff's update](#). An outcome of that meeting included four recommendations to City Council from the Committee and one of them was item D: Request the City Manager and Mayor schedule a study session to discuss police radio encryption, and how best to allow the public and the media to be rapidly informed for calls to service.

The item before the City Council on April 4, 2022 regular City Council meeting is the Police Department's annual report with an update on encryption and the City Manager set the discussion as an action item to enable the City Council to take action should it wish to do so.

Report on Radio Encryption

The table below summarizes the timeline for the State and the City of Palo Alto related to Police Radio encryption. This is useful context for the additional information about encryption included within this attachment.

Encryption Timeline

Date	Action
June 2018	Palo Alto moved from analog radio to a P25 digital radio system
October 2020	The CA Department of Justice (DOJ) sent notice to all law enforcement agencies re: data confidentiality. DOJ instructed agencies to submit implementation plan
December 2020	Palo Alto responded to DOJ notice as required
January 2021	SVRIA agencies (including PA) began encrypting police radios
January 2021	Staff began work on alternatives to police radio encryption
March 2021	Palo Alto sent DOJ a request for permission to temporarily reverse encryption of police channels
July 2021	DOJ responded via letter to Palo Alto – request denied
February 2022	New Calls for Service Interactive Map went live
March 2022	Staff met with Senator Becker staff to discuss Becker's proposed legislation (Senate Bill 1000) on police radio encryption

Further Information on Encryption

The following information provides details on radio encryption to assist the City Council discussion on this topic.

Introduction

The California Department of Justice (DOJ), the primary law enforcement agency in the state, is directed by the State Attorney General (AG) who receives their authority from [Constitution of California](#), Article V, Section 13. On October 12, 2020, the agency sent notice (Attachment B) to all law enforcement agencies that access the California Law Enforcement Telecommunications Systems (CLETS – defined later) instructing that agencies “*must adhere to the requirements detailed in the CLETS Policies, Practices and Procedures (PPP), and in the Federal Bureau of Investigation (FBI) Criminal Justice Information Services (CJIS) Security Policy to ensure the confidentiality and integrity of the data therein.*”

Further, the bulletin instructed agencies to prevent access to sensitive information by unauthorized persons including discontinuing the practice of broadcasting certain personal information over publicly accessible channels. Per the notice, “*Personal Identifying Information (PII) is information that can be used to distinguish or trace an individual's identity, such as an individual's first name, or first initial, and last name in combination with any one or more specific data elements...such as Social Security number, passport number, military identification number and other unique ID numbers issued on a government document.*”

Report on Radio Encryption

The bulletin refers to established State of California [rules and policy](#) about unauthorized access to personal information through the database directly stating:

1.6.4 Confidentiality of Information from the CLETS

*Only authorized law enforcement, criminal justice personnel or their lawfully authorized designees may use a CLETS terminal or have **access to information derived from CLETS**. Any information from the CLETS is confidential and for official use only. Access is defined as the ability to hear or view any information provided through the CLETS.*

It is required that each employee/volunteer/private contractor sign an Employee/Volunteer Statement form...prior to operating or having access to CLETS terminals, equipment or information. This form addresses confidentiality, release and misuse of information from the CLETS.

- A. Information from the CLETS is on a “right-to-know” and “need-to-know” basis.*
- B. Authorized personnel shall not inquire into their own record or have someone inquire for them.*
- C. Accessing and/or releasing information from the CLETS for non-law enforcement purposes is prohibited, unless otherwise mandated, and is subject to administrative action and/or criminal prosecution.*
- D. Pursuant to the PPP § 1.10.1D, all investigations of misuse must be reported to the CA DOJ on the CLETS Misuse Investigation Reporting form...including investigations where misuse was not found.*

The DOJ notice stated that compliance is additive to the requirements of the [FBI CJIS security policies](#). The notice states the policies can be met by either broadcasting PII and CJI information over encrypted radio channels or for agencies to establish policies that restrict the dissemination of PII and CJI information over the radio “if unable to implement the required technology.” Department discussions with DOJ confirmed that agencies that had the technical capability and infrastructure in place to transmit PII and CJI radio transmissions over encrypted channels must do so, to protect confidential information. Agencies that did not have a radio system in place that could be encrypted were being given the option of temporary policy modifications to comply with the mandate, as confirmed by a [transcript](#) of the [AG’s committee](#) that oversees the CLETS system.

Regional Partnerships and Radio Encryption

Additionally, the Department is a member of the Silicon Valley Regional Interoperability Authority ([SVRIA](#)), which provides access to the regional radio network titled Silicon Valley Regional Communication System (SVRCS). In June 2018, the Department moved the City radio operations from an analog radio system to a P25 digital radio system in accordance with [Council action](#). Digital systems such as SVRCS have a number of advantages over analog systems including inter-agency communication, stability, operator identification and encryption – all

Report on Radio Encryption

initiatives that came out of the 9/11 disaster. Not all agencies in the state have converted to digital, but all agencies in Santa Clara County have converted to digital. In response to the DOJ mandate the City updated the law enforcement radio channel to an encrypted frequency to conduct law enforcement operations in January 2021.

Staff Efficiencies Related to Radio Encryption

Two-way radio systems are used to communicate with dispatchers or other police officers efficiently and safely while doing work with their hands or allowing their hands to be free to respond to an immediate threat. Other means to communicate exist, such as cell-phone or in-car computers, but these methods do not always provide a safe opportunity to be used in police work.

In circumstances where an officer is required to manipulate a device not attached to their body or go inside their police vehicle to use the computer, it can take the officer's attention away from a subject and also require the dispatcher to have to answer another phone call (increasing the call volume into the communications center). Both issues are mitigated by the use of a radio and significantly reduce the officer safety concerns associated with using a phone or in-car computer. Radios not only require minimal hand manipulation, but also allow for a police officer to keep their eyes on their work or on a subject so that they can remain focused on sensitive or dangerous work or imminent threats while communicating and problem solving.

