

Regular Meeting
April 13, 2004

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ADJOURNMENT: Meeting adjourned at 8:30 p.m.....9

Chairperson Kishimoto called the meeting to order at 7:00 p.m. in the Council Conference Room, 250 Hamilton Avenue, Palo Alto, California.

PRESENT: Burch, Cordell, Kishimoto, Beecham (for Morton)

1. Oral Communications

None.

MOTION: Vice Mayor Burch moved, Beecham seconded, to move Agenda Item No. 3 ahead of No. 2.

MOTION PASSED: 4-0.

2. At-Will Status for New Department Head

City Manager Frank Benest reported the Council Appointed Officers (CAOs) served at the will of the Council. Staff proposed new executive staff members be employed "at will." At the current time, department heads were only terminated for cause. Palo Alto had not terminated a department head during the prior ten years. The prevailing practice in local government was to have an at-will system for the top echelon of executive staff. The department heads appointed after a certain date would be at-will employees and serve at the will of the City Manager. The proposed action promoted a more performance based environment. In exchange for having no merit rule protection, employees were provided a severance as part of the employment agreement.

Council Member Cordell said she was an at-will employee at Stanford University and asked what precipitated the request for the change.

Director of Human Resources Leslie Loomis said when she was hired she was surprised to find out she was not an at-will employee. The industry practice was for at-will employees.

Council Member Cordell clarified current department heads were able to become at will.

Mr. Benest said he did not anticipate many department heads wanting to change; however, the option to change existed.

Council Member Cordell clarified there was no severance for employees not at will.

Mr. Benest said that was correct. At the current time, there was no guarantee of a severance.

Council Member Cordell clarified the severance was a minimum of four months.

Mr. Benest said that was correct. People took risks when changing jobs and, because Palo Alto was an expensive area to live in, adding a minimal severance minimized the risk.

Mayor Beecham said when Mr. Benest was hired, the Council began to do at-will with severance for CAOs. A clear mechanism was provided for resolving disagreements.

Mr. Benest said the "at-will with severance" was a civilized way to terminate an arrangement.

Council Member Cordell asked whether an employee had to be employed for a specific period of time before the severance became effective.

Mr. Benest said there was no time period. After an employee worked for three or four years, the risk decreased.

Chairperson Kishimoto referred to page 3 of the Sample At-Will Employment Agreement and asked about the Optional Relocation Benefits.

Mr. Benest said when relocation benefits were negotiated, the employee had to stay employed for a certain amount of time or the employee had to pay back a portion of the benefit.

Chairperson Kishimoto clarified the prevailing practice was four to six months termination.

Mr. Benest said he believed that top tier and second tier government department heads were "at-will with severance." The standard was a minimum of three or four months of severance. The severance increased to six or nine months with more time.

Chairperson Kishimoto clarified the employment contracts did not necessarily go to the Council.

Mr. Benest said the Council negotiated contracts with CAOs. The City Manager negotiated contracts with department heads. The contract might go to the Council for approval if a housing loan were included.

Ms. Loomis said the City Manager had the authority to approve basic relocation packages as stipulated in the Management Compensation Plan, which was approved each year in July.

MOTION: Mayor Beecham moved, seconded by Burch, that the Policy and Services Committee recommend to the City Council that the City adopt a new policy under which all Department Heads hired after July 1, 2004, will be "at will" employees whose terms of employment are specified by an employment contract.

MOTION PASSED 4-0.

Assistant to the City Manager Chris Mogensen said the item would be placed on Consent.

3. Comprehensive Local Generation Alternatives Feasibility Study

Director of Utilities John Ulrich said the request was to have the Council understand the importance of studying a Long-Term Electric Acquisition Plan (LEAP), and the exploration of the feasibility of constructing an electric generation facility in or near Palo Alto.

Assistant Director of Utilities Girish Balachandran provided a slide presentation outlining the diversified electric supply portfolio. A feasibility study was needed, which required a community decision. The public and Council needed to be educated early in the process. The feasibility study would be conducted in two phases. At the end of Phase 1, staff would return to the Council with certain recommendations. Phase 2 would begin depending on findings from Phase 1.

Council Member Cordell clarified specific sites were not considered in Phase 1.

