



Dear Mayor and Council Members:

On behalf of City Manager Ed Shikada, please find below the staff responses to questions made by Councilmember Tanaka and Councilmember Dubois regarding the [Monday, January 24 Council Meeting](#) consent agenda items:

Item 3, Approval of General Services Contract with Denali Water Solutions, LLC for Sludge Hauling Services in an Amount Not to Exceed \$2,427,084 for a 3- Year Term ending March 30, 2025, from the Wastewater Treatment Enterprise Fund

Item 4, Review and Acceptance of Annual Status Report on Development Impact Fees for Fiscal Year 2021

Item 5, Acceptance of the Macias Gini & O’Connell Audit of the City of Palo Alto’s Financial Statements as of June 30, 2021 and the Management Letter; Approval of the FY 2021 Annual Comprehensive Financial Report (ACFR); and Amendments to the FY 2021 Budget in Various Funds

Item 7, Adoption of a Resolution Scheduling the City Council Summer Break and Winter Closure for 2022

Item 12, Public Hearing: Adoption of Ordinance Clarifying Ambiguities in Height Transitions and Amending the Setback for the RM-40 Zone District

Staff responses are below:

Item 3, Approval of General Services Contract with Denali Water Solutions, LLC for Sludge Hauling Services in an Amount Not to Exceed \$2,427,084 for a 3- Year Term ending March 30, 2025, from the Wastewater Treatment Enterprise Fund

1. **Why were the two onsite sewage sludge incinerators at the RWQCP retired in 2019? Was it for environmental reasons? Has the City instead considered burning sludge to generate power?**
Answer: For more info, see [Staff Report 8913](#), referenced in the staff report. Council approved retiring the City’s two sewage sludge incinerators (Staff Report ID#8487) as a key to reducing carbon dioxide emissions by over 12,000 metric tons annually. To fully retire the sludge incinerators, construction of the sludge dewatering and truck loadout facility was completed and contracts for hauling and treatment of resultant sludge established. The 47-year old incinerators had reduced reliability and had far surpassed their useful life. Newer technologies to burn sludge (or pyrolyze via gasification) were considered as part of previous organics facilities planning efforts and the biosolids facilities plan but these options were not considered the best option. For more information on biosolids planning, see the links under [Long-Term Biosolids Handling Options](#) in the current staff report.

2. **What/who determines the price of wet tons of sludge hauled to the Synagro treatment facility? How much farther (in miles) is Synagro than Lystek?**

Answer: The price of hauling sludge to the Synagro treatment facility was determined by the bidder, Denali Water. Denali Water is an established business that understands the components of their bid price, which would primarily be hiring truck drivers, diesel fuel, truck and trailer capital and repair expenses, management costs, administrative costs, insurance, permits, safety programs, and so forth. Synagro is 114 miles from the RWQCP, and Lystek is 82 miles from the RWQCP; Synagro is 32 miles further than Lystek.

3. **How does this compare to the difference in carrying costs between the two?**

Answer: Toll fees, treatment facility operating hours, traffic, driving distance, and driver time for other work within DOT prescribed maximum driving times within a given day are all factors reflected in the bid price for hauling costs to the two facilities.

4. **What was the total cost of the previous/current contract with Denali? How does the total cost increase compare to the current market conditions listed by Denali (inflation, higher diesel prices, and higher prices for truck drivers) for price increase per individual wet ton of sludge? The individual prices have increased around 13 to 15%—2 to 3 times the inflation rate.**

Answer: The previous Denali contract was for a not to exceed amount of \$2,181,000. The unit price is more relevant in this case and a comparison between total costs is not practical because it is based on different assumptions of total tons (listed in the two solicitations) to be hauled per contract year. The increase in unit price seems reasonable given the inflation in recent years and during the original three-year contract, especially as it relates to the shortage of truck drivers during the pandemic and in current market conditions.

5. **Palo Alto is currently receiving 35% of the RWQCP's sludge treatment services for six areas (Palo Alto, Los Altos, Los Altos Hills, Mountain View, Stanford, East Palo Alto). How does that compare to the amount Palo Alto is paying?**

Answer: Palo Alto pays its proportionate share of the expenses of sludge hauling from Palo Alto. The actual share of proportionate share between the six agencies is determined each fiscal year. The 35% share for Palo Alto listed in the staff report is "approximate." The operating share is not fixed and is not perfectly predictable in advance as it is modified at the end of each fiscal year. Debt financed capital costs are repaid at a fixed share and should not be confused with operating costs; the expense for sludge hauling is an operating expense. For example, if Palo Alto receives 37% of the sludge in FY2023, it will be billed 37% for the sludge hauling services. If the amount of sludge received from Palo Alto changes the next fiscal year, the bill share will be adjusted in proportionate fashion.