Further Communications with DOJ

On March 8, 2021, as a result of stakeholder feedback, the Department sent a letter to DOJ requesting permission to revert law enforcement radio operations back to an unencrypted channel through the end of 2021, to allow for time to explore alternative options. (Attachment B). On July 2, 2021, DOJ Chief Joe Dominic responded to the request in writing informing the Department it cannot revert to the previous practice of broadcasting PII over a publicly accessible radio channel (Attachment B). Further, Department communications with DOJ confirmed that willfully disregarding the CJIS policies could result in the Chief of Police being called before the [CLETS Advisory Committee](#), the AG's committee overseeing CLETS. CLETS is the state administered computer network that gives authorized agencies access to multiple state and federal databases containing information on criminal records, criminal justice status (persons or vehicles with warrants), missing persons, protective orders, restraining orders, driver's license and vehicle/vessel information, stolen property, stolen vehicles, firearms registration, and other restricted databases. DOJ stated, depending on the Chief's testimony and other evidence, the CLETS Advisory Committee could recommend that the Attorney General deny Palo Alto access to CLETS. To add another layer of complexity, Palo Alto derives its CLETS access through the City of Mountain View, for now, but possibly through Santa Clara County in the future, subject to agreement. Police departments must enter and retrieve information in CLETS to conduct daily operations. There is no other alternative to this system (besides not having the information). After discussing the risks to the City related to this issue, staff has complied with the DOJ notice.

Report on Radio Encryption

Review of other law enforcement agencies response to DOJ

The San Francisco Police Department, in December 2021, transitioned all law enforcement radio communication to a digital radio network using fully encrypted channels. Staff understands that prior to their decision to encrypt, the department examined alternatives that placed additional responsibilities on dispatchers; this was ultimately not pursued. The California Highway Patrol (CHP) law enforcement operations are operating on a VHF low band analog radio system that is not capable of encryption. CHP has modified its radio transmission policies to comply with the Department of Justice policies and procedures to the extent possible with the technological constraints of its analog radio system. This option is not available to the City of Palo Alto. In March 2021, the Palo Alto Police Department asked the Department of Justice to allow the department to move law enforcement radio communications back to an unencrypted channel and DOJ denied the request. Staff has invited DOJ and CHP representatives to participate in the Council's discussion of this matter, and will advise if representatives will attend.

Staff Work on Alternative Methods: New Beta Interactive Map Released & Other Methods for Real-time Calls for Service Information

After complying with the DOJ notice, Police Department staff looked into alternative methods for providing the public greater awareness and visibility on police activity (real-time calls-for-service information or CFS) besides over the radio frequencies. The Department's actions included engaging technology companies and making inquiries to other law enforcement agencies. A technology company providing a platform for fire department CFS was unwilling to pursue staff's request to do the same for law enforcement. Department staff also contacted multiple law enforcement agencies throughout the state to inquire how they were complying with the DOJ mandate. This outreach included agencies using digital, encrypted radio channels and low-band unencrypted radio channels. The Department also utilized a statewide law enforcement discussion board to inquire how other law enforcement agencies were providing visibility on police activity in light of DOJ's directive. Sustainable solutions were not identified. Along with this track of activity, City staff was exploring the possibility of making a custom solution.

To meet stakeholders' desire to receive more information about the calls-for-service (CFS) the police respond to in real-time, the City moved forward with a portal to display CFS on an [interactive map](#). CFS, for police, include all requests for police assistance from the public based on the reporting party's initial need or concern, regardless of final disposition or categorization of the CFS (example: initial CFS could be a residential intruder alarm notification but the police investigation revealed it was a false alarm). The development of this interactive display was a months-long collaboration involving the Police Department, City Manager's Office, City Attorney, Information Technology Department, Human Resources Department, and the Palo Alto Police Officers Association. The creation of the platform was completed by City IT staff, working within the limitations of the City's antiquated Computer Aided Dispatch (CAD) system. (Note: CAD modernization is an upcoming item for City Council to consider soon). The parameters of the interactive map adapted to community member privacy concerns as well as police officer-safety concerns. The result of this process was a display map that gives near real-time information on police response to CFS with consideration for PII/CJI privacy requirements

Report on Radio Encryption

and officer safety concerns. Few law enforcement agencies display this type of information in real-time, often opting to share information in a [“press log,”](#) often 24-48 hours after the CFS.

Other Discussions Ongoing

Further, City staff, including Police staff, met with a representative of State Senator Josh Becker’s office to discuss radio encryption and provide input on potential legislation that would address making radio communications accessible to the public. Senate Bill (SB) 1000 is Senator Becker’s recently-introduced bill on public access to police radio transmissions. Staff is reviewing the bill. In the coming weeks, the Legislative Analyst will prepare an analysis of the bill and its impacts, and stakeholder comments will be received.

As noted, the subject of encryption throughout California is still fluid. The City of Palo Alto, and particularly the Police Department, is committed to protecting the privacy of all those the Department interacts with including suspects, drivers, passengers, witnesses, and victims while staying up to date on methods for informing media partners and the public in real-time.

Specific Questions Answered

What information is broadcast on a police radio channel?

Public Safety Answering Points (PSAPs) are another name for dispatch centers. PSAP’s receive their authority to operate and policies from the [State](#). The City of Palo Alto PSAP serves emergency and non-emergency requests for service (CFS) for Palo Alto Police, Palo Alto Fire, Palo Alto Public Works and Utilities, Stanford DPS Police, and Animal Control and serves as a back-up PSAP to Mountain View and Los Altos.

For emergencies requiring a police response, the Dispatcher receives requests for service through a number of methods including email, text, voice (landline and cellular), and radio. For phone requests, which comprise of an estimated 95% of service requests, the Dispatcher listens to caller information, enters the initial service request into the Computer Aided Dispatch (CAD) database. For emergencies or other public safety needs, police and/or fire operators are dispatched. “Dispatched,” in the case of police CFS, refers to transmitting the call-for-service over the police radio channel to assigned police units. The information broadcast gives the exact location of the request (if possible), the reported circumstances of the event, possible officer safety concerns, and specific call information, such as subject descriptions, victim actions/injuries, and other important information the officer needs to respond to the call. The CAD database sends some of this information to the responding officer’s in-car computer. During in-progress calls (calls that have a higher sense of urgency), updated information continues to be broadcast to responding officers. Further, officers communicate with Dispatchers and other officers, including other agencies, using the radio. At any time during dispatched calls, when time is of the essence, PII/CJI information of involved parties may be broadcast when known or relevant including criminal record information even before an officer arrives on the scene and contacts an involved person. In FY 2021, Palo Alto had approximately 12,000 of such “in-progress” calls-for-service – 32/day.

Report on Radio Encryption

Once at the scene of the request, field officers will ask Dispatchers, via the radio, to provide information relevant to the incident including personal information related to detainees, suspects, victims, injured parties, witnesses or their property and vehicles and their drivers. Dispatchers and officers will communicate back and forth during the duration of the call. Other officers, while not directly in the conversation, can hear the exchange of information and provide assistance as needed – something not achievable via telephone or SMS text. Because of the rapidly unfolding, unpredictable and dangerous nature of police work, once an officer is away from their vehicle and engaged with a subject(s), their ability to obtain critical information, including PII/CJI, is most safely done via the radio. Other means of receiving this information can put the officer and the public at risk.

