

**From:** [Rice, Danille](#)  
**To:** [Council, City](#); [Council Agenda Email](#)  
**Cc:** [Executive Leadership Team](#); [Boyd, Holly](#); [ORG - Clerk's Office](#)  
**Subject:** Council Consent Agenda Questions for September 27: Items 5 and 8  
**Date:** Friday, September 24, 2021 2:04:24 PM  
**Attachments:** [image002.png](#)  
[image004.png](#)  
[image005.png](#)  
[image007.png](#)  
[image008.png](#)

---



### Council Question Response

Dear Mayor and Council Members:

On behalf of City Manager Ed Shikada, please find below the staff responses an inquiry made by Councilmember Tanaka in regard to the Monday, September 27 Council Meeting consent agenda. Staff responses are below.

- **Item 5: Approval of Construction Contract Number C22182320 with Golden Bay Construction, Inc. in the Amount of \$1,250,923, and Authorization for the City Manager to Negotiate and Execute Change Orders Up to a Not-to-Exceed Amount of \$125,093, for the Storm Drainage System Replacement and Rehabilitation Project, Capital Improvement Program Project SD-06101**
- **Item 8: Finance Committee Recommends Adoption of a Resolution Approving an Agreement for the Purchase and Sale of Verified Emission Reductions With the Integrative Organization of Oaxaca Indigenous and Agricultural Communities to Purchase 24,000 Tons CO2e for a Total Purchase Price of \$228,000**

**Item 5: Approval of Construction Contract Number C22182320 with Golden Bay Construction, Inc. in the Amount of \$1,250,923, and Authorization for the City Manager to Negotiate and Execute Change Orders Up to a Not-to-Exceed Amount of \$125,093, for the Storm Drainage System Replacement and Rehabilitation Project, Capital Improvement Program Project SD-06101**

1. **When the staff report mentions that ‘additional public outreach’ will be completed during construction, what sort of communication or community outreach efforts does that refer to in particular?**

The City will publish NextDoor updates that will include a link to the webpage for the project. The webpage will be updated with relevant information throughout the construction duration.

2. **What characteristics of Golden Bay Construction, Inc. in particular led to their selection for this contract, aside from their status as the lowest responsible bidder?**

The California Public Contract Code requires that the contract be awarded to the lowest responsible bidder. The bid review process first identifies the lowest bid and includes a review of the bid documents, including bid tabulations, subcontractor listings, bid bond, and Department of Industrial Relations registration, to verify that

the bid is responsive. If the low bid is determined to be responsive, staff verifies the status of the contractor's license and previous work history to determine that the contractor is also a responsible bidder.

**What is the expected disruption to public life that would result from the construction project, namely the removal and replacement of sidewalks and curbs?**

The storm drain pipe replacement locations in the project will require curb and sidewalk replacements required at five locations. Pedestrian traffic will need to be detoured while those areas are under construction. Additionally, traffic control will be provided for partial lane closures necessary to perform construction activities, while maintaining access for pedestrians, bicyclists, and vehicles.

**Item 8: Finance Committee Recommends Adoption of a Resolution Approving an Agreement for the Purchase and Sale of Verified Emission Reductions With the Integrative Organization of Oaxaca Indigenous and Agricultural Communities to Purchase 24,000 Tons CO<sub>2</sub>e for a Total Purchase Price of \$228,000**

- 1. California has established a strict principle of buyer liability ([ICAP Status Report](#)). The state may invalidate an offset credit that is later determined to have not met the requirements of an offset protocol because of double counting, over-issuance, or regulatory non-conformance. Given the differences between the U.S. Forestry protocol and the Mexican Forestry protocol, is there any possible risk/liability on our part during the Oaxaca transaction?**

The risk of invalidation is similar to the risk of the US Forestry offsets the City purchases. The Mexican Forestry offsets are verified, issued, and retired in a similar manner to the US Forestry offsets. These offsets will be tracked by the Climate Action Reserve, one of the same registries that tracks US offsets purchased by the City.

- 2. According to AB 398, starting with 2021 compliance obligations, no more than one half of any entity's offset usage limit can come from offsets that do not provide direct environmental benefits in the state of California (DEBS). Oaxaca obviously falls out of this category. Plus, offset in the U.S. is cheaper (\$35,000 cheaper in 2021). Does it not make more sense to purchase more offset from WITHIN California to not only satisfy the requirement, but also help disadvantaged communities, Native American or tribal lands, and rural and agricultural regions in California?**

This specific requirement of the state's cap and trade program does not apply to the City's Carbon Neutral Gas Plan. The DEBS requirement for cap and trade compliance, however, has a broad definition, and many out-of-state projects can demonstrate direct environmental benefits in California in a variety of ways. As for California offsets, very few offsets generated in California are available for purchase and those that are command a premium. When staff reviewed and updated the Carbon Neutral Gas Plan in fall 2020, the UAC and Council rejected paying any premium for in-state offsets. The UAC and the Finance Committee supported the additional cost of these offsets given the desire to invest in the relationship with the City's sister city of Oaxaca as well as

the co-benefits identified in the staff report.

- 3. As you know, Mexico is starting its own PILOT PROGRAM on Emission Trading System starting in January 2020 ([ICAP Status Report](#)). The Mexican government is also expected to establish a domestic offset program. How will this (the possible increasing demand of offset in Mexico) affect the price of carbon price in the future with Oaxaca?**

One major driver of current price trends is an increasing demand in offset projects as a result of greater investment focus on Environmental, Social, and Governance (ESG) criteria. Broadly speaking, we are expecting higher prices for offsets domestically and from Oaxaca. If market prices exceed the Council-approved maximum price of \$19 per ton, staff will return to Council with a recommended action either to raise the price cap or modify the Carbon Neutral Gas Plan.

- 4. The share of offsets that can be used to fulfill the compliance obligation is decreasing from 8% to 4% per year for 2021–2025 emissions, meaning that the city will not be able to use offset as extensively as before. Has the staff looked into alternative ways to fulfill the compliance obligations?**

The Carbon Neutral Gas Plan is a voluntary program separate from the City's cap and trade obligations, so the compliance obligation regulations do not impact the proposed agreement. As for cap and trade, the City does not purchase any offsets for compliance, so the decreasing offsets limits have no impact.

Thank you.

**Danille Rice**

Executive Assistant to the City Manager

(650) 329-2105 | [danille.rice@cityofpaloalto.org](mailto:danille.rice@cityofpaloalto.org)

[www.cityofpaloalto.org](http://www.cityofpaloalto.org)