Mr. Balachandran said sites were considered in a broad manner. The public would be educated and asked for concerns. Each concern would be addressed and presented to the Council. A high level technical analysis would be done to locate possible sites in Palo Alto. At the end of Phase 2, the Council would be presented with siting criteria with input from the public. Staff would talk to Stanford University and private companies, and look at city-owned sites.

Chairperson Kishimoto asked whether staff would go to the public with a map of where current high voltage transmission lines existed and where high-pressure gas pipes were located.

Mr. Balachandran said Phase 1 and Phase 2 had many of the same elements in terms of looking at sites and addressing concerns. Staff continued to look at other activities, including renewable investments and energy efficiency. Staff looked forward to moving ahead on May 10, 2004, based on Council approval.

Mr. Ulrich said coming to cursory conclusions about the sites was inappropriate until staff considered all the issues.

Council Member Cordell clarified the cost of the study was \$300,000 to \$500,000.

Mr. Balachandran said that was correct. The money came from utility ratepayers.

Council Member Cordell said there was no way the City would spend \$300,000 to \$500,000 for a study unless the City was sure there were available sites.

Mr. Ulrich said staff wanted to bring as much information to the Council as possible and set an outside cost of the project. Siting a power plant was not a low cost, trivial matter and became expensive when moving into the actual siting.

Chairperson Kishimoto said one choice was to only approve Phase 1.

Mr. Ulrich said a reliable energy resource was important to the City, and staff would spend money and time communicating with the public.

Emily Renzel, 1056 Forest Avenue, said when she was on the Council, the City provided a differential rate to the industrial and commercial customers to encourage them to use up the Western Area Power Administration (WAPA) contract. The concept of a self-generating power station was not objectionable but it should not be in the Baylands.

Chairperson Kishimoto clarified the Council could recommend authorizing Phase 1 only.

Mr. Ulrich said staff's recommendation was to approve both phases. Staff would return to the Council at the end of Phase 1.

Chairperson Kishimoto asked about supply and demand in the County.

Mr. Ulrich said the WAPA contract was divided into two major components and the "firming" component was going away. During a dry year, there was not as much hydro. The rest of the contract made up for the difference. The City was successful in renewing a contract for the hydro portion for 20 years. When water was not

available, the amount of power from WAPA was affected as well as the amount of power from the City's owned power plant.

Utilities Advisory Commissioner (UAC) Dr. Elizabeth Dahlen said the UAC worked with the Utilities Department and received updates on activities. The Utilities Department moved forward with great caution, concern for public interest, and for environmental benefits. The intent was to make sure the information was communicated to the public, and the public's input and thoughts were relayed back to the Utility Department.

Chairperson Kishimoto said it was helpful getting information to the public early in the process.

Mr. Balachandran said the first step was to collect content and put the information on the web in an understandable manner.

Chairperson Kishimoto clarified the information to the public included impacts.

Mr. Balachandran said the public would receive all the staff's publicly available information. Staff did not know the specific impacts to Palo Alto until there was a project, which was at the end of Phase 2.

Council Member Cordell asked whether staff was able to separate the costs between Phase 1 and Phase 2.

Mr. Ulrich referred to page 5 of the staff report (CMR:206:04), which specified, "The work will be conducted utilizing a combination of staff and industry expert professionals. The proposed high-level plan is indicated in the chart below. Estimated cost for Phase 1 is \$100,000-\$150,000, and for Phase 2 \$200,000-\$350,000."

Council Member Cordell was concerned about the fact that part of Phase 1 was Phase 2.

Mr. Balachandran said there were areas that overlapped at 10,000-foot and 5,000-foot levels.

Dr. Dahlen said the high level and low level emphasized the cautious approach taken by the Utilities Department.

MOTION: Vice Mayor Burch moved, seconded by Beecham, that the Policy and Services Committee recommends to the City Council to direct the Utilities Department to undertake a comprehensive study, as part of the Long-Term Electric

Acquisition Plan, and to explore the feasibility of constructing electric generation facilities capable of serving a portion of Palo Alto's total electric load. The proposed study includes (1) developing the parameters that would be required for feasible sites, (2) evaluating the technical, economic, and environmental feasibility of and community support for such facilities, (3) identifying and contrasting potential Palo Alto power generation sites with other alternatives and outside of Palo Alto, and (4) reporting findings and recommendations to UAC and Council.