The tactical positioning of officers is also arranged and broadcast over the police radio. Field supervisors direct officers to certain locations as necessary for the emergency. Other tactical information, such as type and manner of response, the creation of tactical response teams, and direction on weapon deployment may also be coordinated over the police radio. There may be times when it is in the public's best interest not to have this information broadcasted, such as during active shooter calls or crimes involving a criminal with more sophistication.

What was the effect of encryption?

Before January 5, 2021, Palo Alto's law enforcement communication channels were available for the public to listen to, through personally-owned radios or radio frequency scanners. By complying with the DOJ CJIS mandate of only authorized persons being able to listen to personal information transmissions, the public and media were no longer able to hear Palo Alto Police radio transmissions. The mandate resulted in the protection of community members' PII/CJI, medical/injury information (HIPAA), and sensitive CFS information. Media outlets and community members who wish to monitor police activity have been impacted by not having police radio transmissions open for monitoring. However, earlier this year, the City has launched a beta system sharing near-term details on calls for service online. Staff continue to make adjustments to the system to support additional public information about calls for service.

How can the media stay informed on real time incidents?

Local media stakeholders communicated they rely on the scanner radio traffic to monitor police activity and respond to crime scenes to gather information for reporting on events. While the interactive CFS map display is one way the police department has provided the media with information about police activity, the department also provides additional sources of information including [press releases](#), [social media](#) (including [Nixle](#)), and the [daily PAPD Police log](#). [AlertSCC](#) is another method of receiving real-time information. The department respects and takes seriously the public's desire to be informed about daily police operations and strives to provide information in manner that is timely and reaches the biggest audience.

Report on Radio Encryption

The Police Department has been examining its responsiveness to media inquiries for several months now. That examination reveals that for the vast majority of media inquiries, reporters receive a response the same day, often within 90 minutes. This is actually an improved response time over the way media inquiries were handled with the Public Affairs Manager and on-duty field personnel.

By way of recent example, in February 2022, the Police Department received 33 separate inquiries from the media. 91% of those (30) received a response from a Public Information Officer the same day; for the remaining three, the inquiries received a response the following day. The longest response time to any inquiry in February was about 18 hours. 33% (11 of 33) of the total inquiries received a response within 30 minutes, and 64% (21 of 33) received a response within 90 minutes. In 82% of the inquiries (27 of 33), the Public Information Officer sent a response via e-mail to the reporter; in the remaining 18% of the inquiries (6 of 33), they called the reporter on the phone.

Based on all the information provided within this report, staff does not recommend any changes to the Palo Alto police radio encryption. Alternatives that could be considered further, but that do not appear actionable at this time, include:

- Adding dispatcher personnel dedicated to the handling of PII communications or alternatively to broadcasting filtered reports of ongoing calls for service. At this time, the City of Palo Alto is challenged to fill and maintain dispatch staffing at authorized levels. Staff does not believe that the addition of positions to specifically address radio encryption would be a viable option given operational and financial constraints.
- City support of SB 1000. As this legislation was just recently introduced, staff recommends deferral of a City position until the state's Legislative Analyst publishes its evaluation. At this time, it is not clear what additional tools may be provided by state legislation to address the requirements established by DOJ for CLETS access.
- Restoration of non-sworn personnel to handle media inquiries could be considered. As described in this report, the Police Department has been able to establish a high level of responsiveness to media requests. The addition of non-sworn personnel in other functions such as responding to public requests for records would be recommended as a higher budgetary priority.

Xavier Becerra, Attorney General

<p>California Department of Justice CALIFORNIA JUSTICE INFORMATION SERVICES DIVISION Joe Dominic, Chief</p> 	<h1>INFORMATION BULLETIN</h1>	
<p><i>Subject:</i></p> <p>Confidentiality of Information from the California Law Enforcement Telecommunications System (CLETS)</p>	<p><i>No.</i> 20-09-CJIS</p> <p><i>Date:</i> 10-12-2020</p>	<p><i>Contact for information:</i></p> <p>CLETS Administration Section CAS@doj.ca.gov (916) 210-4240</p>

TO: ALL CLETS SUBSCRIBING AGENCIES

Law enforcement and criminal justice agencies authorized by the California Department of Justice (CA DOJ) to access the CLETS must adhere to the requirements detailed in the CLETS Policies, Practices and Procedures (PPP) and in the Federal Bureau of Investigation (FBI) Criminal Justice Information Services (CJIS) Security Policy to ensure the confidentiality and integrity of the data therein.¹ More specifically, and as detailed further below, access to certain Criminal Justice Information (CJI) and Personally Identifiable Information (PII) must be limited to authorized personnel; and the transmission of such information must be encrypted. Although generally applicable, the information in this bulletin is particularly relevant to the radio transmission of protected data.

Allowable "access" to CJI and PII, derived from CLETS, is described in CLETS PPP section 1.6.4:

Only authorized law enforcement, criminal justice personnel or their lawfully authorized designees may use a CLETS terminal or have access to information derived from CLETS. Any information from the CLETS is confidential and for official use only. Access is defined as the ability to hear or view any information provided through the CLETS.

The FBI and the CA DOJ establish policies and procedures related to the usage and protection of CJI that govern the usage of the CLETS. The policies define CJI, classify them as restricted or unrestricted, and limit the amount and types of information that can be broadcast over unencrypted radio channels in order to protect sensitive CJI and PII.

Generally, PII is information that can be used to distinguish or trace an individual's identity, such as an individual's first name, or first initial, and last name in combination with any one or more specific data elements (see FBI CJIS Security Policy section 4.3.). Data elements include Social Security number, passport number, military identification (ID) number and other unique ID numbers issued on a government document. The most common data elements encountered during field operations include a driver license number or ID number.

The transmission of sensitive CJI and PII must be encrypted pursuant to the FBI CJIS Security Policy sections 5.10 and 5.13; and access may only be provided to authorized individuals as defined under the CLETS PPP and the FBI CJIS Security Policy.

¹ For reference, please refer to the CLETS PPP at <https://oag.ca.gov/sites/default/files/clets-ppp%2012-2019.pdf> and the FBI CJIS Security Policy at https://www.fbi.gov/file-repository/cjis_security_policy_v5-9_20200601.pdf/view. See also Government Code section 15150 et seq. and California Code of Regulations, title 11, section 703.