Item 4, Review and Acceptance of Annual Status Report on Development Impact Fees for Fiscal Year 2021

1. **Can Council reinstate the SRP El Camino Fund and the San Antonio West/Bayshore fund to fund bike / ped improvements which may also improve the intersections in question? For example, would funding for bike path from El Camino to Hanover along the edge of Stanford Research Park qualify as it would increase bike flow along bike trails serving the research park?**

Answer: The funds and associated fees were established in 1989. Due to the age of the original funds' establishment, staff would need more time to research the studies and or other information that led to the funds' creation in 1989. The funds were established for improvements at specific, identified intersections (8 specific intersections for the SRP and 4 identified

intersections for the West Bayshore). To reinstate a similar fund, Council would need to direct staff to conduct a nexus study and identify specific improvements supported by the fund. This would be a significant project requiring budget allocation. It is possible, pending further research by staff and appropriate studies, that such funds could be re-established or new funds established for bike paths or other bike improvements.

Item 5, Acceptance of the Macias Gini & O’Connell Audit of the City of Palo Alto’s Financial Statements as of June 30, 2021 and the Management Letter; Approval of the FY 2021 Annual Comprehensive Financial Report (ACFR); and Amendments to the FY 2021 Budget in Various Funds

- 1. In packet page 55-56, it states that “business activities revenue decreased \$15.4 million [...] as a result of continued limited business operations and closures”. What are some possible solutions that you have to keep businesses operating to increase revenue through taxes and other means?**

Answer: Focused Business Support is part of the City’s Community and Economic Recovery, adopted by Council on March 22, 2021. Monthly community check-in meetings are held to hear from the community and possible ways the City can support businesses during this time through program such as Uplift Local. An Informational item is included in the packet for January 31st with status updates and progress.

- 2. As more and more online stores are outperforming physical locations due to convenience and to a large extent the COVID-19 Pandemic, what are some alternative options to offset the drop in City revenue from sales tax?**

Answer: Focused Business Support is part of the City’s Community and Economic Recovery, adopted by Council on March 22, 2021. Monthly community check-in meetings are held to hear from the community and possible ways the City can support businesses during this time through program such as Uplift Local. An Informational item is included in the packet for January 31st with status updates and progress.

- 3. How do we encourage more physical retail locations and increase foot traffic in our stores?**

Answer: Focused Business Support is part of the City’s Community and Economic Recovery, adopted by Council on March 22, 2021. Monthly community check-in meetings are held to hear from the community and possible ways the City can support businesses during this time through program such as Uplift Local. An Informational item is included in the packet for January 31st with status updates and progress.

- 4. As Palo Alto’s revenue continues to decrease, what are some options available to the City in order to attract more big box retailers such as Costco and Walmart to boost our tax revenue?**

Answer: An update of the City’s economic development function was discussed with Council on September 13, 2021 that lays out priorities for the City’s economic development strategy, this work remains underway as guided by the Council through both request for consulting services and new staffing resources as added in October 2021.

- 5. How much are we able to increase the tax rate before it becomes too burdensome for the residents? How many residents were unable to pay their taxes on time?**

Answer: The City does not have data on whether or not residents are able to timely pay their

federal/state taxes. This is not a skillset within in existing resources and would require a consultant that specializes in the area of taxation and the economy to conduct such a study.

Item 7, Adoption of a Resolution Scheduling the City Council Summer Break and Winter Closure for 2022

1. **Council break from Dec 21, 2022 through Jan 8, 2023 appears to be an extra week off from this year and means the new council would lose a full week in January. Why the additional time off?**

Answer: Staff followed past practice in establishing these dates for Council consideration. Typically, the Council Winter Holiday is to end just prior to the first meeting of January. January 1, 2023 falls on a Sunday, and the observed day for that holiday is Monday January 2nd. That would make the first Council Meeting of the year on January 9, 2023.

Item 12, Public Hearing: Adoption of Ordinance Clarifying Ambiguities in Height Transitions and Amending the Setback for the RM-40 Zone District

1. **The Subjective standards included rules for height transition based on context and massing. The new subjective proposal doesn't appear to mention this at all. Under the objective standards, how is context considered in terms of regulating the height of a proposed project compared to neighboring buildings?**

Answer: As noted in Table 1, the 1/24 report responds to only a portion of the Council's 11/8/21 Motion item G, regarding height transitions. Namely, resolving ambiguous language in the development standard tables that require reduced height limits when within 50 or 150 feet or an abutting lower density residential district. Within the next few months, staff will return with a recommendation on the second part of this motion item regarding contextual height transitions in the next few months (e.g., "No part of the building can be more than X' higher than the lowest adjacent building, up to the applicable height limit".) As mentioned at the 11/8 meeting, staff recommends that the ARB advise on this topic, which they will begin to take up this week at their 1/20 meeting.

Thank you,
Joanna



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ALTO**

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