Vice Mayor Burch wanted it made clear the Council would look at alternative energy sources.

Mayor Beecham said the LEAP had a number of strategies. The City had a good supply of hydro, which decreased with the WAPA contract. There were no emissions from hydro. The City needed look at ways to minimize risk. Transmission was the cost of getting power from the power plant into the Bay Area and costs were increasing. The costs were regulated by the State, and transmission lines were owned by Pacific Gas and Electric (PG&E). The City had no control over what it paid for future transmission. There were benefits with building a modern power plant. Modern power plants were more efficient and used natural gas. An older plant was less efficient, used more gas, and had worse emissions. The City had to buy emissions credit for anything built in the Bay Area. A diligent search and assessment should be done to find out whether or not it was possible to build the plant in the area.

Chairperson Kishimoto suggested amendments stating the Council would set parameters regarding possible locations to ensure there would be no loss in dedicated parklands.

AMENDMENT: Council Member Kishimoto moved, seconded by Cordell, that dedicated parkland was not to be used for electric power generation facilities.

Mayor Beecham said there were no parameters but rather to go out and look at issues and answer questions. No loss of dedicated parkland would be part of the confirmation.

Chairperson Kishimoto said if the Council felt strongly about not losing dedicated parklands that would be indicated up front.

Mr. Balachandran said at the end of Phase 1, a list of criteria would be developed from the public feedback. A recommendation would be brought to the Council prior to going ahead with Phase 2.

Council Member Cordell said if the Council took a position to do the study, the Council could look for sites but would not consider dedicated parkland.

Mayor Beecham said Phase 1 came back with parameters that would be used to evaluate sites, which was part of the Phase 2 development. The Finance Committee's intent was to have a parameter that it is not located in parkland.

Council Member Cordell said there would be a higher public buy-in if residents knew the City would not lose dedicated parkland.

Mayor Beecham suggested saying the Council's policy was that dedicated parkland was off the table.

AMENDMENT PASSED 4-0.

Chairperson Kishimoto said Council Member Mossar made a suggestion at the prior evening's Council Meeting regarding a matrix of competing city demand for land and available sites. The City would also look for sites for composting, police buildings, and other requirements in the City.

Vice Mayor Burch suggested the analysis could be asked for as a parallel to the current project.

Mr. Ulrich suggested looking at city properties. During the evaluation, the sites would be brought back to the Council.

Mayor Beecham said preparing an inventory of sites was difficult because the uses and requirements were not known in advance.

Chairperson Kishimoto suggested asking staff for an analysis and to keep in mind competing uses and return to the Finance Committee with a clear matrix that showed costs and benefits.

Mayor Beecham said Phase 2 could not go forward without returning to the Council.

Mr. Balachandran said if staff issued a Request for Proposals (RFP) for outside services, the scope of work might cover Phase 1 and Phase 2. However, Phase 2 was contingent on Council approval. The Council would receive progress reports prior to the end of Phase 1.

MOTION PASSED 4-0.

Assistant to the City Manager Chris Mogensen said the matter would not go on the Consent Calendar.

4. Discussion for Future Meeting Schedules and Agendas

Assistant to the City Manager Chris Mogensen said the next scheduled meeting was May 11; however, due to a conflict, alternate dates of Wednesday, May 5 and Thursday, May 6, 2004, were considered.

Council Member Cordell was unable to attend a meeting on Thursday, May 6, 2004.

Vice Mayor Burch said he was unable to attend a meeting on Wednesday, May 5, 2004.

Mr. Mogensen said the meeting would be held on Wednesday, May 19, 2004.

ADJOURNMENT: Meeting adjourned at 8:30 p.m.

NOTE: Sense minutes (synopsis) are prepared in accordance with Palo Alto Municipal Code Sections 2.04.180(a) and (b). The City Council and Standing Committee meeting tapes are made solely for the purpose of facilitating the preparation of the minutes of the meetings. City Council and Standing Committee meeting tapes are recycled 90 days from the date of the meeting. The tapes are available for members of the public to listen to during regular office hours.