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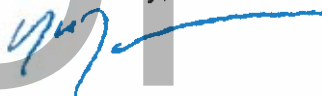
Compliance with these requirements can be achieved using any of the following:

- Encryption of radio traffic pursuant to FBI CJIS Security Policy sections 5.10.1.2, 5.10.1.2.1, and 5.13.1. This will provide the ability to securely broadcast all CJI (both restricted and unrestricted information) and all combinations of PII.
- Establish policy to restrict dissemination of specific information that would provide for the protection of restricted CJI database information and combinations of name and other data elements that meet the definition of PII. This will provide for the protection of CJI and PII while allowing for radio traffic with the information necessary to provide public safety.

If your agency is not currently in compliance with the requirements outlined herein, please submit an implementation plan to the CA DOJ, CLETS Administration Section, no later than December 31, 2020. The plan must be on agency letterhead and signed by the Agency Head (e.g., Sheriff, Chief); include a detailed description of how radio communications will be brought into compliance (e.g., encryption), or how the risks will be mitigated through policy if unable to implement the required technology; and must include the projected timeline as to when the issue will be resolved.

For questions about this bulletin, contact the CLETS Administration Section at CAS@doj.ca.gov or (916) 210-4240.

Sincerely,



JOE DOMINIC, Chief
California Justice Information Services Division

For XAVIER BECERRA
Attorney General



12/10/2020

POLICE DEPARTMENT
275 Forest Avenue
Palo Alto, CA 94301
650.329.2406

CLETS Administration Section
California Department of Justice
916-210-4240/CAS@doj.ca.gov

Palo Alto Police Department
275 Forest Ave.
Palo Alto, CA 94301

December 10, 2020

CLETS Administration Section,

Pursuant to CAL DOJ Information Bulletin 20-09-CJIS, dated October 12, 2020, the Palo Alto Police Department is responding to your inquiry on the confidentiality of information from the California Law Enforcement Telecommunications System (CLETS).

The Palo Alto Police Department Public Safety Answering Point (PSAP) provides law enforcement communications for the Palo Alto Police Department and the Stanford Department of Public Safety. Our department utilizes a P25 Phase II TDMA digital radio system administered by the Silicon Valley Regional Interoperability Authority (SVRIA), a Joint Powers Authority. Our primary law enforcement channel is currently NOT encrypted.

To comply with the directive of CLETS PPP section 1.6.4 and FBI CJIS Security Policy sections 5.10.1.2, 5.10.1.2.1, and 5.13.1, the Palo Alto PSAP will change our law enforcement communications channel to one that is encrypted. This switch to an encrypted digital radio channel will occur on January 5, 2021, to allow time to communicate with all departments affected by the change. We will, upon radio frequency reprogramming, encrypt our primary law enforcement channel to have fully encrypted channels for all of our operations.

Please contact Technical Services Division Captain April Wagner at april.wagner@cityofpaloalto.org if you have any questions. Thank you for your consideration.

Respectfully,

DocuSigned by:

Chief Robert Jonsen

Palo Alto Police Department



POLICE DEPARTMENT
275 Forest Avenue
Palo Alto, CA 94301
650.329.2406

3/8/2021

Chief Joe Dominic

March 8, 2021

California Justice Information Services Division

California Department of Justice

Chief Robert Jonsen

Palo Alto Police Department

275 Forest Ave. Palo Alto, CA 94301

Robert.jonsen@cityofpaloalto.org

Chief Dominic,

In October 2020, the City of Palo Alto and the Palo Alto Police Department received DOJ letter, 20-09 CJIS, inquiring if agencies were compliant with CJIS security policies and asking for a plan to become compliant concerning not broadcasting PII information over non-encrypted channels. Due to our investment in digital radio infrastructure, on January 5, 2021, the City of Palo Alto and the Palo Alto Police Department moved our digital primary law enforcement radio channel to an encrypted channel to comply with state and federal regulations. This was the department's only feasible timely option and the transition was successful with us coming into compliance.

The City of Palo Alto is requesting guidance on if we can revert our primary law enforcement radio channel back to a non-encrypted channel, while alternative options are explored, to allow for greater transparency with the public. This will result in PII information being broadcast on a non-encrypted channel. The City of Palo Alto would remain on a publicly accessible channel until December 31, 2021, unless a viable alternative has been identified before that date. Any changes in this status would be immediately communicated to DOJ.

We respectfully ask for your guidance and recommendation to this request in writing. Thank you.

Regards,

Chief Robert Jonsen, Palo Alto Police Department

Robert.jonsen@cityofpaloalto.org

ROB BONTA
Attorney General

State of California
DEPARTMENT OF JUSTICE



P.O. Box 903387
Sacramento, CA 94203
Telephone: (916) 210-5000
Joe.Dominic@doj.ca.gov

July 2, 2021

Robert Jonsen, Chief
Palo Alto Police Department
275 Forest Avenue
Palo Alto, CA 94301

Via email: Robert.Jonsen@cityofpaloalto.org

Re: Radio Encryption

Dear Chief Jonsen:

Thank you for your letter dated March 8, 2021, regarding encrypting your digital primary law enforcement radio channel to comply with state and federal regulations. First and foremost, I want to apologize for the delay in responding to your request. Your letter requested guidance regarding reverting your primary law enforcement radio channel back to a non-encrypted channel, while exploring alternative options to allow for greater transparency to the public. Your letter also indicated that if it was reverted, Personal Identifying Information (PII) would be broadcast on a non-encrypted channel.

Your request was presented to the Department of Justice's legal team, which after careful review, concluded that the City of Palo Alto is required to comply with state and federal rules on the encryption of Criminal Justice Information (CJI) and PII, as provided in Information Bulletin 20-09-CJIS (attached herein for reference). The City of Palo Alto cannot revert back to their previous system and broadcast PII on a non-encrypted channel that can be accessed by unauthorized individuals.

If you would like to discuss this further, please do not hesitate to contact us.

Sincerely,

A handwritten signature in black ink, appearing to read "Joe Dominic".

JOE DOMINIC, Chief/CIO
California Justice Information Services Division

For ROB BONTA
Attorney General



City of Palo Alto City Council Staff Report

(ID # 14213)

Meeting Date: 4/4/2022

Title: Clarification of In-Person Attendance Protocols for Council Committees and Boards and Commissions

From: City Manager

Lead Department: City Manager

Recommendation

Staff recommends that Council confirm the expectation that Councilmembers will attend committees and clarify expectations regarding board and commission remote participation.

Background

At its September 27, 2021 meeting, the City Council approved the following actions related to virtual, in-person, and hybrid council and board and commission meetings:

- A. Begin hybrid City Council meetings on November 1, 2021, and not requiring Standing Committees, Ad-Hoc Committees, Boards and Commissions to physically convene until January 2022;
- B. Require the public, Staff and City Council Members to provide proof of vaccination or a negative COVID-19 test within 48 hours prior to the meeting;
- C. Provide an option for City Council to attend in-person or virtually as long as the Santa Clara County maintains mandatory indoor masking for public meetings;
- D. Upon the end of mandatory indoor masking, modify the City Council protocols to increase City Council's teleconference participation to 5 meetings per year;
- E. Request Staff to allow virtual attendees to participate by video, barring technical barriers in doing so; and
- F. Upon relevant changes in Santa Clara County's or the CDC's guidelines, for City Council to revisit the guidelines, consider a default standard for in-person meetings if provided by the Santa Clara County, and discuss other in-person meeting requirements.

The City Council subsequently postponed the resumption of in-person and hybrid committee and board/commission meetings until March 1, 2022, and deleted the requirement for proof of vaccination or negative COVID-19 test in-person attendance.

The Brown Act allows legislative bodies to use remote participation, but it is up to each body whether to do so or not. There is no requirement in state law regarding how this decision is made. It may be made by explicit rule, by motion, or simply by practice, but individual members of a legislative body do not have a right to participate remotely where their legislative body elects not to allow remote participation.

For legislative bodies that allow remote participation, the Brown Act (Gov Code section 54953) has two alternative sets of procedural rules that must be followed. The default baseline set of rules requires each remote location to be listed on the face of the agenda, and mandates that each remote location be open to the public to attend the meeting alongside the remotely-participating member. Under the recently-adopted AB 361, where there is a State of Emergency and the body makes a finding every 30 days that state or local officials are mandating or encouraging social distancing measures, the remote participation procedures are streamlined: remote locations do not need to be disclosed and need not be open to the public. Legislation is currently being considered in Sacramento that may modify the baseline requirements in the future.

The Council's Procedures and Protocols Handbook explicitly authorizes remote participation for meetings of the full Council, and limits that practice to three times per year. Subpart D of the Council's September 27, 2021 action modifies this rule by allowing remote participation for up to five meetings per year. (The Procedures and Protocols Handbook will be amended to reflect this new direction.)

To date, the City Council and the boards and commissions have, every 30 days, adopted a resolution authorizing the use of teleconferencing under Government Code Section 54953(e), allowing for use of the streamlined AB 361 procedures. The most recent Council approval is scheduled for the City Council's April 4, 2022 meeting.

Discussion

Several questions have arisen as to the City Council's expectations of councilmembers' in-person versus remote attendance at committee meetings, as well as expectations of board and commission members.

Council Committees. Neither the Council's motion nor the Council's Procedures and Protocols Handbook addresses remote attendance at committees. Council should clarify – by motion, which will subsequently be incorporated in the Procedures and Protocols – whether Councilmembers may participate in Council committee meetings remotely, and if so, is the ability to do so unlimited or limited in number or in some other way.

Recognizing the practical challenges with routine remote attendance, staff recommends that the City Council affirm the expectation that councilmembers attend committee in person.

AB 361 Streamlined Procedures. At this time, because the State of Emergency remains

in place and the Santa Clara County health official continues to strongly encourage the wearing of masks in indoor spaces, it is possible for Council to continue to make the AB 361 findings and use streamlined procedures for remote participation. This is discretionary, however. Council could pull the AB 361 resolution from the April 4 agenda or a majority could register a no vote. Council could adopt the AB 361 resolution for April but clarify for staff whether it wishes the AB 361 resolution to be placed on the first May agenda (assuming that a State of Emergency remains in place and the Council health official's direction social distancing provides a basis for making the finding).

Boards and Commissions. Council has the option to make a Citywide rule on the above issues, which would apply to all the boards and commissions, or, Council can leave these decisions up to each subsidiary body. If a Citywide rule is desired, staff recommends adopting it by motion tonight for later incorporation into the Board and Commission Handbook. If Council decides that each board and commission can decide for itself how to proceed, boards and commissions will have the option to adopt a procedural rule or simply proceed by practice.

Presumably, Councilmembers serving as liaisons to boards and commissions will follow whatever procedure applies to that board or commission, but Council can provide direction on this if a separate rule for Councilmember liaisons is desired.

To summarize, Council should provide direction on the following issues:

1. May Councilmembers participate remotely in Council committee meetings?
 - a. If yes, is remote participation unlimited, or is there a numerical or other limit on remote participation?
2. For April and/or thereafter, does Council wish to continue making the AB 361 findings, allowing for streamlined noticing?
3. Does Council wish to weigh in on these issues for the boards and commissions (including Councilmember liaisons), or should each board or commission decide for itself? Specifically:
 - a. Is remote participation allowed, and if so, are there limits?
 - b. Should the AB 361 findings continue to be made, allowing for streamlined noticing?

City of Palo Alto

MEMORANDUM

To: City Council

From: Ed Shikada, City Manager

Date: 3/31/2022

SUBJECT: AGENDA ITEM #15: Review and Approval of Workplans Implementing 2022 City Council Priorities

As time permits, staff is seeking City Council confirmation of the plan for neighborhood town hall meetings through 2022.

Background

On March 14, 2022, staff gained City Council feedback on the engagement efforts proposed through calendar year 2022. Staff report can be found here on page 182: <https://www.cityofpaloalto.org/files/assets/public/agendas-minutes-reports/agendas-minutes/city-council-agendas-minutes/2022/20220314/20220314pccsm-amended-final-revised-ppt.pdf> The details provided in the report relate to and connect with the City Council Priorities Workplan discussion set for Council consideration on April 4, 2022. As part of the March 14, 2022 Study Session staff outlined an approach to implementing six neighborhood town hall meetings by the end of 2022.

Discussion

Staff is seeking Council confirmation of neighborhood town hall goals and format, and council participation.

Neighborhood Town Hall Goals and Format

As presented on March 14, the dual goals of neighborhood town halls in 2022 would be to advance the City Council priority workplans through two-way communication with our community members as well as understanding other issues from resident perspectives. We would work with Palo Alto Neighborhoods representatives in six identified areas of Palo Alto on the specifics of each neighborhood town hall agenda.

Implementation of this effort includes scheduling six meetings throughout Palo Alto at city-owned, school district-owned, or community partner (i.e. Elks Lodge/churches) locations. Based on City Clerk review of meetings and other community engagement already scheduled, staff is proposing a consistent date in each month for town hall meetings. The proposed schedule includes the third Thursday at 5:30 p.m.-7 p.m. in the months of May, August, September, October, November and December as the schedule of the neighborhood town hall meetings.

A general Neighborhood Town Hall agenda would include:

- City Updates (30 minutes) - generally 2-3 updates
- Neighborhood Representative Community Items (30 minutes) - 2-3 items*

- Community Questions and Comments (30 minutes)

**Depends on the complexity of the topic and staff availability*

The meetings would be planned for 90 minutes in order to maximize participation by community members and accommodate remote attendance, where possible.

Council Participation

City Council feedback on their participation at the neighborhood town hall meetings varied. Staff is seeking clarification as to City Council role and attendance.

While there are several options for participation, a few options were discussed at the study session. As noted in the staff report, the neighborhood town halls are envisioned to be hosted by Councilmembers. This format would seek Councilmember assignments to the meetings with two Councilmembers involved with the planning and attending each neighborhood town hall, as well as the Mayor. Alternatively, previous town hall events pre-pandemic was posted pursuant to the Brown Act and all City Council Members attended.



SUPPLEMENTAL REPORT – ITEM 16

MEETING DATE: **APRIL 4, 2022**

TO: **HONORABLE COUNCIL MEMBERS**

FROM: **ROBERT JONSEN, CHIEF OF POLICE**

SUBJECT: **AGENDA ITEM NUMBER 16** - Receive the Police Department's Annual Report and Discuss and Accept the Staff Update on Radio Encryption as a Follow-up from the Policy and Services Committee Recommendation on February 8, 2022

Below is a letter received from Silicon Valley Regional Interoperability Authority (SVRIA) regarding police radio operations in Santa Clara County for context.



Silicon Valley Regional Interoperability Authority

DATE: March 31, 2021

TO: Bob Jonsen, City of Palo Alto Police Chief

FROM: Eric Nickel, SVRIA Executive Director

SUBJECT: **SVRIA and Encryption Background and Analysis**

EXECUTIVE SUMMARY

Since 2001, the City of Palo Alto (Palo Alto) has been a member of a countywide organization dedicated to facilitating interoperable voice and data communications for public safety and public service providers within Santa Clara County known as Silicon Valley Regional Interoperability Authority (SVRIA). Palo Alto joined SVRIA shortly after the September 11, 2001 terrorist attacks highlighted the need for shared, regional and interoperable radio communications between public safety officials from local, state and federal agencies.

SVRIA is comprised of the County of Santa Clara; the Cities of Campbell, Cupertino, Gilroy, Los Altos, Milpitas, Monte Sereno, Morgan Hill, Mountain View, Palo Alto, Santa Clara, San Jose, Saratoga, and Sunnyvale; the Town of Los Gatos; the South Santa Clara County Fire District; San Jose State University, Foothill/DeAnza College District, San Jose/Evergreen College District, West Valley/Mission College District; the Santa Clara Valley Water District, and the Valley Transportation Authority (VTA).

SVRIA operates the Silicon Valley Regional Communications System (SVRCS). In calendar year 2021, the SVRCS broadcast 23.5 million transmissions from 11,365 mobile and portable radios and authorized connections to 7,830 mutual aid operators representing federal, state and local public safety agencies through regional interoperable talkgroups.

In February 2010 and again in November 2016, Palo Alto agreed to and signed the Joint Powers Authority (JPA) agreement that established the SVRIA. Palo Alto contributed to the radio system design, selection of the primary vendor, and implementation of the radio network. Today, Palo Alto staff and a councilmember share in the overall policy establishment, decision-making and operations. The current SVRIA Executive Director served as the Palo Alto Fire Chief from November 2012 to January 2019.

Encryption was always planned for and specifically requested in the radio system design and Request for Proposal (RFP) issued in November 2011. On October 12, 2020, the California Department of Justice (DOJ) issued a memo that prohibited sharing of personally identifiable information (PII) over unsecured radio networks. The DOJ identified two methods to comply with the mandate, encrypt radio communications or establish policies to not communicate PII over open and unsecured radio channels.

SVRIA BACKGROUND

Legal Basis: The legal basis for SVRIA can be found in its JPA Agreement. As a result of the September 11, 2001 terrorist attacks, Palo Alto entered a Joint Funding Agreement for the purposes of joint contracting and purchasing powers to design and implement an interoperable communications, radio and data network. As the possibilities of regional and interoperable communication grew along with tens of millions of dollars in state and federal grant funding, on February 16, 2010, SVRIA officially formed, and Palo Alto agreed to and signed the JPA agreement. When the Valley Transit Authority (VTA) joined in November 2016, the Board and staff revised the JPA, and Palo Alto signed the restated agreement.

The goal of the JPA is to facilitate interoperable voice communications for the public safety and public service providers within Santa Clara County, allowing first responders, police, fire, emergency medical services, public works, utilities, and transportation officials to talk to one another on one platform during emergency incidents and non-emergency events.

The purpose of the Authority is to enhance and improve communications, data sharing and other technological systems, tools and processes for protection of the public and public safety and to facilitate related local and regional cooperative efforts.

Pursuant to Section 6509 of the Joint Exercise of Powers Act, the Authority has designated a general law city as the Member for determination of the restrictions upon the Authority in exercising the common powers under this Agreement and the City of Cupertino serves as the source of legal authority for SVRIA.

Article 3.5 of the JPA notes that unless expressly provided by the JPA Agreement, the Authority does not intend to subject itself to the internal policies or ordinances of any Member. The JPA follows all relevant laws, rules and mandates.

Board of Directors Representation: SVRIA is governed by an 11 member Board of Directors who represent the signatories of the JPA. The Board follows the Brown Act and meets bi-monthly to conduct business and establish policy. Its meeting schedule, agendas and approved minutes are available online at www.svria.org.

Palo Alto shares a Board of Directors seat with Mountain View and Los Altos. The Board seat is jointly held for a maximum of a three-year term by an appointed councilmember representing one of the three cities. The Mayors of each city with the assistance of the City Managers, collaborate to determine the Director and Alternate rotation. The table below lists the representation and attendance at Board meetings dating to January 2013.

Board Meeting Date	Director	Attendance
12/4/2013	Los Altos (Vice Chair)	Present
4/24/2014	Los Altos (Vice Chair)	Present
6/26/2014	Los Altos	Absent
10/23/2014	Los Altos (Vice Chair)	Present
1/22/2015	Los Altos (Vice Chair)	Present
3/26/2015	Los Altos (Board Chair)	Present
4/13/2015	Los Altos (Board Chair)	Present
5/8/2015	Los Altos (Board Chair)	Present

5/28/2015	Los Altos (Board Chair)	Present
9/27/2015	Los Altos (Board Chair)	Present
11/19/2015	Los Altos (Board Chair)	Present
12/9/2015	Los Altos (Board Chair)	Present
2/25/2016	Los Altos (Board Chair)	Present
3/24/2016	Los Altos	Absent
5/26/2016	Los Altos (Board Chair)	Present
9/22/2016	Vacant	
11/17/2016	Vacant	
1/26/2017	Vacant	
3/23/2017	Vacant	
5/25/2017	Vacant	
9/28/2017	Palo Alto	Absent
1/25/2018	Palo Alto	Absent
3/22/2018	Palo Alto	Absent
5/24/2018	Palo Alto	Absent
7/26/2018	Palo Alto	Absent
9/27/2018	Palo Alto	Absent
11/29/2018	Palo Alto	Absent
1/24/2019	Vacant	
3/28/2019	Los Altos	Present
5/23/2019	Los Altos	Present
9/26/2019	Los Altos	Present
1/23/2020	Los Altos	Present
3/26/2020	Los Altos	Present
6/3/2020	Los Altos	Present
9/24/2020	Los Altos	Present
10/22/2020	Los Altos	Present
11/19/2020	Los Altos	Present
1/28/2021	Los Altos	Present
3/25/2021	Los Altos (Palo Alto Alternate also present)	Present
5/27/2021	Los Altos (Palo Alto Alternate also present)	Present
7/22/2021	Los Altos (Palo Alto Alternate also present)	Present
9/23/2021	Los Altos (Palo Alto Alternate also present)	Present
11/18/2021	Los Altos (Palo Alto Alternate also present)	Present
1/27/2022	Palo Alto	Present
3/24/2022	Palo Alto	Present

It is important to note that the City of Mountain View was being represented through an appointment by the Santa Clara Cities Association which has a designated seat as required and established in the JPA.

When a councilmember who is appointed by the Cities Association is from a city that shares another Director seat, the shared Director seat must be filled by the other agencies.

In addition to setting policy for the JPA, the Board of Directors approves contracts and receives system updates from the Executive Director and staff. Encryption updates are shared regularly at the Board of Directors Meetings.

Radio System Procurement History: SVRIA undertook a lawful vendor solicitation, selection, and procurement process.

The RFP was derived from a document prepared in 2009 by the consulting firm BearingPoint which was revised by Federal Engineering as part of a regional RFP preparation effort undertaken by the Bay Area Urban Area Security Initiative (BA UASI). The revised RFP was further refined in 2011 by Forrest Telecom Engineering, consulting to SVRIA.

Radio encryption was specifically identified as a requirement from vendors in the RFP.

A 12 member RFP team was established, representing seven cities, the County and SVRIA. The team included staff from law enforcement, dispatch and communications. The Palo Alto Police Department's Technical Services Director was a key member of the RFP team.

The RFP was issued on November 4, 2011. Four vendors, Motorola, Harris, Cassidian and Tait, attended a pre-proposal conference on November 18, 2011. Subsequently, Tait withdrew from consideration and Cassidian later advised they would not submit a proposal.

Final presentations by the two proposers – Motorola and Harris – were made on March 26, 2012. Following those presentations, the RFP team utilized a consensus approach to proposal evaluation rather than a structured points-based approach. Both proposals were considered equally qualified, products were deemed satisfactory and neither proposer took any disqualifying exceptions to the RFP.

The vendor selection was based solely on economic factors. Through a combination of discounts and incentives, Motorola's proposal was approximately \$500,000 less than Harris' proposal. Both vendors were advised that Motorola was the selected vendor although contract award would be pending successful negotiations. The contract was awarded to Motorola in September 2012.

ENCRYPTION DISCUSSION

California DOJ mandate compliance: SVRIA does not set encryption policy for its member agencies. As noted in the legal basis section, the Authority will follow all relevant laws, rules and mandates, including DOJ encryption. Further, the Authority does not intend to subject itself to the internal policies or ordinances of any Member.

SVRIA's process for compliance is driven by maintaining regional interoperable radio communications. As stated in SVRIA's mission, regional interoperable radio and data communications is the reason for the Authority's existence. SVRIA exists to support the technical radio communication needs of its members. SVRIA's focus is to ensure that its technology works 24/7/365, and the radios and operators can communicate with one another.

SVRIA supported its law enforcement members in analyzing and reviewing the October 12, 2020, DOJ encryption memo. A subcommittee of staff representing JPA members collaborated on a written response to the State DOJ. The communication with the DOJ required a written plan and deadline to comply. Two letter templates were drafted for law enforcement agencies. One letter was for agencies already in compliance with the DOJ mandate, and a second, more detailed letter, was for those agencies not in compliance as of December 31, 2020. The templates were provided to the police chiefs and County Sheriff.

Currently, all Santa Clara County law enforcement agencies and SVRIA comply with the DOJ memo. All agencies except San Jose Evergreen College have achieved compliance through radio encryption. San Jose Evergreen College complies through policy but is expected to become encrypted by April 30, 2022.

The Authority is not willing to take one member's non-compliance liability. Legal analysis would need to determine if a hold harmless agreement could be an option. Specifically, as a condition of Palo Alto operating unencrypted on the SVRCS, they would take on the liability for the Authority. This is likely unacceptable to Palo Alto.

It is important to note that all encrypted talkgroups are recorded and logged. The recordings include all communications on the talkgroups including officers in the field and dispatchers. The records are kept by the individual agencies based upon their retention policies and are subject to Public Records Act requests.

Agency Encryption History: Encrypted talkgroups have been used by SVRIA law enforcement agencies since the system was deployed in 2015. In the last two and a half years, all law enforcement agencies in the SVRCS except for San Jose Evergreen College have transitioned their primary dispatch talkgroups to encryption. Six agencies representing the majority of the radios on the system, began encryption before the DOJ memo was released. Morgan Hill and Gilroy began operating on the SVRCS with encryption on their law primary talkgroup. The other agencies began with unencrypted law enforcement primary talkgroups, then transitioned to encrypted.

Agency	Date of Encryption on Law Primary Talkgroup
Morgan Hill Police	September 2019
San Jose Police	March 2020
Gilroy Police	May 2020
Campbell Police	May 2020
Los Gatos Police	June 2020
County Sheriff's Office	August 2020
California DOJ Encryption Memo	October 12, 2020
Sunnyvale Police	November 2020
Palo Alto Police	January 2021
Los Altos Police	March 2021
Mountain View Police	March 2021
Foothill/DeAnza College Police	March 2021
San Jose State University Police	March 2021
Santa Clara City Police	April 2021
Milpitas Police	July 2021
SVRIA Law Interoperability Talkgroups	August 2021

West Valley/Mission College Police	August 2021
San Jose Evergreen College	April 2022

Staff time and costs to program radios: Radios must be programmed when talkgroups and radios are changed from unencrypted to encrypted. This is costly as each radio takes an average of 30 minutes to reprogram. Approximately half of the 11,365 radios operated by SVRIA agencies are assigned to law enforcement agencies, the staff time alone to reprogram radios is nearly 3000 hours, or approximately one and a half full-time equivalent staff position. Additionally, reprogramming the radio system core and other operating systems would be a minimum of 400 hours. Staff costs are incurred by each agency as well as SVRIA.

There is a careful balance when agencies reprogram their radios as features of the system are inactive and inoperable. Thoughtful coordination between radio programming staff, dispatchers, field operations officials, adjoining agencies, and radio system operators (SVRIA and other regional systems in the Bay Area) must occur.

Encryption Technology and Operational implications: It is important to note that when an encrypted radio and an unencrypted radio are operating on the same talkgroup, all communication is unencrypted, even when the talkgroup is programmed for encryption.

SVRIA utilizes 256 bit Advanced Encryption Standard (AES). This is the industry standard and using this technology is required in order to receive state or federal radio and security grant funding.

In multi-agency incidents, the radios from all the responding agencies are joined, the technical term is patched, into a shared, regional interoperability talkgroup. The patch allows responders from all agencies to seamlessly communicate with one another. If the shared talkgroup is programmed to be encrypted, and an unencrypted radio or talkgroup is patched, the group of patched radios are now unencrypted and can be heard by a digital scanner. This exposes the JPA to non-compliance if PII is transmitted on the shared, regional interoperability talkgroup.

There are options to ensure all radios operating on the regional interoperable talkgroups are operating in compliance with the DOJ directive.

First, in order to ensure that all radios entering the shared interoperable talkgroup patch are encrypted, the responding units would need to switch their radio to an encrypted talkgroup and then be patched. The dispatcher or field officer could do this as they are responding to the multi-agency incident. This option unfortunately adds extra steps to the public safety staff entering dynamic emergency situations. Public safety dispatchers coordinate this shared regional response and patch.

SVRIA's goal is to minimize public safety officials from having to change talkgroups on their radios during critical incidents. It is unreasonable to expect already short-staffed and over-worked dispatcher centers to take on extra work to switch field radios from unencrypted to encrypted talkgroups, and then coordinate a patch into the encrypted interoperable talkgroup in an emerging and out-of-control incident.

A second option would be to exclude unencrypted radios from being patched into regional interoperable law enforcement talkgroups. As a matter of policy, SVRIA's Board could limit access to the encrypted regional interoperable talkgroups. Only radios that are programmed for encryption and can

be directly patched, without the intermediate channel change step, into the encrypted regional interoperable talkgroups would be allowed. Encrypted regional talkgroups would be removed from the agency's radios that are unencrypted. Unencrypted radios would not have any regional or interoperable law enforcement talkgroups, and the operators would have limited communication capabilities with other law enforcement officials outside their home agency. This eliminates almost all interoperability, impacts public and officer safety, and regresses to the pre-September 11, 2001 communication condition.

The inability to communicate has been identified in adverse outcomes and line of duty death incidents. Multi-agency communication is the primary reason for regional, interoperable radio systems. I have personal experience of a firefighter line of duty death (Cedar Fire, San Diego County, October 29, 2003) that was partially attributed to the fire crews not knowing they needed to change talkgroups on their radios. The crew missed repeated radio warnings of the wildfire blowing up beneath them. The crew was burnt over and one of my colleagues was killed.

Palo Alto could also lose most interoperable communication access to law enforcement mutual aid radios authorized to operate on the encrypted regional interoperability talkgroups. These mutual aid partners include California Highway Patrol (CHP), California Governor's Office of Emergency Services (CalOES), Federal Bureau of Investigations (FBI), Bureau of Alcohol, Tobacco and Firearms (ATF), United States Marshal's Service, Internal Revenue Service – Criminal Investigations, NASA/Ames Protective Services, and Bay Area Counties regional communications networks including San Mateo and the East Bay systems.

No single agency in Santa Clara County is able to stand alone and handle all of their incidents without mutual aid. Every day across the county, public safety personnel move across local government boundaries to assist neighboring agencies. The lack of cohesion and communication between the unencrypted and encrypted agencies will lead to adverse outcomes, in particular for the agency that is unencrypted and lacks the full functionality of a regional interoperable radio system.

Encryption and Stanford Department of Public Safety (DPS): The Santa Clara County Sheriff provides oversight and operational authority to Stanford DPS through direct supervision of the assigned Captain. The Sheriff's Captain acts at the direction of the Sheriff in policy matters. Palo Alto provides dispatching and communications services to Stanford DPS through a service contract.

If Palo Alto were to transition to an unencrypted primary and the Sheriff required encrypted communications, it sets up a demanding situation for dispatchers, field personnel, and contact compliance.

Operational difficulties include separate dispatch talkgroups, one encrypted, one unencrypted, dispatchers having to move between encrypted and unencrypted talkgroups, officers being on the wrong talkgroup or unable to communicate with one another, and Stanford DPS having access to the encrypted regional interoperable talkgroups and Palo Alto Police not having access.

Contract compliance and administrative challenges include providing enhanced services due to the additional workload of encrypted/unencrypted, documenting communication compliance, and modifying the service contract with Stanford University due to the added workload and costs.

Schedule of Meetings

Published March 24, 2022

This is a courtesy notice only. Meeting dates, times, and locations are subject to change. Almost all Palo Alto Council and some Standing Committee meetings are cablecast live on Channel 26. If there happens to be concurrent meetings, one meeting will be broadcast on Channel 29.

Meetings are held in-person and by virtual teleconference.

MONDAY, MARCH 28

Sp. Finance Committee Meeting, 5:30 p.m.

WEDNESDAY, MARCH 30

Planning & Transportation Commission Meeting, 6:00 p.m.

MONDAY, APRIL 4

Sp. City Council Meeting, 5:00 p.m.

WEDNESDAY, APRIL 6

Sp. Utilities Advisory Commission, 6:00 p.m.

THURSDAY, April 7

Architectural Review Board Meeting, 8:30 a.m.

SATURDAY, April 9

Sp. State of the City, 11:00 a.m. (Mitchell Park Community Center)

MONDAY, April 11

Sp. City Council Meeting, 5:00 p.m.

TUESDAY, April 12

Policy & Services Committee Meeting, 7:00 p.m.

WEDNESDAY, April 13

Planning & Transportation Commission Meeting, 6:00 p.m.

THURSDAY, April 14

Historic Resources Board Meeting, 8:30 a.m.

THURSDAY, April 14

Human Relations Commission Meeting, 6:00 p.m.

MONDAY, April 18

Sp. City Council Meeting, 5:00 p.m.

TUESDAY, April 19

Sp. Finance Committee Meeting, 5:30 p.m.

Thursday, April 21

Architectural Review Board Meeting, 8:30 a.m.